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Welcome to a new episode of BFRR, our Bitcoin, fiat and rock and 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 Gross and today I'm joined again by our guest host Jonathan North from Atomic. Hi Jonathan. Hi Jonas. Great to be back for another episode of our digital money interview series. Indeed. Another episode with another great guest. So today we are joined by Zaheem Massari.

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Zai is, yeah, of counsel at ActuRos, a co-founder of Leitzberg, previously a partner in the financial institutions group at Davis Polk, where she was also like a key legal resource around LibraDM. So we will talk about this later as well. Zai also teaches at Stanford Law as a fellow at the Berkeley Center of Law and Business. So yeah, quite some interesting stuff ongoing. But Jonathan, how did you actually get to know Zai? So Zai and I first met during the infamous Libra project, the ill-fated.

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Facebook Libra project. Zai, as you mentioned, was really the center of creating a lot of the legal and regulatory architecture behind Libra, including the association of which I was a part, but especially things like the rule book, governing how all these participants would be working together. And as you can imagine, at the time, we were trying to create a global payments network on stablecoin rails, which was a very novel idea, because there was no regulatory playbook to really go after. So we had a lot of conversations with all the regulators.

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And in my role, I was often talking to large VASP, in particular, a lot of the large banks on the the reserve construct and large financial institutions. So Zai was my the first person I called to say, Zai help, how are we going to explain all this and how this is supposed to work? And had did a lot of calls during the COVID time with a lot of very large banks and VASP. So this is really a full circle moment. So great, Zai, to see you again and welcome to the show.

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Thanks, Jonathan, and thanks, Janice. I'm so happy to be here. a quick bit of background. think you have a super interesting background, Zaheem. You know, study chemistry. I didn't realize that actually until I did a little research. Went on to Davis Polk, advising large financial institutions. I helped build, obviously, as I mentioned, Libra, sort of legal, inform legal architecture. And then you went and co-founded LightSpark, right? So you've had a really, really interesting arc of

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really interesting roles, but in your own words, how did you actually get involved with digital money in the first Thanks for the great question. As with all good things, I came upon digital money a bit by luck and a bit by design. I'd begun to do a lot of work on crypto and crypto regulation all the way back in 2014, so well before Libra was even a gleam in anybody's eye.

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When stable coins started to come on the scene around 2017, 2018, they struck me as a really important invention, even just in the crypto sphere, but also potentially outside. So maybe they were more interesting than their original purpose, which was to facilitate the

instant movement of dollar value between crypto exchanges so traders could do arm trading, I thought.

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This is actually something potentially more of mainstream interest than other kinds of crypto that I'd seen up until that time. And as I did more work with the early stablecoin issuers, I began to learn more often from first principles about what makes money work and what makes money good money or not. That isn't something that ordinarily comes up in the law practice at all, ever.

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And even for financial institutions, lawyers like me. for me, was really the beginning was an exploration of, you know, what is money? Why do we have it? How does it move? Who gets to issue it? Who gets to use it? That I just found super fascinating coming out of the stable coin world. But then you are really in this domain for a long time. So you're right. mean, 2014, then you are really like.

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An OG of this topic, for sure. Yes, yes. A crypto OG, you know, whether you can tell or not. Was there a specific time, a specific moment which was for you kind of like the AHA moment where you say, oh yeah, this is what I want to like bet on in a sense of bet on your career, you know, go into this path or did this kind of develop steadily? Yeah, I think it was a bit tactical for me, not strategic. It just...

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was such an interesting topic to be working on. And I think because I was enthusiastic and the law firm was very interested in the topic as well, I got to explore it in a real way and broaden clients. And then of course, when Libra came around, I made sure to be the first one in line holding my hand up to work on the project. And it really, for me, grew out of a deep interest in the topic, which...

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is obviously the best way for that to happen because you get to dive deep and spend a lot of time with clients who are also, you know, at least have some shared purpose in trying to build something new and exciting. And to me, that was, that was really, really great. What better can you have as a lawyer than that? Yeah. And it's just, think we're all, anybody that was a part of Libra then feels that way. We were so, we were talking before it started. It's like,

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No regrets of being a part of that project didn't happen didn't work out as we had intended but wow just what a great great thing to be a part of and And you so there's a good segue into Libra. We'd be remiss if we didn't talk a little bit about Libra We'll try and keep it a little short But I mean Libra I think is fascinating in the sense that it tried to solve all these questions around technology governance and regulation, which you're a big part of also just how the reserve construct would be designed right and

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and all these things and, you know, as I mentioned, a novel global payments infrastructure on stablecoin rails, which today you kind of yawn, yeah, but this is seven plus years ago.

And again, you were very much in the center of all that, particularly, you know, defining things like the rule book and, you know, what responsibilities and liabilities the participants had, et cetera. So with that lens looking back now over seven years, what do you think now?

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Lever got right. But what do you think we perhaps we didn't quite get right? Yeah, I think there's been a lot of ink spilled about this question. And so I thought I would try to focus a little bit on one piece that doesn't get as much attention. One misconception I think about the project was that Facebook launched a stable coin to somehow gather lots of consumer data that it didn't already have access to. I think this was

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an understandable concern for many governments around the world. And I'll tell you, me and others on the project, like we spent a lot of time talking to regulators about the approach to data in the project. This is an issue that's front and center still today, I think, for stable coins and stable coin projects around data privacy, transaction privacy, and forget about when we get to

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Agentsic payments and AI, I think that exacerbates the questions significantly. But to be honest, at the time, we really puzzled about the focus, the regulatory and policy focus on data privacy, not because it wasn't important, but because launching a stablecoin was the absolute hardest and worst way for a company like at the time Facebook to get

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new consumer data. That would have been an insane way to approach a problem where they already had a solution through their social media platform where they gathered all the consumer data they could ever want. so I think... Good point. We puzzled over that. Perhaps we could have anticipated those issues a little sooner and cut some of those inquiries off, but I that was a really interesting point.

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The reason that Facebook really came out with the idea for launching a new stablecoin at the time is that it was a very different time than it is today, where there were a few stablecoins in existence. Remarkably, they're sort of the same ones that are around today. Tether, USDC, Paxos was an issuer at the time. But the outstanding amounts of US dollar stablecoins was very, very small.

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If I have my numbers right, I'm a lawyer, so be forgiving. USDC was the largest stablecoin and at the time had outstanding issuance of something like \$2 billion, which wasn't really enough to support global payment volumes. And I think the team thought like we have to issue something more robust than this. And I think there's of course some irony to that. Obviously, in terms of what

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Libra got wrong. Again, there's been a lot written about this. Obviously, I think we all underestimated deeply how heavy the baggage of the origin story coming from Facebook would be. It was a very challenging time for that company. The Cambridge Analytica

scandal was going on. The company was under a lot of pressure from a lot of governments. I we just didn't.

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really understand how this project would be so affected by that, we probably should have, to be honest. For me as a financial regulatory lawyer, my job, I thought, was to design something that was legal. It turns out that wasn't nearly enough. That being said, Jonathan, as you said, we got stablecoin structure right. The reserve construction and design, redemption mechanics,

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capital liquidity requirements, you can see those reflected in the laws and regulations that are coming out today, whether it's Mika or Genius in the United States or others around the world. And that's been gratifying from a lawyer's perspective to see that what we built has some resiliency, even if not for the project we were trying to build. So this would also mean, Saif, I understood you correctly, the main obstacle was not, you know, let's say,

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technology, because obviously it was pretty ambitious in terms of making this permission set up into a permission less set up, which I always, when I read the white paper, was very enthusiastic about. I mean, in the end, it did not see daylight like this technology. So we would say it was particular, like the heritage, the political, you know, kind of backlash that was the main hurdle, or maybe also the killer in the end. Yes. You know, it's really interesting. think, um,

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The approach of Libra was a very crypto approach. as you guys know, as well as I do, crypto came onto the scene pretty hot, right? Like it was going to replace money and money movements and banks and financial institutions and also reform how we use the internet. I still really haven't seen the promised revolution, but I think...

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The technology was by far the more clear path and the technical team at Libra was incredible. I mean, just absolutely brilliant. And they solved every single problem that was posed to them. I'm not sure we can say the same thing for the policy and legal teams, not for lack of trying, but I think the regulatory piece.

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The policy piece, the political piece was by far the hardest part. And again, I think there was a lot of underestimation of that, perhaps because this was a project that started off as a technology project. Yeah, I know. Great point. And it's interesting for me to observe now we have OpenUSD in the US, 140 some brands joining. Kivala, so here, with 37 and growing.

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several other, right? So it's interesting to see how this broad sort of consortium of many large brands supporting a shared stablecoin infrastructure sounds very familiar, right? But what do you think it's a vindication that the Libra's consortium model was fundamentally right? Or is it just a matter of timing and politics? It's a really great question. And of course, you know,

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None of us here, I don't think, can see into the hearts of the consortium members to know how they're thinking about it. But I think we haven't yet seen whether it's a model that will work in this context or not. I think there are benefits to the consortium model for sure in terms of de-risking the project for individual participants, building a go-to-market case if everyone's going to be using the same stablecoin.

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Because of course, stable coin, the business of issuing a stable coin is a volume and scale business, primarily today. And I think that there is also political safety in numbers with a consortium model. That being said, there's of course a bunch of downsides of having a consortium model, including that you need to have a lot of consensus and consensus driving done by the leaders of the consortium.

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And when you have competitors that are part of the consortium, that of course gets really hard. That's something we saw for sure all of the time in the Libre project. So was the consortium model fundamentally right? I think the real answer is we don't know. And the proof is going to be in the pudding, as they say. And we will have in a couple of weeks, actually, we will also have a QE Valis members here to talk about the consortium. So let's see what they say. And if somebody from...

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Like as an OpenUSD member listening to this podcast and wants to speak, please feel free to reach out. You would have a lot of questions, a lot of interest. Actually, a mutual friend will be on soon. I guess I can announce it now. Nader from Boney Mellon is going to be joining us in a few weeks. So looking forward to that conversation. And they're a founding member of OpenUSD. Definitely ask him lots of questions. Lots of challenging ones. yeah. Trick questions. Get ready, Nader.

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When we zoom now a little bit out, there's a lot of different forms of money that emerged, let's say, driven out of this blockchain revolution, evolution, however you want to call it. So obviously we have classical crypto assets like Bitcoin and ETH. We have stable coins out there and we have tokenized commercial bank money out there. We now in Europe also do have actually central bank money out there, like somehow on chain with Hose, CBDC, so Pontus and Apia.

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do see a digital euro in, I guess, I mean, pretty sure in a couple of years time, like from your perspective, because you have also, or it seems that you have always focused a lot also on stable coins. Like what is your perspective also like on a commercial bank money token? So, you know, how does this differ maybe legally, but also like economically or from a use case perspective from your side? This is a great question. And I think it's really important to understand the legal and economic characteristics of the different kinds of money.

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as a basis for understanding how they can and cannot be used or they cannot be useful. So at the risk of being a little professorial, I'm going to talk a little bit about tokenized deposits versus stablecoins, at least in terms of economic and legal characteristics. I hope you guys

will interrupt if it gets boring. I know. We're here to learn. So I'm going to also slightly dorkily use my own terminology for these

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economic and legal characteristics in describing tokenized deposits and stablecoins, because I think it helps a little bit conceptually. So for tokenized deposits, is, deposits that are sort of regular uninsured deposits issued by a bank in tokenized form, that is, they're issued on chain, are what I call credit money. This is because for deposits, just like conventional deposits today, the value

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of the deposit depends inherently on the credit quality of its issuer, that is the bank. Now, we have lots of infrastructure, so payments infrastructure, settlement infrastructure, clearing infrastructure, including clearing through central bank money, that make sure that for us as users of deposits, the money

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issued by different banks, deposits issued by different banks are fungible. So we can't tell when I'm making a payment from my bank with the deposits that I hold there to your bank, turning money into the deposits that you hold at your bank, that the money might technically be of different value because it's issued by different banks, right? This is what the BIS calls the two-tier money system. And it's fundamental to what tokenized

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deposits are, are credit money. Now, on the other hand, stable coins, at least well-regulated ones, are meant and designed to be what I call non-credit money. Instead of being backed by different bank balance sheets, they're meant to be backed by pretty standardized pools of high-quality liquid assets and capital buffers.

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The whole point of this reserve is that the issuer should be able to redeem all outstanding stablecoins at any time. This isn't true. We know this isn't true for banks and bank deposits. This is why we can have bank runs. So in theory, in the market, users shouldn't care which stablecoin issued by which issuer they're holding if the regulation gets it right. So you don't need all of the clearing and settlement mechanisms that you have.

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for payments between users that you do for tokenized bank deposits because the money should just be the money. That is, stablecoin should be economically fungible across issuers. All of this is slightly theoretical because we have to have stablecoin regulation that does the work that's needed to make stablecoins fungible. What this means in turn is that stablecoins can be bearer instruments so we can transfer them peer to peer without

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any clearing and settlement mechanism behind them, which in turn means they can be used in ways that tokenized deposits cannot. Tokenized deposits fundamentally will only be able to be held by account holders of the particular issuing bank. So this sort of gives a framing for the deep infrastructure that's going to be needed for tokenized deposits to be sent from a customer of one bank to another, from stablecoin to tokenized deposit and back.

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These are issues that are all being worked out today. I realize that was a little bit of a long explanation, so happy for you guys to questions. No, no, but that's perfect and it's always good because this reminds me, Saib, when I was at university and I'm an economist, so to go a little bit deeper into the sense of what is money, which form of money are we talking about, and because obviously it's different if you have something which is backed by assets like government bonds and highly liquid assets or not, like basically a balance sheet.

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And that's really good and really good for to understand and to raise this awareness. So would this actually be then accurate, say, to interpret like what you said, that you would basically say stable coins are generally superior to commercial bank money tokens? No, that's actually not what I'm saying. Of course, I love stable coins very much. They've been in my life for a long time, as we talked about a little earlier. I think that they're just like we have different forms of money today, right?

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At scale, we have cash like paper, dollar bills, euro notes and the rest. We have commercial bank money, have central bank money, we have prepaid accounts. Different kinds of money will be useful and better used for different purposes. So maybe I'll give you a couple like really, really basic examples because I think it can be helpful.

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If I'm a customer of a large bank and you're a customer of that same bank and I want to make payments to you, there's no reason to use the stablecoin. Stablecoins are expensive. They're expensive for issuers and they're expensive for holders. If you're an issuer of a deposit, right, you get to invest as a bank, you get to invest in 30-year mortgages and earn money from the deposit funding that you get. Stablecoins are narrow bank models and so therefore should be

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less economically beneficial for the issuer than a deposit. That is going to translate to being more expensive for users. Stablecoin transactions need to be pre-funded because stablecoins ride on blockchain rails where it's only what exists on the chain is available for use. I think there's all sorts of considerations about

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you know, what kind of money is useful for when. like interbank payments, it's going to be tokenized deposits. Cross-borders transactions, maybe stable coins can fill a gap that tokenized deposits don't fill or regular deposits don't fill today. And then we'll have central bank money for other use cases. So they're not superior, they're just different. And I think the fun in the work is thinking carefully about when the differences matter and when they

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That is absolutely perfect framing for the use case question I was going to ask, which is, you know, we've been talking about, anytime you talk about any of these new digital assets, the first thing comes up is cross border for all the obvious reasons. There's a lot of friction there in the traditional rails, right? And obviously, you know, things like remittances where Libra was very focused. I know a lot of us internally, think you and I even spoke about this when

we were within Libra, we're like, you know, actually the B2B volumes are even larger than the classic remittances, right?

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And that's kind of morphed to things like corporates at corporates and treasury and merchant payments. And then you get the whole capital market settlement and all of that. So just from what you just said and your framing, top of mind, are there two or three use cases that you see that might start to drive large scale adoption? And two part question, which form of money would that be? Yeah, it's a great question. And apologies, I'm going to start slightly conceptual and then we can talk.

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more specifically. think conceptually stable coins are really good where speed matters. So settlement speed is more important than pre-funding costs. So in other words, people will pay a little bit extra to have their money sort of wing around the world in a faster way. Whereas deposits might be better, again, for types of payments where

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funding costs are high. You don't care as much whether a transaction settles in two days or instantly. And there's strong connectivity between institutions already, that is, financial institutions and banks already. So that, I think, leads us to where we are today, really, with people realizing that cross-border payments, where there isn't good connectivity, where

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speed or timing of settlement really matters are areas where the use case for stable coins is very strong. I think also, you know, another feature of stable coins is they can be held in ways, electronic ways that mimic cash payments a lot more. So where there isn't good reach of financial institutions, there's high levels of people who are willing to hold stable coins in self-hosted wallets.

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where there isn't good financial institution reach is another area where stablecoins make a lot of sense. I think where coverage is really good for traditional banks, it's going to be a lot harder to get people to move from bank payments to stablecoin payments. That sounds really obvious when I say it. But I think that's kind of where we're No, I think that's a great way.

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That's a great way to kind of sum up kind of where we're at, as you say, right? And there's going to be different choices for these different use cases. And I think stable coins will be a really important choice. I'll say, though, that we haven't, as I mentioned, we haven't really seen the promised revolution yet. think to the discussion a little while ago, it's not a technological problem anymore for stable coins. I think the tech is really strong in here.

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I think we often forget how deep the scaffolding goes for payments on the legal and regulatory sides and the commercial side as well. People using money in a mainstream way need a high degree of certainty that they understand how their payments are going to be treated in all sorts of different circumstances. And we have, you know,

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a mild deep set of laws, whether in the US or Europe or Asia or Africa or anywhere, South America, that define how payments are going to be treated. What happens when things go wrong? When are payments completed? And when they're not completed, what happens if there's a technological problem or a legal problem or somebody has a bankruptcy problem?

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Right? Someone doesn't do what they're supposed to do. Right? We have a long history of developing rules and standards and laws around this. And for stable coins, those rules just aren't there. And then going back to the Libra point and that rule book that you mentioned, Jonathan, the point of that rule book was to start to put in place some of that scaffolding around how participants in a payment network are supposed to interact with each other.

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And to be honest, I think there have been a bunch of really great attempts at building that kind of rulebook structure since Libra, but we haven't seen mainstream adoption yet. And I personally think we're going to need something like that, including to deal with some of the really significant illicit finance concerns that have long, I think, been a pretty significant drag, and rightly so, on the use of stable coins.

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as mainstream payments. Yeah, absolutely. And it feels like we're making, on the regulatory side, making so much progress. you go back to one of the key reasons that Libra was in Switzerland was because there was a kind of a semblance of a payment systems license we could apply to, right? There wasn't much other than that at the time. So I think our listeners would be super keen to understand your point of view. Because of your history and you have a bird's eye view,

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working out of Washington DC on the regulatory landscape in the US. Obviously, Genius Act is now law. That's great. I know you were one of the ones at the Senate subcommittee on banking, I think, if I'm getting that right, that you testified there. So you were really in the middle of all that. So for our listeners, basically, Genius Act is a framework for payment and state-of-the-cold issuers that

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include things like reserve, liquidity, risk management, AML requirements and the like, but creates interestingly a pathway for both banks and non-banks. That was my non-lawyer explanation. Zai, you'll probably correct me. But it was all signed off in July, 2025. It's been implemented. That's great. But of course, we also have the Clarity Act, which just recently failed the Senate procedural vote. So, barely, right? So, from your perspective, Zai,

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What did the US get right with the Genius Act? What maybe are things open that need to be reconsidered or augmented, to put it that way? And then in a related note on the Clarity Act, what happens next? Can we do it in reverse order? Oh, please, whatever. However you want to take it. Great. So I'll talk a little bit about Clarity. I was not nearly as close to the Clarity Act and the...

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evolution and development as I was to genius. Clarity, I think it will be very challenging for the United States Congress to really move on clarity and I'll not comment on the political considerations that went into that. Instead, I have little bit of a hot take, which is that I think it's actually the best thing.

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that could have happened for the crypto industry for clarity to not pass. I think, you know, just like we see in stable coins today, we're still early. Stable coin payments haven't hit the mainstream in the way that I hope they do. And I think we still have some time. I think the same is probably true for the rest of crypto where so far we've developed trading apps so that people can trade.

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one kind of token for another kind of token. Is that really mainstream use? Is that the best that we can do as an industry? It's a little far from the original promise of, you know, re-plumbing the entire financial system and giving us all, you know, more control over our financial lives. Like, we haven't really done that yet. And I think what happens when you create legislation around something, you create a very deep gravity well.

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And so everyone develops to whatever is the clearest legal and regulatory path because that's going to be the easiest and anything else is very risky. And so I think it was too soon for crypto legislation like that because crypto can do better. There's still work to be done in developing what's really important about blockchains and crypto services.

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But I'll get off my soapbox. On Genius, I think Genius got it pretty right. There's, of course, criticism that could be made about it not being perfect. I think it provides a pretty solid basis for stablecoins to be good money. I think typically in the US way, there's so many regulators involved. It's the usual cast of characters with the three federal banking regulators.

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and treasury and potentially 50 state regulators because we have state regulated stablecoin issuers. So as usual for the United States, the challenges are going to be around coordinating across regulatory regimes, sort of implemented by these different regulators to try to make sure that, you know, a stablecoin issued by an OCC regulated stablecoin issuer is essentially the same as one issued by an FDIC.

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regulated issuer and that's the same as one issued by a federal reserve regulated issuer and so on with the states. And then there's a bunch of cross-border considerations, which we can also talk about, but I'll pause there. So, I don't even know where to take that as I think a good direction here is you recently wrote a really great article that will post definitely in the show notes for the Atlantic Council.

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And you kind of argued that stablecoin regulation is advancing faster than the international coordination, right? So, and if these national regimes don't really get together, we could just recreate sort of correspondent banking like friction, which, you know, on rails, on blockchain rails, I don't think we want to do that. I think we're on agreement of that. So

maybe you could maybe double click on that article. And again, we'll post it in the notes. It was a great article.

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Oh, thank you. Yeah, it was a lot of fun to write for sure. So I made a couple points in the article, really three, really three areas that I think need to develop very quickly for stable coins to be useful in mainstream cross border payment contacts. So one, of course, is that regulators around the world need to work quickly and carefully.

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on mutual recognition regimes for stablecoin issuance. So that, for example, a stablecoin issuer in Europe is able to legally issue stablecoins that are held and used by consumers both in Europe, but also outside of Europe. So that the token is okay to be transferred from a European payor to a payee in the United States. And then that payee in the United States can also send it on

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whether back to Europe or somewhere else. And that requires that the stablecoin issuers be recognized to be able to issue and have their tokens circulated and to be able to redeem from holders in different jurisdictions. So both sell and then buy back stablecoins inside and outside their home jurisdiction. The second piece, I think really doesn't get a lot of airtime, which is...

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The stable coins themselves need to be recognized as good payment instruments for payments use cases, for collateral use cases, whether consumer or institutional. And that includes some commercial law recognition that you can use these things for a variety of use cases. It includes things like

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understanding the accounting treatment of stablecoins and the tax treatment. These are all fundamental building blocks of what makes different kinds of money good money. And we need to get those in place quickly. Again, for normal consumers and normal businesses to feel like stablecoins are our real option for payments. The last point ties into what I was talking about before and is by far the hardest. Not that the other two are not hard, they're very hard.

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but to coordinate global regulation so that US dollar stablecoins issued in Europe are fungible economically with those issued in the United States. And what that means is you have to get those regulations where they impact the economics of a stablecoin to be roughly the same or close enough. So those are on topics like reserve requirements.

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redemption speed and redemption requirements, the treatment of stablecoin holders in the bankruptcy or resolution of an issuer. Like there are three or four fundamental areas that have to be close enough across regimes for stablecoins to be economically fungible with each other. And again, that's really hard. If we don't do that, we'll have to recreate complicated clearing and settlement systems.

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support stablecoin use and then not clear to me like that they're all that much better than tokenized deposits. Yeah, this makes a ton of sense. maybe like one question I also wanted to wanted to ask you for sure. Actually, it's two questions. So one is I'm a little bit confused as a person because I really thought that in US we are on track very well from a regulatory side with a genius. But now with the clarity vote for me, I'm now back to okay, where do we now stand? is there no

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clarity at all, know, can companies now provide crypto and stable coin services easily? So that would be like the first and the second would maybe be how does from your perspective, Europe compare all to that? So we have the Mika in Europe. You know, so how do you think is that, you know, is this more providing more certainty is this better? Is this worse? Like I would really be interested in your legal insights there. It's a great question. So I'll describe first what Genius does. It regulates stable coin issuance.

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and puts in place some pretty basic guardrails for how service providers, they're called DASPs in Genius, Digital Asset Service Providers, can deal in different kinds of stablecoins. That's all Genius does. It's stablecoin issuer regulation and then DASP guardrails, I'll say. It has nothing to do with the trading or custody.

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or other services related to any other kind of crypto asset. So I think in some ways, genius and clarity together cover the same topics as Mika did, but apart, it's stable coins with genius and crypto trading and issuance other than stable coins under clarity. So with an absence of the Clarity Act, what we have is the regulations that we have today.

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which is issuers and VASPs or DASPs or CASPs, whatever you want to call them, custodial providers of crypto services, those that provide trading services, those that provide payment services in assets other than stablecoins, and actually those that also provide services involving stablecoins are regulated for money.

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for illicit finance at the federal level and then for everything else at the state level, just like it is today. So that doesn't change the baseline. It just doesn't enact a federal regulatory regime for those activities. So there's still enough of a legal framework for businesses to continue as they have been before. I don't think not passing clarity means that the

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crypto exchanges, wallet providers and service providers of today can't continue as they were before. They just don't get a federal framework. They continue to be regulated by all of the states and so on and so forth. Casp and DASP. Can we just agree on the names? Let's just start there. Always the definitions, right? We should just say ASP and then whatever. As a service provider. Okay, I like this one. Good terminology. That's pitch for that.

40:35

Yeah, was super. Thanks. That was super good to make the distinction really between stable coin issuance and the DASP and then the trading side and the rest of the crypto stuff very

loosely and speaking then as part of clarity. Let's maybe for the last couple of minutes talk a little bit more and change a little bit topics and go into agentic payments.

41:00

Because obviously that's also related to stablecoins, but if we have a legal expert here, so we definitely have to touch this topic because I think obviously there's a lot of potential in the technology of AI. I mean, we see this every day, how quick progress is and atchantic payments at least seem to be everywhere. So that a lot of PSPs at least say, look, this is, we did the first real transaction, et cetera. But my feeling is also that a lot of that is still fantasy. So the question would be a little bit from a legal perspective.

41:30

What is basically an AI agent? So is this basically some just a simple form of like delegated authority? give AI, for example, give to my agent on Claude or does it really require a complete new legal concept? Because obviously there needs to be some kind of regulation around payments or agentic payments in particular, at least if you ask me. Yes, good question. And I'm going to give you a very lawyerly answer, which is, of course. It depends. It depends. Of course.

42:00

Of course. Also, like, it's good you're asking about this topic because I think it's actually illegal to have a podcast these days without talking something about AI and agent equipment. course. So true. It's impossible. So look, I think...

42:16

Again, I'm going to answer a little bit conceptually. I guess that's my way.

42:22

I think there's a lot of law that can help us regulate and govern how we're doing agentic payments if we're doing them or how we're designing them today. I think there is sometimes an instinct when you have a new technology to assume immediately that you need new laws to deal with it. But what I would say instead is that we should use the laws that we have. And I think they're called agentic payments like we should think it.

42:51

and how agency law can be used to govern and regulate the activities of agents when they're doing payments on behalf of human or business users. To me, I think there's a bunch of development that needs to be done for agentic payments to be as powerful as it could be. For example, having ways...

43:19

for agents to identify themselves to each other in a verifiable and strong way as having authority to act on behalf of their human or business owner or instructor, I don't know. That needs to be developed very quickly. Of course, when agents do naughty things, we should understand who's responsible for that. And I think existing law can give us a lot, whether it's

43:49

know, fiduciary and agent law, agency law or contract law. We have a lot of tools. So on that note, a topic we discuss a lot at eTonic. We had a bunch of payment regulatory compliance nerds on our team, right? So we spent time talking about this stuff, but we talk about, for

example, SCA, strong customer authentication. And the thing that I just can't get my head around is I get this concept of, we got these agents and there's a lot of

44:18

really great providers with great platforms who are often not regulated by the way. there's a, it's just software. But they say, hey, great, can provide, you can authenticate yourself, then you approve a mandate, and then you can tell the agent here you can transact within these defined limits. It could be amount, it could be the merchant, it could be a whole bunch of whole list of things, But I can't get around the fact that an agent could actually do SCA legally, right?

44:43

Or do we require this human involvement at the point of payment each and every time? I don't know if you have a viewpoint on that. we require a human to be involved every time, I feel like we're going backwards. Right? So I think we have to find a way to let agents authenticate. I'm pretty bullish on the idea of verifiable digital credentials for this. I know Europe is far ahead of the U.S. on this topic. I've been doing a little bit of work.

45:13

on the topic here in the United States. But to me, it seems so obvious that that authorization needs to be done upfront and it needs to be done in a way that's instantaneous, right? So not a review of documents or, you know, show me a picture for your driver's license to make sure a person is an actual person. Like, it cannot be that way. So I think verifiable digital credentials provide a way for agents

45:42

to have the authority to cryptographically sign, verification of the identity of their instructor slash owner. I don't know what we're calling them. But for me to enable my agent to sign with my identity in a way that's cryptographically verifiable, I think has to be the solution. And I'm sure there's a lot of people who are actual technologists who are working on this exactly.

46:09

It's something we spend a lot of time on with the whole EUDI, OID as we say in Germany, regulation coming in next year. And it's all built off of that, but it's all built off of global standards. So same thing for your driver's license approach in the US, right? Make it happen. I want that. But maybe a quick follow up question to that. Is this then similar like a credit card payment in the sense of a pre-authentication? So if I, example, say my agent gets a spending limit of 100 euro that I, you know,

46:38

do the pre-authentication and then afterwards it can do whatever it wants? So could that be then a viable solution? I mean, hopefully whatever it wants based on what you've asked it to do. But yeah, I think so. And I think we can even be more creative, right? Because you can interact with your agent really quickly, a lot faster than you can set credit card limits and authorization limits on your credit card, right? So I think agents can be a lot smarter than...

47:05

the systems that we have today and we can do better. And actually that can be risk reducing, right? Not increasing. I'm a techno-optimist, as you can tell. Yeah. I think we clearly realize

that. So yeah, that was really a lot of fun, Zaheer. So thanks so much for joining us. We talked about Libra, about stablecoins, a little bit about Agentic. I mean, for these topics, we probably need whole days and not just an hour, but that's...

47:34

That's the time we spent today. So hopefully we have you back in the, in the podcast at some point. It was really a lot of fun. So thanks for, for being with us and sharing your thoughts. And thanks also for my size. It was great. Great to see you again. Great catching up, but especially interesting to revisit all these topics, right. After, after all the stuff we've been through in the trenches. So we'll have to have you come join us another, in another six months or 12 months and see how far we've got.

47:59

I'd love that. Thanks a lot, guys. And thanks also, of course, for everyone who was listening to this episode. You made it until the end. So if you liked the episode or if you, I hope you did, if you did, and then recommend us, please to your friends, your family, your colleagues, wherever you think should be interested in the future of money. And yeah, you can be excited and stay tuned for another episode just in a week from today, depending on when you listen, obviously. So thanks for joining. Thanks again, Sayid, to you, Jonathan. Thanks for joining and I hope you enjoyed the episode and...

48:28

I hope you listen in next time.