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Hello and welcome to another episode of BFRR, our Bitcoin, Fiat and Rock'n'Roll podcast that explores the intersection of traditional finance, digital assets and digital currencies, and ultimately helps you to understand how digital money and assets will evolve in the future. And today is a special episode, another physical presence episode. Finally, after returning from Singapore, that is also feasibly in Frankfurt. We haven't done that too often.

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I'm really looking forward to that. It's a very different energy always sitting in one room. Today we're sitting in the rooms of Allunity, which is likely one of the hottest crypto projects in Germany or in Europe right now, a Euro stablecoin. We were invited by our dear guest Alex Höppner. Hi, Alex. Hi, guys. Thank you very much for having me and fantastic to host you in our office. Alex, you're the CEO of this crypto startup, of this stablecoin startup.

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We're going to dive deep today into your background at the beginning, but then also what you guys are obviously up for, what the use cases are that you envision and obviously also talking about this interesting consortium of DWS, Flow Traders, Galaxy Digital, quite some significant names in the industry, Treadfy and also crypto. So very much looking forward to that. And yeah, obviously need support on this front. Stefan, I'm very happy that you're also joining me again.

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Emmanuel, great to be here again. Yeah. So let's dive in directly. But before diving too deep, let's maybe start with a overview. Alex, where you come from? mean, you have a quite interesting background and CV, would say. Impressive. CEO of multiple exchanges or a long career also. You come from the traditional finance, right? Long career at Deutsche Börse, the major crypto exchange, the major.

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traditional finance exchange in Germany, then CEO of Börse Stuttgart, then CEO of BitMEX, one of the leading crypto exchanges, and now CEO of AllUnity. So that's an interesting ride. Tell us a bit about your history. How did that happen, right? From traditional finance exchange now to crypto. Yeah, happy to do so. I tend to say I'm a gray hair old man, so it can take a while. I'll try to shorten it. So I fundamentally never wanted to work in the finance industry because I think

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It has lost its purpose. And a lot of products that you have out there are maybe good for the finance industry, but not so much for the rest of the world. So actually the company I was working for got acquired by Deutsche Börse. This how I became part of the finance industry. And I wanted to leave, but there was always a, Hey, let's do this project and this project and this interesting and this interesting. And ultimately I stayed there for what 15 years or so. It was a fantastic time, but ultimately I had my fill and wanted to build the first regular market of trading of in-game items of computer games. I'm a gaming geek.

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Yeah, on blockchain based 2013, so quite a while back. So what you would call Animoca brands today, that's what we tried to build 2013. And believe it or not, I actually had a meeting February 14 at Facebook and I was suggesting a Facebook coin where Cleastream would be global custodian for the Facebook coin. But as you know, never happened. So a bit too early. I tried then the startup, it failed, but I went down the rabbit hole reading the white paper back then. And when you read it and it's not about crypto trading, it's about payments. You understand that.

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the double spending problem is solved. And if you realize that coming from a market situation, you know that a lot of fail safe security mechanisms in the classical financial

industry are institutionalized because you cannot prevent the double spending effect. Now the double spending effect is solved. That means more or less 50 % of what we know the classical financial world is can actually be replaced by chain.

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technology. Now you need to further understand that regulators never regulate technology, they regulate the function. So you might skip the technology, but you can't skip the license. And that was maybe the false of the first tryouts where everybody says we don't need the license anymore. That's not correct. You don't need that technology anymore, but you need still the license. So

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Understanding that, I tried it, as I said, a little bit too early and failed. And so I joined Börse Stuttgart, a first year CTO and then a CEO and also became CEO of the public listed broker, OIVAX, a liquidity provider. And that's a pretty unique situation because normally you don't have a liquidity provider on the own exchange in one group, so to say. But understanding trading that allows for lot of possibilities. And we were able not only to stabilize the classical business,

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but also build the first, let's say, regulated crypto trading app for retail users in Germany with a Bison app. We built the first regulated MTF with the BSDACs and we built a custodian and helped the German regulatory authority structure the crypto custody law. But our plans were much broader than that. We actually wanted to build the first neo bank, which you know we didn't do, but I think it was quite a successful time. But ultimately what was driving me was to build a bridge.

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between the tokenized and the classical world. And not only for the financial world, but also for the real economy. Because understanding the possibilities of blockchain and tokenization, you also directly come to realize that the classical financial industry is, let's say, shackled to the governance that they have, which might be suitable for the classical world, but it's not suitable for the new world. But the new players are too far away from the regulated world. So the new players have difficulties getting in the regulated world.

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and the existing players have difficulties getting into the new world. So I tried it from both Stuttgart side, but then ultimately I joined BitMEX to firstly get fully into the crypto trading world, but then trying the same, let's say from the unregulated side to the regulated world. You tried from both sides. Absolutely. And you might remember that starting 22, we tried to acquire von der Heide Bank, so a fully regulated German bank.

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That was around the time also Silvengate busted. So a lot of fundamentals were missing or starting to be missing in this interface world. Now we had to drop that, which is a different topic. But again, tried, as you said, Stefan, just tried the same from a different angle. And then 23, I tried to set up a crypto friendly bank in Germany to exactly once again, build this infrastructure. Pretty much the same as also Peter Großkopf who worked with me in Stuttgart and now is working together with me.

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also tried with iron. Dot23 was a terrible year for financing. But three potential shareholders I talked to back in the time, had long connections to them. DWR, Skelex and Floor traders were interested in the conversation. A stablecoin was always in all discussions from the beginning a centerpiece because it's a normalized transaction means. And so ultimately we said, okay, let's start with that one first and then we see how it further develops. And yeah, another year forward and here we are.

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That's really funny because it's very much aligned with my own journey. Because I think most of us in this intersection between the old world and the new world, we started too high. So you saw all these advantages of atomic swaps, et cetera. And then gradually you realize, hey, we're missing the cash thing on chain, at least the regulated form of it. But having seen that in DeFi or so working good enough for me privately.

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but not good enough for the institutional side. And I think many, many people have a similar realization that you actually need the basic Biddelig blocks first before you can dream bigger. Cool. So the result was this EuroAU stablecoin that now finally got the license as well from BaFin. So the first BaFin regulated German regulated Euro stablecoin. I mean, why a Euro stablecoin? When we look at market capitalization, the Euro stablecoin market is

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tiny, right? It's negligible. Why do you believe a Euro stablecoin is needed? Is it also for crypto use cases? it DeFi? it TreteFi? What do you foresee for EuroAU? And why did you decide to go with a Euro stablecoin first? And so I think we can have another session on the development or the history of stablecoins. But I think the misconception that is also

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publicly discussed is that the Euro stablecoin that we're talking about is to compete with, for example, Tether on some Asian derivatives exchange for crypto OG trading. That's not our target market. Yes, about 20 to 25 % of the global perp flow on these exchanges coming from Europe. And actually there is a Euro demand and Micah has an embedded anti-depegging in the structure.

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which is an edge before the US dollar dominated stable coins. So even international traders might rather face the, let's say the FX risk, which is hatchable than the default risk of the issuer on the US side. But that's ultimately on the target market. The target market is tokenization of global payments on the Euro side. And that's trillions and trillions and trillions of Euro. And the efficiency of these transactions

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can be exponentially increased by using a stable coin instead of a classical fiat euro. So the competition is not Euro AU against USDT. The competition is Euro AU against classical fiat euro payments. And that market is huge. And so, yes, we will be in the crypto space and yes, will be having trading pairs on exchanges. We have market makers, we have listings, sure. But the ultimate market

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that we think is open and viable for stablecoins is the classic European corporates and companies and ultimately maybe even retail using stablecoins instead of fiat as well as international doing business with Europe. That's cool because actually there was a lot of discussion about the digital euro in the retail CBTC world where one of the critique points that I found very striking was that it was built for retail and the wholesale CBTC was built for the financial industry.

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But nobody was ever talking about the businesses, the corporates that also need a lot of money. It seems like you, no matter when the digital euro might be born, but you tackle also the gap that the digital euro is leaving open.

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100 % and digital euro once again is an interesting topic. I don't believe in anything which is restricted anyway. So yes, you have something in your balance or on your account, but

it's restricted in either use case or in volume that you can use or something. I mean, imagine the same thing from the customer's perspective, be it a corporate or be it a financial institution or be it a retail user. You look at your bank account and you see an euro volume. Now you want to pay and you're not allowed to pay because...

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This is tied to this. This is beyond the threshold that has been designed. This is only for retail use cases. This is only for corporate use case. Guys, it's never going to work. It's just never working. And so, yes, our target market is to start with real economy. Global payments, cross border payments, yes, within European Union too. But yes, when you're on the domestic market, the domestic market is already highly efficient. But when you even go

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cross border within the European Union, efficiency is already dropping quite substantially. And when you go beyond the border, then even more so. And this is the market that we tackle into. And how do you compete against, for example, the Euro C from Circle? I mean, this is now another, let's say, rising star because of the background of USDC, right? Is it also because of this interesting consortium that you believe you can actually tackle such a big player in the sense that

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I mean, it's one of the behemoths in the stablecoin industry, obviously. So consortium again mentioning DWS, which is the asset management arm of almost fully owned by Deutsche Bank, right? Flow Traders, Galaxy Digital. How do you think that consortium can compete with Circle? And maybe also how did that actually happen? This consortium? I think that when you look at what is necessary to make a stablecoin successful, I think you need to have the right

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regulatory framework. That's the first thing. think Micah is and yes, you can complain about these aspects and that aspect and maybe we'll come to that later. But in general, it's a very comprehensive and very complete setup that allows you to tokenize literally everything. And that means really everything and not only stable coins, but also stable coins, which is fantastic. And it gives regulatory clarity. And yes, we have this also with other regulatory regimes out there. But let's say

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European Union is not as volatile, especially in current situations as maybe other Euro-strictions are. So that's the first thing. Regarding, and I come to the shareholders in a second, the first thing around competition of Circle. Yes, naturally Circle is the second largest. They're doing fantastic on the US dollar side. Yes, they increased also pretty heavily on the Euro side, but not to the extent that you would imagine given the US dollar side.

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And at least our take on this or my take on this is that it is a US company as plain as that. And that means the US company is prone to the US regulation and the US view. And there's a certain volatility after the last election. And that means it's a certain risk. So if you're a huge corporation and you want to use the US stablecoin and naturally you go to that issuer and you won't add

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five or 10 stablecoins to your universe because that's just too cumbersome. So you will one maximum two. And if one poses a regulatory risk to you, you have to double think whether you do it. The next piece is yes, everybody's saying regulatory frameworks are not gold plating in the sense is one is better than the other. But guys, that's the world. It is the

case. There are tier one jurisdictions for regulation and they are, let's say, not as widely accepted regulatory frameworks.

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And Germany still is one of the most respected frameworks. We're coming to that. And deliberately we chose Germany because if we manage to set our infrastructure up in Germany, then we are at least respected by our other jurisdictions. And that makes it much easier then to expand the service. And the second piece is what's the shareholding structure? Now the three of us could set up a stablecoin, no problem. We might even find investors.

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No problem. And for some private trading dudes who want to trade a little bit with a stablecoin, no problem, let's go on to do it. But if you're a global corporation, you're doing maybe billions in transactions a year, you can't go to the three of us. It's impossible. If something goes wrong, your regulatory authorities, your supervisory board, your management, that will just kill you. How could you do this? So they want to have tier one jurisdiction. They want to have a setup which is tier one.

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They want to have a financed company, which is tier one. That's what gives you security. That gives you a reputation that gives you reliance. And ultimately a currency is exactly that. Why is somebody evaluating this currency higher than another one? Because of the strength of the economy, of the state, of the people, of the GDP, of everything that goes together and that one. And parts of that are also transported on the state record. And what makes a good consortium? A good consortium makes what?

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Aspects do you need to be successful? If you have a stable coin, which is a currency, then you need distribution capabilities. Flow Traders, Galaxy or Market Makers, technology capabilities, Galaxy is technology company. Blockchain and classical capabilities, Flow Traders, huge ETP Market Maker, Galaxy, Crypto Market Maker. You need to be able to do tier one super service on the reserves, DWS.

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You need to have the understanding of regulation, of regulation, not only on the German level, but also on the European level, as well as what institutions are requesting from you and require from you for an institutional grade service. DWS once again, all three companies are public listed. All three companies are running in tier one jurisdictions. So that is a very unique setup because that builds trust. The setup builds trust, the regulations builds trust and the shareholders build trust. That sounds really powerful, but

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How did it come to be? who had the idea? You mentioned already that you had an idea to create kind of a crypto-born bank or something like that. And how did you come into that job and were you part of the invention or did they find you as a CEO later?

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That's very difficult to say, honestly, because I don't know naturally what were the internal discussions and I can pretty much imagine that the discussions between Galaxy Flow and DWS were actually taking for a while. I mean, I know, for example, Mike Kuhnel, the former CEO of Flowtest for a long time. Stefan, we had various touchpoints in the past. A few Galaxy colleagues we had touchpoints in the past.

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I was visiting Flow Traders already back in August, summer 22 on this banking idea, Bank on Chain or something like Bridge Bank. We had discussions in 23. We had various discussions about services from even my Bitmax times still, to do something together

with Galaxy or with Flow Traders. Galaxy is doing products together with DWS, so there is already a good history. Galaxy is doing together with Flow Traders because they are market maker.

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So it's very hard to say who was really the inventor of the thing, but I'd say in various combinations, they were in discussion with me for a long time and the other way around. so ultimately in 23, we had various touch points and late 23, we came together and said, okay, we need to do something together and they need somebody to structure that. They bring a lot of power to the table, but they need somebody who has done this. Yeah. And I have done all these aspects.

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from the regulatory side, as you said before, as well as from the unregulated side. I know the classical world as well as the crypto AG world. And that gives a pretty good setup. then with the network, what's building a good team. And as you say, I mean, it's a very interesting consortium, right? You have the Treadfire player with TWS. You have two rather crypto players. Isn't it maybe a burden to have a Treadfire player, which is like hugely regulated as a shareholder as well? how do you look at it? Or do you only see the positive sides that you also already mentioned?

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I mean, always, for whatever reason, say a coin has always two sides. No, I only see it positively because you get, let's say the speed of, hey, we need to do a trade from flow traders. You need the understanding of what is required in the crypto world and trading from Galaxy, taking these parts. From DWS, you get the understanding of the reliance and security and all these aspects of reserves, but also understanding on

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what is required by a license to be a fully, let's say, regulated financial institution in Germany is not a crypto trading app in Thailand. It's a different animal. And this understanding is very, very important because you can only go as fast as certain, let's say, frameworks allow you. The combination is what makes it interesting because you get on the one hand side, you get the push to do the trade, but also the understanding

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that sometimes the trades not going to happen tomorrow. But it takes a little bit of time. Now, is this always the sunny side of the coin? No, it's not. But I think we have, we have been very successful in this setup and very fast. And I think that proves a lot of people wrong who thought that this might be too cumbersome. You definitely put the sunny side up. A hundred percent, hundred percent. Everything so far delivered in time. And you, know, if you need a decision, you know whom to address first.

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100%. It is, I mean, ultimately it's always when you have shareholders, need to do good shareholder management. But the very, very important part is you need to have the backing of the top management. The company, I wouldn't say it doesn't matter, but if you have the right management on top, you can achieve everything. And that is definitely the part. Maybe going a twist into the location in Germany. So you now have the BaFin as a regulator.

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And Manu and myself, asked ourselves, what was possibly the hardest part to convince BaFin that you should be the first regulated stablecoin in Germany? There was no hard part. Okay. I hear this a lot that people say, yeah, but you know what, BaFin, you know, guys, when BaFin becomes difficult is when you try to fool them around. It is very, very simple. You can even download what is required.

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And it becomes difficult if you try to circumvent what is required. If you just take what is required and work it down, it's just hard work. That's it. There's no magic sauce. There's no secret level. There is no, there is no, I don't know what, yeah, magic wand or so. Just do your homework. It is pretty simple what they want. They want the security. They want the stability. They want to have the processes. They want to have the procedures. You can download it. It's pretty much pre-written what is needed and then

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Do your homework. That's it. Some are 2024. We said we will be managing the license in nine months. Took us nine months. We said another month we go live. It took us another month to go live. And BaFin was absolutely on par with us. Yeah, sure. They had their requirements. But I mean, come on, that's just normal work. Just do it. That's really cool to hear because there's a lot of regulator.

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bashing around when you go on, especially when you go to crypto conferences or, ah, we don't know, or it takes so long and so many, so many, so many cycles actually to rework something. But it's very refreshing to hear you talking about that process that is quite straightforward. can't complain. Honestly, I can't complain. Totally. mean, the, the, colleagues, if I may say colleagues, the verb.

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very approachable, very interested to understand and learn. It is super new. They were very, very much aware that there are still discrepancies between European laws or MiCA directive, as well as the national law of the EMI license. And such a new topic, you have to tackle more like, it's a little bit difficult to say, more like on eye level, that you say, okay, what do they want to have addressed? And then what is the best way to experience

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what are best thresholds, are best connection lines, what are best communication lines. I mean, this is a new license. And it appears to me that also now the wind is changing a little bit. Maybe also BaFin was eager to also stand something up in global competition, right? I can imagine that, I would hope so. And I mean, what we've discussed, I think also in the last news episode as a piece that Alex, I think, found is this Jürgen Schaaf piece from the ECB even that...

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was usually always very strongly against crypto, especially against Bitcoin, and now actually also arguing in favor of Euro stablecoins. Is that also an angle that you had to touch the ECB? Because ultimately, it's a private form of money that you create, right? We're not talking crypto backed, sorry, Euro backed crypto assets anymore. We're talking about Euros on a blockchain, right? That's usually the prerogative of ECBs or so national central banks or the ECB or

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banks, obviously, now this new player comes in. Has there been some exchange with the ECB as well? Or was there supportive actions or whatever? I think the ECB was, yes, there were touch points, sure. Yeah. And I think the ECB is very interested in understanding and experiencing how that all plays out. Actually, as the, my license is a national law license, we have more interactions with the central bank, German central bank than with the ECB that changes when we

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would become significant. But for now, the central bank is our predominant partner together with BaFin and the Ministry of Finance. think the understanding Yes, my take is a little bit months before last year, European Union was mainly pushing for CDBC. So central bank digital currencies tokenized version of central bank money. There is a use case for that. And just tokenizing it doesn't doesn't

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evaporate the use case. So check there's use, there was a use case, there is a use case. Okay. But CDBCs only work when the counterpart is accepting CDBCs. And this is fine in the European Union, but let's go out of the European Union. What if your global trading partners are not accepting CDBCs? Now, interesting to see is China beforehand was pretty much going to the same route. So all CDBC driven. So, okay, that would have worked European Union together with China.

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Now the US branching out of that, they said no CDBCs, we only go stablecoins. And that means if European Union would stay on the CDBC only track, then honestly trading stops at the border. Because the answer to stablecoins is not CDBC. And interestingly, you also experience that on the Chinese side, it's not only CDBC anymore.

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All of a sudden it pops up, yeah, there might be a stablecoin yuan or something like this. today the news came out, right? First yuan, stablecoin, they want to push it. That's it. And that means if it becomes now a real danger even for the European Union, because if China's doing that on stablecoin basis, if the US is doing good on stablecoin basis and the European Union doesn't have an answer to that one, then we would have to accept payments on US or Chinese stablecoin basis. And what everybody's forgetting

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that the stablecoin is just the first part. The second part is to be able to process stablecoins, you need to put your identity there. And that means if it's not on Euro side, it's on the US side, on the China side. And the next point is, and that's the beauty of stablecoins, the data that you can provide together. So maybe when the stablecoin is released, whether it's accepted, statuses when it comes to delivery service or anything. And again, if we don't have a European answer,

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we will be on a foreign stable coin. So for me, it becomes a sovereignty topic. And that has pretty much changed with the announcements of the Trump administration and the genius act. think this is very much aligned with everything we talk about here in the podcast. So we always try to make, to make the point that different forms of digital money have a right to play and have maybe different use cases. And what's, what's, what's obvious to me by now and maybe for a year is that the reach is very.

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So how far can you go? And the currency that ends at the borders of the European Union is simply not very attractive on an international level and even not so in a geopolitical game like we see unfold today. And I think that's the main geopolitical argument for stablecoins. If you want to play that game on that level and we see it on TV every day that this game is played, then you need to also have a strategy for attractive stablecoins that create a business case, that get accepted.

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on many, in many levels, in many shops, et cetera. And then you can still go for the digital euro. If you think that's necessary, that's totally okay. But yeah, nice to hear that alignment. And it is, you're touching on a very interesting point because you still have this discussion. Yeah, it's either or. Yeah. No, it's not. It's an end because there was a use case for CDBC and just tokenizing it doesn't make the use case go away. The same for deposit money.

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There was a use case for deposit money and just tokenizing it doesn't make it go away. And same for commercial bank money, even commercial bank tokens. Yes, there's a use case for that one. And e-money and stable coins, there was a use case for e-money, there's

a use case for stable coins. So just because tokenizing it or offering it in a different technology level doesn't mean you don't need it anymore. And the competition is not deposit token against stable coins. The competition is

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stablecoin payments against classical fiat payments, deposit tokens against classical deposit money. That's the competition. So it is a digitalization of the existing rails. The people should stop thinking this is either or. No, it's just digitalization. touching upon Stefan, what you've also said on internationalization, right? as you correctly also said, the beauty of stablecoins is also the cross-border movements, right?

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that ultimately also people outside of the Eurozone can hold Euro stablecoins. But that obviously also requires, first of all, competition against the behemoths, which is USDT and USDC on US dollar side. But then also the infrastructure around that to ultimately provide liquidity to find off-ramps maybe in corridors and in areas where right now there is no market for Euro AU.

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So how do you plan to build this with liquidity providers all around the world to bring ultimately the euro into the world and then obviously also grow the euro market cap of stable currency, which is, I mean, at the moment at least negligible, right? I think it's like less than a tenth of a percent of the US dollar market cap. So 275 billion versus 430 million. Yeah, what's your strategy there?

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I think once again, the interesting part is what is actually the competition? Is the competition to compete with a BTC USDT perp on Binance? No. The competition is payments with fiat money for the global European logistics companies or companies doing business with, for example, logistics companies from Europe. And they can try and test with unregulated stablecoins.

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But if you are a global player, you're doing billions of transactions, you cannot work with unregulated companies ultimately. So yes, if USDT would become fully regulated, then they become a viable partner once again, or a circle might be a viable partner for them if they cover all relevant fiat currencies that are necessary to do global trading. But ultimately, this is it. The classical corporates are very much banking on the house bank still.

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You need next to your account structure because fiat will not go away. Some parts of fiat will be digitalized, tokenized. So stable coins instead of fiat payments. But it's not that tomorrow fiat is going away. So they need a classical bank account and now they need a wallet infrastructure. Most likely very, very few classical corporates will change their banking relationships just to be able to process stable coins. So they will want to have their house bank to offer them a wallet infrastructure or at least a very easy way.

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to wallet infrastructure. So our route going forward is naturally to get connected to all the relevant banking players so they accept EuroAU stablecoin into their framework, allowing their customers then to use EuroAU. That's the first piece. And that needs to be naturally done for on and off-ramp, not only in the European Union, but also outside of the European Union. The intermediate solution can be OTC desks from crypto exchanges, from crypto market makers,

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from classical trading companies who helped to bridge the gap until banking relations on a global basis are distributing Euro-EU or will be available to distribute Euro-EU on an off-

ramp to European or global companies. That's the way going forward. This is also how the, let's say the unregulated world works today. Yeah, when you want to use USDT as a company, what do you do? You either go...

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You have an account with some bank who offers that or are you to a market maker or offers that or to an exchange who offers that? It's pretty much the same. We just do it from the regulated side. And ultimately this is the game that we have to play. But that's very interesting that you go for these real world use cases. We have all these hidden champions in Germany, all these mid-sized companies with some thousand employees who are world market leader in their very niche. And they have a lot of.

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cross border payment use cases with all the suppliers around the world, with all the clients around the world. That means in my understanding that you have an export the Euro strategy beyond the EU zone, which is quite interesting, which might lead to other questions. What do the regulators say to that? Because when you go to the typical conferences, that's always also a bit critical when you go into competition.

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into some emerging countries to the local currencies. And you also get some backlash about that because it might be an unintended consequence of your exporting. Would you counter-argue to these questions? So firstly, think, yes, as you said, the direction for us is pretty clear. And I'd say, maybe wrongly, in the last couple of years, I thought, okay, the early movers will be the finance industry. know, stable coins, double spending. talked about this huge benefic...

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I'd say advantages and stuff. Yes, but in the finance industry, banking as well as trading, there's always a winner and a loser. Yeah. Go on the, on the, on the trading side. The trading desk loves it. The post-trade desk gets laid off because you can tokenize it, digitalize it. And so it's very hard to convince a classic financial player to fully embed into that one because there's a winner and a loser. In a classical corporate, which is doing cross border transactions, there's only winners because

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They get the money earlier. They have less risk. They have less risk on, on counterparty. They have less risk on market. They have less risk on, on, on trading and they get the money instantly. So they can directly invest again. And they can transfer the funds very, very simply. Now on the receiving side, let's say you have a European company is doing trading with Argentina. That's principally not negative for them because you need an Argentinian off ramp bank. Yeah. And so the bank in Argentina is not losing money.

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Essentially, they are a partner. They only need to accept the stablecoin and convert the stablecoin to local off-ramp. You can even build together with them a bridge where you tokenize the local currency and build actually a very interesting market for them. which will benefit them locally on the ground and us here also. And that's the way that we try to do it. Make it beneficial for both sides and again, make it fully regulated.

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Because again, also in Argentina, nobody loves that you go in and try to circumvent regulation and try to fool around. But if you stick to the rules and offer that as a service to both ends. And we're seeing now regulation, which is, think, also a prerequisite in order to get stablecoins really in the mass adoptions, right? Also for corporates, as you already correctly said, we're seeing that slowly, right? So major.

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jurisdictions have already implemented their regulations in Asia, in Europe obviously with Micar, now also with Genius in the US quite recently. Do you have a view on that as well? What would you say against Mica versus Genius and where do you expect global adoption rather aligning towards? Is it rather Mica or is it rather Genius? And actually also do you consider using Genius in the future, maybe for US dollar stable currency?

36:24

I think so firstly, I think what we see is that a lot of your restrictions are, when you look into the details are pretty much and now you can say leaning or copy or come to the same conclusion or whatever. But let's say now they're leaning towards MICA saying there are similar requirements on equity capital, there are similar requirements on whether you can pay interest or not. There's similar requirements generally on the setup of

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how does the process work and what you could do and where and how and what. So that allows for certain interoperability where it really differs, especially on the Genius Act side is what reserves can you hold and how efficient is reserve management. And they're definitely at least in the setup that we have to see because the law has been passed, but it's not been implemented yet. And sometimes between passing and implementation there might be still some, let's say developments.

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But say if it is implemented as passed, then it allows a much more freedom and efficiency and a different ratio between, let's say, cash deposits and actually investment products, and actually also the availability of T-bills to invest in. Now, the European Union could actually mirror something like this, take the big investment fund that the European Union, 800 billion that they want to use for investing into the security.

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take the German two times 500 billion that they want to set up for infrastructure and military. So we could do the same. Yeah. So it's not that it's unique to Genius. We just have to come to the conclusion that this is actually a pretty good idea. And then it would have very, very, very positive, let's say side effects, which you can read when you look at the evaluation of the Genius Act. The interesting piece on the other side. So Genius has some benefits before Michael, because of the reserve management. But on the other side, you see a lot of regulatory regimes setting up

38:16

dedicated stablecoin regimes. Now, the European Union took a different stance. We put the stablecoins into the EMI license. The EMI license is a very strong license that allows for lot of services. So technically speaking, an issuer of a Euro stablecoin under the EMI license can build into a very interesting financial institution that can add a lot more services.

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paired with the stability of the European Union that allows for global companies to exploit a lot of possibilities in the future. And that's pretty unique. EMI, Electronic Money Institute, not something that the world knows everywhere, right? I think it's a pretty European thing in the US. It didn't exist or it doesn't exist. And before a genius, there was no federal license in the sense that you had to get state license for each of the different money service remit businesses in each of the different states. Very complex now with genius, this is also there, right?

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federalists. I think that's important to mention. So would you consider also US dollar stablecoin? I think, mean, listen to what I've said. I mean, if we want to offer global payment services to European companies or companies doing business with Europe, the euro is the second, third strongest reserve currency in the world. It is depending on which trading asset you go between 20 % or 40 % of the global trading market. The other part

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is US dollar. So we cannot ultimately provide a good service if we're not accepting and allowing and serving the dominant fiat currencies. And yes, US dollar is one of them, but maybe also British pounds or others. Yeah. And so yes, we have to consider that because ultimately we need to allow corporates, financial or real economy and ultimately maybe at some point in time, also the retail side to act.

40:10

and build their digital economy. And that means you have to go beyond Europe. you're playing an international game, obviously. 100%. Stablecoins are available globally, directly. EuroAU is available globally. in a sense, digitalization is opening up the markets. We're regulated in Germany, European Union, but the stablecoin is available globally directly on day one. That's very cool.

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Maybe one step back. So, I think we've seen the bright future of all unity ruling the world. You're super successful, but I think there's a little problem in between. Yeah, you need to get there. And I think most stablecoin issuers think heavily about that. So we have the poster child tether, yeah, that made it somehow mainly via crypto rates and then stepping into this remittances markets, et cetera. So that's one way to go, but it's...

41:01

the unregulated one. So you have a very different environment. So how do you plan to get from the tiny little thing that was just launched and we are proud of you that you launched it. Yeah. But then I think it's the very critical part, the next one or two years. So what are your next steps to become bigger? Let's put it like that. So there's, let's say there's two, oh, there's three large

41:31

If you want to say so and define it, it's a customer directions that you want can take. One is naturally the crypto side. So offering interesting trading pairs, offering maybe interesting investment products that are margined with your AU is the classical approach of stablecoins. So yes, we will play this. This is pretty simple. You have to have a listing with the exchanges. need to have to market makers. You have to incentivize the market makers to post liquidity like classical.

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trading works, not even crypto trading, yes, there too, but also the classic world works like this. And the crypto trading work works the same. So that's the natural path. But as we said before, this will probably not be hundreds and hundreds of billions because it's a US dollar market, is Asian exchanges, derivatives, and therefore US dollar will always be the dominant side. Nevertheless, we can maybe carve out a few percentages and have a healthy life there. The second piece is payments. And for payments, we need to

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have partnerships with real economy corporates, with financial institutions like banks, but also like exchanges to accept our stablecoin euro-AU for payments for transactions as margin currency. And we work with these players, we talk to them, we onboard them, and you will see a lot of players joining us and announcing their cooperation and their acceptance of our stablecoin in the next upcoming weeks. The third piece is

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real world asset tokenization. Now, I think we can skip that because that's probably a few years down the road. But I'd say you have to have that in the back of your head when you talk about this product. So the first two on the classical trading side, irrespective of crypto or classical trading, you need to the market makers, the interesting trading person, the

exchanges. And on the classical payment side, need to ultimately, you need to convince the treasury heads because they need to cope with it.

43:25

They're currently coping with fiat, Riasdollar, FX and everything that goes along that. And you have to convince them that this is a huge benefit to them. Now, the in-route into the treasury heads comes with, for example, treasury systems or with big service providers in that industry or the big, let's say, like KPMG, PWCs of the world, all the classical banks once again. So that's how you have to structure your partnerships and allow for acceptance of the stablecoin.

43:54

Speaking of these treasury leads or heads of treasury and corporates, I hear quite some noise around that idea of more flexible liquidity and treasury management on chain. Do you see that coming? And do you see that soon? Because you all these upsides regarding reach of public blockchains, but you have also the transparency so everybody can see mostly everything what's going on. And I think the privacy thing is a

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some years away, I guess, on public chains. So how critical do you see these downsides of sustainable coins that you are lacking the privacy aspect and outsiders can follow many, many aspects of the payments that go on chain? Yes, let's say this is an issue, but you can solve that issue in various ways. So firstly, there are chains or let's say derivatives of exchanges that allow for privacy.

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aspects. So maybe they're not on every chain that you have out there, but some are already offering that. And if it's super critical for you, you can actually do this. The second piece is starting point can be, for example, if you have a global corporation and they use the stablecoin for inter-company transactions, transparency doesn't make a difference because they have transparency anyway. If it is within a conglomerate of corporates who doing this business anyway together, you can always build something like a public

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private aspect to that to start with. Yes, I think that if you really put treasury on chain, you can even build a market out of that and actually trade this, let's say, faster flexibility or liquidity that you then have as treasury. Maybe you get it one second after you need it, but technically you need it after one day. And so this day you can give it somebody else and get some interest on that or get some other benefits on that one. But that's actually not the starting point. The starting point firstly is they need

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need to get comfortable with it. They need to have a very, very easy way to put it into their treasury management system, to evaluate it, to bank it, to post it. That's what's the starting point. There's a lot of possibilities coming later, but that's firstly starting point. So DWS is one of the joint consortium members, one of the founders, mostly owned by Deutsche Bank. Now you have that label, right? All unity is...

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somewhat tied to DWS, somewhat tied to Deutsche Bank. Do you think that helps? Or for example, if we now talk about corporates that bank with Commerzbank, And now Commerzbank clients want to use Allunity and then go to Commerzbank and say, want to use Allunity. What's your view on that? Is that beneficial that you have one of the European banks, of the leading German banks as somewhat of a backer or where is your point on that?

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I think generally it is positive, but you have to be careful how you go on from that point onward. Now, when you have a stablecoin that's issued directly by a bank, then you might as another bank have difficulties accepting that stablecoin because technically to be able to process that stablecoin, your customers or you yourself have to become a customer of that bank. And I think that's very difficult for a lot of banks.

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Now, if a bank onboards with us, then they become a customer of Allunity and not of Deutsche Bank and not of DWS. We're a German financial institution, so there are very, very, very strict barriers between our shareholders and it's a shareholder of a shareholder, Deutsche Bank and us. And so therefore, we even have to onboard Deutsche Bank. It's not that Deutsche Bank just being a shareholder is automatically a customer of ours. No, it's not.

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we have to onboard them. We have to onboard our shareholders too. So even DWS, Galaxy and Flow Traders, if they act in a different capacity than being a shareholder, we have to technically onboard them. And again, German financial institution, they don't have a benefit because equal treatment, we have to treat everybody the same. So I don't think that this is a problem. In contrast, if you have a shareholder who understands regulation, it gives you the security and the

48:15

Let's say the reliability that we don't fuck around. Sorry my English Yeah, because nobody will allow that firstly Buffett will not allowed and the Bundesbank but also our shareholders not allowed us and that's exactly what you need as a global corporation. You want a partner from whom you can trust that they are not fuzzing around. They're not fuzzing around with the regulation. They're not fuzzing around with the setup and they're not fuzzing around with your funds ultimately. The next piece is we are very convinced our

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our direction forward is the infrastructure play. So if you are a reserve bank and maybe a first buyer, if you're a big corporation using our stablecoins for global payments, maybe you're also interested to actually get on the cap table. It is principally possible because we are convinced if we do a close chop, it won't work. It needs to be able. You don't have to, but there's at least a possibility.

49:11

Which leads me to a very important question we don't have in the notes actually, because when you look at the playbook of Circle, they started with a stable coin. Now they try to create value add-ons left and right, payment channels, networks, cetera, et cetera. And from the outside, I'm quite skeptical about that because it's one thing to interact with a stable coin, which you can easily swap against another one. If you go into a payment network, this

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for me seems a bit more stickier and maybe even competing to stuff you want to do on your own as a client using that stable coin. How do you see that angle? Do you think you need to go as a stable coin issue, you need to go down that route into value add services or should you rather stay focused on your stable coin and be master of that class? So there's this, from my point of view, there's an ideal world and there's the reality.

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Our principal idea is not to compete. There is a role for every player here and I'm happy to just be an issuer. Now reality kicks in. For that to happen, I would have to all my partners to accept that they have to change to offer parts of the service to make it really this efficiency jump. And as we know, classical corporations and the classical financial industry players,

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have difficulties with or sometimes difficulties with adopting the necessities there. And maybe crypto players lack the understanding that's necessary to adopt to the regulated world. Now, if that comes to play, the question to me as running the company is, I can't offer the service or I have to do it myself. So our approach is we reach out, we ask, but if nobody's playing with us, we just do it because it needs to be done. That's the important part.

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you only can succeed and we can only offer the service to European corporates and corporates or companies or retail doing business with Europe. If you have all the necessary blocks, I'm happy to share. I'm happy to do with anybody else, but if nobody's doing it, we will do it ourselves. I'm just thinking if someone should then carve out something more independent to mimic that money Lego thing from DeFi. So in the DeFi world, most of the players try really to go to the root and solve

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one problem and just one problem. And if you need to solve another one, you create another little foundation or a DAO or so. And I think there's some beauty in that because then you're quite, it's quite clear what to expect from you. And this gets a bit diluted if you, if you then just go, okay, if nobody solves it, I solve it. I completely understand that reaction, but it's a very business reaction. It's not so much kind of an ecosystem reaction, I would say. So, yeah, but.

52:05

But I get it. You also need to earn money. And if interest goes down, I think it's also a question of managing risk down the road. Yeah. it's, it's, go back again to the, to the corporate. The corporate wants to do a global payment with using Euro-EU. Yeah. So they need a wallet, but they still, they have a fiat account. They need on and off ramp. They meet, they might have a privacy issue. They might add further security aspects to that one. Yeah. So.

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I'm happy to be just the issue of the Euro stablecoin, but if it's nobody ultimately, and don't take this as we want to offer custody, but if nobody in the world would have a Michael compliant custody solution out there and is willing to bank with that player, then I have to do it because otherwise I don't do any business. Because everybody would say, fantastic Alex, you have that stablecoin, sorry, I can't use it because 12345 is missing. yes.

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The other side of the coin, as we had it before, the shadow side of the coin is that some people might say now, but here all unity is now spreading everywhere and we're doing everything. No, we don't want to, but the service needs various building blocks. And ideally everybody's playing together with that. If not, still have to do it. You talked a lot about positioning the stable coin with centralized exchanges. That can be quite expensive, I heard, to get in there, but you have good partners. Maybe they have some hidden mechanisms.

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get you a good price. But then the other route is DeFi. So the stable coin protocols like Curve, for example, or the lending protocols like AVO or Morpho. Any plans to go into that DeFi realm? Absolutely. mean, some of the parts, I mean, the good thing about being a bit later than USDT and UCC is, I mean, somebody's done it before and you can just mirror and see what worked and what doesn't work.

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And going into DeFi, side DeFi protocols, liquidity pools there, absolutely makes sense. Yeah. So yes, we'll do it. But as a small company, and you said it, maybe not a classical

startup, but in a sense, a little bit of a young company, you cannot do everything on the same point in time. So yes, it's on the plan. Yes, you will see it, but it will come. Second piece is also when you think about remittance services, because that was touched before. USTT being in this banking the unbanked side.

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There is actually a very healthy, if I may say so, remittance market pretty close around Europe. Think about Turkey. Now, when the Turkish Lira dropped, everybody went into Bitcoin. Now Bitcoin is a bit difficult right now, and if you have Bitcoin, you don't want to sell it anymore. So everybody's jumping into USCT. But being not regulated, USCT is not a viable transaction mechanism anymore in the European Union.

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Now offering, just making an example, offering Turkish citizens our EUR stablecoin, they have an interesting alternative that they can also use for payments in the European Union where they anyway have very strong ties to. So that makes it a very interesting market, former Yugoslavian states, Turkey, Middle East, very interesting. It's maybe not, let's say down Africa or wherever, but I say countries pretty close to European Union.

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there's a very interesting market that we can actually exploit. Looking at the time, we are progressing extremely fast. It's almost an hour already. I we need to envision coming to an end. before we do that, maybe let's look into the future. So Euro-EU has started only recently. So you're growing the market cap now. I would say let's definitely continue that discussion and come back to that maybe in a year.

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Maybe down the road, like three or five years, where do you see yourself? Is it really that you expect already then corporates to use EuroAU as a new payment mechanism? Is it that you expect significant market capitalization, maybe even hitting the significant stablecoin category of EVA and ECB? What is it that you foresee in the next 12, but maybe also 12 months, maybe also three years, five years? Okay, maybe not already in 12 months, but...

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I think three years, absolutely. When I was running BuzzoShok.at, we announced to go into crypto and tokenization. We had a lot of conversations with big corporates about tokenization projects, energy, mobility, real estate, you name it. All these projects died because the regulatory framework was not there. Now the regulatory framework is there. At least to my, what I've experienced is literally and maybe overdoing, but every company is working on that. Every company is looking into that. Every financial institution is looking into that.

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all these projects are restarted. That now takes a while until they lift off. So you won't see maybe the big business already hitting mid of 26, but it will come definitely. And Euro is a very strong reserve currency and transaction currency on a global basis. Tokenization of a fraction of that will definitely happen. And I see us definitely surpassing that difficult hurdle in absolutely three years. can completely confirm that in 2018, 2019, we were

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very much in IoT stuff and we had roundtables at Zykl and we had five of them in one year because everybody was looking in pay-per-use use cases. And then they went for IOTA at the time because it was without transaction fees. I, even at the time I said, okay, be careful what you think about it. And it was not a Euro. It was not a Euro. It was a centralized blockchain or still trying to decentralize, guess.

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But now I think we need to call these clients again because with layer 2s with very low transaction fees, with a regulated EUR stable coin, actually, yeah, these guys were a bit early and it was all industry players. Because that was the missing piece in IoT actually, the payment. How do you do microtransactions for a paper use scenario? I think that's a good one. Yeah, that was quite insightful. Again, time has passed by very quickly.

58:13

Alex, thanks a lot for this insight. I think we should definitely repeat that in a year or so, or maybe even less to look at what has happened in the first months and then how it will continue. So thanks a lot. I think I'm quite sure that was quite interesting for our listeners as well. So thanks a lot for your insights and dear listeners, if you liked that, mean, make sure you spread the word about the podcast. Obviously look into Allunity, check out the product that is now launched. If you like the content, share it with your

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fellow friends and make sure you hit a like on our LinkedIn and the podcast catchers. So Alex, thanks a lot for joining and for your insights. Absolutely. Thanks for having me and was great time with you guys. Thank you, Alex. Talk soon. Bye bye.