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Via email – [consultation@iadi.org](mailto:consultation@iadi.org)

Dear Mr. Van Roosebeke,

## **Financial Innovation and Digitalisation: Impact on Deposit Insurance Systems**

The Institute of International Finance (**IIF**) appreciates the opportunity to respond to the International Association of Deposit Insurers' (**IADI's**) [January 6, 2026 Consultation](#) (**Consultation**) concerning the impact of financial innovation and digitalization on deposit insurance systems.

The IIF brings a global perspective as it represents approximately 400 globally active financial institutions from over 60 geographies. Our diverse membership comes from the banking, insurance, securities, asset management, payments and other sectors, including a number of digital natives and stablecoin issuers. IIF members are interested in the impact of digitalization on their own business models and on regulators' mandates of emerging technologies, including with respect to digital assets and artificial intelligence.

As discussed in IIF engagements with IADI during 2025 on these matters, IADI's work is timely in light of the growing scale, significance, and scope of digital instruments that may function as alternatives to bank deposits. The increasing role of non-bank actors across the financial and insurance ecosystems has the potential to blur regulatory and functional boundaries, underscoring the need to consider the way in which different actors are regulated and the nature of their interaction with banks. IIF members emphasize that technology neutrality should remain a guiding principle, applied in a risk-sensitive manner that reflects the activities performed, the risk profiles of the actors involved, and the regulatory frameworks governing them.

### **Overview**

Building on earlier engagement with IADI on these issues, the IIF adopts a topical approach to the interconnected issues identified by IADI in this Consultation. Responses are organized around the [Consultation's five "key themes"](#): (1) Stakeholder Perspectives,

(2) New Market Participants, (3) Crisis and Risk Management, (4) Operational Readiness, and (5) Guidance and Standards.<sup>1</sup>

Across these themes, the IIF considers how digitalization is reshaping deposit-taking by introducing efficiencies alongside new risks. These developments raise issues related to deposit volatility, consumer understanding of insurance coverage, and the expanding role of non-bank intermediaries. Platform-based models and fintech partnerships are also altering competitive dynamics while introducing new operational and concentration risks.

IIF members emphasize that financial stability should remain paramount in any policy approach to deposit insurance. The gains achieved since the Global Financial Crisis should be preserved alongside innovation supported by appropriate safeguards.<sup>2</sup> While technological innovation can deliver meaningful benefits, any extension of deposit insurance should be approached cautiously and designed to preserve financial stability.

Members also highlight persistent consumer protection challenges, including evidence of confusion in several jurisdictions about deposit insurance coverage for deposit products accessed through fintech platforms or partnerships. This underscores the need for clear regulatory guidance, standardized disclosures, effective public communication, and stronger international coordination.

The IIF's responses to IADI's interconnected topics are in **Annex 1**.

## Key Findings

- **Digitalization potentially changes the speed and transmission of risk, not its underlying sources.** Digital channels, platforms, and social media could potentially accelerate deposit velocity, stress transmission, and confidence shocks, but do not alter the fundamental drivers of risk, which remain rooted in business models, governance, and balance-sheet structures. Policy responses should therefore focus on operational readiness and coordination.
- **Operational complexity, particularly with intermediaries and limitations to data access, is a primary constraint.** Platform-mediated and pass-through structures may complicate beneficial owner identification, recordkeeping, and payout execution. Weak intermediary governance and poor data quality can delay reimbursement even when deposits are legally insured, making operational preparedness more critical than changes to coverage rules.

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<sup>1</sup> Eva Hüpkes, IADI's Secretary General [posted six questions on LinkedIn](#) in conjunction with this Consultation. The IIF's response addresses these questions and shares its members insights.

<sup>2</sup> See, [IIF Staff Paper: Modernization and Simplification – Revamping the Global Banking Regulatory Framework](#), Feb. 9, 2026 (highlighting that fifteen years after the Global Financial Crisis that regulatory frameworks remain fit for purpose and targeted modernization can help ensure the framework is clear, coherent, and proportionate).

- **Deposit insurance frameworks remain broadly fit for purpose, subject to clear boundary-setting.** Deposit insurance is explicitly intended for deposits (whether tokenized or not tokenized) and is not intended or appropriate for instruments that are not deposits – and which carry a different risk profile than deposits. That said, the existing principles of deposit insurance can be applied with technology neutrality, risk sensitivity, and clear differentiation when contemplating the risk profiles of other instruments, such as stablecoins or e-money tokens (**EMTs**), should independent insurance constructs be of interest. It is important for deposit insurers, as it is for all types of financial institutions offering such instruments, to remove any ambiguity regarding what is and is not insured by existing frameworks (specifically, that instruments that are not deposits are not covered by deposit insurance).
- **Non-deposit digital instruments could create spillovers that require coordination, not coverage expansion.** While stablecoins, EMTs, CBDCs, and programmable instruments fall outside the deposit insurance perimeter, stress in these markets could spill over to insured deposits via backing assets, shared intermediaries, and confidence effects. These spillovers could be addressed through scenario analysis, supervisory coordination, and clear disclosure. IIF members believe the financial stability implications of these interconnections should be carefully assessed by macroprudential standard-setters and deposit insurers.
- **IADI is well positioned to deliver guidance.** Priority areas include common terminology, boundary clarification, cross-border coordination, stress scenarios for digitally-accelerated runs (including in the case of multi-issuance), data access expectations, and crisis communication. Incremental mandate clarification may be needed to support these roles, but without altering coverage boundaries or creating new guarantees. Multi-issuer stablecoins underscore the need for clear classification, issuer-specific accountability, and cross-border coordination. Users may otherwise perceive a single global instrument despite potentially materially different legal claims, reserve arrangements, and protections across jurisdictions.

The IIF and its members stand ready to engage in roundtable or bilateral discussions, or further consultations on these topics, as IADI considers its workplan for the coming year.

We thank you again for the opportunity to contribute to this important consultation.

Yours sincerely,



Jessica Renier  
Managing Director, Digital Finance

## Annex 1

### Responses to IADI Digitalisation Consultation

1. ***Stakeholder Perspectives. The potential impact of CBDCs on traditional deposit-taking activities, financial stability, and depositor protection, as well as their use in expediting depositor reimbursements and addressing risks related to wallet service providers.***

Digital innovation is reshaping depositor behavior and perceptions of protection. Digitalization has increased speed, convenience, and competition, reshaping depositor expectations around immediacy, portability, and constant access to funds. At the same time, existing deposit insurance frameworks remain broadly adequate when coverage boundaries are clearly defined and consistently communicated. Wallet and intermediary related risks should be addressed through targeted oversight rather than expanded guarantees. Public awareness tools should be modernized to clearly communicate what is, or is not, covered.

#### **Impact of CBDCs on Traditional Deposit-Taking and Financial Stability**

**CBDCs are not bank deposits and should not be treated as such for deposit insurance purposes.** IIF members emphasize that CBDCs do not create issuer solvency risks analogous to bank deposits. CBDCs are liabilities of the central bank issued in sovereign currency. As such, there is no clear role for deposit insurance in protecting against issuer failure. Members note that the proposed Digital Euro Regulation, currently in legislative consideration, does not classify the Digital Euro as a deposit and places it outside the scope of Deposit Guarantee Schemes (DGS) coverage.<sup>3</sup>

**Shifts in depositor behavior and expectations are reshaping deposit dynamics.** Digital finance has increased depositor expectations of immediacy and seamless access, driven by real-time payments, digital wallets, and platform-based interfaces integrated into everyday life. The growing role of non-bank digital wallets, fintech intermediaries, and tokenized representations of value have blurred depositor perceptions of what constitutes a “deposit” and what protections apply. IIF members highlight that depositor behavior may be increasingly velocity-sensitive, particularly where balances are intermediated through digital platforms or influenced by social-media driven confidence dynamics.

**Multi-issuer stablecoins may add to perception and confidence challenges.** Where stablecoins are issued or operationally supported by multiple entities or across jurisdictions, users may perceive a single global instrument with uniform protection. In practice, however, legal claims, reserve arrangements, and applicable protections may differ materially, complicating understanding of who stands behind the claim and what

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<sup>3</sup> See Santander, [Insights – The Digital Euro, a complement, not a substitute for cash, neither an investment or savings instrument](#) (describing the Digital Euro framework and explaining that it will be a public payment instrument designed to complement cash, not replace it).

protections apply.<sup>4</sup> Given the evolving regulatory work on crypto-asset and stablecoin frameworks in the U.S. and the UK, along with heightened EU attention to cross-border issues and potential multi-issuance of stablecoins, members suggest that as part of its workplan, IADI could support international coordination for clear boundary setting and disclosure around coverage that takes into account convergence or differences between regulatory regimes.

**Potential substitution effects require monitoring – not automatic expansion of coverage.** IIF members recognize that CBDCs, particularly retail CBDCs, and payment stablecoins could substitute for traditional deposits depending on design choices. A retail CBDC could further alter depositor behavior by offering a risk-free claim on the central bank, potentially increasing flight to safety dynamics during periods of stress and shift some transactional balances away from banks. Also, remunerated stablecoins could accelerate substitution away from bank deposits, increasing banks' reliance on wholesale funding, raising funding costs, and reducing credit intermediation capacity. Significant substitution could affect bank funding, credit creation, and monetary policy transmission, with financial stability implications. These risks warrant careful monitoring and design discipline from a financial stability perspective.

**Digital innovation can amplify stress transmission without changing underlying risk drivers.** Digitalization may accelerate withdrawals and facilitate cross-platform contagion. But they do not alter the fundamental sources of financial risks which remain rooted in business models, governance, and balance-sheet structure. Rather than broadening safety net guarantees in ways that dilute mandates or create misguided cross subsidies, policy responses should focus on clarity, proportionality, and risk sensitivity.

**Technology neutrality remains a guiding principle, but risk profiles vary.** While similar functions should be regulated consistently, differences in institutional backing, regulatory intensity, and risk characteristics matter. CBDCs sit outside the deposit insurance framework.

### **Depositor Protection and Reimbursement**

**CBDC wallets raise operational and consumer-protection issues distinct from those pertaining to deposit insurance.** While CBDC balances do not warrant deposit insurance, wallet providers may present risks related to cyber incidents, operational failures, loss of access, or recordkeeping weaknesses. The European Central Bank's (ECB) analysis on holding limits underscores the deposit substitution risk.<sup>5</sup> The issue of whether deposit insurers should cover wallet provider failures – which is distinct from CBDC issuer failure – deserves clarity. Members believe that these risks

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<sup>4</sup> See, [IIF Response to Bank of England Consultation on Sterling-Denominated Systemic Stablecoins](#), Feb. 10, 2026 (**BoE Consultation**, noting that global workstreams, including the FSB and BIS, are addressing stablecoin multi-issuance and multi-jurisdiction issues).

<sup>5</sup> See, IADI [Consultation](#), footnote 46, p. 28 (referencing the ECB's analysis and citing a flight to safety scenario with potential outflows of up to €700 billion, or ~8% of retail sight deposits at a €3,000 cap).

would be appropriately addressed through wallet level safeguards, operational-resilience requirements, supervisory oversight, and private insurance – not deposit insurance.

**Deposit insurers may leverage digital infrastructure without expanding coverage.** IIF members see scope to use digital tools, real-time payments, and improved data integration to expedite reimbursement for insured bank deposits. This does not imply extending deposit insurance coverage to CBDCs or other digital instruments.

### **Adequacy of Current Depository and Deposit Insurance Frameworks**

**Existing frameworks remain broadly adequate when applied with clarity and discipline.** IIF members underscore that current deposit insurance frameworks remain fit for purpose when applied with technology neutrality, risk sensitivity, and clear boundary setting. That is, they are adequate for tokenized representations of traditional bank deposits in a model where the bank has the ability to maintain holder information and has the ability to control the tokens. Deposit insurance is designed to mitigate issuer solvency risk inherent in fractional reserve banking – not to insure all digital stores of value.

**Instrument specific perimeter clarity. Tokenized deposits:** Where a digital instrument is a representation of a traditional bank deposit issued by an insured institution, it should clearly remain within existing deposit insurance coverage. **CBDCs:** CBDCs are liabilities of the central bank, issued in sovereign currency, and do not present issuer insolvency risk comparable to bank deposits. As such, there is no clear role for deposit insurance for CBDCs. **Stablecoins and e-money (including EMTs):** These instruments should remain outside of bank-funded deposit insurance schemes. Any potential protection regime, should one be desirable, should be provided through separate, instrument specific arrangements aligned to their distinct risk profiles and regulatory regimes, and not “piggy-back” on DGSs.

### **Wallet Providers and Intermediaries – Unresolved Protection Issues**

**Wallet and intermediary failures expose gaps not suited to deposit insurance solutions.** Failures of non-bank wallet providers and intermediaries can expose risks related to recordkeeping, segregation, access to funds, and operational resilience. These are governance and supervisory challenges, not deposit insurance design failures. For example, members note that when deposit tokens are held for customers in a hosted omnibus wallet, a bank should ensure that the wallet provider is a qualified custodian and passes enhanced due diligence. These are similar issues for brokered bank deposits, where an intermediary maintains records and deposit insurance is passed through to the underlying holders.

**Clear allocation of responsibility.** Contractual and regulatory clarity is needed regarding the respective roles of banks, wallet providers, and intermediaries –

particularly in failure and reimbursement scenarios. Where insured deposits are involved, deposit insurers should have timely and reliable access to depositor data.

## **Coverage Rules, Legal Frameworks, and Public Awareness**

**Misconceptions about coverage pose consumer protection and financial stability risks.** Evidence points to widespread confusion – particularly in fintech-enabled, wallet-based, and multi-issuer digital arrangements – about whether funds are protected by deposit insurance. This confusion stems from complex intermediation chains, opaque disclosures, and inconsistent terminology across products and providers, rather than gaps in deposit insurance design.

**Expanding coverage is not the solution.** Extending deposit insurance to CBDCs, stablecoins, or wallet balances risks moral hazard, misguided cross-subsidization, and mandate dilution, while weakening incentives for appropriate regulation of non-bank actors. Regulatory modernization should focus on simplifying and clarifying existing frameworks, not stretching them to cover fundamentally different risks.

**Public awareness tools need updating.** IIF members stress clearer and standardized disclosures, consistent terminology and warnings across jurisdictions (e.g., explicit statements that CBDCs and stablecoins are not DGS-covered), and restrictions on misleading “deposit-like” marketing by non-bank entities and intermediaries.

**Modernized communication supports trust through clarity.** To reflect how consumers now access financial services, public awareness strategies should leverage digital-native channels, real-time communication tools, and coordinated regulator and financial industry messaging, especially during periods of stress. The objective should be to limit confusion, and to improve understanding and confidence through clarity of what is insured, how reimbursement works, and expected timelines – not through expanded guarantees that could undermine financial stability or blur regulatory boundaries.

2. ***New Market Participants. The role of new market entrants, such as fintech firms and non-insured deposit-taking institutions, in reshaping the financial landscape and their impact on deposit insurers’ ability to meet public policy objectives.***

Non-bank intermediaries have reshaped deposit-like services that can enhance efficiency and competition but have also introduced operational complexity, new failure points, and widespread confusion about depositor protection.<sup>6</sup> Existing deposit insurance frameworks remain broadly adequate, but should be applied with clearer boundary setting, improved data access, and more direct oversight of non-bank actors performing bank-like functions. Meeting public policy objectives in a platform-driven

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<sup>6</sup> See, [IIF Response to the Federal Reserve System’s Request for Information and Comment on Reserve Bank Payment Prototype](#), Feb. 6, 2026 (discussing the UK, and EU experience under PSD2 and that open banking has accelerated the embedding of non-bank entities into the deposit taking ecosystem).

ecosystem depends less on expanding coverage and more on clarifying the regulatory perimeter, strengthening intermediary governance, and modernizing public communication. Members suggest that policy and regulatory responses should be calibrated accordingly – focusing on transparency requirements, operational safeguards, and clear intermediary obligations.

### **New Market Entrants are Reshaping the Financial Landscape**

**Fintech firms are increasingly central to deposit-like services.** New market entrants play significant roles in customer onboarding, account access, payment initiation, and custody of client funds. These non-bank actors increasingly sit between depositors and insured banks, reshaping how deposits are accessed, distributed, and perceived.

**Business models rely heavily on intermediation rather than balance-sheet risk-taking.** Most non-bank entrants do not take deposits on their own balance sheets but operate through intermediation models such as Banking-as-a-Service (BaaS), Payment-as-a-Service (PaaS), sweep networks, and omnibus or pass-through accounts at insured banks. While these models can expand access, efficiency, and competition, they complicate depositor identification, recordkeeping, and failure resolution.

**Regulatory asymmetries risk consumer confusion and regulatory arbitrage.** Changing depositor expectations can lead consumers to treat non-insured products like insured bank deposits – making it harder for the public to distinguish between products when firms do not clearly communicate their differences. Yet similar customer-facing services may be subject to different regulatory regimes depending on whether they are provided by banks or non-banks. This undermines the “same activity, same risk, same regulatory outcome” principle and contributes to misunderstanding about protections such as deposit insurance, particularly where non-banks rely on bank balance sheets while avoiding comparable supervisory requirements.

### **Impact on Deposit Insurers’ Ability to Meet Public Policy Objectives**

**Operational complexity challenges payout and resolution readiness.** Intermediary involvement can obscure beneficial ownership, delay access to insured funds, and create dependencies on third-party data systems. Failures such as the Synapse case illustrate how weaknesses in intermediary recordkeeping can impair timely reimbursement even when deposits are legally insured.<sup>7</sup>

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<sup>7</sup> See, U.S. Consumer Financial Protection Bureau [In re: Synapse Financial Technologies, Inc.](#), Aug. 21, 2025 (adversary proceeding complaint against Synapse), Banking Dive, [CFPB moves to hold Synapse accountable for missing customer funds](#), Aug. 11, 2025, and The Gazette, [Abrupt shutdown of financial middleman freezes thousands of Americans’ deposits](#), May 23, 2024 (reporting that Synapse, a BaaS provider collapsed, freezing up to 200,000 accounts and impacting an estimated 10 million customers, with an estimated \$60 – \$90 million in customer funds missing from internal recordkeeping failures).

**Confidence preservation is more fragile in a platform-mediated environment.** Digital interfaces, instant payments, and social media amplification can potentially accelerate deposit movements and increase the speed and scale of stress events. This heightens demands on deposit insurers’ monitoring capabilities, early-warning systems, and coordination with prudential supervisors.

**Deposit insurers face expanded coordination and data access needs.** To meet core public policy objectives – prompt payout, confidence preservation, and orderly resolution – deposit insurers increasingly require timely access to depositor data held by both banks and non-bank intermediaries, as well as clear contractual obligations on intermediaries to support payout and resolution processes.

### **Digitalization and Working with Non-Bank Entities**

**Progress has been made but readiness is uneven.** Many deposit insurers have enhanced their mandates, expanded their role in resolution planning, and invested in digital payout systems and data integration. However, capabilities vary significantly across jurisdictions, and not all frameworks are fully adapted to multi-layered digital intermediation.

**Technology and sound governance can strengthen readiness.** IIF members highlight opportunities to use APIs, real-time data feeds, digital identity tools, and AI-enabled analytics to improve monitoring, payout speed, and crisis communication. These tools can enhance effectiveness but require robust governance, cybersecurity safeguards, and human oversight.

**Limits of indirect supervision.** Reliance on banks to oversee fintech partners increases banks’ regulatory burden and may be inefficient. IIF members suggest that, where non-banks perform bank-like functions, more direct supervision of those entities may be appropriate to address risks that may not be visible through entity-by-entity supervision alone. While more extensive than various jurisdictions may wish to pursue, various jurisdictions, including the EU, have oversight frameworks for critical third-party information and communication (ICT) service providers that reflect concerns about systemic risk arising from sector-wide reliance on a small number of shared technology providers.<sup>8</sup>

### **New Forms of Money and Implications for Deposit Insurance**

**Not all new forms of money belong inside the deposit insurance perimeter.** While tokenized deposits issued by insured banks should remain covered as deposits, other digital instruments – such as stablecoins, EMTs, and CBDCs – operate under

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<sup>8</sup> See, European Securities and Markets Authority (ESMA), [Digital Operational Resilience Act \(DORA Regulation 2022/2554\)](#), and European Supervisory Authorities, [Joint ESAs Report in response to the European Commission consultation to Article 58\(3\) of Regulation \(EU\) 2022/2554 \(DORA\)](#) (empowering EU supervisors to directly assess and remediate ICT risks from failure scenarios in which an ICT outage could disrupt multiple banks or payment institutions).

distinct risk and regulatory frameworks. Extending deposit insurance would alter incentives and could create moral hazard and cross-subsidization.

**Clear boundary-setting promotes confidence and credibility.** Deposit insurers could help clarify regulatory taxonomy by clearly delineating what is and is not covered, particularly as new entrants market deposit-like products. Misleading terminology (e.g., non-banks offering “accounts” or “deposits”) should be restricted to preserve trust in the deposit insurance framework. For example, pursuant to the EU’s approach, entities could be required to provide clear disclosure of DGS coverage status in payment service user information – or its absence.

### **Public Awareness and Trust in a Platform-Driven Ecosystem**

**Consumer misunderstanding is a systemic risk.** Evidence suggests that there is widespread confusion about deposit insurance status in fintech-enabled and platform-based arrangements. Such misunderstanding may undermine public policy objectives and can amplify stress during periods of uncertainty. Members note that the post-PSD2 experience in the EU has demonstrated how multi-layered account structures can create consumer confusion when key information is not transparent.<sup>9</sup> In response, the forthcoming Payment Services Directive 3 (PSD3) and the new Payment Services Regulation (PSR) are being developed with the stated goal of strengthening consumer protections and transparency.<sup>10</sup>

**Modernizing communication strategies.** Operating effectively in a platform-driven ecosystem increasingly depends on standardized disclosures, coordinated interagency messaging, and proactive engagement through digital and social media channels to counter misinformation. Public awareness tools should be strengthened through clarity and consistency, not replaced by broader guarantees that risk moral hazard or mandate dilution.

### **3. Crisis and Risk Management. *The effects of technological advancements, including automation, artificial intelligence, cloud computing, and social media, on the operational resilience of deposit insurers and their ability to respond to risks effectively.***

Technology has improved deposit insurers’ ability to identify and monitor risk, including through real-time data integration and advanced analytics. However, technology can also potentially increase the speed, scale, and interconnectedness of a crisis in ways that may not be fully captured by traditional pricing or stress frameworks. New digital structures can create risk externalities that require updated scenario analysis and stronger coordination among national and international authorities. Rather

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<sup>9</sup> See, ECB, [Working Paper Series – Digital money and finance: a critical review of terminology](#), WEF, [Regulatory Gaps and Inconsistencies of Digital Currencies](#), Nov. 2021.

<sup>10</sup> See, KPMG, [Law Insights – PSD3 and PSR: New payment regulation for payment service providers and banks](#), Jan. 19, 2026 (noting that the PSD3/PSR proposal place enhanced emphasis on user information obligations).

than expanding deposit insurance coverage beyond its core mandate, IIF members stress that these challenges could be addressed through better governance, modernizing crisis planning, and clear boundary setting.

## **Technological Advancements and Deposit Insurers' Operational Resilience**

**Automation, cloud computing, and digital payments improve speed but raise dependency risks.** Technological tools have strengthened risk identification and monitoring. Automation, APIs, real-time data feeds, and AI-enabled analytics allow deposit insurers to monitor deposit flows, institutional stress, and emerging risks with greater speed and granularity than in the past, supporting more proactive engagement with prudential supervisors. At the same time, reliance on cloud service providers, shared platforms, and third-party infrastructure entails concentration and correlated operational risks that deposit insurers must account for in crisis planning. Outages, data unavailability, or intermediary failures can affect multiple institutions simultaneously, and these dependencies are not always well-captured in traditional, single-firm risk assessments.

**AI enhances monitoring pending strong governance.** AI and machine learning tools can support early warning systems, fraud detection, sentiment analysis, and stress diagnostics. However, overreliance on automated tools without adequate oversight risks mispricing or misinterpreting signals, particularly in fast moving crisis conditions. AI should, therefore, be embedded within robust governance, validation, and escalation frameworks, with clear accountability and human judgment retained at critical decision points. The appropriate response is better use of technology within existing mandates – not expansion of deposit insurance tools to compensate for risks generated elsewhere.

**Social media may alter crisis dynamics.** Digital communication channels can amplify misinformation and accelerate confidence shocks, potentially contributing to deposit outflows. Research highlights that social-media driven reputational contagion can increase the speed and scale of stress events. Deposit insurers increasingly need real-time communication capabilities and close coordination with prudential and conduct authorities to counter misinformation and maintain public confidence.

## **Managing Risk Amplification in Crises**

**Acceleration of deposit volatility and velocity.** Digital channels, instant payments, and platform-mediated relationships increase the speed at which deposits can move, particularly where balances are concentrated or largely uninsured. IIF members caution against attributing instability solely to technology – however, digitalization can potentially intensify traditional run dynamics and create externalities that spread more rapidly across institutions and borders.

**Limits of current pricing and incentive mechanisms.** Risk-based and differential premium models were designed to reflect traditional balance sheet risk, not rapid, technology-driven liquidity dynamics or platform-mediated behavior. As a result, some digitally amplified risks from operational dependencies, third-party concentration,

and interconnectedness may not be fully reflected in existing pricing frameworks. Market discipline and prudential measures remain the primary risk mitigants for digital instruments and intermediaries outside the deposit insurance perimeter. IIF members do not support recalibrating deposit insurance premiums to capture risks that originate outside insured deposits.

**Multi-issuer stablecoin structures may amplify crisis dynamics.**

Multi-jurisdiction stablecoins – issued and managed across multiple countries – could potentially intensify liquidity and redemption pressures and/or complicate supervisory response. In stress, holders may seek redemption through the “weakest” or fastest jurisdiction, increasing run-risk and straining liquidity management. Fragmented reserve management and redemption obligations across jurisdictions could also make it difficult for any single authority to see the full scope of exposures, coordinate enforcement, or respond quickly. More research is needed here to sufficiently understand the potential for these dynamics, and the IIF acknowledges the intention of the Financial Stability Board (FSB) and the Bank for International Settlements (BIS) to conduct this research throughout 2026. Members suggest that this issue is not a question of deposit insurance coverage, but of coordination and supervision.

**Testing scenarios may need to evolve beyond historical norms and include multi-issuer cases.** Deposit insurers may wish to test scenarios involving faster than historical withdrawal speeds, simultaneous stress across institutions linked by common platforms or intermediaries, data unavailability or intermediary failure during payout, and cross-border digital deposit movements. Scenario sets should likely also include stablecoin stress with multi-issuer or cross-border structures, where potentially fragmented reserve management or redemption rights could potentially intensify run dynamics and complicate coordination among authorities. Again, more research here is needed. These scenarios reflect changed transmission channels rather than fundamentally new failure mechanisms.

**Smart Contracts and Programmability Run Dynamics**

**Programmable features may amplify run risk.** While programmability can support automated controls or limits, smart contract-based instruments may also enable rapid, coordinated actions – such as automated redemptions or reallocations – that could intensify stress.

**Deposit insurers should focus on interfaces with insured deposits.** Most smart contract-based instruments fall outside deposit insurance coverage. IIF members stress that crisis planning should focus on how stress in programmable instruments may spill over through intermediaries, payment rails, backing assets, or confidence effects, rather than attempting to insure such instruments.

**Social Media Driven Confidence Shocks**

**Misinformation can potentially affect financial stability.** Digital and social media channels may accelerate confidence shocks and deposit outflows. As such,

reputational contagion and misinformation could be treated as operational risks relevant to deposit insurers' mandates.

**Crisis communication is a core resilience function.** Deposit insurers should maintain pre-agreed communication playbooks, use digital and social media channels proactively, and coordinate closely with other authorities to ensure consistent messaging. AI-enabled monitoring tools may assist these efforts, pending appropriate judgment and inter-agency coordination, which remain essential.

### **CBDCs and Stablecoins as Potential Crisis Substitutes for Deposits**

**CBDCs may act as perceived safe havens – with implications for deposit stability.** In jurisdictions considering retail CBDCs, substitution away from bank deposits during stress could affect bank funding and deposit insurance dynamics. These considerations support careful CBDC design to address policymaker objectives while limiting disruption to bank funding.

**Stablecoins and EMTs may amplify cross-market stress – multi-issuance may increase that amplification.** Stablecoins and other digital alternatives are not deposits and should not be covered by deposit insurance. However, where such instruments are backed by bank deposits or other financial assets, more research should be done to understand the extent to which stress could potentially spill over to insured institutions via backing assets, common intermediaries, or confidence channels. Multi-issuer structures could theoretically further amplify these spillovers by concentrating redemption pressure in specific jurisdictions and complicating the supervisory picture during stress. Such potential spillovers should be incorporated into crisis analysis and coordination.

### **Implications for IADI's Role and Guidance**

**Focus on coordination.** IADI's role could be centered on guidance and coordination rather than mandate expansion. This includes developing common stress scenarios and analytical frameworks for digitally accelerated runs, promoting best practices on data access, crisis communication, and intermediary coordination, and reinforcing clear boundary setting between insured deposits and digital alternatives. IIF members expect that managing crisis risks arising from digitalization will require stronger coordination among deposit insurers, prudential supervisors, central banks, and market conduct authorities.

#### **4. Operational Readiness. *The evolving behaviour of depositors in a digital environment, including increased competition for deposits, heightened deposit volatility, and expectations for instant access to funds.***

Digitalization has transformed depositor behavior by increasing speed, competition, and expectations. This has placed greater operational demands on deposit insurers – especially during potential stress events. Deposit insurers can support direct and pass-through coverage models and reimburse tokenized deposits. Success will depend on

data, resolution readiness, scalable infrastructure, and intermediary obligations rather than changes to coverage rules. Meeting fast payout expectations in a digital age will require investment in IT systems, standardized data access, and well-governed use of AI and automation. Operational readiness challenges are primarily infrastructure and organizational issues. As such, these challenges should be addressed through modernization rather than mandate expansion.

### **Operational Implications of Evolving Depositor Behavior**

**Digitalization has materially increased speed, competition, and depositor expectations of instant access to funds.** Depositors increasingly expect instant access to funds, seamless digital interfaces, and rapid reimbursement in stress events. For example, in the EU, the Instant Payments Regulation (IPR), reflects these expectations and makes continuous, real-time access to funds the expected norm.<sup>11</sup> Digital channels and intermediated relationships can accelerate deposit movements and heighten volatility, particularly where balances are concentrated or are largely uninsured.

**Velocity.** IIF members note that recent stress episodes illustrate how digital native customers, platform-mediated relationships, and social media can accelerate withdrawals well beyond historical norms. While technology does not cause failures, banks are impacted first, followed by intensified operational demands on deposit insurers by compressing timelines for data validation, decision-making, and payout execution.

### **Managing Pass-Through and Direct Coverage Models**

**Pass-through coverage is feasible but operationally fragile.** Pass-through insurance models depend on accurate, timely, and granular records identifying beneficial owners behind pooled or omnibus accounts. Weak intermediary recordkeeping can delay reimbursement and undermine confidence, even when deposits are legally insured. Operational constraints, rather than coverage rules, are the primary limiting factor.

**Direct coverage models are simpler and more resilient.** Where depositors hold accounts directly with insured institutions, deposit insurers can more readily calculate coverage and execute payouts. The growing use of intermediaries increases complexity rather than eliminating risk.

**Strengthening intermediary obligations.** IIF members emphasize that operational challenges associated with digital and platform-mediated deposit arrangements could be addressed through clearer contractual obligations, data standards, recordkeeping requirements, and effective oversight of intermediaries. These measures are better

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<sup>11</sup> See ECB, [Instant Payments Regulation 2024/886](#), and European Parliament, [Instant payments: the benefits for customers and business](#), May 12, 2023 (noting that in the EU, a 10-second settlement is the established operative norm for retail payments).

suitable to data access, beneficiary identification, and resolve payout issues rather than by redefining deposit insurance coverage.

### **Identifying Beneficial Owners in Pooled and Platform Structures**

**Beneficial ownership identification is an operational bottleneck.** Omnibus and pooled account structures can obscure depositor identities and balances, particularly where multiple intermediaries are involved, complicating payout calculations and delaying access to insured funds. While not specifically designed for deposit insurance, some members note that the EU Digital Identity Wallet framework provides a legally binding and interoperable foundation for cross-border digital identity verification, which may enable development of digital payout capabilities.<sup>12</sup>

**Data, recordkeeping, and resolution-readiness.** Deposit insurers require reliable, low latency access to depositor data, including clear mapping between end-users and underlying bank accounts. To ensure this continues to be possible, IIF members suggest strengthening intermediary obligations – through contractual requirements, data standards, and oversight.

### **Reimbursing Tokenized Deposits**

**Tokenized deposits are deposits and should be treated operationally as such.** IIF members suggest focusing on the same activity, same risk, same regulatory outcome principle. Where a tokenized deposit is a digital form of a deposit, it should be treated like a deposit issued by an insured depository institution. Members encourage, as noted in IADI's Consultation, continued consideration of the various business models contemplated for tokenized deposits and associated coverage considerations.

**Operational feasibility hinges on system adaptation.** The challenge is not conceptual coverage, but whether deposit insurers' systems can recognize, value, and reimburse tokenized claims promptly. IIF members support investment in systems, data integration, and operational readiness.

### **Meeting Faster Payout Expectations in a Digital Environment**

**Payout speed expectations are rising.** Many deposit insurance systems now aim to begin reimbursement within a few working days, reflecting depositor expectations shaped by instant payments and digital services. Fast payouts are increasingly seen as integral to confidence preservation. Raised depositor expectation increases the importance of resolution strategies that can restore access rapidly.

**Digital channels can improve payout performance.** Real-time payment rails, digital identity tools, automated eligibility checks, and streamlined payment initiation

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<sup>12</sup> See EUR-Lex, [Regulation \(EU\) 2024/1183](#), and Arthur Cox, [Briefing – The EU Digital Identity Wallet: What companies need to know](#), Oct. 20, 2025 (enabling standardized, authentication based identification that supports verification of individual beneficiaries in complex account structures).

can accelerate reimbursement processes, provided systems are secure, resilient, and well governed. In stress scenarios, their effectiveness is dependent on reliable data access, governance, business continuity planning for outages, and contingency planning for intermediary failure.

### **Practical Requirements for Infrastructure, Data, Automation**

**Core infrastructure requirements.** This includes secure, scalable IT systems capable of handling large-scale digital payouts and spikes during stress events. It will also require standardized data interfaces (e.g., APIs) between deposit insurers, banks, and key intermediaries. In addition, contingency arrangements are needed for third-party and cloud outages, reflecting increased reliance on shared infrastructure.

**Feasible and proportional.** Not all deposit insurers can or should deploy cutting edge systems immediately. A phased, risk-based approach that prioritizes data quality, interoperability, secure payout rails, and governance is more operationally practical than rapid, one-size-fits all adoption of advanced technologies.

#### **5. Guidance and standards. *The coverage and protection of emerging digital financial products like e-money, stablecoins, tokenized deposits, and central bank digital currencies (CBDCs), including their implications for depositor protection and financial stability.***

Regulatory safety net frameworks should better reflect digitalization and cross-border finance by clarifying boundaries, resolving supervisory gaps, and strengthening international coordination. Deposit insurer mandates remain broadly fit for purpose – and with clarification can support expanded operational and coordination roles. Multi-issuer stablecoins illustrate the risks of fragmented responsibility across jurisdictions and the need for issuer-specific regimes, clear disclosure, and IADI led guidance on terminology, expectations, and crisis coordination.

### **Coverage and Protection of Emerging Digital Financial Products**

**Clear differentiation among instrument types.** IIF members stress that emerging digital financial products are not homogeneous and have materially different legal structures, issuer characteristics, and risk profiles. Regulatory safety net frameworks should, therefore, continue to distinguish clearly among instruments, rather than applying a uniform or function-only approach that risks misalignment between risk and protection. Technology neutrality supports consistent treatment of like risks but does not justify collapsing fundamentally different instruments into the deposit insurance perimeter.

**Tokenized deposits – continuation of deposits.** Where tokenized deposits represent a digital form of a traditional bank deposit issued by an insured institution, they should be treated as deposits for insurance purposes, assuming deposit insurers can operationally account for them. Depending on design, this reflects continuity of treatment, not an expansion of coverage.

**CBDCs – no role for deposit insurance.** CBDCs are liabilities of the central bank and do not raise issuer solvency risks analogous to bank deposits. While wallet-level risks may arise, these are best addressed through operational, supervisory, or private insurance arrangements.

**Stablecoins and EMTs – outside the deposit insurance perimeter.** Stablecoins and EMTs should not be covered by bank deposit insurance schemes. If protection is provided, it could be through separate, issuer-specific regimes funded by issuers and calibrated to their distinct risk profiles, avoiding cross-subsidy from banks. An example of such a regime applied to a different asset class is provided by the Securities Investor Protection Corporation in the U.S.<sup>13</sup>

### **Implications for Depositor Protection and Financial Stability**

**Boundary clarity supports confidence and stability.** Ambiguity around coverage – particularly where digital products resemble deposits in form or marketing – can undermine trust and exacerbate stress. This can be addressed by clarifying what is and is not a deposit, and by reinforcing disclosure, terminology, and conduct rules, rather than by extending deposit insurance coverage to non-deposit instruments.

**Spillovers should be monitored without mandate creep.** Stress in stablecoins, EMTs, or CBDCs could potentially spill over into insured deposits (e.g., through backing assets, common intermediaries, or confidence effects). Members suggest that deposit insurers could incorporate such spillovers into analysis and coordination, and that IADI may be well positioned as a centralized point of such activities.

### **Regulatory and Supervisory Mandates**

**Mandates generally remain fit-for-purpose.** IIF members are not supportive of a wholesale redefinition of deposit insurance mandates to accommodate digital alternatives or cross-border payment innovations. Core principles – coverage of insured bank deposits, confidence preservation, and prompt payout – remain valid when applied with technology neutrality and risk sensitivity.<sup>14</sup>

**Expanded operational roles may require mandate clarification.** As deposit insurers increasingly engage in resolution planning, access to depositor data held by third parties, and crisis communication – particularly in digital and intermediated environments. Some jurisdictions may need to clarify mandates to support these functions, without altering coverage boundaries or creating new guarantees.

**Avoid dilution of the deposit insurance mandate.** Extending coverage or mandates too broadly risks moral hazard, undue cross-subsidy, and overstretching

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<sup>13</sup> See, [SIPC.org](https://www.sipc.org) (noting that SIPC is not a government agency, an investment guarantor, or a bank regulator).

<sup>14</sup> See IADI, [Core Principles for Effective Deposit Insurance Systems](#), Sept. 2025.

deposit insurers' capacity. Proportionality and discipline are essential to preserve the credibility of the safety net.

**EU MiCA, CMDI interaction, and regulatory clarity.** The interplay between MiCA's treatment of EMTs and proposed crisis management and deposit insurance (CMDI) package's extension of DGS coverage to Electronic Money Institution (EMI) client funds held at banks deserves careful consideration. While MiCA treats EMTs as e-money with issuer-based redemption and safeguarding, the CMDI proposal to extend DGS coverage to EMI client funds held at banks introduces an indirect layer of protection at the credit institution. This interaction requires careful treatment to preserve the distinction between deposit insurance and e-money safeguarding, to ensure clarity of expectations and claims, and to maintain the clear regulatory boundary between insured deposits and tokenized monetary instruments.

### **Cross-Border Payments and International Considerations**

**Digitalization increases cross-border exposure.** Stablecoins, EMTs, digital platforms, and tokenized payment arrangements facilitate cross-border flows that can transmit stress rapidly across jurisdictions. National deposit insurance systems may face external shocks originating outside of their regulatory perimeter, heightening the need for international coordination.

**Jurisdictional clarity is critical.** Deposit insurers should be clear about which deposits are covered, under which scheme, and how coverage applies in cross-border scenarios. Conflicts of law or unclear allocation of responsibility can undermine confidence and complicate crisis management during payment or platform failures.

### **Multi-Issuer Stablecoins**

**Multi-issuer stablecoin considerations.** Multi-issuance structures refer to a stablecoin that is issued, redeemed, or operationally supported by multiple legal entities across jurisdictions. The multi-jurisdictional nature of digital alternatives can introduce additional complexities. We understand these complexities are the subject of ongoing research by the FSB and BIS.

**Key unresolved questions.** The ability to obtain a stablecoin across jurisdictions raises unresolved questions including responsibility for reserve adequacy, segregation, disclosures, and safekeeping. They also include obligations to redeem at par under stress and recourse rights. In addition, questions around transparency and disclosure so users understand which issuer they face and what protections apply, as well as authority over resolution or wind down when multiple issuers or jurisdictions are involved.

**Implications for the safety net.** These challenges do not justify extending deposit insurance to stablecoins. Instead, they reinforce the need for clear classification, issuer-specific regimes, international supervisory coordination, and appropriate reciprocity among equivalent jurisdictions.

## **IADI Guidance**

**Clarifying guidance.** IADI can facilitate coordination with guidance that promotes consistency without expanding coverage. This could include clarifying the treatment of tokenized deposits versus digital alternatives, reinforcing that CBDCs, stablecoins, and EMTs remain outside DGS coverage, and encouraging clear public communication standards.

**Common terminology and baseline expectations.** IADI could be well-placed to support common terminology and baseline expectations on what constitutes a deposit, how pass-through or intermediated arrangements should be disclosed, and how cross-border deposits and digital payment failures should be treated conceptually.

**Information-sharing and interoperable approaches.** Guidance could support information sharing channels among deposit insurers, prudential supervisors, and resolution authorities, cooperation on cross-border stress scenarios, and interoperable approaches to crisis communication and data access. For example, IIF members encourage IADI to coordinate with the European Banking Authority (EBA) and ECB on the EU implementation experience to reflect on lessons learned.

**Scenario analysis rather than new guarantees.** IADI guidance could emphasize stress testing and scenario analysis involving digital alternatives, stablecoin spillovers, cross-border payment disruptions, and platform or intermediary failures to help members anticipate risks.