

THE TOKENISED 'CREDIT TUNNEL'

Reframing Tokenised Deposits as a Bank Credit Strategy

USE CASE PAPER • sixthLOD by blockmosaic • sixthlod.com

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THE OPPORTUNITY AT A GLANCE

- **The Industry "Category Error":** The digital asset industry incorrectly views tokenised deposits and stablecoins as direct competitors in the payments layer; in reality, they operate at fundamentally different stages of the financial stack.
- **The "Credit Tunnel" Framework:** Commercial banks should reframe their strategy around the "Credit Tunnel"—the pathway where bank credit origination (the loan) naturally creates the tokenised deposit, placing banks structurally upstream of stablecoin issuers.
- **Move Beyond Payments Efficiency:** While payment efficiency is a benefit, it offers thin margins. Banks should shift their strategic focus to high-value credit origination and interest income, treating tokenised deposits as an output of lending rather than a payment product.
- **Target On-Chain Credit Needs:** Banks can capitalise on this by building "tokenised loan book" strategies—such as 24/7 redemption lines, Lombard lending, and clearing house facilities—to service specific on-chain credit demands.
- **Unlock the Composability Multiplier:** Bank-originated credit functions as a "modular credit primitive." When on-ramped into stablecoins, these products gain ecosystem-wide interoperability, allowing banks to capture value as the foundational liquidity provider for the next wave of institutional digital assets.

01

A “Plumbing” Distinction between Deposits and Stablecoins

The digital assets industry currently mischaracterises the relationship between stablecoins and tokenised deposits. By framing tokenised deposits as a direct competitor to stablecoins—a highly competitive environment for payments—commercial banks may overlook the primary opportunity: **treating tokenised deposits not only as a payments product, but as the inherent byproduct of credit creation.**

Industry consensus frequently positions stablecoins and tokenised deposits as direct substitutes. However, this framing conflates two instruments that operate at fundamentally different layers of the financial system:

- **Stablecoins** have evolved as a natural extension of e-money and stored-value facility (SVF) models. They are payments-focused, backed by high-quality liquid assets (HQLA), and increasingly permissionless in their distribution reach..
- **Tokenised deposits** are not primarily a distribution mechanism. When a commercial bank extends a loan, it does not draw down existing deposits to fund it — it creates new deposits in the act of lending. In Web3 terms: extending credit is the event that mints deposit tokens.

The strategic implication is significant. Commercial banks that position tokenised deposits solely as a payments play, will face a challenging competitive environment with stablecoin issuers. **Those that position tokenised deposits as an output of credit strategy, sitting upstream of stablecoins, will unlock new differentiated value propositions.**

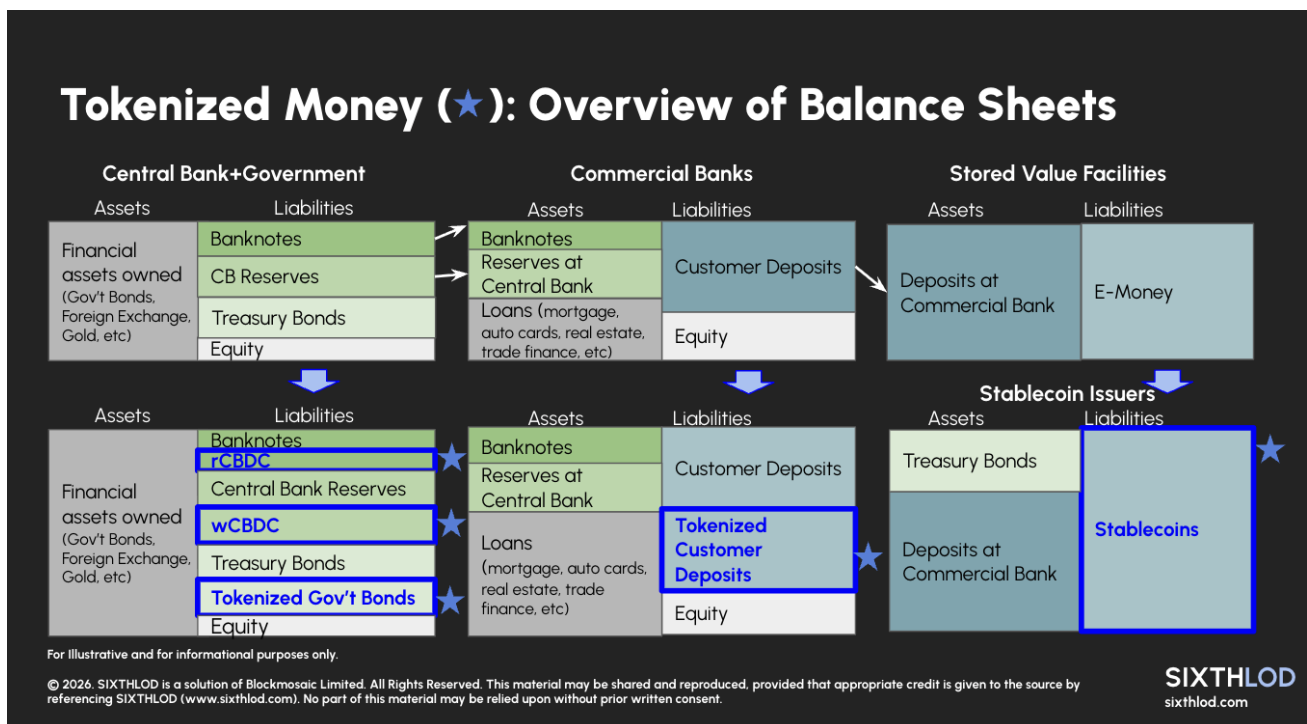


Exhibit 1: Stablecoins = Payments Layer | Tokenised Deposits = Credit Layer (Strategic Distinction)

02

The Framework: Understanding the Modern Money Stack

Mapping out the three primary balance sheets that orchestrate different types of money, reveals why this distinction is critical.

Money Balance Sheet	Key Constraints (example)	Role in Money Creation
Central Bank	Monetary trilemma; sovereign bond market stability	Issues base money (M0); lender of last resort
Commercial Bank	CET1 (capital adequacy), LCR (liquidity coverage), SLR (leverage ratio)	Creates broad money (M1+) through lending — loans mint deposits
E-Money / SVF / Stablecoin Issuer	Payments-focused regulation; HQLA reserve backing	Distributes and transmits existing broad money; no credit creation

Exhibit 2: The Modern Money Stack

Three structural observations emerge:

1. Money is always a liability — a claim on someone's balance sheet. The identity of that balance sheet determines the instrument's regulatory constraints, risk profile, and economic function.
2. Only commercial banks create money through lending. This is not a technicality. It is the foundational mechanic that makes banks structurally important in any credit-driven economy — including on-chain economies.
3. Stablecoin issuers occupy a fundamentally different position. Their innovation is in distribution (from permissioned to permissionless) and in reserve asset composition (from bank deposits to T-bills). But they remain downstream of credit creation — they transmit money, they do not originate it.

This framework clarifies the competitive landscape. Commercial banks do not need to compete with stablecoin issuers. They need to sit upstream of them.

03

The Strategic Reframe: From Cost Efficiency to Revenue Generation

The dominant institutional narrative around tokenised deposits centres on operational efficiency in various types of payments. While faster domestic and cross-border settlement, alongside programmable and 24/7 availability are real benefits, they represent table stakes in a commoditised payments-layer battle where fees are increasingly compressed. Commercial banks may consider shifting focus from these thin payment processing margins to the higher-value, recurring revenue of credit origination and interest income.

We observe a more compelling strategic frame emerging for commercial banks:

STRATEGIC REFRAME FOR COMMERCIAL BANKS

A tokenised loan book strategy — one that identifies unique on-chain bank-credit needs and builds lending products around them. In this model, tokenised deposits are not the product. They are the natural byproduct of credit extension, newly created at the point of origination.

Paired with stablecoins, a new value chain emerges (the **Credit Tunnel**):

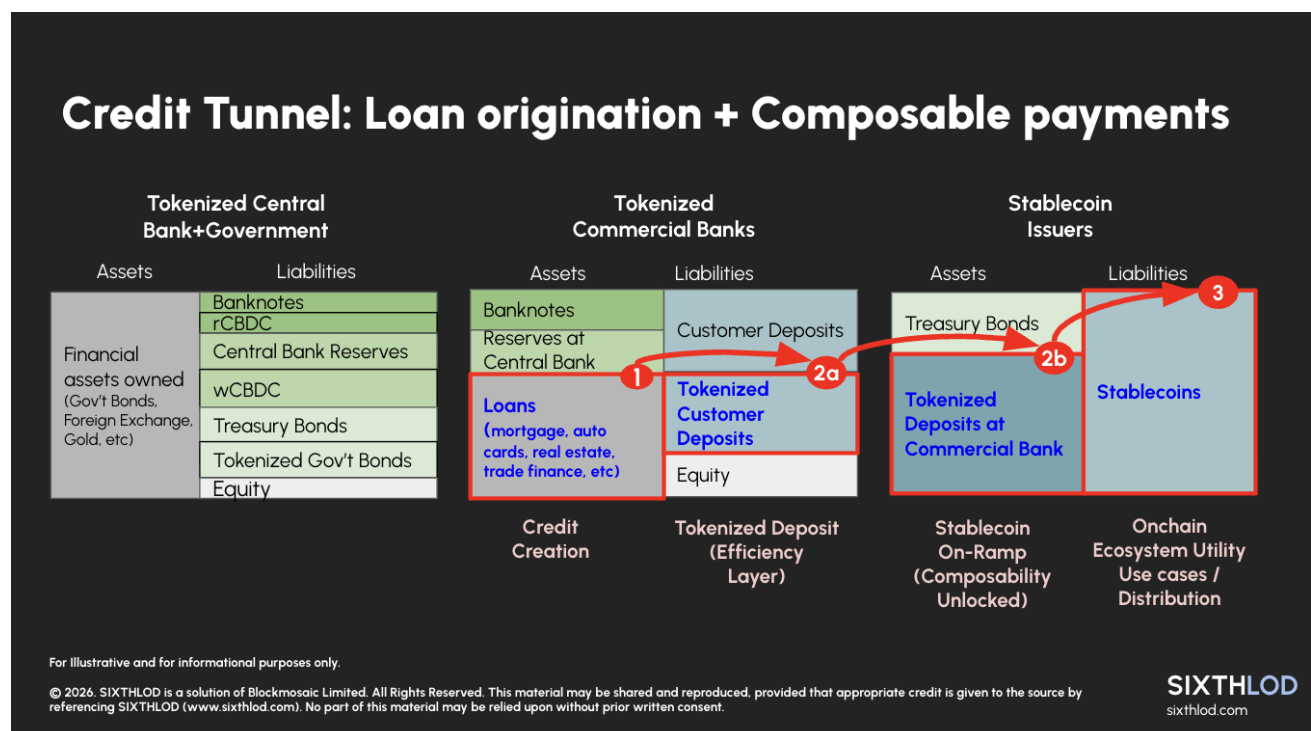


Exhibit 3: The Credit Tunnel (Bank Loan to Stablecoin Pathway)

This reframe shifts the conversation from "how do we digitise existing deposits?" to "what tokenised bank credit markets can we originate into, to create new tokenised deposits?" — a fundamentally different strategic posture with materially different economics.

04

Illustrative Bank Credit Use Cases

We have identified **three high-level example use cases** where tokenised deposits can be created as a natural output of existing digital asset industry bank lending needs:

Onchain Bank Lending Need	Mechanism	Deposit Creation Event	Primary Banking Revenue Driver
24/7 Instant Redemption Lines of Credit	Committed liquidity facilities for tokenised fund vehicles /their distributors	Tokenised deposits minted on-demand at point of redemption facility drawdown	Commitment fees + drawn spread
Lombard Lending Against RWAs	Secured lending with tokenised real-world assets as collateral	Tokenised deposits minted on-demand at point of lombard loan drawdown	Interest income
24/7 Clearing House Credit Facilities	Committed liquidity facilities for tokenised RWA / stablecoin clearing and settlement workflows	Tokenised deposits minted on-demand at point of facility drawdown	Clearing fees + net interest margin

Exhibit 4: Tokenised Loan Book — Potential Use Cases

Each use case shares a common structural feature: the lending product itself functions as an upstream composable building block— a modular bank credit primitive designed to fill a specific on-chain customer need. The tokenised deposit created at origination introduces digitisation and efficiency (programmable, 24/7, transparent) features. Composability is unlocked at the next step: when that tokenised deposit is on-ramped into stablecoin form for point-to-point use across an ecosystem of on-chain users and regulated financial institutions..

This on-ramp step is not trivial. It introduces balance sheet transformation of sorts — the stablecoin issuer must hold the tokenised deposit as a reserve asset against the stablecoin liability. This is a deliberate architectural choice: it is the mechanism through which institutional bank credit products gain ecosystem-wide composability, while preserving the regulatory and capital separation between the credit layer and the payments layer.

05

The Composability Multiplier

The Credit Tunnel concept connects directly to the broader composability value proposition unique to tokenised products. This Credit Tunnel is defined by three distinct stages: 1) Credit Origination (The Commercial Bank's core competency), 2) Tokenised Deposits (The digital efficiency and programmability), and 3) Stablecoin On-ramp (The ecosystem distribution and composability enabler).

Tokenisation Value Propositions	Mapping of the Credit Tunnel concept to different tokenised value propositions
Efficiency	Digitisation of core banking financial infrastructure from the core — loans and deposits represented as programmable, auditable on-chain objects, eliminating reconciliation layers
Access	Globally sourced bank balances across jurisdictions — enabling commercial banks to originate into new credit needs that are not as practical to serve through legacy channels
Composability	New bank-credit products functioning as programmable building blocks — unlocked via the stablecoin on-ramp, which introduces balance sheet transformation to achieve ecosystem interoperability

Exhibit 5: Value proposition of tokenised products – Mapped to the Credit Tunnel

A critical distinction must be drawn here. Tokenised deposits, on their own, do not possess inherent composability properties. They are an efficiency and digitisation layer for a bank's balance sheet for the bank's existing customer ecosystem. Their role is to represent the credit creation event in digital form.

Composability is unlocked at the next step: the on-ramp into stablecoin (potentially where the stablecoin issuer is an entity within the same Banking HoldCo). When a tokenised deposit is converted into a stablecoin, the resulting stablecoin inherits new composability properties — potential for more direct point-to-point transfers, ecosystem-wide interoperability in wallet infrastructure, and integration across non-custodial Financial Institutions use cases (neo-brokers, onchain RWA DEXs, vaults/neo-AMs, etc).

The value chain, precisely stated:

- The bank lending product becomes a composable building block — a modular credit primitive that fills an on-chain need
- The tokenised deposit is the real-time digitisation and efficiency layer — created at the moment of credit extension
- The stablecoin on-ramp is the composability enabler — but it introduces balance sheet intermediation as the price of ecosystem access

This represents a structural shift in how banks generate and capture value. The loan book becomes the engine; the tokenised deposit captures the efficiency; and the stablecoin on-ramp delivers the composability.

Strategic Implications for Commercial Banks

The commercial banks that capture disproportionate value in the emerging tokenised asset economy will not be those that digitise existing deposits fastest. They will be those that:

1. Identify the on-chain credit needs of the emerging digital asset ecosystem before they become the consensus
2. Build loan book strategies around those needs — generating interest income and origination fees while simultaneously minting tokenised deposits as efficient digital representations of credit
3. Position upstream of stablecoin issuers and payment networks — as the supplier of the liquidity these ecosystems depend on, with the stablecoin on-ramp serving as the composability bridge

The question for commercial bank management teams is no longer "what are the use cases for tokenised deposits?" It is: "how quickly can we build the loan book strategy that generates these deposits as a natural outcome of on-chain origination?". The banks that lead here will define the architecture of the next institutional wave of digital asset use cases.

How sixthLOD supports financial institutions

Example Areas of Support	Scope
Onchain Loan Book Strategy	Tokenised loan book strategy development and use case prioritisation for on-chain bank credit
Ecosystem Architecture	Connectivity to downstream ecosystem of non-custodial FIs supporting stablecoins — mapping composability pathways from credit origination to ecosystem distribution
Risk, Regulatory & Capital Analysis	Analysis of non-financial risks (following the GBBC Risk Mitigation Framework - https://rmf.gbbc.io/), regulatory and capital treatment for Credit Tunnel use cases
Technical Pilot / Use Case	Pilots demonstrating technical workflows and operating models within consortium / industry-led initiatives

sixthLOD by blockmosaic provides advisory services purpose-built for institutions navigating the design, structuring, and forward-deployment of tokenised asset use cases. We help clients move from conceptual alignment to executable roadmap.

Contact us:

www.sixthlod.com

contact@sixthlod.com