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Welcome to another episode of Bitcoin Fiat and Rock and Roll. Today we're zooming all the way out to the bigger questions in money right now. Who actually holds power in the global financial system and how digital money is quietly rewiring it. Today's guest is Marique Flamont. Welcome, Marique. Thank you. Delighted to be here. Cool to have you. Marique, let me try to introduce yourself a little bit. You have had a front row seat to almost every chapter of money's transformation you have.

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BitCircle, the company behind the USDC stablecoin as its managing director of Europe. You ran Metal, NetWrst, Digital Bank. You led the Nio Foundation, one of the largest blockchain ecosystems. And before all of that, you were at BCG and Expedia. Today you sit on several boards, including the Nio Bank N26 and the Euro stablecoin venture, Kivalis. You also wrote and write some of the sharpest analysis anywhere on the geopolitics of money in your publication, Currency of Power.

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So when you talk about where money and power are heading, you have actually helped to build the rails they run on. Did I miss anything or is that roughly you? That's a great intro. Thank you. I will reuse that. And that's a very good intro. Thank you. When you moved from consulting and Expedia into the very center of money revolution, like we'll circle building USDC and now maybe N26 and Nye.

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pulled you in there. What was the main motivator for you? It's an interesting moment because I think all of us have, you know, our story of like how and when we discovered Bitcoin, which is the mother of everything. I was headhunted when I was working at Expedia for Circle. And at the time I remember the headhunter telling me there's a startup working with Bitcoin and they're looking for someone. And my reaction was like, you're crazy. I'm not working for drug dealers.

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Because I thought, you know, that's what the headlines you were seeing at the time were about Silk Road and all of that. And it was not like, you know, legit. But actually the company was circled. So the headhunter insisted. I read the brief and I spoke with Jeremy Averre and Sean Neville. And I was like, oh, wow, those guys are legit. There is something. And then I fell into it. Like I read the Bitcoin white paper and I was like, this is huge. This is going to change. This is going to change everything. This is actually really going to make money.

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the way the internet should make money. And that's how I fell into the financial world and into understanding what's happening. And bit by bit, years by years, I've actually started to map out all the powers that are at play and what it means. I think we are very privileged when we work with digital assets and Bitcoin because we are actually touching so many different disciplines and we need to be pluridisciplinary to actually understand all the things that are at play. That's really interesting because Jeremy and John

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Both were on stage last week in Brooklyn when I was at RWA Summit, both fantastic speakers on stage. How was that getting hired by these, let's say blockchain veterans at the

time? Jeremy had built other companies before, right? And the board and the people that he had assembled was actually super, super impressive. But I think it's also, for me, it's been transformational because it's like when you're...

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working for a visionary, for someone who actually has very, very deep convictions and is able to connect the dots on so many different ways. I think that's a huge privilege. And till this day, when I hear or see Jeremy or when he talks about different ideas, I think that very seriously, because I think he's one of the very few people who's able to connect dots in a way that actually makes sense and able to shape where it is. So it shaped a lot of my thinking, even

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how I approach businesses, I still remember when sometimes as a European you see barriers, we think, oh, we can't because there is regulation. And Sean and Jeremy's idea was like, well, then we are gonna have to change regulation. And I was like, how do we do that? Well, we're gonna talk to people, we're gonna talk to people, we're gonna actually help explain. So yeah, it changed fundamentally how I do business, how I view the world, how I connected us, like many, many, many things. And it changed my career and my trajectory quite significantly.

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I can absolutely relate to that because when I saw Jeremy talk on stage last week, it was very much about that visionary part. It was not so much the typical American thing that we Europeans don't like so much about just making money. It was really about changing the world for the better and talking to all these politicians and make them understand why he wants to do what he wants to do. So it's, it was absolutely not selfish, but...

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but rather from a very broader picture. So I can very well imagine that this infected you to become the visionary you now are. It's exactly that. It's like connecting those bigger dots and having like a bigger agenda. I think that's very intoxicating to be able to participate in that. So let's start very, very high level that we talked a little bit.

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before the recording, how to approach this multifaceted world that you cover. And let's start with currency of power. That's you talking not about technology, but rather geopolitical aspects of money systems. What motivated you to start that publication on Substack? I started actually with my friend and co-author, Nicola Cola. And I would say Nicola is a very deep, big thinker. And we've known each other for actually almost a decade when I was back at Circle.

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and we always like exchange ideas. He's more the skeptic on, you know, digital asset and crypto, and then way more the optimistic. And, you know, I think we can change the world with that. And then Nicolas has actually his own publication, which is called Drift Signal. He's had that for like 10 years on Substack about economy and deep thinking and all those types of things. And he did an interview of me, I think it was almost two years ago now. Oh, no, a year and a half ago on crypto and digital asset. And I thought he was a

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I was like, I can't get him to see what's happening. I was like, he was very skeptical of like, you know, all of that is just for criminals, nothing is happening, whatever. And at some point in the interview, we started talking about stable coins. And I think that's when things started clicking and both for him and actually for me in how I was framing what I think was happening. And after that podcast, actually, Nicolas rebidged out and said, we have to write about that. We have to raise awareness about that. We have to explain what's happening.

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we have to help Europe understand at a broader level what's at stake because we, in through the conversation, he understood actually the link between stable coins and US treasuries, the way the US was approaching stable coins and so on and so forth. And so that's how we started. And at the beginning, currency of power was very much, it was called Euro Stable Watch. And it was very much to raise awareness for Europe about the fact that stable coins in particular, from an American perspective, are an instrument.

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and they are an instrument of power and they're understood as such. And there's very strong alignment behind it. And it's actually a bipartisan alignment. But very quickly we realized that what was at stake was way beyond Europe. And so we started writing more and the more we dug into things, you know, it touches actually on energy because at the end of the day, everything moves also with energy, touches a lot on what China is doing, which is very different from what the US is doing. It's very different from what Europe is doing.

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Anyway, we've been writing Currency of Power now for a little over a year. We have a niche audience, but a very influential and highly engaged audience. We've been quoted in quite a lot of newspapers, and particularly Bloomberg calls us quite a bit to also get our point of view on different things. And we've actually spoken on different stages about what we see and how we think actually digital assets are reshaping.

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the global power and where things are going. And so now we're turning all that into a book. So hopefully, we're writing the book because as you know, writing a newsletter is very time consuming. I think it's a fantastic exercise, but we now have our thesis that's really coming into flesh and we just want to put that down on paper and to articulate that even better because we think what's at play and the shift that we're seeing are actually very, very important.

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Fantastic. And I can very much relate to your topics. So I think I'm on a similar journey. Maybe I'm not as good in expressing it as you guys do it, but fantastic. Before we dive deeper in, I just wanted to cite some sentences from recent or facts from recent articles. So just to take the readers who might not be subscribers yet on your subscription.

08:46

Just to give them a flavor on what you're talking about. So you talk about US Treasuries yields now hitting a 19 year high. Washington leaning in on dollar stablecoins to help fund its own debt, which we will dive into. China is reportedly building gold backed rails now

again, what the US did many, many decades ago. And just recently Revolut launched a Euro stablecoin and Tether was cut off Euro.

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to regulation, money is becoming a geopolitical weapon in real time. So these are some sentences, maybe random. I just took them out, but just to give the listeners an idea what we are talking about. And I hope at the end of the podcast, everybody, everything makes a little bit sense on how it is connected because I had this aha moment some years ago and happy to dive into that and ask good questions that you make the point. Thank you.

09:44

Let's start with the great financial reset that has begun. In plain terms, what do you mean by that reset term? Yeah. So what do we mean by that? What we are, our thesis is that money is power and that power is shifting. And we've been, most of us born and educated into a dollar driven world. But actually that dollar driven world was not always there.

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There is actually a history of how the dollar became so powerful, so widely used, and you can go back to actually post-World War II and you can start looking at all the agreements that happened when basically the dollar was mostly used to rebuild parts of Europe, but then also the dollar that was pegged to the gold and then the dollar that was not pegged to the gold anymore, and so on and so forth. So there is this whole aspect actually that we think is very interesting, which is to understand where power was.

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And what we're seeing today is that actually that is changing for a bunch of different reasons, but there are a few recent events that have made that power being questioned. And so one of the first events is actually 2008, the financial crisis, which happens to be also the date when Bitcoin was started. But in 2008, there is a break of trust in this financial system that actually is mostly driven also by the U.S. and that financial system can crack. that's a break in trust.

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there is the birth of Bitcoin, which is a very different system, which means you don't need to trust that centralized system. You can have a different, different things happening. So that's one first, you know, point where things start fracturing. We also think there's another very interesting moment. If we zoom out, which is when things start fracturing more, which is 2014, when Russia becomes more sanctioned on the back of Crimea. And what actually that sends us a signal is that sanctions have in a way

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been there, but they haven't been that many and they've been used parsing with parsimony with the US. But in 2014, they started being used more and Russia is one of actually the recipients of that. But China is looking at that and China is thinking, well, maybe the next one who are going to be put out of the system might be us. And so how do we need to think of a different system that is not relying on the existing system?

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And that's when you have, you know, new things such as Enbridge and SIPs and actually all sorts of, you know, ventures that started happening from China with the idea of like, we need

different rails. We need to build our own rails to not have that. So 2008 financial crisis, 2014, you know, the, war Russia, Crimea, but also like this realization for China that something new happened. And then, you know, in addition to that, you have changes of politics, right? You have Trump that gets elected once and then gets reelected.

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And therefore with that, you know, where is power, where is money, where is trust and what do actually governments want to use and how. And so that's what we analyzed was currency of power. And we think there is a great reset because there is basically this at play. There's just different systems that are now being put in motion. And there is a different, you know, philosophy for what the future will hold. And the U.S. for example, is very much of the view that money is a geopolitical weapon. Money is technology.

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And actually money is fundamental to make the funding of AI, but also to make like technology be funded and continue to advance. And therefore the U S is betting very big on stable coin. And we can come back to that, like what it means and what it does on the opposite side of the world. You have China basically saying, okay, yes, we understand money is a geopolitical weapon. We don't necessarily want to be a reserve currency because that's a heavy price to pay.

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but we want to own the rails, right? So like let's rebuild our rails. And then in Europe, we're kind of stuck in between both and we're seeing all that shift and we're thinking, oh, how do we get back our sovereignty? What does sovereignty mean? How do we not get dollarized and how do we actually, you know, not necessarily also become, you know, using only one other system. So that's what's happening. So that's the thesis of currency of power. That's how we dissect everything. But we talk about great result because all those things are happening.

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In real time, every day I wake up and there's a new headline of like, know, oh, gold is being shipped from here to there. China is, you know, buying more gold, shipping aid. The Dutch are also doing the same thing. That's part of this great reset. So we're seeing all those things that basically mean that the world in which we've been raised, which is fundamentally a dollarized world, is shifting. Now, how long will that take? Maybe five years, 10 years more? I don't know. Will that go out peacefully or not? Don't know.

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But, you know, there's all the signals that start looking at an erosion of the current system and therefore like what will be for the future. I'm a big fan of Ray Dalio, who is also, I think, very much behind this thesis that typical currencies, world dominating currencies, they hold for 18 to 120 years and that's longer than usual lifetimes of a human. So very few of us live through that whole cycle that everything comes back and goes away if you...

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Remember the past, there was a British pound that was much, stronger than the US dollar. So I think maybe Ray Dalio's theory is at least that we are somewhat at the end of this cycle. And actually he's got quite some statistics and empirical data on that, that we actually in a very late stage of the current cycle. And I think your thinking is very much aligned to what

Ray is putting out. Yeah, a hundred percent, a hundred percent. I will say, know, at the beginning, when I remember when I first heard about him, I was like, oh,

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Really? And then the more you dip into it, the more you look at the history, actually, then you're like, oh, yes, there were, you know, the Roman Empire existed at some point, went and, you know, and then you had the pestles that existed, went and went back and you had the Dutch that are. So you have all those patterns that actually have existed in history. And that's really interesting because as humans, we tend to think that what is is always going to be there, but actually, no, it's not. And, know, everything is either up or down. One movement is happening, you know, things are always in motion. So it is indeed a lot.

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It is indeed a lot built on that. We focus a lot on, yeah, financial rails as an underlying of that. I recently read, history doesn't repeat, but it rhymes. Yes. Which I find quite nice. And that's what we want to talk about. And part of that rhyming is maybe the management of debt. One fact is that if you run the world currency, you're actually quite privileged that it's not just all the burden on your own country, your own economics.

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But when all the others also are somewhat dependent on your currency, you have a bit more freedom and you can increase the debt. But at a certain point in time, when your debtors get a bit nervous, then you get into trouble. And maybe that's the situation that you actually talk about. and stable coins might be one aspect to handle that debt. And I think it's not...

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intuitive to people who are a bit further away from the scene than the two of us. So maybe you can take us along that journey. So what do you as stable coins have to do with US debt management? Yeah, absolutely. And so, and so I think actually, maybe the first thing to look at is what you mentioned, which is actually being the reserve currency of the world gives

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an immense power in the sense that actually everybody wants your dollar, but also your dollar get reinvested in your country. So in a way, what we've seen is that the U S has become this huge investment platform where we can think of it as like, you know, U S Inc. That's what Nicola, my co-author says, but it's like, it's this big investment platform. And therefore like every dollar that gets traded somewhere in the world needs to be reinvested somewhere. So where do you put it? Well, you buy a U S treasuries because it gives you a yield.

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or you put it on the US stock market because there are some pretty phenomenal companies that are out there and that will give you a great return, but you need to do something with those dollars. Now, with what we're seeing at the moment, there is indeed a part where people are like, do I want to put that much dollar or do I want to put it somewhere there? And in essence, when governments put their money into treasuries, into US treasuries, that gives also those governments a huge power. And we see that today, for example,

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If we have a government like Norway or Japan who are saying, you know what, we're going to sell our US treasuries, not good news, because if you have too much selling of these US treasuries, it's actually going to impact the fact that nobody wants that. And therefore the rates of the yield that's going to have to go up, which means the US is getting more and more indebted. So that's not a good thing. But in the current function, most buyers of treasuries are governments. So it's it's a

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very concentrated power that hold that. Stablecoins are really interesting because actually stablecoins, in particular, I think if we look at USDT, Tether is stablecoin, it's a retail demand. So it's in the hands of millions of people. It's not in the hands of a few that governs countries. It's in the hands of millions of people who frankly speaking don't necessarily care a lot about having a yield or return, what they want.

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is the dollar because with the dollar they know they can buy stuff and actually the dollar might be better than what they have in their countries and it's more tradable and they can have access to more things. so stable coins are in essence very interesting in a way that they continue creating demand for treasuries but not demand that comes from countries but demands that come from actually people who live in those countries. So it's not like from a few, it's from many.

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And so, you know, we are at the point where with this, like, let's call it this great reset that's starting to happen, know, governors are playing with each other this game of like, well, I could sell you off and therefore I'm going to impact you negatively. But in a way stable coins are creating this like, you know, new tool that is, well, actually I can still infiltrate and your people still will want, you know, to use this currency and this will create demand for me. Now.

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the size of the stablecoin market is still tiny compared to the US treasury. know, Tether, which is probably the largest holder, is number seven or something like that on aggregate. So it's a small proportion. But if stablecoins continue to grow because of network effect, because they are the perfect instruments, then actually that could continue to be a real leverage, right? So in a way you can de-risk the demand for US treasuries and have that more prevalent in more heads.

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Could you be a bit more specific how this stablecoin interacts with the debt situation in the US? Yeah, absolutely. So when you have a stablecoin, you need to back it with something, right? So you need to keep the peg one-to-one. You need to basically, for every \$1 stablecoin you mint, you need to have \$1 somewhere in reserve. And today, most of that reserve is held actually in US treasuries.

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Tether has been doing some more exotic things. Part of it, have a bit in Bitcoin, maybe they have a bit in gold, maybe they have a bit of land, whatever. But for players like Circle, actually, by law, they have to keep it in long-term, very, very secure assets. And there is nothing more secure than actually the debt and the treasuries of a government. So what it

means, in essence, is that stablecoins, when they're minted somewhere in the world, \$1 equivalent of mostly US Treasury

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is issued to have that and it's kept. So it's creating the more stablecoin dollars are in demand, then the more it's creating actually a consumption of these US Treasurers. Is that better? Very good. Very good. I was really, I wanted you to make that point because this is different to a blockchain based account system run by a bank. So this is usually called tokenized deposit, which is the thing for a fractional banking and what banks might prefer.

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But you don't have that treasury effect if you run a tokenized deposit inside a bank, am I right? Correct. And I think so, you know, at the moment there's a lot of debate on tokenized deposits are better than stable coins. Fundamentally, they're not the same instrument at all. A tokenized deposit is actually a representation of money that exists already in the bank and that is just tokenized so that it's easier from one bank to the other to send it.

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And you can do that after you verify that indeed this is another bank that wants it. Stablecoins are a different instrument. They don't represent the asset that is on a bank balance sheet. They essentially represent what is being minted behind. So I think you're absolutely right. It is a different instrument. Now, I think both instruments are different. I think both instruments have their use case and I think both instruments are needed.

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But they're not the same thing. And very often they are talked about like they could replace one another. No, no, no, it's not, it's not the same. It's not the same thing. But isn't it an interesting fact that the banking system obviously wants to stick with their balance sheet, which is better protected by using tokenized deposits. And on the other hand, the U S government sees a way to create more demand for the debt and pushes for stable coins. This could also create some interesting conflict.

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Is that the real thing that happens when the US government discusses about genius and clarity act and stuff like that? Is that the agenda behind that whole discussion or is that too blunt from my side? No, no, I think that's exactly that. And I think the tension is exactly as you describe it. Look from one end on the banking side of things. Today we live in a world where we talk about fractional banking.

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when I have actually one dollar in my bank, my bank has been able to leverage that and from this one dollar to create probably like eight or nine dollars with it and to, and to relink and package it. And so that's the world in which we are. So what banks want to do is to make sure that they can protect me putting my deposits into the bank, right? What stable coins are doing is that actually I don't, I don't need the bank, right? I can basically have a wallet on which I would put my stable coins.

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And in essence, the entities that are doing and issuing stable coins are what we could call narrow banks. They're not fractional banks. They cannot do what the bank would do, which

is with your \$1, I'm going to make \$10 out of it. They can only have with \$1, I'm going to put \$1. I'm going to hope that the treasury yield is big enough so that I can make some revenue of it. But it's a fundamentally different model. So I think we see that across the globe. The tension is between the banking industry, the way it's run today.

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It is between the geopolitical will and need and therefore what it could mean. And where it's very interesting is that Europe is at a very interesting position because, for example, we don't have a unified bond market, right? Like we have German bonds and French bonds and Spanish and so on and so forth. So we don't have the same construct. So even for us, what is a Euro stablecoin and how we construct that is that we need to think about it differently, right? Which is what we also do with key values. need to think about it like more on a pan-European version.

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because we don't have the same construct. But yeah, there is this tension and there is this fear of like, what is it going to do? And therefore as a bank, like, am I better off participating in the issuance of a stable coin or am I better off having tokenized deposit? Again, I think it's both. think, you know, we will need stable coins for certain use cases. And I think we will need tokenized deposits for other use cases. And we see today banks trying different things, right? And trying to learn on all those different aspects.

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Thanks for clarifying. think that was a very good explainer about the difference. We do that quite some often times here in the podcast, but I think every perspective counts to really make clear this difference of use cases and that they don't actually compete with each other and actually that Europe needs to support also stable coins because if not doing so, this is also maybe a big mistake in this global competition. Exactly. It is a global competition. think it's exactly that by the way. think it's the Euro is in competition with the dollar.

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I think that's what we sometimes need to like put ourselves back in. That's the competition that's happening at the moment. Absolutely. But maybe back to the US and a bit diving up again after this little going down, the route of how stable coins actually work and how they serve the debt. US borrowing costs just hit this 19 year high as you wrote it. For normal listeners, why does that matter? What is this yield curve control all about? What?

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has changed in the last four weeks because there were some significant changes in policy, think. Yeah. Well, changes in policy or changes in perception of what's happening, right? Because actually what the government can really control is the short-term yield, but the government kind of control like what's actually happening on the long-term. And in essence, when other governments are buying your bonds, there is a market for like selling and buying it. And it's like a supply and demand market. And if people want your debt,

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because you are like a trusted safe country. Well, as a country, you therefore can give it at a lower price, right? And you don't have to put like this high percentage for you to come on it. It's a bit like when, you know, when our banks are competing against each other to get our wage, they will tell us, come with me, I'll give you 2%. And then the banks next door is going

to say, no, no, come with me. I'll give you 2.1%. That's a bit, you know, that's a bit the tension that's happening.

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But right now what's happening, if I oversimplify, but it's the fact that, you know, for the US long-term bond and debt, actually, the problem is that the rate of that is going higher because less and less, you know, other countries want to hold it for that long and they see that the longer you hold it, I need to be rewarded for the risk I'm taking for holding something like that long because I'm not sure the dollar is going to stay as competitive. Maybe I could place my money somewhere else and get a better return.

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And what does that, why does it matter for the US? It matters for the US because basically that interest rate is what you have to reimburse. And if it keeps going up, then it means that you need to reimburse more and more. And so you start getting into this loop of debts that you constantly need to reimburse. Now that's why there's also a different school of thoughts, right? Because one school of thoughts could be like, well, okay, doesn't matter, just print more money actually, because you can print unlimited amount of money as long as the money you print is

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doing something better for your economy, for example, the chase of AGI. If you print money and it's going to create that, and then AGI is going to be so good for your country, then it doesn't matter. You keep printing the button or you keep adding lines in Excel, like print 11 or a billion or whatever. So that's one school of thought. And there's another school of thought which is like, hang on, no, you're going to be bankrupt as a country. Like you can't basically, you can't operate anymore. And so you're getting into the spiral of

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we can't trust you anymore, you're defaulting on yourself and you can't be bankrupt. To be honest, you I'm not an economist. And so I keep digging into these things. I want to understand because at the moment it feels like it's a bit like, you know, a different school of thoughts, right? But like what really happens now, some, some governments have defaulted some and Ray Dalio actually also articulates that really well. Sometime that has been erased. Okay. Is it possible? You know, I don't, I, I, at the moment in France, there is a debate on it, but it's very, um,

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very, very politically charged. And I think there's also like the, I don't fully understand the mechanics of, you know, how we would do it. Is it really feasible? Is it good for an economy? But I think there is more and more to this debate, right? yeah, but in essence, going back to your early question, why does it matter? Well, it matters because it's accelerating this infernal loop of having to reimburse more for people to want to basically, yeah, loan you money, right? And so that that's a problem because you could become, yeah, you could

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basically become insolvent. And this example from Japan, thinking about selling the US treasuries is one sign that might make this problem a bit worse from my perspective. And that's where the US suddenly start talking to the Japanese government what to do there.

And as far as I understood it, the Europeans were the victims of this little negotiation. Can you take us along that?

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thought line. absolutely. you know, there is more. So a few weeks ago, basically to help to prevent Japan, or at least here it goes, the theory, right? Because I think there's a lot of, when you look at the data, is it really there? But here goes the theory. Scott Besant, to prevent Japan from having to sell a lot of US treasuries to actually have cash on their hands and to protect their own currency.

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What Scott Besson did is they're like, okay, hang on. No, no, no, Japan. Don't sell the US treasuries. We're actually gonna do a deal whereby we can lend you euros. You're gonna sell euros instead, because if you sell a bunch of euros, it's not gonna impact us with the US treasury. We US have a lot of euros. So we're gonna do a swap with euros and therefore you're not gonna impact us. Why? Because if Japan, which is one of the largest holder in the world of US treasuries, starts selling a lot of US treasuries, then we're gonna get even more into this loop I was talking about, which is like,

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There's oversupply, nobody wants it. Right? So like there's oversupply. Now, you know, did that really happen or not? There's different theories. Some people are saying like it was just a post-it that's called best sent wrote. And even just that, you know, was sufficient to create some, noise. But recently, interestingly, there is, I think it was last week, a Norway hedge fund is actually making the same noise. And they're saying, well, we're going to start buying US treasures. And by the way, we want to sell like 10 billion of them. We just want to dump them.

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So you have that, it goes back to my point, is like, US treasuries, the dollar has been in a way a very great weapon because you can sanction things with it. The US can decide whatever transaction is happening in dollar, they have oversight of it and they can decide sanctions because they also like, they're very strong proponent of how the financial system in which we are today has been designed. But the selling of US treasuries become also a weapon, right? Because you could say, well, I'm...

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I'm going to dump that. So all of that is part of a lot of negotiations. I think the bottom line is that it's making, there's more and more noise around that and it's coming from more and more countries. And so it's definitely something that with Nicola May Co-author, we follow a lot because we think like that's a sign again of like, you know, this great shift that is happening. And it's not in the interest of the U S to see that being dumped. again, stable coins might be a solution, but they're too tiny at the moment.

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They're just not big enough. But that might be a motivation to push them into induction. Correct. For political reasons actually. Correct. Absolutely. But then let's switch the sides and talk about China. So that seems to happen somewhat the opposite. You already alluded to that. There are speculation about gold backing systems or China buying a lot of gold to stabilize their situation. Their debt situation is quite differently actually.

33:03

to the US or please tell me more. How do you look on China before I speculate? Okay, a lot. one thing, know, I lived in China 20 years ago. So I've been a student of China and I've been deeply embedded into the country. But what I would say is even with that knowledge and so on and so forth, I think it is complex and I would not claim to fully know China. But here is what I actually piece.

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puzzles of things together. One is actually the Chinese financial system is different from ours, right? We think with our mindset, we think like, you know, a central bank is independent and the role of banks is, you know, to also create more credit and debt at the local level is fine. And the government doesn't dictate strategic priorities. That's how we do, that's how society is built. Now in China, things are very different, right? There is a five-year plan and actually the central bank

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is not independent. The central bank is an instrument for actually deciding where to distribute the funds according to the strategy of where things should be going. So I think that's one first part, which is really interesting to understand. The other part is that, you know, when we think of the Chinese yuan, what is the Chinese yuan? Well, who knows? I would say, because actually the Chinese yuan is a basket of currencies.

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And there is a publication by the Bank of China on its website of what's the representation of the Chinese yuan. But again, that's debated a lot. Is it really that basket? What is really behind it? So what is the Chinese yuan? And the other thing is within the China model, what's really interesting to look at is the link between mainland China and Hong Kong. Because actually, the Hong Kong dollar, which in a way is part of the broader China ecosystem, the Hong Kong dollar is pegged to the dollar.

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And Hong Kong plays a very important crucial role for China into reaching out to the broader world and being like a financial system. But the core is Hong Kong dollar is basically a representation of the dollar. I think it's like seven something or eight something dollar the pegs. But there is a peg, right? So Hong Kong dollar is pegged to the dollar. So there's a very strongly leading here again.

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the dollar. so, know, part of the analysis that we did with Nicolas was very often when we think of like de-dollarization, I was like, hang on, it's not necessarily going to happen. sense for China. It doesn't make sense for China because actually China is linked to the dollar, Which then, you know, which then links also to like, what is at play for China? And I think what is at play is really this idea of like being able to not be sanctioned, being able to operate, right? And the way China has been building itself for

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almost the last two decades, it's to build actually a self-stacked society. And what is a self-stacked society? It's a society that can have its own energy and independence on energy. To have that, you need to actually control critical minerals. And to have that, actually need to

have your own ecosystem, which if you look at it, the internet in particular in China is a totally different ecosystem from ours. I mean, they don't have Uber, they have Didi.

36:14

They don't have Google, they have Baidu and so on and so forth. It's just a different ecosystem of different things. But basically they've been building up this full stack society and part of a full stack society is owning the rails for your financial system, right? And so how does that happen? Now you were mentioning the debt and saying it's different. Well, actually it's not really, but again, it's a different mindset. So the debt, you look at percentage GDP debt is similar. And so the Chinese are

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if we look with our metrics as similarly indebted as the US or France, so they're also in trouble from that perspective. But again, the way capital is deployed is very different. It's done exactly, it's done to build rails, it's done to build roads, it's now done to, you know, so it's just, it's done to build, you know, solar panels and electric vehicles and to build a society to like a different thing. So it's a different way. So does indebtedness matter in that context? Who does it matter for?

37:12

It's also a culture that has more financial repression. You can't invest as freely as we can wherever you want. It's a different system. But I it is very, very, important to understand the Chinese model as it is also to understand the depths of the European model as it is to understand the depths of the US models because those are the big forces that are out there. And I haven't even touched on like, people often say you're not touching on Latin America or even Russia or Africa.

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Of course there are other parts that matter. I just don't have the depths of knowledge. And I think these three are great parts that are just trying to shift things around. But I think what you say is that China has a different form of control over what's happening there. So they are not so much driven maybe by the market and they also don't have the world currency. So not every move in every market really impacts them that much. But what I found new now in your narrative is that it's more kind of a...

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of a reaction what happens in the world, what they are, what they are already doing and obviously also supporting their five year plans, which is obviously a very strong thing if you look at that from a very fractured European perspective these days, especially after the elections in Germany yesterday. So while we record that, so not going more solid as it seems, which leads us back to Europe and maybe now coming down a bit more again, we already motivated stable coins. Why?

38:39

It's important to have an answer to US dollar stable coins and you're sitting in the board of Kivales, one of these consortium stable coins that's denominated in Euro about to start in the second half of 2026. I won't ask you when. I won't say. How do you look at that? Let's start with you personally. What motivated you to take a seat in that advisory board of Kivales and how do you, how comfortable is it sitting there? Let's put it like that.

39:09

So I'm a fundamental European at heart, but I think actually we have phenomenal assets and we have a lot of values and things that are absolutely worth defending. I think also I understand the mindset of what's happening in the US and what's happening in China. And I think it is almost like a duty to try to do something and to raise awareness on what's happening. So that was my impetus for actually starting helping

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and working with Kivalis. know, Kivalis is basically a joint venture that's been set by now 37 European banks that are coming together, putting capital together and saying like, okay, we would like to create a utility that can create a Euro stable coin because we understand that it's important to have a Euro stable coin. And so I think that's a great mission to be part of. I think the team is phenomenal. I think the board is also phenomenal. And you know, are half the board is represented from

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banks, it's three people and we are three independents. And I think it's a very good balance, right? So governance is everything that will probably make this project a great success or not, right? Because in every consortium, there's always like a lot of different alignment that are needed to make something come together. The fundamental thing for me and where I'm a bit worried is the understanding we need that actually stable coins are not just a nice to have, but actually some

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a must have. And what I would say on that is that in particular, if you look at what's happening in the AI agent tech world and the perfect marriage that there is between agent tech commerce and AI agents and stable coins, and the fact that if today AI agents can use only dollar stable coin, guess what they're going to use dollar stable coins, right? Because that's the most liquid thing. That's the best thing to use.

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And we have this network effect that's happening without us really understanding the depths of that network effect. think also, you know, in Europe, very often I talk about dollarization and, you know, people will tell me, but no, we don't have dollarization. We're fine. I think an easy way to look at that it's ask the number of people who hold crypto, who by the way are an increasing proportion of the population in some countries can be a third of the population actually has some shape or form of crypto. Well, what do they have?

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they have dollar stablecoins. don't, know, they, so they are dollarized in a way that that's already happening. It's already within, it's already within our, within our borders. And when you look at, know, the moves that very large companies like Amazon or Stripe and so on and so forth are doing and the easiness for them to have stablecoins embedded into their system. And also I would say it could be very easy from one day to the other to say, if you use, you know, my Amazon dollar stablecoin, I'll give you 10 % rebate.

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I mean, I signed up for that, right? would like whatever, I don't care about the Euro. I will actually embrace that, right? So I think, know, Kivalis in a way answers all that. Again, I come back to something, Europe is different. We are, you know, 27, 28 countries. We have a

fragmented bond market. We are not the US. The Euro was born as an instrument to also help create more peace on a continent that had been like at war for like thousands of years.

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And so the construct of the euro is different, the construct of how we are governed is different and so on and so forth. And I think a stable coin well-designed can be an instrument of unification and can actually be a very good utility, right? That's where it's really important. Now, of course, it needs to work in harmony with, and that's also where I think Europe is different. We need a wholesale CBDC. The role of the central bank, its independence, and as a lender of last resort is really important. I think tokenized deposit might have a role in Europe.

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But again, we cannot think that, without a stable coin or without a strong stable coin, we'll be able to compete because of the speed and the depths of network effect of what's happening with the dollar. Let me ask you one critical question about Kivalis because it's done by these 37 European banks. And for me, the difference between stable coins and all the other currency forms that you just mentioned is that it's more or less global. You are not...

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contained in the Euro system, but a stable coin, at least up to now had very much power in cross border payment things where you go beyond the European union. Now the question, so what is motivating these 37 banks to do this? Are they motivated to do cross border stuff or do they more or less compete maybe with the retail CBDC digital Euro project that's also very much focused inside the Euro system? What's the...

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And you don't need to tell me secrets, but what's the fundamental motivation? Is this inner circle use cases or you mentioned the agentic part, which I very much like, but which is very tiny today. That's not enough from my perspective, at least for the next one, two, three years. What is driving this? So I think there's a few things, right? One, is the emergence of new players, call it circle.

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that are by the way on their own path to become a bank. So there's a competition, there's a competitive threat, right? Like someone else somewhere else is doing it. Look, Revolut just launched their Euro stablecoin. So digital neo banks are also doing it. So there's a competition of a new instrument and you'd better actually participate and learn from that. And so there's this element of like, well, then join and participate and learn. Not all banks in the consortium have the same view and the same agenda.

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That's also the reality, right? Some banks are extremely advanced and they know exactly which corridor they need for the Euro stablecoin for. They know exactly which use cases they already have, know, custodians and wallets. And they've actually started to look at which countries with corridors. Some others are just not advanced, right? In some of the banks, we do have digital asset teams that are fully fledged with the strategy. And in some others there is not, right?

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So think it also depends, it also depends, but it all starts from like, okay, something is happening, you better participate rather than being level. Which by the way, for us, it's fine also, right? I think that's how innovation can happen, right? You need to basically have the impetus to want to participate in. In the use cases, you mentioned something really interesting. And I think that's one of the problems we have in Europe is that actually domestically we're fine. We have SEPA, we have actually good rails, we're fine.

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And I think we know we will even be able to have things like, you know, Wiro and digital payment. We're fine. Like if we stay within our borders, we're going to be okay. And the digital euro will probably be a great solution for staying within our borders. But if you start looking cross border, if you start looking at innovation that doesn't, know, innovation, like again, I come back to AI agents and agentics, innovation that doesn't have borders, then we're not fine. And if you think of the euro,

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needing to compete on a global level, then of course table coins are not the answer. They're one of the answer, right? If you want a currency to be competing to the global stage, it needs to have the right technology and the right solutions for that to be able to compete, right? So today, if you wanted a currency to compete and you say, sorry, I have no digital version of it, it's only paper, well, good luck, you're dead. And so this is like the next version of it, right? So I think it's more thinking of

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what the future needs. And I'll go on another one, which is today. And we haven't touched about that actually. So more and more financial markets are being tokenized. You can see that with DTCC, New York Stock Exchange, you can say with London Stock Exchange, you can see that with what Robinhood is doing, with what Coinbase is doing, basically our stock are being tokenized. And what that means is that, well, that's great because one, it's well, it has also risks, but like you go 24 seven on blockchain in different wallets, but how are you going to fund that?

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probably if a funding mechanism of that is going to be stable coins. I go back again, if you only have dollar stable coins, guess what? You're just going to invest in the American market. But if you also tokenize the London Stock Exchange, well, we probably need a pound stable coin or an equivalent of that. So that is not just tokenized deposit because tokenized deposits are not the same openness as a stable coin would have. And therefore they won't have the same specificities. So I think it's all of that that makes it, we are in a unique position.

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Some of our banks want to learn, others have very concrete use cases in mind and they just need the instruments to be able to make this work. And I think if we look forward down in the future, it's a matter for the Euro to have the right tools to be able to compete on a global stage. What do you think about the thesis that actually there is a digital currency missing that's suited towards corporates? Because I very much like that framing that

48:06

The digital euro is clearly for retail usage, very much capped, very, very small amounts. Then you have the whole effort behind wholesale CBDC, which might be also a very strong weapon for Europe because we are at the forefront of that. And in the U.S. they just start about that or they stopped and they start again. There's a Fed also talks about maybe we need to rethink that whole wholesale CBDC thing. But for me, the gap...

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Because if you look at Germany, we have all these hidden champions. It's all about export. It's not about Eurozone at all. It's now Canada and South America, Latin America, not even the U.S. necessarily. All these corridors that you need to play at and where the corresponding banking system sometimes is heavily in the way or causes a lot of cost actually. So this would be a very innovative play where I think stable coins are...

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in my eyes, one of the only answers that you actually have for supporting these corporates. Is that kind of on the play map of Kivalis that these corporates need a kind of currency? Absolutely. because what we're seeing today is that actually more and more of these corporates are using stablecoins, dollars, stablecoin, because that's the only thing that is out there. And they do what we call like a

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stablecoin sandwich, right? So they can go from their currency to a dollar stablecoin. Boom, it goes immediately because I can follow the money. I see when it gets there and on the other side, I unwrap again, right? And so, and there is demand, like there's crazy demand, in particular from Asia. There's crazy demand for like, can we have a Euro version? Like we'd like actually for also FX purposes, but for having an instrument that's not dollar because, you know, one thing we haven't talked about and I think it's going to become more and more into play.

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Even today in the stablecoin world, this weaponization of currency is very, very true. So if there is a transaction that the US doesn't like, which is happening in dollar stablecoin, well, guess what? Working with Tesla or Circle, it can be frozen. And so I think it's still a very strong instrument. I have no doubt that at some point people are going to be like, OK, do you want to be under oversight of the US or oversight of Europe or oversight of someone else? That will play a bigger and bigger role.

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So, but you're 100 % right. We see that more and more. There are actually quite a lot of super interesting startups that are pushing that there for having corporates enabled to handle their treasuries in stable coin and in fiat because sometimes in stable coin you can do something over the weekend that otherwise you can't do in the normal business model. So yeah, absolutely. And in for countries like Germany, which has like lots of trading partners that are all over the world.

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It's very true. You know, even just on the land like Africa, for example, right now you're faster to go from say South Africa to Malawi using dollar stable coin than you are using the normal banking system because very often goes back to correspondent banking in the US. And so that's what's happening. mean, people are just, you know, they're like, okay, fine. I'm better

off using that. But why not, you know, a European version of that? Maybe one last thought, we're running out of time, but one last, it's so interesting. I need to continue one more question.

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In my eyes, also this combination of a wholesale CBDC and stable coins makes total sense. So I can imagine easily a future where wholesale CBDC is also backing some serious kinds of stable coins. How do you think about that? Is this fantasy or I think Bank of England officially thought about backing significant stable coins with their form of wholesale CBDC or government money. How do you see that playing out? Any chance for that vision?

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I don't. So I 100 % agree, the way, because the way I think about it and I think of it and like layers of a cake, right? I think the thing that actually is, you know, the most solid thing we have is like central bank digital money. And so that's wholesale CBDC. And then from that, you actually have then transaction among central banks and banks and banks themselves and tokenized deposit could play a role. And you have stable coins that play more role on either cross border or agent tick and so on and so forth.

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But today, for example, stablecoin reserves are, you know, most of it, it's in safe assets, bonds, and so on and so forth. And I'm thinking why not have, we'll sell CBDC, right? Some people say then it creates a moral hazard, which I thought is really interesting as a framing, but it's almost like, therefore, if you have a lender of last resort that is the ECB on an instrument that is so freely open, does that create a moral hazard to have

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the wrong incentive for that to be used. I challenge that. I stable coins are actually heavily regulated. And I think, again, if we think in a world where we want the euro to compete, I think it's a good thing. And I think it could actually be a strategic advantage to have parts of reserves held into wholesale stable corn. But again, you're up. We need to have a vision. What do we want the euro to be? How much do we want it to compete? I think the US is the global reserve currency of the world. It has

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It has benefits, but it also has a price to pay for being that China has decided it doesn't want to be the next reserve currency, but it definitely wants to be used in trade. What do we want? Right? Like, what do we want? Then from that, we can actually decide. But I think the model you described is something that would make sense. Does it have a chance to go through? I'd say at this point, very, very, very, very slim. So final question going forward. So if you look forward for the next five years.

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How does that all play out on a global scale? What's your current impression? Let's play the crystal ball game. I love it. You know, that's probably going to be the conclusion chapter of the book that we're writing. So I don't know yet. I don't know because some days I'm like, okay, in five years, things have shifted so much. Then I'm like, no, it's not possible because it's way more intricacy. But like all jokes aside, I think...

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things are starting to fragment. We've been living in a world that is very globalized. I think, unfortunately, we're going to start seeing more fragmentation at the geographical level and a regional level. And so I don't fully know what impact this will have on commerce globally, but I think that will definitely have an impact. yeah, I think, ask me again, or let's read the chapter of the book when I'm done.

54:42

I'm done with it. I hope it's a peaceful transition. Here's what I will finish on. You know, because Ray Dalio also talks about that. Sometimes transitions happen because of war and you need a big moment to happen. I hope we can make an as peaceful transition as we can because there is no doubt things are shifting. And I don't think the world in which our kids will grow up will be necessarily the same as we did grow up in. But let's hope it can be a peaceful transition. That's a fantastic final word. I won't ask any more questions after that one.

55:11

Thank you, Malik. It's been a great pleasure having you. I hope all the listeners took something away from that, even if they are not central bankers or traders. I think we tried to explain a bit how the world of currencies are actually moving and what influences are at play here, how much power play is going on and of how much significance this money thing is actually. hope we brought a bit of clarity.

55:36

Dear listeners, thank you. You made it to the end of this episode. I hope you enjoyed the both of us discussing these geopolitical aspects and nailing them down to stable coin politics. Let's see what the feedback will be. Thank you very much. See you the next time. Bye. Thank you so much. Thank you, Stefan. It was great. Thanks.