Research @ Citi Podcast Episode 77: FinTech Frontiers, Digital Dollars & Disruption

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Rob Rowe (00:02)

Hi, everyone. Welcome to the Research @ Citi podcast. I'm Rob Rowe, Global Head of Research at Citi.

I'm joined by two guests for today's podcast: Alex Saunders, who among other things, is our Global Macro Quant Head, but is also our Decentralized Finance Analyst here at Citi. And I'm also joined by Pete Christensen, who is our U.S. FinTech and Digital Assets Equity Analyst.

Gentlemen, thanks for being on the podcast today.

Peter Christiansen (00:28)

Great to be here, Rob. Thanks.

Alex Saunders (00:30)

Thanks, Rob. I'm honored to be here.

Rob Rowe (00:32)

Fantastic. Pete, we can start with you because our discussion today is all about the world of digital financial technology and various asset classes within that world. It's obviously a world that's coming under extraordinary focus by markets, and also by the government.

So Peter, maybe we can get a quick primer on some elements that aren't as frequently discussed. One of them, I think, is tokenized deposits. What the heck are they? And why does that make a difference?

Peter Christiansen (00:59)

Yeah, it's actually a question that's starting to come up — particularly as investors are looking at opportunities in stablecoins and how that's developing — because there's a contrasting of those two technologies, which I think is important. Ultimately, we think they're complementary technologies, but there are differences.

If you want to think about the true definition of a tokenized deposit, it's a digital token that's on a permission blockchain or distributed ledger, however you want to call it. And it allows banks — primarily banks — to move money and settle money in a programmable real-time format while retaining the claim on the issuing bank. It's not unlike how ACH is transferred from bank to bank. It's still a bank deposit back and forth.

Rob Rowe (01:38)

And tell us, what is ACH?

Peter Christiansen (01:40)

Automated Clearinghouse. It's a payment rail. But I think it's worthwhile to break it down. Within bank transfers, there's external transfers. And then we'll talk a little bit about how it contrasts with stablecoins and give you, I think, a fuller picture.

Today, most tokenized deposit transfers — it's early days — are really within banks. Let's say Bank of Rob has a corporate client that wants to move $10 million to another client within Bank of Rob.

Here it's a quick transfer, it's simple. The token changes hands from one owner to the other. The ledger makes the appropriate entry, and the transfer can be instant, 24/7, programmable. It's like changing seats on an airplane, but staying on the same airplane.

It's also interesting, we're seeing a lot of banks using it today to manage their own excess liquidity globally. So, for instance, it may be midnight here in New York; in Japan, it's the middle of the trading hours. Maybe a bank needs to shift liquidity there to service market hours, what have you, and then they can move that back and forth. And it makes a lot of sense to do this because it's instant and it's a low cost.

Now, another way — and this is one of the more developing areas — is bank-to-bank transfers. Bank of Rob needs to send $10 million to Bank of Alex.

This is a bit more complicated because you have two balance sheets involved. And here we need a few things. First, we need a blockchain, some mechanism that connects the two banks in a permissioned, regulated way. You also likely need an interbank settlement mechanism.

So the messaging will still go on the blockchain, but you'll still need some central pool of liquidity, maybe even a central-bank wiring system like the Fed, like Fedwire. You'll still need to do identity and compliance checks, and you'll have to have messaging standards that are the same between the two.

And this is a bit harder to do because you're really separating the transaction into two layers: messaging and then actual transfer settlement of funds. And this requires a bit of work.

There's a couple of companies that are working on this. Canton Network is one that's been in the press lately, another one called Fnality. And a key issue in

scaling something like this is settling on standards, which is a big deal — having the right standards and payment gateways and software compatibility between treasury systems and ERP systems, as well as appropriate AML, KYC tools.

So a lot of firms are working on this, including SWIFT. And we think it's going to take some time before we see this sort of mechanism become more and more popular.

Rob Rowe (03:56)

And before we go to the comparison to stablecoins, and I guess the definition thereof, what's the advantage over the traditional financial system right now? Why is this so much better? Is it just that it's 24/7 and it can be done instantaneously? Or are there other advantages to tokenizing things?

Peter Christiansen (04:13)

We can go into detail a little bit on that after we contrast that vs. stablecoins, but it really comes down to performance, speed, zero latency, cost obviously, transparency. You get to see where the money is. It's not lost in a correspondent banking vacuum for a period of time before it's unearthed. But what I think is the main advantage is programmability. And we can talk about smart contracts and all that later on.

But a good contrast is — and sometimes you understand things a little bit better when you contrast it vs. something else — what a stablecoin is. And in a way, a stablecoin is a representation of a fully reserved dollar, typically, and a regulated stablecoin. So it's not fractional banking. It's a form of making a dollar or any currency internet-native, whereas a tokenized deposit is really a bank wearing blockchain clothes.

It is a little bit different, and the use cases are certainly different, but most stablecoins you can transact in a permission-less and also a permissioned environment. There's a little bit more freedom on how you can use it. And if we want to go back to how we think about some of the benefits vs. what traditional rails are primarily used today, it's actually really exciting.

Right now, I think you could settle something in digital dollars, even … let's take a permission-less transfer of stablecoin right now, going through Solana, which is a notable protocol. A transaction there can happen in 400 milliseconds, finality.

Not, “Hey, payment received, but the funds aren't available yet.” It's total finality in 400 milliseconds. And a lot of these transactions can be done at near-zero cost. Less than a second, less than a penny.

And it's really hard to compete against that, when you think about ACH, which can take hours. Same-day ACH can take hours, but that's a few cents to a dollar per transaction. Standard ACHs can be one to three days. Wires, same day, but there's cutoffs. Think like $30 to $40 for retail — lower for business, of course. There are some innovations on traditional payment rails like FedNow and this thing called RTP, which is real-time

payments, and their transactions can happen in seconds to a minute, but the costs are typically around the same-day or even Fedwire's levels. So it's a little bit more costly.

SWIFT, which relies on correspondent banking — it's a network of banks — there it can take days to send money. And typically, 75% of payments that go through SWIFT take more than six hours. It's pretty amazing. And the cost there, excluding any currency exchanges, can be as upward as 3%, which is pretty large.

There's some payout networks like Wise and Western Union that have digital apps and things like that. And you could see costs range to send money to maybe 1%. And that could happen within maybe 30 to 40 minutes, typically. But the cost can also be higher depending on the corridor. Sending money to the UK is a lot cheaper than sending it to more of a frontier type of nation. And payroll is another use case, and there it could take up to five days to send money.

Speed is the key: zero latency, less than a penny. And then programmability is, I think, a really neat feature that's going to unlock more use cases.

Rob Rowe (07:14)

And did you want to comment, Peter, before we move on to Alex for crypto, on tokenized deposits vs. stablecoins?

Peter Christiansen (07:21)

I think that we're still in early days, but when I think of tokenized deposits, it's really a situation where the user wants to maintain that relationship with the bank. Think like a corporate treasury or large enterprise payments, or regulated capital-market settlement, or anything that's linked with credit.

Again, tokenized deposit is more like a bank and digital-asset close, blockchain close. Whereas a stablecoin is kind of when you want to move money like you want to move software. Just as easy as sending an email, in many cases. So, think peer-to-peer transfers, merchant checkout, cross-border commerce, native savings or dollarization, which Alex is going to get into in a bit, on-chain collateral, agentic AI and agentic commerce, which I think is super cool to talk about. And we could delve into that later.

So tokenized deposits have this institutional trust benefit. Stablecoins likely have a little bit more of a distribution benefit. Maybe the best way to think about it is in transport terms: Think of tokenized deposits like a freight train, steady rail, heavy-duty freight. Stablecoins are more like a highway, a little bit more open, more options, that sort of thing.

Again, we think both technologies are going to coexist, and they certainly complement themselves in many ways.

Rob Rowe (08:29)

Thanks, Peter. I want to come back on a few things, but let's get Alex involved here.

Alex, I've always had an existential feeling about crypto in general. Like, “What is the reason for their existence?” to some degree. How are these markets developing?

Alex Saunders (08:45)

Just to set the scene: I know that you know this, because we've been covering crypto for a while and you've been involved as we roll out that coverage. A lot of the questions that we got, especially in the early times, was around that exactly: “What is the use case for crypto?” And there's this sort of store of value argument that's a little bit ephemeral.

But when we think about the use cases, the one that's a use case for right now has been stablecoins or tokenized deposits. Just as an example, Citi: Here, we use tokenized deposits. Our transaction-services group has tokenized deposits on their platform, and you can transfer money between branches very quickly with this finality that Pete uses. And it's not just Citi, some of our competitors do that as well. So there is a use case for the here and the now, and I think stablecoins and tokenized deposits — Number One.

Number Two, the debate about tokenized deposits vs. stablecoins is really key for crypto markets, and in particular for Ethereum, and the other I would say non-Bitcoin network. The reason being stablecoins live on chain and Pete has just described the myriad of use cases now, but potential use cases in the future, of this medium of exchange rather than the classic digital gold store of value that's important for Bitcoin.

So when we think about the value accrual for crypto tokens and the networks given the early stage that we're still at in terms of that adoption life cycle, the new users, the network effects, all of those is really the most important driver of long-term value. And as I said, stablecoins, sort of ex-Asia, mostly live on the Ethereum network. As Pete had said, tokenized deposits live potentially on permissioned non-public blockchains within a specific institution. So how this adoption grows, how these two use cases evolve together, is really, really important.

A stablecoin market cap has been growing. Not just stablecoins, we can have tokenization of other assets. I think that's an important use case to flag. Things like collateral management, things like packaging up bunches of real-world assets, is also important. And all of that growth will increase the utility and therefore the value of Ethereum, Solano, you name the network, the network that that grows on. So it’s very important that we track it right and that we monitor those use cases. So critical importance for crypto markets ex-Bitcoin, I would say.

Rob Rowe (11:25)

Let me ask both of you this in terms of use cases, and sort of this existential argument on the actual crypto currencies. Because so far what we've seen is that some of the cryptocurrencies — you mentioned Solana and others — it's actually a platform that's more important than the actual currency, right?

So when we think about digital dollars, it's always amazed me that all through this … call it “independence” of these cryptocurrencies like Bitcoin, that they're quoted in dollars. At the end of the day, Ether's quoted as a dollar. It's really Ether dollar. It's really Bitcoin dollar, right?

So you have digital dollars, and you have Bitcoin. Do digital dollars end up dominating? It's basically dollar-backed, right? Stablecoins are dollar-backed. And at the end of the day, does that start to outpace the need for Bitcoin? Does Bitcoin take on a different role, as a result of having digital dollars? I'll open up that to both of you.

Peter Christiansen (12:20)

I'll kick it off and maybe pass it to Alex to talk about the comparison vs. Bitcoin. I'll tell you this: Stablecoins, tokenized deposits, it's good for the U.S. dollar. Certainly, in a stablecoin environment where they're reserved by government securities, usually at the short end of the curve, which is also positive for the U.S. dollar. Certainly, its dominance as the reserve currency is positive.

You also have to remember 70% or 75% of world trade is still done in U.S. dollars, but stablecoins are extending beyond that. We've seen euro tokens come out. There's yen tokens that are being worked on. So I think we can see multiple currencies develop their own digital dollars per se.

But yeah, I think it's interesting. Visa just today announced that they're adding more blockchains to its stablecoin pilot program. Now they're starting to issue stablecoin carts, preloaded with stablecoins and merchants. It's pretty select right now, it's mostly online, but maybe there's an opportunity where merchants start converting from debit and all these other things because there's programmability. I mean, there's a lot of business use cases: tracking loyalty, tracking usage, triggering payment on a milestone that's hit. There's just so many more use cases, and that's even before we get into agentic commerce, which I think could really change the game.

But Alex, why don't we talk about the dollarization?

Rob Rowe (13:36)

Alex, you take the BTC side of this.

Alex Saunders (13:39)

Let me talk on the macro effect, and then I'll probably pass it back to Pete as well, because I think another thing underappreciated, from the crypto-market side, is the new GENIUS Act and GENIUS-compliant stablecoins and the companies that are building there, because they're not necessarily building on the existing rails. Some of them are developing their own ones. So how that evolves — and Pete's very close to those companies — is going to be very, very important for the reasons I mentioned around the doctrine.

On the macro side, let's start with stablecoins and I'll move to Bitcoin. If you think about this sort of classic store of value, stablecoins are really digital dollars. And as you mentioned, they are dominated in U.S. dollars, right, rather than other currencies.

And what we found is stablecoin usage, dollar stablecoin usage, is much higher in countries with either high inflation or weaker political institutions. That use case amounts to *de facto* dollarization for those jurisdictions, right? And that's going to be an important policy implication that needs to be grappled with.

But from the dollar-dominance perspective, I almost would turn that on its head, actually. Firstly — and Pete mentioned it — stablecoins are predominantly like short-term paper. So if you think about the demand for dollars vs. the supply, yes, that dollarization effect is incremental demand. But most of that paper is priced off of what the Federal Reserve is doing with their interest rates.

So the incremental benefit to the U.S. is measured in the basis points, rather than it being a large potential way of financing debt. But to turn it on its head, yes, the dollar is dominant in trade, as Pete had said. Dollar stablecoins are even more dominant. So, it's in the 90s, rather than the 70s.

But there are stablecoins being launched in other jurisdictions. Hong Kong, in fact, is slightly ahead of the U.S. in terms of legislatively approved stablecoins. They just launched some last week. There are stablecoins that are measured in euros and other currencies — and Rob, as you know, we have this perennial question that comes up on the macro side of the house about de-dollarization and when or if the dollar loses its reserve status. I submit that it hasn't right now, but an early warning signal of that probably will come from that stablecoin or even the tokenized-deposits markets, where if you do see the shift away from dollar dominance there, that's probably an early sign that you'll see it in trade and in other markets etc., etc.

So I agree. I think it helps cement that dominance, but if we were to think about it the other way, it would also give us an early read, potentially, on that de-dollarization theme.

Peter Christiansen (16:33)

And Rob, I just want to touch upon your earlier question when you were saying, “Hey, look, these aren't just speculative tokens, these are actual platforms.” They're tech stacks, they really are.

We know the folks from Solana. We know they're trying to get more utilization, they're trying to bring developers there, to develop certain elements of the stack. It's almost like an app store in a way, trying to have the best throughput and the best platform. But you want to attract developers, so they can add KYC, AML, FX, they can add smart contract insurance, all these different elements that are needed in this environment.

So yes, I feel like the crypto industry, after some ups and downs over the last couple of years, some distractions, is getting more serious about infrastructure and actual use cases here, less so on the speculation side. Which I think is an important part of the evolution of the industry.

Rob Rowe (17:28)

Got it. I do want to hop to agentic commerce in a sec, but let me just go back to Bitcoin a little bit.

What does that existentially mean for Bitcoin? I mean, is Bitcoin the choice now when you want to get out of the dollar financial system? Before it was supposed to enable transactions as it grew, transactions on the internet, etc., right? It's a digital currency.

But now will it get shadowed by this? Because you can say, “Hey, the stablecoin will even earn interest, right?” Which actually would be an advantage over owning dollars outright, right? Is to just earn interest with a stablecoin to own dollars, and that'll be about as liquid as it can be, and I don't have to worry about Bitcoin as a safe haven asset — or do I? Or does this just purely become a hedge against the financial crisis?

Alex Saunders (08:12)

It’s a great question, Rob, and we get it from clients as well. But I think the point that we make there, is dollar stablecoins or tokenized deposits are still dollars, ultimately. And euro ones are euros, etc., etc.

If you look at the interest in Bitcoin and gold — and actually prices as well — they tend to pick up when you see increases in the narrative around debt sustainability, around currency debasement, and you can do that just by simply looking at the number of news stories that mention those words. We don't see that changing. So that store-of-value argument is still for Bitcoin, or as digital gold, or gold as analog gold, as opposed to that stablecoin tokenization.

And over the long term, actually, how will we know if crypto or Bitcoin specifically is maturing as an asset class? It'll be because it becomes more correlated with gold, and less correlated with equity. So we still see that — call it debasement property or characteristic of Bitcoin — maintaining, even if we see large growth in stablecoins, even if they pay yields or rewards, even if that growth ends up being in tokenized deposits and other smart contracts.

Rob Rowe (19:27)

Got it. Now, let's switch to agentic commerce and other uses. Agentic commerce sounds like we've given the computer HAL in *2001: A Space Odyssey* the ability to spend money.

I don't know what would have happened in that effect but maybe you could explain agentic commerce to me.

Peter Christiansen (19:44)

We're not even in the preface, I think, of that story. But it's super interesting where where this is going. Basically, agents want money that's like an API. They need zero latency. They need something programmable, verifiable, always with the ability to handle high-volume nano payments, like pay per use, that kind of stuff.

Then there's actually within-AI use cases themselves. You know, pay-per-AI output, pay per compute, pay on data, that kind of thing. And agents are going to go and be able to have that finality, and have that control over ACH, over FET wires, or all of those things.

Now, a lot of tech that needs to come together, but there was a really interesting development that came out of Coinbase in the last couple of months, these things called x402 payments. You know when you type on your computer, you get 404, “file not found?”

Rob Rowe (20:39)

Sure.

Peter Christiansen (20:40)

Well, 402 is request for payment. It was always there. And in fact, a company we cover, BitGo, the CEO there was actually one of the authors of HTML. I mean, the guy built it back in the 90s, and it's amazing. It was always meant to be a machine-to-machine payment mechanism, and it's been recently unearthed by Coinbase. Coinbase recently shifted the development effort here to the Linux Foundation, seeing partners like Visa, MasterCard, Amex get involved with this effort.

And it's really interesting to see these less-than-a-penny, less-than-a-second, fully programmable, sending money as easy as sending an email, and then having the capability to serve, AI agents. It's pretty amazing how this is starting to develop and where this can go.

I mean, programmability is a major function. You think about delivery vs. payment, atomic settlement for securities, escrow logic. You know, “Hey, an event happened, trigger a payout.” Or trade finance — I received a manifest, or an invoice, or a receipt, or some milestone, triggers a payout, collateral movements. And it's really interesting where this could go.

Traditional payments have very little capability to even carry data with them. I think a standard ACH has 16 characters that it can carry. Stablecoins, tokenized deposits, have the ability to carry EXE files and APIs, and it's pretty amazing.

I'll wrap up with just one comment. Years ago, during the financial crisis, lines wrapped around the block, people trying to get money out of an ATM. Fast forward 15 years later, we had Silicon Valley Bank and people moving money with apps. The speed of

money is getting faster and faster and faster, and things like tokenized deposits and stablecoins, this is the next iteration.

Rob Rowe (22:25)

Wow. Gentlemen, thank you so much for your insights. Thanks for being on the podcast with us today.

Peter Christiansen (02:29)

Thanks for having us Rob. That was great.

Alex Saunders (02:31)

Thanks Rob.

Rob Rowe (22:33)

This podcast was recorded on April 29, 2026.

We'll be back next week. In the meantime, feel free to explore our previous Research @ Citi podcasts.

And be sure to be on the lookout for our other podcast series, the Markets Edition. It features 10-minute breakdowns of the equity and global macro markets, each and every week.

You can find both podcast series on your favorite podcast channel. Thanks so much, everyone.

Disclaimer (22:55)