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Hello and welcome to another news episode of BFRR, our Bitcoin, Fiat and Rock'n'Roll podcast that explores the intersection of traditional finance, digital assets and digital currencies and helps you understand how digital money and assets will evolve in the future. I'm co-host Michael and today it is time for another news episode. Today we look back to the month of October and discuss

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key news in institutional blockchain. Today I am joined by our co-host Jonas. Hi there. Hi Michael, great to be with you today. So today we're gonna first cover a market overview. That is, we look at the crypto market and the two largest crypto assets, Ethereum and Bitcoin. We gonna check in on the most important developments in the stablecoins.

01:04
space and then we have some super interesting updates from the infrastructure in space. Yeah, so if we take a look into the total crypto market and how it developed over the past month and we have to say today is the date of the recording is October 25th. We see a slight decrease in the market capitalization from 3.9 trillion US dollars to 3.75 trillion, so really just a slight one. We have also seen a month which with

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Yeah, various ups and downs. The high was 4.3 trillion. The low was 3.5 trillion. So quite an up and down. And the key reason were basically macroeconomic factors. So as you might have seen, there have been a lot of discussions going on around, you know, trade war situation between the US and China, where primarily US President Trump shared a tweet in the beginning where he said that he will impose very high tariffs on China, which kind of escalated things.

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This was one of the largest liquidation in the history of crypto. kind of 20 billion US dollars have been liquidated in leveraged positions. But then there was also another tweet saying, like, don't worry about China, which deescalated things. So it was a roller coaster up and down. But we have also seen one of the highest all time trading volume for crypto ETFs, which shows definitely the interest, but also the uncertainty in the markets given this macroeconomic developments.

02:26
Yeah, so if you asked me for a label for October for me, that was the tariff stress test for crypto. Yes, the crypto market dropped from 3.9 trillion to 3.75 trillion. But for me, the real story was the 20 billion liquidation from, assumingly, Trump's China tariff tweet. One of the largest deleveraging events ever followed recovery within weeks, which I found cool.

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And also record ETF trading volumes during that very chaos show that institutions, my opinion, treat crypto increasingly like traditional assets. So rebalancing and trading volatility rather than panic selling. So crypto now responds to geopolitical events like tariff tweets, just like the S &P 500, which proves to me that it's maturing into a legitimate macro.

03:25
asset class. And I would say the result is crypto mastered the tariff stress test. Yeah, that's definitely definitely interesting, Michael. And I agree that this is as we see like more and more this new asset class that just has emerged in the past few years. However, also like the skeptics could now say, look, Bitcoin behaves more like tech stocks, S &P 500 maybe, but not like gold, right? So that's kind of the countryside. So we also have not seen a spike in Bitcoin prices given this macroeconomic turmoil.

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So we sit maybe somewhere in between the correlation to stocks and gold, yeah, digital gold in terms of correlation after this shock definitely did not materialize and it was also not an uptober. So very often in history, October is a very good month for crypto where prices are just going up, up, up. And this is nothing what we've seen this one, but let's see what the November will bring.

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So if we look into Bitcoin specifically beginning of the month 114k and always in US dollars end of month 112. So also here just a slight decline. The high however was 125k which was before the escalation of the situation with China. Again then a strong decline with a rebound to 112k. What I've found the most interesting news on Bitcoin this month to be honest was that the first EU member state announced their investment in Bitcoin.

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which was for me very massive and this is the country of Luxembourg. They will actually allocate 1 % of the portfolio of their sovereign wealth fund and invest this in Bitcoin ETFs. This is, mean, just approximately 7 million. So it's not a billion amount, but still 1%. That's, think, the interesting number. 1 % of their total funds in this wealth fund are going into Bitcoin. And this is again, point that this asset class is there and is more and more used by the institutional and here even by countries.

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Yeah, the fact that Bitcoin held steady around 112k after peaking at 125k this month in itself is a cool stress test or cool rebound. But Luxembourg's sovereign wealth fund allocating 1 % to Bitcoin ETFs is really the moment to me because with the first EU member state directly investing national wealth in Bitcoin, it's

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yet another quality stamp for that emerging macro asset class. Because I think sovereign wealth funds are rather conservative, if not the most conservative investors. So this validates Bitcoin's place alongside more traditional reserve assets like bonds and gold. So if this 1 % adoption spreads across all sovereign funds, you

06:11
white or globally, then we potentially can expect that long anticipated God candle in Bitcoin. I love that you referenced the famous God candle, Michael. I agree. mean, the 1 % is still, it's massive that it's a country. But interestingly, if you look into other kind of asset managers globally, like BlackRock or also Morgan Stanley, they initially or a few months back actually also proposed their suggestion for a

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good, let's say, portfolio allocation and they always refer also, you know, kind of between 1 to 2.5-ish percent. So again, if you do the math for all the institutionals plus countries at some points investing, let's say between 1 and 2 percent or 2.5 in Bitcoin, this could indeed be a main price driver. But let's see. We always have seen in the past, it's going slower than one anticipated, but it's definitely a remarkable step from my perspective.

07:04
If we now look into Ethereum, the second largest cryptocurrency we have seen beginning of the month, $4,100, now $3,900. So again, a small drop. High was also here, substantially higher with $4,700. I think key news here are the Fusuka update, which is currently ongoing, which is actually going to go live on Mainnet in November. Two testnet phases have been done this month. And we don't want to...

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go too deep here, but what this is about is basically making Ethereum faster and cheaper. And it's basically kind of improving how data is handled, which also supports then the kind of use of rollups, which kind of aggregate data, if you will. this was like the kind of the

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month for crypto Bitcoin and Ether in specific. So I guess we have two key blocks today. One is the infrastructure piece.

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Again, super interesting announcements. The other one is stable coins, which we will discuss later. But let's first go into the topic of infrastructure. Again, very remarkable developments and yeah, let's talk through them step by step and discuss for you what this means. Yeah, we are witnessing an interesting moment in institutional blockchain adoption this October because three major infrastructure announcements demonstrate how traditional finance is moving beyond

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experimentation to really production grade implementation. And I'm stressing this production grade level of implementation that much because that's exactly what Ivica, Aracic and myself discussed in the previous or last episodes in which we on the one hand observe this development and on the other hand call for it. So I am happy to see that really in October we see developments on the infrastructure level. Yeah. So first.

08:53
European financial institution launched regulated layer one, which transforms the existing Swired network into a cooperative blockchain for capital markets. Then second, Swift announced its own blockchain based shared ledger with over 30 global banks to enable real time cross border payments. And third, Deutsche Börse Group is bridging critical price data on chain through

09:22
Chainlink's data link initiative, connecting exchanges like Cedra and Eurex to the digital asset ecosystem. And what connects these three stories on use to me is institutional ownership and governance. So in a previous episode, we nicely observed and discussed that infrastructure is power. And I bet the institutions described in this news know that.

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So we're seeing banks and market infrastructure providers taking control or at least seeking control of blockchain infrastructure rather than simply relying on third party platforms predominantly from the US. So these three news represent a shift from proof of concepts on the infrastructure level to really production infrastructure that traditional finance will actually

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own and operate themselves at least a piece of the infrastructure layer of the digital assets ecosystem. And these developments are so great to see because for years we have talked a lot about POCs, about MVPs, know, all of this, but we were not in the stage of really having a compliant production ready infrastructure that also has the network, the ecosystem of important players to make, you know, kind of a large ecosystem out of that. And I think this is something which is definitely an ambition of these.

10:52
these announcements and definitely a good step. And again, another proof point that this technology is very, very mature and becoming one of the backbones of our future furniture system. Yeah, before we dive deeper into the substance of these three developments, let me again stress our episode 363 published one week earlier in which I sat down with Ivica Aracic, the CTO of Swiret and a former IT architect at Decabunt.

11:21
to map the real architecture of DLT-based infrastructures. So if you're really interested in the nitty gritty of both the 2B and as is architecture of financial markets based on DLT, just re-listen to that very episode. For now, we're going to focus on the infrastructure layer of that very conversation we had with Ivica and as outlines,

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11:50
first and potentially most interesting news in that regard is that 10 major European financial institutions have launched Regulated Layer 1 or RL1, a cooperative blockchain initiative for capital markets. It's built on Swiat's existing technology. And as we had Swiat's CTO, Elitsa, as our guest, of course, we talk about Regulated Layer 1 too.

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And our ambition definitely is to win a representative of the founding members of that very initiative to the podcast. So stay tuned for that. And if you listen to this as one of the members, sorry, Michael, as you listen to this and you are one of the people that reach out to us, happy to do a podcast with you then. Yeah, to make this call even more explicit, the founding members include KfW, Dikkerbank, DZ Bank, LBBW, ABN, Amro, Nutwest.

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Natixis, Standard Chartered, Börse Stuttgart and V-Bank. Yeah, and that's why at the German FinTech providing the underlying technology has already processed over 600 million euro across more than 40 transactions. And now this infrastructure is being transitioned into a European cooperative society that will be jointly owned and governed by participating

13:14
financial institutions that I outlined above. And the network will support tokenized securities, different settlement models and cash on chain solutions. And this development is at the core center stage of our podcast because our ambition stays to bring the European perspective of institutional DLT to the world. So there you go, world. uh Europe now at least set out to operate its own.

13:43
regulated infrastructure layer or blockchain for institutional DLT. love it. Yeah, it's really interesting also when you think about the governance structure, as you said, Michael, right? Because I was also wondering, like a lot in the past months, what's the best structure? So should you set up a company in Germany, one in France to do such things, right? But of course, if you're seeking to address the whole European market and European governance, a European legal entity is I think a very reasonable.

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choice. So I'm really looking forward to this and yeah, we're looking forward to seeing then also this platform live and also very curious to see how this works together. For example, with 21X. So they're kind of uh market infrastructure they are building and we will have them in a podcast in the next couple of weeks. So we also we see here a lot is happening on the platform, the infrastructure piece. And of course, as the name suggests, it's a regulated layer one, it's regulated, right, fully compliant.

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which is also very, important for institutional blockchain type of transactions and actions. Yeah. And some of you may wonder, so what is it that makes RL1 significant? And it's the cooperative governance model. So unlike commercial blockchain platforms that aim to extract profit, of course, RL1 operates a shared infrastructure for the benefit of its members. So this address is one of

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The rather fundamental concerns traditional institutions have always had about blockchains, who controls it and who benefits from it. And yeah, this European cooperative society structure ensures no single participant, technology provider or node operator can dominate the networks. This actually credible neutrality is essential for

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competing institutions to collaborate on shared infrastructure. And I think of it as the blockchain equivalent of a Swift governance model, but specifically designed for capital markets rather than messaging. This also aligns in my understanding perfectly with the European Central Bank's vision for a DLT based single capital market. The fact that institutions like KfW and

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major commercial banks are committing financial resources equally shows that it isn't just another pilot project. These institutions we outlined above are really building infrastructure they intend to use for production volume. Yeah, and with that, we can jump to the next significant move on the infrastructure level or layer of our

16:23
Targeted DLT architectures, Swift announced at Zeebos 2025 that it's building a blockchain based shared ledger in collaboration with over 30 global banks from 16 countries. And the technology partner is ConsenSys led by Ethereum co-founder Joseph Lubin. The first use case will focus on real time 24-7 cross border payments.

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The participating banks include Bank of America, Citigroup, Netwest again, Deutsche Bank, HSBC, JP Morgan, Standard Chartered and many others. So this is really the who is who of global banking. The blockchain will record, sequence and validate transactions while enforcing rules through smart contracts. And Swift emphasizes this will maintain the trust, security and compliance their network is known for.

17:21
while enabling instant settlement. Yeah, it's similar as for regulated layer one that who is who is really participating, as you said, Michael. I think it's a very smart move from Swift because as we also know, Swift is one of the leading kind of payment platforms or if you will like messaging layer. And what happens today with Swift is that a lot of messages are typically sent around, right? And what blockchain can do is instead of just sending messages around, you can really send money around, right? So you can do this.

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without the necessity to share messages, which seems to me a little bit outdated. So why I'm saying this is, I think it's a natural move for Swift because I think this messaging concept is rather overdone if we look into the future of payments in a few decades ahead. So I think a smart move and of course, very strong partners. So yeah, let's also see how this will look like in practice. um Not sure Michael, do you know when this will be launched? It was just an announcement, right? So we are not fully sure yet.

18:16
Exactly. no, the timeline is vague at best, uncle here. Nevertheless, we included that news in our very conversation because at least my take is and what makes it so interesting is that this announcement is with direct response to the stable coin threat. the fact that a giant like Swift sees the need to move and to make such a

18:44
launch statement in itself is interesting to me because the $300 billion stablecoin market currently dominated by Tether and Circle allows users to transfer value directly without intermediaries. And that's an existential threat or challenge to Swift's business model. And what's fascinating now to me is Swift's positioning. So they're not fighting blockchain technology if they ever work, but

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now they're not fighting it. They are really now embracing it while leveraging their unique advantage that is trusted relationships with over 11,000 financial institutions globally. And no state of coin issue and no crypto platform can replicate that network effect that Swift

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already has. And that's a similar advantage as um Visa and MasterCard. So maybe these traditional players, could

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replicate this and they also seek to bring this other approach like stable coins into their payment rates as we discussed before, but that's definitely a different approach. And yeah, I'm really curious to see how this space will look like in 10 years. So who also of this traditional players survived maybe even leading or where incumbents maybe also took a sizable market share. Yeah. And the choice of consensus as the technology partner, he is also telling consensus.

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brings deep Ethereum expertise, suggesting to me that Swift is thinking about eventually or about an eventual interoperability with uh public blockchain ecosystems, not building yet another walled uh infrastructure garden. So the shared ledger will complement Swift's existing messaging infrastructure, creating a hybrid model that preaches traditional and digital finance.

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To me as an architect, will be super interesting to see how you combine or how you architect such a hybrid setup of a public blockchain and then Swift's existing messaging infrastructure if they live up to this ambition of creating such a hybrid model. And with that, we can conclude the infrastructure session by or section by looking at the Deutsche Börse Group.

21:00
which is integrating its market data infrastructure with Chainlink's Datalink Oracle network. So it's starting with live feeds and this initiative will bring price data from Xetra, one of Europe's largest trading platforms with over 230 billion euros in volume, but also Eurex, 360T and

21:25
Tradegate. And additionally, Chainlink announced its CCIP protocol uh will enable digital asset exchange for over 11,000 banks through SWIFT integration already beginning this November. And S &P Global Ratings is also bringing stablecoin credit ratings on chain through DataLink.

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So my final thoughts on these infrastructure developments are that these three developments to me share one common thread. It's traditional financial institutions at least trying to take ownership of blockchain infrastructure while maintaining interoperability. So we are moving on the infrastructure layer from blockchain experiments in the institutional space to

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production infrastructure that banks actually try to control. And yeah, that's to me the fundamental shift happening in institutional blockchain adoption right now that is on the infrastructure layer. When it comes to the institutional blockchain adoption, when it comes to money and assets, we also brought some interesting news when it comes to stablecoins. Yeah, blockchain is kind of everywhere when you think about the future of payments or all these announcements you

22:46
discussed. Michael, really interesting milestones on the institutional use. We have also seen a lot of central banks that want to go leverage the use of blockchain like the ECB with their host CVDC approach with Pontus and Apia, course, also lot of happening in stablecoin domain. And here the first news was again about Deutsche Börse Group. So we have seen

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Deutsche Börse Group is very active, not just with the Chainlink partnership m on their market data, but also with uh Circle, so the stablecoin issuer.

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Circle, which is kind of the first collaboration as far as I read it between a leading European market infrastructure provider and a global stablecoin issuers. Both parties have basically signed a memorandum of understanding, MOU, to collaborate on the use of Circles, Eurocoin and USDC stablecoins within Deutsche Beresers financial market infrastructure. So here we also see that these two worlds of blockchain on the one hand side and of traditional finance of legacy market infrastructure here are kind of united and

23:44
Again, a second very strong announcement from Deutsche Börse Group, one of the leading European market infrastructure provider. The second news was about Societe Generale with their Forge blockchain arm. As some of you know, they also issued a stablecoin or stablecoins, US dollar and euro stablecoins just quite a while back, which is very remarkable because Societe Generale is one of the leading banks as well. And what now I've found truly fascinating is that they now

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use their stable coins for um distribution in decentralized finance. So what basically happens is that they announced the deployment of USD coin, a variable and Euro coin, variable stable coins on the DeFi protocols, Morpho and Uniswap through its partner. So if you think about it, this means again, kind of a bank providing their stable coin into DeFi, which is for me a very, very, very interesting milestone.

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that it's not just about banking use cases, infrastructure use cases, but also DeFi use cases. And this really shows that also here, tradition, not just as in the previous announcement, kind of blockchain crypto space is entering Treadfy via partnerships, but also the other way around, that Treadfy players are entering the DeFi ecosystem and that these both worlds are more and more united. So we see that here, the stable coin sees DeFi as one varied solid use case and now is live with the solution in Uniswap Morpho.

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and other DeFi protocols. And uh the interesting news here to me is really that this is a major European bank issuing regulated stablecoins specifically for DeFi use. And with that bridging, really bridging traditional banking and permissionless protocols. So it would be super interesting to have Stefan here, our appreciated co-host, who actually joined us with

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that very topic that is institutional DeFi. if and how institutions can actually play in DeFi, a space ought to be entirely disintermediated. But yeah, here we go banking even taking over DeFi potentially. Yeah, so the line between Dreadfy and DeFi just really start beginning to blur even more.

26:02
significantly when a 160 year old French bank starts providing liquidity to decentralized exchanges. Yeah, and that's of course also a very interesting kind of or very smart business case move, right? Because we know that stablecoins today are used primarily in the DeFi ecosystem, right? So if we talk about cross border payments, they're more and more stablecoin used. If you think about

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of payments in the industry machine 4.0 etc. This is all very very interesting use case that are all on the seem to be on the rise but where you can earn money today is in DeFi because there is the volume right. So I think it's a very smart business case move um as well but let's see how the traction will be. So if it will if the crypto folks in the DeFi

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ecosystem will pick up this let's say you know this kind of bank led stablecoin or if they want to go for a you know another one that is maybe out there for longer maybe a more decentralized one so.

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Yeah, we will see how the adoption is, but super interesting for this announcement. So we've seen the lines are getting blurry and here an announcement that makes the lines even more blurry, namely that 10 major banks think about issuing a stablecoin. And of course we have heard this, guess, over the past months all over, all over again. Why are we bringing this up? Because the 10 major banks are really major global major banks like Bank of America, Deutsche Bank, Goldman Sachs, Citi, Barclays, Santander, BNP, UBS.

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And what they have stated recently is that they will work together to explore creating blockchain-based assets packed to G7 currencies. So it's still very, very early. Just to quote a bank representative, the objective of the initiative is to explore whether a new industry wide offering could bring the benefits of digital assets and enhance competition across the market while ensuring full compliance with regulatory requirements and best practice risk management. So again, it's just an announcement. Normally, we don't include announcements here and more just, you know,

27:55
life solutions or milestones. But this shows again the direction of travels that the leading global banks are considering here in a consortia, which has way more horsepower to issue stablecoins. When I read through that news that 10 banks seek to launch a stablecoin consortium, I really asked myself, is this now Swift 2.0 or is this a cartel? So when 10 of the world's most powerful banks announced they are quote unquote, exploring

28:24
And you can assume that when banks launch, publish such news, they are already exploring this for a long time. So exploring quote unquote, joint stablecoin issuance, we all should read between the lines. That could mean they are building a cartel here. So they watched Circle and Tether generate billions in revenue from stablecoin float. And they realized they are being disintermediated potentially here.

28:52
and decided to collectively reclaim that business out of FOMO, uh out of business sense, potentially a mixture of these all. And so the industry wide offering language they apply is to me code for we are now coordinating to prevent competition from fintechs who moved faster than us. And banking regulators will almost certainly approve it because legacy banks are too systematically important.

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Well, think, so good point and a lot to digest. think Cartel for me is a little bit too much because we have a lot of consortia building up, right? So if we think about Allunity, this is also three players. We have this other banking consortia, including ING, where we will do a podcast in a few weeks, which also is leading banks. But you're of course right, Michael, that these tens are really, I mean, they capture a very high amount of the market share in payments, right?

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But I still think it's, know, they wouldn't. Yeah. So Cartel, think it's a little bit too much, but I know which direction and I understand why you're going into this direction. But of course, for me, it will be really interesting to see if this will really come to daylight because we have seen so many initiatives in the past decades where global banks wanted to collaborate and a lot of them failed because of governance, because of internal politics. I mean, there a lot of different jurisdictions involved.

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30:11
Will this be US dollar? Will this be Euro? Will this be everything? Will this be a basket? So many questions about the underlying currencies and governance as well, which puts me in situation to think, will this really come? But again, the lines are getting blurry. Yeah, that was my provocative statement of the month. A good title for this news episode, Michael. Cartels coming up to stablecoil space.

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I like it. So going to another interesting news was that m AutoBHF launches its own stablecoin. Again, we have heard a lot of stablecoin launches in the past months. Why are we bringing this up here? Auto is basically one of the very, very large and very, old bank with 170 years of history. It's a private bank, a large European asset manager with 156 billion euros in client assets.

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3200 employees in France, Tunisia, Germany and Switzerland. have m launched the stablecoin EuroD. And it's interesting because it's the first European bank to launch a stablecoin here under the umbrella of the French banking supervisor. m And also targeting a lot of different use cases in the short term, a lot on focus of exchanges getting listed, provide liquidity.

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And then in kind of midterm cross border payments, also everyday payments and currency hatching. I guess very similar as other stable coin issuers out there like AllUnity, for example. But again, another player entering here. And what I found interesting is that this is again another bank. So it was not like a new entity, a new e-money issuer that has come up. They basically issued this out of there with their banking license. So yeah.

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Again, the lines are getting blurry. think we do have the title for the episode. I said this now for the fourth time. So quite interesting announcement. And then kind of also bringing a kind of geopolitical shoes to the discussion of stablecoin is China. So China is entering the stablecoin space now with full speed. And we have two kind of news that kind of back this hypothesis. One is China launched a yuan stablecoin.

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in Kazakhstan. So it was basically the world's first regulated offshore yuan linked stablecoin and they got a license in Kazakhstan but it was supported by China in the sense. And why does it matter? It matters from my perspective because China always stated for a lot of years they want to increase the role of the yuan, currency for international payments. This has been clearly communicated and they are now with this kind of first move delivering on this promise. And I'm mentioning this because often we think and complain that

32:58
Chinese players are entering everywhere and what China is doing, but they are pretty clear and communicate pretty clearly what they are doing and then they just execute. And this is again, even if it's like just in Kazakhstan, but a very interesting announcement to our first proof point that they are serious about this internationalization of the Yuan, also here in the stablecoin digital assets realm.

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So when I read this, I asked myself, does China have a stable coin strategy? And if so, what is it? So first I would assume they have because China, my interpretation, is a really strategic actor. Their nation governance simply lends itself to being really strategic. And then I asked myself, so if they have a stable coin strategy, what is it? And I think, and this is up for debate, it's currency internationalization through digital.

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rails as the US allegedly do it themselves. So to me, China's approach would be yuan's data coins offshore and restrictions onshore. And that is actually a classic central bank playbook, isn't it? So you seek to tightly control domestic monetary policy while you promote international usage of your currency.

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And the innovation here is using stable coins to bypass the infrastructure problem that traditionally limited yuan internationalization. So it was simply tough to internationalize yuan due to infrastructure problems. Correspondent banking networks favor dollars and euros. And now these correspondent banking networks can be bypassed and China witnesses its chance to internationalize yuan.

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I think the strategies are always a little bit confusing when it comes to China because we read a lot that this internationalization of the yuan is really a goal for China. Like, I guess that's not a surprise, but still they impose very strict capital controls and the capital cannot move freely everywhere. Right. And this of course, works against a free internationalization if your currency is not allowed to flow everywhere completely freely. And here is similar.

35:16
It's in the stablecoin domain because as far as I see it, but I'm not also not the perfect Chinese observer here. And there is not a clear stablecoin strategy because we have seen this this kind of offshore Kazakhstan stablecoin support. But we've also seen that China has actually put differently that end group JDcom basically leading players in China. They have suspended their stablecoin projects in Hong Kong because they got pressure from the Beijing regulator.

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which you could interpret that China actually wants to push their CBDC, the E1 more than focus on stablecoins. So it's somewhere in between. I think there are often this contradicting news. And if we look back, it was very similar with crypto, right? That China basically forbid mining in the sense in crypto services, then it stepped a little bit back. So often it's also unclear. And here I'm also not 100 % sure. But what is for me pretty sure and pretty certain is that they want to foster the role of the UN internationally, even if

36:13
with some nuances of capital controls in place. And the second kind of news around this hypothesis or supporting this is that m Alipay, so one of the world's largest mobile payment systems, they have actually received a license out of Luxembourg to issue a Euro stablecoin. This is interesting. A Chinese company, not about launching a Chinese stablecoin, US dollar stablecoin, actually a Euro stablecoin from the regulator in Luxembourg.

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As far as I know, it's not fully launched yet. It's primarily the license. But of course it matters because Alipay is a financial super app with 1 billion users in China. So this is massive. also here, of course, the question for the US, how much power do we want to give away to other jurisdictions? And of course, this is a separate legal entity from the Alipay entity in China. But of course, the subsidy is fully owned by Alipay, so just by a Chinese stakeholder.

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So this brings again another interesting geopolitical flavor to this discussion of stablecoin, particularly in Europe. Yeah. Alipay's Euro stablecoin is particularly clever because it gives Chinese payment infrastructure a foothold in European markets. And at the same time, it builds the operational experience needed to eventually push yuan stablecoins globally. if you will, it's a nice learning ground to learn what it takes

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37:40
to launch and to scale a stable coin. Yeah, so this is really long-term strategic positioning in my interpretation, not quarter to quarter FinTech play to generate some stable coin profits. so it's so interesting to see China enter that stage. So yes, disclaimer, we are not close up servers. At least I am not. Me too. Close up servers of China's blockchain developments. mean, we are European.

38:08
the European perspective, but it's so fascinating to see them at the stage. kind of anecdotal evidence, what I see is when I walk here in Munich or other cities, I do see more and more signs that also Alipay is accepted as a means of payment. So also we do see this primarily, of course, for tourists and Chinese, etc. But we see this or if we go back into the German, sorry, the European.

38:32
football championship last year, one of the main sponsors was Alipay. The logos were everywhere here in Germany. this is also Michael, I think this confirms what you're saying. It's not a month by month play here to issue a stable coin and earn some money with it. It's really a long-term play for internationalizing the use of the currency store, more a strategic play. So yeah, I think this kind of last stable coin use was also quite an interesting uh announcement, which kind of was a little bit under the radar. So we've just seen this in the list where

39:02
The ESMA, the authority basically provides updates on the licenses in the spreadsheet and there it basically appeared, with a lot of geopolitical tension potential or strategic potential. Right. So maybe to conclude this episode, Michael, we have our knowledge bites for our listeners at the end. And what did you bring us today? Yeah, I brought an interesting opinion piece by Maxwell Strömer from H.

39:28
QLA, titled From a Bank Wars to Blockchain. It uses American banking history as a lens to understand today's debates about financial decentralization, stablecoins and blockchain infrastructure. The core argument is the tensions between centralized and decentralized finance isn't new, but it's been playing out in American banking for over 200 years and history offers

39:57
crucial lessons for how institutional blockchain adoption should proceed. This is really a rare lens in blockchain because it's such a new emerging technology, not even 20 years old. And now a smart thinker that is Maxwell's Drimmer coming around and saying, hey, there are lessons to be learned from American banking history to understand today's debates about DLT, then this is an angle that hasn't been offered ever.

40:27
or not too often. mean, probably we get it a bit in uh Broke Money by Lynn Alden, who reflects a lot and analyzes a lot banking and commercial banking and central uh banking history and why this history resulted in her argumentation in Broke Money. But this is another of these few pieces that really analyze history and

40:55
derive lessons for our DIT conversations here. Yeah, that's a reading recommendation. Cool. Thanks for sharing, Michael. How about you? Take a look. And what I brought today is uh a kind of response to the question, how much does the digital euro cost for banks? Because this is a question I got a lot over the past few years. And also the ECB got this question actually from the co-regulators, so from the European Commission, Parliament, etc. And what the ECB did is they published a note on the investment costs for the digital euro.

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41:25
the Euro area banking sector. some of the key findings were that the authors estimate the costs for the whole sector to be between 4 billion and kind of 5.77 billion if a lot of synergies and cost modulations are accounted for. And these costs are a lot lower than costs in a study conducted by PWC, commissioned by the European credit sector agencies, which estimated costs of I think around 18 billion.

41:55
the US, sorry, Euro for this. And the authors also discuss where this cost savings basically um came from. yeah, this is just something to check out. I guess it's a first illustration. And of course there are of different facets to this, but at least it provides a comparison of two studies with try to estimate the costs and maybe for the people in the space that are there for longer.

42:22
The authors conclude that the costs would be comparable to the most of the second payment service directive, PSD2, which was 6 billion and below the one for the SEPA introduction, which was around 12 billion. So just to get a gut feeling again, I wouldn't over-interpret the exact number, but it's a good and a first methodology to figure out the cost because of course the costs are very relevant for the sector. Yeah, appreciated. This debate being...

42:48
now more public and with more evidence based on this knowledge byte you present here. And this is a concern of mine because to me somehow the Stata coins won the race anyhow. So why spend so much money on CBDCs or the digital euro, at least in the design proposed by the ECB? I know this is a controversial angle, but

43:11
Yeah, mean, this is public money and it should be carefully investigated if and to what extent in a global stablecoin market that is thriving with competition everywhere, where we need to spend so much public money on slow CBDC projects. And that's definitely a question, Michael, we have to discuss with Bundesbank. We will in the podcast have them in a couple of weeks. How this works together with stablecoin, what's the geopolitical

43:41
component. Yeah, but of course, it's a very dynamic space. look forward to that conversation dearly. So you have my vote on asking tricky questions. All right. Yeah, with that, thanks for listening to Bitcoin Fiat and Rock'n'Roll. Thanks, Jonas, for your takes and insights today. Do connect with us on YouTube, LinkedIn and our expert community on Telegram, which is available both in German as we do have

44:07
German roots and quite some German episodes in an earlier chapter of this podcast, but also in English for details inside the show notes. Also visit our website for detailed analysis and detailed show notes and make sure to subscribe to Bitcoin Fiat Rock'n'Roll wherever you get your podcasts and join us next week when you'll be exploring another critical development in the evolution of digital finance. Until then.

44:32
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