Rob Nichols Washington Update
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It's time to talk tokenization

For much of 2026, the conversation around digital assets has been dominated by stablecoins, as regulators worked to implement the Genius Act, the 2025 law governing stablecoins, and lawmakers debated the Clarity Act, a more comprehensive regulatory framework for all digital assets.

To be clear, ABA supports establishing clear rules of the road for digital assets, but the version of the Clarity Act under consideration when the Senate recessed in August needs to be strengthened. With help from bankers, our state association partners and other business groups, we're engaged in an all-out push to protect local lending and the economic growth it fuels, by ensuring crypto companies aren't allowed to incentivize deposit flight from banks by offering yield-like rewards on payment stablecoins.

While we continue our work to improve the Clarity Act and make sure crypto firms looking to compete with banks face the same rigorous rules as banks, it's also time to move the opportunities that digital assets present for our sector to the center of the conversation, including opportunities around tokenized money.

Simply put, "tokenization" is the process of representing ownership of an asset on a blockchain, and "tokenized money" refers to programmable digital tokens—like stablecoins, tokenized deposits and central bank digital currencies—that represent ownership of money on a blockchain.

The first thing to understand about tokenization is that it's happening right now. Capital markets are already shifting bonds, funds and collateral onto shared ledgers, so it follows that tokenized securities will need tokenized money to work efficiently. Whether in capital markets or treasury management and payments scenarios, customers are looking to take advantage of blockchain's ability to support always on tech, instant settlement, and programmability. Bankers need to get up to speed on what's happening—or risk getting left behind.

Most bankers I speak to understand that tokenized money is important, but they aren't sure what to do about it. That's understandable, given the pain points currently standing in the way: many banks find that they don't have the scale to act alone; there are unsolved issues related to convertibility, fungibility and liquidity; "know your customer" and anti-money laundering challenges, and so on.

But there are also potential advantages to things like tokenized deposits: they provide stable value, they improve capital efficiency, they can offer regulatory certainty, they are recorded as "deposits" on the liability side of the balance sheet, and they enable credit intermediation.

Across the industry, work is underway to determine how tokenized money could support faster settlement, better liquidity management and new treasury services for customers. You've probably seen recent announcements about banks, consortiums and others launching initiatives in this space. These are important developments, but the point is not that every bank needs to build its own solution. Rather, banks of all sizes need a path to participate safely and at scale, and ABA, as well as state bankers associations and other industry partners are focused on helping chart that path.

ABA's Office of Innovation has been on the leading edge of the effort to better understand how tokenization can benefit the banking industry from a strategic perspective. You'll be hearing much more from us in the coming days on our work to help ABA members chart a path forward, including at the 2026 ABA Annual Convention, October 25-27 in Salt Lake City. I encourage you to join us in Salt Lake to stay a step ahead.

America's banks have always been pioneers when it comes to payments innovation—and we aren't stopping now.

Email Rob at nichols@aba.com.

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