Understanding Tokenised Money

Stablecoins, deposit tokens and tokenised deposits

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Why tokenised money matters

Interest in tokenised money has grown because existing digital payment and settlement models still leave friction in areas such as speed, liquidity, interoperability and automation. Tokenisation does not make money digital for the first time; it changes how value can be represented, transferred, settled and governed in environments built around tokens.

Stablecoins, deposit tokens and tokenised deposits are often discussed together, but they are not the same design choice. The differences matter because they affect who is responsible, how settlement works, how the model is governed and where it can be used.

For Cuscal, tokenised money matters because it could change how value moves through regulated payment and settlement systems. The focus is not issuing a token for its own sake, but understanding where these models could help clients move, settle and manage money more safely and efficiently across existing and future payment networks.



The tokenised money landscape

Discussions about tokenisation are often framed as though digital money is entirely new. In practice, the financial system already relies on several forms of digital and account-based money, each representing a liability of a central bank, commercial bank or other issuer.

A practical way to read the landscape is to ask two questions: whose liability is represented, and where is the main record of value kept? These questions explain why cash, ESA balances, bank deposits, stored value, CBDCs, stablecoins and deposit tokens sit in different parts of the market.

These liabilities already take established digital forms and may also be represented in tokenised forms:

MONEY

Public Money: Central Bank Liability		**Private Money: Issuer Liability**	
Retail central bank liability	Wholesale central bank liability	Commercial bank liability backed by balance sheet	Issuer liability backed by safeguarded funds
Cash	ESA Balances	Bank Deposits	Stored Value
Retail CBDC*	**Wholesale CBDC***	**Deposit Token**	**AUD Stablecoins**

**Australia does not currently have a Central Bank Digital Currency (CBDC); retail and wholesale CBDCs are included here as potential central bank money models rather than current Australian instruments.*

Read this landscape as a practical guide, not a set of legal equivalents.

Some entries are established forms of money, some are proposed models, and some are tokenised claims or representations whose treatment depends on design and jurisdiction.

Different forms of tokenised money suit different environments. Some are better suited to open networks and digital asset ecosystems; others are better suited to regulated settlement, bank controls and connection to existing financial infrastructure.

With that context in place, the next step is to clarify the three terms most often used interchangeably in tokenised-money discussions.

Key models and distinctions

Because market terminology is still used inconsistently, the definitions below should be read as working definitions for this guide rather than settled legal or industry definitions.

Stablecoins, deposit tokens and tokenised deposits are often grouped together because they all involve tokenised representations of money or money-like value. They differ, however, in four practical ways: who issues the token, what backs it, where the main record sits, and what role it is intended to play in payment or settlement.

Stablecoins: private tokens backed by reserves

Stablecoins emerged in response to the price volatility that characterised early cryptocurrencies, seeking to combine the benefits of blockchain-based transfer with a more stable store of value.

Stablecoins are digital tokens designed to maintain a stable value relative to an underlying reference asset, most commonly a fiat currency such as the Australian dollar or US dollar. They are generally issued by private organisations, although banks and regulated financial institutions are increasingly exploring stablecoin models as regulatory frameworks mature.

In digital asset ecosystems, stablecoins have become an important bridge between tokenised environments and fiat currency value.

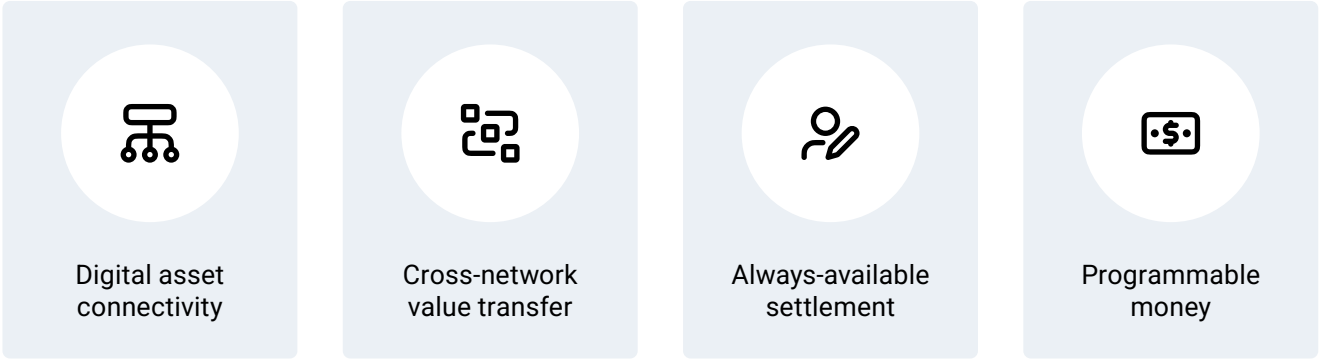
Stablecoins are increasingly being evaluated for payment and settlement applications, particularly where organisations need to move value across different networks, jurisdictions or digital environments.

Most major fiat-backed stablecoins seek to maintain their value through reserve assets that support redemption at or near par, although the quality of reserves, redemption rights, transparency and regulatory treatment vary by issuer and jurisdiction.

These differences matter. A holder's legal claim, redemption rights, reserve protection and treatment if the issuer fails can vary materially between stablecoin arrangements.

The US-dollar stablecoin market should not be read as a direct template for Australia. USD stablecoins benefit from global demand for dollar-denominated liquidity across digital asset and cross-border markets. In smaller domestic currency markets, adoption is more likely to depend on regulated use cases, payment-system integration, bank participation, safeguarding treatment and clear client demand.

For banks, PSPs and fintechs, stablecoins have demonstrated demand for:



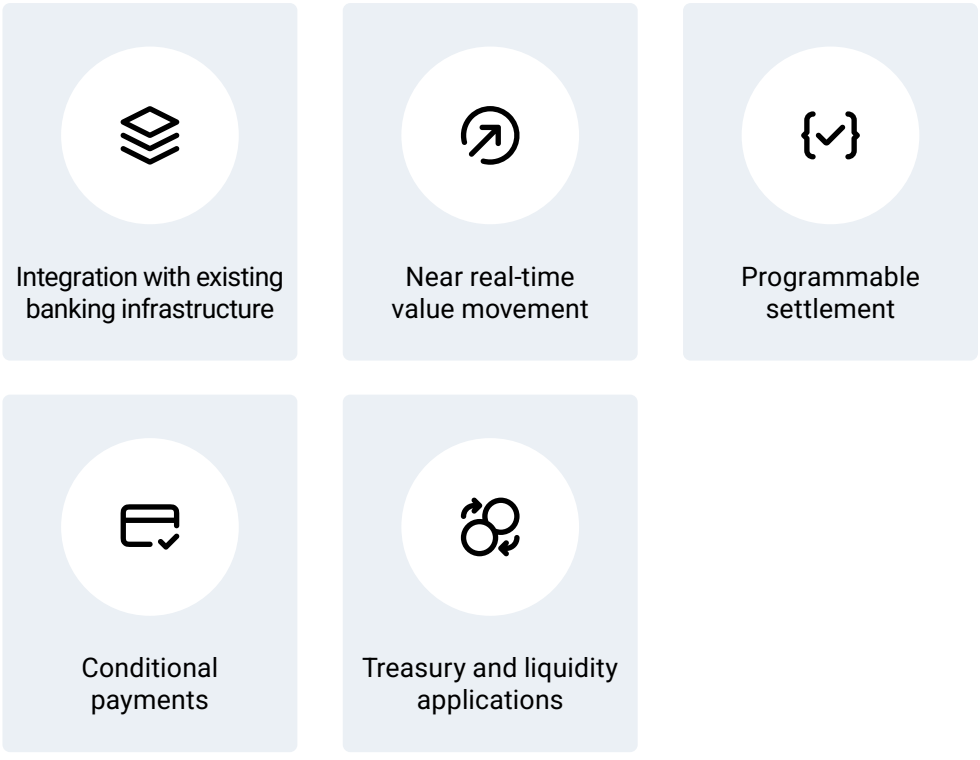
They have become an important catalyst for broader discussions around the future of tokenised money.

Deposit tokens and tokenised deposits: bank-money models

This guide uses deposit tokens and tokenised deposits as a practical distinction, not as settled industry terminology. A deposit token is treated here as a tokenised form of commercial bank money where the tokenised environment carries the main record for the relevant use case. A tokenised deposit is treated as a representation of an existing deposit that remains anchored to the bank's existing infrastructure. The key design question is where the main record of value sits.

Interest in deposit tokens is based on a clear proposition: bringing tokenised-money capabilities into a model anchored in commercial bank deposits.

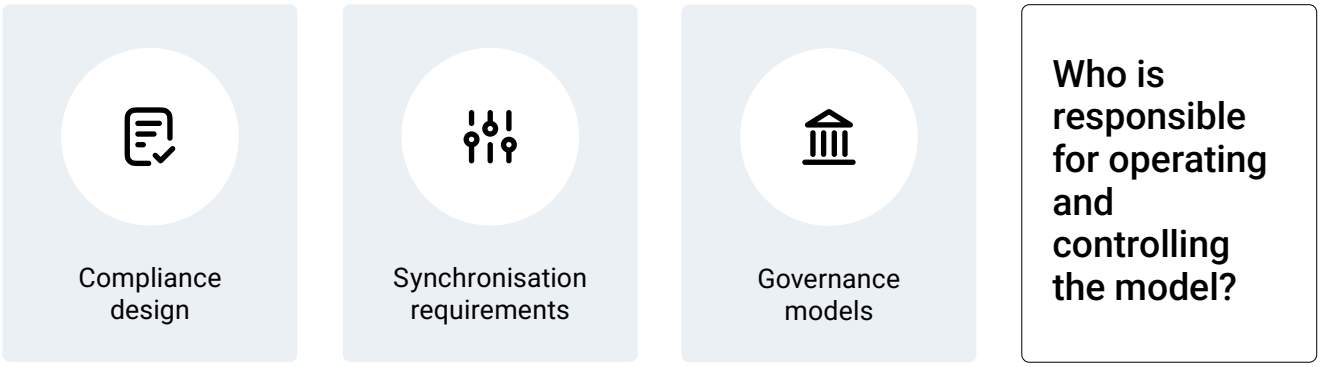
This includes the potential for:



For banks, PSPs and fintechs, deposit tokens are often discussed as a potential settlement asset for digital and tokenised environments while retaining the controls and relationships associated with commercial bank money.

From a customer perspective, this distinction may be largely invisible. For banks, PSPs and fintechs, however, the distinction can affect practical design choices, including:

System architecture



This is why industry practitioners sometimes distinguish between deposit tokens and tokenised deposits, even though the terms are often used interchangeably in broader market discussions.

DEPOSIT TOKEN	TOKENISED DEPOSIT
Deposit exists natively within the tokenised environment	Deposit is represented within the target environment
Tokenised infrastructure may maintain the authoritative record of ownership and balances	Primary record maintained within existing banking infrastructure
May increase architectural and compliance obligations within the new environment	May introduce synchronisation requirements between environments
Often discussed as a digitally native model	Often discussed as a digital representation model

The distinction is primarily operational rather than customer-facing, but it can have important implications for how a particular model is designed and governed. That is why the distinction is not just terminology – it changes design, governance and operating responsibility.

Why model choice matters



These distinctions matter because they shape more than the technology – they affect liability, controls, settlement outcomes and operating responsibilities.

- Settlement
- Liquidity management
- Interoperability
- Risk management
- Compliance
- Reporting
- Infrastructure design

Understanding the model helps banks, PSPs and fintechs test whether it fits the use case, customer need, regulatory obligation, settlement requirement and operating model.

No single model is inherently better. The right choice depends on what the money needs to do: settle faster, free up liquidity, connect across networks, meet regulatory obligations or automate value movement under defined conditions.

In practice, stablecoins are usually more relevant where open-network reach and digital asset connectivity matter. Deposit tokens and tokenised deposits are usually more relevant where regulated commercial bank money, existing banking relationships and institutional controls are central to the use case.

Where tokenised money can create value

Most industry interest is not driven by a desire to create entirely new forms of money. It is driven by practical pressure to improve settlement speed, liquidity efficiency, interoperability and automation across existing financial systems.

The important test is whether the model solves a real problem better than existing infrastructure. That test should come before any decision to use stablecoins, deposit tokens or tokenised deposit models.

The use cases below are not model-neutral. Different forms of tokenised money may support similar outcomes, but the best fit depends on what matters most: open-network reach, commercial bank money, settlement finality, operational control or connection to existing banking infrastructure.

OUTCOME	MOST RELEVANT MODEL	WHY IT FITS	WATCH-OUTS
Reduce settlement lag	Deposit tokens or tokenised deposits; stablecoins where open-network reach is more important.	Commercial bank money models fit institutional settlement where bank controls, account relationships and regulated integration matter. Stablecoins may suit environments that need faster transfer across external digital networks.	Clarify finality, redemption rights, operating hours, participant eligibility and how settlement connects back to existing systems.
Improve liquidity positioning	Deposit tokens or tokenised deposits.	These models may be better aligned to treasury, working-capital and institutional liquidity use cases because they remain connected to bank deposit infrastructure and balance-sheet relationships.	Check whether liquidity is genuinely freed up or whether the model simply creates another pool that needs to be funded, monitored and reconciled. Also confirm whether holdings would be treated as cash, cash equivalents, financial assets, digital assets or other assets for accounting and treasury purposes.
Enable delivery-versus-payment	Deposit tokens, tokenised deposits or wholesale central bank money where available; stablecoins may apply in less regulated or digitally native markets.	Tokenised cash legs can support atomic settlement with tokenised assets, but the preferred model depends on the asset class, settlement venue and required level of institutional trust.	Validate legal settlement finality, asset-leg integration, access and whether the cash leg is acceptable to all market participants.
Reduce reconciliation burden	Tokenised deposits or deposit tokens; stablecoins where the platform operates across open digital networks.	Tokenised models can embed payment status, settlement state and conditional logic into the transaction flow, reducing manual breaks across multi-party payment chains.	Benefits depend on integration depth. A token overlay without process redesign may add complexity rather than reduce it.
Automate conditional release of funds	All models can apply, but model choice depends on trust, control and network requirements.	Programmability is not unique to one form of tokenised money. The difference is whether the use case needs open-network transfer, bank-grade controls or direct linkage to an existing deposit relationship.	Define who controls the condition, what evidence triggers release, how disputes are handled and whether automation is legally enforceable.



Key takeaways for leaders

Tokenised money is not one model. Stablecoins, deposit tokens and tokenised deposits are related, but they differ in liability, record of value, governance and use-case fit.

Most money is already digital. Tokenisation changes how value can be represented, moved, settled and automated.

Model choice should start with the use case. The right answer depends on the settlement need, participants, regulatory requirements, controls and integration path.

As digital money continues to evolve, banks, PSPs and fintechs that understand these distinctions will be better placed to assess opportunities, engage in industry discussions and make informed decisions about future payment and settlement models.

Common questions

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Will one tokenised-money model dominate?

The more likely outcome is coexistence, with stablecoins, deposit tokens and tokenised deposits serving different use cases. The practical question is not which model wins, but where each model is useful, how they connect and what controls are needed.

Is a deposit token simply a stablecoin issued by a bank?

No. While both may be tokenised forms of value, they are generally based on different structures, regulatory frameworks and issuer models.

Why are banks interested in deposit tokens?

Deposit tokens introduce the possibility of programmable commercial bank money while maintaining a connection to existing banking infrastructure and deposit relationships.

Why do people distinguish between deposit tokens and tokenised deposits?

The distinction often relates to where the authoritative record of the deposit sits and how the tokenised representation is maintained. This can affect system design, governance and operational responsibilities.

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