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Hello and welcome to another news episode of BFRR, our Bitcoin, Fiat and Rock'n'Roll podcast. We explore the intersection of traditional finance, digital money and digital assets and help you understand how digital money and digital assets will evolve in the future. I'm co-host Michael and today it's time for another news episode. Today we look back to the month of September and discuss what we deem to be the most relevant developments

00:45
in the institutional DLT space. To this, I'm joined by our dear co-host, Manuel Klein. Hi, Manu. Hello. And by Anne-Sophie Goege, Chairwoman at the Digital Euro Association and the Digital Money Lead at KPMG Germany. Hi, Anne-Sophie. It's great to have you. Hi, Michael. Thank you very much. And I'm happy to be here with you. Welcome.

01:09
It's so good to have you. What we will cover today is this. We start with a market overview, Bitcoin and Ether both up around 9 to 10 % in September. I love it. Despite a fat rate hike, plus Germany's proposed end to the crypto tax exemption, unfortunately. Then Standard Chartered launching institutional spot trading and BlackRock lowering its iBit conversion minimum. And then...

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We tackle the month of September in two halves or two clusters. Number one is mostly about digital money infrastructure. We dive deep on the ECB's Pontus launch, of course, the wave of a banking consortia building their own digital money rails from Faro to Bankchain.

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Alliance, StataCon Native, Neobanks, Going Global 2 and the digital euro moving into merchant pilot testing. And then the second wave is mostly about tokenized securities. We cover in particular the Clarity Act failing by one vote only while the SEC launches its innovation exemption anyway and Nasdaq's 100 million dollar investment in Kraken's apparent payward.

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The London Stock Exchange also partnering with Payward for 24-5 tokenized trading and Coinbase launching tokenized stocks with actual shareholder rights on base for non-US citizens before the SEC framework was final. All righty, let's get into it. Yeah, thanks, Michi. And as always, we start with this market overview on the two most important cryptocurrencies, Bitcoin and Ether ETF flows. But then I also

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provided some of the news that we think are relevant, for understanding what happens in Germany with regards to crypto, because there's a proposal to end the crypto one-year tax exemption that was quite known in the worldwide market for not having to pay taxes after holding crypto for one year. Standard Chartered continues their journey to bring spot crypto trading into the bank.

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here than in the UAE going live with the solution. And as you said, the BlackRock, the ultimate, the Bitcoin conversion into Bitcoin ETFs. So let's start with the Bitcoin price. As

always, a overview. It was quite a positive September so far after a week starting to the month. Now Bitcoin price ended at around 84,000 on September 26 when we record today.

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which is, as you said, already a roughly 9 % increase over the last month, a quite steady climb over the last weeks, despite, as you said, the rate hike from the Fed. And this was perceived in lots of media. Even I listened to German news podcast in the morning, I was quite surprised also where Bitcoin was mentioned again, that Bitcoin is rising again. So apparently the media is also taking up the mainstream media.

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that Bitcoin after its significant retrieval over the last month is starting to significantly go up again. And the narrative is less about the crypto catalyst, more about renewed institutional demand that we see also in ETF flows, which were roughly 2.4 billion of net inflows in September. That's significant because the month rather began with a more cautious flow.

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environment and substantial withdrawals in the middle of the month. But then later there was a significant inflow, which ultimately then led to also this positive inflow over September. Quickly going into ETH, it has followed a similar pattern, but with somewhat even stronger momentum. So it started around 2.4k and ends around 2.67k, roughly 10 % higher month to date. So this is quite a significant

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increase as well. And also the ETF flows attracted positive inflows, 720 million net inflows during September until today. This is obviously a smaller, as always, inflow than the Bitcoin ETFs, but still quite meaningful. So it looks as if the industry is coming back to crypto at least a bit in September, which was usually also a rather challenging month for crypto.

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You have one remark on the ETF flows. So the good thing is the mid-month outflows were then quickly followed by renewed inflows. So rather than leaving after the dip, investors really came back and they came back through ETFs. That to me suggests ETFs are becoming not only a way, but

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an established way of getting crypto exposure and with 4.8 % of ethers circulating supply now held in ETFs, so about 5%, the influence of ETFs on the market is growing and becoming harder to ignore, I think. So it's not only a marginal piece of the circulating supply, it's 5 % already.

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That's really a cool development, at least for an institutional DLT podcast, I would say. Yeah, indeed. And let's maybe continue with the BlackRock announcement, which was quite a significant change in the way how Bitcoin itself can be transferred or converted into a Bitcoin ETF. obviously there's a usual channel or the usual way how you would buy an ETF by handing over fiat money to BlackRock and then receiving Bitcoin ETFs.

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the iBit Bitcoin ETF from BlackRock namely. But you can also actually hand in Bitcoins and then convert them into an ETF. And the ticket size was 25 million dollars equivalent of Bitcoin and they lowered it now to 1 million. So a significant lower ticket size. And obviously this is relevant because those that now hold Bitcoin can very easily transfer them now into a ETF wrapper.

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which is much more accessible to traditional investors. So this is another step in the financialization of Bitcoin, but also increases the ease to convert basically from a crypto native representation of Bitcoin, which is ultimately obviously Bitcoin itself into a more traditional security style or fund style exposure of Bitcoin. So quite an interesting move from 25 million LOWETT to 1 million entry ticket.

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Yeah, that's what I just wanted to add, right? So it's not just down to one million, but from a 25 million threshold, I think this move by BlackRock opens the process to smaller funds, family offices and real advisors that previously could not meet the 25 million threshold, which is high. So this is maybe another driver of increasing the

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percentage of ETF flows in total circulating supply once these thresholds by ETFs are lowered. Yeah, and now jumping over to the Germany news, which is quite an interesting development. So it's not yet final news, but there was significant media coverage, but obviously also in the German crypto space, quite some outcry how that could happen and whether you could still stop it.

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So what is happening, Germany is reportedly preparing legislation to remove the current one year holding period exemption for crypto gains. And under this proposal, crypto gains would instead of being tax exempted after one year of holding the crypto, move into the capital income tax regime with ultimately an effective rate of roughly 26 % before charge tax. That would end

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this old regime, was so unique, I would say here in Germany, similar to gold. It was where you could also hold gold and other resources longer than one year and then not having to pay taxes on the capital gains. But this is still a proposal rather than an enacted law, right? But it looks as if this is really happening. So we already wanted to bring this up. This is interesting because on the one hand, it normalizes capital gains.

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but obviously is also less favorable for long-term private holders. What is important is that this would only apply to crypto that is going to be bought as from 2027. So the crypto that was acquired before the end of 2026 would still be exempted from this new regulation. And notably in Germany, funds already operate under capital gains taxation. So the proposal

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would narrow one of the big advantages of holding crypto long term and directly. So in practice, if this proposal were to become true, that could move more crypto investment toward banks and funds, because then one of the big advantages of holding crypto directly

would diminish. That's a good point. mean, if you really want to trade crypto, I think in Germany, it would have been not so easy or it is not so easy.

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to trade on a daily basis crypto because then ultimately you have to pay tax on your income. You have to pay the income tax on the crypto gains, which obviously can be significantly higher than the capital gain tax, which is 26%. So how I looked at it always was if you want to trade intraday or very, very quickly holding only for a few days or weeks, then you would rather go into an ETC, for example, a Bitcoin ETC.

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because then you would pay capital gain tax, which is only 26%. But if you were a long-term investor, I would absolutely advise to rather buy spot crypto and the actual crypto instead of a wrapped crypto, which are some sort of securities like a fund or an ETC. Yeah. And what I read also in the community is that it's kind of a phallus.

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philosophical question, is it more comparable to gold or something that is or is it more comparable, are crypto coins more comparable to traditional financial investment instruments? And I think there is a big discussion going on on what to compare it with. And at the same time, some people say it should be its own asset class and we shouldn't look for some comparison in the market to adapt the tax.

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legislation, but to see how we really use it and why, and then have create their own legal proposal. Yeah. And it feels for me like a philosophical question. it, what is crypto and how is it used? Right. I'm in the second school of thinking. Why compare? It's just a new emerging asset class and all the comparisons just take.

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mental capacity to ask the right questions. In line with this distinction between crypto spot or the real crypto and securities, the last news also fits in pretty well because Standard Chartered, the developing bank or developing market bank based in Singapore and London, they now provide spot crypto trading access to their corporate clients or their clients in general, institutional clients in the UAE.

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And so this is the first global systemically important bank to offer institutional spot crypto trading in the UAE. They can trade Bitcoin and ETH through the bank's existing electronic trading infrastructure and very familiar with X-style interfaces. So yeah, we've seen quite some developments, for example, also DWS here in Germany has issued crypto ETCs, but these are all wrapped cryptos ultimately, right? These are securities issued against cryptos, that securities namely.

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And obviously in the US we have all the ETFs, but here now Standard Charter continues to direct crypto access to its clients. All right, I would say enough crypto. Let's jump into the other news. And as Michi, you've outlined in the beginning as well, we have these two clusters. So let's start with the digital money cluster before we then jump into the securities world.

13:47
Exactly. So this part one now covers all things digital money and digital money infrastructure at least of September because September gave us a bit more clearer picture of where the market is heading in just three weeks. We are recording on September 26th. We got three different answers to one question. Who provides the cash lag of the token economy or of tokenized finance?

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Central banks, as you just will learn, have one answer. Bank consortia have yet another answer. And then stablecoin, native, fintechs have even a third answer to that question. Now double click on the first one, central banks. Let me start with Pontus because this is obviously the big one for institutional DAT in Europe in September. On September 21st, the Euro system switched on Pontus.

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First off, I want to be precise about what that actually means because the coverage has been a bit mixed or unclear. Pontus is a production service that allows tokenized assets sitting on private DLT platforms to be settled in important central bank money, not in commercial bank money, not in StatoCoin. So Pontus uses central bank money running

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through Target. 13 market participants are onboarded at launch, including Deutsche Bank, Santander, Societe Generale and the European Investment Bank. Four DLT market operators are registered to connect, that is Clearstream, Sviat, Cashlink and Axiology. And here is an interesting and also

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underreported detail, the ECB itself announced it will invest a portion of its own funds and tokenized securities and settle those purchases through Pontus. So the central bank is putting in fact its own balance sheet to a small extent into the system. It build itself. And I found this news actually, given that we follow Pontus and Appia so closely in the industry, right?

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This was a surprise. And I also talked to industry participants. They were also quite surprised. And this is significant news, right? I interpret it as really an idea or the interest in developing the market for public debt or public securities on chain, right? So this own fund of the ECB investing in tokenized securities is limited to public debt issuances. from governments, from municipalities.

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or from European financial institutions, for example, the EIB. And the EIB has been quite active, the European Investment Bank, in issuing tokenized securities and tokenized bonds in the past. So I see this as really an incentive for those institutions or those governments to issue now government debt or public debt on chain because they have a clear demand side here, which is the ECB itself. So let's switch from what

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they launch to how this actually works. There are two settlement modes and participants can choose on a per transaction basis, which settlement mode they use. So for any next transaction in line, one of two modes can be chosen. The first is the trigger model. The euros move between existing T2 accounts rooted through a technical account at the ECB.

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Settlement is final the moment T2 settles. So this is the conservative path. you will, banks already understand T2. They trust its legal framework and they know what finality means in that context. There's ultimately the Bundesbank Trigger Solution that has already been tested in 2024. I think it was designed already in 2016-17 and now it's ultimately provided as with this central

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access channel, so to say, through Pontus to go into that mode or into the other. ending back to you, Isi. Yeah, in fact, the whole Pontus system is assembled from three prototypes. At least I'm aware of that. There's 64 institutions tested in the 2024 trials. One of them is the Bundesbank's trigger component. Well, that's what marks the Euro system, right? I mean, we always have like all countries coming together and trying to find one solution.

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It's not the only technical solution, it's a political solution as well, right? True that. And is that a bug or a feature for you and Sophie? Well, I think, wow, good question. I would say it's both. And as we are moving forward, we will see, like after Pontus, we will go to Marpia, right? And we see that some of the...

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technical solutions might just disappear and we will move into a whole settlement system that is then really European and not a puzzle from three country solutions. I'm coming back to this contribution by other European institutions or the puzzle idea. The Banque de France contributed its cash token platform to hold money and the Banque d'Italia's hash link protocol ties

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the cash to the asset, ensuring that both legs settle or neither does. So delivery versus payment in the proper sense is then ensured by this hashing protocol by Banca d'Italia. So it's really a European thing. And then coming back to these two settlement modes, the second one next to the trigger model. So the second one is the cash token model. A participant funds a wallet from T2 and receives tokens

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that represent a claim on the ECB. Those tokens circulate on the EUROSystems own DLT during the day and must be redeemed back into T2 by close of business. So this is, in my opinion, the more forward looking path. And it is also the one that will eventually enable the 24-7 settlement that the crypto natives among us always had in mind.

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once the EUROS system extends operating hours, which they are targeting for 2028. And I think importantly, as you already said, only the Bundesbank T2 trigger that is part of Panthès is at the moment providing settlement finality, right? So the wholesale CWDC token solution of Banque de France, which will be the only solution as from, I think, Q2 2028.

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so far does not provide settlement finality. So you move the token, but ultimately legally this transaction has not been settled only when you defund into your T2 account. That will be solved over the next one and a half years until then by mid-2028 only the wholesale CBDC token solution of Bankdafas will survive, so to say, and that shall then also provide final settlement. You need to look into the settlement finality directive whether

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a token that represents central bank money can actually also provide settlement finality. I think apply another few framework adjustments. But this is the trajectory that we're now starting to go on to. So Pontes is now live. You can test those two or you can use those two solutions. But the Bundesbank T2 trigger is the only one that provides settlement finality.

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will be shut down and then the whole SIPTC token will be the only one surviving then also hopefully providing settlement. Hey, sorry to be the party pooper here before we celebrate too much. As with any launch, there are many constraints after this go live as with any launch. So it's Euro only operating hours from 9 to 4 CET only on T2 business days only there is no netting and the fees

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although modest are not zero. So there are fees for involved institutions to be paid. That is 2,500 euro per market participants. So that's a flat one-time onboarding fee of 2,500 euro per institution to establish their dedicated cash wallets linked to the traditional wholesale payment system. And then second,

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15,000 euro per market DLT operator. So that's a higher one-time fee reflecting the deep structural and technical integration required to bridge an entire blockchain ecosystem into the central bank infrastructure. So that's what a fifth market DLT operator next to Swiat, for example, had to pay if they wanted to become a market DLT operator.

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Yeah, but Michael, still, I think that we still can celebrate because we now move from testing to operational work and service. And I think the ECB and the market stakeholder, they actually celebrated the launch of Pontus this week as well, because we have been moving forward in Europe quite quickly, right? In 2023, nobody was looking into the settlement on DLT or not as much as we thought.

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within the Euro system and now we have already a small solution. It's not the final solution, but we have a small solution and we can see how does the technology work and can we actually scale it. So for me it's a small part. And I also agree to Manuel. We didn't expect the ECB

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to be part of this operational work and to test their own solution as well and to be part of it. And I think it's also a sign into the market that they not only offer some kind of infrastructure,

they are also part of it and they are all jumping into the same pool to party. I think we have two very good signs into the markets. And for me, that's still a celebration moment.

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I agree, Dan, Sophia, I was a bit cynical here. And of course, I mean, what the ECB doing here is just golden markets then at a best practice. You launch a small functional version and then through the years, through continuous integration and development or CIACD, you just extend it. So it's way better to launch early and then build on it than to wait for a decade to have a waterfall, big bango life of

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something that potentially nobody needs in the market. So I'm totally with you. As I said, as with any launch, there are constraints. Yeah, but overall, this is very positive. And yeah, with that, we can actually move on to the second story of the month, which is then also the second answer to this whole digital money infrastructure question happening on the bank side, because why the ECB was launching Pontus for public money banks globally.

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were and are busy building their own private digital money raise. And the scale of what's happening here in September is really interesting. So first off the FARO or FARO consortium, the Banklet US Dollar Stablecoin Initiative doubled its membership from 10 to 21 institutions. The new additions include Fidelity Investments, BBVA, Commerzbank, interestingly for our German listeners.

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And they joined the founding members like Bank of America, Santander and UBS. So they are targeting a live US dollar stablecoin in the first half of 2027 with G7 currencies to follow beyond the US dollar. And this is 21 of the world's largest financial institutions building a regulated stablecoin to compete directly with Teva and Circle. So

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I'm really anticipating this go live and what it does to the whole digital money. And this is now really the third strong stablecoin focused consortia, right? Because we obviously have Kivalis in Europe and we have OpenUSD where there was also an announcement which institutions are going to go now into lead because the big announcement a few weeks ago was only the support announcement, right? That all of these, think 130

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institutions want to support on and off ramping and think about, they want to support thinking about use cases with OpenUSD, right? And now just a small subset was announced to ultimately found OpenUSD. Interestingly, Zach Abraham, the CEO of Bridge that was acquired by Stripe is now going to move over into OpenUSD and spend his time completely on OpenUSD. it's, I think Stripe Visa MasterCard.

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I now don't have the full list in front of me, let me get it up. But it's quite an interesting development. now, yeah, these three, I think, will have to compete in the area of stablecoin consortiums. Yeah. And at the same time, we create new infrastructures, right? So on one side, these consortiums are getting together to build one infrastructure together to be interoperable with each other. And at the same time, if we get

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A couple of them, we still have silos. So we will need to see how the infrastructure will be then interoperable in between these consultations as well. Because at the end, it's not going to help if we have just like a couple of consultations that are not communicating with each other. We just create new silos and we need to see how that would be possible in the future then. Yeah, to add one nuance here, theoretically, all these bank consortia can build

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stable can issue stable coins and launch stable coin rails that are interoperable theoretically. Practically, let's not be naive. Of course, all these consortia like the Firo Consortium will build a degree of closeness or exclusiveness into its consortium. As it would be the case for the other consortia in the US, 39 state

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banking associations representing over 3000 banks launched the so-called Bank Chain Alliance aiming for an industry owned blockchain network by 2027 for tokenized deposits, bank issued stable coins and programmable payments. So it's not only stable coins, but also tokenized deposits. then separately also in the US, the CARI or CARI network, which is a more focused group of about 40 regional banks raised

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about $30 million exclusively from US banks and is targeting production launch in Q4 even this year. So that would make it the fastest to the market if they were to launch even in Q4 this year, which I think will not happen because as we all know, these consortia

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build big things, but are slow due to all the negotiation and harmonization among the involved institutions. a quick side note again, coming back to OpenUSD. I didn't have it in front of me. So Open Standard, the company behind the OpenUSD, Coinbase, Mastercard, Shopify, Stripe and Visa will now join us, the initial founding partners. And they are anticipating adding a limited number of additional founding partners soon, they announced on X. So it's

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also developing, but I would agree, Michi, let's see how quickly they also obviously these companies, yeah, big names and also fast moving names, right? So let's see which consortium in the stablecoin environment can win quicker, or not win, but ultimately deliver something.

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Yeah, to complete the set of institutional consortia where we saw movements in September, there is in Europe the CBNT network, which continues expanding. So BNP Paribas joined D &B, Norway's largest bank joined and added the Norwegian Crone. CBNT now supports even four currencies, Euro, Dollar, Yen and Krone.

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To me, the pattern of all these banking consortia is that banks are not adopting public stablecoins. That would be the easy choice. Well, there are public stablecoins well in circulation and demanded. No banks are building their own regulated alternatives. The

question, this is one I keep asking myself, is whether these networks will eventually interoperate or whether we are creating

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yet a new fragmentation problem as Anne-Sophie rightfully pointed out. At the same time, what I find interesting is that we see names that are investing or like, yeah, investing on one hand in the CBMT networks and the other hand in stablecoin consults. So we see that banks haven't chosen yet which one would be the one that they prefer or which one is

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addressing which use cases they are all openly looking into all kinds of digital forms of money, at least the private ones, and still researching how to make use sensible, right? And I think that's a very, that shows a little openness also of all these institutions being open to new forms of money, to new developments and to innovation. that's

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Something that I would like to point out as well, that we see banks investing in all these topics and being curious about it. Yeah. And since I promised in the beginning that there are three answers to digital money infrastructure next to central banks and institutional consortia, I now bring the second answer, is stable, the third answer, which is stable coin native new banks. The third development, which

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highs this month together. really then comes from the fintech side and Revolute is one of them. They have started rolling out its Euro stablecoin, EURR or EURR in Denmark, Poland and Portugal. We in detail reported about this already in the last news recording since this happened end of August. Just for completeness, we wanted to drop it here. Then outside of Europe, Nubank

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The largest digital bank in Latin America with 114 million customers launched new global, a stablecoin based multi currency account in over 35 countries simultaneously. So these are big numbers, 140 million customers, 35 countries. Uses USDC and Euro C through Signum comes with a virtual mastercard and

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free cross border transfer. the more I think about it, the more I like it. Let me check if they have that available in Germany, which I don't think. Yeah. And that strategy is pretty explicit. It's even on the website. Use data con rays for rapid global entry, then apply for local banking licenses only where customer traction justifies the cost. So cool strategy actually. And then

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There is Sam Altman's word. Maybe you can remember it maybe one year ago. So also we reported about Sam Altman's DAT efforts. And this word organization launched word money via bridge. That is Stripe's stablecoin infrastructure company, of course, and they did so across 150 countries. It's payments, trading, investing with

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And that's where you know it from with biometric iris scan verification. Sorry for the nerdy stuff as an alternative to the traditional KYC as we know it from the traditional financial institutions. me, this is such an interesting development, right? Because those new banks, when you think about it, they were not to go with stable currency. They would need to open different accounts at different banks to provide different currencies to their clients.

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holding a Nostra account at another bank as a fintech, as a new bank is cumbersome, is hard because ultimately those banks where they need to hold the accounts with, they need to have the risk statement and risk appetite to actually allow those new banks, And to allow supporting those new banks with cash accounts. And this is not needed anymore, right? Because you can divert from banks to give access to

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money ultimately and rather go on stablecoins where there is no such restriction. The issuer doesn't restrict you to offer accounts or wallet services to your clients and wrap it into an account that looks and feels like a traditional bank account. this, I think, leads stablecoins into the mainstream use, especially in retail and developing markets where there's strong appetite for US dollars. And it will look and feel like just another bank account.

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But ultimately, the infrastructure below it is not banks. It's rather stablecoins. So I am following that very closely to see where that leads because this is significant competition for the traditional banking sector. Nevertheless, for some altman's word money, you still need to be open or available for this kind of tricky biometric iris scan. This is a bit...

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I don't know, alien stuff. No, but Revolut going all in, Nubank in general as well. There's so many other initiatives that are not as big yet as those two names and that really want to provide access to different currencies, but predominantly US dollar, right? Into the developing worlds backed by stablecoin accounts. And this is also the philosophy of Bridge, right? Which is now powering Revolut and Nubank stablecoin offering and many, many others, right? Where you can very easily open

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They call it even now accounts, stablecoin accounts that look and feel just like a bank account, but the plumbing below is not banking and bank wires and traditional clearing, but rather stablecoins. And they still offer access then when you're off ramp the stablecoin and traditional account based money to local instant payment rates, for example, plus, and now I'm done with the combination of a Visa or MasterCard, predominantly Visa card. You can then also spend those stablecoins everywhere where Visa card is accepted.

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And hence, where's the difference, right? The only difference is non-yield, but usually also the retail client, you don't necessarily receive so much yield at a bank. Yeah. So to conclude, at least in September, drawing on the news, Europe chose the public money path via Pontus. The United States is building on private money, both through regulated bank consortia and through stablecoin legislation and fintechs.

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are not waiting for either they are already serving global customers on stable coins on their stable coins rate or on existing stable coin rates today. Maybe just one quick note on that one looking at the public money developments. It's just a side note, but I think it's important in looking at the digital euro and the extension of cash, let's say into the digital world.

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On September 15, the Euro system opened the call for e-commerce and e-commerce merchants to participate in the digital euro that will start next year in 2027 and summer probably. already 36 PSPs have been chosen or selected to participate with. And for me, that's very important to integrate the merchants into the pilot because

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A successful digital euro will not only have to be technical functional, but it has to integrate into an already complex European payment ecosystem that exists at the merchants and the cash account and at the same time in the online world. So for me, that's now a real test and not only the distribution is important, but also the acquiring. So for me, that was an important news coming from public.

39:00
digital euro developments this month as well. Absolutely. Because beforehand, I think they only planned with, for example, canteens at national central banks, which is obviously a quite unique and narrow use case. And now, let's see which merchants want to participate in that. And actually also how it will work, right? Because if you think about a traditional merchant, for example, like at the point of sale,

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The terminal still would need to be amended. Is it then on all cashier services? how many transactions will actually take place? How do you get central bank employees, which are the only ones who can participate in the patent on the user side, right? Or how do you incentivize them to buy, for example, at a local supermarket next to the ECB? It's got to be interesting how that will actually look. I was wondering if there will be a call for the end users as well.

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So then we would have all stakeholder groups together, not only PSPs and merchants, but end users as well. I would apply to be a pilot end user. Yeah, indeed. Another very interesting development. Maybe to wrap things up, I think there were a few other initiatives that I just want to highlight, which were also interesting. We're not going to go into detail.

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For example, Canada's big six banks now plan also a tokenized deposit solution similar also to the UK banks that have now tested first interbank transactions. This is this great Britain tokenized deposit project, I forgot how it's called, where now mortgage transactions were processed and some other transactions. So in UK, live transactions took place. Canada, they announced that they want to build this consortia.

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And another quite interesting development is that Saudi Arabia withdraws from the Enbridge cross border CBTC platform where there was obviously lots of politics behind the scenes happening that Saudi initially joined, but now withdraws again. yeah, I would expect some

geopolitical tensions be the reason here as well. Saudi obviously is a quite close ally to the US and maybe there were some tensions. I have no idea whether that is the real source or

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The real reason is speculating here, but definitely a very, very interesting update given that apparently the Enbridge volume is increasing now. And then the last one that I brought with is also that Circle has now launched its ARK blockchain, which is really payments focused. I think once the volumes go up, that will definitely be a reason for diving deeper into exactly what is now possible on the ARK network.

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But yeah, it's a layer one blockchain that is really payments focused next to the Tempo payments focused blockchain of Stripe. Yeah, and then I think the last update also actually before we then go into the securities world is the Mika review where the ECB has now also published officially their response to the European Commission's Mika review, a consultation that will end on the 30th of September. So actually in a few days only.

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So three points stood out, stablecoin reserves. The ECB proposes moving away from fixed bank deposit requirements towards liquidity-based reserve requirements. As you know, eventually as a close follower of the MECA regulation, 30 or 60 % of the reserves of stablecoins need to be held at banks in the form of deposits. Only the rest can be invested in high quality liquid assets.

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and the ECB proposes to scrap this regulation and rather move towards a minimum deposit reserve requirement. What is the reason? Well, they say the stablecoin reserves or the deposits that act as stablecoin reserves are quite unattractive to banks. Banks cannot really do lots with it because it's LCR from a liquidity coverage ratio, LCR perspective.

43:08
not an interesting funding and they want to reduce the stress from stablecoins in banks. It's quite an interesting move. We don't have that regulation under Genius, so maybe also an alignment to Genius. Then the multi-issuance, it remains very cautious about stablecoin issue, both inside and outside the EU, because global fungibility can make local reserve protection more difficult. So this is the whole multi-issuance topic that we've touched upon so far, but haven't yet deep dived.

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If throughout the next month there is more clarity, we should definitely also revisit that. And then also they want further, clearer legal confirmation that tokenized deposit remain outside Mika and continue to be regulated as bank deposits under the CRR. So quite interesting that they very clearly point out this feedback to the European Commission's Mika from the ECB side as well. For me, that is very relevant because we saw that right until now, European stablecoins are not really competitive.

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within the global market and with global stablecoins in general. so for me, this marks the next step in, now we have a legal framework that was Mika 1.0. And now we are looking in how we can scale European stablecoins in the global market, which use cases do they

address and how can they really become relevant in the global market as well. And I think Mika 2.0 should look into that explicitly.

44:37
It's not only like from giving some legal framework and stopping to different or stopping other stable coins to come into the market. It's also supporting European stable coins to scale. that's something that I think we really need to see that Mika becomes a supporter of stable European stable coins. I agree. And also that the notion that the ECB really changes to support also European service because the recent

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views of, for example, also Lagarde were rather negative, not only towards US dollar stablecoins, but even euro stablecoins. So let's see where that industry takes us. True. But now looking at the time, have been discussing lots and lots on digital money, but we also do have a few news around, as mentioned in the beginning, around tokenized securities. Let me go into a bit of a quicker mode now to run you through what has happened. So the big news was that the

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Clarity Act has now officially failed. And we've been talking about it over the last month quite significantly. Also in the last news episode, we already heard from Nadine Wilkes, her view from the US that it doesn't look good. now voting produced 50 to 49 votes, short of the 60 votes required to proceed. So it is off the table. The bill was obviously intended to establish a broader regulatory framework for digital assets.

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clarify also the respective roles of the SEC and CFTC, which in the past, especially under the old administration, were always fighting over the responsibilities. And this is obviously very important, this bill, because the US still doesn't have comprehensive legislation defining the regulatory parameter for much of the crypto market. Genius is only really much stablecoin focus and Clarity was supposed to provide

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much more clarity. But then, enough, two days later, the SEC has finally landed their framework, which was delayed twice over the last months already, and effectively said, well, we don't need to wait for Congress to start experimenting with tokenized securities, and therefore now introduce the five-year temporary innovation exemption framework for certain venues to trade.

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tokenized US equities on chain. So it's really an equities focused framework and yeah, creates this regulatory sandbox inside the securities market rather than waiting for a completely new crypto law. And this framework as said already was quite long awaited and was now actually also a bit too late for the market initiatives that we're gonna focus on in the next minutes. What.

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came out clear is this distinction between security tokens versus certificates that give a claim onto the stock. So the tokenized equities that the framework now defines is supposed to be not synthetic derivatives that merely track the price of a stock, but rather to have the same

rights and privileges as the underlying stock, including dividends and also voting rights. So a true representation of the

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equity as a token on a blockchain. The framework also requires the underlying issuer to receive notice and to give opportunity to object that its stock shall be represented as a token on the securities marketplaces where the token is issued on. And the exemption covers certain tokenized security venues and liquidity providers and permissioned AMM liquidity pools. So this is also quite interesting that it explicitly allows

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automated market making liquidity pools, we know from DeFi, right? So it's not a centralized order book style way of trading those securities, but rather this DeFi way around liquidity pools where an automated market making mechanism is allowing the trading in those tokenized stocks. However, on a permissioned liquidity pool,

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So you still need to run through a KYC with those security venues in order to trade those tokenized securities. And the ECB has also imposed volume limits and extensive transparency, record keeping technology requirements for those trading venues. But definitely a very, very interesting new approach to look at tokenized stocks in the US. And this is potentially more significant than any other crypto market structure bill.

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because ultimately the regulator explicitly allows experimenting with on-chain secondary market infrastructure for securities using those AMM liquidity pools. So it's really moving away from is crypto a security to rather what does the security market look like when the security itself is a token. And this shall now be possible to explore over the next five years with US stocks. So really a significant development.

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Interestingly enough, the market developments as already announced a few minutes ago, they are not based yet on this framework and therefore realize tokenized stocks very differently. So Kraken or its parent pay board is realizing tokenized securities via certificates that don't necessarily have the same rights as the actual stocks. And Coinbase as a true representation of tokenized stocks does that, but only for non-U.S. citizens.

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So under the Abu Dhabi global markets financial services regulatory authority. So you could argue a bit the SEC was a bit too late, right? Because those major announcement now that NASDAQ invests in Kraken's parent, so the pay world institution and that the LSE, the London Stock Exchange, well, that's not necessarily US entity, but nevertheless, the LSE here in London and around the world with all its trading venues.

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is partnering with Payward, also rather on the certificate based model. And Coinbase, again, goes into this real representation of securities, but only for non-US citizens because there was no illegal currency in the US. Now let's dive a bit deeper into Nasdaq's announcement. So they want to invest $100 million in Kraken's parent. This comes just after in March, Deutsche Börse invested 200 million.

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for 1.5 % stake in PayWod, which back then implied a 13 billion valuation. Now estimates rather go into a 21 billion market valuation of PayWod. So significant value increase over the last months alone. But yeah, what they want to do with the Kraken's infrastructure ultimately is even more interesting than even the investment.

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itself because they also announced a partnership to bring Nasdaq equity tokens on to Kraken and vice versa also to use Kraken's solutions at Nasdaq. So Nasdaq isn't simply buying a stake in crypto in a crypto exchange. It rather is about developing infrastructure of tokenized equities and always on markets now in traditional but also obviously on Kraken's infrastructure. it's about

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providing distribution of equities in crypto native markets, while NasTech obviously also provides exchange infrastructure, market infrastructure, surveillance, issuer relationships to traditional issuers, and experience with regulated securities markets. So it's a significant partnership that was announced that will benefit both areas.

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Payward will adopt Nasdaq's market surveillance technology, also across all of its trading venues. It's a quite interesting signal because it's not only Wall Street putting stocks on a blockchain, but also crypto exchanges adopting the institutional controls of traditional capital markets. This brings Kraken's X stocks that has already been traded of around 25 billion in cumulative transaction value onto Nasdaq's world.

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and vice versa. So interesting developments here where these two players come closer, similar to what ClearStream has already announced. Yeah, Manu, to comment on the three of them, out of those three, right? So Clarity Act, Nasdaq and the London Stock Exchange. For me, the Clarity Act failing by one vote only.

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So this is really like a polarized topic in the United States. And the SEC launching its innovation exemption only two days later is to me the most revealing sequence of events in U.S. crypto policy, at least this year. We've all been waiting for the Clarity Act. I mean, that would have massively changed the whole economics and institutional adoption, I would assume, for digital money.

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It tells me that the regulatory center of gravity has now really shifted from Congress, which was trying to define what crypto is, to the SEC as a matter of fact, experimenting with what a securities market looks like or could look like when the security itself is a token. And the fact that the exemption requires tokenized equities to carry

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Full shareholder rights, including, if I understood you correctly, dividends and voting and operates through permissioned AMM liquidity pools means, at least in my understanding, that the SEC is not accommodating crypto within existing market structure, but actively

testing at least a defi native infrastructure inside the regulated securities parameter. And for Europe,

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which is our perspective here at BFRR. This is a competitive warning sign. So, Mika defined the rules for crypto assets and the US is now defining the rules for crypto native capital markets. And those are two very different levels of ambition between the United States and Europe. I would agree. mean, the US sometimes always surprises, right? And now with this...

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I mean, it was in the making and it was delayed twice, right? So now it's finally out, but it really provides this framework that is quite compelling also when you compare it to DLT pilot regime in the EU, right? And the US players are much more active in this space. They want to become more active. They invest much more. So I think we will see over the next months and years, I mean, it's a five-year sandboxing environment, so to say, lots of interesting developments.

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But the European version, I mean, at least in the UK, right? With London Stock Exchange is also interesting because they also partner with Payward. So it's all about Payward coming closer to traditional financial market infrastructure and players. The LSE announced plans for UK tokenized equity structures and the partnership also with Payward. They want to explore how its digital securities depository could support settlement and asset servicing.

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around X stocks. they also plan to issue X stocks on LSE 24 in 2027. And this is where it's really becoming much more bigger, story than crypto itself. So LSE 24 is the other half of this. And they announced it in July and it's designed as a 24-5 trading venue, operating completely separately from the existing London Stock Exchange main market. And the aim is really for near continuous trading.

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across time zones. Exchange traded products are intended to launch first, but in H1 2027, subject to approval. So the pieces that come together is now tokenized shares, digital security settlement, and crypto native distribution plus 24.5 trading. That really is looking like a completely new market architecture. So away from the existing architecture that we see, which could also

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list crypto securities or blockchain based securities, but building a completely new infrastructure. Because traditional market hours were really designed around physical market infrastructure, human traders, legacy settlement and batch processing. This is all now gone, but they really built this completely new infrastructure towards a 24-7 enabled solution with 24-5 trading enablement.

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What I'm really taking away from two major exchanges, mean, Nasdaq and the London Stock Exchange, both partnering with the same company both in September is an

interesting signal even that the traditional exchange industry has actually concluded that it cannot build the next generation of market infrastructure itself or alone, but they

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chose for partnering and interestingly they chose the same company. So it seems like a monopoly even if those two major exchanges choose that same company. was it maybe the company approaching them? So it would be interesting to see if we will see a European Euro system player in the next month working with Payward. Yeah, mean, Clearstream has already also this partnership, right? So it's interesting that

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It's really behind all of these initiatives. Seems like Kraken has made a good job in explaining also to the traditional players that they want to play with and also that they can, right? Because clearly it's a completely different game to play in institutionalized securities infrastructures than in crypto. Yeah. So most likely the future of equity markets will be assembled from components that today sit on opposite sides of

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crypto, TREADFY divide. So this whole thing is emerging entirely different as we anticipated after the Bitcoin white paper launch. So this is really traditional infrastructure partnering into or eating into the blockchain world. the last announcement is Coinbase. Maybe to summarize the whole part here and then come to a conclusion.

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So they want to offer offshore tokenized stock market or they announced it now, right? So they rolled it out in here under the framework of Abu Dhabi's global markets, financial service regulation outside the US and not for US citizens as now set already, right? So that includes 13 stocks, Nvidia, Meta, Apple, Google, Amazon, Coinbase, Circle, Microsoft, Morningstar, among others.

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each representing a direct claim on the underlying share, not a synthetic derivative. not how Kraken is synthetically creating some token that represents the security itself, but rather in the mood of the SEC as well. But again, not under the SEC framework, but rather under the Abu Dhabi's framework. And interestingly enough, they also obviously on base have DeFi protocols. So they also partner with all those nine

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DeFi protocols that are live with tokenized stock support, Aerodrome for liquidity, Aave, Morphe and Euler for lending and borrowing and some others now for order books and so forth. it's interesting how tokenized stocks without letting the issuers know that these stocks are now tokenized. They know obviously from the media, but there was no ask, there was no permission from the issuers to now represent those natively on base.

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and then allowing DeFi protocols the access to trade those securities on base. So obviously also an extremely interesting announcement where DeFi infrastructure, similar to how the ECC now tries to allow it, is already now live on base, but under a completely new or a completely different framework here. So for non-US persons under the Abu Dhabi regulatory regime.

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To wrap things up, these four news items is really an indication for this one major transition. see crypto native distribution through Coinbase, through Kraken, wallets, public chains and allowing 24-7 or 24-5 trading, but also via traditional market infrastructures. At Nasdaq, the LSE or the ELSEC.

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But also obviously DTCC is going into this direction. Custodians move to that world and transfer agents as well. And then we have public monetary infrastructure that also looks into it. The SEC regulatory framework, ECB, central bank money, with Pontes and then commercial bank money eventually, and obviously stablecoins as well. So it all moves into the direction of, let's say, always on trading and settlement infrastructure, where now the crypto industry partners.

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with the traditional settlement infrastructure world. What could that mean for traditional banks or custodians? Well, custody obviously could change because you need to now rethink how your custody solution looks like and what services you can actually offer. Traditionally, custodians maintain the institutional relationship between the investor and the securities, but with tokenized securities, some of the ownership

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and can potentially move into a token or smart contracts and ultimately the wallet itself, right? Very, very differently. And then as a custodian, you also have to go into providing wallet services. This is where Deutsche Bank's wallet infrastructure announcement, for example, could also be seen as a big announcement that also happened in September. Many other banks are working on it or have already announced that they also provide custody and wallet services.

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That settlement could become much more real time, Today it's really trading, clearing, settlement, and then reconciliation in the tokenized securities model that potentially moves rather towards trading, ownership transfer, and then cash settlement. So much less reconciliation, potentially less clearing, although that is, I think, yet to be determined how clearing and netting could also look like in a...

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tokenized securities world. Then programmable transactions come into play to reduce settlement risk, to allow more intraday liquidity potentially, collateral movements and so forth. And then also to include FX more efficiently with the money movement as well, where tokenized securities could talk easily, much more easily to tokenized deposit smart contracts or stablecoins or wholesale CVDC smart contracts. it's really about rewiring and rebuilding.

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the new infrastructure where obviously traditional players now have to think, what is my role in that world? So interesting developments, not only on the money side, but also on the security side. Long update today. I think we can wrap it up slowly after eight minutes now after the full hour. Handing over to you, Michi, again for our Knowledge Bites. What did you bring?

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Yeah, I brought a paper by our frequent and appreciated guest Ulrich Binzal with other co-authors published a paper called The Mighty Issuance Issue. The paper looks at a difficult question for stablecoins. Can the same fungible token be issued inside and outside?

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the European Union against separate reserve pools. The paper argues that this does not reliably protect EU holders. Even a 1 % loss in the foreign reserve can, through arbitrage, drain the EU reserve despite full MICA compliance. And the authors propose an alternative, that is, let well-regulated foreign stablecoins

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circulate in the EU under an equivalence regime rather than requiring separate European issuance and reserves. So yes, that's an academic paper. It requires heavy concentration to read, but yeah, it's really precious content, which I recommend to work through. because the ECB doesn't like that topic either, right? So very, very timely, very good knowledge by it. Sophie, what did you bring with us?

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or with you? One paper I found particularly interesting was this month's Bundesbank September's analysis on agentic payments. I think in general this topic is very important and we see a lot of developments around there, but the key idea is that AI agents could go beyond simply automating payments and then they start deciding when to pay, which payment instruments to use and which

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payment rate to choose and right now it's still within the mandate previously given by the user. But what we see is that the decision making process itself becomes part of the payment process and it's not only anymore the end user doing it, but there will be some kind of automation in the payment process. for me that's very interesting because we see that there's going to be a new layer.

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who controls the interface, authenticates the agent, and ultimately decides how a payment is routed. And we have seen this some small development within this context, agenting payments and agenting investing with Scalable Capital already, who provided some kind of API to integrate your AI assistant into your account at Scalable Capital. And then

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You can use your AI agent to make all your investments and to trade and do all the things that you do normally. And I think that's a very interesting development because normally you take your decisions very wisely. And now you will try to use your AI assistant to take these wisely decisions within some rules for sure, but still it's...

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As we know, AI assistants also give advice often and we use their advice. And what I heard from the market that some AI assistants within Scalable started to look at the financial options that Scalable is offering and comparing them to competitors. And then was also giving advice around different competitors to the Scalable clients.

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And from what I heard, that was not only in favor of scalable. So it's going to be interesting how AI assistance will also influence our decisions in payments in the future. And not only theoretically talking about it, but rather now being implemented and actually advising against the old platform. is,

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I find in particular quite interesting and quite funny. Yeah, nice one, Ansofi. And it's on my list now, in particular, as we do have this agentic payment series here at BFRR in which Jonas and I for the moment tackle the topic on a monthly basis. For this reason, it's really on my list.

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Yeah, the last one is me. So I brought an article in the Flow Magazine of Deutsche Bank. And this is an interview with Thomas Vlasopoulos, who's the Director General Market Infrastructure and Payments at the European Central Bank. So the successor of Ulrich Bintseil, who has written the other paper, Missy, that you have given. the article is called Europe has a window of opportunity, but it will not be open forever. And I brought it with because in this interview and it was actually announced or released on the day that

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Pontus was released as well, Thomas provides an overview of how the ECB really thinks about all those different initiatives and not only about Pontus, but also about stablecoins and also, for example, about interlinkage of instant payment system. So it's, I would say, a quite good overview of which topics at the moment matter to the ECB and in particular to the person that heads

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the market infrastructure and payments division at the ECB. So you cannot get more senior than that of somebody that knows what the ECB is working on. So highly recommended read also to understand the views of the ECB on all of these topics. Brilliant. With that, the month of September is as comprehensively as possible condensed into almost one hour. And what remains is to say thank you to you guys listening.

01:10:18
to Bitcoin Fiat Rock and Roll and for making it until the end of this episode. Thank you to Manuel and Ansofi for your takes and insights. If you do enjoy the podcast, please recommend and us. That really helps projects like ours the most to connect with us on YouTube, LinkedIn and our expert community on Telegram, which is available both in German and English. You find the details in the show notes. We have a website for more detailed analysis.

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and ultimately make sure to subscribe to BFRR wherever you get your podcasts and join us next week when we'll be exploring another critical development in the evolution of digital finance. Until then, this is BitcoinFed.com bringing Europe's perspective on digital money and digital assets to the world. Thanks both. Thanks, Ansofi for joining. Thank you for the invitation. It was fun talking to you. Bye bye.