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Hello and welcome to another news episode of BFRR, our Bitcoin Fiat and Rock and Roll podcast that explores the intersection of traditional finance, digital assets and digital currencies and helps you understand how both digital money and assets will evolve in the future. I'm Koos Jonas Gruß and today it is time for another news episode. We look back to the month of November. Again, a lot of key news that have taken place and we will discuss particularly institutional blockchain and digital currencies. Today I'm joined by

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My co-host Manuel, hi Manuel. Hello. And with us today is for the first time Atakan Kavuklu. Atakan is a project manager at Allunity. I think now very well known stablecoin issue in Europe, but maybe Atakan, you briefly want to introduce yourself to our listeners. Yes. Thanks Jonas. Hello everyone. Very happy to be here. As Jonas said, project manager at Allunity. I've been in this space for about five years now. Actually a very...

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long time listener of this podcast. I started here, used to listen a lot to this podcast. So very much looking forward to today. Good to have you. Yeah, it's really a pleasure. And we have, as always, a fully packed episode today and we will cover in particular three key topics. One is tokenized deposit news. A lot has been going on here in particular. JP Morgan is hitting the gas.

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Then as every month, I think since May, stable coins, stable coins, stable coins, we do have another stable coin roundup with again, I think very exciting news once more. And last but not least, we do talk again about the digital euro because also here we do see movements both from the side from the European Central Bank and also finally the legislative process in Brussels where we will comment and evaluate the recent developments. But first, let's have a look.

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how the total crypto markets developed in the past month and this is until today when we record November 27th and it has been a hard month for the market. It was not going up in November as this is often the case, statistically at least and at the end of the month we had roughly 15 % minus for the whole crypto market resulting in a current market capitalization of 3.3 trillion US dollar. I guess the key trend was really a massive sell-off.

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of risk on assets such as Bitcoin and others as well due to some macroeconomic factors and trends. And here the crypto market was also impacted and guess higher impacted than other asset classes. But we have also in the last couple of days seen a slight rebound. What I found very interesting is that, I mean, often you can look into a lot of indices and do some analysis on, you know, when the market will go up again, down again, whatever, which we typically, I mean.

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typically do not do, but what I found very interesting was that the so-called fear and greed index, which messes kind of the sentiment in the crypto space and lies between zero and 100, was around seven. And this was one of the lowest levels ever. So there was absolute panic, absolute fear, because under 20 is extreme fear. Now it's back again at 18, but still fear. But it was really, really m low and one of the lowest it has ever seen, which I found very, very interesting and really showed the sentiment very well.

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Quite interesting is that in some Bitcoin Focus Podcast, they were now again already talking about the next cycle, which is now a bear market. I mean, I don't pay attention too much to the price signals, but this industry still seems to be going up and down and people are directly jumping on the new narrative, whether or not this is a bear market. Let's

see what happens. I mean, as you say, we don't follow too much the ups and downs, but agreed this was a quite strong and massive.

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sell off quite impressive. So when we look at Bitcoin specifically, there was also a decrease of around 15 % from 908k to 91k US dollars with a low of 82k. So you've seen here the rebound I talked about. But I think despite this rather negative total market development and trends, were a lot of positive surprising news, I would say. And for me, by far the most interesting news was that the Czech Central Bank basically invested in

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Bitcoin. It's a 1 million investment portfolio. So, you know, not a crazy amount, but still. And they see this as some kind of a test portfolio of digital assets based on blockchain. So the purpose of the portfolio was not now to build up a Bitcoin reserve, you know, for the next decades, but more to gain practical experience with holding digital assets, how to implement this, how to store the keys, how to do the custody. And I want to in particular show one quote, which I would like to read out because that was for me.

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kind of very bullish when I read this and it says the analysis shows that digital assets are evolving and being incorporated into the investment assets of funds and corporation and that they may gain increasing acceptance in the future. The Czech National Bank intends to be prepared for these changes. At the same time, however, it emphasizes that it's not planning to include Bitcoin or any digital assets in its international reserves in the near future. So the typical disclaimer in the end, but the first two sentences from a central bank are

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super, super, super bullish from my side. And this is why, yeah, I really want to dedicate also the attention to this analysis and the findings of this analysis. for them seems to be, if I understand you correctly, more technology preparation to be able to form for potential future. You also say they hold or they want to or they want to become ready to hold Bitcoin, US dollar stablecoins tokenized deposits. So really to become technically enabled. that the

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Your interpretation? Exactly. So it's about tech-able enabling, but also they do see this further trend that these, you know, this, the assets class has been coming up and that companies, you know, whatever invest here. So they do see the trends and want to be ready for the trend. That's how I interpret it. I think it shows that specifically the US dollar stablecoins and tokenized deposits is a clear signal that it's a technical decision. For US dollar stablecoins, I assume they want to understand how to hold the EIC20 tokens and with tokenized deposits.

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And it's probably about permission systems, um holding tokens on permission systems. So quite interesting also to see from a technological perspective. And I guess for Central Bank with their legacy system, it's also not so straightforward, you know, to store private keys, how to, you know, do the on-ramp, the off-ramp. So I think it's really good that people tried out because we often criticize that people are not practically enough in the space, but just talk about things that they didn't try out. Here they seem it's a different approach. And for me, this was like a very...

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very important development and milestone if you will, because at least from my understanding, it's really the first central bank that invests into Bitcoin, even if it's a small amount. And I just zooming out see again this interesting trend. So if we look 10 years back, it was only a few people invest in Bitcoin. Then maybe five years back, it was only a

few companies. Then maybe three years back, it was only a few states. And now it's only a few central banks. So you see this narrative and whoever invests, this changed massively and people that still think that Bitcoin will disappear.

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I think they are on the wrong side of this. That makes me feel bullish again. Thanks Jonas. But no investment advice is always a typical disclaimer. Another interesting news for me was just to see which kind of players also invest into Bitcoin that actually the well-known Harvard University tripled their Bitcoin holdings. So they have a fund where they invest in all kinds of assets. So Bitcoin is now a very important part of this. It's actually via iBit. So the ETF by BlackRock.

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And it's even overtaking Microsoft and Amazon. I'm just from a, from a, know, investment perspective, which I found very interesting. And yeah, also noteworthy to mention. The largest disclosed position of Harvard is now a Bitcoin ETF. Let that sink in. Yes. And isn't that crazy that we start with so many positive news in this month that from a price perspective was not so good.

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But yeah, looking maybe at one like a negative use or negative like discussions in the end that happened, of course, this month around these, let's say, Bitcoin reserve companies, also like MicroStrategy, right? Because what you see is if the price is going down, we know that these companies struggle because often the main or the key theme is to invest in Bitcoin HODL and maybe partly sell. So this means if the Bitcoin price goes down, these Bitcoin strategic uh

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Reserve companies also go down a lot and this was particularly the case for MicroStrategy this month. So also actually minus 15 % since July and I mean, they hold 3 % of all Bitcoins, right? So it's 650K and again, the discussion came up what happens if at some point in the future, the price gets so low that MicroStrategy, I'm always saying Microsoft, but it's strategy and MicroStrategy that they will sell their Bitcoin which could heavily impact the market, right? So there were a lot of...

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Doom scenario is also sketched, but I guess it's a legitimate threat to think about what this would mean to the market. Good, briefly into Ethereum, just to round this up, similar month as Bitcoin, so minus 20 % beginning of the month, 2,800 at the end, 3,800 and now 3,000. So yeah, also not the best month, but yeah, let's see what December then will bring as a Christmas present to the crypto market.

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Let's go from all the market signals on crypto more and also some market updates. We don't do this usually that we simply drop some pieces, but we couldn't put those pieces into other buckets, which we want to focus on. So Stablecoins tokenized deposits and the retail CBDC in Europe, the digital euro. So we decided to also bring those up, given that they are quite significant. One of the news that I quickly want to bring up is that Clearstream now launches

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the D7 tokenized securities platform. I mean, clearly Clearstream to all of your listeners is likely known, but it's one of the Europe's largest post trade and custody provider ultimately. So it's from Deutsche Börse, from the Deutsche Börse group, and they have been working and it's already live um on a D7 platform, which is not blockchain based, but ultimately allows non paper based, so fully digital security issuance.

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for quite some time already, for quite some years. As a reminder, the Electronic Securities Act in Germany allows, uh since it was released, I think also like three or four years ago, and the issuance of digital securities in two forms, as digitally recorded on traditional databases, but also in tokenized form, meaning issued as a token on a blockchain. And ClearStream so far has only been playing

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in the non-blockchain world, so to say. They've been experimenting, of course, over the last years, especially also last year when they participated in the trials and the pilot of the ECB to settle capital market transactions and central bank money, but they haven't had an offering and that has changed now. So they now released this D7 DLT plan, which will be built over the next years.

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And yeah, quite exciting because this is now one of the largest CSDs in the world offering really a tokenized security platform for issuance and trading. And that then complements the existing D7 digital issuance solution. So it's not about a replacement, but rather a compliment. The investors can now really choose between digital but traditional format or also DLT native issuances.

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via the existing integrations that these players already have into ClearStream. So this is also big benefit. You don't necessarily have to connect via different ways, but can use your existing integration. And they focus on commercial papers and medium-term notes, which then also benefit from this intraday issuance. So we know this, for example, in the US, where commercial papers can already be issued on an intraday basis, even non-blockchain based. So this is quite an efficient market.

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Europe, this market is not as big and they now want to also make use of the new technology and the new issuance platform for issuing commercial papers. So quite interesting. And I think a bold move to now really double down on this new infrastructure and clearly also, you know, participate in the next evolution of central bank money integration as they are also part of Pontus and Apia that can then also be used on this platform.

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Maybe to add to you Manuel, I think what's also interesting and which is also fresh off the press. Yesterday we had the news of AllUnity and Deutsche Börse's collaboration. So if there's any interest in having the whole end-to-end life cycle on DLT already live today, Deutsche Börse can also leverage stablecoins such as...

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or it are from AllUnity. That's a good point. em And I was about to also mention that, but you will, I think, also come back to that, but we can pick it up already, Atakan. A question that I would have, Clearstream has announced over the last weeks a couple of partnerships, right? So they started, I think, with Circle, then SockGen, Stablecoin was also integrated, now also AllUnity. They built their platform, however, on a private permissioned Hyperledger Bessu blockchain, right? So it's not a public blockchain.

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How are you aware? Can you talk about it? How that integration will then work? Is this a bridge between the two blockchains or will there be an all unity on the Bessu blockchain of Kleschim? It's still work in progress. So there's not much I can say. However, we as all unity try to be or are blockchain agnostic. So would be a stablecoin on hyperledger Bessu in that case.

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But again, it's a work in progress. So the details are still being crystallized. Yeah. Definitely a bold move that we see. curious to see how it develops. Clearstream has issued, we've covered this when it came out. I think it came out maybe two years ago or so. They've also had their crypto trading platform. I haven't seen so much traction, I think now with the hype of around tokenized securities that could change, but we'll definitely...

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follow closely. Maybe we can get Tilo and Klairstree in the podcast as well to talk about this move. Now, a second update that I wanted to bring with is Swyatt uh receiving a BaFin license for a crypto securities register. We've had Swyatt a couple of times in the podcast already. Ivica Aracic, for example, is quite vocal and quite known in the German industry here. So it's a Frankfurt based fintech specialized in

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and blockchain software and tokenization. And they now received a license for the Crypto Wertpapier Registerführer, the longest German word. So it's basically a registrar for issuing crypto securities under Germany's electronic securities law. So again, coming back, this is required. If you wanna issue a tokenized security, you need to have this registrar. yeah, Swyatt now has received that license. That's great.

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Congratulations to that. And Swyatt has been making notes and we've been covering that also on um unbundling, so to say, their blockchain infrastructure from the services that Swyatt wants to offer. And this is now the, I keep mixing above, the regulated layer one. That's what it's called, right? Yeah. Regulated layer one, where also co-investors came in um to build basically a...

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yeah, pan-European or even global blockchain infrastructure, still private permissioned, Where securities can be issued, where collateral can be issued and really in mind for uh a trade fair use, to say. So traditional finance entering the blockchain era, where then Swiat can provide its services on. And here then again, also issuing or offering the registrar services for.

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crypto securities. So quite interesting as well. then last but not least, quite interesting announcement or interesting news announcement is actually also correct because the Basel committee on banking supervision, BCBS, they want to reopen the capital rules for crypto holdings discussion. as you

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Dear listeners, eventually know and I'm quite sure you are aware, in 2022, this committee has basically given guidance to all global regulators for new regulations that global regulators should adopt for capital requirements and capital treatments for banks that hold crypto assets on their balance sheet. And this was really a clear...

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the industry interpreted it that way, but I think that's fair to do so. A punitive treatment for running anything on public permissionless blockchains, right? So there was a 1,250 % risk weight. And now we're coming back to the real RWAs, the risk-weighted assets that ultimately led, if you hold 8 % capital to 100 % capital treatment. And when we say capital, it's really equity. So banks would need to hold 100 %

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capital or equity against all the assets that are issued on a public permissionless blockchain. There were a couple of different buckets, right? So the first bucket and second bucket stablecoins fell into one B, I think, were still even though they were traditional assets, but if they were issued on a public permissionless infrastructure, you would still as a

bank have to hold 100 % capital against it. That seems to change now because the BCBS chair

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Eric Talen said in a recent interview that the committee is reconsidering the strict capital rules for going to banks crypto exposures because of the framework um has become increasingly difficult to apply as the market evolves, obviously, especially given the large growth and stable coins on public permissionless infrastructure. So very, very interesting. The IIF and others in the past, like banking consortiums have uh

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clearly articulated that that should not be implemented as it was proposed and many nations around the world, including the US, but also UK and Singapore, they've already indicated that they will not implement it in the way that the BCBS has suggested. Yeah, I think, Manuel, that's super interesting news because if you have this weight factor of 1,250%, this means, as you said, that banks have to fully back this with equity. So 100%, right? So this also means that

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anything on a permissionless chain that falls into this category is just super low incentives for banks to put this on the balance sheet. Right. So that's kind of a showstopper is if this is really the fully full asset, the full equity you have to back it with. So I think it's really important and a really interesting step for the industry that it seems to go away from this because of course permissionless blockchains do have new risk vectors, maybe even more than other infrastructures. But

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You know, we discussed it before. It may not be justified that this was 1,250%. Right. So I think that's a very, very important step for the industry. And we will see what reconsidering this means in the end, right? Currently it's just an announcement, but it can have very massive implications for the industry. Exactly. And when we look at Germany as a last point, maybe it's quite interesting. The CRR3 has implemented the guidance, not in the way that Basel actually guided the

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national legislators as well. This is an interim state. So this was already introduced on July 9th, 2024. So last year, we haven't covered this yet. I only stumbled across this recently as well. So the current version basically also treats existing financial instruments that are issued on blockchains similar to how these existing instruments are treated. Right? So what does that mean? And that includes even stable coins.

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What does that mean? In Europe, we have electronic money tokens. This is the regulated form of stable coins, right? They would be treated similar to existing electronic money. And tokenized securities would be treated as securities. So there's no technology punitive treatment that is currently in the law. Again, this is only an interim version, but the EBA has now in August this year actually also issued a draft RTS.

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The ITS is a regulatory technical standard, which is the foundation for the EU commission, which is expected to propose a final legislation. And even in this ITS, there is no punitive treatment. So it looks as if also Europe will not implement it in the way that Basel recommends it. So we'll follow on that actually until January the 1st in Europe, there should be national legislations to be implemented. Let's see.

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how that will now develop given that also the BCBS is suggesting to look into this again. Stellt dir vor, deine Heizung hält dich nicht nur warm, sondern verdient dir gleichzeitig auch

noch Bitcoin. Genau das macht der Ofen 2 von 21 Energy. Das ist keine Zukunftsmusik, das ist österreichische Ingenieurskunst. Der Ofen 2 ist im Grunde eine Bitcoin Mining Heizung, er wandelt 1000 Watt Strom zu 100 % in Wärme um, heizt damit Räume bis zu

22:07

50 m<sup>2</sup> and while it heats up, use the energy twice. It will make Bitcoin for you. The best thing about is a real plug and play. You don't need any technical knowledge. Just plug it in, WLAN with the 20W Energy App and it's done in 3 minutes. It's very smooth and looks really great. Premium steel design made in Austria. of using energy only, you your cashback in Bitcoin. Use your energy twice, get the oven 2 to

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So lots of ground now in this shorter market update. Let's maybe continue with the buckets. Let's start maybe with stablecoins Atakan, right? Before we then jump into tokenized deposits. Since May, I think there's been lots of news. I will try to focus a bit on more established players moving into the space. So I grouped the stablecoin news into three buckets.

23:06

Maybe let's start with B2C payments or payouts. Payments from businesses to individuals. This is particularly interesting for the gig economy. So freelancers or digital creators could now be compensated directly via stablecoins. Specifically relevant for digital workers that are employed in other countries or do not have access to a US dollar bank account. Visa recently announced a pilot that enables businesses to make payouts using US dollar stablecoins.

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So again, we see the US dollar being used and they do not specify which stable coin that would be. What's interesting about this one, so going into this payment is done by a fiat rails. So you pay in fiat, but the receiver receives stable coins. This aims to drastically speed up global payouts. So what used to take days and usually eat up a lot of fees is now being settled in minutes. This is obviously a...

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Great news for cross-border creators or remote freelancers in underbanked markets and provides them a real shift. They have immediate access, few dependencies on FX corridors and less friction overall. Similarly, competitor Mastercard is also extending its payout network by partnering with Tunes to bring stable coins to over 120 countries. Again, marketplaces, geek platforms and freelance networks using Mastercard's infrastructure

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can now offer stablecoin payouts as a native option. The only difference here, you're going in with stablecoins and also going out with stablecoins. For Mastercard and its partners, this is again a way to modernize payout flows and attracting new business models around payout offerings. Now, why do these news matter? Well, they show that stablecoins are bleeding into everyday payout infrastructure. Once large payment networks such as Visa and Mastercard are embedding token rails,

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stablecoins become everyday payments. I mean, this could lead to a structural shift in how we move money. and this is a big if, but if payouts continuously are stored in wallets and later used to make payments, this might kickstart the broad use of stablecoins also in retail payments. Something we haven't seen so far. I think this is super interesting because, you know, when you think about stablecoin adoption and payments, which we so far really

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don't see, right? mean, there's this quite good Artemis study that looks at payments companies that ultimately offer hosted wallets and then really focus on payments use

cases. It's like less than 1 % of the stablecoin volume is really in payments. And I was always wondering which payments use cases have a high chance to fly and you're gonna come to retail remittances as well. This is definitely also one that I see, but the payouts, the B2C cases,

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to me also seem quite interesting because on the recipient side, it's much easier for retail client to go to a crypto exchange, for example, and then sell the stable coin for local currency if you need it. But you cannot tell this to a corporate so easily, right? To say, well, if you now receive the stable currency, go to a crypto exchange to get your local currency. There are some much higher hurdles to do that, right? So you would need some...

26:26

uh institutional off-ramping in that particular country. But with a retail customer that might work and the gig worker in some of these countries might eventually also want to hold US dollars, right? And one interesting piece that you noticed, if I got it right, that Visa doesn't even require the sender, so a corporate, to hold stable coins, but rather a go from traditional bank accounts, whereas MasterCard requires the sender to have

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A stablecoin, is that a fair summary? Correct. Yes, Manuel. Quite interesting indeed. If we then move maybe to, as you said, the retail payments, this is quite a new trend, I would say. That's popping up now in 2025, where stablecoins are being more more moved into the retail and remittance payments area. There's one particularly interesting news, Western Union. Actually look this up. It's a 175 year old company.

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focusing and specializing on remittances and has over 100 million customers globally and operates in over 200 countries. I actually used Western Union once myself and was frustrated with the fees I had to pay back then. What's new is Western Union is now launching their own stable coin. It's called USD payment token. So short USDPT. People need to get creative nowadays. Lots of stable coins.

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And it's issued in partnership with Anchorage Digital. So Western Union is also moving to blockchain rails to accelerate their global payment. Interestingly, Western Union has decided to exclusively issue their stablecoin on Solana. While most EMT issuers are focusing on Ethereum and other layer tools, Western Union has selected Solana in contrast to competitor Monigram, which are using Stellar.

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for their stable coin rails. But again, Solana makes a lot of sense. It settles in sub seconds with finality, has huge throughput and minimal fees. So ideal for cross border payments. And this also clearly shows both Western Union, also MasterCard and Visa, they are reinventing themselves, right? Because they see there is a trend going on and if we are not doing anything, we will struggle and we may be...

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not be alive another 175 years. So that also shows the urgency and the market movement that they have to reinvent themselves. Otherwise they have fundamental issues. for Visa and MasterCard, it's a good addition to the cross border push payment networks that they are having. So Visa Direct and MasterCard, I think it's called Go, where this is very different to the card rails that usually we are talking about. um

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I mean, in some cases, these networks are used, but when you look at the revenue, I don't have the concrete numbers, but clearly it plays a minor role for them, right? Clearly they want to grow their business in this area as well. So it's a good addition to the existing rates

that they're using on these networks to now also use this new form of money. Definitely. I think there's a lot of efficiency that can be gained. mean, global remittances are amount to nearly 1 trillion US dollars every year. And if fees...

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are around 5%. I mean, just do the math. It's massive, massive potential to save dollars and make more efficient payments. Cool. Let's move from a very old company to maybe a younger company. Klana, the Swedish fintech known for the buy now, pay later solution is also launching their stable coin. So it's called Klana USD. Again, a US dollar backed stable coin. And with their launch Klana becomes

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actually the first bank to launch on Tempo that is still not live. It's on test net, but it's the payment focused blockchain backed by Stripe and Paradigm. With over 100 million customers, the aim here is clear. mean, Klarna is trying to embed stable coins into e-commerce and payment flows to enable merchants and customers to transact without traditional banking rails. Again, we just discussed Visa and MasterCard. Potentially there's also

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the goal here to cut out those middlemen. Speed seems to be amongst the most relevant drivers here. mean, according to Reuters, Klarna said that customers could eventually hold and pay merchants with Klana USD by passing, and now emphasis, slow bank transfers. This also gives new business models to Klana. mean, if successful, the customers could get cash back or rewards in Klana USD, which in turn could incentivize users.

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to make payments using Klarna USD. So quite interesting here as well. But what I don't understand is really why everybody issues a new stablecoin. We do have so many new stablecoins. I understand that the business model is very promising in the US, right? With having government bonds very highly remunerated. But why not using ex... You know, do we need... I mean, always this question. Do we need now this 100 new stablecoins coming up that are issued by all the major players or isn't this just adding complexity? Definitely fragmentation, yeah.

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Exactly. I have a strong opinion on this. I don't think so. I think it's going to be a few players that will end up making the race, but it's a hype topic at the moment, Jonas. So as I said, people need to get creative. But clearly everyone sees the tremendous earnings, especially of Tether, right? We have not touched that given that we are already quite on time, but it's gigantic what they earn, right? So the issuance of a stablecoin.

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is quite profitable and I think this is what everybody's about is tracing. Yeah, but I think it's not going to be about issuing in the future. um Cause everyone in SBC can issue a token or stable coin, but it's rather creating the ecosystem and also having value added services on top of the stable coin that will make the race. But maybe last sentence to Klana. think what's really interesting is that this could be the first touch point.

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for merchants to come into contact with stable coins and essentially potentially bring stable coins also to the masses if successful. And maybe question to you guys. So next year when there's the Black Friday sales going on everywhere, we're paying with stable coins? I mean, it will be offered, right? There are a couple of acquirers that already work on offering it. Stripe is already also implementing it with Bridge, right? So I think that will...

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continue to pop up? Will it be used? That's the question. payments is usually a network effect with like slow ramp ups. The same problem as Vero, the same problem will also the digital euro um have. So maybe it will still take time, but it's here to stay, I think. And if I learned something in the past that I'm over optimistic when it comes to time. So concretely to your question, Atakan, I don't think so. This will be next year. But this will come and

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You know what? I really hope that in the future, after we have, you we are through this hype of everybody issues a stable coin, we will not even see that it's a stable coin. Right. So I would like to have the user experience. You pay smooth, like with the internet, you use it today. Right. I have no, most people don't have, don't know how the protocols in the background work. Right. We just use it because it's easy and it works. And I really hope that we also do see this in payments so that it actually in a few years of now, we just use a cheap, convenient, uh, you know, quick payment method and whatever is in the bag. You know,

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It should be the best solution. Good. Then let's move to the next one. Well, stablecoin payments might be easy or easier in e-commerce. think in-store payments with stablecoins remain to be a challenge specifically in Europe. I mean, if you look at Asia, it's quite widely distributed to make QR code payments. Think of FeaturedPay or Alipay.

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But it's quite a rarity in the Western world. However, there's one exception. It's Switzerland based Twint. Twint, look this up as well. Twint is adopted with over 75 % of the population using Twint in online payments or in-store payments. And Twint is completely QR code based. So quite interesting for stable coins. Twint is now exploring the integration of a Swiss franc stable coin, as well as the Swiss EID.

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Now this could turn Twint into a fully fledged stablecoin wallet, as well as a payments app. And the motivations are similar to Western Union and Klarna, so I won't repeat. But quite interesting that um Twint as a QR code based payment provider is also looking into stablecoins here as well. Yeah, now we are missing the experts from Switzerland, Alex and Michi in the podcast.

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Both have been working with Pascal Bruderer on the Swiss stable coin AG, right? I actually don't know whether that's the same project. I tried to look it up now, but it seems that it is not the same or rather a separate initiative. Let's definitely come back to that one, would say. Quite interesting. Then closing the retailer remittances news maybe. My TLDR will be quite short. What we can't...

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clearly see in these trends is that stablecoins are moving away from the crypto trading centric use cases and they're actually being deployed to real alternatives for remittances, retail payments, specifically cross border payments. So the next gen payment infrastructure is being built now and everybody seems to be wanting to have a piece of that. That's the truth. Cool. Let's move to the third bucket that I bought with me. It's about regulatory and financial stability.

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topics regarding stable coins. We've seen MiCA and the Genius Act already giving a regulatory framework to stable coins in Europe and the US. And now the UK is following up. So the Bank of England published a consultation on systemic stable coins. m And there's quite some interesting takes here. One is stable coin issuers must back their tokens with safe assets and the

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Bank of England is requiring stablecoin holders to back at least 40 % of the reserves in unremunerated deposits at the central bank itself. So central bank reserves. This is quite interesting. They initially had the idea that 100 % of central bank reserves would be the backing of stablecoins. Now they're dropping it to 40%. This is still a novelty.

37:26

If you look at uh Europe and Mika, for instance, there's 0 % of central bank reserves on stable coins. Additionally, they mentioned that for a transitional measure, new issuers could hold up to 95 % in government debt. Again, huge difference to Mika where smaller issuers have to hold up at least 30 % in cash deposits. One novelty is...

37:55

are holding limits. quite interestingly, the Bank of England is proposing holding limits for individuals and businesses. Individuals would be allowed to hold up to 20,000 pounds and businesses would be allowed to hold up to 10 million pounds with potential exemptions if there's legitimate reasons, but quite, quite an interesting take. I mean, it leaves me wondering how they would control holding limits in stable coins if we move on a

38:26

public permissionless infrastructure. I don't see any other way than having white listed wallets that are also KYC'd to ensure that one particular person is not having two wallets with um a sum of more than 20,000 pounds. And the intermediaries providing those wallets would like to need to do that, I reckon, right? But it's certainly an interesting discussion that was also quite strongly discussed in the... m

38:54

at least crypto industry, why that would be. I think it's around disintermediation of the banking system, right? But also that would blow up quite significantly the balance sheet of the central bank if now a new demand side for central bank money comes in, right? That's quite interesting. As long as the funds are not recycled from banks into the central bank, quite novel approach.

39:22

As you say, also with the non-remunerated part, it used to be 100%, which would have made the business case a complete non-working business case. Now with 40 % is better, but still a bit strange. Good. Then looking at time, maybe we can move to the Yeah, we've progressed quite strongly already. I'll speed it up a bit on tokenized deposits, but there have been quite some news that JP Morgan has done.

39:49

And the update was all circling around the Singapore Fintech Festival where they announced the go live of the JPMD, which now has a couple of different names. At least I see it that way. And they call it US dollar deposit token, JPMD in the past. Now even JP Morgan coin is back. I heard that in a couple of promotional videos as well from the conference. So what is it? It's basically a deposit that

40:19

JP Morgan issues on base. We've been talking about it as it was announced and tested already, but now it's basically live. So JP Morgan now not only has Kinaxis, which is their private permissioned infrastructure, which you could rather think of like a core banking system, right? It's behind the walls of JP Morgan, but now they also issue their deposits on base, which is a public permissioned infrastructure from Conbase, the layer tool.

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They call this also deposit token. was a bit puzzled and even a bit frustrated with it, to be honest, because they brought up this very good distinction and delineation between tokenized deposits and deposit tokens saying a deposit token is really this bearer-like asset

that can also be held by other clients than only JP Morgan clients. Now, this is not the case. eh

41:17

This token that they now issue on base is also only for JP Morgan clients. In the Bloomberg article, they also clearly stated that this is their aim to go in the long term also, that clients of other clients can hold the deposit on base. But at the moment, it's really JP Morgan customers that can hold deposits on the base infrastructure. And think of it that they now extend

41:43

the reach of the deposits also an external network. So I don't want to understate that this is a significant development in the market, right? Because now a bank really issues a deposit on an external ledger. We have not seen this in the past. So congratulations on this move. I think it's also a big legal question how to do that, but very, very, very interesting again, but only for clients of JP Morgan at the moment. And

42:11

What other competitors do? I mean, we still see lots of deployment and adoption on bank-centric ledgers, right? So Citi, Bank of America, Standard Chartered, UBS, HSBC, they also now have these bank-centric blockchains, but so far no other bank has issued on an external network like a public permission network such as BASE. Yeah, then other news, what we've also seen, and this goes hand in hand with this uh announcement is that JP Morgan,

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via this JPMD, a token on base, now also allows swapping into USDC. And this basically bridges the closed bank tokens that only JP Morgan clients can hold into a permissionless token that basically anyone on base can hold, which is USDC. And this is quite interesting because you can also interpret it as an on and off ramp into USDC. So you as a JP Morgan client, can...

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use your deposit if you are a JP Morgan client on base. But if you wanna send funds to a non JP Morgan client, you can then swap the uh deposit token or the tokenized deposit, however you now want to call it the JP Morgan coin into USDC and then send it to anyone on base. So it's also quite um significant, I would say, because it really bridges the restricted permissioned money into a permissionless money.

43:38

And um JP Morgan now supports that. And I mean, that's important because we discussed this before, Manu, that that was often like the key disadvantage, right? On permissioned tokenized deposits that you cannot send this to clients outside your organization. So I agree. think that's really a really interesting move. And all this news shows that JP Morgan is really serious about tokenized deposits, right? Yeah. And tokenized deposit platforms that are multi-bank such as Agora or

44:07

Patio or even the Swift ledger might think about that needs the settlement asset in order to settle between tokenized deposits of different banks. And here you could even argue as well that USDC might become a settlement asset if there were other tokenized deposits on base. This doesn't exist yet. But given that USDC can be held by anyone, you could also think uh about USDC acting as a settlement asset.

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And for all those that cannot hold the tokenized deposit of JP Morgan on base. Switching to Kinexis again, which is the closed blockchain platform, which you can think rather as a core banking system from my perspective of JP Morgan. They've also had two interesting

news there. Alibaba um also now uses the BDA balances. So the blockchain deposit account balances.

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which they now call it on Kinexis, right? To go for 24 seven cross border payments. Interestingly enough, clearly also only for those that are connected to Kinexis and actually are JP Morgan clients. So m I haven't seen whether this is only internal flows. I think Ant Financial already does that to a significant part that has been announced in the past, but now also Alibaba wants to do that. And another news that came in is that JP Morgan are working with DBS.

45:28

on a framework also for interbank tokenized deposit transfers. I haven't seen lots of information, at least publicly, how they want to do this, because again, similar to what I've said a couple of minutes ago, you would need to have some sort of settlement asset in order to settle between the different tokenized deposits. And now we're talking different private bank-centric blockchain infrastructures to settle between those two, right?

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And they want to work on that, right? So to work on an operational legal standardization, a cross-bank framework that shall allow the settlement between those two platforms and the two different tokenized deposits. So we're going to follow that closely how that will look like, if it will look differently to what we see in the market with um these platforms like Agora and so forth. And last but not least, also Citi has now announced that they want to work with Coinbase.

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on first of all, also stable coin integration, but also their Citi token service has received an upgrade date that they know also are live with euros on their Citi token service. And this is their private permissioned infrastructure, right? So two complimentary strategies, first of all, for allowing efficient on and off ramp access into public stable coins via Coinbase, but then also its own token service expansion into euros.

46:54

So two strategies, one the closed and one the open loop and the closed rail and uh open rail strategy. And Citi, I found quite active in the past weeks and months on both sides, right? Again, on the tokenized deposit side, but also on the stablecoin side. So quite a vibrant ecosystem on both sides, stablecoins, but also tokenized deposits, private forms of money only.

47:20

on blockchains, there were also significant news on the public side, Jonas. Handing over to you on some updates on the digital euro. Indeed. Let's go into the digital euro. So there was two key news. One was that the European parliament published their draft report on the digital euro. So some background on that. We know that in June, 2023, the European commission published the legislative draft on the digital.

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euro and now a few weeks ago the european parliament basically commented on this one we list this report in the show notes so this means we had to wait now for two and a half years until this report but now it's it's finally here what's now about to happen is that the european parliament aims to have a unified perspective on the digital by end of may 2026 so there's a draft report there will be discussions ongoing amendments whatsoever and in the end mid of 2026 there will be a

48:16

opinion by the parliament which then goes into the negotiations of the legal draft. So that's the normal process in the EU, this takes time but we see progress here. And of course the

key question is what does the parliament draft report now say on the digital euro and it says a lot. So it's 160 pages. So again, if you want to read it in full, we listed in the show notes. And here in the next few minutes, we will just focus on the most relevant aspects.

48:43

And I think to quote the key narrative of the whole report, and that's very important, it has a direct quote. They say, the digital euro should be assessed against clearly defined problems and compared with the best available market alternatives. Existing European retail private payment initiatives in a significant number of member states are widely adopted in their national markets and satisfy a large part of the customer needs. So in short, the digital euro needs to provide concrete USPs.

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and should only be issued, at least the online one, talk about this in a second, if there are USPs and if private solutions cannot really address this need. And that's, think, a very clear and a very bold statement. And that has, of course, a few implications. Implication one is the suggested focus of this Parliament draft report is on the offline digital euro. So they say the offline digital euro would already address a lot of the key goals that the euro system has with the CBDC, like

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reduce over-reliance on non-European players, provide a high level of privacy, does not imply high financial stability risks. So they suggest completely to establish the digital euro initially only in the offline digital euro or with priority on the offline digital euro form, if you will. And importantly, the online digital euro, again in quote, should be contingent on the absence of a pan-European sovereign retail payment solution covering person to person, person of interaction.

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an e-commerce use case in the Euro area. So this means the online digital Euro should only be issued if the private sector cannot really address the value propositions here. And concretely, the parliament asks the commission to assess this. So to assess the question, are your private sector solutions that address this or is the online digital Euro needed? Right. And that's, think, a very interesting and a very bold statement from the European parliament in this draft report.

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And you can clearly see that there are private initiatives emerging, right? So Verro is growing by the day and by the week. You see lots of press releases that they will also now go live in the e-commerce. And I think you could clearly have an argument that, you know, the private sector is now really trying to deliver something. If the digital euro comes, what will happen with those private initiatives, right? Will they be completely driven out of the market?

51:02

Why do you actually need a public solution for that if the market is developing it? The key question is now, is the market, the private sector actually developing a solution? And that I think is at the heart, right? That they should be given more time to provide a solution and then evaluate it. I think 24 months after the offline digital euro will go online, it should be evaluated whether or not there's enough coverage in pan-Europe, on a pan-European basis that

51:31

ultimately justifies the issuance of the online version of the digital euro. Yeah, and I mean, the key question is really can the private sector provide such a solution, right? And we do have actually have next week from the digital euro association an event in the European Parliament where we want to exactly discuss that. And also to maybe tease we have a

podcast next week with Alexander Hachmeister from Bundesbank where we exactly ask her the question as well what she thinks about this. Don't want to spoil this, but you know.

51:59

And she sees definitely a public and private sector collaboration when it comes to these, yeah, to also the digital euro and also together with Vero, more in the episode next week. And besides two other core aspects of this draft report, one was really that it was called out for a higher priority on wholesale CBDC. So that this should give an

52:19

more attention because also the USP is basically more straightforward. And there was also a mention that more power should be given to the European commission compared to the Euro system. So again, when it's about setting limits, the draft report suggests that the commission is setting the limits in a process and not the ECB, right? So it's a little bit of this power discussions that are, I think, kind of expected showing muscle.

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But guess that's kind of the key factor. So it's really about online and offline. And this will probably be a question that we will stick to for quite a while. And also I'm curious to see if this will stay in this draft report or if there is now, you know, lobbying and argumentation work going on that in the end, the final report of the parliament maybe goes into a different direction, but the anchor is set. So let's see how this develops. And two additional thoughts on that. So when I read the proposal of Fernando Navarrete, what's stemmed out for me was also this

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completely new way how he thinks about offline payments, right? And honestly, I'm still completely puzzled how that can be called even offline because the version that he sees as offline looks to me as rather an off bank solution, but still online, right? Because he also wants to allow not only physical proximity payments where two devices are held next to each other, but also I think he calls it far distance payments that

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ultimately requires internet connectivity, right? Because you cannot have any non-internet connectivity that is offline like Bluetooth that goes for hundreds of kilometers, right? At least I'm not aware of any technology beyond the internet that allows that. It sounds to me really like a new way that he proposes, which technically I don't understand, that without an intermediary, you can transfer funds that are stored on a device.

54:08

another device. That sounds a lot to me like what blockchain has solved, right? But here it's not only stored on a one physical device, the tokens in your wallet, but rather on all the different nodes, right? So it's a distributed ledger, which he doesn't foresee. He foresees that balance is stored on physical devices that can then without an intermediary be transferred, I suppose via the internet, which is clearly an online version. Yeah.

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So um I think the industry is really puzzled. I listened also to the um discussions in the parliaments where many parliamentarians have also raised that question. How is this technically even possible? The ECB was puzzled as well. I am still m as well. So that was one piece, but I'll pause here if you have any views on that, if you also stumbled across that. I read that and for me it was exactly the same. I mean, first thought actually, first thought that came up to my mind was actually

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In Ecuador, used this, also there was a CBDC pilot quite early and they used mobile networks to send payments. So that was the first thought, but then looking into it a bit more, it seems like this is a completely new thing. So quite interested to see how they're

going to solve that problem. Ah, but that's actually an interesting thought that you have, also M-Pesa in African countries started, I think with mobile payments, right? Maybe he thinks in this direction is a good point.

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And the second point that I quickly wanted to raise is, I mean, when reading through his proposal, what's stamped out as well is that he very, very, very diligently separates the online and the offline balance and the online and the offline wallet, right? And this is also what puzzles me a bit. This is actually true also for the design of the digital euro that the ECB foresees that they plan to issue two different wallets, right? Yeah, a colleague of mine has brought this up to my attention. I'm very thankful for that.

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I have not thought about it in the past, but to me also from a user experience, this really makes little sense, right? To have two different balances, one online balance and one offline balance that needs to be explained to the European citizens that you now have an online balance that you can pre-fund, which you actually don't need because you can directly from your bank account, but then also the offline balance. And he starts now by saying the offline balance should be coming first.

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And then eventually also the online balance with an online scheme. My take is why not combine online and offline balances and basically have one balance that can be sent uh offline. But not like he maybe for sees it, but rather offline, offline. And then eventually also use the same balance in a potential online scheme when it comes. m Yeah. I think this is the security trade-off. The ECB argued that there might be different

57:01

holding limits for offline and online payments m or holdings. m And I believe this is that exact discussion, Manuel. If you look into the digital euro development, it's a highly complex user discussion and I'm very excited how they're going to solve it. Just ramping up the limits to the online limits then m actually leads to a security issue.

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Because if you can hold more than, I don't know, let's say, let's take the very well known 3000 Euro mark. If you can hold up to 3000 euros in your offline wallet and those euros are then duplicated and then distributed around, it just provides a security issue for the ECB. So very interesting to see. So we'll definitely follow the digital euro closely over the next month, because now I think it's the...

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Yeah, last sprint before the legislation is finalized next year. Looking at the time, I suggest we round it up and go into the last piece, which is our Knowledge Byte section. Jonas, what did you bring? So I brought m some piece again on the digital euro.

58:16

which is just if you heard what the parliament is doing, if you're interested now what the ECB is doing in the next phase, they went to the next phase of the Giro project. You can read it up there. It's a lot about technical readiness, market engagement and legislative process support. So if you want to read more, check out this knowledge by it from my side. Nice. I brought an interesting report from Blockstories. They call it the European Banks and Stablecoin report and it's a

58:44

Yeah, an honest snapshot of how European banks are approaching stable coins, what drives their strategies and also where they diverge. And they interviewed Circle as a stablecoin issuer, ING, BBVA, Adobe HF, which also has its own stablecoin issued out of

their own balance sheet now, Rive Eisen, DZ Bank and SokGen. And there is also a case study on how SokGen Forge leverages Morpho, this decentralized lending platform.

59:12

drive demand for its stablecoin. So quite an interesting report and kudos to the colleagues from Blockstories. Yes. And my knowledge by sticking to the theme of stablecoins is also stablecoin related. It's actually a paper by Ullrich Binzal, a former guest of yours. He wrote a paper called regulatory responses to the financial stability implications of stablecoins. And he compares regulatory approaches across some jurisdictions.

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Interestingly, um he notes that all authorities agree that stable coins cannot be remunerated um due to deposit flight risks. But he argues that prohibiting the remuneration of stable coins is not necessarily fostering financial stability and also suggests three regulatory options on that. So quite interesting to read. I actually also read that and I was fascinated because you also opened up the possibility to hold.

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reserves at the central bank as a backing asset for stablecoins and makes a compelling case out of it. Very, very interesting read, definitely. And interesting to read from him after he left the ECB, right? Definitely. I think it then solves the digital to Euro issue as well. We would then have a synthetic CBDC with the stablecoins. Cool. Guys, looking at the time, let's wrap up. Dear listeners, thanks a lot for following again. Lots have happened.

01:00:39

We hope to have given you a snapshot of what has happened over the last 30 days. Again, really much focusing on digital fiat money today. If you liked it, let your colleagues and friends know about the podcast. We're always so eager, always eager to continue our reach globally now that we are talking in English since this year, almost one year has passed already in English. So yeah, nothing to add. Thanks a lot for tuning in. Jonas and Atakan and talk to you soon. Thanks so much. Thanks for having me. Bye bye.