

00:16

Welcome to a new episode of BFRR, our Bitcoin, Fiat and Rock'n'Roll podcast that explores the intersection of traditional finance, digital assets and digital money and helps you understand how digital assets and money will evolve in the future. I'm co-host Jonas Grohs and today I'm joined again by our guest host Jonathan North from Atonic. Hi, Jonathan. Hi, Jonas. Great to be back for another episode of our digital money interview series. Yes, indeed. Another interview series, episode, another great guest. So today we are joined by Nick.

00:46

Nick Philpott, he's co-founder and head of partnerships at Sodium Markets. I Nick has a very interesting beta. Beginning the career, not in the financial sector, but kind of in the British army before joining Standard Chartered. So then going into the financial sector where Nick worked across financial markets, London, Lagos, Singapore, a lot of different countries, different continents. He later led market structure work and Standard Chartered involvement in Libra before co-founding Sodium Markets, which we will also talk about for sure later today.

01:15

Maybe first to you, Jonathan, like, why do you think that Nick is actually such a good guest for this series and for this conversation today? Okay, super happy Nick that you could join us. I think Nick brings a really useful but also very unique kind of perspective. Traditional banking at Standard Chartered for many years, very, very deep in FX. And I also worked in a lot of different emerging markets, which is incredibly relevant, as we all know, for all things digital assets. And Nick and I actually met during

01:44

the Libra project and saw it from a couple different angles. We'll get into that in a few minutes. And I think it's interesting to see that Zodiac Markets is working on a lot of the things that we were thinking about, talking about, particularly cross-border problems and challenges that we saw that really Libra originally set out to address. So Nick, thank you so much for joining. Really happy that you're here and welcome to the show. Pleasure. Good morning from Miami. It's lovely to be here. So let's...

02:10

We'll get into the nuts and bolts of all things digital assets in a bit. Nick, talk a little bit about your background, your origin story. And specifically, I was researching this before the call, before the podcast. And you talk about a couple of early influences that I think are really interesting and unique. One is the financial infrastructure story in Nigeria, which you can talk about. And the other one I just loved is how you discovered Bitcoin through your brother.

02:37

when he was mining to buy spaceships on a video game. So double click on that. I love those stories. Tell us how that kind of brought you into your professional conviction that this is the way to go. Yeah. So, mean, I think a lot of people at Zodi Markets and maybe Standajit as well would say that I'm unusually passionate about the topic. You know, one of those rare people who genuinely, genuinely deeply loves what he does for a living. So I'm very, very lucky and extremely grateful for that, of course.

03:04

I'm trying to work out where that drive comes from. Started my career after the graduate program at Standard Charters. And really finance was a career plan B. The army was career plan A. I was medically discharged from the British version of West Point, which was extremely disappointing, but I had to find something else to do. And so I wanted to travel, particularly to unusual and exotic places, places that people ordinarily wouldn't go to. So Nigeria fit the bill.

03:32

very, very nicely when I was offered that. And when I was there, so I was in the financial market sales team, so you have to do client entertainment, client events, you know, all of that sort of stuff. And the telephone system, the telecommunication system in Nigeria at the time was so flawed that it didn't support credit cards. So if you went to a bar or restaurant with some clients, you would have to pay in cash.

04:00

And I remember having to wear suits as much to be smart, but also because I needed the pockets to carry all the cash. So at the time from recollection that the highest denomination note was 500 Naira, which is about four pounds, it's about five or \$6. So you need a lot. And then at the end of the dinner, if you had a big dinner, they wouldn't bring over a card machine, like a point of sale device, like they do today, they would bring a money counter over. So you're sitting there, Tony Montana.

04:30

you know, just pulling bricks of cash out of various different pockets. mean, I did one. What could possibly go wrong, right? Oh, heavens. Yeah, exactly. I mean, I remember one big one. I had to have my driver come in with a bag of cash to pay for a particularly large bill. So, yeah, absolutely ridiculous. So, yes, that was that driver. And then a few years later, that was 2009, 2010. In 2011, I went around to my brother's house.

04:57

My brother is scientist, he's a biochemist, works in financial services as well, but on the compliance side. And he was a huge video gamer. And we'd gone around to his flat in South London to go and watch a film. I actually remember the film. It was Apocalypse Now Redux. It's a favorite film of mine. Because he bought a projector. And so he puts the film on, we get started, and he had all these computer towers whirring away in the corner of the room. can you turn these off?

05:25

can't hear the film. He said, no, no, no, they're mining Bitcoin. And that was it. That was the moment. We've tried to work out what Bitcoin was worth back then, but he thinks it was somewhere in the region of \$6. Six. So, yeah. he tries not to mark to market the things that he bought, because it's too unbearable, but he was the one that had that initial insight. And the cost was so low, but also the reward was so high at the time, right?

05:55

Correct. rewards. 100%. You could do it domestically just with secondhand computer towers, just all racked up. So yeah, good for him. Good for him. So he printed out the Bitcoin white paper. I took it away. You know, and regrettably, many people sort of said, you know, do you own loads and loads? I mean, I didn't. Back then, I got married, paid for my wedding, paid for the honeymoon, bought the first house. I've always had a lot of debt.

06:23

But, uh, you know, I've tied mine, my career to this industry as well. So yeah, no regrets at all. It's, it's provided well for me and my family. Yeah. And I guess still good, good reasons to spend money. So yes, exactly. So then Nick, you know, so what I basically take from that, it was a mix of like curiosity, you know, with like what your brother is doing on the one hand side that got you interested into that and going you into the space.

06:49

But then also obviously the situation that you have experienced, for example, in Nigeria, but probably other countries as well, where you see, wow, there are problems everywhere in the financial sector, maybe different than here in Europe or in the States, where Bitcoin could fix something, right? Is this kind of accurate? Yeah, I think so. mean, I've seen sort of a currency that just did not function properly. Yeah, I've seen currency controls. I've lived amongst currency controls. Yeah, there's an expatriate in Nigeria in order to buy

07:19

foreign currency to travel home with, know, to go and see family and friends. I had to take my passport to the bank and have it stamped. And then I had a certain allowance that I could buy each month. A lot of the regulators and a lot of the sort of commentary at, if you like, particularly, know, the G7, G10 regulatory side, they're approaching a lot of this from a perspective of Switzerland, the UK, the European Union, the United States, et cetera.

07:47

Broadly speaking, money works there. What you often lack is the voice of a lot of the rest of the world. A lot of the solutions that are being driven are really designed for places where you're going to take the financial system from maybe a seven out of 10 to a seven and a half or an eight out of 10. Whereas in other parts of the world, the change would be even more profound. You're going from a three to a seven. And that's the bit of the world that, personally, I'm...

08:15

quite, I find almost quite romantic. I genuinely, genuinely love that part of world. I find it fascinating because it's different from where I come from. Yeah, and that's an excellent segue into where we got to know each other, at Libra because obviously Libra, and I don't think people really understood how much the people that were involved in Libra were really, really behind the vision of particularly things like remittances and solving these really...

08:40

very serious problems for people. Like you say, if we can't send money from A to B, it's an inconvenience, but for many, many people across the world, it's a lot more than that. so going back six plus years, what have you, I remember, shout out to our mutual friend, Kelly Richdale, we were kind of tasked to go find some large financial institutions that are actually forward thinking in this space. There weren't that many, Standard Chartered certainly was.

09:08

I know you were leading the charge on the standard chartered side and looking at potentially becoming a sort of designated dealer at Lieber and then later DiEM as it was called. And of course, just for our listeners, obviously, Nick, you know this, but a designated dealer basically is a regulated institution that's authorized to mint and redeem a payment network's

currency directly with the operator itself. So really a liquidity provider for all the other participants.

09:33

And so, with that sort of as a background, right, you had to look at this kind of coming from a standard banking perspective, but in a very much non standard project, what did you think specifically standard chartered or maybe more broadly banks had to kind of understand about stable coins at that point that they really hadn't to up to the deeper project? Well, I think for us, mean, standard chance is a very unusual bank.

10:02

And I think if you take, know, Standard Chartered is domestic bank and it's one of the largest foreign banks in Kenya. And so in 2000, the early 2000s, I in 2005 is when it was launched, but I've probably got my year wrong. Certainly early 2000s, M-Pesa was launched there. And that would have had quite significant impact on Standard Chartered's sort of retail payments franchise. Then it'd go on a few years later and you've got WeChat and Tencent and Alipay and all of those sorts of things in China.

10:32

Standard Chartered is one of the biggest, if not the biggest, foreign bank in China. So they see the same thing happen. It's the biggest foreign bank in India, so you've got UPI. So I think Standard Chartered, in some of its domestic markets, whereas the significant player, has seen almost the arrival of the future. In a sense, it's put its hand against the wall and the wall feels pretty hot. And it realizes what's coming.

10:57

that the internet is finally advancing into financial services, the open internet that is. Whereas I think other banks, you know, in some of the more developed nations, developed is all is relative, I still see people using paper checks in the US here, which is baffling. So I'm not picking on the US there. But so true. No, no, but so true. So what is this medieval behavior? So

11:23

But they're probably sitting there going, my US franchise, which is huge, everyone seems quite happy with that. So that's absolutely fine. So Libra, I just developed probably a reputation as something of a crypto or Bitcoin bore in the London Dealing Room. And when Facebook and the Libra project approached Standard Charters and various other banks at the time looking for support, in financial markets, it landed on my desk because it was one of those projects where people just

11:53

heard the word crypto and we've heard him drone on about it by the coffee machine. And then it also landed on the desk and transaction banking of a gent called Maxime de Guillobon, who sets up Zodiac Custody. So that's how he and I first met in front of Facebook on a call in February 2019. So we worked with Kelly yourself, Christian Catalini, David Marcus and all those guys. And what did we see? We saw it was a weighted average

12:21

currency basket. So was five currencies, dollars, sterling, euros, yen and Singapore dollars. And we saw it as an opportunity really to get closer to Facebook. think to be honest, it was a

fairly commercial objective. Later in 2019, when the switch happened to single currency stablecoins, that's when it got very, very interesting for us.

12:47

Because particularly with Singapore dollars and Japanese yen, one of the biggest problems we have as a bank is the cutoff times. So Singapore dollar, I mean, I don't know off top of my head, but if you don't instruct a settlement by 9 a.m. UK time, you're now into T plus one. The problem you have is say the US dollar and the Singapore dollar have different operating hours. This will almost keep civil service hours in a way. So you can only settle them at the same time when both systems are open, which for

13:15

dollars and yen and dollars and sing. It's about an hour or two. It's about two hours a day overlap. So if you cannot do that, either you're waiting to the next day, in which case you're running risk against your counterparty, or either pre settlement risk or settlement risk. So if you can get to a world where you have stable coins of those currencies, which are available 24 seven, suddenly you can start reengineering your effects before an exchange trading business. So for that for us, that was the real interest.

13:44

from almost scientific as opposed to market structure as opposed to commercial point of view. So this basically means Nick, like when we go now a little bit more into stablecoin, you just mentioned. So, but you basically do see is stablecoin, you know, being of course, playing a very important role in FX due to its benefits. We will talk about this later as well. But I think you also described it as some kind of, you know, let's say money off the internet, if you will, right? So is this like how you see it?

14:14

Yeah, it is. Yeah. So at the moment, the world's financial system, particularly payments, operates on closed databases. So Fedwire, I mean, there's a lot more to it, but certainly within the stack is an Oracle database. So was a series of Oracle database clusters. Fedwire obviously does US dollar money movement. Actually, if you Google the Fedwire instruction manuals, they've got the Oracle logo written all over them. You know, it's emphatically Oracle.

14:41

and plus some other bells and whistles. I shouldn't diminish it. Target two from memory is IBM. There's a lot of IBM in there. Then you've got all the various different core banking systems. So let's say for example, you're making a payment from Singapore to Europe. So I would go through my bank, that's a core system in my bank. Now, and I instruct them to do dollar sing. So the Singapore dollars move through another closed system.

15:09

run by the Singapore Payments, which is called METS or NETS, for memory. Then you've got to go to the United States, you need another bank, which is the correspondent of the Singaporean banks, that's another closed system, talking to Fedwire, which is yet another closed system. Unfortunately, that American bank that just pretends that doesn't have a correspondent in Europe, so you go to another American bank, that's another closed system, et cetera, et cetera, et cetera. So you have all of these different closed systems have to communicate with each other, and they have to reconcile in debit and credit.

15:37

Et cetera, et cetera. And lot of intermediaries between the system, right? All the intermediaries, exactly. All the costs as well. All of the time delay, all of the chances for you know, a misconnection and so on. Swift, Swift has done a fantastic job of stitching a lot of that together. The problem you get into though is in developing markets. So countries that have ever been on the anti-money laundering gray list, as you call it, this FATF gray list, Financial Action Task Force, which has caused a lot of

16:05

large clearing banks to de-risk those countries. So if there's nothing there, then some of these connections have started to break down or they've stretched, they've had to lengthen. So the times and the speed increases. If we step back a little bit further to your point about putting things onto the open internet. So what do we use today that's on the open internet? So email and obviously Jonathan, Facebook was operating WhatsApp.

16:32

So let's say that WhatsApp now works the same way as cross-border wholesale payments works. If I send a WhatsApp message now, it's Friday, it'll arrive in two business dates, so it'll arrive on Tuesday. If I have WhatsApp and you have, I don't know, Telegram, I can't message you. Now that's really speaking is true, so maybe email's a better analogy, but never mind. You can't send a WhatsApp after 5 p.m. local time. So Jonathan and I might be able to message each other, but very soon, Jonas is gonna have to pack up and won't be able to message us.

17:01

It's ridiculous, but that's how cross border payments operates. So it's absolutely stupid. The other thing is all this sort of tokenization narrative that you have in financial services, which the CyBoss banking conference here in Miami had been hearing about a lot of that, and the enthusiasm about tokenization. Tokenization, broadly speaking, is just putting financial assets onto the open internet in some way or another.

17:27

either as permissioned chain, permissionless, closed system, open system, but it's all on the open internet. The problem with a lot of that is people are running around trying to tokenize securities, derivatives, all sorts of things. Until you tokenize the common settlement assets of all of those markets, whether it's the equities markets, the treasury markets, et cetera, you're going to be creating a two legged stall. You have the infrastructure, so that's the blockchains, very likely. It's one leg.

17:56

The second is the asset you've just tokenized, say a tokenized US treasury. But if you haven't tokenized cash, then you have a two-legged stool because the security may settle minutes and seconds, 24-7 availability. But if the cash doesn't settle until Tuesday, what was the point of the exercise? So to your point, I think was, if you tokenize cash, then you unlock two very large markets. Number one is cross-border payments, which is so big that no one is really sure how big it is. I've heard 40 trillion sounds about right.

18:27

And then the second one is, to your point, Jonathan, is FX. So payment versus payment, which is seven trillion a day. We do know how big that one is. So tokenize cash and you lay the groundwork for everything else. Three ways of tokenizing cash, central bank digital currencies, tokenized deposits and stable coins. Central bank digital currencies don't really work cross border trying to get the central banks to collaborate. It's very, very difficult. We have a live example of that. CLS has been trying to do that for FX settlement risks since 2002.

18:56

done 18 currencies so far so that current pace they'll do the other 162 currencies over the course the next 200 years. I'll believe it when I see it. The second one is tokenized deposits. And to my point earlier is if the correspondent banking network has retreated from a lot of the world and the banks are no longer in those countries, where exactly do you plan to put the tokenized deposit? Because the bank's not there. So right now I see stable coins as

19:24

filling in a vacuum that's been left by the correspondent banking system. So it's not so much for sort of G 10 or G 20 countries. So, you know, the US, the European Union, Switzerland, Singapore, Hong Kong, it's much more for those bits of the world that have been de-risked and left behind. So Latam, most of Africa, quite a lot of Asia, all of the CIS, and almost all of the Pacific. So that's the situation we find ourselves in. And you know,

19:53

100 % agree with what you just said and just a just a quick comment on even in You mentioned earlier in the beginning part of the podcast, right things work in the US things work in Europe things However, when I did a me to me transaction through my one of the largest banks in the US My account sent to one of the largest banks in Germany. I had that same experience So when will it arrive five to seven days? We don't know how much will arrive in my account. We don't know

20:23

How much is it actually really going to cost other than the \$45 I paid just to fill out the form? We don't know. And I think payment geeks among us, we all know that, right? But the people outside of our bubble have no idea just how broken everything is. So anyway, just a side comment. No, no, absolutely valid. Absolutely valid. Yeah. And think it was really a good example, Jonathan, where it's a great explanation, on where the system is broken because...

20:49

I think that's also what we want to do with this podcast. There is so much noise about all of these topics, right? And still with crypto and blockchain and energy and fraud and not regulated and all of that, right? So, so it's really good to get it very tangible on where is a problem to solve because also here, I mean, the technology should be here to solve real problems. then the stable coin cross border case, you know, it's, seems that there is really a problem to solve. Correct. mean, Jonathan, to your point, I can reflect that. So.

21:19

I traveled to Uzbekistan recently, a couple of weeks ago. Not one of my British cards worked. None of them. So had to use all my UAE cards. And I have no idea why. Just none of them worked. And it's the fact, it's not only the inconvenience, but it's also the uncertainty.

You're sitting there, trying cards in a restaurant, gradually feeling yourself going redder and redder and feeling more and more embarrassed.

21:46

There's no underlying logic. There's no communication, you know, from my bank. So by the way, if you're going to Uzbekistan, don't use this. You need to find something else. And then praying to God that the UAE credit cards would work, which they did. And imagine you don't even had a UAE card, right? So imagine if you have your three credit cards, none of this is working. you know, then it would be a really crazy change. mean, what I'm

22:12

You go to an ATM and the ATM doesn't work either. Right. Now what we're doing? I'm washing dishes tonight. Yeah, exactly. And you're not allowed to leave the country again. I think we're full, Nick, we're full circle back to what you originally said. You're going to have to wear very big suits with lots of cash. That's the search.

22:33

That makes a lot of sense. mean, what I'm now also wondering, and I agree with your assessment. Also, we discussed in this podcast so much about tokenized deposits and stable coins, et cetera, and also what CBDC, which role they play. And I more more believe that it's getting more clear where the space will land in terms of stable coins, tokenized deposits. So for closed loop use cases, it may still be beneficial to have tokenized deposits. So I don't think it's one or the other.

22:58

And what I'm also very curious to see Nick in the topic of the CBDC is mainly host CBDC, how this will fit into the global cross border stuff, right? Because we do see some movements in particular in Asia, around China, but MCBDC bridge, where really, know, central banks were able to connect to each other, which I think is very interesting also for cross border. But the reality is also in the West, we don't have seen a Ponder, right? We do have project Agora from the BIS, you know, but it's definitely farther behind that M bridge.

23:27

But, know, maybe a perspective on, you know, do you have a perspective on also how wholesale CBDC, you know, could fit into that? Because that's at least more related to cross border than retail CBDC. Yeah. Yeah. So I think you can achieve a lot that wholesale CBDC will provide domestically just by making the domestic real-time growth settlement system better, which multiple countries have done. So you have PICS in Brazil, you have SPAY in Mexico.

23:55

There's a couple of other countries that have moved to 24-7 wholesale RTGS. I Switzerland is another, South Africa might be another. Trying to remember the others. One of the challenges is that you can speak in beautiful, elegant, theoretical terms about a lot of this. But if you then go into the banks and you go, right, the bank has now got to manage its liquidity position at the central bank digital currency system or the 24-7 RTGS.

24:24

Yeah, if I look at standard chartered, I mean, it might have changed now, but the ALM and Treasury Desk is literally two very pleasant, middle-aged white guys in London. I even

know their names. So I have a mental image of those two guys. Relatively antiquated systems, because they're not, you know, they're not sort of client facing revenue generators. They can do what they do Monday to Friday, work reasonably long hours, sort of seven till six, but they're not 24-7.

24:53

So if I go to those two guys and go, right chaps, okay, we're gonna move to 24, seven availability and your settlement cycles are gonna switch from maybe three a day. I'm gonna move to four hourly increments, then one hourly increments and you're eventually going to get to minute by minute or live. The color is gonna drain from their face and both of them will resign. So then repeat this across all of the different banks. So you've got an infrastructure upgrade, you've got

25:23

personnel situations to consider. I asked a question at the Eurofinance Conference recently. I said, is this not going to create a problem with the bank treasury desks moving to 24-7? The answer I got was, I won't say the speaker, he said AI agents can fix this, which I find is a good, I'm kind of actually appalled by that answer. What bank is going to hand the keys

25:51

to the bank's treasury system on a Friday night and go, right, I've funded you at the central bank. If you've got any problems, call me and then come back in on Monday. Yeah, exactly. Yeah. Yeah. We've, we've hired someone he's called Claude. He's going to run the, run the treasury position over the weekend. I, by the way, the repo market shut because then you've also got to make the repo market 24 seven. So you have all of these dependencies. Yes. You can, you could fund.

26:20

the central bank system over the weekend. In some countries where it's probably a small network, so it's maybe four giant banks. If you get those four giant banks, you could probably run the system because they'll just work together. But in other jurisdictions, particularly the US, where you've got hundreds of banks to coordinate, or the European Union, hundreds of banks and 27 countries to coordinate, I just don't think that the underlying infrastructure is there to make these things work as much as we would love to.

26:49

see them work. totally fair. I mean, today, Nick, if we look into gross border payments, obviously a lot is across currency, like, yeah, in some kind of sense, but globally, we do see that the US dollar is obviously the reserve currency and the most used currency here. mean, obviously a lot of stuff happening now. So let's see if this is still the case in 10, 20, 30 years. But that's not my question. Like there is also in stable coin and crypto land, the US dollar is dominant, but by far more.

27:19

then, you know, in our traditional payments world, when we look into market shares between US dollar, Euro, yen, whatsoever. a question, actually, like twofold question. One is, you think this, you know, stablecoin dominance, which goes in the direction of 100 % market share, do you think this is, this is to prevail? And maybe the second question, what, what would need to change for other stablecoins, you know, to get more of the market? Yeah, so

it's a very good question. It's one we've reflected on with the Standard Chartered's research team.

27:47

And we've published a paper, I think, beginning of the summer on non-dollar stablecoins in particular. You and your listeners, please do go and have a look at that. Yeah, we put in the show notes. Yeah, okay. Thank you. So we think that the dollar does have an outsized share. In terms of actual use cases, it's a barbell. We did some analysis with Stand Chart Research.

28:14

So at one end, one sort of the barbells is the, what we call the Argentine taxi driver use case. So Argentina has more physical dollar bills than any other country in the world. Long history of currency, currency issues, dollar deposits being seized by the central bank, hyperinflation, inflation, debasement, et cetera. So what dollar stablecoins are doing is it's replacing

28:40

bags of dollar bills that are buried in gardens or stuffed under mattresses. It's a digital savings account for the mass poor in a sense who are unable, certainly unable, to get access to dollar bank accounts. So it's replacing that. At the other end of the spectrum is, I don't think we had something quite as pithy as the Argentine taxi driver, but it's sort of oligarchs and the high network, the mass affluent, if you like. Again, in similar countries.

29:08

who formerly were investing in say real estate, particularly in West London, know, Mayfair houses and all those sorts of things, buy to let properties and stuff as a store of value. You know, this is a return of capital use case rather than return on capital use case. And effectively, same thing, they're shorting their sovereign, they're just doing it in size. And they've again switched largely from illiquid assets like West London property into we think dollar stable coins, and we can see

29:37

We believe that's what we can see on chain. Incidentally, which part of London has seen 20 40 % price drops? Premium West London. those are the use cases. Now in terms of the currencies where we think that there's opportunities in non-dollars, we think that actually a lot of the world is looking again at the wrong place. I don't think it's going to be Switzerland and Canada and actually the European Union.

30:04

And actually, it's not a criticism of the European Union or the euro, it's actually praise. The euro system works remarkably well. You know, if I instruct a payment, you have target two, you have separate instant, which are extremely robust systems. Similarly, if I go to Singapore, or if I'm here in the United States, I could probably get a euro bank account. Whereas let's say I'm a taxi driver here and I'm sending home money to the Philippines.

30:30

Am I going to be able to get a Philippines based peso bank account here in the United States? No chance. None. Whereas could you hold a Philippine peso stable coin here? Yes, you could. Philippines is another good example because what Eastern hemisphere

currencies remember the cutoff times I mentioned earlier, they're very early cutoffs. So by the time I'm trying to remit money home, the Philippines is closed for the day. So that way if you again use a Philippine peso stable coin.

30:59

Now you can send funds home and it'll settle immediately and instantly. It'll settle at weekends as well. You work Monday to Friday. You remit money home on Saturday or Sunday. So we think that it's going to be those sorts of currencies. So Eastern Hemisphere, countries with a huge amount of trade, particularly commodities trade, countries where access to their currencies are very difficult, and finally possibly some new regional champions. So it's not necessarily the case that your currency needs to be better than the dollar.

31:27

It just needs to be better than what's in your neighborhood. So if I could pick one out, the Kenyan shilling is quite an easy target because look at its neighbors and their currencies. Could I see the Kenyan shilling displacing the Somaliland shilling, the Somali shilling, the Eritrean nakfa, the South Sudanese pound? Yes, I could. Because if you go to a guy in South Sudan and you say, would you like a dollar stable coin, a Kenyan shilling stable coin or a South Sudanese pound?

31:55

The answer will be, don't really care so long as it's not a South Sudanese pound. That's super fascinating. It's actually really good framing for a question I wanted to ask you, right? So we talked about all the unique local nuances and challenges, right? And just the whole complexity of global money movement. What do you think that means from your perspective? And I know this is the unfair crystal ball question, right? In five years or in X years, doesn't matter.

32:22

What's your expectation? Are we going to see a few dominant global stablecoins like we have today, candidly? Or is it with the advent of all the consortia popping up? Is it going to be a bunch of regional consortia, bank-led kind of tokens? Or is it going to be a whole myriad of highly specialized tokens for very specific use cases? What do think the landscape will look like in, I don't know, five or 10 years from now? I think it'll be a very decoy system.

32:52

which I think is a good thing. think a varied ecosystem is inherently, I want to borrow the phrase from Nassim Taleb, is anti-fragile. It's a more resilient system. So I could see highly specialized stablecoins coming through. So you have Western unions, for example, the USDPT, which I'm fascinated by, which I do wonder whether that's going to see extremely large market cap. It's really just a velocity play for those guys.

33:21

So I think they would be ambivalent whether it's big in terms of market cap or small. So I think the way that we measure the success of a stable coin might change. I think we'll look perhaps much more at velocity rather than market cap. Albeit that obviously does undo some of the economic sort of income factors. Although for someone like Western Union, they're trying to reduce and the remittance companies, they're trying to in the first instance, reduce the holdings of the destination currencies, which are usually volatile.

33:49

poorly banked, quite hard to move, et cetera, subject to inflation. Also, to put the token into their apps, into their new IT systems. So it's trying to fuse money with intellectual property heavy services, so IT services in particular. So that's the first thing. I think the macro trend is that, this is my background, I did financial history for a chunk of my university degree. If you go back to 1800,

34:19

depending on how you count it, the world had about 60 currencies, six zero. We're at about 180 again, depending on how you count it. So it is a provocative question, but I think it's still a valid question. How many currencies do we really need? You know, if, I personally suspect that probably about 30 % of them will just wither away over the course of the next 30 years, a deeply provocative question. But would the world notice if we lost

34:48

the kina, the paanga, the tigrig, the manat, the loti, the guarani, people are just Googling them, is he making these up? They're all real currencies. and people say, learned a lot in terms of new currency from you, Nick. I'd be very good at a pub quiz for a very niche round. then people go, okay, well, sovereignty and monetary policy management. I don't really buy that argument.

35:17

So I've been to El Salvador twice now. Beautiful country, huge turnaround, the story. But they haven't had a local currency since 2002. They run on the US dollar. It's got passports, it's got a flag, it's got great food, it's got lovely beaches, it's got a capital city, it's got culture, music. It doesn't feel any less sovereign from the fact that they use someone else's currency.

35:42

And again, you go back 200 years, most of the, a lot of the world ran on the Spanish silver dollar at a time where adoption of the Spanish silver dollar pretty much negatively correlated with the success of the domestic Spanish economy as it was conquered by Napoleon and then basically just lurched from civil war to civil war to civil war. Same with the Maria Theresa Tala, which was used across most of the Middle East or Arabia and the Horn of Africa. They carried on minting Maria Theresa Tala after Maria Theresa was dead.

36:11

in 1760, whenever she died, because it's achieved the brand value. know, people trusted it. They trusted its weight. They trusted its look, et cetera, and its acceptance. So I think we're going to see consolidation. I think we're going to still see some disruption. Some of that's going to be extremely volatile, but it's the same impact that we had in other industries when those industries migrated to the open internet. There's winners and losers.

36:38

I absolutely love your perspective. I'd forgotten that you're so steeped in the history of this. I just love that perspective. What's the saying? The history doesn't always repeat itself, it usually rhymes or something to that effect. And I love that perspective. Really cool. I want to make sure we allot a little time for you to talk about Zodiac markets and what you do. So let's double click on that a little bit. So when you meet somebody...

37:05

And you try describing Zodiac Markets to people that are not at all familiar with it. What's your elevator pitch effectively? So Zodiac Markets majority owned subsidiary of Standard Chartered Bank. are one of the top, certainly top 10, very likely top five, tributaries of stable coins in the world. So on ramping and off ramping against a variety of currencies. We operate at the wholesale end of the spectrum by choice rather than by compulsion.

37:36

So many firms in digital assets still struggle for access to basic banking. So in some cases, they are using, I mean, glorified payment service providers, you know, as their banking providers. This reduces their ability to move cash. And if you're running a digital assets business, cash actually is your biggest problem. The stable coins and the cryptocurrencies will move, broadly speaking, when you want.

38:03

almost as fast as you could possibly imagine. Cash is your problem. Now, cash comes in two sizes. So retail, you can manage through some of those glorified PSPs and sort of very small banks that are crypto friendly, because they can get access to faster payment systems. In G3 or G10 countries and currencies, that works reasonably well. Fed now can do, I think it's two and a half million. Maybe if you notice, five million US dollars, pardon me, ACH can do five million in a single ticket.

38:31

UK faster payments can do 2.5 million, separate instant is pretty big as well. But the moment you start traveling down the curve, you realize how steep that curve is. So the United Arab Emirates, for example, very advanced country, very, very developed. The faster payment system is capped at 50,000 dirhams per transaction, which is about 13,000 US dollars. So it's fine if you're sending a remittance home. But if you're buying a tanker of crude oil,

39:00

You have a problem. If you're remitting money into the Philippines, the Philippines faster payment system is capped at 50,000 pesos, which is 870 US dollars. It's too small. So where those faster payment systems operate 24 seven Zodiac markets operates with RTGS. So we are focusing on making wholesale cash move faster to do your on and off ramping. We do that by co-locating with our banking providers, where they're domestic clearers. So our

39:30

CNH and Hong Kong dollar bank accounts are in Hong Kong with the domestic clearer. And we pair that with extremely good quality foreign exchange, usually from standard chart at all from one of our partner banks. The upshot is that last year, for example, we settled 90, 90 % of our trades in less than an hour. And our average transaction size was \$2.4 million. The biggest single ticket we did last year was \$120 million. We settled that in 90 minutes.

40:00

So we are a wholesale stable coin on and off ramp in the purest sense of the term. We are scale. We're trying to find a phrase that succinctly describes what we are. We're still struggling. We had an offsite. We tried to go, what are we? I would describe us in a sense

almost as a stable coin clearer. We are the big infrastructure provider that sits behind a lot of the household names just doing that wholesale money movement.

40:28

Sorry, a bit longer than an elevator pitch, but that's also our curse because it takes a bit of explaining what we do, how we do it and why. But 21 currencies so far. Okay. 21. Yeah. think this was pretty precise in terms of what you're doing. So I think at least for me, it became very clear on what you're doing and also that you are, let's say with the volumes you have, are a little bit like outside the typical...

40:55

small startup phase, right? I think you also, if my information is accurate, you raised one round, was it last year, 2025, with 18 million or so. Can you maybe guide us through what the next phase of you looks like? Is it scaling and more currencies like the 21 or what is the is. Think of it across a few axes. So the first axis is adding more currencies. We've done all the easy ones, which are...

41:23

easily deliverable, easy to get banking bank accounts as a foreign entity, as a non-resident entity. So adding more bank accounts. Now that means working with banks outside of standard chartered perimeter. So what we're doing is we are working with banks that are clearers to standard chartered. So for example, standard chartered is not a Mexican peso clearer. So we are opening accounts with standard chartered Mexican peso clearer. The nice thing is that

41:52

Standard Chartered is the dollar clearer to that Mexican bank. So what that means is when we're sending dollars from ourselves as Standard Chartered to ourselves at Mexican bank, it settles extremely quickly because it just book transfers across Standard Chartered USA. So we're doing that trying to find regional banks. And that's part of the reason I'm here in Saiboss in Miami. So the gaps we have are Latam, bits of Africa, the whole of the Caribbean.

42:18

and most of the Pacific and then a few other random places. Emerging Europe's a bit gappy. So that's the first one. The second is moving into payments because a lot of customers are now saying, great, you can move the stable coins for me to country XYZ, but now can you do either the payout and then I'm not going to do mass distribution payouts. That's not my business. retail, that's not my business. But at least can I get the cash to land domestically or do collections?

42:46

So to do the large collection. So payments will be next as well. And then the other one is to actually figure out how to make on chain effects work properly. So at the moment, there's some fairly clever ways that we manage to particularly mint US dollar stable coins extremely fast. We support non dollar stable coins. So Singapore dollars, euros, sterling, yen, bunch of others.

43:15

So the challenge now is trying to repeat that speed trick with those currencies, stable coins, as well as the US dollar. Because then you can start to do stable coin versus stable coin FX wholesale. So what we're not doing is some decks where you're just going to be trapped in small volumes. You break the convexity of the artificial market makers very easily.

43:40

because wholesale FX is a very strange market structure. It's two tier. It's not like equities or crypto, which tends to be exchange central and mid-order book. FX market structure is weird. And then finally adding other products, so tokenized money market funds or tokenized securities. We're starting with the tokenized money funds because we've solved, mostly sold, money in motion. So that's cash, stablecoins, but that pays no yield.

44:09

So now we've got to try to focus as well on money at rest. So how do we pay yield? But at the same time, provide that yield 24-7 availability with the ability to entry and exit, intraday in minutes and seconds. That's quite tricky. Wow. We've got a lot ahead of you. A lot of things to work through. That's great. Great challenges. And you mentioned just now you're in Miami, spent the whole week at Cybos, and for some of our listeners,

44:35

think most will be familiar, maybe some of the Web3 folks will not. Cybos is a really, really important industry event. been around for many, many years. I've been to many myself. I was at the infamous 2008 Cybos in Vienna, which was when the world crashed, which was very interesting. But talk us through, and just hot takes from Cybos now as you're coming off of that conference.

45:00

What are some of the more important ideas that you picked up on and maybe what are some of the things that surprised you? So this is my first came to Cyboss myself four years ago. So for the Web3 listeners, Cyboss is one of the biggest banking conferences in the world. So it attracts the cash bankers particularly. So the ones who are doing cross border payments, cash banking and things like that. It's the money movement, money movers within all of the banks.

45:28

So all of the big ones will have stands and then all the little ones and the customers and central banks will sort of be moving in between them. So it's a good conference about four days long, about five to 10,000 people. I it's pretty big. four years ago, Toronto, I think it was, in terms of digital assets people, there was me, there was two guys from Cardano, and there was a small team from Chainlink. That was...

45:56

pretty much it. Actually, I think it was a guy from Bitcoin magazine sort of wandering looking slightly lost. Ed Jullien, who's become a good friend ever since. There's this orange t-shirt looking like an utter pariah amongst all the bankers in their suits. and digital assets were not on the agenda at all. Indeed, I was surprised to leave, know, to escape, you know, not covered in tar and feathers. Because you tell some of that crowd that you work in crypto and you know, it's just

46:25

Revulsion. So now digital assets is a hot topic. There's a lot more attendees from our world. So you've got the guys from Fireblocks, Anchorage, et cetera, et cetera. I hope I don't make people cross from forgetting who else was there. Circle were there. In a big way, Ripple as well. However, I think a lot of the banks are still going through the same conversations that Standard Chartered had maybe six or seven years ago.

46:55

tokenized deposits, central bank digital currency, should we do this, should we do that? And standard charter just realized it needs to back multiple horses. It does ECNY in China. It does tokenized deposits. It's a global network bank. So tokenized deposits are great at helping stitch that network together. And then stable coins are good for us as well, which we largely do. Because if you look at the top 20 countries in terms of crypto adoption,

47:23

Standard Chartered is physically in 14 of them. So it serves that agenda nicely. So a lot of banks are going around that. The one that really surprised me is I met a central banker from a country that definitely will remain nameless. And he said, you know, I find it strange that all of these guys from like the IMF and the ECB and all of these guys, they really don't like stable coins at all.

47:51

Did he say it in a whisper like that? He did say it in a whisper, which was bizarre because we were in a closed office. like, don't have to whisper here, it's fine, you're amongst friends. But he said, he and a lot of the central bankers in his cohort of nations, the global south, in very simple terms, a lot of them use...

48:17

stablecoins for their own purposes, cross borders. The same with corporate treasurers. I met the corporate treasurer of, I was at Eurofinance, which is sort of a similar conference of very large corporate treasurers, some listed companies. A lot of the Western ones, know, sort of intellectually curious at best about stablecoins. I met the corporate treasurer of a very, very large listed company in the US. She's Argentine. She's Argentinian.

48:42

Oh yeah, I use stable coins all the time to send money home from New York back to the back to Argentina. So it's two worlds. I think people often don't have on the radar screen and I think just also adding on your anecdote, a quick anecdote. I remember when I was in DC, actually, it was an IMF event, I think four or five years ago and there were a lot of like central bankers, IMF folks, etc. around and

49:09

talked a lot about cross border and that's so painful and it takes so long and the fees are so high and everything. And then I basically put out my phone and showed them like the Bitcoin Lightning Network. Right. So basically showing them because we discussed before how bad Bitcoin is for whatever reasons. And I said, you you told me all the problems of cross border payments, check this out. And they were really like speechless and because they didn't know that side because they didn't try it out. Right. And obviously, you know, with Bitcoin there, you have the volatility so we can

49:39

one-to-one, guess, translate that to stablecoin. But that, you know, I can very much relate to what you're saying. So I had made very similar experience a couple of years back. But I think very quickly that I'm sympathetic to a lot of those regulators and a lot of those big clearing banks, because a lot of them treat digital assets, businesses, medium to high risk flow, or sometimes high risk flow, or even outside the risk appetite. So as a result, a lot of their customers and a lot of their relationship banks

50:09

deliberately don't tell them that they're engaging in digital assets activity. I've met the head of cash management at a very large clearer and he said, oh, well, you know, none of my clients use stable coins. And I'm sitting there going, I've seen the settlement instructions of one of my clients and his bank was on the list. And I know for a fact his corporate is not using him. He's using a standard chartered and sending the dollars through there instead because he would block the transaction.

50:37

Some of this is self-reinforcing, unfortunately. And it's sad because some people are going to have very, very unpleasant surprises when they start seeing their clearing numbers and their revenue numbers just start to crater and they'll be completely ignorant as to why. Yeah. But I think, you know, that's also very nice, in terms of closing that we can tell everybody off the listener, you know,

51:00

Go talk to the banker you trust, the central banker you trust, who want to have an honest discussion with you and ask them about their stablecoin or let's say blockchain journey. yeah, if they speak, know, honestly, I think more of them see the potential. I mean, there are risks, right? There are risks everywhere. are risks, right? But at least would understand more of the potential. Okay. with that, Nick. bankers that whisper. There you go. Yes, exactly. If you find some of them.

51:30

I think Nick just gave us the title for this episode for the podcast. Central bankers who whisper. Definitely a candidate. So Nick, thanks so much for joining. It was really a great conversation. Thanks so much for sharing your insights on stablecoins, how you see the market, how this fits together on cross-border payments, also on what Zodia is doing. I think that's very impressive. we'll definitely keep this on the radar, see the progress and would love to have you back at some point in the future.

51:59

Really appreciate it. Thanks for taking the time after four days of Cybils and yeah, still you have your voice. So that's, that's good. Hopefully you'll get good luck. And also just briefly, my side is super. Thank you, Nick. Great to see you again. Great to connect. And thanks for, like I said, taking the time after a very long week and sharing all your insights, but also thank you so much for your war stories. This is the stuff that I find really fascinating working in this space, right? So thank you so much.

52:27

It's delight. Thank you. of course, also dear listeners, thanks for listening to this podcast. As always, a disclaimer, if you like the podcast, feel free to subscribe to the podcast, refer to your friends, your family, your colleagues, wherever you think is interested or should be

Note: This transcript is an AI translation from the English Audio.



interested in the future of Money Forward. That's basically most you can do for us when we run this podcast basically in our free time. So with that, we will see us for the next episode and thanks again for joining.