

Banks vs. Crypto: The Fight for Payment Rails

Financial institutions and blockchain startups are racing to build the infrastructure for tomorrow's money—with \$120 billion in cross-border inefficiencies at stake.

Washington Wakes Up

When lawmakers pushed forward the GENIUS Act in late May, they signaled that digital dollar tokens had grown impossible to sideline. Across the Pacific, Singapore's monetary authority has been orchestrating a different experiment through Project Guardian, encouraging major banks to create blockchain versions of traditional accounts.

These divergent approaches highlight a fundamental question: Should tomorrow's financial infrastructure be built by banks or born from blockchain?

Market Forces Speak

Adoption patterns reveal user preferences. JPMorgan's Kinexys has facilitated over \$1.5 trillion in blockchain transactions. Meanwhile, Tether maintains a market value exceeding \$150 billion, while Circle's dollar token operates across multiple blockchain networks.

Corporate finance teams are embracing both approaches strategically—leveraging bank-issued tokens for internal operations while using decentralized alternatives for time-sensitive international transfers that traditional systems struggle to handle.

Business Models Diverge

Cryptocurrency issuers generate revenue by investing user deposits in short-term government bonds while paying no interest—a strategy that netted Tether over \$5 billion in the first half of 2024. Banks pursue a different approach, monetizing their blockchain tokens through compliance services and customized automated workflows that standalone digital currencies cannot provide.

Timeline for Transformation

The Bank for International Settlements anticipates testing unified digital currency systems by early 2026. JPMorgan plans to expand access to its blockchain platform later this year. Circle continues advocating for regulatory approval that would allow traditional banks to hold its tokens as cash reserves.

Research from McKinsey suggests international payment friction wastes \$120 billion annually. Capturing even a portion of this market would create massive value for successful platforms.

Coexistence, Not Conquest

Rather than a winner-take-all battle, we're witnessing the birth of complementary ecosystems. Like wireless and wired internet connections serving different needs, both bank-issued tokens and decentralized alternatives will likely carve out distinct market segments.

Success will favor platforms that achieve three goals: building deep liquidity pools, satisfying regulatory requirements, and integrating seamlessly into business operations. Though end users may never directly interact with this new financial plumbing, the resulting efficiency gains will ultimately benefit everyone through lower costs and faster transactions.

The infrastructure war for digital money has begun—and the outcome will reshape how value moves around the world.

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The Technology Divide

Traditional financial institutions are digitizing existing deposit relationships, wrapping familiar bank accounts in smart contract functionality. These blockchain-enabled deposits maintain conventional protections—government insurance, regulatory oversight, and emergency central bank funding.

Cryptocurrency firms have taken a different path, creating dollar-pegged tokens backed by government securities. These digital assets operate on public networks without traditional banking intermediaries, prioritizing speed and accessibility over regulatory comfort.

Innovation in Action

Singapore's regulatory sandbox showcases automated currency exchanges that execute instantly through smart contracts. JPMorgan's platform now triggers payments based on sensor data from shipping containers. Circle's infrastructure enables companies to operate seamlessly across different blockchain ecosystems—paying vendors on one network, receiving payments on another, and managing reserves through traditional custodians.

Burgeoning fintech companies like Almond FinTech are capitalizing on these developments, creating tools that help businesses in frontier markets access both traditional banking services and programmable currency networks where correspondent relationships remain unreliable.

Persistent Risks

New technology creates new vulnerabilities. Bank-issued digital tokens could splinter the market if institutions build incompatible private networks. Cryptocurrency tokens face liquidity crises during market stress—Circle's USDC temporarily lost its dollar peg during last year's banking turmoil.

