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A UBYX & STAKEFI PAPER

Banks Should Validate *Public Blockchains*

The case for regulated institutions at the base layer.

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EXECUTIVE SUMMARY

Banks were told to keep off...

It did not work.

Keeping regulated banks away from public blockchains did not reduce risk. It left the fastest-growing part of finance without regulated providers, and kept banks off infrastructure that is becoming central to how value moves.

AUTHORS



Tony McLaughlin

Founder & CEO · Ubyx

A payments veteran of more than 30 years, with senior roles at Barclays and Citi, where he created the vision behind the Regulated Liability Network, the precursor to ubiquitous tokenized money acceptance. He founded Ubyx in 2025.



Brett Hornung

Chief Commercial Officer · stakeFi

With over 9 years of experience bridging institutions and blockchain, he spent 7.5 years in Accenture's global practice before joining stakeFi as Chief Commercial Officer. In his current role, he helps Fortune 2000 enterprises move onchain via validator infrastructure, staking, and yield.

Banks were told to keep off public blockchains. The instruction was meant to protect the banking system. It has done the opposite. It has left the fastest-growing part of finance to develop without regulated providers, and it has kept banks out of infrastructure that is becoming central to how value moves.

This paper argues that banks should validate public blockchains, and that validation is one of the foundations of bank digital asset strategy.

A validator helps secure the network, earns a return for doing so, and takes a seat at the base layer of the infrastructure that will carry tokenized money.

The market has already begun to move. Large enterprises are running validators on public networks today. Banks that wait will inherit networks, and rules, that they had no hand in shaping. The good news for the networks is that this is not a takeover: a bank that validates joins as a peer, on the same terms as every other validator. It does not own the network and cannot control it.



THE GAP

Prohibiting regulated banks created a divided system (heavy regulation on one side, public blockchains on the other), reducing oversight, not risk. Activity did not stop. It moved somewhere with fewer controls.

THE OPPORTUNITY

$180bn staked across the largest PoS networks. $4bn in annual validator rewards. 15 of the 30 largest networks already have an enterprise validator. Banks are conspicuous by their absence.

THE ASK

Choose your networks. Run validators. Manage controllable risks through existing disciplines. Then issue tokenized deposits on the rails you help secure.

> *“There’s a persistent misconception that regulated institutions and decentralization are in tension. The opposite is true: decentralization gets stronger as the validator set becomes more diverse, more accountable, and harder to capture. When banks bring their operational rigor and their standards to the base layer, they don’t dilute the system’s credible neutrality; they deepen it.*
>
> *This paper dismantles the ‘keep off the grass’ era and replaces it with something better: a practical path for banks to earn trust by participating in generating the most rigorous form of trust: permissionless, credibly neutral, censorship-resistant decentralized trust.”*



Joe Lubin

Co-Founder, Ethereum · Founder, Consensys

> *For regulated institutions to sit on the sidelines of public blockchains is to misdiagnose the problem and shirk the solution. If banks want to be associated only with legitimate, secure, trustworthy blockchains, then they need to internalize the fact that their participation as validators is endogenous to the outcome they hope to achieve.”*



Staci Warden

CEO · Algorand Foundation



01

SECTION ONE

The vacuum that exclusion created

Prohibiting regulated banks from public networks prevented their customers from reaching regulated providers, and left a growing sector with fewer controls, not more.



SECTION ONE

Public blockchains are public infrastructure

For years, regulators placed a large "keep off the grass" sign on public blockchains. The intention was sound. The effect was not. Prohibiting regulated banks from engaging prevented their customers from reaching providers held to standards for AML and KYC controls.

The result was a divided system: a heavily regulated traditional sector on one side, and a large and growing public blockchain sector on the other, with little connection between them. That division does not reduce systemic risk; it reduces oversight. Activity did not stop because banks were absent. It simply happened somewhere with fewer controls.

To move forward, we have to classify these networks correctly. A public blockchain is public infrastructure, in the same category as the internet. It is not a third-party service provider that a bank selects and supervises.



Consider a bank branch on a public street. The bank is responsible for what happens inside: the security at the door, the conduct of its staff, the safeguards around its customers. It is not responsible for the traffic outside, or for a crime committed further down the road.

A bank operating on a public blockchain is in the same position. Regulation should focus on what the bank builds and operates, not on the network it joins. Third-party risk management should apply to the bank's direct suppliers, such as its wallet software vendor or node operator, not to the public network itself.



"As more finance moves on-chain, it will be critical for banks to help secure the base layer. The Aleo network supports institutional payment infrastructure and we welcome banks to join the validator set, bringing the same institutional trust they provide today to the infrastructure of tomorrow."

Yaya J. Fanusie · Global Head of Policy, Aleo



"Public blockchains are public infrastructure. Institutions should be encouraged to build on that infrastructure, not warned away from it."

Morgan Krupetsky · Avalanche



02

SECTION TWO

The market has already moved

This is no longer a theoretical discussion. Large organizations have started to participate at the level of core infrastructure, and banks are conspicuous by their relative absence from the list.

SECTION TWO

Enterprises are already at the base layer

> **Banks are conspicuous by their relative absence from this list. That is the gap this paper asks them to close.**

Over the last twelve months there has been a clear shift in both regulatory tone and corporate willingness, and large organizations have started to participate at the level of core infrastructure. On a sample of the 30 largest proof-of-stake networks, 15 already have an enterprise validator. These participants include some of the world's largest telecoms, technology, and banking groups, now attaching their brands to that work.

These are not marginal players, and the direction of travel is clear. Across the current top 30 chains, 49 unique enterprises can already be identified as validators, a number that has grown over the past year.



"Enterprises are recognizing that the future of money is tokenized, and those who participate at the base layer are creating a better environment for the movement of value while being rewarded for their involvement. Banks have much to gain by following suit."

Maghnus Mareneck · Co-Founder & Co-CEO, Cosmos

The base layer, by the numbers

Across the largest proof-of-stake networks

$180bn

staked to secure the largest PoS networks

$4bn

paid to validators in rewards each year

15/30

of the top PoS networks already have an enterprise validator

49

unique enterprises across the current top 30 chains

03

SECTION THREE

Why validation is the right first move

A bank can hold assets, integrate a product, issue a token, or build an application. Validation deserves to come first, for five reasons that compound over time.



SECTION THREE

Five reasons to validate first

A bank can hold assets, integrate a product, issue a token, or build an application. Validation deserves to come first.

A diverse validator set is a healthier validator set. Bringing banks in to sit alongside crypto-native operators does not dilute decentralization; it broadens it.

Resilience

Validating several networks gives a bank a new form of redundancy. If one rail is congested or unavailable, value can move through another. A payment system that depends on a single rail is fragile.

1

Governance

A validator has a voice in how a network operates and how it changes. It is a participant in the decisions that affect it, not a spectator to them.

2

Compliance legibility

Operating on a public ledger gives a transparent, permanent record, moving compliance closer to real time and away from periodic reconstruction after the fact.

3

Revenue

A validator earns a recurring return for securing the network, providing a concrete reason for a board to commit rather than observe. This return is real, recurring, and conservative.

4

Future-proofing

If the future of value is tokenized, the base layer is infrastructure a bank cannot afford to be absent from. Validation is the deepest form of presence.

5



"Validation is a logical next step for bank participation in public blockchains. By participating at the base layer, banks can help strengthen the high-performance rails that will support regulated markets, payments, and tokenized finance. That gives institutions a voice in how networks evolve, a stronger foundation for resilient infrastructure, and a clear business case through recurring validator rewards."

Solomon Tesfaye · Chief Business Officer, Aptos Labs

> *As financial institutions adopt blockchain technology at scale, many are deepening their commitment by joining Solana as validators. Validator participation reflects a long-term investment in the network's success and helps strengthen Solana's resilience and decentralization. In turn, institutions gain firsthand experience operating the infrastructure that will help shape the future of global finance."*



Nick Ducoff

Head of Institutional Growth, Solana Foundation

> *Enterprises are already showing what participation at the settlement layer looks like, and the pattern is clear. The organizations securing these networks today are building the trust and infrastructure experience that banks will need tomorrow. There's no reason banks should be the last ones to arrive."*



Marc Boiron

CEO, Polygon Labs

> *Validating public blockchains is how banks turn half a century of resilient, vendor-neutral infrastructure into a source of revenue, while lending their trust to the chains themselves.*
>
> *Many banks assume they should only validate their own counterparties' transactions, but that assumption is wrong. It mistakes blockchain validation for payments authentication. Authentication happens a layer above the chain, where transactions are pre-checked before they ever arrive, and any remaining compliance obligations sit with the stablecoin issuer after the transaction settles.*
>
> *The chain itself is a public utility, and validation is the work of reconciling every transaction on it. That is what removes operational burden for everyone involved and delivers programmable, always-on, global payments on bank-grade infrastructure. Banks that use public chains without helping to validate them are missing out. They're paying fees to use infrastructure that they could be getting paid to operate.*
>
> *What's more, validation is how they finally get paid for work that they already do today."*



Simon Taylor

Head of Market Development, Tempo · Author, Fintech Brainfood



04

SECTION FOUR

What banks bring to the networks

A validator is one participant among many. What a bank can do is add weight to the set of honest participants, and bring three things most networks spend years trying to build.

SECTION FOUR

Three things networks value

01 Distribution

Established customers, recognized brands, and the integration points to put a network in front of millions of people. A bank that validates a network has every reason to bring its users onto it.

"Banks aren’t just going to validate chains that move money between people. They’re going to validate chains that move money between agents acting on people’s behalf. That’s the infrastructure the agentic economy needs."



Boris Bohrer-Bilowitzki
CEO, Concordium

02 Trust

Regulated institutions that maintain high security standards. This reassures both other participants in the network and the regulators watching from outside, bringing legitimacy to the validator set.

"At Hedera, we've always believed that for public blockchains to be widely adopted in regulated industries, enterprises need a real stake in the network's stewardship and security. This isn't about permissioned versus permissionless; it's about bringing trust and transparency to how public infrastructure is governed."



Isadora Arredondo
Vice President, Global Policy · Hedera

03 Rigor

A production-grade approach to operations, security, and uptime that raises the reliability of the infrastructure for everyone who uses it, not only the bank itself.

"When regulated banks validate alongside existing operators, they broaden the network of trusted participants and make the base layer stronger for everyone who builds on it. Trusting validators is at the core of how blockchains operate and every accountable institution that runs a node directly strengthens the security and resiliency of the entire network."



Justin Rice
VP of Ecosystem, Stellar Development Foundation

05

SECTION FIVE

A workable risk framework

Managing the risks of validation draws on capabilities banks already have. Governance, legal, technology, and reputation are each manageable through existing disciplines.



SECTION FIVE

A workable risk framework

Controllable risks

BANK MANAGES THROUGH EXISTING DISCIPLINES

- **Brand & due diligence**
  selecting networks through a defined governance process, applying reputational and legal screening
- **Custody of rewards**
  safeguarding token rewards through proper treasury controls and qualified custody
- **Technical operations**
  the skills to run a node reliably, with redundancy and documented runbooks
- **Security**
  across infrastructure, private keys, and personnel; standard operational security disciplines apply
- **Slashing risk**
  the penalty for poor performance can be mitigated through enterprise-grade operations, continuous monitoring, and slashing insurance where available

None of these risks is a reason to stay out. Each has a known mitigation, and 49 enterprise validators prove the path can be walked.

Residual risks

BANK DISCLAIMS IN CUSTOMER TERMS · AS FORCE MAJEURE

- **Network congestion & fee changes**
  set by the protocol; outside the bank's control
- **Third-party smart contract vulnerabilities**
  code written and deployed by other participants on the network
- **Protocol changes via governance**
  including forks decided by decentralized governance processes
- **Interaction with unbanked counterparties**
  the bank's compliance obligations extend to its own verified customers, not to the broader network population

Regulators should allow banks to disclaim these risks in customer terms, in the same way they disclaim force majeure. The bank controls what happens on its side of the door.

Slashing: a proof-of-stake penalty that automatically deducts part of a validator's staked funds for downtime or protocol violations. Slashing insurance transfers that exposure to a third party.

From the perspective of the chains.

Perspectives from those at the base layer.



Viv Diwakar

Head of the Canton Foundation

"We're seeing a meaningful convergence between traditional finance and DeFi, and banks are no longer content to watch from the sidelines. As tokenized assets become part of mainstream financial markets, banks recognize they must evolve and actively participate in the infrastructure that will power the next generation of finance. Becoming a validator gives banks a role in network governance, creates new revenue opportunities, and helps future-proof their business for an increasingly on-chain financial system."



Jameel Khalfan

Head of Ecosystem Development · Sui Foundation

"For public blockchains like Sui, diversity is the cornerstone of accountability. Integrating regulated institutions as active, contributing members of a validator community brings a level of operational rigor that crypto-native operators cannot replicate alone. In a future where real-world value is tokenized, financial institutions can no longer afford to be absent from the infrastructure; they must be active participants in the consensus layer that secures the global economy."



Shanlong Chen

Head of Strategic Investments · XDC

"The separation between traditional finance and public networks was always temporary. The networks that move first to welcome regulated participants will be the ones that endure."



06

SECTION SIX

Validation is the first step, not the last.

Once a bank secures a network, the natural next step is to issue regulated money on it: tokenized deposits that carry the full weight of the regulated system.

SECTION SIX

Preserving the singleness of money

Tokenized deposits, issued by banks on the networks they help validate, give those networks a settlement asset that carries the full weight of the regulated system.

This is how the singleness of money is preserved on public infrastructure: not by keeping regulated money off these networks, but by putting it on, issued by the institutions that already stand behind it.



"Regulated money belongs on the same rails as everything else of value. Tokenized deposits issued by banks give a network a settlement asset that carries the full weight of the regulated system."

Simon Baksys

Chief Business Officer · LayerZero



"Tokenized deposits and agentic payment rails are really one thesis: regulated money needs to move at the same speed and programmability as everything else on-chain. Secure the rail first: that's exactly the sequencing we've built Sphere Labs infrastructure around."

Gbenga Omosuyi

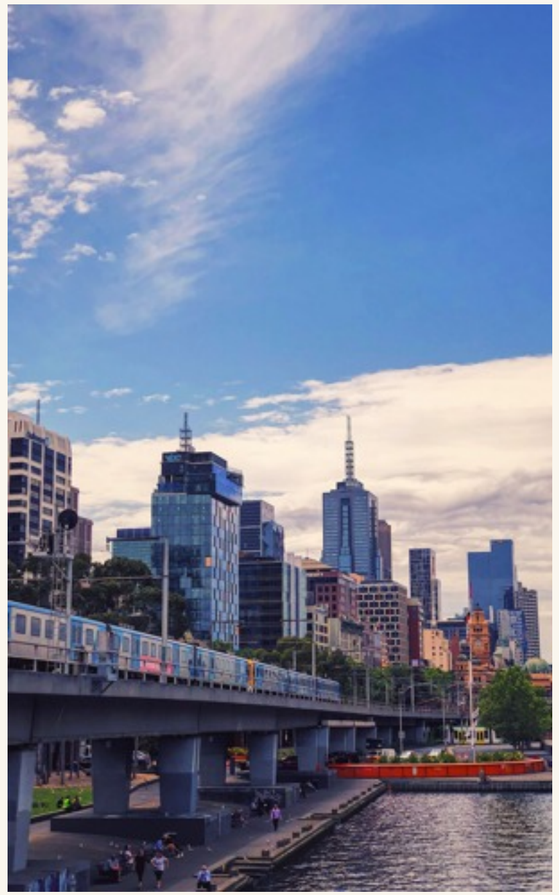
Head of Global Business Development, Sphere Labs

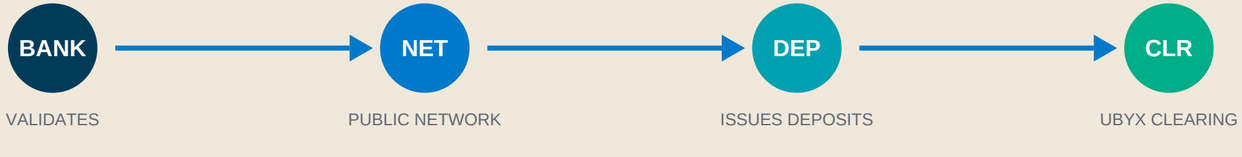
CLOSING THE LOOP

Secure the rail. Supply the money that travels on it.

Tokenized deposits sit alongside stablecoins and complement them, anchoring the digital asset economy to the stability of regulated money. A bank that validates a network and then issues tokenized deposits on it has closed the loop.

The singleness of money is not a constraint to be worked around; it is a guarantee to be extended to new infrastructure.





The loop closes: bank secures the infrastructure it will depend on, then issues the money that travels on it.

SECTION SIX

How a bank gets started

1 Select your networks

Choose two or three public networks. Treat this as an infrastructure decision, not a speculative one. Apply existing governance and due diligence.

2 Run validators

Begin with an experienced node operator. Bring capability in-house as you learn, rather than building everything from scratch on day one.

3 Manage controllable risks

Apply your existing operational risk disciplines to the new venue, improving your management of problems across custody, operations, security, brand, and slashing mitigation.

4 Disclaim residual risks

Update customer terms to disclaim the risks that belong to the network, such as protocol changes, third-party contracts, and uncontrolled participants.

5 Issue tokenized deposits

Secure the rail. Then issue regulated money on it. A bank that validates and issues has closed the loop, securing the infrastructure its own money will travel on.



Start now.
The seat is still easy to take.

There is no need to wait for perfect conditions. The networks are live, the operators exist, and the framework for managing the risks is understood. A bank that starts now will be operating with confidence by the time its competitors are still writing their first internal memo. Choose your networks, and validate them.

Ubyx Inc.

Ubyx is the acceptance network for tokenized money designed to achieve stablecoin and tokenized-deposit ubiquity. Its network connects multiple tokenized-money issuers with the banks and fintechs that accept and redeem their tokens, enabling seamless conversion of digital assets into fiat cash equivalents.

stakeFi

stakeFi is the institutional standard for digital asset yield. Born out of BCW Group, stakeFi provides institutions, corporates, wallets, and custodians with secure, SOC 2-compliant validator infrastructure. We simplify multi-protocol staking & yield through a single, enterprise-grade platform.



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