

Deposit Coin Whitepaper

Infrastructure for Tokenized Deposits – The Superior Stablecoin

Infrastructure that bridges U.S. bank deposits and Web3

July 20, 2025

philipp@depositcoin.xyz

1. Abstract

Stablecoins are reshaping financial services by combining the stability of fiat currencies with the speed, transparency, and programmability of blockchain infrastructure. This fusion enables instant, low-cost, 24/7 domestic and global payments—independent of traditional banking rails. Stablecoins also provide universal access to dollar-denominated assets, offering critical utility in regions with volatile currencies or limited financial infrastructure. As programmable digital money, they power the emerging DeFi ecosystem and represent the foundation for a next-generation banking infrastructure when paired with smart wallets and decentralized applications.

Yet despite their rapid growth and ongoing regulatory developments such as the GENIUS Act, first-generation stablecoins remain exposed to legal, operational, and systemic risks. Their reliance on reserve management, discretionary redemption, and custodial structures exposes users to counterparty and depegging risk. Moreover, these models siphon funding away from the banking system—converting deposits into off-chain reserves—and create structural vulnerabilities that could threaten financial stability at scale. A more secure, compliant, and bank-integrated model is urgently needed.

Deposit Coin is the infrastructure layer that bridges U.S. bank deposits and Web3—enabling compliant, interest-bearing stablecoins backed 1:1 by insured deposits, transferable on public blockchains without whitelisting or issuer risk.

The Deposit Coin platform does not issue tokens itself. Instead, it provides the legal, technical, and compliance rails that allow U.S.-based stablecoin issuers to issue stablecoins that are not considered **"Payment Stablecoins"** as defined under the 2025 GENIUS Act.

Unlike conventional stablecoins—IOWs backed by reserves—Deposit Coin enables regulated issuers to mint digital tokens that confer direct legal ownership of FDIC-insured

bank deposits. These “Tokenized Deposits” (a digital representation of a U.S. dollar deposit held at an FDIC-insured bank, issued on a public blockchain by a regulated entity) preserve all the protections of fiat money while unlocking the composability, speed, and global reach of public, permissionless blockchains.

Tokenized Deposits are fully integrated with the U.S. banking system and exempt from the GENIUS Act. This allows banks to lawfully pay interest to token holders—creating the first stablecoin model that combines FDIC insurance with Web3-native programmability and interest-bearing functionality. The platform is bank-agnostic: deposits can be held at any participating FDIC-insured bank. The result is a stablecoin model that is a real digital dollar – 1:1 at any time, transparent, legally sound, yield-compatible, and operationally scalable.

Deposit Coin supports issuance on public, permissionless chains with no whitelisting requirement, enabling seamless integration across DeFi, agent-based commerce, and the domestic and international finance system. The platform also addresses the compliance/privacy tradeoff by supporting off-chain identity attestations, solving the oracle problem in KYC without exposing token holder data on-chain.

As demand for stablecoins shifts from crypto-native to institutional and real-economy use cases—payroll, B2B payments, cross-border commerce—the limitations of reserve-based models become evident. Depegging, redemption friction, and regulatory ambiguity limit adoption. Deposit Coin offers an upgrade path: fully insured, legally compliant, interest-bearing digital dollars that stay inside the banking system.

Rather than fragmenting the market with dozens of issuer-specific coins, Deposit Coin creates a foundation that enables broad acceptance and regulatory interoperability—positioning it as the core settlement layer for a tokenized U.S. dollar.

Highlights

- **1:1 Tokenized Deposits** – No depegging (risk); each token reflects direct legal ownership of a U.S. dollar in an FDIC-insured bank account.
- **No Counterparty Risk** – Tokens are not issuer IOUs; redemption rights flow directly from deposit ownership.
- **Interest-Eligible** – Banks can pay interest to token holders without triggering securities regulation or GENIUS Act restrictions.
- **FDIC Coverage** – Insurance of up to \$250,000 per token holder per bank; infrastructure supports limit management and visibility.
- **No Regulatory Reclassification** – Fully compliant under existing deposit and custodial frameworks; not subject to GENIUS Act redefinitions.
- **Chain-Agnostic + Composable** – Tokens operate on public, permissionless blockchains with no whitelisting or transfer constraints.
- **Issuer Flexibility + Regulatory Perimeter** – tokens issued by MSBs, trust companies, or banks; funds always remain within regulated institutions.

- **Privacy-Preserving Compliance** – Off-chain attestations satisfy KYC/AML without compromising privacy on-chain.
- **Bank System Reinforcement** – Keeps deposits within banks, supporting liquidity and systemic stability while expanding monetization.
- **Strategic Timing** – compliant model provides opportunity to scale ahead of GENIUS Act implementation.
- **Prevents Market Fragmentation** – Reduces proliferation of bespoke tokens, enabling interoperable, bank-backed instruments.
- **Rock-Solid Bank Funding** – Deposits remain at the bank while stablecoins are in circulation, providing durable liability funding.

2. Summary of Key Features

Deposit Coin is an infrastructure platform that enables the compliant issuance of Tokenized Deposits, i.e. stablecoins that provide direct ownership to FDIC insured deposits of corresponding value, held at participating U.S. banks. It provides the technical, legal, and operational foundation to bridge the existing fiat banking system with the decentralized, permissionless blockchain economy—without altering the legal nature of deposits.

Purpose

Deposit Coin exists to enable a digitally native U.S. dollar that:

- Carries the same legal and financial characteristics as a traditional deposit.
- Enables interest-bearing functionality.
- Is freely transferable on public, permissionless blockchains without whitelisting or transfer restrictions.
- Integrates naturally with and supports the existing fiat banking system

Key functionality

- **Deposit infrastructure:** connection to the participating banks. Administration of the required on-chain/off-chain synchronization between the web3 wallet and the fiat banking world through a patent-pending process. Management of the deposit demand/allocation between banks and issuer(s).
- **FDIC insurance framework:** infrastructure to allow for FDIC insurance of the stablecoins
- **KYC platform:** KYC network, database and service to establish a broader KYC/KYB framework for on-chain wallets while preserving privacy of PII.
- **Deposit Insurance limit management:** tools to increase and manage coverage limits
- **Interest management:** service to administer interest payments by banks to token holders

Problems Solved

Deposit Coin improves several key aspects in the current stablecoin landscape:

- **Issuer Counterparty Risk:** Conventional stablecoins are IOUs subject to issuer solvency. Deposit Coin-backed tokens reflect direct ownership of insured bank deposits.
- **Depegging Risk:** Market doubt over redemption or reserve quality can cause stablecoins to trade below par. “This simple promise of 1:1 redemption, known as par-value exchange, is more complicated than many realize and depends on a series of assumptions.”¹ Tokenized Deposits eliminate that risk.
- **Regulatory Conflict:** Stablecoin regulation is still evolving. Deposit Coin **integrates directly with existing U.S. banking and custodial frameworks.**
- **Bank Disintermediation:** Current models route funding away from the banking system. At scale, this deleverages the banking system creating stability risks. Deposit Coin returns funding to banks and incentives them to engage in web3 finance.
- **Support the financial system:** Keeps stablecoins within M2, avoids unintended impacts on monetary aggregates and banking system funding sustains the real-economy lending and growth.
- **Yield Constraints: The GENIUS Act prohibits issuers to pay yield on payment** stablecoins. In contrast, Deposit Coin enables banks to pay interest on stablecoins supported by its platform—bringing the traditional accrual of interest on deposits to web 3.
- **KYC & Privacy Tradeoff:** Public blockchains and identity requirements conflict. Deposit Coin supports off-chain attestations to preserve compliance while solving the identity oracle problem.
- **Fractionalization of Trust:** Multiple issuer-specific stablecoins dilute network effects and confuse token holders. Deposit Coin is establishing a next-generation standard for stablecoins, designed to power the future of payments and for the convergence around a few coins with uniform and transparent backing: insured deposits.

Benefits

- **For Issuers:** A legally robust path to issue true stablecoins, without reserve management risk or redemption liabilities and in sync with the banking system.
- **For Banks:** A new channel to retain deposits in the banking system and paving the way to participate in the programmable dollar economy.
- **For Token Holders:** A digital dollar with the safety of a bank deposit and the flexibility of a public chain—fully liquid and programmable.

¹ Blog -7-15-2025 by the digital currency initiative <https://www.dci.mit.edu/dci-news/stablecoin-redemptions-for-some-not-all?>

- **For the Financial System:** Maintains deposit-based monetary integrity while unlocking programmable utility and global interoperability.

3. Deposit Coin Vision

Deposit Coin is designed to deliver a **digitally native dollar**—not by reinventing money as a new asset class, but by anchoring it in the most secure and trusted form of existing fiat: the **insured bank deposit**. The platform enables the issuance of stablecoins that provide ownership to FDIC-insured deposits of corresponding value, transferable on public, permissionless blockchains, and programmable for a wide range of financial applications.

Core Principles

- **Tokenized Deposit, Not Synthetic Dollar:** Each token issued supported by the Deposit Coin infrastructure reflects direct legal ownership of a U.S. dollar held in an FDIC-insured bank account—not a promise of redemption from an issuer or custodian.
- **Bank-Agnostic and Open Architecture:** The platform is designed to be interoperable with any regulated U.S. bank, enabling a pluralistic ecosystem rather than a monopolistic stablecoin structure.
- **Public Chain Compatibility:** The system is compatible with any public, permissionless blockchain and does not require whitelisting or permissioned addresses—preserving the open-access and composability features central to Web3.
- **No Need for Multiple Risk-Differentiated Coins:** Because tokens supported by Deposit Coin share a common backing and legal profile—insured deposits—they do not vary in risk. And as the deposit backing is bank agnostic, banks do not need to issue their own coin. This removes the rationale for having dozens of issuer-branded stablecoins, each with different redemption, compliance, or reserve frameworks.
- **Interest payments:** Banks can pay interest on deposits without the associated tokens becoming securities or violating the GENIUS Act.
- **Preserves the Nature of Money:** Deposit Coin enables money to function as a singular, fully redeemable, and standardized unit of account, eliminating market fragmentation and aligning digital currency behavior with existing fiat expectations.

Bridging TradFi and Web3

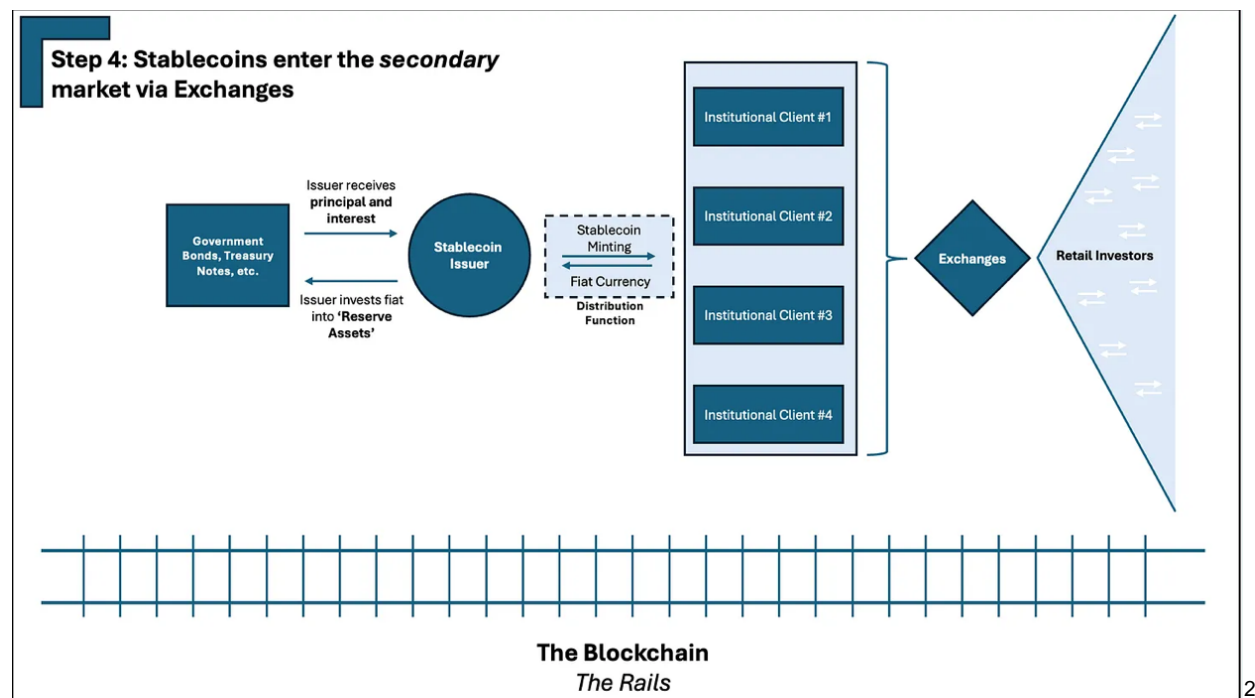
Deposit Coin forms the connective tissue between the U.S. banking system and decentralized financial infrastructure. It allows:

- **Regulated issuers** to mint stablecoins that maintain legal parity with traditional money.
- **Developers and wallets** to integrate programmable dollars that require no trusted intermediaries for transfer.
- **Enterprises and payment companies** to embed dollar logic directly into on-chain contracts, without altering core accounting treatment or incurring compliance risk as the token is a digital dollar.

This architecture supports the seamless transition from crypto-native usage to mass-market adoption. It future-proofs the digital dollar by providing a model that can scale within existing legal, technical, and economic frameworks—without waiting for central banks or novel legislation to act.

4. Problem Statements

Despite their success and the GENIUS Act, first-generation stablecoins remain facing legal, operational, and systemic risks due to their architectures centered around reserve management, discretionary redemption, and counterparty exposure, hindering institutional and enterprise adoption.



² Blog -7-15-2025 by the digital currency initiative <https://www.dci.mit.edu/dci-news/stablecoin-redemptions-for-some-not-all?>

Deposit Coin addresses these challenges by adopting a regulated deposit framework, eliminating counterparty risk and restoring parity with traditional money.

We group the seven key problems into three critical themes:

I. Structural Risks

1. Counterparty and Issuer Risk

Problem: Most stablecoins are IOUs issued by centralized entities. Their value depends on issuer solvency, reserve integrity, and discretionary redemption terms.

Legal claim enforcement in a bankruptcy scenario can take months or years—creating unacceptable liquidity delays. The Synapse incident demonstrated the fragility of intermediaries.

Deposit Coin Advantage: Token ownership confers direct legal title to insured bank deposits, held for the benefit of the holder by a regulated custodian. Redemption is not dependent on issuer discretion.

2. Depegging and Reserve Transparency

Problem: Legacy stablecoins (i.e. Payment Stablecoins) may trade below par in volatile markets due to reserve risks, unclear redemption terms, and perceived liquidity shortfalls. Even momentary depegging could erode trust and introduces pricing risk—especially in B2B or payment contexts.

Deposit Coin advantage: Every token is backed 1:1 by an FDIC-insured U.S. dollar deposit, visible to the token holder. There is no reserve risk, and redemptions are processed through standard banking rails—potentially at lower cost due to competitive banking access.

3. Accounting and Redemption Ambiguity

Problem: Many stablecoins lack clear accounting treatment and enforceable redemption rights³. Adoption by enterprises, funds, and corporates requires qualification as cash equivalents under international accounting standards (IAS7) in order to use stablecoins in their everyday operations.

Without standardization and final implementation of the GENIUS Act, auditors will hesitate to treat them as cash equivalents, and redemption often relies on legal interpretations.

Deposit Coin Advantage: Tokens are digital representations of conventional deposits, retaining existing GAAP classification and redemption mechanics. This clarity is essential for scale in regulated environments.

³ 1:1 Redemptions for Some, Not All <https://www.dci.mit.edu/dci-news/stablecoin-redemptions-for-some-not-all>

II. Systemic Impact and Yield Constraints

4. Bank Disintermediation and Liquidity Drain

Problem: Stablecoin adoption has drawn billions and potentially draws trillions of deposits⁴ from the banking system to off-chain reserves.

This disintermediates traditional banks, particularly regional ones, and reduces their ability to lend—introducing systemic risk and threatening deposit stability.

Deposit Coin Advantage: Tokenized deposits remain on bank balance sheets, allowing banks to preserve funding and engage in supporting the economy.

5. Yield Constraint under the GENIUS Act

Problem: The GENIUS Act prohibits interest payments on Payment Stablecoins unless they qualify as securities or bank products.

This restricts the ability to offer yield and diminishes the utility of stablecoins in treasury and enterprise applications.

Deposit Coin Advantage: Tokens supported by Deposit Coin are not Payment Stablecoins. As deposit instruments, they can lawfully receive interest from banks, opening yield-bearing use cases on-chain.

III. Compliance Complexity & Trust Fragmentation

6. Privacy and KYC Oracle Problem

Problem: Public chains demand compliance, but on-chain identity exposure undermines user privacy and security.

Enterprises and consumers face trade-offs between compliance and data protection.

Deposit Coin Advantage: Off-chain identity attestations enable full KYC/AML compliance without exposing user data on-chain—resolving the oracle problem and preserving civil liberties.

7. Fragmentation of Trust and Liquidity

Problem: Dozens of issuer-specific stablecoins are emerging with varying redemption mechanisms, legal jurisdictions and compliance standards. This dilutes trust, fragments

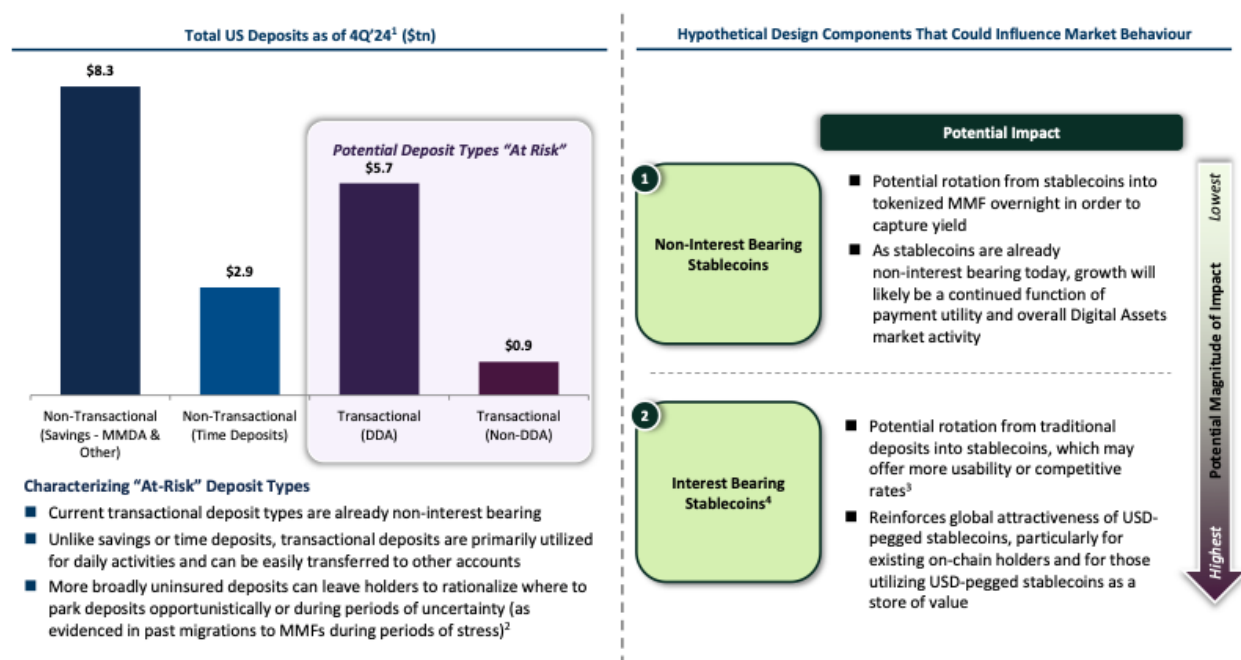
⁴ Digital Money, page 12 <https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf>

liquidity, and creates new fraud vectors through the issuance of unofficial or copycat tokens.

Deposit Coin Advantage: Deposit Coin provides a common legal, technical, and compliance foundation—enabling convergence around tokens with identical risk and redemption logic. Mass adoption in the real economy depends not on diversity, but on convenience, clarity, and trust.

The Cost of Status Quo

Without token infrastructure like Deposit Coin, the stablecoin ecosystem risks continued regulatory friction, liquidity fragmentation, and systemic instability. According to the study “Digital Money”⁵ by the US Department of Treasury regarding the impact of stablecoins, USD \$6.6tn of bank deposits are at risk – more than 1/3 of all deposits.

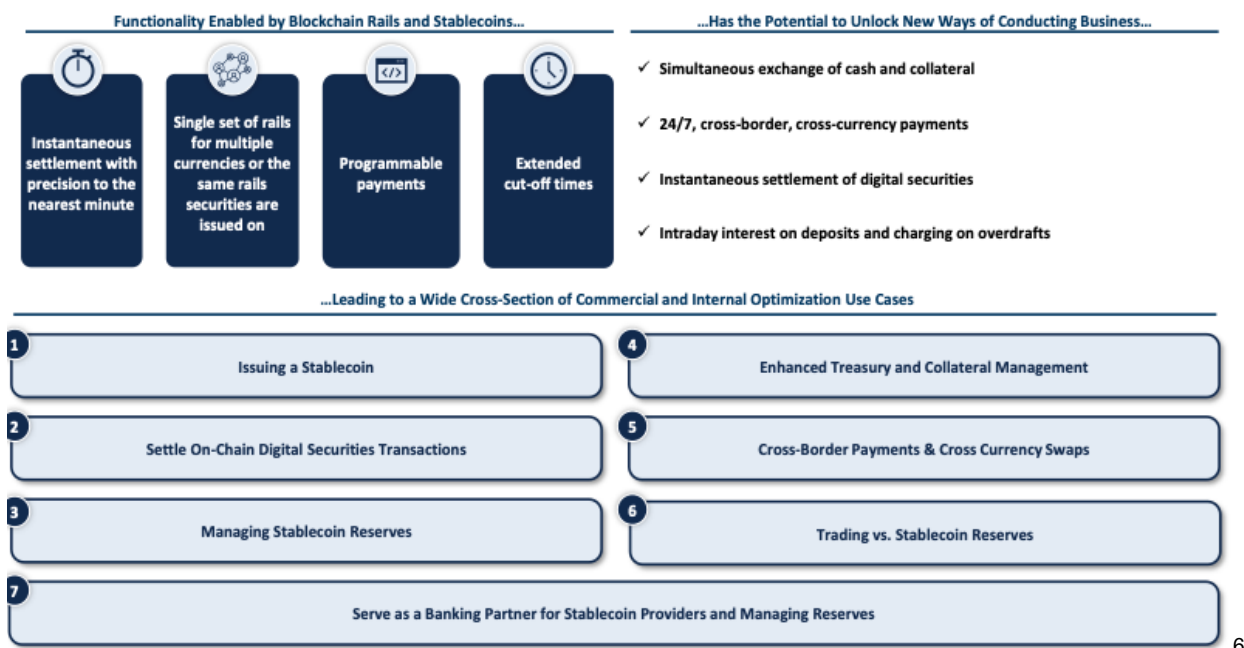


The study concludes that “[t]he ultimate design and adoption of stablecoins will drive the magnitude of impact that stablecoins have to the traditional banking system...”.

A compliant upgrade path is essential—not only to adopt stablecoins at scale, but for banks to support them and seize the opportunity to provide innovative services and to benefit from the use of blockchain technology.

⁵ <https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf>

There are several hypothetical angles to how a financial institution could participate in the stablecoin market. These are highly illustrative and would be subject to the respective institutions' internal approvals as well as applicable legal and regulatory frameworks.



6

5. Deposit Coin Inc.

Deposit Coin Inc. provides infrastructure that and integrates with issuers to provide tokenized, FDIC-insured deposits on public blockchains—functionally bridging regulated banking infrastructure with open Web3 ecosystems. The platform simplifies the complexities of custody, compliance, tokenization, reconciliation, and redemption, allowing issuers to concentrate on building network effects, expanding distribution, and innovating on the token's programmable capabilities.

Key Functions in conjunction with issuer platform

- **Depositing:** Token holder funds are deposited at participating U.S. banks and held in insured deposit accounts for the benefit of the token holders.
- **Token Issuance Engine:** Issuer(s) mints tokens 1:1 to represent direct ownership of the insured deposits.
- **Transfer Layer:** Tokens are freely transferable on **public, permissionless blockchains** with **no whitelisting requirements**, enabling full composability in DeFi and Web3 environments.
- **Redemption and Burn Mechanism:** On redemption, tokens are burned, and fiat is returned to the holders via ACH, wire or otherwise.
- **Compliance Toolkit:** Identity and policy layers are managed via off-chain attestations, preserving token holder privacy while enabling regulatory compliance.

⁶ <https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf>

- **KYC platform:** Infrastructure to access and store sensitive identity and KYC information embedded in a KYC network.
- **Interest Payment Protocol:** banks may pay interest to the token holders.
- **Deposit Insurance Limit Management:** The platform supports:
 - **Distribution across FDIC-insured networks** to extend coverage beyond \$250,000 per token holder per bank;
 - **Stablecoin swap functionality** to allow reallocation between banks; and
 - **Visibility for token holders** into their underlying deposit allocations and bank relationships.

Architecture Overview

Component	Role
Issuer	Regulated entity that mints and redeems tokens
Deposit Coin Inc.	Infrastructure provider that interfaces between banks, issuers, and blockchains
Public Blockchain	Existing transfer and programmability infrastructure for the stablecoins
KYC Oracle Layer	Enables identity attestations and policy enforcement off-chain
Redemption Engine	Handles token burn and fiat settlement back to token holder bank accounts
Deposit insurance limit management	Provides tools to manage / increase deposit insurance limits

Operational Flow

1. **Deposit is placed** at a participating bank and recorded in the ledger.
2. **Issuer mints tokens** 1:1 on the designated public blockchain and deposit is 'attached' to the token.
3. **Customer receives tokens** in their wallet (custodial or non-custodial).
4. **Tokens can be used** in payments, smart contracts, or converted back to fiat.
5. **Redemption triggers** token burn and fiat withdrawal from bank.
6. **Interest (if applicable)** is paid by bank.
7. **Deposit coverage tools** manage FDIC limits or enable reallocation among banks.

Deposit Coin Tokens vs. Traditional Stablecoins

Feature	Deposit Coin Model	Reserve-Based Stablecoins
Backing Asset	FDIC-insured bank deposit	Reserves (cash, T-bills, etc.)
Legal Claim Structure	Direct ownership of deposit	Redemption promise by issuer
Redemption Risk	N.A. (bank deposit)	Medium-High (issuer discretion)
Regulatory Foundation	Existing banking regulations and custodial law	Evolving frameworks, e.g. GENIUS Act
Public Chain Compatibility	Yes, no whitelisting	Varies
Interest Payments	Permitted via bank	Generally prohibited

6. Ecosystem Benefits

Deposit Coin introduces a stablecoin infrastructure that aligns incentives and solves structural pain points across the financial ecosystem. It provides distinct, highly reliable benefits to issuers, banks, payment systems, token holders, corporations, regulators, central banks, and the overall macroeconomy.

1. Issuers

- **Regulatory Clarity:** Stablecoins issued through Deposit Coin are Tokenized Deposits, not Payment Stablecoins under the GENIUS Act. This provides a clear regulatory framework under the Federal Deposit Insurance Act—especially important as the GENIUS Act still requires full implementation.
- **Reduced Operational Set-up:** Deposit Coin provides framework and infrastructure—allowing issuers to focus on network growth, costumer acquisition, and functional expansion.
- **Interest Functionality:** Unlike Payment Stablecoins, stablecoins supported by Deposit Coin facilitate interest payments from banks to token holders—combining the risk lessness of deposits with the yield advantage of interest-bearing instruments.
- **Composability:** Tokens are fully transferable across public chains without whitelisting, unlocking native integration with Web3 applications.

2. Banks

- **Deposit Retention:** Tokenization keeps funds within the banking system, allowing banks to maintain deposit liabilities and reduce disintermediation risk.
- **Stable funding:** deposits backing stablecoin supported by Deposit Coin are extremely stable as they only move in case a stablecoin is burned.
- **New Revenue Streams:** Banks may participate in services around the new web3 ecosystem and digital engagement.
- **Strategic Relevance:** Empowers banks to become key nodes in programmable finance and digital payments.

Deposit Coin is the passkey for banks to remain relevant in a tokenized financial system.

3. Payment Companies and Networks

- **Low-Friction Settlement:** Enables real-time finality in a dollar-equivalent token that settles natively across blockchains.
- **Interoperability:** Eliminates the need for bilateral payment integrations—tokens are open by design.
- **Merchant Acceptance:** Backing by FDIC-insured deposits simplifies onboarding and reduces risk concerns.

4. Consumers

- **Safety and Liquidity:** Tokens are backed by insured deposits with legally enforceable redemption rights.
- **Programmability:** Consumers can access DeFi-style logic and automation with fiat equivalence.
- **Interest-Earning Potential:** Banks can pay interest, offering yield without taking smart contract or protocol risk.
- **Transparency:** Token holders can verify which banks hold their deposits and monitor/manage coverage against FDIC limits.

5. Corporates

- **Treasury Optimization:** Provides no counterparty risk digital dollars for operational cash, payroll, and B2B settlements.
- **Accounting Simplicity:** Tokenized Deposits preserve deposit accounting treatment, streamlining reporting and audits.
- **Automation:** Enables programmable treasury operations with real-time flow control and compliance tagging.

6. Regulators

- **Integrated Oversight:** Issuance and custody remain inside the regulatory perimeter of the U.S. banking and MSB system.
- **Stable Monetary Structure:** Reduces reliance on off-balance-sheet entities and improves monetary data integrity.
- **Policy Enforcement Compatibility:** Allows sanctions screening and identity verification via off-chain attestations.

7. Central Banks

- **CBDC Alternative:** Offers the core benefits of digital currency—programmability, efficiency, and auditability—without requiring direct central bank issuance.
- **Monetary Neutrality:** Keeps stablecoins within M2 and avoids unintended impacts on monetary aggregates.
- **Visibility with Privacy:** Regulators can oversee system-wide flows without compromising individual privacy.

8. The Economy

- **Stability and Trust:** Anchoring stablecoins in insured deposits avoids the systemic fragility of reserve-based IOUs.
- **Credit Continuity:** Preserves banking system funding, sustaining real-economy lending and growth.
- **Innovation Enablement:** Unlocks composable, programmable dollars without creating new monetary risks.

7. Regulatory and Legal Considerations

Deposit Coin operates entirely within the existing U.S. legal and regulatory framework, avoiding ambiguities and compliance risks in reserve-based stablecoin models. It achieves this by anchoring its issuance structure in the existing insured deposit regulation, aligning with federal and state banking supervision, and remaining distinct from the emerging category of Payment Stablecoins in recent upcoming legislation.

Legal Classification

Stablecoins issued with the Deposit Coin infrastructure are classified as Tokenized Deposits—a digital representation of funds held in FDIC-insured bank accounts, structured in compliance with existing federal banking law.

- **Underlying Asset:** Each token represents a direct ownership interest in a U.S. dollar deposit held at a regulated bank.

- **Custody Model:** Deposits are held by banks or qualified custodian for the benefit of the token holders, satisfying “pass-through insurance” conditions for FDIC protection.
- **Issuer Classification:** The issuing entity may be a regulated bank, a licensed money services business (MSB), or a trust company. Each must comply with the relevant state or federal licensing, AML, and consumer protection rules.

GENIUS Act Implications

- The **GENIUS Act**⁷, passed in July 2025, creates a framework for Payment Stablecoins and limits their issuance to banks and certain licensed entities. It requires implementation within 18 months.
- It **prohibits interest payments** on Payment Stablecoins unless they qualify as bank liabilities or securities—effectively excluding most existing stablecoins from offering yield.
- **Deposit Coin is exempt** from these restrictions, as the coins it supports are not classified as Payment Stablecoins under the Act. They remain conventional bank deposits, enabling banks to pay interest to the token holders.

Compliance and Supervision

Deposit Coin enables compliance through modular integration with existing KYC, AML, and data protection standards:

- **Identity Attestations:** While tokens are transferable on permissionless chains, issuers can implement compliance policies via off-chain identity attestations that do not compromise token holders’ privacy.
- **Transaction Monitoring:** Issuers and banks retain the ability to implement and monitor suspicious activity reporting, without introducing friction into transfers.
- **Bank Examiner Oversight:** Because funds remain inside insured depositories, all activity is subject to normal banking supervision and regulatory exams.

Securities and CFTC Risk

- Deposit Coin tokens are not securities, as they do not represent investment contracts or profit-sharing instruments and are fully redeemable at par.
- The infrastructure avoids CFTC commodity classification risk because the token is economically equivalent to a deposit, not a speculative asset or derivative.
- Issuers must maintain clear, transparent, and consistent terms of service that reflect the legal status of the token as a deposit instrument.

⁷ <https://www.congress.gov/bill/119th-congress/senate-bill/1582/text>

State Licensing

- U.S. non-bank issuers must be registered MSBs or hold state money transmitter licenses, subject to BSA/AML compliance and consumer protection laws.
- Trust companies issuing tokens are regulated at the state or federal level and may qualify as qualified custodians under SEC guidance.

Deposit Coin succeeds where prior models failed by staying inside the regulatory perimeter, aligning with the intent of the GENIUS Act without requiring new legal constructs or uncertain exemptions. It is a legally conservative but technologically forward infrastructure for programmable, insured money.

8. Opportunity: Macroeconomic, Technological, and Policy Drivers

The convergence of macroeconomic conditions, maturing blockchain infrastructure, and a shifting policy landscape creates a multi-year opportunity window. The global stablecoin market is projected to reach over \$2 trillion by 2030⁸. At present, stablecoins already support over \$8tn of annual transaction volume⁹. Analysts at Standard Chartered and the Digital Dollar Project have noted that as programmable money becomes increasingly embedded into B2B payment rails and smart contracts, demand for compliant, interest-bearing stablecoins will expand rapidly.

Deposit Coin is well-positioned to capture this opportunity, offering an interoperable foundation for bank-issued, FDIC-insured programmable dollars that comply with evolving regulation while meeting enterprise and developer needs.

A. Macroeconomic Drivers

- **Deposit Stability in a High-Rate Environment:** In a world of elevated interest rates, holding cash outside the banking system (e.g., in non-interest-bearing stablecoins) becomes economically inefficient. Deposit Coin allows token holders to hold programmable cash with deposit insurance and interest accrual—restoring monetary competitiveness.
- **Bank Liquidity Risk:** With legacy coins, the U.S. regional banking system remains vulnerable to deposit flight. Deposit Coin allows banks to retain deposits in tokenized form, reducing disintermediation pressure while enabling new channels for deposit distribution and velocity.
- **Dollarization and Global Reach:** In emerging markets experiencing local currency volatility, demand for dollar exposure is rising. A Tokenized Deposit

⁸ Standard Chartered Bank via TBAC report, U.S. Treasury Borrowing Advisory Committee Minutes (2025).
<https://home.treasury.gov/system/files/221/TBAC-2025-Q1-Minutes.pdf>

⁹ <https://visaonchainanalytics.com/transactions>

issued under U.S. law, with enforceable redemption rights, offers global token holders a superior alternative to reserve-based stablecoins.

B. Technological Developments

- **Rise of Agent-Based Commerce:** Autonomous wallets, bots, and smart contracts are becoming key actors in financial flows. They require natively programmable and instantly final digital dollars—something Deposit Coin enables without compromising on regulatory or legal structure.
- **Elimination of Counterparty Risk:** payment against delivery receives a new meaning in a digitized world where smart contracts ensure risk-free execution without a central counterparty
- **Infrastructure Maturity:** The emergence of high-throughput, low-cost blockchains (e.g., L2s like Base, Optimism, and emerging L1s) makes mass adoption of stablecoins economically feasible at scale. Deposit Coin is chain-agnostic and ready to support large-volume issuance and usage.
- **Programmable Finance Integration:** Corporates and platforms are increasingly embedding financial logic into software—whether for payroll, B2B payments, or supply chain finance. Deposit Coin bridges these workflows with insured, compliant digital dollars.

C. Policy Momentum

- **Stablecoin Regulation Clarity:** The GENIUS Act and related state-level efforts (e.g., NYDFS, California DFPI) are advancing the regulatory perimeter around digital dollars. Deposit Coin provides a path to compliance by design, not through exceptions, legal ambiguity or new laws and regulations.
- **CBDC Hesitation and Alternatives:** Many jurisdictions, including the U.S., have slowed or suspended retail CBDC exploration due to privacy, control, and adoption concerns. Deposit Coin serves as a credible, private-sector alternative that preserves central bank policy transmission while offering open infrastructure.
- **Banking System Modernization:** Policymakers and central banks are under pressure to modernize core banking infrastructure to keep pace with private innovation. Deposit Coin enables gradual upgrade via modular adoption rather than wholesale system replacement.

Strategic Window:

From 2025–2030, the combination of policy clarity, economic demand for deposit stability, and Web3 infrastructure development and maturity creates a rare alignment. Deposit Coin is uniquely positioned to scale with institutional adoption while maintaining legal continuity and composability.

9. Strategic Implications for Investors

Deposit Coin is a high-leverage infrastructure play at the convergence of regulated banking, programmable finance, and the post-GENIUS Act digital dollar environment. Its platform and services enable compliant, scalable issuance of Tokenized Deposits, management of deposit insurance limits as well as off-chain attestation for KYC purposes and positions it to underpin the next monetary layer for stablecoins.

Here are three actionable investment theses that reflect with their long-term strategic potential.

Thesis 1: Infrastructure Backbone for Regulated Stablecoin 2.0

Premise: Deposit Coin becomes the reference back-end infrastructure for regulated tokenized dollars, enabling stablecoin issuers to issue compliant Tokenized Deposits, stablecoins backed by FDIC-insured deposits.

- **Upside Case:** Deposit Coin powers the majority of U.S. compliant stablecoin issuance, replacing the reserve-backed models with transparent, legally native ones.
- **Key KPIs:**
 - USD tokenized via Deposit Coin infrastructure.
 - Number of licensed issuers onboarded.
 - On-chain activity (TVL, transfer volume, active wallets).

Thesis 2: US Bank Coin Consortium Launches a Federated Stablecoin

Premise: A group of U.S. banks forms a consortium to jointly issue a unified, interoperable “US Bank Coin” using the Deposit Coin infrastructure—establishing a bank-native alternative to USDC and USDT that preserves deposits and liquidity within the regulated financial system.

- **Trigger Events:**
 - Formation of a multi-bank stablecoin working group, maybe with the support of industry associations (e.g., BPI, ABA).
 - Participation of G-SIBs or large regional banks in pilot issuance.
- **Upside Case:** US Bank Coin becomes the default digital dollar issued by banks, achieving wide acceptance across B2B payments, capital markets settlement, and merchant ecosystems—displacing crypto-native stablecoins.
- **Key KPIs:**
 - Number of participating banks and total deposit volume tokenized.
 - Distribution via banks and partnerships.
 - Market share relative to legacy stablecoins (e.g., USDC, USDT).

Thesis 3: Dominant Digital Dollar for Agent-Based Commerce and Enterprise Payments

Premise: Deposit Coin-backed stablecoins become the preferred instrument for use in programmable B2B payments, smart contracts, and autonomous agents, due to their regulatory clarity and legal finality.

- **Trigger Events:**
 - Integration with leading treasury and enterprise software platforms.
 - Deployment of smart contract-based payment logic in logistics, payroll, and trade finance.
 - Growing demand for low-risk settlement assets in on-chain finance ecosystems.
- **Upside Case:** Deposit Coin-issued tokens emerge as the infrastructure for agent-based economic systems—used in programmable workflows, Web3 marketplaces, and real-time settlement layers.
- **Key KPIs:**
 - Transaction volume in enterprise and protocol-based use cases.
 - SDK adoption across developer ecosystems.
 - Percentage of interest-bearing tokens in circulation.

Investor Implication:

Deposit Coin is a uniquely positioned infrastructure layer that enables the convergence of regulatory compliance, public-chain composability, and financial institution participation. A successful launch of a US Bank Coin consortium could cement its position as the central routing layer for digital dollars—transforming both how money is issued and how it moves.

10. Conclusion

Deposit Coin offers a timely and structurally sound answer to the challenges that are plaguing the first generation of stablecoins—namely issuer risk, regulatory ambiguity, lack of yield functionality, and disconnection from the traditional banking system. By enabling the issuance of tokenized, FDIC-insured deposits on public, permissionless blockchains, Deposit Coin creates a new monetary primitive that is both compliant and composable.

Unlike existing stablecoin models that rely on off-chain reserves and discretionary redemption, Deposit Coin-backed tokens represent legal ownership of deposits held at U.S. banks. This structure eliminates depegging risk, allows interest to flow directly from banks to token holders, and keeps stablecoin activity inside the regulatory perimeter. It also provides banks with a means to retain deposits and stay relevant in a financial system increasingly defined by programmability and agent-based automation.

The opportunity is especially compelling in the current macro-policy context:

- The GENIUS Act, while still undergoing implementation, defines a new asset class, Payment Stablecoins, and sets restrictions on them that Deposit Coin supported stablecoins are exempt from.
- The banking sector requires tools to recapture and retain deposit funding otherwise lost to Payment Stablecoins.
- Enterprises and payment networks are demanding compliant, programmable dollars with real-time settlement, low risk, and operational clarity.

From an investor's perspective, Deposit Coin is not merely a stablecoin infrastructure—it is a regulatory-aligned, high-trust infrastructure for the next generation of digital finance. Its ability to unite banks, token holders, and issuers around a single, interoperable model for digital dollars positions it as a keystone protocol in the evolving monetary stack.

Strategic Takeaway:

Deposit Coin is where regulatory clarity, financial stability, and Web3-native design converge. It is a rare infrastructure play that benefits both incumbents and innovators—offering a scalable, bank-integrated foundation for the next wave of programmable money.

11. Appendix

A. Methodology Notes

- **Analytical Basis:** This report draws on publicly available data from government sources (FDIC, U.S. Treasury, Congress), regulatory filings, and reputable stablecoin market analysis (e.g., Circle, Tether, Paxos disclosures).
- **Industry Interviews:** Informal insights were triangulated from interviews and disclosures by banking and digital asset infrastructure professionals. Where possible, information was cross-referenced against regulatory guidance and statutory language (including the 2025 GENIUS Act).
- **Assumptions:**
 - U.S. stablecoin regulation will tighten, especially around reserve transparency, interest payments, and redemption rights.
 - Public-chain interoperability will remain a core requirement for adoption.
 - Banking regulators will prefer models that preserve the deposit base and integrate into existing oversight regimes.
- **Forecasts:** Market outlooks are scenario-based, not deterministic. They incorporate tailwinds from interest rate normalization, banking innovation incentives, and corporate treasury digitization.

B. Detailed Tables

Token Lifecycle Components

Step	Description
Deposit Funding	Customer transfers USD to a participating bank.
Token Issuance	Issuer mints stablecoins 1:1 on-chain, linked to insured deposit.
On-Chain Use	Tokens circulate freely across permissionless chains.
Redemption	Tokens burned; USD returned to token holder via bank rails.
Interest Distribution	If enabled, banks pay interest to token holders.
Insurance Coverage	FDIC applies via pass-through custody structure.

C. Bibliography

1. **U.S. Department of the Treasury** – "Report on Stablecoins" (2021)

2. **FDIC** – Guidance on pass-through insurance for custodial accounts
3. **U.S. Senate** – Text and summary of the 2025 GENIUS Act (Passed July 2025)
4. **Office of the Comptroller of the Currency (OCC)** – Interpretive Letters on stablecoin activities (1174, 1176)
5. **NYDFS** – Stablecoin Guidance (2022)
6. **Circle Internet Financial** – USDC Transparency Reports
7. **Paxos Trust Company** – Monthly attestation disclosures
8. **Tether Ltd.** – Reserve breakdowns and assurance reports
9. **BIS** – "The Future of Money and Payments" (2022)
10. **Avalanche, Ethereum Foundation, and Base** – Network design and throughput specifications
11. **Academic research** – MIT DCI, Columbia Law FinReg Lab papers on Tokenized Deposits and programmable money
12. **Industry commentary** – Coinbase, Visa, and Stripe stablecoin strategy briefs
13. **the digital currency initiative** - <https://www.dci.mit.edu/dci-news/stablecoin-redemptions-for-some-not-all?>
14. **Deposit Coin Inc.** – Internal technical documentation and use-case summaries