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Hello and welcome to another news episode of BFRR, our Bitcoin, fiat and rock and roll podcast. We explore the intersection of traditional finance, digital money and digital assets and help you understand how digital money and assets will evolve in the future. I'm co-host Michael Blaschke and today it is time for another news episode. Today we look back to the month of October, 2026 and discuss what

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we deem the most relevant developments in institutional DLT in Europe and bring this perspective to the world. For this, I'm joined by our co-host Stefan Grasmann. Hi Stefan, good to have you on the show. Hi, Michael, good to see you. So what will we cover today? First, we're going to have a brief market overview. October was a quieter month. Bitcoin held up better than the rest of the market. Dominance climbed towards 60 % and two security incidents kept custody.

01:10
risk in the conversation. In a major part after our market overview, Stefan will then in the first half guide us all about tokenized securities and market infrastructure. And I take them more the second half, which is all about digital money. So stable coin regulation got real deadlines in October on both sides of the Atlantic in the same month. All right. Without further ado, I'd say let's get into it.

01:37
Let's go. Let's start with our market snapshot of Bitcoin and Ether as we always start within our market overview. So let's start with Bitcoin. After a strong September rally, really, October has been more subdued. Instead of extending the previous month gains, the market has consolidated and given back part of the advance. Total crypto market capitalization entered October close to 3

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trillion US dollar and declined to around 2.7 trillion by the final week of the month. We are recording on October 28th. So that's a contraction of 11%. Bitcoin has been more resilient than the broader market after starting October in the mid to high 80,000s. It has moved down to around 80,500 US dollar, leaving it approximately

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5 % lower for the month. The relative performance is equally net-worthy as investors became more cautious in October. The capital increasingly concentrated in Bitcoin and Bitcoin interestingly also lacked gold during the month. We are saying this because there is this digital gold narrative still omnipresent around Bitcoin. Gold moved to new record highs of more than 4,000 US dollar per ounce supported by

03:02
persistent inflation concerns and expectations surrounding the forthcoming Federal Reserve Policy Meetings in October. Now, investors therefore showed a stronger preference for the traditional safe haven assets like gold as their risk appetite really softened in October. Then on Ether, Ether has been hit way harder by the shift towards a more defensive market. So while Bitcoin's decline has remained relatively contained, if you will,

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ETH really fell to approximately $2,300, reversing a significant part of all these late September gains and momentum. And institutional demand also appears to have become more concentrated. The broader interest in both major crypto assets seen in September has given way in October to now a market in which Bitcoin has attracted a larger share of defensive positioning.

04:01
And ultimately we also have a tight look on the ETFs flows every single month, simply given our institutional DLT focus here. Let's start with Bitcoin ETFs. Their ETF flows reflect the more cautious tone in the underlying markets. So after net inflows of 3.5 billion in September, October was far quieter with net inflows of only around 100.

04:28
35 million for the month as institutional flows moderated and crypto prices declined. Flows also turned choppy week to week, including a sharp single day outflow around October 22nd. And when we also look at the Ether ETFs, they have also had a quiet October with Ether underperforming Bitcoin during the month, net inflows

04:55
slow to roughly 55 millions, well below the 70, 100 million recorded in September. And the most recent sessions tipped into small net outflows of around 60 million. So the longer term picture is less dependent on any single month's flow, of course, we're just giving a very short update here on the market. The ETF complex still holds about 15 billion in assets and

05:23
The share of circulating ETH had through regulated products has continued to climb reaching roughly 5 % up from about 4.8 % in September. So much about the market. There were also quite some market related news that is news that really have the potential to move prices. mean, ultimately you never know which event in the market causes which price moves, but

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There were quite some news, which we also cover on later that at least have the potential to have had impacts on prices. And on the technology side, was certainly settlement and network upgrades, which remain important for institutional adoption, particularly where they improve the capacity for more and more transactions for reliability and for cost efficiency of any given transaction. All right. So more on these.

06:19
price, potentially price moving news later in the United States, the discussion around asset tokenization is becoming more and more practical, which might have price implications. For example, some large issuers of tokenized funds are taking greater control of distribution rather than relying exclusively on generic third-party protocols. And this development provides now an increasingly useful indication of how

06:48
public blockchain infrastructure may connect with regulated financial markets, which is our cue into our first major news block presented to you by Stefan. So Stefan, the stage is yours. Yeah, Michael, I think a lot happened in this area of tokenized securities. And if you followed

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the news over the whole 2026, then tokenized stocks are taking over the stage somehow. A lot of developments also in October.

07:17
But regarding US stocks, it all started actually already in September because on September 17th, the SEC under Chairman Paul Atkins issued an exemption order that runs for five years until September 2031. And in that new permission trading venues, they are now called tokenized securities venues, TSV. So a new acronym we all need to remember.

07:45
They can trade tokenized US stocks through liquidity pools and automated market makers on a public permissionless blockchain, which is quite a cool thing. The token must give the holder the same rights as the share. So dividends, votes, and a claim in liquidation. Also, proxy materials must be passed through for free. So these are roughly the rules. And there are volume caps, similar to the DLT pilot regime in Europe.

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You are only allowed to list 75 stocks with at most 0.25 % of their average daily volume or up to 250 stocks with at most 2.5%. So not all is free. And there are some key mechanisms and actually they started the key debate in October. A third party tokenizes a company's share.

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Yeah, that's possible now. The venue must notify that company and wait for 30 days before it goes live. If the company objects, that token cannot trade on that venue. But if the company stays silent, it cannot block it later. So you have 30 days to react if you are the owner of that company and then you are in some kind of a trouble.

09:00
And this new rule book triggered a lot of action in October actually, because one of the protagonists is New York Stock Exchange, who partnered with OKEx. You might've noticed that they created a joint venture that was announced in June, 2026. So 50-50 venture between ICE and OKEx, which is also co-chaired by Andrew Cuomo, who is a former governor of New York.

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They then went live in October 5th. They were one of the first venues to file under that new SEC exemption and wanted to list 63 tickers. Among them, NVIDIA, Tesla, Apple, Microsoft, Amazon, JP Morgan, Walmart, Coca-Cola, and McDonald's. So very prominent US stocks that might gain some interest.

09:55
And what they offer is trading 24 seven on X layer, which is OKX own layer two Ethereum network. Settlement will be in stable coins. Liquidity is in permission pools based on Uniswap in version four. And each token is backed one by one by a share they hold in custody. No independent attestation of the holdings are published yet, but we can expect that this will happen. So that was the first thing that happened happening in October that

10:24
These major players started claiming that they wanted to list and then the backlash started because the companies started to say no, because they had these 30 days. Objections

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came from Broadcom and Verizon and later also from Microsoft Alphabet and Goldman Sachs. Remains to be seen what the other 47 companies how they will actually react. This again brought a reaction from Cuomo who is heading this joint venture.

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And so he said, okay, this is a very natural response. The model was designed to give companies the right to determine whether they want to opt in or not. And yeah, he, he calls it a limited pilot with caps on companies and volumes and expects many firms to watch it first and join in later. Then on top of this first reaction, Wall Street chimed in.

11:19
There was a very interesting letter by SIFMA, SIFMA is Securities, Industry and Financial Markets Association. It's kind of a lobby for US broker dealers, banks and asset managers. And their CEO, Kenneth Bentsen sent quite an intense 13 page letter that took apart the rule book of SEC. And yeah, talked a lot about...

11:44
gaps in the holder rights. So no right to redeem the token for the share, for example, no standard for checking that the tokenizer really holds the share. No limit on how many tokens a third party may create. Open questions about votes for tokens sitting in a liquidity pool, splits, mergers and delistings. So quite some interesting findings in there from the SIFMA side. This leads us to quite an

12:13
open discussion because there are now about three venues that have already filed. It's OKX ICE obviously, then TSV LLC and Kephas Corporation, which is trading as perpetuals.com. And many more are obviously expected. Yeah, my take on that. We are now two years into tokenized stocks and yeah, the verdict is still open. How to do that actually?

12:42
Do we issue stocks natively? Who do we trust with that whole thing? Investor protection is obviously a very important thing, but also a lot of lobbying going on when you see companies like Goldman object, but then building their tokenization engines themselves. So you see it's all about competition. One interesting nuance I found also in that SIFMA letter that they said, okay, the SEC didn't even request a special email address.

13:10
that needs to be used when you want to issue so you can write it info at Goldman Sachs and that might land in a spam filter. So that was one of the objections that they need obviously clearer guidance how to actually communicate and that the companies that are affected should have a clear yes or no and not such a silence is deciding what's going on afterwards.

13:37
What do you think of that Michael? What's your take on this interesting development on tokenized stocks in the US? Yeah, mean, given these objections, it makes me increasingly think to what extent going on chain, right? So traditional stock exchanges like the New York Stock Exchange, which are in competition in traditional finance. So it's not a given that any company

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IPOing, so launching the initial public offering. that's actually a timely conversation with Anthropic having, is just filing for an IPO. Right. So it's not a given that any company chooses the New York Stock Exchange for going public. So this brings me to my point. Yeah. So in this competition among stock exchanges is

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offering on-chain capabilities and on-chain trading becoming a competitive factor. So is it to the advantage or to the disadvantage of a stock exchange if such on-chain capabilities are offered? And this rather fierce reaction and these objections make me wonder. So what is actually driving these objections? And would companies, would issues go as far as to choose other stocks?

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exchanges which differ in their on-chain capabilities. Yeah, I think these 30 days are also quite a short period. So to do your own due diligence about that exchange, you so I think you would need much more time to really think about that, especially in the early days. So from my point of view, the SEC is pushing heavily towards innovation to really be one of the first financial markets to go live for something like that. And the demand obviously from all over the world is that.

15:22
to get exposure to these US stocks in a tokenized form. So it's more an overseas story maybe than a local one. But yeah, it seems a bit fast from my perspective. Me usually pushing for innovation, but these reactions show that there needs to be more clear rules actually around all of that. And I think that's where the US will be landing at in the future. Yeah, I mean, what's interesting to see...

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is ultimately these issuers or these corporations which are objecting predominantly the blue chips are customers in that regard of the New York Stock Exchange and usually a customer first. Usually you want to very carefully over a prolonged process ensure with your customers if any given major adjustment in products and services is to their advantage is in line with their strategies and

16:21
It seems like that wasn't the case here, right? So they kind of underestimated customer reactions. Yeah, yeah, I think so. Which leads us nicely to my second story that I brought with me, where we see Europe building the rails and handing out licenses. One of the major news for Europe was that Börse-Stuttgart group got the DLT pilot regime license, the TSS license, which is allowing Börse-Stuttgart group to

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to trade and settle on a DLT. There are others who have gotten this license before, but it's the first huge exchange in Europe that got this license. actually the company or the subsidiary of who got that license is Seturion, whose CEO Lidia Kurt has been on our show several times. So we can also be proud to be quite close to what's going on there.

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The legal basis through that DLT pilot regime license is giving Seturion the chance to create this trading venue that connects different parties and settle on-chain assets against on-chain

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money, which is a very interesting future looking thing. So it goes even further than what's happening in the U.S. from a certain perspective.

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Their partners are currently flatexDEGIRO, which is an online broker, the NASDAQ, so also the European part of an American player, Societe Generale and SG Forge are in there. That's, from my perspective, major news. Looking at the UK, there was also some news. The HM Treasury, His Majesty's Treasury, depicted six lead managing banks for their gilts.

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gilts are the UK government bonds and they are planning an issuance, tokenized issuance for Q1. And obviously you need banks in there for managing that process. And these banks are now Barclays, HSBC, Lloyds, Morgan Stanley, NatWest, and RBC Capital Markets. So obviously heavyweights and very interesting to see where this is leading.

18:36
This is all running on Bank of England's digital securities sandbox and the technology in there is run by HSBC now. So that's interesting news for UK to create foundational tokenized assets that will push the market further. On another note, ESMA asks now about tokenized collateral in central clearing. So ESMA is EU's security regulator.

19:06
They published a call for evidence, a request for input. If central counterparties, CCPs, if they accept tokenized collateral, under which conditions should they do that? So it's not about new kinds of collateral, but existing kinds of collateral and what changes if they come in a tokenized form, which is a very valuable question.

19:33
And it covers different forms of tokenized assets. covers digital twins, so tokens mirroring an asset held in an old system, but also natively tokenized assets and also tokenized cash, which means central bank money, tokenized deposits or stable coins. This runs until 15th of January, will be very interesting because if you talk to institutional players, tokenized collateral is one of the most important.

20:01
aspects for these larger volume use cases and really creating an on-chain capital market. Yeah, my take on that is that collateral is where tokenization meets actually systemic risk. So if you listen to our last podcast from last week that I held with Chuck Mounts, it's getting more more interesting. The more assets we bring on-chain, the more linkage we have between these different asset classes.

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And we need to rethink about systemic risks in these markets. And this collateralization will be one key aspect that everybody has to look at. And I think it's only natural that the ESMA is looking at these aspects. Michael, what's your take on these news from Europe? Yeah. So first and foremost, it's a pity we didn't ensure to...

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Regarding the Börse Stuttgart news, which received the first DLT TSS license to secure Lidia for our recording. We reached out to her because it would have been lovely to get her

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perspective on this, but she would definitely come for another news reporting. And then also kudos to you, Stefan, for the most recent episode on tokenized collateral, a bit of an

21:24
under investigated topic in the community, I would say that you really put it on stage. Kudos for the episode, I really enjoyed it. Next story, third story is about supply chains being the weak spot also in this blockchain world. Because in August we had Ledger here commenting on one of their competitors problems. Now Ledger themselves had a problem at an unexpected

21:52
stage. What happened? Ledger hardware wallets were manipulated before they actually reached the customers. So someone installed a hidden chip with an LTE module that read the recovery phrase. So the 12 or 24 words seed phrase that you usually see on the ledger, it read it from the screen and sent it out over the mobile network, which is a crazy hack if you imagine that. So ledger had to confirm

22:21
The authorized reseller CryptoBilis in Southeast Asia, whose ownership had changed just a few months earlier, had manipulated devices that were also obviously sold earlier at the Singapore airport. And we in Germany, I think we thought we were safe. So this is just a supply chain problem in Asia. But on October 11th and 12th, someone reported manipulated ledgers bought in two different MediaMarkt stores, which is one of the...

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a major retailer is here in Germany for electronic goods. So on 13th of October, Media Markt Saturn had to pull back all Ledger products from stores and online and the stock reportedly came through some kind of a distributor. Losses reported were around 90 million US dollars, estimated by Alex Thorn from Galaxy Research. Ledger has not confirmed a figure yet.

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A ledger accepts partial responsibility as a manufacturer, but says its own systems were not compromised. But that's again, I think the lesson learned of the year that you can actually protect the core of the system. And when we discussed that these issues here in the podcast, you could really imagine how much effort is put into these secure elements and that you don't have a supply chain attack down below.

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And now someone said something just above, which doesn't make it better in the end. So I think with the rise of AI intelligence, need, we really need to think end to end and also obviously as discussed with Ledger, you also need to use AI to think about vulnerabilities in these end to end scenarios. But that will, I think that will go with us for the next years. I think unexpected things will happen.

24:17
because you just need to think around the corner somehow. What could possibly go wrong? Michael, what's your take on that one? Yeah. So, I mean, ultimately we are talking here about counterparty risk, right? And in the traditional financial world, the trade-off is like comfort. That is I outsource any activity needed to third parties to manage.

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24:43
my money and my assets, right? And in the traditional world, through regulation, through decades of experience, this counterparty risk is really well managed. So usually when you give your money to a financial institution, TradFi, that's all good. But then again, digital finance now, in tokenized finance, that's a whole different game. Still, counterparty risk is a major concern. Here we have it on the hardware.

25:13
or on the wallet level and we have to take counterparty risk in our DLT world way more serious. And this weak spot or this event now is yet another proof point that being your own bank really comes with a hell load of responsibility in thinking about questions. Is my hardware wallet really good enough?

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Do I need myself to do a proper investigation, at least to the extent possible, what the capabilities are and are not?

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Should I really give my money to a full extent to a centralized crypto platform or not? Right. So all these questions or one I really like is what happens to my Bitcoin after I die. for in traditional finance, right. Managing assets after someone dies is well regulated. If you, if you inherit money, for example, if you hold your money on a wallet and you die and nobody can access that, then you really have an issue. So.

26:17
This is really kind of a pledge, my pledge or my call for us taking counterparty risk way more serious. And it's not only hardware wallets as we learned here, but also longer term questions like what are the impacts of agentic AI on the risk of running our own bank, if you will, and the impacts of holding your own keys, right? Think it through, take it really serious.

26:47
I think self-custody has taken some hits in 2026 for sure. But same will be true again for centralized entities, I guess, in the next months. It feels like we are safe nowhere, right? So far we usually said, hey, be your own bank and not your keys, not your coins. But that's not good enough, right? So if you want to be your own bank, you need to establish your own risk management.

27:17
Which brings us to my fourth story, then I'll hand over to you, Michael. And the fourth story is that banks are becoming custodians and crypto firms become banks, which is quite a cool coincidence. But first things first, some facts and context. There have been many, many banks now moving into crypto custody in October. One of them, Deutsche Bank on 12th of October.

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We learned that Deutsche Bank received BaFin authorization for crypto custody and they are aiming at corporate clients. They start with Bitcoin and Ether later moving money in and out of stablecoins, tokenized deposits and help with issuing digital bonds. So that's quite a

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cool story. BNY, the Bank of New York, also one of the largest custodian banks in the world, expands stronger into digital asset custody platforms.

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to select institutions in the EU under MiCA. They go through its Belgian bank entity, assets they offer are Bitcoin, Ethereum, Solana and USDC with more to follow. Standard Chartered, also one of the behemoth banks, plans custody now in Singapore for such crypto assets, stablecoins and tokenized real-world assets for institutional and accredited corporate clients. And last but not least, we have news from Deka Bank here from Germany.

28:40
who enabled the Sparkassen, which are the smaller and mid-sized banks, to offer crypto trading in their normal Sparkassen app, which is quite a thing. So I think there are 350 Sparkassen in Germany. And as I heard, 270 of them were interested into that thing and 30 to 40 wanted to start.

29:06
These services, coins at the start are Bitcoin, Ethereum, XRP from Ripple, Solana and Polygon. Interesting thing with that is the warning comes with it. Crypto remains highly speculative and it's risky. You can lose what you put in. So no advice currently, no active promotion. So again, a very careful approach for retail clients from German Sparkassen.

29:35
Yeah, to add one thought here. of course, two thoughts. First is, oh boy, how long did it take? You would assume that taking crypto assets under custody only, right? So we're not even talking about advice of financial institutions on the if and how of investing, but only custody. How long it would take. Okay, fair enough. We need to flag intricacies like the...

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the multi-digit issue of crypto assets in comparison to fiat currency. So it's not so easy to simply process crypto assets in a core banking system, which follows the fiat logic and not those of crypto assets. But after all, I think these technical issues were not the problem, but really those of really compliance and risk colleagues in these banks. I mean, I can say that out loud because I'm working in a bank.

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But first thought, oh boy, how long did it take? And kudos to those financial institutions, particularly the GCEPs who moved fast. And the second thought now is really that's like the first step, right? The first capability is to offer custody. But now think of a world in which these armies of advisors, of retail and institutional customers really advise to allocate a minor

31:02
portion of a portfolio into crypto assets or other forms of digital money, what explosion this will bring to the space. And that's not even true for most of these institutions. Yeah. But there was also the counter move. So the rest of the story is crypto firms moving into banking. And one of the, I think, more exciting things were that Kraken announced on 14th of October.

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that Payward, its parent company agreed to buy Saldo Bank, which is a Lithuanian bank active in Lithuania, Finland, Sweden, and Germany that gives Kraken a EU banking license with deposits, with interest and loans. Payward calls itself the first crypto company in the world to buy an EU bank, which is quite a headline. It needs obviously still regulatory approval, but closing is expected for

31:56
early 2027. Kraken already holds a MiCA license, but this is simply the next step. Another interesting story in that regard from the US is the fight about charters. So the Independent Community Bankers of America, ICBA, this is the lobby of small US banks. They sued the OCC, the Office of the Comptroller of the Currency, the federal regulator for national banks in Washington.

32:26
The OCC had approved or conditionally approved national trust bank charters for several crypto companies. Among them Anchorage Digital, but also Ripple, Circle, Paxos, BitGo, Fidelity Digital Assets and many more in the pipeline. But the ICBA's argument is the trust charter becomes a side door into the banking system for crypto firms without deposit insurance, capital rules or consolidated supervision.

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A trust charter allows custody, no deposits and no loans. So very interesting discussion. I think the US is quite, quite open about that. Opening that door for crypto companies to behave like a bank, even if it's not a full-fledged bank. Interesting to see that both worlds are moving into each other's direction. And that's for me, the story of 2026. If I summarize that.

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It's about a hybrid world. We see that on the money side of things, Michael, you will dive into that soon. But we also see that on the security side of things, yeah, classical exchanging, opening up for tokenized stocks and crypto trading venues, integrating real world assets from TradFi in a tokenized wrap-up. So everything is merging and moving together, creating, I think, hell of a risk, a plethora of things that...

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that nobody really understands fully from my perspective. So I see some turbulent times ahead of us because tokenization was quite nice or coins were quite nice when they were completely contained on that chain. Now with all these tokenized real world assets, we have a lot of more dependencies into traditional finance systems. And yeah.

34:19
I expect a lot of things happening. Not all of them will be nice, but well, I think that's the fate of this whole economy that we need more traditional instruments on chain. And this will be an interesting learning curve, what a blockchain actually does to these existing financial instruments when they are tokenized. That's just my point of view. Yeah, thanks Stefan. First and foremost, I find this whole...

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label of the last block here helpful in itself, right? So banks become custodians, the custodians, crypto firms become banks. mean, that could be the title of the episode, if not

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even a kind of the mission statement of the podcast, because this is right, this intersection of institutional DLT and the intersection between

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TradFi and CeFi slash DeFi where we see this merge, right? And the whole community expected this complete revolution of finance. No, that did not happen. Maybe in libertarian crypto or libertarian cypherpunk communities, that's the ambition to become really your own bank, fully decentralized. But what we see really here is this slow

35:31
move from both ends towards each other. The truth is somewhere in between. And I think a major factor mediating and modulating both vectors, right? So on the one hand, banks becoming custodians and on the other hand, crypto firms becoming banks. The key modulating factor here is lobbyism. think lobbyists, particularly on the side of traditional financial institutions having the fight of their life.

35:58
to avoid that crypto players get banking licenses, to avoid that stable coins carry yield. So now is really the time in which we can see how liberal markets really are and how much innovation regulators really grant. Yeah, I agree. Good. And yeah.

36:20
as set out by you yourself already, the second part is now really about digital money. So now we talk all things, stable coins, tokenized deposits, payments, and to some extent CBDCs. And let's start with regulation. So for the first time, the European Union and the United States appear to be moving toward roughly the same timetable, which I haven't experienced so far. That's because both are now pointing to mid.

36:47
January 2027 as the point when important transitional arrangements, so temporary or intermediary arrangements will come to an end. Let's start with Europe, which got there in two steps. On the 8th of October, the European Securities and Markets Authority, so ESMA, as we learned before, is the European regulator overseeing securities markets and crypto asset market conduct told platforms they had

37:17
three months now to stop providing services involving stable coins not authorized under MiCA, which is our European framework for crypto assets and stable coins, as we will know. So importantly, this is not limited to trading pairs only. It also covers custody and transfers. And for a European custodian holding a non-compliant stable coin, that leaves

37:45
a straightforward choice, convert it or stop supporting it by January next year. And ESMA does not single out individual users here, but the practical market impact is really not difficult to see. Tether remains the major stable coin at scale without MiCA authorization and still accounts for more than 70 % of global volume. And then

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The second part, six days later, came the other side of the European approach, which is by the European Banking Authority or EBA, which is the European authority responsible for

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Prudential Banking Regulation Supervision. And EBA will take US dollar coin or USDC under direct supervision from the 12th of November on, examining its or Circle's reserves.

38:42
own funds, liquidity and redemption arrangements. I mean, isn't that a noteworthy news in its own right? Supranational, I underscore a supranational banking supervisor is applying familiar prudential principles directly to a crypto native issuer. And that's one single issuer, but there are now 45

39:09
e-money tokens notified across the EU. other words, to me, it seems like starting to look less like an exceptional case with a circuit USDC, but more like really the supervisory model Europe intends to use here from next year on. Good. And then on the other side of the Atlantic, the US moved

39:34
to at a similar pace, which is really what I find interesting that we both see convergence here through or until January 2027. So on the 21st of October, the OCC, again, the Office of the Comptroller of the Currency, which is the US Federal Regulator of National Banks. So this OCC published the first binding federal rule under the GENIUS Act and it

40:04
covers full reserves, daily audits, a capital backstop, and importantly for non-US firms, criteria for foreign issuers. And the effective date is, as I said, the middle of January, which is the 18th of January in this particular case. And the anti-money laundering provisions within it remain with Treasury first, second, with the financial crimes enforcement nets.

40:33
work or FinCEN, the US Treasury Bureau responsible for combating financial crime and the Office of Foreign Assets Control, OFAC, which is kind of the Treasury Office administering economic sanctions. And now here coming back to our podcast European perspective for the European issuers, the foreign issuer provisions here may prove particularly important, of course.

41:03
where the question of MiCA equivalence becomes commercial to them because if this supervision or provision is not MiCA equivalent, it would become even more costly to operate in a regulated way on both continents. So if a European issuer wants meaningful access to the US market, this is where ideally the two regulatory systems meet. If not, it would be costly to operate

41:32
regulatory compliance in two different machines really. And then concerning regulation, central banks also express remarkably similar voices. So within a week, the Monetary Authority of Singapore, which is really Singapore's central bank and the financial regulator there, but also the Bank of England and the Financial Stability Board and the international body coordinating financial stability policy.

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They all returned to a similar, if not same basic principle in their statements in October. And that statement is central bank money remains the anchor and comparable activities carrying comparable risks should face comparable regulation. Yeah. So that's kind of the common denominator of regulatory positions in October. So, um, yeah, that really tells

42:24
me something about direction of travel when it comes to regulation, public authorities are not preparing to surrender the settlement layer to private networks. It also sets up the next European argument. The industry's ambitions for MiCA 2.0 now include permission to first pay year to second lower bank deposit reserve requirements, and then also a safe harbor for genuine

42:54
decentralized finance activity in Europe. And the European Central Bank has been pushing back on all three of these industry ambitions for MiCA 2.0. Yeah, so much about all the regulatory updates and news of October. Stefan, anything to add from your side?

43:20
No, I think it's interesting. Stablecoins are pushed, pushed, pushed. Regulators are not sleeping on that one. So you see, still see the significance despite not growing in size. So if you see the numbers of stablecoins, we are still around the 300 billion. So on the surface, it seems like not growing so much, but the velocity, so the usage of these stablecoins has increased tremendously over the last 12 months. So I think with all of that action on the regulatory side.

43:50
I think we will see more stable coins hitting the market for real world use cases increasingly. And I think that's what the regulators are also preparing for that. If stable coins are becoming more systemic for paying out your salary or stuff like that, I think this will be interesting use cases that get at the core of them as a payment instrument. And I think that's what these fight, all these updates in regulatory clarity.

44:19
are all about. So everybody's preparing for stablecoins, having seen their prime time, I guess. And that's still not the case yet. I think that's still ahead. But interesting will be if the US and the European regulation will be somewhat aligned going forward. That's more important than a better MiCA or a better GENIUS Act, I think. It's that they actually work together. My take on that.

44:42
Exactly. My take is also that the rule books are really arriving beyond MiCA 1.0 and beyond GENIUS. So keep an eye on January about these rule books. Yeah. So there is really kind of a deadline to have on the radar. So I brought a second kind of pattern or theme of October, which is that banks and enterprises really commit to stablecoin raise by now. Right. So

45:11
We often talk about this future world in which different forms of digital money coexist. I'm in general still convinced of that future. think at any point in time, different forms of money will coexist, but at least when it comes to October, banks and enterprises are really committing

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to stablecoins. And there is one number from Standard Chartered, which helps explain why financial institutions

45:39
are moving from pilots to production infrastructure, at least in the context of stablecoins, Stablecoin supply has barely moved for a year now. It's sitting at roughly 300 to 320 billion dollars. So let's keep just the number 300 in mind. Look only at market capitalization and the market appears to have stalled. So we can then...

46:08
also look at transfer volume of stablecoins, which lead to a different conclusion. The monthly volume of stablecoin transactions has risen from around $4 trillion last year to roughly $10 trillion now in October. In simple terms, broadly the same stock of money at least captured in stablecoins is doing much more work. So same volume of money, but much more work.

46:35
in Standard Chartered, it has even moved its forecast for $2 trillion of stablecoin supply from 2028 to 202030. So they are assuming that it will take more time for stablecoin supply going up. And that really does sound bearish until you put this number next to transaction activity again. So the supply may be growing more slowly than expected, but the usage

47:02
within and across banks and enterprises is accelerating. And for me, therefore, this usage or transaction activity lens is actually more useful. So market capitalization really tells you how much stable coin exists in the world. Velocity tells you whether anyone is actually using that is moving the money. And the banks, and that's why I brought this Standard Chartered news here.

47:30
banks see that distinction act upon it, which is kind of their anchor or observation point, which certainly influences their strategy making. Michael, one point here is very important because I look deep into these numbers from a monthly newsletters on LinkedIn. And nearly everybody who's reporting these numbers is relying on Visa statistics. And the fun fact is that Visa changed their methods, how to measure these transaction volumes.

47:59
twice in 2026. So everything you read from August is not true anymore regarding the rough numbers. So I think mid of September, they changed their numbers and they corrected them downwards, not upwards, because they take out these fake volumes and just two wallets sending to each other all the time. It's not only about trading, they find more and more numbers that are not real economic behavior.

48:27
So I think this will be really a hard dance going forward to see how these numbers are actually developing because the methodology is improving month by month actually to be more and more realistic, similar to agentic payments, stuff like that. So also there the numbers were skyrocketing and then month later they were corrected downwards because a of that is real behavior. So, but the trend for me, the trend is very important that, so the factors usually stay the same that there's

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48:56
double the velocity, for example, but I think the absolute numbers are questioned again and again and again. So that's also a fun fact of the month. Yeah. Thanks for bringing this corrective element. Yeah. So certainly methodological conversations on is a point in time conversation correct in the first place? So is actually the observation of the stablecoin volume, but also the transfer volume correct?

49:21
And then in particular, what's even more trickier is inter-temporal comparisons. Like one year ago, it was X, a year later it is Y. And you cannot simply compare these numbers because measurement methods, in that case, by Visa changed. I hope what still remains true about this numbers game by a Standard Chartered here, which is an interesting read, is that there is a difference in stablecoin supply. So the sheer amount of stablecoin supply and then

49:50
to what extent it is being used. Absolutely. that's true over all the statistics, just the absolute numbers are varying. if our listeners wonder why the numbers in October look very differently from August, the reason is methodology, but the trend is stable. And then maybe a last piece of news from the banking and enterprise world is here really JP Morgan. They decided to move their JP Morgan coin.

50:20
that is their blockchain based tokenized deposit system out of the closed onyx environment and onto public Ethereum for institutional clients, which is significant to me. So a globally systemic bank is now prepared to settle on a permissionless blockchain for years. Much of the banking industry worked on the assumption that regulated institutions would use

50:46
private ledgers while public chains remained outside their parameter at least. And this distinction is becoming much harder to maintain for them. And interoperability and cross-chain architecture are no longer experimental questions for the technology teams in these banks, but are really daily business for them by now. Good. Yeah. So much on the

51:16
a world of digital money. There is a ton more news here really, for example, Qivalis, which is this alliance of 37 banks has received a Dutch e-money license and is chaired by Sir Howard Davies. There were big news in October too, but yeah.

51:39
For us, was important to bring this interesting Standard Chartered position and the number game here to the point, which at least in my thinking is a key driver in banking decision making. So to what extent stable coins are actually used either in financial economies or even more interestingly in the real economy. Yeah. And with that, let's come to a close.

52:09
Or maybe Stefan, do you have a last thought on digital money here? Yeah, I wanted to jump in on the SOFI thing because actually I met representatives from SOFI in Brooklyn when I was at the RWAs summit and they alluded to what happened there because they now bring a tokenized deposit that brings 4.4 % yield currently, which is very tightly integrated with their stable coin.

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52:36
So the thing I always talk about is stable coins are money in transit, so you send them around. But as soon as they're lying around, you want to swap them for either a tokenized money market fund or such a tokenized deposit that is yield bearing. And I think with all these bearer instruments floating around and other kinds of digital money that are very compatible regarding the token standards, you now see the power of this technology actually.

53:06
Yeah, well, while in the past you had very different kinds of money running in different infrastructures. It was very hard. You need many intermediaries to exchange them into each other and brought new risk vectors, et cetera, et cetera. And now you have one player who might come up with a tokenized deposit and a stable coin and still run on rather public rails with all of that and giving you best of both worlds actually. So I think we will see many more of these plays going forward.

53:33
where different kinds of money play out their strengths regarding the use case. And SoFi is obviously one of the innovators in that regard and should be watched closely. And I think many, banks will follow that, that kind of an idea that stable coin only is maybe not interesting, but combining that with tokenized deposits might be quite, quite cool use case. Yeah, I'm glad you, you double clicked on it, right? I already missed, I already, I might've missed out on it really, just to make.

54:00
the inner mechanics here really clear and transparent and why this is such an interesting product. It might even be the product of the month, if you will, that SOFIE, SOFIE, SOFIE, SOFIE, SOFIE, a tokenized deposit insured by the Federal Deposit Insurance Corporation, FDIC, which is the US agency that insures any eligible bank deposits.

54:29
paying 4.4 % and users can then exchange it one for one into the stablecoin SOFI US dollar, which is a stablecoin that pays no yield, of course, as it's prohibited under GENIUS. So this distinction is really legally important here, even if the customer barely notices it. So GENIUS prohibits yield on the stablecoin. So the yield sits one layer below.

54:57
in the insured deposit. And from the user's perspective, moving between the two can feel almost seamless from a regulatory perspective, they belong to quite different categories. So that's really a smart way of combining both really. Good. Yeah. Thank you, Stefan for highlighting that we should talk about this product launch, at least among the many in October.

55:21
Yeah, as in every, any other month, we also this month brought interesting knowledge bites for you to consider on your next flight, for example. Stefan, what would be your recommendation for any upcoming travel? Yeah, I would look into the different kinds of tokenized stocks that you can buy now. Actually, I'm planning to write a special edition of my newsletter about the differences that we see because this

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55:48
third party tokenization I discussed a lot about in our part one brought to us by Robinhood in the first place. Now getting regulated somehow by SEC in a speed train and that New York Stock Exchange jumping on such a thing and that compared to issuers sponsored tokens. That's really expressing the share itself as a token on chain.

56:18
which is, think, the thing that we would actually prefer, Michael, but which takes obviously much more time and might be more easy with new stocks that are issued and not with established ones that run on stock exchanges for the last hundred years. So it's a very interesting field. I don't have a clear pointer on that, but that whole theater that's going on, yes, is I think my knowledge by that you need to look twice.

56:48
Which claim do you actually own? What is it what you are owning? Do you really own a stock or something completely different? For many, many of our listeners that might be even irrelevant because they just want exposure to a price of something for the financial players. This is usually very, very important. Which kind of asset do you actually own in your wallet? And I think this discussion will go on and on and on over the next years. But as we...

57:18
put it, this is a hybrid world. So we will have many, many episodes to discuss how this is developing. So that's my knowledge bite for today. Brilliant. Thank you. Right. So your proposition for our next trip is really pondering on this question and even maybe using a test question that would be, when do you have a claim?

57:42
who do you have a claim against and for what, right? So I think your push here is really use that test question against all assets, on-chain assets in your stock to understand also in line with this risk management ask I did during the episode. Yeah. Cool idea. Yeah.

58:02
So from my perspective, I recommend reading a publication by Inder Financial Times. It's an opinion piece in the On Wall Street column titled The Ledger Problem, which follows the thesis that tokenization doesn't suspend the laws of finance. It's a cool piece written by Brendan Greeley, who's author of the book, The Almighty Dollar 500 Years of the World's Most

58:31
powerful money. It's only been published this week. yeah, Brendan here argues that tokenization upgrades the plumbing of finance. I mean, these are the well-known arguments like 24-7 trading, instant cross border settlement, log more liquidity across some 40 billion in real world assets, but tokenization does nothing to solve far older

58:58
the far older ledger problems, which is you still cannot escape information asymmetry and counterparty risk because behind every token, there is a human promising to deliver a good asset, which kind of clicks into also Stefan's proposal recommendation. So I really

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recommend that that opinion piece. It's really short, but it's kind of a thought provoking opinion that not many of us actually think. And with that,

59:25
Thank you everyone. Thanks for listening to BFRR and for making it until the end of another one hour of comprehensive news review of the month. Thank you also Stefan for your takes and insights. And yeah, if you enjoyed the podcast, please recommend and rate us.

59:42
That is simply the one thing that helps us most, us as a semi-professional project against the background of all of us having full-time jobs, right? Connect with you on the platforms we operate on, that's YouTube, LinkedIn and Telegram, and visit our website for more detailed analysis and detailed show notes. Until then, this is Bitcoin Fiat Rock and Roll bringing Europe's perspective on digital money and digital assets to the world. Thank you. Bye.

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