

**International Association of Deposit Insurers****Re : Financial Innovation and Digitalisation\_Impact on Deposit Insurance Systems**

March 15, 2026

**Dear International Association of Deposit Insurers,**

This document constitutes our formal response to the IADI consultation report published in January 2026. We commend IADI's in-depth analysis of the opportunities and risks presented by digitalisation. Based on our own observations and analysis, we wish to share our preliminary views on the consultation questions, hoping to contribute to IADI's future policy development and guidance in this area.

**I. Responses to Individual Consultation Questions:****Q2.**

Fragmented regulation of functionally similar instruments poses a genuine and pressing threat to financial stability, and the evidence for this is not merely theoretical.

A significant proportion of retail users currently hold one of two mistaken assumptions: either that fiat-backed stablecoins are covered by deposit insurance, or that a 1:1 redemption into fiat currency is unconditionally available at any point in time. Neither assumption is accurate in practice. Redemption mechanisms vary considerably across issuers; reserve asset liquidity is subject to real constraints; and an issuer's practical capacity to honour mass redemption requests under stress conditions has rarely been tested at scale. These are not obscure technical details — they define the actual risk profile that users bear, often without knowing it.

The danger is that the gap between perceived and actual protection only becomes apparent at the worst possible moment. When users discover, mid-crisis, that the instrument they treated as equivalent to an insured deposit carries no such protection, the resulting rush to redeem can rapidly spill over into the broader deposit system. Structurally, the co-existence of e-money, stablecoins and tokenised e-money under divergent regulatory regimes provides fertile ground for exactly this kind of confusion.

**Recommendation:**

Regulators should promote the principle of "same function, same risk, same regulation." For fiat-backed stablecoins primarily used for payment and store of value, their regulatory standards—especially regarding segregation, transparency, and liquidity of reserve assets—should be gradually aligned with those for e-money and, eventually, insured deposits. This reduces arbitrage

opportunities and provides users with a clearer understanding of their rights.

### Q3.

The degree of protection available to stablecoin users upon issuer failure depends heavily on the composition of reserve assets and the transparency of the issuer's financial position — and on both counts, current practice is frequently inadequate.

Where reserve assets consist primarily of high-quality sovereign instruments such as Treasury bills or government bonds, liquidation and conversion into cash deposits for the purpose of user compensation is technically feasible, provided the issuer has not entered formal insolvency proceedings. In an insolvency scenario, however, stablecoin users typically rank as unsecured creditors, and the timeline and extent of any recovery become deeply uncertain.

The more fundamental problem is informational. Without rigorous, independently audited reserve disclosures, neither regulators nor users can form a reliable view of the reserve's actual quality, its liquidity profile under stress, or the extent of any contingent liabilities. Tether (USDT) is the most prominent example: despite its scale, its reserve composition has for years been subject to only limited independent verification, leaving open the question of whether it could withstand a sustained, large-scale redemption wave. In such circumstances, estimating the number of users who could be compensated — and how quickly — is simply not possible.

### **Recommendation:**

Reserve requirements alone are insufficient. Issuers should be mandated to establish a mandatory risk reserve fund (see detailed proposal below). Furthermore, bankruptcy law should clearly define the seniority of stablecoin holders' claims, granting them priority over general unsecured creditors.

### Q4.

The cross-jurisdictional dimension of this question is not a secondary complication — it is the central challenge, and it cannot be resolved by extending domestic deposit insurance frameworks in isolation.

The FTX collapse offers a useful, if sobering, reference point. Incorporated in the Bahamas, subject to US bankruptcy proceedings, and holding assets across multiple jurisdictions, the resolution of its affairs required extensive cross-border judicial cooperation and left users in prolonged uncertainty. Stablecoin reserve arrangements that span multiple jurisdictions carry analogous structural vulnerabilities, particularly where reserve assets are held in trust accounts at banks subject to differing national deposit insurance regimes.

Under the default framework, deposit insurance coverage attaches to the issuer's account at the

failing IDTI up to the local statutory limit — an amount that is typically a small fraction of total reserves. Pass-through protection, which would extend coverage to individual users as ultimate beneficiaries, faces a structural obstacle specific to stablecoins: as bearer instruments, stablecoins do not maintain a direct relationship between the issuer's records and the identity of token holders, making beneficial owner identification technically and legally demanding.

**Recommendation:**

For stablecoins with cross-border circulation, we suggest that IADI explore the feasibility of a user-centred protection framework — one that takes the individual user as the unit of protection rather than the issuer's account at any particular institution. Drawing on the logic of the FATF Travel Rule, this would require stablecoin issuers to maintain identifiable user account data, and would necessitate coordination mechanisms between deposit insurance authorities across relevant jurisdictions to enable timely compensation in the event of issuer failure. IADI is well placed to lead the design of such a coordination framework.

**Q5.**

Direct substitution of bank deposits by stablecoins is, in practice, constrained by the high barriers that major issuers have erected around direct redemption. Tether requires account establishment fees and charges substantial redemption fees; Circle's direct redemption facility is restricted to institutional clients. The average retail user has no straightforward path to redeeming stablecoins directly with the issuer.

The more consequential risk channel runs through virtual asset service providers (VASPs) and their correspondent banking relationships. When users seek to convert stablecoins into fiat currency through a VASP, the transactional pressure falls on the VASP's banking partner. If conversions are concentrated in volume or timing, that correspondent bank faces liquidity stress that may have little relation to its own underlying financial condition. In cross-border conversions, the effect extends beyond individual institution liquidity — large-scale outflows denominated in foreign-currency stablecoins (USDT, USDC) can affect a country's capital and financial accounts in ways that current monitoring frameworks are not designed to capture.

**Recommendation:**

Supervisors should enhance monitoring of fund flows between VASPs and their partner banks, incorporating this channel into macroprudential surveillance to assess its potential impact on domestic liquidity and capital flows.

**Q6.**

The integration of stablecoins into mainstream payment infrastructure is generating a specific and underappreciated form of consumer confusion — one that branding and interface design actively

reinforce.

When VISA and Mastercard enable cardholders to spend from linked stablecoin accounts at point-of-sale terminals, many users will reasonably, if incorrectly, infer that the familiar network brand implies a degree of institutional oversight and consumer protection comparable to a conventional bank account. The distinction between a payment network's operational role and the regulatory status of the underlying asset is not intuitive, and current disclosure practices do little to bridge that gap.

**Recommendation:**

Deposit insurers should collaborate with payment networks and fintech associations on joint statements or guidance prohibiting marketing language that implies deposit insurance, and jointly promote financial literacy emphasizing "different products, different risks, different protections."

**Q7.**

The distinction between account-based tokenised deposits and token-based deposit tokens is, at present, essentially unknown to the general public — and the protection implications of that distinction are substantial.

The appropriate response is a two-track approach. In the near term, regulators should carefully assess the state of public financial literacy before permitting token-based deposit tokens to circulate broadly. Where the knowledge gap is significant, a cautious and phased approach to market introduction is warranted. In parallel, sustained public education — delivered through accessible channels including social media — should be prioritised, with clear messaging on three points: that account-based tokenised deposits are covered by existing deposit insurance; that the coverage status of token-based deposit tokens varies by jurisdiction; and that stablecoins are generally not covered.

**Recommendation:**

Mandate a robust public communication and education plan as a prerequisite for launching new types of deposit products.

**Q8.**

The capability requirements fall into two distinct layers: technical and standards-based.

On the technical side, deposit insurers will need to develop or acquire expertise across a range of disciplines that currently sit outside the typical institutional profile: blockchain architecture, smart contract engineering, distributed ledger governance and applied cryptography. Smart contract audit capability is particularly important, and we note that relevant ISO standards are currently in development — deposit insurers should engage with this process proactively rather than waiting for

standards to be finalised.

On the standards side, two frameworks deserve particular attention. ISO 20022 adoption by tokenised deposit platforms would materially improve data quality and interoperability, enabling supervisors and deposit insurers to monitor risk positions on a near-real-time basis. The verifiable Legal Entity Identifier (vLEI) framework provides a practical mechanism for resolving the beneficial ownership identification problem in token-based structures — a wallet built on vLEI infrastructure allows unambiguous verification of the legal entity that owns a deposit token, which is an essential precondition for any workable reimbursement process.

### Q9.

They can — but the same programmability that could accelerate outflows also provides the technical means to constrain them. This point deserves more emphasis than it typically receives in policy discussions.

A smart contract that can automatically transfer deposits in response to yield differentials can equally be designed to impose rate limits, trigger circuit breakers, or suspend execution when outflow thresholds are breached. These are not technically exotic solutions; the engineering involved is straightforward by current standards. The challenge is not capability but governance — ensuring that appropriate controls are built into smart contract design from the outset, subject to independent audit before deployment, and that the legal framework gives deposit insurers and resolution authorities the standing to intervene when automated mechanisms threaten systemic stability.

### **Recommendation:**

Regulators should proactively explore with industry the inclusion of "programmable risk controls" in deposit token design standards, making them a tool for stability, not instability.

### Q10.

Account-based tokenised deposits, being directly linked to underlying bank accounts, can in principle be handled within existing deposit insurance frameworks with relatively limited modification. The resolution treatment is analytically familiar, even if some operational adaptation is required.

Token-based deposit tokens present a more fundamental challenge, and one that must be addressed at the design stage rather than retrofitted at the point of failure. The core problem is ownership verification: without a mechanism for identifying who holds a deposit token, the deposit insurer cannot determine whom to reimburse or in what amount.

**Recommendation:**

We recommend that vLEI-based wallet infrastructure be adopted as the standard framework for legal entity identification in token-based deposit systems. For natural persons, a corresponding framework based on decentralised identity (DID) standards, mapped to deposit insurance coverage entitlements, will be required. These are not insurmountable problems, but they require deliberate policy choices to be made — and embedded in product design requirements — before token-based deposit products are permitted to scale.

**II. Broader Recommendations on Protection Mechanisms for Stablecoins and Token-Based Deposit Tokens:****A. For Stablecoins:****1. Establish a Mandatory Risk Reserve Fund:**

- **Mechanism:** Link the approval of a stablecoin issuer's license to a mandatory risk reserve fund. Require issuers to contribute a fixed percentage (e.g., 20-30%) of the interest income generated from their reserve assets annually into this fund.
- **Purpose:** This fund, separate from reserves, acts as a first line of defense against temporary liquidity shortfalls, minor market value fluctuations, or small-scale redemption pressures. It helps maintain confidence without immediately triggering systemic concerns. This also requires the issuer's business model to be profitable, not purely arbitrage-based.

**2. Mandate International Data Standards for Transparency and Supervision:**

- **Mechanism:** Mandate that all systemically important or cross-border stablecoin issuers adopt the ISO 20022 data standard for core operations like reserve asset management, on-chain issuance, and redemption.
- **Purpose:** This elevates the issuer's operational data to the quality level of traditional finance. Regulators and deposit insurers can interface directly with this data for real-time, automated risk monitoring and stress testing of reserve composition, liquidity, and on-chain circulation, replacing lagging periodic reports.

**B. For Token-Based Deposit Tokens:****1. Clear and Understandable Communication of Coverage Limits:**

- **Mechanism:** From the design and marketing phase, all user touchpoints (wallet interface, smart contract documentation) must state clearly and simply: "Deposit tokens held in this wallet, up to [local jurisdiction's coverage limit, e.g., 100,000 USD], are protected by deposit insurance." Coverage limits should be calculated per wallet address.
- **Purpose:** Transforming an abstract policy term into visible, verifiable information directly in the user's wallet is the most effective way to eliminate confusion.

**2. Cross-Border Compatibility and Data Standardization:**

- **Mechanism:** Any deposit token intended for cross-jurisdictional circulation must have its underlying contracts and infrastructure support ISO 20022.
- **Purpose:** This ensures that wherever funds flow, the issuing bank, regulators, and deposit insurers can track movements and assess liquidity and cross-border contagion risks using a unified, real-time data standard.

**3. Integration into Traditional Liquidity Risk Management Frameworks:**

The issuer of deposit tokens (even token-based) is still a bank. Funds raised via deposit tokens are used for lending and credit intermediation, so the bank faces the same maturity mismatch and liquidity risks as with traditional deposits. Supervisory metrics like LCR and NSFR must be applied to these liabilities, looking through the token form.

**III. Conclusion:**

The recommendations set out above are grounded in a single underlying principle: regulatory frameworks for digital financial instruments should be calibrated to the economic risks that users actually bear, not to the legal or technical form through which those risks are packaged.

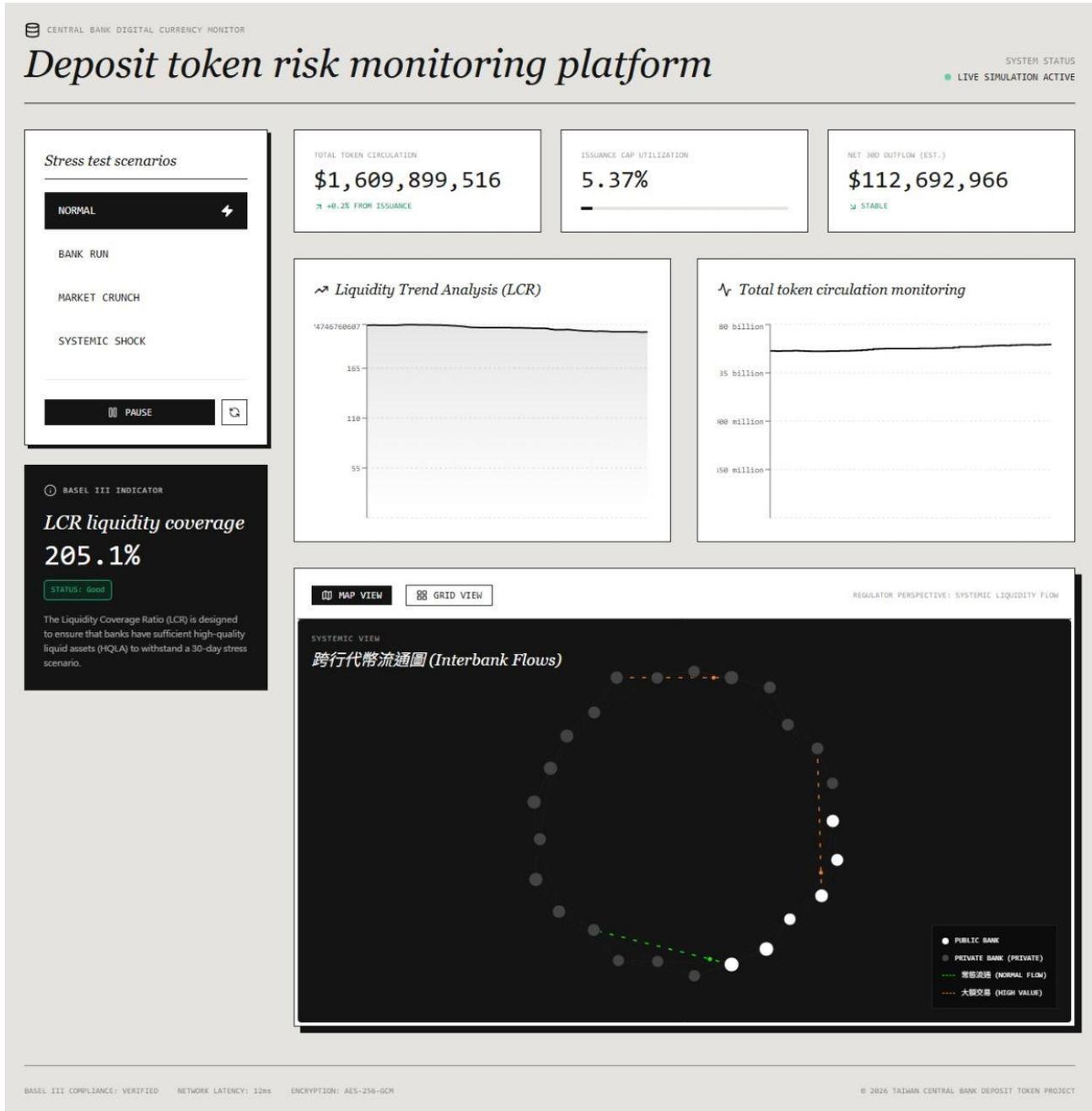
Adapting deposit insurance systems to the digital environment requires coordinated action across several dimensions simultaneously — legal authority, technical capacity, international cooperation and public communication. Progress on any one dimension in isolation is unlikely to be sufficient. We therefore encourage IADI to continue developing its guidance on these issues in a manner that reflects the systemic interdependencies involved, and to use its convening role to promote the kind of cross-border coordination that individual jurisdictions cannot achieve alone.

We remain available to discuss any of the points raised above in further detail.

Yours sincerely,

Jim Lin / Aimichia Technology Co., Ltd. C.E.O.

[Jim.lin@aimichia.com](mailto:Jim.lin@aimichia.com)

**Appendix: Screenshot of the deposit token risk monitoring platform**


# Deposit token risk monitoring platform

### Stress test scenarios

NORMAL

**BANK RUN** ⚡

MARKET CRUNCH

SYSTEMIC SHOCK

PAUSE

○ BASEL III INDICATOR

## LCR liquidity coverage

# 218.9%

STATUS: Good

The Liquidity Coverage Ratio (LCR) is designed to ensure that banks have sufficient high-quality liquid assets (HQLA) to withstand a 30-day stress scenario.

TOTAL TOKEN CIRCULATION

## \$721,323,810

↗ +0.2% FROM ISSUANCE

ISSUANCE CAP UTILIZATION

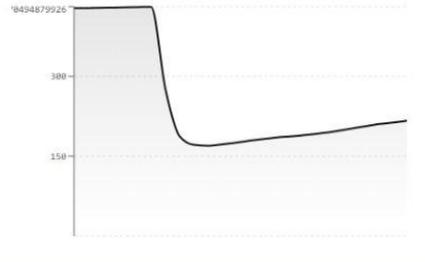
## 2.40%

NET 30D OUTFLOW (EST.)

## \$137,051,524

⚠ STRESS DETECTED

### ↗ Liquidity Trend Analysis (LCR)



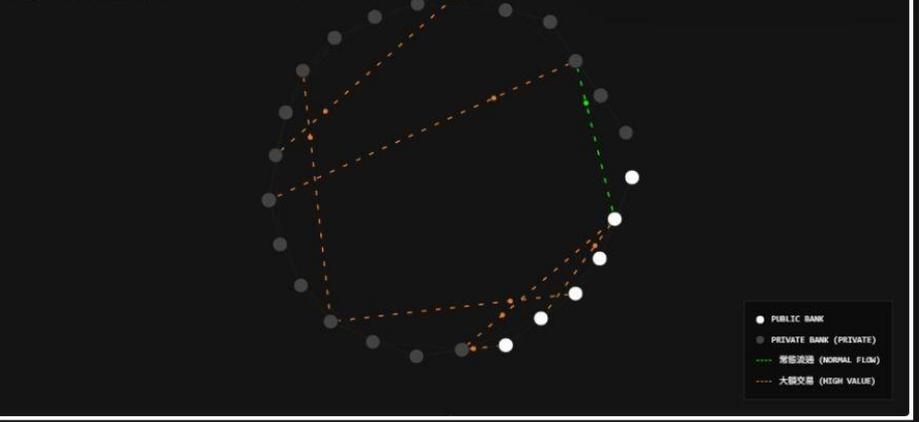
### ↘ Total token circulation monitoring


 MAP VIEW

 GRID VIEW

SYSTEMIC VIEW

### 跨行代幣流通圖 (Interbank Flows)



# Deposit token risk monitoring platform

### Stress test scenarios

NORMAL

BANK RUN

MARKET CRUNCH

SYSTEMIC SHOCK ⚡

PAUSE

○ BASEL III INDICATOR

## LCR liquidity coverage

# 440.5%

STATUS: Good

The Liquidity Coverage Ratio (LCR) is designed to ensure that banks have sufficient high-quality liquid assets (HQLA) to withstand a 30-day stress scenario.

TOTAL TOKEN CIRCULATION

## \$800,105,555

▲ +0.2% FROM ISSUANCE

ISSUANCE CAP UTILIZATION

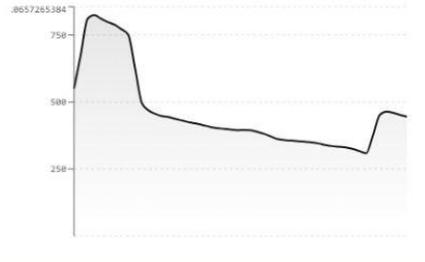
## 2.67%

NET 30D OUTFLOW (EST.)

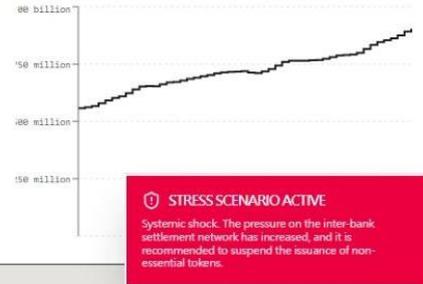
## \$56,007,389

▲ STRESS DETECTED

### ↗ Liquidity Trend Analysis (LCR)



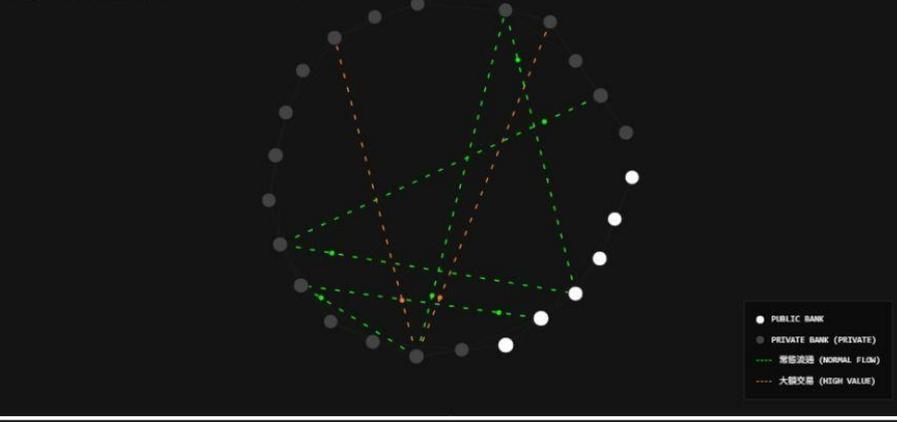
### ↘ Total token circulation monitoring


MAP VIEW
GRID VIEW

REGULATOR PERSPECTIVE: SYSTEMIC LIQUIDITY FLOW

SYSTEMIC VIEW

### 跨行代幣流通圖 (Interbank Flows)



# Deposit token risk monitoring platform

**Stress test scenarios**

NORMAL

BANK RUN

MARKET CRUNCH

**SYSTEMIC SHOCK** ⚡

⏸ PAUSE

TOTAL TOKEN CIRCULATION

**\$854,613,865**

↗ +0.2% FROM ISSUANCE

ISSUANCE CAP UTILIZATION

**2.85%**

NET 30D OUTFLOW (EST.)

**\$59,822,971**

⚠ STRESS DETECTED



ⓘ BASEL III INDICATOR

**LCR liquidity coverage**

**412.4%**

STATUS: Good

The Liquidity Coverage Ratio (LCR) is designed to ensure that banks have sufficient high-quality liquid assets (HQLA) to withstand a 30-day stress scenario.

**STRESS SCENARIO ACTIVE**

Systemic shock. The pressure on the inter-bank settlement network has increased, and it is recommended to suspend the issuance of non-essential tokens.

MAP VIEW | GRID VIEW

REGULATOR PERSPECTIVE: SYSTEMIC LIQUIDITY FLOW

<b>Bank of Taiwan</b> ● BALANCE \$9,287,752	<b>Land Bank</b> ● BALANCE \$31,035,802	<b>Cooperative vault</b> ● BALANCE -\$8,638,744	<b>First Bank</b> ● BALANCE \$16,034,205	<b>South China Bank</b> ● BALANCE \$76,186,991
<b>Changhua Bank</b> ● BALANCE \$102,599,499	<b>Shanghai International Bank</b> ● BALANCE -\$2,364,531	<b>Taipei Fubon</b> ● BALANCE \$13,386,937	<b>Cathay Pacific</b> ● BALANCE \$38,059,570	<b>Kaohsiung Bank</b> ● BALANCE \$5,649,087
<b>Mega Bank</b> ● BALANCE \$55,560,941	<b>Citi Taiwan</b> ● BALANCE \$52,891,954	<b>Standard Chartered Bank</b> ● BALANCE \$39,583,801	<b>Taichung Bank</b> ● BALANCE \$65,720,547	<b>Capital Bank</b> ● BALANCE \$37,990,384
<b>HSBC Taiwan</b> ● BALANCE \$27,551,418	<b>Ruifeng Bank</b> ● BALANCE \$40,713,441	<b>Huatai Bank</b> ● BALANCE \$4,885,499	<b>Taiwan Shin Kong</b> ● BALANCE \$10,157,779	<b>Yangon Bank</b> ● BALANCE \$106,109,925
<b>Banqin Bank</b> ● BALANCE \$13,876,628	<b>Sanzin Bank</b> ● BALANCE \$0	<b>Commonwealth Bank</b> ● BALANCE -\$4,825,177	<b>Far East Bank</b> ● BALANCE \$73,637,559	<b>Yuanta Bank</b> ● BALANCE \$49,522,599