



Key Trends in Core Banking This Week

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Banks Move from Tokenized Deposits to Joint Stablecoin Issuance. On September 1, a group of 21 financial institutions, including Goldman Sachs, Bank of America, Citi and Deutsche Bank, said they plan to establish a company this year to issue a U.S. dollar stablecoin in the first half of 2027, with the euro next. The initiative will compete with Qivalis, a separate group of 37 financial institutions preparing a euro stablecoin. Demand remains unproven: Société Générale's dollar-backed token has only about \$12.5 million in circulation, while Tether dominates the market. The development extends FARO S35's perimeter story: BankChain represented banks building tokenized settlement infrastructure; this consortium moves one step further by collectively creating the money that could circulate on it. The strategic question is shifting from whether banks participate in tokenization to whether bank-controlled digital money can achieve sufficient scale and acceptance to prevent crypto-native issuers from defining the market first.

Swiss Capital Debate Shifts from Quantity to Quality. On August 31, a Swiss parliamentary committee proposed that UBS back foreign subsidiaries with 50% Common Equity Tier 1 capital rather than the 100% CET1 sought by the government, allowing Additional Tier 1 instruments to provide the other half. It also proposed an 11% CET1 trigger that could suspend dividends and buybacks and constrain bonuses until capital is rebuilt. The government estimates its stricter approach would require roughly \$20 billion in additional CET1. Finance Minister Karin Keller-Sutter opposed the compromise, citing objections from FINMA and the Swiss National Bank. The debate is not simply about how much capital UBS should hold, but what kind should absorb losses. Switzerland is testing a broader post-Credit Suisse question: whether competitiveness can be preserved by changing the capital stack without weakening the credibility of loss absorption in the next crisis.

AI Lending Reaches Unsecured Mega-Loan Scale. On September 4, Reuters reported that ByteDance secured a \$29.6 billion syndicated loan from nearly 30 banks, up from an initial \$20 billion target. More than 60% was subscribed by Chinese banks, while Citi and JPMorgan coordinated the three-year facility. The loan is unsecured, unusual at this scale, and although designated for general corporate purposes, sources said it will primarily support ByteDance's overseas AI expansion, including chips and data centers. This continues the AI-financing trajectory FARO followed from S31 through S33. Earlier editions focused on infrastructure finance and compute-backed collateral; ByteDance illustrates the opposite structure: banks extending enormous AI-related credit without specific collateral. The emerging risk is whether lenders are becoming confident enough in AI-linked growth assumptions to relax structural protections precisely as sector capital requirements accelerate.

"The next banking question is not only how much money, capital or credit is created, but what form each takes when stress arrives."

MY TAKE

Three very different developments this week, joint stablecoin issuance, UBS capital reform and ByteDance's unsecured financing, share one underlying issue: financial structure is becoming as important as financial scale. A digital dollar issued by banks is not economically identical to a crypto-native stablecoin; AT1 is not equivalent to CET1; and a \$29.6 billion unsecured facility carries a different risk architecture from asset-backed AI financing. For banks, the next phase of innovation and growth will increasingly require distinguishing not only how much exposure exists, but what legal, contractual and loss-absorbing form that exposure takes.

TECH TERM OF THE WEEK: "Capital Quality"

The degree to which regulatory capital can absorb losses reliably, permanently and without creating additional claims on an institution during stress. Common Equity Tier 1 represents the highest-quality bank capital because it absorbs losses while the institution remains a going concern and does not require repayment. Additional Tier 1 instruments also provide loss absorption but depend on contractual conversion, write-down or distribution restrictions. Capital adequacy therefore depends not only on the quantity of capital held, but on the composition and reliability of the instruments available when losses emerge.



Key Trends in Insurance This Week

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Europe Moves toward a Common Policyholder Safety Net. On September 1, EIOPA delivered technical advice to the European Commission proposing minimum common standards for national Insurance Guarantee Schemes. Existing arrangements vary substantially across Member States in scope, coverage, funding and even existence, meaning policyholders can face different outcomes after an insurer fails depending on where they live or purchased coverage. EIOPA recommends targeted harmonization of eligible policies, activation triggers, claims deadlines, payout periods, liquidity safeguards and cooperation between guarantee schemes and national resolution authorities. This follows directly from the resolution theme developed in FARO S35. Ireland broadened the circumstances under which its central bank may seek the winding-up of an insurer; EIOPA now addresses what happens to policyholders after failure occurs. Resolution determines when authorities intervene; guarantee schemes determine whether customers receive comparable protection afterward. A single insurance market remains incomplete if cross-border distribution is harmonized but failure protection is not.

Aon's \$17 Billion USI Acquisition Accelerates Brokerage Consolidation. On August 31, Aon agreed to acquire USI Insurance Services from KKR for \$17 billion, one of the largest insurance transactions in recent years. USI generates roughly \$3 billion in annual revenue and gives Aon greater exposure to the U.S. middle market and the fast-growing excess-and-surplus segment. The transaction follows Aon's \$13 billion NFP acquisition in 2024, and other large brokerage combinations completed by Gallagher and Brown & Brown. Aon plans to fund the deal with debt and prioritize deleveraging over near-term buybacks. The strategic issue is not merely consolidation. Insurance brokers increasingly compete through scale in data, placement capacity, specialty expertise, benefits and access to alternative capital. As distribution platforms grow larger, however, carrier access and client relationships concentrate in fewer intermediaries. Scale can improve negotiating power and analytics, but it also changes where market influence sits between insurers, brokers and insureds.

Nepal Floods Reprice Himalayan Infrastructure Risk. Reuters reported on September 4 that severe flooding in Nepal, which struck the prior week, could generate more than \$132 million in commercial insured losses, concentrated in hydropower projects, while estimated economic damage has reached approximately \$2.56 billion. Final losses remain uncertain as claims are still being assessed. Nepal's relatively small insurance market relies materially on domestic and international reinsurance capacity. The longer-term implication may exceed the immediate claims bill. Industry executives expect reinsurers to reassess hydropower and infrastructure exposures across the Himalayan region through higher pricing, tighter exclusions and more selective underwriting. Climate and geological risk are interacting with infrastructure concentration in locations where historical loss data remain thin, another example of insured exposure becoming harder to price precisely where investment in critical infrastructure is expanding.

“A single insurance market cannot deliver equal protection if the mechanisms that survive insurer failure remain national.”

MY TAKE

Insurance this week is being reshaped at three layers: failure protection, distribution scale and catastrophe exposure. EIOPA is seeking greater consistency in what protects policyholders after an insurer fails; Aon is consolidating more of the commercial distribution chain; and Nepal's floods are forcing insurers and reinsurers to reconsider how infrastructure risk is priced where historical experience is limited. The transversal line is architecture: resilience depends not only on the policy itself, but on the guarantee schemes, intermediaries and reinsurance structures surrounding it.

TECH TERM OF THE WEEK: “Insurance Guarantee Scheme”

A mechanism designed to protect eligible policyholders or beneficiaries when an insurer becomes unable to meet its obligations. Insurance Guarantee Schemes may fund claims payments, transfer policies or support other resolution outcomes, depending on national law. Unlike solvency capital, which is held by the insurer to absorb losses before failure, a guarantee scheme operates as an external policyholder-protection layer once specified intervention or insolvency conditions are met. EIOPA's current work seeks minimum common standards so that this protection becomes more consistent across the EU.