THEMATIC INVESTING – FINTECH & FINANCIALS

# FROM RULES TO RAILS: DEREGULATION MEETS ON-CHAIN OPPORTUNITY

ROBECO
The Investment Engineers

- Easing regulation is a game changer for banks and insurers
- Deregulation benefits fintechs most
- Rules-based framework awakens digital assets

**After more than 15 years of tightening the financial sector is entering a new era of regulatory easing, driven in large part by the increasing innovation and competitiveness of fintechs and banking on the blockchain. Here we dive deeper into the implications of these trends for traditional banks as well as digital assets.**

The pendulum between regulation and deregulation has always been a defining feature of the global financial services and fintech industries. Following the global financial crisis (GFC) in 2008, the world saw a steady increase in regulatory oversight – particularly around Know Your Client (KYC) and Anti-Money Laundering (AML) rules.

Prior to GFC, regulations had arguably become too relaxed, so the tightening of rules was both expected and justified. However, the extraordinary support provided to stabilize the financial system, sparked public anger, political backlash, and renewed agency (and urgency) among regulators. Yet, as history shows, the pendulum eventually swings back. And we're now seeing a significant push to ease reserve buffers and other constraints on traditional financial institutions which have heretofore impeded growth. In addition to freeing up capital for lending, the deregulation drive should also help traditional financial institutions to compete, invest and partner with next-generation finance platforms including fintechs and digital assets.

In stark contrast, more regulation is underway for next-gen finance, but rather than impede growth, the introduction of more oversight and controls should promote it. Jurisdictions across the globe including the US, UK, EU, South Korea, Hong Kong, and Singapore are moving toward clearer, more constructive regulatory frameworks for digital assets, including stablecoins and cryptocurrencies. The aim is to soothe concerns over risk, security, certainty, and transparency and pave the way for adoption among mainstream customers and investors.

## US reforms accelerating for banks and insurers

Increasingly stringent regulation following the GFC resulted in pushing certain core banking activities out of the banking system and pressuring sector profitability. This shift toward a more balanced and pro-growth regulatory environment is a potential game changer for banks – unlocking capital, boosting activity, and enhancing shareholder returns.

> *"The shift toward a more balanced and pro-growth regulatory environment is a potential game changer for banks*

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The rules of the game are changing most quickly in the US where the appointment of Fed governor, Michelle Bowman as Vice Chair for Supervision in June, signals a more pragmatic and transparent approach to banking oversight. In addition, US regulators removed the USD 1.95 trillion asset cap imposed on Wells Fargo in 2018 and also approved the Capital One–Discover merger, reflecting a more permissive stance on competition and scale.

We are still in the early innings of a deregulation cycle, with many reforms yet to come. Those include revising the Enhanced Supplementary Leverage ratio (eSLR), improving stress test transparency (which in turn should help reduce Stress Capital Buffers), finalizing Basel III Endgame standards, as well as recalibrating the capital buffer surcharge for Global Systemically Importants Banks (GSIBs).

Morgan Stanley estimates that excess capital and risk-weighted asset capacity among large US banks are likely to double, after all regulatory reforms have been factored in. This capital flexibility enables banks to pursue growth strategies, increase dividends and share buybacks, and improve profitability. For example, Citi can buy stock below book value, which is extremely lucrative. The company recently authorized a USD 20 billion buyback program, with other banks following suit with substantial measures of their own. While the exact impact on profitability varies by institution, HOLT analysis suggests that a 1% improvement in Cash Flow Return on Equity (CFROE) — a proxy for economic performance — could translate into an 8% increase in warranted valuations for US banks.

Table 1 – Timing for proposals and final rules in the US

| | Earliest expected timeline | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rule/regulation** | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 | 2027 | 2028 | 2029 |
| Stress Test Averaging Jan 1 Start Date (proposed) | ✉ | ✓ | | | | | | | | | |
| eSLR Revision (proposed) | ✉ | ✓ | | | | | | | | | |
| GSIB Surcharge Revision | | ✉ | ✓ | | | | | | | | |
| Stress Test Transparency | | ✉ | | ✓ | | | | | | | |
| Basel III Endgame | | ✉ | | ✓ | | | | | | | |
| Raise Thresholds for Tailoring | | | ✉ | | ✓ | | | | | | |
| Long Term Debt for Non-GSIBs | | | | | | ✉ | | ✓ | | | |
| Liquidity Rules for Non-GSIBs | | | | | | ✉ | | ✓ | | | |
| Antitrust Enforcement | More transparent, fair, predictable (in process) | | | | | | | | | | |
| Bank M&A | Supportive (in process) | | | | | | | | | | |
| Proposal / Re-proposal + comment period ✉ | | | | | Final rule + phase-in process ✓ | | | | | | |

Source: Morgan Stanley, Robeco, August 2025.

## Europe is catching up through market integration

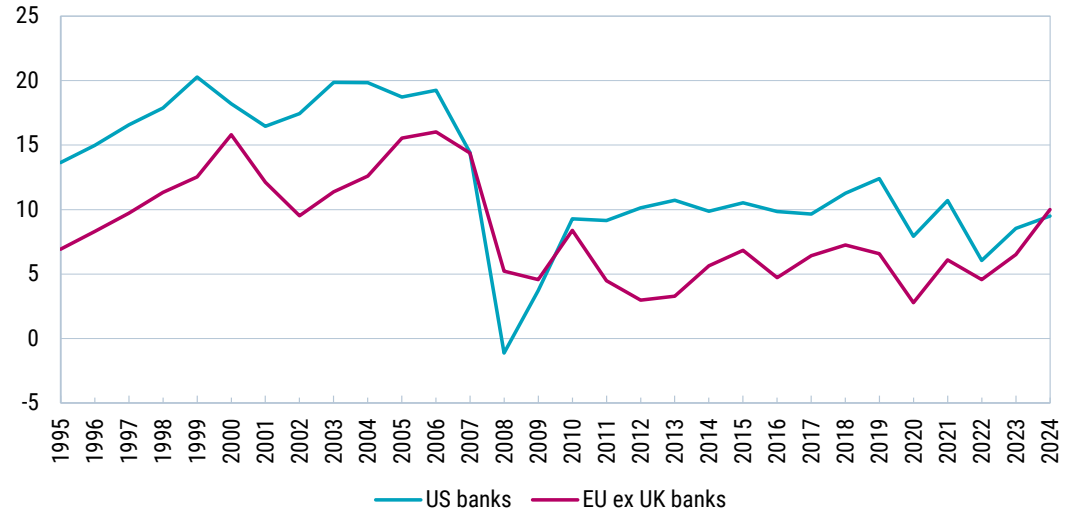
European banks have historically lagged behind their US counterparts in profitability due to fragmented markets and heavy regulation. However, the tide in Europe may be turning as external forces (Trump in the West to geopolitical vulnerabilities from Ukraine/Russia in the East) and internal pressure (see Draghi Report below) push the EU to address weak structural competitiveness.

According to the Draghi Report, the need for investments in Europe is unprecedented, with EUR 750 billion needed to strengthen the EU's competitiveness. The lion's share will have to come from private, not public investment. Europe traditionally has a bank-based financial system; but bank financing has limits and capital markets will have to play a key role in facilitating the flow of funds into productive investments.

Creating a genuine single market for capital as a key building block of EU competitiveness is a clear political priority. Since the first Action Plan in 2015, the Capital Markets Union initiative has made limited progress, with EU capital markets significantly trailing those in the US. Key initiatives under the new Savings and Investments Union (SIU) strategy include: implementation of the Listing Act to simplify access to markets; facilitating equity investment by institutional investors, and channelling savings into capital markets, which are largely channelled at present toward lower-return investments, or directed abroad.

If successful, these reforms could narrow the competitive gap between US and European banks. A 1% reduction in the discount rate applied to European banks — reflecting lower perceived risk — could lead to a 17% increase in warranted valuation, per HOLT analysis.

**Figure 1** – Cash flow return on equity (CFROE) of US and European banks




**Source**: HOLT analysis, Robeco 2025.

## Insurers are also benefitting from reforms, especially in Europe

European banks with exposure to capital markets appear well positioned to benefit from SIU initiatives, but they aren't alone. Reforms to Solvency II – the EU's regulatory framework for insurers – will make it easier for insurance companies to provide long-term financing to the European economy. The European Commission is proposing changes that will ease capital requirements, improve solvency ratios and risk margins, and enable insurers to more easily invest in the securitization market.

If enacted, insurers could make 'long-term equity' investments with lower capital charges (22% instead of 39%). Insurers could also access less liquid alternative equity investments, if they qualify, as long-term equity investments (held-to-maturity/long horizon and matching liabilities). More reforms – including cost-reducing, capital-enhancing, and regulatory-efficient measures – are still to come from European lawmakers!

## Deregulation should boost fintechs most

The deregulation agenda of the second Trump administration is shaping up to be overwhelmingly positive for the financial industry overall and fintech companies more specifically. Looser oversight, coupled with less stringent capital requirements, will facilitate industry consolidation and encourage partnerships between banks and fintechs. Mergers within the banking sector could be advantageous for new financial infrastructure players such as Q2 Holdings and nCino.

*“ The Trump administration is clearing the way for cryptocurrency and blockchain technologies to flourish, with the ultimate aim of positioning the US as a global leader in digital asset innovation*

Under Trump’s executive order, "Unleashing prosperity through deregulation," for every new regulation proposed, federal agencies must repeal at least ten existing regulations. As a result, the Consumer Financial Protection Bureau (CFPB) and the Federal Deposit Insurance Corp. (FDIC) are scaling back enforcement on a new crop of next-gen finance players including Banking as a Service (BaaS), Buy Now Pay Later (BNPL), and digital wallet providers.

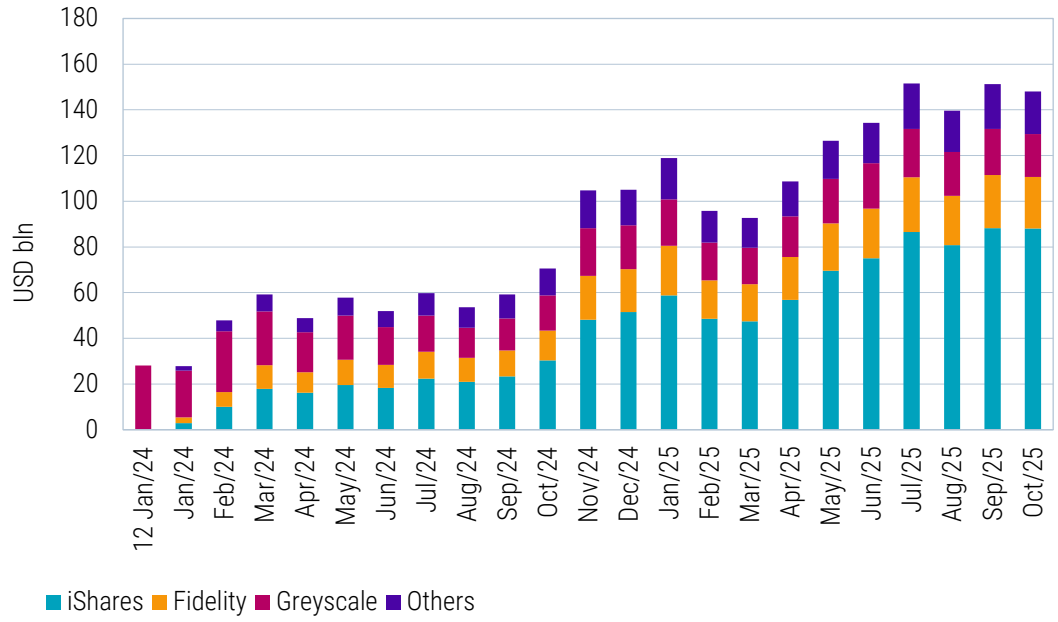
For example, the CFPB withdrew proposed regulations that would have capped credit card late-fee limits. In addition, the CFPB dropped many of its enforcement lawsuits against both traditional banks and fintechs or even completely reversed its preexisting consent orders. For example, a consent order against Wise, a fintech specializing in digital payment transfers, had its civil penalty reduced from over UDS 2 million to just USD 45,000.

In addition to pulling down barriers, the Trump administration is also clearing the way for cryptocurrency and blockchain technologies to flourish, with the ultimate aim of positioning the US as a global leader in digital asset innovation. This approach contrasts sharply with the previous administration's stringent regulations on digital assets following the Bankman-Fried / FTX debacle in 2022. A more favorable regulatory environment should benefit the leading companies in the sector, positioning them to leverage new initiatives effectively, while also creating space for new contenders to rise.

## Rules-based framework ignites digital asset growth

After years of legal battles, the SEC finally approved the first bitcoin ETF in January 2024, ultimately leading to the most successful ETF launch of all time. Since then, more approvals have followed including an Ethereum ETF in July 2024.

**Figure 2** – Development of Bitcoin ETF’s since launch




Source: Bloomberg, Robeco, November 2025.

Moreover, since the SEC's initial bitcoin ruling there have been more legal hurdles cleared globally, bringing more clarity to the broader universe of digital assets. Until now, the most important law passed in the US is the GENIUS Act (Guiding and Establishing the National Innovation for US Stablecoins Act) which was signed into law this July (see Simply stellar stablecoins below).

Another regulatory initiative is the SEC's Project Crypto, which was announced in a speech on 31 July by SEC chairman, Paul S. Atkins. In that same speech he also proclaimed, "it is time to upgrade the financial system from online to on-chain." The project seeks to modernize securities laws for on-chain markets, enabling tokenized equities, bonds, and hybrids to trade alongside non-security digital assets (e.g., cryptocurrencies) on shared venues.

Ironically, the SEC has moved from battling Coinbase, Ripple and other digital-asset players in courts to helping legitimize them in financial markets. Another significant step is the Digital Asset Market CLARITY Act which passed the House this summer and is now being considered in the Senate. If approved, the Act should bring clarity to crypto-market structures and a clear division of supervisory roles between the SEC and the Commodities Future Trading Commission (CTFC).

> *" It is time to upgrade the financial system from online to on-chain – SEC Chairman, Paul S. Atkins*

Following these regulatory developments in the US, other regions are also speeding up their own regulatory responses. With the signing of the MiCA (Markets in Crypto-assets Regulation) already in 2023, Europe showed early leadership in the digital assets space. However, rapid moves from the US have introduced newfound urgency for additional clarity and action to maintain the momentum. The US is embracing stablecoins that run on open public ledgers (e.g., Bitcoin, Ethereum, Solana) instead of a Fed-issued digital USD on a private blockchain. Europe and the ECB should consider a similar approach, offering digital euro on public chains rather than a EUR CBDC (a EUR-denominated central bank digital currency). Next to Europe, South Korea, Japan, and Hong Kong have been active in bringing more regulation to stablecoins and cryptocurrencies. Moreover, China is also cautiously considering stablecoins backed by the yuan.[1]

### Simply stellar stablecoins

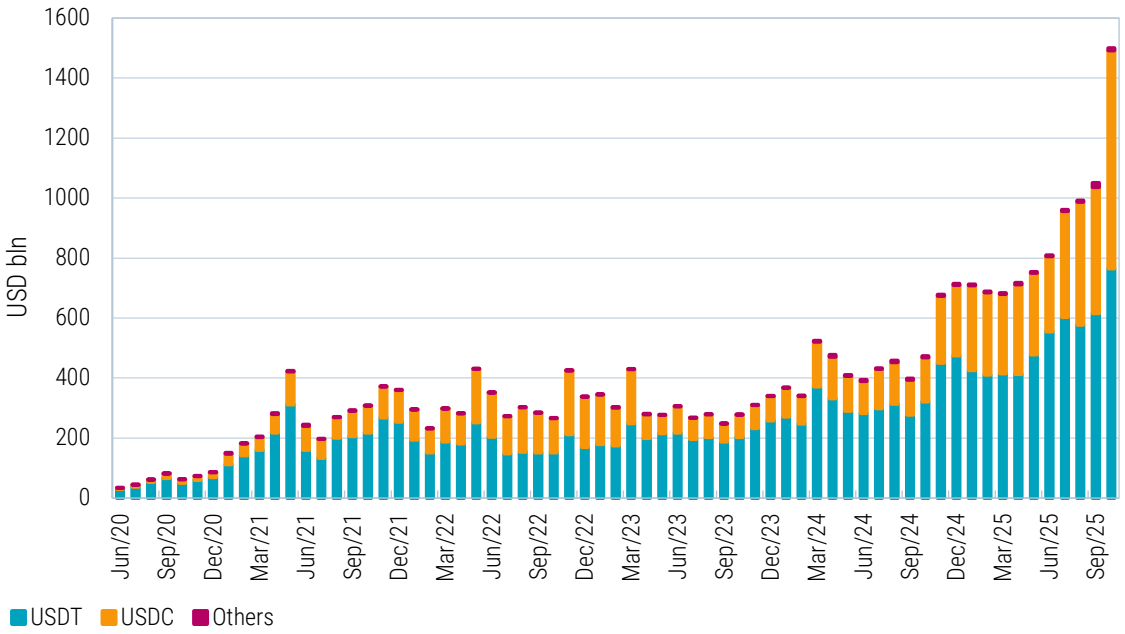
Stablecoins, once a crypto novelty, are set to become mainstream post passage of the GENIUS Act – landmark legislation allows banks and regulated issuers to release tokenized US dollars.

Stablecoin issuers primarily earn revenue through interest on fiat currency by depositing it in banks or purchasing US Treasury bills. By the end of June, dollar-backed stablecoins on public blockchains totaled USD 254 billion, including USDT 159 billion (Tether) and USDC 61 billion (Circle). For comparison, the US Federal Reserve's M2 money supply (a measure of how much fiat currency is circulating in the US economy) was USD 22 trillion at the end of May. In an X post, US Treasury Secretary Scott Bessent projected stablecoins could reach a market size of USD 3.7 trillion by 2030, indicating potential adoption beyond digital assets.

This adoption can be tracked by transaction volume growth (albeit with distortions from bots and high-frequency trading). Figure 3 shows adjusted transaction volumes growing 104% year-on-year to over USD 1.5 trillion through October. JP Morgan CEO Jamie Dimon says his firm moves about USD 10 trillion daily – taken as a proxy for stablecoin volumes, it is clear there is significant room for growth.

[1] China tests out stablecoins amid fears of capital outflows, Financial Times, August 2025.

**Figure 3** – Stablecoin-adjusted transaction volumes




**Source**: Allium, Visa, Robeco, November 2025.

We believe stablecoins represent a transformative moment for the crypto industry – akin to the iPhone's impact on mobile technology. By offering near instant 24/7 settlement, transparency, and lower cost versus traditional payment rails, programmable stablecoins have the potential to disrupt traditional finance. And while stablecoin adoption beyond the digital asset ecosystem is still in its early stages, it appears to be more of a threat to the business models of card issuers than to payment network companies.

## On-railing – growing mainstream adoption

While we are in the early stages of the innovation cycle, we see the following use cases: 1) cross border and B2B merchant payments; 2) a store of value ('dollarization') in emerging markets with volatile local currencies and high inflation; and 3) a treasury tool as a competitor to bank deposits. Over the longer term, the rise of transformative blockchain applications could challenge traditional revenue models as more economic activity shifts on-chain — unlocking new use cases such as tokenized assets, fractional ownership, programmable treasury functions, and decentralized finance.

From banks and payment providers, credibility and interest is building among diverse mainstream financial players, which are exploring stablecoin issuances. Both Visa and Mastercard, giants in traditional commercial payment-settlement systems, have invested heavily to incorporate stablecoin use into their networks.Nonbank issuers, such as retailers (including Amazon and Walmart), have indicated a desire to issue stablecoins which could save them substantial amounts in fees.

Meanwhile, in partnership with Shopify, Coinbase introduced its stablecoin payment stack built on its base layer-2 blockchain.[2] The technology, which went live in June, seamlessly integrates US dollar coin (USDC) payments into Shopify's processing systems for vendors. These modular stacks leverage programmable payment flows that replicate traditional e-commerce logic and will enable tokenized payments to be easily adopted and scaled by online vendors.

[2] Layer-2 networks are built atop the original blockchain base layer and provide additional functionality and flexibility to blockchain architecture. Layer-2 stacks are making blockchain transactions cheaper, faster and more flexible, which will promote scale and adoption for real-world financial transactions.

Together, these initiatives show stablecoins moving rapidly into the front end of commerce – and now that adoption is extending into the financial system's core infrastructure. Additionally, Fiserv's launch of FIUSD (a US dollar-backed stablecoin) on the Solana blockchain supported by Paxos and Circle, clearly demonstrates how core banking infrastructure is integrating with blockchain, offering 24/7 settlement and embedded compliance tools. These announcements indicate that stablecoins' programmable logic and real-time interoperability serve as a foundation for future financial services.

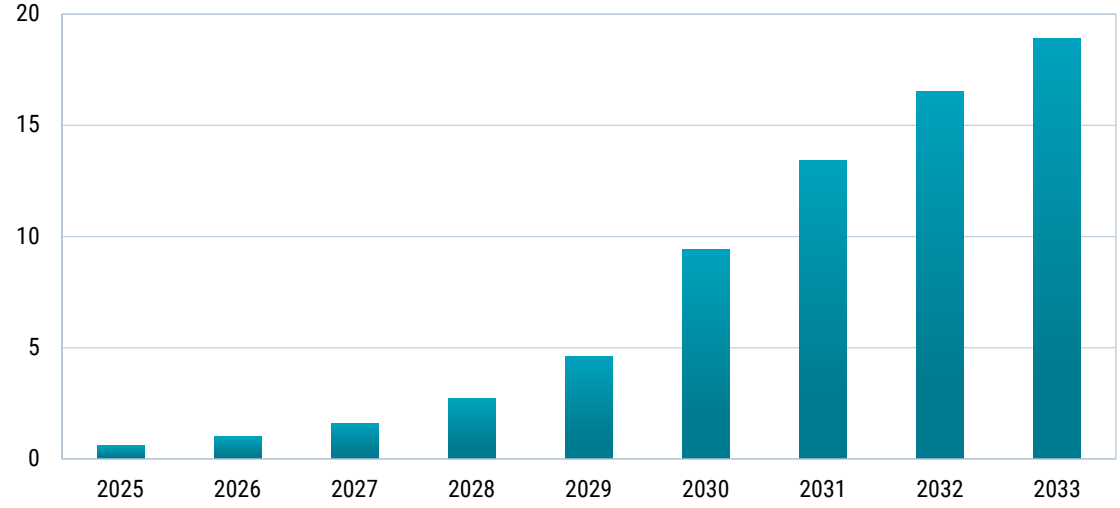
## The implications of tokenization

Stablecoins are just one example of tokenization, which allows financial assets to be transformed into digital assets using blockchain. Tokenization was recently described as 'the future of finance' by Larry Fink, CEO of BlackRock. It is profoundly redefining the way financial markets work, making assets more accessible, traceable and tradable on a continuous basis. Unsurprisingly, Globally Systematic Important Banks (GSIBs) such as JP Morgan, Citi, Goldman Sachs, and Morgan Stanley are all actively pursuing digital asset strategies.

JPMorgan is already using its own digital coin and tokenized deposits to make very short-term loans much more flexible. Clients can now borrow against their assets around the clock and repay within hours, rather than waiting for traditional market opening times. In addition to tokenized deposits, asset management heavy weights are also issuing tokenized products. BlackRock unveiled its first tokenized fund issued on a public blockchain, the Blackrock USD International Digital Liquidity Fund (BUIDL) in March 2024. Meanwhile Fidelity has established an in-house digital assets custody operation, the first of many institutional custodians to enter the digital assets fray as regulatory clarity reduces uncertainty!

In June 2025, Robinhood's 'To Catch A Token' event focused on their development of a layer-2 blockchain[3] optimized for digital/tokenized versions of real-world assets – from stocks and bonds to real estate and other forms of traditional assets. The Boston Consultuing Group in cooperation with Ripple published a report in which they predict the value of tokenized financial assets (excluding cryptocurrencies) to reach USD 18.9 trillion in 2033, compared to USD 600 billion today with the right structural drivers (see Figure 4).[4] This growth will be driven across a wide range of real world assets (RWA) and industries.[5]

**Figure 4** – Estimated growth in tokenization 2025-2033 (USD trn)




Source: Ripple and Boston Consulting Group, "Approaching the Tokenization Tipping Point, April 7, 2025

[3] See footnote 2.
[4] Approaching the Tokenization Tipping Point, April 2025.
[5] RWA including funds, fixed Income, equities, real estate, banking deposits, stablecoins, lending/credit facilities, treasuries, derivatives, and alternative investments.

## Conclusion

The ongoing regulatory changes represent a major paradigm shift for financial services and create significant opportunities for Robeco's New World Financial and FinTech strategies. We have diverse exposure to US investments which should benefit from deregulation, including banks such as Citigroup and Bank of America which are expected to deliver improving profitability and attractive capital returns. In addition to the tailwinds, Capital One Financial is expected to benefit from post-merger cost and revenue synergies as it integrates with Discover Financial Services.

We also see attractive investments in Europe given Savings and Investment Union initiatives, fiscal reforms in Germany and persisting valuation differentials between European financial stocks and other regions. We are confident that the buildout of robust technological infrastructure governed by regulatory oversight will spur legitimacy, acceptance and growth of digital assets.

We have participated in recent IPOs including Circle and Bullish, and have investments in companies such as Coinbase, Monex, SBI Holdings and Robinhood Markets, which all offer varying degrees of exposure to cryptocurrencies, stablecoins and digital assets. More IPOs are likely to come, which we will carefully analyze before considering an investment. Establishing a valuation framework is a crucial part of our investment process. As institutional adoption grows and regulatory clarity accelerates around the globe, we expect to allocate more to the digital assets segment over time.

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