



Digital Assets:

Will you be operationally ready?

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What We'll Cover

What digital assets are

How tokenized deposits could work

How digital asset payments change the operating rules

Why Operations needs to prepare

Third-party deployment and operational controls

Fraud and BSA/AML considerations

Moving from pilot to production

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What are Digital Assets?

A digital asset is a programmable representation of ownership or value recorded on a blockchain - transferable peer-to-peer and capable of operating 24 hours a day, 7 days a week, anywhere in the world.

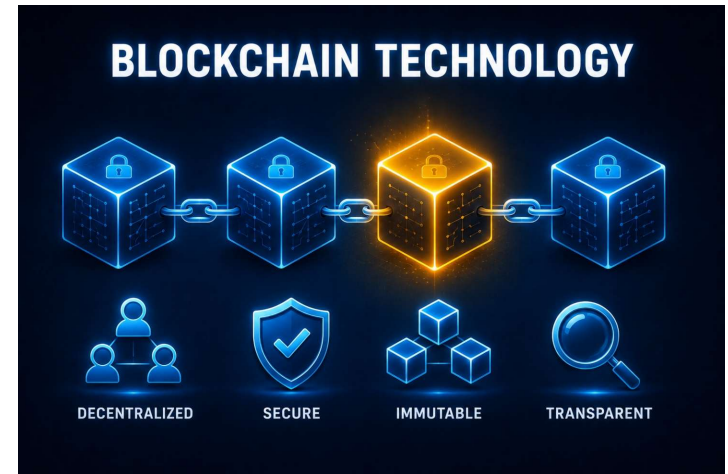


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What is the Blockchain?

Blockchain is a shared, immutable digital ledger that records ownership and transactions across a network, creating a common source of truth that is extremely difficult to alter.



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Cryptocurrency vs **Stablecoin** vs **Tokenized Asset**



Cryptocurrency

Digital Currency
(e.g., Bitcoin, Ethereum)



Tokenized Deposits

Tokenized Deposits

- A tokenized deposit is a digital representation of an existing deposit account
- The deposit remains a bank liability
- How its digital representation is created, transferred, and settled?
- Does all money in the account get tokenized?
- How will settlement work?
- Use of stablecoin for payments?



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How Would Tokenized Deposits Really Work?

Three possible models. Three different operational realities.

Where does the asset reside?

Who creates or holds it?

How does settlement occur?

What does the bank have to reconcile and control?

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Option 1 - Tokenized Deposit on Balance Sheet

- The actual value of a checking account is placed on the blockchain
- Access mobile wallet via app
- Some or all of the balance?
- How would the FI's core and digital systems handle this?
- How would the receiver convert the sending bank's digital asset?
- How does settlement occur?



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Option 2 - Tokenized Assets on Balance Sheet

- Bank owns cache of Digital Assets (ie: Stablecoins)
- Customer wishes to send tokenized payment
- Access mobile wallet via app
- Account balance is debited
- Bank-held digital asset inventory is reduced
- Settlement occurs atomically via delivery of the bank-held stablecoin asset



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Option 3 - Tokenized “On the Fly”

- Customer wishes to send tokenized payment
- Access mobile wallet via app
- Account balance is debited
- The required digital asset is minted in the form requested by the receiving party
- Settlement occurs via a traditional payment rail, such as ACH or FedNow



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Digital Asset Payments Change the Operating Rules

Traditional Bank Payment	Digital Asset Transaction
Account/routing information	Wallet/address information
Established return processes	May be difficult or impossible to reverse
Defined processing windows	Potential 24/7/365 activity
Bank/payment-rail intermediaries	Bank, provider, network and settlement participants
Familiar settlement/reconciliation	New settlement and token lifecycle considerations
Established fraud/BSA tools	May require blockchain data and analytics

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Traditional Bank Payment	Digital Asset Transaction

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Why This Is Moving from Strategy to Operations

Regulatory frameworks are becoming more defined

Stablecoin and tokenized-payment use cases are moving toward real deployment

Third-party providers are making implementation more accessible

Commercial customers may adopt before consumers

Operational readiness can become the gating factor

Banks need to understand the operating model before demand accelerates

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Why Operations Matters

Digital assets create new workflows across multiple bank functions

Settlement and reconciliation may work differently from traditional payments

Third-party dependence increases operational complexity

Fraud and BSA/AML monitoring may require new data and tools

Exception handling matters when transactions are fast or difficult to reverse

Operational design may determine whether the service is viable at all

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The Regulatory Picture Is Getting Clearer - But It Isn't Finished

GENIUS Act Stablecoin framework is being implemented. Agencies are defining rules for issuance, reserves, risk management, custody, and oversight.

CLARITY Act Broader market structure remains unresolved after the Senate failed to advance the legislation.

Bank Regulators Moving toward operating requirements for controls, capital, BSA/AML, sanctions, reporting, and third-party arrangements.

The question is shifting from “Can banks participate?” to “What controls and operating infrastructure will participation require?”

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Who Actually Does What?

Map responsibility before the service goes live - outsourcing technology does not outsource accountability.

Transaction Step	Customer	Bank	Digital Asset Infrastructure Provider	Network / Blockchain	Interoperability / Liquidity Provider
Transaction initiation	●	■			
Authentication	■	●	■		
Account debit / funding		●	■		
Asset selection	●	■	■		■
Mint / burn or conversion			■	■	●
Wallet / address validation	●	●	●	■	■
Compliance screening		●	■	■	■
Transaction execution		■	●	●	■
Settlement		●	■	■	●
Reconciliation		●	■	■	■
Exception handling		●	■	■	■
Customer support	●	●	■		
Reporting / audit trail		●	■	■	■

● Primary responsibility ■ Supporting role / data visibility

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Third-Party Partner: Operational Due Diligence

Who owns the transaction from initiation through settlement and reconciliation?

What happens when the provider, network, or settlement process is unavailable or delayed?

How are failed, duplicate, disputed, or fraudulent transactions researched and resolved?

What controls exist around wallet access, mint/burn activity, approvals, and transaction limits?

How does the provider support BSA/AML, sanctions screening, transaction monitoring, and audit requests?

What happens if the relationship ends - can the bank retrieve all transaction, compliance, and reconciliation data?

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Where Can the Operation Break?

Vendor or network outage

Settlement failure or delay

Reconciliation breaks

Incorrect wallet or address routing

Mint/burn processing errors

Unauthorized, duplicate, or failed transactions

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What Controls Have to Exist?

Transaction limits and approval thresholds

Dual control and segregation of duties

Daily reconciliation and exception review

Real-time or near-real-time alerting

Vendor/network contingency and escalation procedures

Complete audit trails and periodic control testing

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Digital Assets Don't Go Home at 5:00

What services will actually be available 24/7/365?

What happens when the core or another bank system is in overnight processing?

Who monitors failed transactions and exceptions after hours?

How are transaction limits or controls different overnight and on weekends?

What happens when the blockchain is operating but the bank or provider is unavailable?

What requires immediate response versus next-business-day resolution?

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Practical Application for Operations

Where Fraud Risk Changes

- Account takeover for digital transfers
- Wallet or destination-address substitution
- Social engineering to authorize transfers
- Mule activity across wallets or networks
- Fake investment, vendor-payment or invoice schemes
- Insider misuse of wallet or mint/burn authority

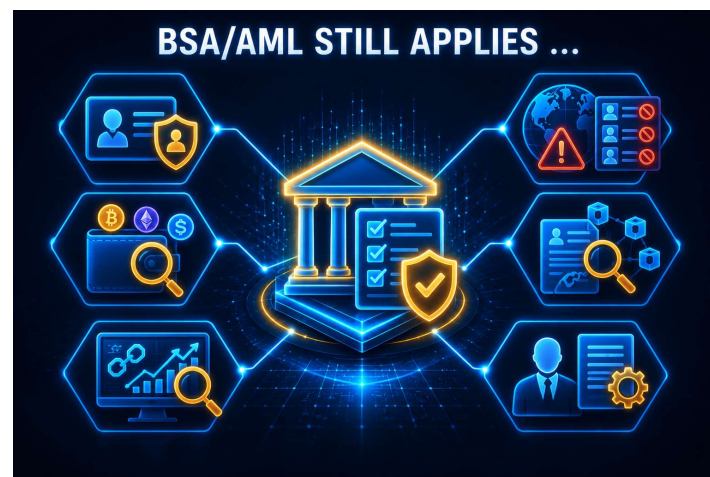


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BSA/AML Still Applies - But It's Different

- Customer identification and risk rating still apply
- Wallet ownership may require additional due diligence
- Monitoring must account for blockchain activity
- Sanctions screening may include wallet addresses and counterparties
- Investigations may require blockchain analytics and provider data
- The bank must know which duties remain with the bank



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Playbook for Deployment

Phase 1 - Design the Operating Model

Define the digital asset use case

Select and evaluate third-party providers

Map responsibilities across all participants

Define settlement and reconciliation flows

Establish customer eligibility and transaction limits

Identify required policies, procedures, and controls

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Phase 2 - Build and Test

Integrate with core and digital channels

Configure fraud and BSA/AML monitoring

Test funding, settlement, and reconciliation

Validate reporting and audit trails

Conduct contingency and recovery testing

Train operations and customer support staff

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Phase 3 - Launch and Operate

Monitor transactions and exceptions

Reconcile activity daily

Review fraud, BSA/AML, and sanctions alerts

Monitor provider SLAs and operating performance

Track complaints and customer confusion

Adjust limits, controls, and procedures as experience develops

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Are You Operationally Ready?

- ✓ Have we defined exactly what digital asset service we would offer?
- ✓ Have we mapped settlement, interoperability, and transaction flows?
- ✓ Are controls, monitoring, contingency procedures, and provider responsibilities defined?



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Are You Operationally Ready?

- ✓ Do we understand every participant and who owns each step?
- ✓ Have we identified the major operational, fraud, and BSA/AML risks?
- ✓ Could we actually operate and support this service tomorrow?



Operational readiness is not theoretical. It is the difference between offering a service and safely operating one.

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Wrapping Up

Digital assets create operational responsibilities even when technology is outsourced

The operating model must be designed before launch

Vendor capability does not eliminate bank accountability

Fraud, BSA/AML, settlement, controls, and exceptions must be considered together

Pilot programs should test operations, not just technology

Operational readiness may determine whether the opportunity is practical for the bank

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Questions??

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