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**21 Banks Consortium and
the Race to Build a Bank-Backed
Stablecoin Network**

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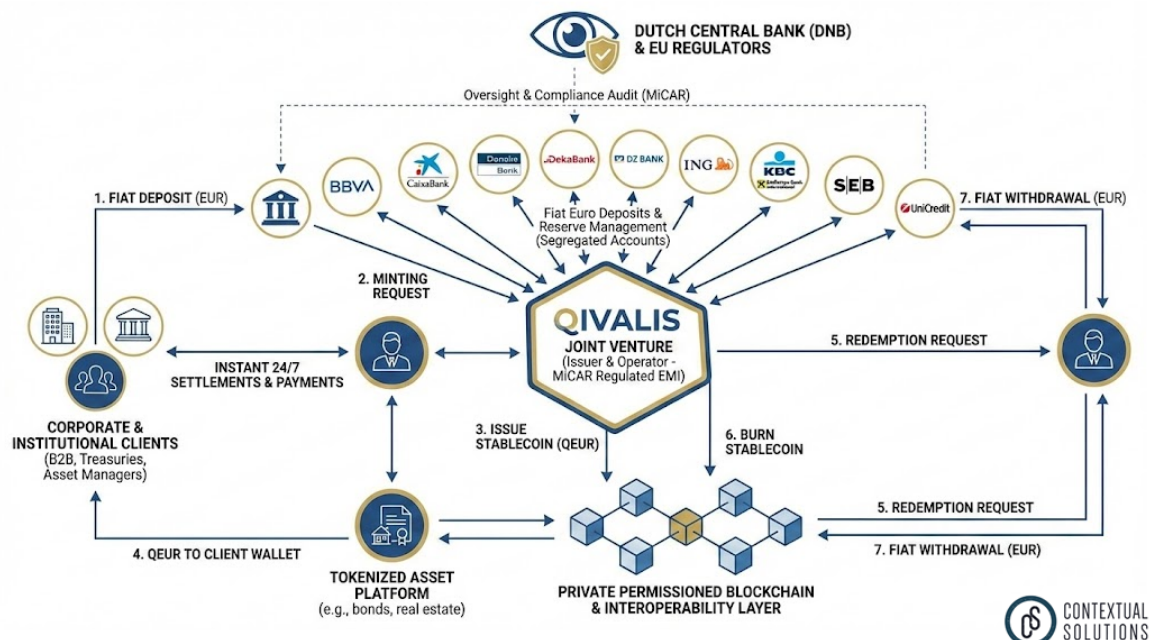
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Executive Summary

- ✦ 21 global banks have announced plans to establish a new stablecoin company initially focusing on USD denomination, with potential expansion into G7 currencies and use cases spanning institutional finance, cross-border payments and digital-asset settlement.
- ✦ Existing stablecoins benefit from established distribution, liquidity and integration across digital-asset markets. These networks effects may make it difficult for new bank-backed stablecoins to attract comparable adoption.
- ✦ Banks bring potential advantages through their corporate relationships, regulatory infrastructure and established networks. However, these institutional relationships do not automatically translate into stablecoin usage.
- ✦ The consortium's success will depend on more than joint issuance. Redemption arrangements, liquidity, blockchain accessibility, technical integration, governance and user access will influence whether it can develop a functioning network.
- ✦ The key question is who will control the infrastructure connecting digital money, settlement systems and financial applications. Bank-backed stablecoins may initially target institutional use cases, but their broader impact will depend on adoption, interoperability and the ability to compete within an already established ecosystem.

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Key Picture: Reference Model: Operational Architecture of a Bank-Backed Stablecoin Consortium (Qivalis)



Source: [Contextual Solutions](#)

1. Banking Consortium to Build a Stablecoin Venture

On 1 September, a consortium of 21 banks announced their plans to establish a stablecoin venture for the issuance of a USD denominated stablecoin, with a target launch in H1 2027.¹ The consortium includes some of the world's largest banks like Bank of America, Deutsche Bank, Goldman Sachs, Citi, UBS, Santander, and Wells Fargo along with asset management firms Wisdom Tree and Fidelity Investment and Sirius International Holding, a technology holding company.² An expansion of an earlier disclosed initiative from October 2025, where 10 international banks announced joint exploration of a 1:1 reserve-backed digital money available on public blockchains focusing on G7 currencies, the current announcement includes 8 of those original participants. Bank of America, Citi, Santander, Goldman Sachs, Deutsche Bank, TD Bank Group, UBS and MUFG are listed in the 2026 group while BNP Paribas and Barclays who were participants in the original exploration are no longer listed.^{3 4}

The 2026 announcement demonstrates some development beyond the 2025 announcement which only used exploratory language. This latest announcement demonstrates a commitment to establish a new company with the Boston Consulting Group (BSG) advising on business strategy and Brunswick Group conducting media relations, however, the consortium is also yet to disclose the composition of the reserves backing the proposed stablecoin beyond describing the broader initiative as reserve-backed, nor has it specified the final issuance and redemption mechanics, ownership structure, or governance. Furthermore, the October 2025 announcement has explicitly referred to availability on public blockchains,⁵ but the September 2026 announcement does not identify which blockchain or blockchains the new stablecoins will use.⁶

With initial denomination in USD, the proposed stablecoin is described as a solution for wholesale, institutional and retail markets with the consortium specifically identifying cross-border payments and digital-asset settlement among potential use cases. The announcement also sheds light on the long-term ambitions of the initiative given that it aims to be compliant with the US GENIUS Act and the EU Markets in Crypto-Assets Regulation (MiCA) and identifies a euro-denominated stablecoin as the next priority, followed by an ambition to expand into additional G7 currencies. Hence, the initiative is placed within a wider momentum among international banks to develop bank-led digital-money infrastructure.

2. Traditional Banks as Direct Issuers of Digital Money

The Bank for International Settlements (BIS) had earlier noted stablecoins' concentration limited to the crypto ecosystem. While the BIS defined scenario of "niche adoption" represents a baseline, it also outlined multiple future trajectories suggesting that stablecoins could evolve beyond crypto into widespread global payments.⁷ In this context, stablecoins seem to be moving beyond their dominant function in the crypto ecosystem.

In 2025, BCG and Allium estimated real-economy payments of up to \$350-550 billion facilitated by stablecoin, an increase of around 60% from the previous year where around 40% this activity accounted for B2B payments alongside cross-border supplier payments, treasury positioning and intercompany funding among other use cases.⁸ This expanding role of stablecoins is crucial for banks because the stablecoin use cases overlap with their established businesses like payments, liquidity management, foreign exchange, treasury services and settlement. While stablecoins offer continuous programmability and reduce frictions associated with correspondent banking, they do not automatically eliminate compliance and intermediaries' requirements.⁹

Furthermore, the Federal Reserve has identified stablecoins as potential competitors to banks' transaction-deposit franchise. Drawing comparison with PayPal and Venmo which captured customer engagement and payment activity while interfacing with the banking system, the Federal Reserve also reported that approximately half of surveyed banks expected to prioritise growth in at least one stablecoin or digital-asset related area over the following three years, with larger banks particularly focused on tokenised deposits.¹⁰

Banks are consequently pursuing multiple strategies in response to this broader trend. BIS-led Project Agora also illustrates this broader direction combining tokenised commercial-bank deposits with tokenised central-bank reserves to explore programmable, multi-currency wholesale settlement.¹¹

Stablecoins are only one component of this transition. Tokenised deposits represent commercial-bank deposits recorded on distributed ledgers while payment stablecoins constitute a separate legal and economic instrument. The GENIUS Act explicitly excluded deposits including deposits recorded using DLT, from its definition of a payment stablecoin. The two models therefore might coexist.

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For banks, issuing or supporting digital money allows them to participate in emerging settlement flows and provide complementary services such as custody, compliance foreign exchange and liquidity management. The competition therefore is not merely limited to who issues the next stablecoin but also concerns who remains central to the interface between commercial-bank money, blockchain and tokenised assets.

3. Stablecoins and Tokenised Deposits: Two Paths to Bank-Issued Digital Money

With financial assets moving to programmable platforms, banks can be seen developing two distinct but somewhat complimentary and related forms of digital money i.e., tokenised deposits and bank-issued stablecoins.

A tokenised deposit is a digital representation of commercial-bank money recorded on a programmable platform and represents a direct claim on the issuing bank, similar to a conventional deposit and is generally redeemable at par.¹² By contrast, stablecoins are privately issued digital token designed to maintain a stable value against a fiat currency of other assets whose legal claim, reserve structure and redemption rights depend on the issuer and regulatory framework and therefore should not automatically be treated equivalent to a bank deposit.¹³ However, the distinction is not absolute as the European Central Bank (ECB) identifies both bearer and non-bearer tokenised deposits, where bearer version may be transferable beyond the issuing bank and could trade away from par while non-bearer versions more closely resemble conventional deposits and preserve par settlement.¹⁴

Despite these functional differences, these can develop complimentary roles if regulatory treatment, interoperability, liquidity and adoption allow it. Tokenised deposits can support institutional payments, treasury operations and wholesale settlement within regulated banking arrangements. Stablecoins may offer broader circulation across public blockchain networks, including cross-border payments, digital-assets markets and decentralised applications. The BIS has argued that tokenised deposits could support the daily payments and wholesale settlement, while stablecoins may serve more specialised functions.¹⁵

Pursuing both pathways can provide strategic flexibility for banks. Tokenised deposits can extend beyond existing banking relationships into programmable platforms, while stablecoin initiatives can support participation in wider digital-asset networks. Hence, competition is not emerging between two interchangeable forms of money, but between different designs for integrating commercial-bank money into an increasingly tokenised financial system.

4. Why Are Banks Building it Together?

The initiative raises a crucial question on banking groups coming together and choosing to develop an infrastructure collectively instead of issuing entirely separate stablecoins. The answer for banks preferring this consortium model is evident in the economics of financial networks.

A payment instrument becomes more useful when participants accept it, provide liquidity and integrate it into their systems. A stablecoin issuer therefore faces a coordination challenge – users have an incentive to adopt a token that is widely accepted, while merchants, payment providers and financial institutions have incentives to

support a token with an established user base. This makes market entry difficult for a new issuer, particularly when established stablecoins already have significant distribution and liquidity.¹⁶

A single bank-issued independent stablecoin could be limited in its reach to its customers, but a consortium model offers an alternative allowing several institutions to support a common instrument that could reduce some of the fragmentation associated with multiple competing bank-issued tokens. The 21-bank shared stablecoin could provide a common asset for participating institutions and external users to support. However, the outcome is not necessarily guaranteed since the extent of any liquidity or distribution benefits would depend on the consortium's final structure on ownership, governance, redemption, market activities and actual adoption. For now, the announcement does not establish that these systems have already been pooled or operationalised.

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The 21-bank initiative also reflects a broader model in the financial infrastructure i.e. competitors can cooperate on selective shared networks while continuing to compete in the services delivered through those networks. For instance, The Clearing House, owned by major US financial institutions, announced an initiative to support on-chain clearing and settlement of tokenised commercial-bank money within established banking and payment frameworks.¹⁷ Similarly, Swift illustrates how financial institutions can use a common infrastructure and standards and simultaneously maintain separate customer base and commercial operations.¹⁸ Here, the distinction between shared infrastructure and shared control is important. Banks can cooperate on aspects of standards, connectivity and development of the common instrument while competing for clients, deposits, custody relationships and payment business. Whether the 21-bank initiative will operate on this model remains unclear due to the undisclosed details.

The consortium model also comes with its limitations. Coordination across jurisdictions can create disagreements over governance, technical standards, compliance and commercial incentives. Consequently, banks may choose to individually develop proprietary tokenised-deposit systems or other digital-money initiatives, potentially creating competition with the shared stablecoin. Hence, while consortiums do not automatically eliminate fragmentation, it may shift the fragmentation problem to interoperability. Here, the European Qivalis provides a relevant comparison. Its official announcement stated that the consortium had expanded to 37 financial institutions across 15 countries across Europe and was working toward a regulated euro-denominated stablecoin¹⁹ which shows that collective bank-led approaches are being explored in more than one currency area. It does not, however, establish that all bank consortiums will adopt identical issuance, governance or reserve arrangements.

The significance of the 21-bank initiative therefore extends beyond the proposed stablecoin itself suggesting that established institutions are preferring cooperation and a collective approach to address scale and coordination requirements.

5. Can Bank-Backed Stablecoins Build a New Network

Established stablecoins possess significant advantages that are reinforced through network effects. On the other hand, the 21-bank consortium is entering this market with a different set of potential strengths. The participant banks possess established relationships with clients, investors, financial intermediaries alongside established payment and regulatory architecture. While these capabilities could support institutional applications such as treasury management, digital-asset settlement and cross-border payments, existing banking relationships do not automatically translate into stablecoin adoption. The consortium would still need to establish redemption arrangements, liquidity, technical integrations as well as access to exchanges, wallets and blockchain applications.

The distinction between institutional capacity and on-chain distribution is therefore critical. Bank-led digital money initiatives demonstrate financial institutions' experience with tokenised payments and liquidity management, but tokenised deposits should not be equated with an open stablecoin ecosystem.

The consortium's principal opportunity may lie in reducing fragmentation among separate bank-issued digital currencies since a shared instrument could potentially combine institutional distribution with common standards and liquidity arrangements.

In this context, bank-backed stablecoins may not initially compete with crypto-native issuers across every retail and DeFi use case, but they could instead pursue institutional settlement and regulated financial-market applications. where success will depend on whether banking relationships can be converted into accessible, liquid and interoperable digital money.

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