

Tokenizing Payments Is A Multi-Billion-Dollar Risk, And Opportunity, For Big Banks

Blockchain technology can put up to \$50 billion of revenue at risk for global banks but create even larger opportunities, according to a new report from the Oliver Wyman Forum

Singapore, November 15, 2023 – Distributed ledger technology promises to unleash a wave of competition in the market for high-value flows such as payments, financings, and investments, putting as much as \$50 billion of annual revenue at risk for global wholesale banks, but it can create even larger revenue opportunities from new products related to corporate balance-sheet optimization and tokenization of real world assets, according to a new report from the Oliver Wyman Forum released today at the Singapore FinTech Festival.

Big-ticket money transfers between banks, payments by large corporations, and multi-billion-dollar investments by companies and asset owners like pension and sovereign wealth funds are the high-octane fuel that drives modern economies. In the US alone, such payments totaled \$1,441 trillion in 2021 – 20 times as much as the amounts handled by the likes of Visa, Mastercard, and PayPal.

Banks dominate this business today thanks to their regulated status and access to central bank funding and payments systems. Distributed ledger technology like blockchain can be a game-changer, though, according to the report, ***Inside The Competition For Big Money***. This technology enables the creation of new forms of money and assets, ranging from stablecoins and central bank digital currencies (CBDC) to tokenized bank deposits and money market funds.

These innovations, many of which are already being tested, can blur the lines between liquidity instruments and short-term investments, giving corporate treasurers and others more options for where to park their cash, make large payments, or raise capital.

“Technology will complement if not challenge capital as the key source of competitive advantage, increasing the role of capital markets and nonbank institutions in financial intermediation, and reducing costs while enabling new services,” said **Jacob Hook, Managing Partner, Asia-Pacific at Oliver Wyman**.

There are several scenarios for how this money revolution may play out. Banks and other financial institutions could embrace digital ledger technology and modernize their operations. Alternatively, new innovators ranging from stablecoin issuers to decentralized finance (DeFi) platforms could use their agility to take market share from banks and usher in a more fragmented market woven together with technology. There is even a possibility that user preference or market turmoil could spur a shift to CBDCs, entrenching central banks as the pillars of stability in the payments system.

“Elements of all of these scenarios are likely to compete, so stakeholders in the financial system should prepare for a multi-platform, multi-money future and consider partnership models to develop capabilities,” said **Larissa de Lima, Senior Fellow at the Oliver Wyman Forum and co-author of the report**. “The battle for talent will be fierce.”

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About the Oliver Wyman Forum

The Oliver Wyman Forum is committed to bringing together leaders in business, public policy, social enterprises, and academia to act on shared global challenges. The Forum strives to discover and develop innovative solutions by conducting research, convening leading thinkers, analyzing options, and inspiring action. Together with our growing and diverse community, we think we can make a difference. For more information, visit www.oliverwymanforum.com.

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