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Hello and welcome to another news episode of BFRR, our Bitcoin, fiat and rock and roll podcast. We explore the intersection of traditional finance, digital money and digital assets and help you understand how digital money and assets will evolve in the future. I'm co-host Michael Blaschke and today it's time for another news episode. Today we look back to the month of June and discuss what we deem the most relevant developments in the institutional DLT space.

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To this, I am joined by our co-host, Manuel Klein. Hi, Manu. Hi, Michi. Good to see you again after the physical meeting in Point Zero Forum in Zurich. Yeah, that was lovely. We're actually right back in our offices after both Manu and I and other co-hosts joined the Point Zero Forum. So stay tuned on that because we plan.

01:13

to certainly look back on the Point Zero Forum, too. For today, we look back on the news of June and we're going to cover today in a market section first that June was a brutal month for crypto with the total market cap sliding down to 2 trillion Bitcoin and Ethereum both in deep red.

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Then we move on to the money side of things with stable coins still going mainstream. Moneygram, Bancomart, Sofi, it's the first bank issued coin and the giants are also circling MasterCard, Stripe and Visa are reportedly building settlement rates that could revive banking as we know it today. And in a third section, we close with the fight that then decides all regulation, the ECB versus stable coins, Europe reporting.

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a reopening Micah and Washington's Clarity Act gaining ground increasingly. So we're going to cover markets, money and the race of the future all in the next 60 minutes. Let's get into it. So let's look on the markets. The last 30 days were rough across the board. Total crypto market cap fell roughly 18 % to around 2 trillion US dollars with Bitcoin down 22 % and Ethereum

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of more than 24 % in June. The backdrop is a cooling crypto cycle and a clear capital rotation toward AI with Bitcoin trading less like a safe even and more like a high frequency liquidity gauge. But there are interesting signals underneath all that price action strategy, for example, is selling Bitcoin for the first time since 2022 BlackRock

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is talking up a \$9 trillion redeployment while launching a yield engineering ETF and Vitalik Buterin is reposting privacy, is repositioning privacy as a native Ethereum property to meet institutional demands. Meanwhile, gold ticked up and equities had roughly flat, reinforcing the crypto drains first thesis that so many promote.

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Let's run a bit through the market details. I said the crypto market in total ended in two trillion US dollars, which is a minus 80%. Bitcoin itself started the month at 72,000 US dollars ended it on below 60,000. So minus 20%. And the Bitcoin ETF total asset under management are at around 82 billion. Yeah, so so much about the numbers we are.

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recording in the middle of what is to me, by any honest definition, a bear market. Bitcoin printed an all time high around \$126,000 last October. It then fell to roughly \$60,000 in February. It clawed its way back into the low 80s in May and then rolled over again. And we sit here.

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It's hovering around the 60,000 US dollar mark. And frankly, a lot of the attention that used to flow into crypto is now all flowing into AI. Let's wait for what ends this current bear market. And now looking below the numbers or underneath the numbers on some of the interesting market movements and certainly number one topic in the space was the sale and strategy selling 32 Bitcoin.

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That made really a lot of noise in the space relative to its actual size. In late May, Michael Saylor's strategy sold 32 Bitcoin. That's about two and a half million dollars at an average just above 77,000. He sold it disclosed in an 8K filing. Now, against a treasury of 843

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a thousand coins, so 843,000 coins. That is really a rounding error, something like four thousandths of one percent. And yet the scene completely lost its smile because this is the man whose entire brand is never sell your Bitcoin. He even tweeted exactly this statement that is never sell your Bitcoin back then.

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In Germany in 2024, when Saxony was offloading, it seized coins. Yeah, now all of a sudden, this guy says Bitcoin. Yeah, that really made a lot of noise. And here's why I think that this is more symbolism than actual substance. So, Saylor told us exactly why he did it, actually. He framed this as vaccinating the market. So, providing that Bitcoin on a corporate balance sheet is liquid and

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monetize a bill that you can actually access the value when you need to as an entrepreneur to service your preferred share dividends and for our audience. Now people sitting in treasury risk in IT inside financial institutions. That's the the sophisticated reading to me. So a credit financed treasury model has to demonstrate to rating agencies and credit analysts that

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asset on the balance sheet is real usable collateral, not only a uh religious relic you can never touch. So actually, I find it cool that Sayla proved uh when you need some liquidity, you sell your Bitcoin and off you go. So it's just the proclamatory use of an asset on the balance sheet. But the market really expected him to never sell really at not the smallest amount of Bitcoin. And then really went crazy.

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Then um a second interesting market signal was around Jack Mallers and the smoke alarm, uh which takes us neatly to more of a macro story. Because if Saylor is here, the micro picture of selling 32 Bitcoin with this, which is nothing for him, Jack Mallers is now the macro one. So Mallers

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The strike CEO now also running 21 Capital has been arguing that Bitcoin's weakness isn't a Bitcoin problem at all. It's a fiat problem. Actually, his line is that Bitcoin is a quote unquote smoke alarm for liquidity stress in the traditional system. So when central banks tighten or simply refuse to expand their balance sheets, liquidity drains and Bitcoin being the most liquid 24 7 globally traded asset.

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there is and fetus it first. So we're bringing this here because Malas really brought an interesting thesis on why the Bitcoin price is so low and we are in this bear market. His signature phrase is one every trader already knows among you. So you say what you can not what you want. End of quote. That's the hallmark of forced liquidation and the decoupling. He points to his real. So when Bitcoin sells off

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hard while equities hold steady, that's somebody meeting a margin call by dumping the asset with the deepest order book. Now, where I push back to Malas is this is the European monetary theory angle I like on the show. Malas is essentially describing Bitcoin as a high frequency liquidity gauge rather than a store of value. And that's a double edge to claim.

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So if Bitcoin is the smoke alarm, then it's structurally the first thing sold in stress, which is almost the opposite of the digital gold pitch we heard for years. I also really look into this super interesting thinking in peace on an explanation of why we are in a bear market in crypto. And then ultimately also about Bitcoin Black Rocks 9.

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trillion US dollar call and the BITA or beta launch. This where does the liquidity go next question is exactly the one BlackRock just walked into. So Rick Reeder, the global fixed income CIO told Bloomberg there's up to \$9 trillion of cash sitting on the sidelines. So exactly the counter thesis to Jack Mallers here. So

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roughly 7 trillion in money markets funds, another 2 trillion in fixed income ETFs. And he expects an explosive redeployment once the Fed starts easing. He even publicly leaned on the new Fetcher Kevin Wurst to hold off on hikes. So uh in comparison to the Jack Mellor thesis that we are in liquidity crisis, BlackRock is

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rather bullish here with a bullish prediction for the Bitcoin prices. Now also briefly looking on the Ethereum, we started the month of the Ethereum about \$2,100 ended it on \$1,500, which is a minus 25 % price dump. Ethereum ETFs currently holding 14 billion US dollars totally under management and the

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The most interesting piece of news regarding Bitcoin was Vitalik Buterin on Ethereum's privacy pivot. I think this is actually a more strategically important for this month. Vitalik Buterin posted on Ethereum and the Ethereum Foundation are going because while everyone else is talking about price, but particularly about Bitcoin and Ethereum price, Buterin is now making or intends to making privacy a native.

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protocol level property of Ethereum's layer one rather than something you add on other levels of other means. Yeah. And his argument is quite striking. So strong privacy is what gives ether genuine moneyness, the qualities of physical cash as he puts it. He puts a concrete roadmap behind it. So account abstraction combined with fork, joys and forced inclusion lists.

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make it impossible for block builders to send their private transactions. So much about potentially price moving news for Ethereum. To add maybe one point, Michi on Ethereum, mean, what was striking is that so many quite senior people left the Ethereum Foundation, And that Vitalik really reacted with this very, very long post on Twitter where he explained again where he believes

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Ethereum should be developing into with now a strong push into privacy. I think it's now technologically feasible. seems technologically feasible that even the net really goes all in into privacy and deploying new uh protocols on the network to ensure privacy, which is

still the missing piece on public bookshelves. So he tries to explain again why he believes Ethereum is obviously still important.

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when so many senior colleagues from the Ethereum Foundation are leaving. Exactly. My take on this whole privacy move is that Buterin and the Ethereum Foundation are explicitly answering institutional demands so serious. On-chain adoption by banks, asset managers, corporates, and I really heard that at the Point Zero Forum.

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It simply cannot happen on a fully transparent ledger where every counterpart can see your positions and flows. So confidential transactions are a precondition, not a nice to have. And this lands directly on top of Europe's whole agenda like data protection, GDPR, digital sovereignty. So while the US conversations about wrapping Bitcoin in ever fancier ETF structures, the Ethereum conversations moving toward the

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privacy and confidentiality properties that European institutions have been demanding for years. That's an interesting contrast. Let's see if that turns out to be true that these privacy aspects really serve the institutional demand. Yeah, so much about Bitcoin and Ethereum and some potentially price moving signals behind the unfortunately deep red month for crypto.

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There are also some news related interesting investments and fundraising in the tokenization and institutional infrastructure space. So quite some money flew into tokenization infrastructure this month. Four dealers stand out and together they show capital moving toward the plumbing of regulated on-chain finance.

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First, we see a global network buying into European regulatory infrastructure, is, Della and Cashlink. We see two protocols hitting a \$2 billion valuation the same week from opposite philosophical corners, one privacy and permissioning versus openness and composability, that is, Canton and Morpho. And we see uh a Wall Street incumbent partnering with a crypto exchange to put

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New York Stock Exchange equities on chain that is ICE and OKX. So the investors are increasingly also the users and operators and the action is concentrating where regulatory clarity and institutional demand intersect, which is kind of a no brainer, because if you have regulatory clarity and institutional demand, things can move. uh Probably another learning from the point zero forum. Yeah. So let's run quickly.

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through them and start with Estella and Cashlink. So let's start at home, Manu, in Frankfurt at the Estella Development Foundation took a strategic stake in Cashlink technologies. Now for our audience, this is the one to really pay attention to because Cashlink is Germany's most active registrar for digital securities. They are licensed both as a crypto-wertpapier-registerführer.

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Sorry for that mouthful. And they are licensed as a crypto custodian and they operate under the EWPG, the German Electronic Securities Act. And that legal frame is the whole point under this EWPG. So a DLT based issuance can dispense with the classic central securities depository altogether and instead uh use a blockchain native register.

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as the legal record of ownership. And that is not a technical convenience. It's a more structural change to how securities settlement works in Germany. And that's why we also brought it today. So the CSD, which has sat at the center of European capital markets for a long time now becomes optional. And, cash link has the traction to back it up. So more than 300 live issuances around

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850 million euros in volume heading toward the 1 billion mark and the client list that is genuinely tier one Deutsche Bank, uh Carfee or KFW, Dezetbank, Hellebar. This is a US-born globally reaching network, stellar buying into European regulatory infrastructure, not the other way around. At least this is my take and the licensees and the EWPG framework are the mode and everyone.

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now understands that the regulated register is a scarce asset. Definitely congratulations to Cashlink, to Michel Dudlinger and the whole team. I find it very interesting that Stellar now um really also invests into these infrastructure players. Stellar has been on the rise, I would say again, right? Especially with tokenization and some institutional adoption. So very interesting to also follow where the Stellar network ends up.

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So far, Stellar has not been used also here in Europe widely for issuing tokenized bonds or tokenized securities in general. So yeah, quite interesting to see how that will and how the Stellar Development Foundation might also help to reach the next level, right? Yes, 300 issuances live. It sounds very good, but obviously 350 million euro volume outstanding or tokenized.

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volume for tokenized securities is still miniscule when you compare it to major issuances. Only the Siemens bond alone was 300 million, but that was also deemed quite small, especially for this large organization. Let's see how this investment can help CashLink also to reach the more ambitious targets and issuance volume. All right. To wrap up the market sections, let me drop a final

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interesting piece of market investments. In June also Digital Asset closed a \$315 million series F led by A16C crypto at roughly \$2 billion valuation. The investor list actually is the story to me. So alongside the crypto funds, have BNP, BNP Paribas, HSBC, ABN, Ambro, Citadel, Securities, S & P Global, TradeWeb.

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and so on. There is the Abu Dhabi Investment Authority and then Coinbase Ventures and Polychain on the crypto side. So this is a who is who of Wall Street and European Banking now writing checks into a single network. So that's it's important to me to bring this one up. yeah, just to add digital asset has its canton network, right? And canton is gaining more and more momentum. It was also a big topic at the Point Zero Conference to talk about.

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I personally also need to look again deeper into Canton, what is really happening there. But yeah, the DTCC wants to bring all its um tokenized securities on Canton, right? And it's uh focusing on privacy first with regards to institutional adoption. think at the moment I talked to the head of IWA of Canton 0.0 forum as well. It's really around DeFi. they have um a few...

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decentralized exchanges and lending protocols. also use, DC is used, ETH is deployed, but I think they're really eyeing for institutional adoption. And as you say, the investor list is quite impressive. BNP Paribas, HSBC, ABN Amro, but then also other FMIs that really want

to bring float on Canton now. So we will definitely follow further where this leads. Brilliant. So let's move from markets to

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money and look at stablecoin launches and the adoption of innovative emerging alternative payment rails. thanks Michi. uh There's also quite a lot that has happened over the last month here in June. We're going to start with some remittance flows because Moneygram and we've been discussing this and they plan to issue their own stablecoin and now they have done that also on Stellar. So talking about Stellar.

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which had secured this stake in Cashlink. Obviously, they are also a high-performance blockchain that can very quickly settle. And this is why Moneygram has also chosen Stellar for its global payment network. So they launched MGUSD, a native used Stellar stablecoin built to power its own global payments network that is used for remittance. They really upgrade their existing infrastructure.

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existing remittance infrastructure and business with stablecoins now. It should become a genius act compliant stablecoin when it goes live. M0 is sending the Mint burn processes via smart contracts and Fireblocks provides the custody and the wallet infrastructure. It will launch first in the US and will be directly embedded into the Moneygram app via a self-custodial wallet. Quite interesting. um

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Fireblocks helping to provide the wallet infrastructure, but self-custodial wallets directly in the existing Moneygram app. Moneygram has been already partnering five years with the Stellar Development Foundation to now bring out this stablecoin. What I think is interesting is that this is really now a rebuild of the legacy remittance infrastructure of Moneygram and they really bet on

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this new infrastructure and this new type of money, stablecoin, that can obviously be moved very efficiently across borders. It really signals this further adoption from financial infrastructure players like Moneygram that has been powering remittance obviously for quite a while already. Interestingly enough here, it's not using an existing stablecoin but creates its own, therefore wants to create the yield themselves.

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And it's really a distinct use case for this stablecoin, which is KYC'd only clients, which are clients of Moneygram that can then hold this stablecoin in their wallet directly. So it's a very distinct use case for this stablecoin. Quite um interestingly here. So we're going to focus on the adoption here and the figures over the next months and years while it scales up. But I think also stablecoins is quite

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Remittance, rather, is a quite good use case for stablecoins that we've been talking about quite a lot already. So, curious to follow that. And there's another news update from a new project around stablecoin issuance, which is Banco Maat, which is m Italy's national debit card network.

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You can think about it when you're in Germany, there's the GyroCard or in France, the Carte Banquier, so a domestic card scheme. And Banco Mart also issues a domestic card scheme and has a vast ATM network. And they're now also issuing, or they want to issue their EUR, also EUR bank uh stablecoin, which is directly plugged into the banking system of the nine major Italian banks that are backing it. So it's Antigua San Polo.

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BacobPM, Montedai Pasi, Banca Sella, Redieta Grigoli Italia and a few others. So essentially most uh of Italy's banking establishment. um quite interestingly, three of these pilot banks, Banca Sella, um EPRBanca and Intesa San Polo are also back in Chivales, the stablecoin project of 37 European banks. So they now also go with another project here.

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where they target a public launch for late 2026 or early 2027, pending regulatory approval. So it could eventually also be a bit faster than the Kivala stablecoin. Let's see which project lands first. Yeah, quite interestingly here, this will be issued by Flowpay, which is an open banking Fintech Banco Mart acquired last August, where those banks obviously also

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and joint shareholders. There's no separate consortium. So everything will be run through Bancomart's existing governance framework and this fintech that has already been acquired last August. Another interesting fact is that the reserves will sit entirely in cash. So entirely in deposits that are custodied pro rata across the distributed banks. So no government bonds backing the stablecoin, but rather

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directly deposits with those banks. A bank that distributes 20 million of the token then also holds the 20 million of reserves. So there's an incentive to ultimately distribute this token and therefore then also receive the reserves where there's the NII, the Net Interest Income, to be earned. So quite an interesting move again here from the banking industry, from the European banking industry that is doubling down on

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Euro denominated stablecoins. think it's too interesting. It fits into two patterns that we increasingly observe. Number one is banks prefer the consortium model. mean, Kivalis is just another example. We've mentioned other examples here on how banks team up to launch stablecoins. At the second pattern that emerges,

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is the question around yet another stablecoin. It always makes me kind of smile. One, it's cool that new stablecoin projects are launched. On the other hand, who needs another stablecoin, in particular, Euro stablecoin? So we see European denominated stablecoins, Euro-backed stablecoins struggle not capturing market share and yet at least

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Banco Mart or the bank consortium here. Yeah, I think that yet another European stablecoin can be promising. Yeah. And what didn't come out clearly from at least the press release and the articles that I found is the concrete use case that they want to target. Right? Is there a concrete use case that they want to target? I don't think this is publicly announced yet. So the question is, will it be like a permissionless stablecoin that can be used in any other DeFi protocol? Is that what these banks aim for? Right.

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or which other use case are they focusing on. Domestic use case with euros and instant payments being unlimited now, being able to reach obviously also every Italian bank. I still struggle a bit, but let's see how that succeeds. Quite interesting, especially for these three banks that are also invested in Kivalas and how those two stablecoins will also compete with each other.

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So we'll definitely have an eye on that. Other news brought out also here, Mastercard, the obviously major credit card company and clearing billions every day. They also now want to extend their settlement capabilities to stable coins for intraday, holiday and weekend options. So they announced that they want to use now or want to offer a settlement.

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stablecoins, which gives obviously the issuers and the acquirers flexibility when and how they settle car transactions, in particular for cross-border payments and payouts where timing and transparency matter. That will allow intraday payouts and again on weekends and public holidays as well. They don't restrict their settlement to specific stablecoins, but rather say they support a circuit used to see

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And then Paxos issued stablecoins like PYUSD, which is the PayPal stablecoin, USDG, USDP, and Ripple's RLUSD and actually also now SoFi's new stablecoin, SoFiUSD. They support multiple blockchains as well, Arbitrum-based, Canton, Ethereum, Polygon, Solana, Tempo as well, and XRPL. So it's rather really a broad chain approach and a broad stablecoin approach.

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And they've already secured a few users as well. CrossRiver and LeadBank, are two US banks that are quite actively partnering with stablecoin issuers and the whole crypto space in general. And Nuvi as well, which is an acquiring firm that will be among the first to use the settlement mechanism in the US and Latin America. And Mastercard wants to roll this out globally. So why is this...

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Interesting. Obviously, this is uh a completely new infrastructure that is now really adopted. Again, also here after Visa has announced similar steps by MasterCard. So really using this new rail as plumbing, so to say, to settle transactions via their card networks. And how does it work? The consumer or the merchant side is rather untouched.

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And so the cardholder swipes with its traditional card and the authorization happens. And then the transaction clears in uh fiat currencies or account-based money, exactly as before. Nothing about the checkout ultimately changes. But the stablecoin rather purely sits in the interbank settlement leg, where then here the issuer and the acquirer um can then choose to fund.

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settlement obligation in stablecoins instead of a wire transfer. ultimately, the issuer um holds stablecoins, transfers these stablecoins to meet its obligations rather than sending a regular wire transfer and the acquirer that can actually choose to receive the stablecoin as a settlement mechanism and then credit the funds to the merchants in existing um fiat money.

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ultimately MasterCard act as the routing layer, the orchestration layer, and don't even really touch the stable coin. But rather the stable coin is then sent directly from the issuer to the acquirer. Yeah, I really enjoyed this piece of news. Not only in that, at least on an infrastructural level, we now have the 24-7 capability of settling, but I also like it because

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It's really evidence that blockchain pushes the incumbents. I traditional card settlement didn't run on weekends, holidays, as we all know it. And blockchains through 24-7 settlement finality and in particular stable coins, 24-7 capabilities really pushed the incumbents. with that MasterCard and Visa,

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to expand their capabilities. So I'm not saying this would never have happened otherwise, but I am saying that the emergence of blockchain with its 24-7 capabilities really pushed

the incumbents to innovate faster. So I think without the emergence of blockchain, would still operate 10 or 20 years on an infrastructure that doesn't allow 24-7.

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We will follow closely also how many of these, or what's the volume ultimately that will be cleared by stablecoins with Visa. They've announced it quite some time ago. I recently read that so far it has not been used so much. Obviously it depends on the uptake of the issuers and the acquirers that they agree that they want to use stablecoins. And I think it really depends on a particular product that they might also then sell to the merchants, for example, for intraday payouts.

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uh or payouts on the weekend. For domestic transactions also here, this is possible, for example, with instant payments. But in particular, when the cross border aspect and the cross border clearing comes into play, think here stablecoins could actually fill a gap that so far could not be provided for faster settlement and ultimately the money moving faster into the bank account of the merchants.

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And yeah, next to announcement that Mastercard wants to use stablecoin rails, there's also been a uh news that Mastercard, Stripe and Visa are supposedly working on a new stablecoin. So this is not yet an official statement, but it was widely spread in the news that these companies, among others, also Coinbase, apparently are thinking about forming a consortium to launch a new stablecoin platform that directly competes then also with

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Circles USDC and Tethers USDT. This was all based on a coin desk article that cited anonymous sources. So there is not yet a formal announcement and no deal, no name, no token structure and so forth that has been disclosed. But it was widely discussed in the news, hence we thought this can also already be included here in the news, even though it's not officially supported. And why is this interesting that

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these companies come together and think about issuing a new stablecoin. Well, obviously to break this duopoly that we currently see and eventually also, yeah, here think about new revenue share models because, for example, Coinbase, they uh profit quite strongly here from USDC. So that would be quite interesting if they really think about uh forming a new stablecoin, then

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Clearly the revenue model is interesting how the distribution share or the revenue share based on the distribution is allocated. Coinbase keeps 100 % of the interest income from USDC held on its own exchange and splits the remaining revenue 50-50 for um USDC with here a circle, obviously. yeah, those distribution deals ultimately are the most interesting pieces of the stablecoins because stablecoins obviously

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have this very nice interest income that should then be distributed to those that distribute the stablecoins. So we will definitely also follow that closely. Maybe to summarize the whole part here where lots of other initiatives have been announced and released, but maybe jumping now also to central banks and commercial banks again, two news that I also brought with is first of all,

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the clearinghouse um and its shareholder banks. They've announced that they now really want to build a settlement infrastructure for settling tokenized deposit transactions of its member banks. So what is the clearinghouse? It's basically a joint venture of major banks

that have formed this clearing infrastructure that clears and settles transactions between the different banks.

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predominantly ACH and faster payment transactions, but it also has a high value transfer settlement infrastructure. So it's comparable to the EBA in Europe, which is also a private institution that settles transactions. And yeah, it has direct connectivity into central bank money and therefore can settle between tokenized deposits of the different banks. So here ultimately it will work together. It was announced JP Morgan Chase

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Bank of America, Citigroup, Wells Fargo, one name, but there are other banks also that are shareholders of this joint venture. And they will ultimately build a new network that will somehow connect to the different tokenized deposit platforms of the respective banks and therefore then allow a legit 24-7 settlement across the different tokenized deposit platforms. So um as our dear listeners obviously know, tokenized deposit platforms

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lack still the interoperability and the settlement layer between them, predominantly when they are bank-centric uh or run on bank-centric blockchains. And here is where the clearinghouse wants to target the need for settlement and ultimately provide the settlement kit that stitches together the different bank-centric blockchain networks and therefore then settle in central bank money. So quite an interesting news it was.

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all over the press, to my view, misrepresented by mentioning all the banks that build together something. My reading and my understanding is that the clearinghouse will provide the settlement network that can then connect to the networks of the banks. So indirectly, the banks are building something, but rather it's the clearinghouse that builds exactly that.

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And this is ultimately the result of a sprint that has been taking place, I think, earlier this year and was started last year. We reported on it where uh the um Zelle network, is also a joint network of all the different banks, have been rather focusing them after the outcome of this joint sprint on stablecoins and the clearinghouse decided to rather focus on

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settlement of tokenized deposits. And this is now the official announcement that they do plan to provide this network. Yeah. And last but not least, the last news is Enbridge. And we've talked a lot about Enbridge already, which is this joint wholesale CBDC network of different central banks around the world. So here we are talking the Chinese central bank, the central bank from Hong Kong, Thailand, UAE, and Saudi Arabia coming together to build this

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joint platform for interoperable wholesale CBDCs. There were some test transactions over the last years, but now they really want to commercialize this platform. And China is continuing to take hold of this infrastructure and getting ready for the commercial rollout of this platform that should also support the overall Belt and Road Initiative of China to allow for more efficient settlement of wholesale CBDCs against each other.

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and therefore also settlement of FX transactions without needing to go through the US dollars as a trading pair, but to offer direct um FX between those currencies. They didn't reveal the exact date of the commercial launch, but um they said the preparation were advanced and they are working towards the official go life. Quite interestingly, what has

been announced are also figures which are still rather uh small. And when you compare it to

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Other settlement figures, they rather seem minuscule. So Enbridge has processed roughly 470 billion yuan, which is about \$69 billion in cumulative cross-border settlement, up from uh 55 billion the Atlantic Council tracked last November, across more than 4,000 transactions. That sounds big, but that's absolutely not big. a uh common figure, Swift cited.

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that it roughly settles \$5 trillion every day globally. Compare that to 69 billion in cumulative cross-border settlement on this platform. And also they estimate to 55 million messages per day. Compare that to the 4,000 transactions that were settled on the platform. So it's absolutely tiny so far. And yeah, also comparable to other settlement systems, so chips.

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which is actually operated by the clearinghouse that we just talked about, settles 2 trillion per day. the target system of uh euros or the euro system ultimately settles roughly 3.5 trillion dollars, sorry, in this case, euro, obviously per day. yeah, still room to grow, but let's follow that closely how that will play out, whether these new initiatives can actually scale up and then provide global settlement directly in centering money.

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between those different central banks. So that was it for the uptake of another month with lots of stablecoin initiatives, but also here again, the uptake of central banks and traditional banks during tokenized deposits. Yeah, thanks for that summary, Manu. Let's now move to regulation policy and the public money CBDC debate.

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There is an interesting question going on in that whole realm that is who anchors the tokenized economy, public money or private stablecoins. And there is a transatlantic split that is increasingly getting sharper. In Europe, the ECB laid out its most coherent public money doctrine yet, specifically Mrs. Schnabel and Mrs. Lagarde.

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Then the commission opened its first major Micah review and the Bank of England finalized a notably conservative stablecoin regime. In turn, in the US, the direction is the mirror image. The Congress is moving to ban a retail CBDC while protecting private dollar stablecoins and the Fed's own governor.

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frames those stablecoins as an extension of American monetary power rather than a threat. So underneath all that political noise and this transatlantic split, the supervisors are building the cross border plumbing, specifically EBA and NYDFS. So it's the same facts, but

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its opposite conclusions on the two sides of the Atlantic. It's two mirror image bets on the future of money. Let's now go through them in a bit more detail. And let me start on the European end with ECB's case against stablecoins. So we had even two major ECB speeches in June that taken together amount to so far the most complete

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public money doctrine the ECB has put out so far to me. The first was Isabelle Schnabel in Seoul on the 1st of June. Her frame was quite brilliant, actually, because she didn't reach for crypto analogies. She reached for money market funds. Her argument is that stable

coins are basically a rerun of the money market fund story from the 1970s onward and that history tells us exactly

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what to worry about. So one run risk when confidence cracks, these instruments are prone to panic redemptions just like the reserve primary fund breaking the buck in 2008. Then the two fire sales. So mass redemptions force issuers to dump reserve assets. And if those reserves are government bonds, you get spillover into sovereign debt markets. And her third argument, and this is

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the specific European twist of her speech contagion into banks because under Micah stablecoin issuers have to hold a big chunk of reserves at least 30 % rising to 60 % for significant tokens as bank deposit. So a stablecoin collapse transmits straight into the banking sector. Then her fourth argument distortion of monetary policy because issuers

46:17

talking hundreds of billions in short term T-bills, compressed yields at the short end of the curve and five, in her speech, the entrenchment of dollar dominance since roughly 99 % of stablecoins are dollar denominated depending on the numbers you look at. And second, two weeks later then on June 15th, Christine Lagarde gave

46:45

a similar if not same thesis, but with a much bigger frame. She did so at the ECB's own conference called Money in Transition. She owned with the medieval fairs of Champagne where a divided Europe once settled its accounts as one, which is a cool rhetoric, but the substance underneath was really cool. So she brought a killer statistic that is

47:15

The EU still has 32 central securities depositories keeping these records, while the United States has two. That fragmentation is in her eyes kind of a disease. And her pitch is that tokenization is the once in a generation chance to build a single settlement layer that is, in her words, complete from the start rather than trying to weave 32 national systems together after the fact.

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And critically, she said the market told the ECB directly. So she listened to the market and heard more than 60 participants made clear they will not issue digital assets at scale until they can settle in central bank money. That's at least what she proposed. On cross border, she framed the tips into linking strategy, the life.

48:06

built with India's UPI, the advanced work on the Nexus network in Southeast Asia and Switzerland's SIC IP system, explicitly as the way to take the window out of the dollar stablecoin sales and cross-border payments. My take here is, whatever you think of the conclusions of the two ladies, this is now a fully formed doctrine by the US, or not a set of nervous warnings here and there.

48:36

it rests on real monetary theory arguments that the risk-free elastic settlement asset has to be public. That's a serious position the community needs to consider and we should treat it as such. So much about these two speeches. Yeah. And I found them quite interesting and quite remarkable that they now push so strongly against um stablecoins and also against euro denominated stablecoins. Right. And I felt that

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Also, BIS has recently over the last weeks again further strengthened their arguments against stablecoins. They also really focus on explaining again that central bank money is

the kit that keeps the single. The single is on money is always introduced again as a concept that ultimately allows settlement between different issuers, which are banks obviously.

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and that they really do not want to see a future where stablecoins play a major role in comparison to deposits settled in central bank money. So a much stronger argument against stablecoins that we are now hearing again by the ECB but also the BIS. Right. And then there is the MICA review. So at the same time at the European Commission,

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isn't sitting still on the private side either. So on 20th of May, the consultation on the functioning of Micah open until August 31st with both a public track and a targeted technical track. People are already calling this Micah version two and it's the most significant European crypto consultation since the original work back in 2019.

50:29

Dear former guest, Patrick Hansens, read on the live question. It's worth flagging. He had a cool LinkedIn post. So the big one is multi-issuer stablecoin structures, a micro version, one assumed, one token, one legal issuer, but global stablecoin infrastructure increasingly uses distributed issuer structures across jurisdictions. So this is about whether global issuers can

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even operate cleanly in the EU. And then there's the economic viability of asset reference tokens where the version one requirements are arguably so strict, they're commercially unworkable. Also an argument I heard at the point zero forum, then there's the defi angles or staking and lending Rayzone that version one mostly punted on. And then there's

51:25

the line between e-money tokens and tokenized deposits, which matters as European banks build their own on-chain payment instruments. So where is the line to be drawn here? And then ultimately also in Europe, we have a move by the uh EBA and the New York DFS. There is a MOU, a Memorandum of Understanding between the two entities.

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which came on the 2nd of June. So the European banking authority signed a such a memorandum of understanding with the New York State Department of Financial Services on supervising cross border stablecoin activity. This is under Article 126 of MICA, which lets the EBA strike information sharing agreements with third country supervisors. It's actually quite interesting because this cross country

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supervision is fairly new, at least to me, right? We have so we have genius and clarity in the US, we have Micah in you. But really, this cross continental or cross jurisdiction regulation is something required in the crypto space, institutional DLT space, but only early signs of it show up now, right with this memorandum of understanding. So no worries, no big regulatory moves here. It's an MOU. Nothing more. about it goes in?

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the same direction as also the BIS has um stressed a lot now over the last days. I think in their yearly economic report, they also spend some pages on that, that there's a need for stronger cooperation between the different regulators in the respective jurisdictions to regulate stablecoins jointly and to harmonize ultimately the stablecoin uh regulation because

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Yeah, they are global instruments. And if you don't want to go into a direction where there's domestic regulated smart contracts ultimately that issue the stable coins, for example, a Euro or Europe USDC and the USA USDC where those two need to be exchanged against each other when they are traded or when they are transferred across borders, then you need this harmonized regulation because ultimately then the stable coin is

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or can continue to function as a global bearer instrument. So yeah, it goes hand in hand with the stronger push of the BS to further harmonize the global regulations. All right. And to conclude the European angle of policy regulation and public money, let's also take a look at the Bank of England, which finalizes a

54:19

systemic stablecoin regime on the 22nd of June, the Bank of England published its final policy statement and the draft code of practice for systemic stablecoin issuers. The headline here is a real U-turn from what they consulted on last year. So remember the original proposal had this 20,000 pound holding cap per individual. The idea was to stop people pulling deposits out of commercial banks and parking them in stablecoins.

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which would hit the banking system's ability to lend. This is now uh reversed. Instead, are introducing a temporary issuance guardrail of 40 billion pounds per systemic stablecoin. So rather than policing every individual wallet, they are capping the total size of each coin. Same policy goal here, but really protecting credit provision.

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In their words, cheap and easier to implement and allows unrestricted use by households and businesses. Yeah. So cool pivot here. I importantly, they've said this guardrail gets riveted regularly and removed once the risk to lending is dead with. All right. So much about the European side. And now let's really move to the US angle where the US Senate passes a housing bill with a four year FED.

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CBDC ban. So on the 22nd of June, the US Senate passed the 21st Century Road to Housing Act by 85 votes to five. It's primarily an affordable housing bill, the most significant housing legislation decades in the states, restricting Wall Street from buying up single family homes and funding new construction. But buried inside, it is a clause.

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that bans the Federal Reserve from issuing a central bank digital currency until the end of 2030. So this is really interesting. The irony is that the Fed wasn't building one. So this is legislation against something that barely exists beyond a research topic. After 2030, any digital dollar would need explicit congressional authorization.

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There's a deliberate carve out for permissionless private dollar tokens. So Circles USDC and Tethers USDT are untouched. I they aren't CBDCs after all anyways. The framing from Republican lawmakers is that a CBDC is a surveillance tool and a threat to the commercial banking model. Yeah. So it's not fully law yet. Trump is reportedly delaying his signature, trying it to a separate elections bill.

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the safe America act, but the direction is ever more clear in United States and it builds on Trump's January 2025 executive order against a digital dollar and a new FET chair worth calling a CBDC a bad policy decision during his confirmation. Michi, as you said, in order to get something like a CBDC done in the US, it would need to go through Congress.

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And given that there is already a um executive order being signed by Trump, I wouldn't have expected that a retail CBDC will ever come. But now here in this housing act, there's this very clause that prevents the Fed to issue a CBDC. The key question is, does it include a wholesale CBDC as well? Right. And I think I've read also some interpretations that tokenized reserves, for example, are still possible.

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And that's also the lingo that has been used by FED governors and FED officials that are talking about wholesale CBDCs, given that CBDC is such a burned name or ultimately you cannot use CBDC anymore. You need to call it tokenized reserve. Quite an interesting move now. Let's see, because ultimately the FED is also participating in project Agora, where there's obviously a need for issuing a

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wholesale CBDC or tokenized reserves and that seems to be still feasible. My take after all, they are banning something the Fed never was building. So there is no real CBDC project. So this is rather symbolic, but it really cements a public money divergence in the States. If it wasn't clear to you, now it is no CBDC in the US. All right, then also updates on

59:01

The Clarity Act cleared the Senate Banking 1529, building on the Genius Act from July 2025. So it enshrined stablecoins as a distinct category in quote unquote permitted payment stablecoins. It hands the CFTC primary authority over spot crypto commodities like Bitcoin, and it leaves securities with the SEC.

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It's finally drawing a line under that whole turf war. There is one interesting detail to watch. It bans paying direct interest on simply holding a stable coin, which is a win for the bank lobby in the States worried about deposit flight, but it allows transaction based rewards. So analysts put a final 2026 passage at roughly 50 50.

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So you know my take already if the world power number one and the largest economy finally rose out at first market structure regulation for blockchain, then I'm happy they take their time and they negotiate it carefully. Some critics criticize or complain that it's taking so long, but I think it's good. This is carefully negotiated. Good. And this brings us to

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the ultimate news in the US on the 31st of May Fed Governor Christopher Waller was speaking in Dubrovnik. He said the spread of dollar stablecoins around the world will broaden the reach of US monetary policy. His exact framing is countries that adopt them are quote unquote like a fixed exchange rate system importing US monetary conditions.

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sit with that for a second because it's really the perfect mirror of Schnabel and Lagarde who also had speeches. It's the same facts like 97 to 99 % of stablecoins are dollar denominated. They hold hundreds of billions in T-Bits, but it's two opposite conclusions. The ECBC stole the stablecoins as a sovereignty threat and a driver of uncontrolled digital dollarization. The FED

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which now Wallace Beach shows, looks at the same phenomenon and sees a feature, not a bug. So free demand for short-term treasuries that lowers US borrowing costs and the digital entrenchment of dollar dominance, especially in emerging markets. So one, continents threat is another continents strategic asset. And so you may want to contrast further the two.

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beat other three speeches, two on Europe's end and one on the US end with uh Walla. Yeah. And with that, we close the policy regulation and public money debate on the two sides of the continents. Manu, anything to add from your end of this whole? Well, yeah. I mean, on the last point, just uh

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surprisingly direct Waller has already been in the past very, very direct about his support of stable currency and also that ultimately it entrenches the role of the US dollar and also that it allows for the disbursement of US debt into the world and diversify the holders of US debt also to retail users. yeah, you might think that in other parts of the world, this would be

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imagination of what the motives are, but here they are very, very clearly stated again. So yeah, it's not a secret what the ultimate uh interest of the US government to back stablecoins is. It's about additional disbursement of US dollar debt and obviously to manifest the role of the US dollar in the global economy. So those fears of ECB and Schnabel cannot be wiped away by

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dismissing them as fear. No, they are clear statements from Fed governors now as well. All right. Let's close our June news analysis, if you will, with our knowledge bites. Manu, what do you recommend our audience to further consume? Yes. So I brought a BIS working paper by um Fabian Scher, Anneke Kosse, Tara Rice and Takeshi Shirakami.

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And Fabian Scherr is likely also not an unknown person here to many of you listening to this podcast. He is a researcher and professor at the University of Basel that focuses a lot on public permissionless infrastructure and blockchain in general. And here now issuing a very interesting paper, The Anatomy of Stablecoin Transactions, where he basically analyzes

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590 million events from 141 million Ethereum transactions across Tether, USDC and PayPal. His takeaways are quite interesting. I would highly encourage to go through that paper if you're interested in how stablecoins are actually used. Because he basically finds out or the authors found out that complex transactions that emit multiple transfer events

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are roughly 60 % of all stablecoin transfers, which means that smart contracts are interacting with each other and therefore orchestrating rather complex transactions, sometimes up to 1,000 steps that are orchestrated via DeFi protocols, for example. So, interpreting each transfer as a standalone payment really misclassifies than almost six out of 10 transfers events.

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that also overstayed both stablecoin transfer counts and transferred volumes. And that is quite interesting because we already see, for example, by Visa adjusted stablecoin volume flows. BCG has issued a paper on that very recently to dive deeper into how stablecoins are actually used and what's the fraction of the real world payment flows that those that are interested in how stablecoins are adopted, for example, in B2B cross border payments.

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look at. here again, stablecoins are rather used in complex transactions across multiple hops in DeFi and Fabian Scherr and colleagues are portraying that very nicely here in this paper. Thank you so much, Manu. It's definitely on my list. I appreciate Fabian Scherr and his co-authors thinking a lot and his writing. Now moving on to now.

01:05:59

to my knowledge by it for our German speakers, I want to flag a really sharp bite. It's episode 385 of Daniel Stelter's BTO podcast called Einfach Überflüssig, der digitale Euro. So it's the perfect counterweight to everything we just discussed. spent this whole or a major part of the episode laying out the ECB's case for public money. This episode is the serious

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well argued case against the digital euro, against public money. So listen to it precisely to stress test uh Europe's narrative or at least ECB's narrative. His guest is Volker Wieland, professor of monetary economics and director of the IMFS at Goethe University Frankfurt. So one of Germany's leading monetary theorists. It's a heavyweight academic who gave formal testimony to the Bundestag.

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And his one-liner, remember, is this. The DigiEuros is a solution searching for a problem. And his point is, what does it actually solve when you can already pay cashless with card, SEPA, Instant or Merrow? So enjoy this episode, at least for our German speakers as the recording is in German. Good.

01:07:25

Thank you for listening to BFRR and for making it until the end of this slightly long episode. Thank you to you Manuel for your super interesting takes and insights. And if you enjoy the podcast and the session, please recommend and rate us that helps us the most. Make sure to subscribe and join us next week when we'll be exploring another critical development in the evolution of digital finance. Until then.

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This is Bitcoin Fiat in Rock and Roll, bringing Europe's perspective on digital money and digital assets to the world. Thanks, Michi. And thanks to the listeners. Talk soon and hear soon. Bye bye.