CRYPTO'S WILD RIDE: THE GREAT DEBATE

Nicole Valentine 00:04

Good afternoon. Can you feel the crypto energy? We said, crypto's wild ride. And everyone showed up to get on this roller coaster to see what's going on. So we wanted to structure this conversation as a debate, because what's happening is there's a lot of echo chambers in the industry where we all get together, and we speak the same language, we speak the same code; we talk in very technical terms. And people walk out of these rooms who are not necessarily fully digesting the content of what's happening in the moment that's happening, and they walk out and they're saying, I don't understand what just was said. I don't understand 50 percent of what was said on stage. So, I want to create a moment where we're going to, we're going to have some myth busting, we're going to deal with some misconceptions about the asset class and the opportunity we're going to—I want you all to also identify some issues with the industry that you see that you want to tackle. So I want to start with the story of crypto, the story of digital assets, the story of digital finance. There's many stories that this industry tells us about. One of the stories is about Satoshi. Satoshi, the pseudonymous, anonymous person, or persons who created the Genesis Block and he's disappeared, or she's disappeared, or they disappeared. Drama, right? The next, the next story they tell us is about decentralized finance, disrupting, disintermediating the middle man. No more middlemen in the transactional process, no more banks, no more financial institutions. How is that going to work? So that's a story that's told. There's also a story about democratizing finance. Everyone gets to be a part of this. Everyone gets to enjoy the wealth. Everyone gets to have a wallet, and you load it up with all these great coins, and we're all wealthy. Is that going to happen? How is that going to happen? Tell us how that's going to happen. All of us are tuned in for this. So we have the experts and policymakers of our generation sitting here, and they are going to give us the story of crypto and digital assets that they want you to know right now, in this moment. So I want to start with Zoe Cruz, because, Zoe, I want to start with you, because you come from traditional finance. And there's a lot of conversation about, you know, there's, there's not enough financial acumen in the industry, and you come from that space. So not everybody's coming out of their garages and tinkering. There is a mix of tech and financial acumen at the table. I would love for you, from your vantage point, from your many decades leading Morgan Stanley, tell us now, as an investor in this space, what story you think crypto should be telling the world?

Zoe Cruz 03:39

First of all, these chairs are not made for short people. Disadvantage already. Look, the question I get asked more often is, why are you in this space? Dripping with disgust about the space, some of it very well earned, by the way. So I started in finance at Morgan Stanley, right out of school at the beginning of the biggest revolution of my lifetime, which was finance was globalizing. Glass-Steagall had fallen, and so we were basically bringing global product, locally, as we used to say, all over the world. This is as big a revolution as that, if not bigger, it's marred by two things, a lot of shysters still in this industry—get rich quick schemes, pump and dump, and we all know those things that I'm embarrassed about, by the way, and also traditional finance, and I was one of those skeptics when I got a call from a headhunter to go be on the board of Ripple, I said, Look, blockchain technology, I kind of understand this is big, but this token crypto stuff, no, and I'm glad I kept an open mind. And that's the other thing in life. You should keep an open mind. I did serve on the board of Ripple, and then I went off to create my own company. It changed my life. So what this is not just buy Bitcoin and you'll be rich. You know? It's an interesting story. A lot of people did become rich. The reason I am on this space is you're talking about moving value in a digitized world, around the world that's deglobalizing—faster, cheaper, and giving access to people that don't have access. That's a very big deal. And the final thing I would say is it's always binary choices, either centralized or decentralized finance. This industry was born because we were going to fight the man. Well, the man isn't going anywhere. So I think this industry needs to understand I talk to regulators around the world, whether they're in Singapore, whether they're in Europe, the US, what they say is Bitcoin to Bitcoin, knock your socks off the fiat on and off ramps. We're going to regulate you the way we regulate local financial institutions. So for me, as long as we take that it's hard. And there are two principles that I don't think any regulator, and I hope they don't ever give up on AML, KYC and investor protection. And as long as you have those two things, this industry will continue to grow.

Nicole Valentine 06:37

Thank you. Zoe. Dante Disparte, I want to turn to you at Circle.

Dante Disparte 06:41

Nice to see you. Hello.

Nicole Valentine 06:43

So stablecoins, how stable are they and how are they going to power up the next generation of money and finance in the world? Tell us the story of circle and of stablecoins.

Dante Disparte 06:57

Well, first of all, it is a great honor to be on the stage. And you know when you have a crypto conversation at Milken, dress like a banker, but I promise you, I'm wearing my hoodie on the inside. I've been uploading the US dollar onto the internet for quite some time now. And part of the point of the innovation, fundamentally, is to go places where the dollar could not go if it was continuously enshrined in brick and mortar. And in some ways, the first myth of stablecoins was that they were poker chips in a crypto casino. And what good would they be for real world payments and dollar access and dollar competitiveness? If all they were serving as was a medium for people to buy a meme coin, or to face exactly what Zoe described as the pump and dump schemes that have marred the original decade of this industry. But then I would say now you look back and you see what stablecoins have done just in the last few years, and our experience with USDC is teachable. We have gone from zero to availability in 190 countries and counting, where for little more than the basic access to an internet connected device, you now have access to the bottom rung of financial mobility. And if doing that is wrong, I don't want to be right, and so I do think there is something to be said for abstracting away the technology and starting to describe the outcomes, because the last I checked, it's pretty miserable to move money inside the United States as an example, just to make it really tangible for the audience, if you want to move money instantly in the United States, good luck. Why? Because our financial pipes are the equivalent of what it was to use fixed line telephony, the longer your call traveled over the fixed infrastructure, the more it cost. And imagine a world in which you could move money at near instant speed at no more than the cost of sending a text message. And so digital assets, blockchain and crypto, I should argue that crypto is short form for cryptography, the very technology that ensures your right to privacy is protected and that systems stay safe and that they're redundant and they're cyber resilient. This is merely a technology no distinct from cloud. But of course, when the cloud first showed up, it was terrifying, and IT teams whose job dependency and job security depended on keeping a server farm running were reluctant to tell their companies and their boards, please adopt the cloud. But if I told you that a dollar denominated stablecoin is to payments, what cloud infrastructure, or open AI is to computing and infrastructure, then the question would be, when can we start? Because guess what? The way we move money in the 21st century is wanting, and so stablecoins today have processed USDC alone, more than $26 trillion over the last period of time and again, that payment network is instant. It is device-centric, and then it powers a whole host of other use cases that we have represented on this stage, which is the composability and the programmability of money as well. Because fundamentally, the form factor of stablecoins is to take a physical dollar. Yeah, and to digitize it, my last analogy. And then we'll get into the myth busting is, remember, maybe them dating myself, but remember when you could turn, turn your CDs into MP3s, the music was still yours, but once the form factor changed, you could can, you can skip a song, you could fast forward and beyond. And the last quick point, I would say, is you want to know why crypto and why Web3 is such a unique innovation. Look at the terms of service agreement of your iTunes library. It's not yours. You cannot bequeath it to your next of kin and put it in your will, because it's fundamentally somebody else's property. Digital assets and crypto allow you to rethink that operating model, so the 1000s of dollars you've spent in your technology libraries, and your money and all these other assets can actually accrue to you, and you can pass them on to your next of kin.

Nicole Valentine 10:47

I'm glad you mentioned Web3, because I want to focus on—now we talk about Web3. We have a Web3 power player here in MoonPay with Ivan Soto-Wright. Can you tell the story of how MoonPay is playing into this Web3 movement?

Ivan Soto-Wright 11:00

Of course, well, first, thanks for having me, and it's great to see us get upgraded on the stage. We're hoping to get the main stage. Hopefully next year, people keep leveling up. For me, crypto is the most important technology. I think in my lifetime, I'm just honored to be playing a role in helping shape it. I think the really simple analogy is a cryptocurrency wallet can replace your bank account. If you use a cryptocurrency wallet, you go download one today, you'll find it to be far more efficient than your existing bank relationship. Anyone with internet connection can participate. Anyone can move value frictionlessly, 24/7. And so what I saw with MoonPay in the very beginning was it was very difficult for people to get started, and most people here, if you look in your pocket, you'll have a Visa, you'll have a MasterCard. How do I create the backwards compatibility to the existing financial system so we can bring many, many people on board, and that's really been our mission at MoonPay, is, how do we think of every single localized payment method in the world? We have to build that backwards compatibility, and so we make it easy for people to use their debit cards, their PayPal, their Venmo. We're connecting every single part of the legacy financial system, and it's going to take a while. We have to go into every single country, figure out the regulatory framework, be able to spin up things like virtual accounts so people can participate. But from a settlement perspective, this technology is beautiful. It's instant, and we're just at the beginning. Now, when I really think about the next frontier of crypto, we're going to think about productive assets beyond just the dollar, earning yield on a dollar credit instruments, stocks, everything will become tokenized. And so for us, where we really focus is how we build the best user experience. That's a result of building great products. That's a result of building great APIs, developers that can use those APIs. When we think about where AI technology is going, these agents are ruthlessly efficient, and they're going to leverage the best set of APIs that they can for money movement. They're not going to be using legacy systems that take days for money to settle. They're going to be using stuff that's in using stuff that's instant, 24/7, that the next generation requires.

Nicole Valentine 13:06

Awesome, Ivan, I want to turn to Coinbase—Sebastian at Coinbase Asset Management. We have trillions of dollars of capital walking around our conference. And allocators are here, and they're on the sidelines. They are going to their boards, they may try to make allocation in the space, and they're getting turned down. They're saying, 'This is too volatile, this is too risky.' What does the industry need to say to institution, the institutional side of the picture? What do you need to say to allocators? What stories do we need to tell to get them comfortable in taking this risk?

Sebastian Bea 13:41

So you said dollars are risky, is, was that the summary of what you just said? Because, because if you walk around the halls here and you're on a plane speaking to allocators globally—look this current monetary and economic environment is different. We all know it's very, very different, right? We are entering a new regime, but we're not we're not entering with a clean start. We've got massively indebted economies, we've got slow growth, and we have basically an inability to put on fiscal restraint, right? So if you talk to these people, to have these dollar assets, actually, most of them, many of them, I should say, don't have dollar liabilities. And we were talking about this earlier, if you're if you're an investor and your dollar, and the dollar is not your liability, but your long dollar assets, the dollar may, in fact, be your liability, right? So we take this macro approach to some degree in Coinbase Asset Management to try to engage with investors to solve problems. In the end of the day, we can build lots of cool stuff in crypto, and many things have been built, but many of these solutions are there in search of problems, right we have a big problem right now. We all know we have a big problem right now. We have an economy, a global economy, that is abruptly changing into some sort of new regime, and it is creating an investment problem for a lot of investors. And, we wanted to sell more creative products, but in the end of the day, people really want one thing, which is, which is Bitcoin, because they view it as still, even today, at a $1.9 trillion market cap, an asset with truly asymmetric properties, it can go down 50, 80, 100 percent; that's all technically possible, right? But at the same time, it's not hard for people to imagine that Bitcoin could be worth 800k, 900k, or a million in 10 years time. We actually just put out our forecast for about 840,000 in 10 years time. Our CIO Marcel Kasuvich did that, and we did that because of the question that you mentioned, right? Large investment plans around the world are concerned about this macroeconomic environment saying, 'How am I going to protect my savings? I want to grow. I want to I want to grow my my investment plan, but I'm concerned about just the store value.' So we actually see multiple plans that are now considering adding store value to their investor policy, rather to their strategic asset allocation. Those are painful processes you have to go to your IC. It comes every quarter. They might say, no, right? But this is a moment where— Bitcoin, in particular, as we were discussing, has been made and unique. It has been separated from the rest of crypto. In some sense. It is called the US Bitcoin strategic reserve. It's not called— then we have the strategic stockpile over here. That's everything else. It's not just the US government that's thinking down those terms. And we think it's a special moment for Bitcoin in particular, and that's that's the problem to be solved. I think that after that, the investment opportunity to upgrade finance is massive, and that's probably a 2026, story.

Nicole Valentine 16:56

Thank you, Sebastian. Mary-Catherine from Uniswap. I want to focus on the use cases, the applications, the layers in this tech engine that's being built. I'd love for you to just demystify what Uniswap is and the DeFi decentralization conversation that you've talked about when you're giving people information about what you do.

Mary-Catherine Lader 17:18

Yeah, definitely. So speaking of upgrading the financial system. DeFi protocols are essentially automated financial services. So you've heard about 24/7 instant settlement, the ability for users, whether they're professional or individual, to hold assets themselves. That all means that then some of the functions that rely on so many different steps, participants, intermediaries and financial services can be coded into software and specifically smart contracts. So Uniswap is the most used decentralized finance protocol. We've also built a bunch of products on top of that to help people use it, and what it does automate market making. So the contracts, Excel models, the drinks with brokers, the connectivity and software systems that are needed to create liquidity in traditional markets are possible on a blockchain with just a protocol that operates itself. So it's a series of smart contracts operating on blockchains, and it's processed 3 trillion to almost $3 trillion in about six and a half years. So it just gives you a sense of the scale, and that's asset agnostic. So today that's used for the assets that we've been talking about, what we think of as crypto, Bitcoin and Ethereum and other and other tokens, but certainly in the last six months, but even the last year, we've seen more and more interest from different participants in traditional markets who are so excited about the opportunity to upgrade their systems and to bring more assets on chain, as we say, And to start to use this kind of automated liquidity, this instant access to markets for different kinds of assets. So it's just, it's basically, it's an API for liquidity, and that I also started in traditional finance at Goldman Sachs and BlackRock. And when I heard of Uniswap as an invention, it was obvious to me that this was novel in the history of financial markets and not previously possible. So hopefully that gives you a sense of what it means. I think decentralized can be very misunderstood. You can still have teams of people who are building decentralized finance, but at the core, it means that the functions aren't dependent on any one company much in the way that, like we think of XMTP or SMTP, these different protocols that have been critical to the evolution of the internet that are decentralized, and then you have applications like Gmail on top of SMTP that helps an individual user make sure their email is clean and navigable and helps block fraud and stuff that they don't want to access. The same thing is true for applications that we build on top of these protocols. Awesome. Thank you. MC acting chair of the CFTC, Caroline Pham, so the administration has changed, and regulatory clarity is within reach, and you are leading in this regard. I want you to talk about what you're contributing to the regulatory environment so that capital can come off the sidelines, feel comfortable coming in, and people can build more.

Caroline Pham 20:03

Thank you so much for having me here back again at Milken Global Conference. I love that this session is about myth busting, because I'd like to address a myth right up front. So what's the same under the new administration? What's the same is that there is no tolerance at all for fraud or for scams, right? It doesn't matter what kind of fraud you're trying to commit, whether it's crypto fraud, whether it's some other kind of Ponzi scheme, it's just not allowed. And in fact, you've seen across the DOJ, the CFTC and the SEC that we have all redoubled our efforts to pursue fraud in crypto and across the spectrum. But what's different? What's different is that in this administration, we have optimism. We have optimism about the promise of a new technology. We have optimism about its ability to contribute to the growth of the American economy and to prosperity for all Americans. And we have optimism about the ability of our government and our regulators to deliver on that promise, and so I'm very proud to be a part of that. And how are we accomplishing this? So I think it's really important to take a step back and really define what we mean when we're talking about digital assets, and particularly what it means from the financial market regulator perspective. So to me, when we talk about digital assets, it's really two distinct categories. The first is that digital assets is a new format, so tokenization of traditional financial instruments. The second is that unbacked crypto assets is a new asset class. And so how we approach each of those things from a regulatory perspective is going to be different. When it comes to tokenization. We should have a tech neutral approach just the same way that we went from paper stock certificates to electronic records to now records on a blockchain. It shouldn't make a difference. Our securities markets will be deep, they will be liquid. They will be the greatest in the world, and they will contribute to the engine of growth in America and for entrepreneurs all over the world to come here for amazing universities and our chief and plentiful funding in both private and public markets. What is the other thing that's really important to keep in mind? What's important to keep in mind is that, what are the use cases, right, that digital assets can bring to financial markets. And I see them as three key benefits, right? So number one is the ability to enable greater liquidity formation, and actually, DeFi has a tremendous ability to aid in that liquidity aggregation and formation. Number two, and I've been saying for three years now, and I used to work at a big bank, so I've been very focused on this. Number two is that the killer app for blockchain technology in traditional financial markets is more efficient collateral management. The CFTC oversees the $700 trillion notional derivatives markets. There are untold amounts of margin and collateral being exchanged every single day, and with blockchain technology that can become tremendously more efficient. And by being more efficient, it allows financial institutions to redeploy those assets in more productive ways. It can allow financial institutions to provide more credit to households and businesses. It can allow financial institutions to put those assets to work in many other ways. And then finally, number three is that the blockchain technology can reduce risks. Clearly, it reduces operational risk, but it can also reduce other financial and non financial risks. So as an example, there are reports that have come out that have said that tokenization can save billions of dollars a year in both OpEx and CapEx. When you take that and extrapolate it out across the banking industry or other financial institutions, it's a tremendous savings. Now, what has the CFTC been doing to address these different areas when it comes to tokenization? Thank you, Nicole for serving on the CFTC Global Markets Advisory Committee's Digital Asset Markets Subcommittee. Last year, that subcommittee came out with not only a digital asset taxonomy to help bridge the gap between the lack of regulatory clarity in the United States and the standards that have been implemented across international standard setters as well as other jurisdictions. But we also, importantly came out with a recommendation for tokenized non-cash collateral that could be tokenized Treasury ETFs. And so I'm very pleased to say, I'm announcing this is big news. The CFTC is going to be soon participating as an observer in industry tokenization pilots, so that we can better understand the use cases and the benefits of the technology and engage in capacity building so we can be ready for a new or more expanded role. When it comes to crypto assets, as an asset class, obviously having predictable rules helps the maturation of the asset class. So there's the president's executive order on digital asset markets, there's the president's working group that the CFTC is proud to be a member of, and we're contributing towards that 180-day report. We've been providing technical assistance to Congress, and just today, they released the discussion draft of the market structure legislation, and we rescinded two advisories that were not appropriate anymore given the development of the asset class that were specifically targeted at heightened standards for crypto derivatives. And then we have completely ended regulation by enforcement consistent with the DOJ memo. So it's been a tremendous amount of work that we've accomplished in the first 100 days. And so I just want to leave you with some lessons learned as we think about the approach to regulatory clarity in the United States for crypto assets. I think when you consider what was the last, most transformative piece of market structure legislation, it was the Dodd Frank Act. It was how the Dodd Frank act completely changed the swaps markets, which, by the way, the CFTC also regulates, and so I implemented Dodd Frank. I not only worked on the rules when I was staff at the CFTC. I then went to Citi and was the global head of swap dealer and broker compliance. And I ran a billion dollar compliance program, and the industry spent hundreds of billions of dollars in registration and compliance costs, and it took the CFTC four to five years to write the rules to implement the Dodd Frank Act. But what did Dodd Frank really result in? I think there's two things that everybody needs to keep in mind about getting the legislation right, and I really commend the efforts of Congress, and I've been pleased to help with this. We have to make sure that the compliance costs don't crush the innovation and crush entrepreneurs. Because one of the unfortunate results of the Dodd Frank Act, while it made many aspects of the market structure better, particularly central clearing, was a great innovation, but it ended up with regulatory moat so that the barrier to entry was almost just completely prohibitive, unless you were the biggest of banks, and number two, it resulted in market fragmentation. And because digital assets is inherently a global and borderless market, I think we must be careful to avoid the market fragmentation that could be an unfortunate result if we don't get it right with not having the overbearing compliance costs. Thank you.

Nicole Valentine 27:26

I mean the regulatory environment is very important to the growth and development of this space. I'd love to get into more myth busting. I want to talk about the retail customer. The 2025 Harris poll surveying 10,000 American crypto holders were surveyed, and they said ownership of crypto skews younger, with 67 percent of crypto owners under the age of 45; 15 percent are over the age of 55. Further, crypto isn't just for bros anymore. It's also a third, 31 percent, of holders are women. Surprisingly, crypto holders are more likely to work in construction, 12 percent, compared to financial services, 7 percent. And there's also, just in terms of—while nearly half make more than $150,000, 42 percent, many do not belong to higher income brackets. Twenty-five percent of crypto-owning households earn less than $75,000 a year, and 40 percent of crypto users hold less than $5000 in digital assets. You have a demographic of people who are looking at this saying, 'This is my opportunity to access wealth.' There's that promise of that. I'd love for you all to just give us a sense of how is this industry setting up the infrastructure for this promise to be realized? For those who are saying, this is a this is a place of saving, this is a place of store of value, what is the delivery point that you all see in your work? Maybe. Zoe, I want to start with you.

Zoe Cruz 29:00

Well, sadly, I don't think the industry is ready to actually responsibly entice retail investors. I don't think we should legislate what people do, but it is a very, very risky asset class, as I say in any talks I give. This is a Cambrian explosion of activity. We know what happened. If you study evolutionary biology, most of the things died. The things that survived were worth a lot of money, or great mammals were born out of that. So I actually think again, that's the problem with this industry, where I agree you should zero allocation to Bitcoin or to the broader asset class, is the wrong answer. More than 3 to 5 percent of your liquid net worth is also the wrong answer. If you talk about risk/reward, never mind a plumber we cannot pay his or her bills. So for me, the bigger issue, and what I say to people, is put enough where you care to see where it's going, but not so much where you can't sleep at night, because it collapsed another 50 percent, and you will accrue value over the long run. Diversify across use cases. For me, I'll give you a couple of statistics about Etherium. You know, as I said, Bitcoin sucks the air out of the room. So Etherium has made since its inception, and really took off in 2017. So tokens are claims to a network—the bigger the network, the more valuable your token, if you think oversimplifying it. So, Ethereum has earned $27.8 billion of real money revenue since it was born, and it's accruing at 3 billion annually. It buys back. Think about the stock buybacks of a cash rich company. It buys and it burns Ethereum. And so if you say, if you were analyzing a company that makes this kind of money, when BCG released a study that said stablecoin—that is the killer app—stablecoins are digitized dollars. The world—that is a reserve currency. They'll put some of it in Bitcoin. But sadly or not, so sadly, the world reserve currency is the dollar. BCG said in three to five years, it'll be $16 trillion coursing through the veins of base layers. Ethereum, by far, is the hegemony, has the hegemony of that 55 percent market share. The next largest is actually 30 percent, and so when you think about the revenue generation of such a thing, it went down 40 percent I am very bullish in Ethereum, and we have a portfolio where we are long Ethereum. We're down 40 percent on Ethereum. But when you think about, again, traditional finance, where I saw here, Ruth Porat, who was the investment banker, and Mary Meeker, the internet queen. When I was a Morgan Stanley, we IPOed every major, big technology story under the sun. They did deep research, and they went around and told the story, and we raised a lot of capital for that story. I just told you a story that is actually in my many, many years in finance, is unprecedented. Would you have guessed that it's down 40 percent when you don't need to beg the CFO to give you information? It's all there, transparent information. So one of the biggest myth busts, I would say, is looking at price appreciation to become rich, I don't think is the way to go, whether it's a retail investor or it's an institutional allocator. I call it liquid VC, that token you can buy and sell. Most of them you can buy and sell nowadays. As you know, the best of the best VC guys. They take your money for 10 years. Two to three of those investments go to zero. Two to three barely beat the cost of capital, and then you have two to three moonshots, and they can't change their mind once they buy some story to two guys and a dog at an instant unicorn, they're in. Well, in this world, you can actually look at data and you can judge whether that's the best next thing. So for me, coming back to retail investors, I think the world will go to a story where you don't begin by shilling whatever story will make you most money, and that's, sadly, where traditional finance is as well, by the way. I mean, I don't want to oversimplify the world, but I think this is very, very, as I said, important revolution. But it's true value to society—democratizing finance—we talk about it. I used to be in foreign exchange. If you want to move hundreds of millions of dollars around the globe, and you're Morgan Stanley, you can still do it with a very old technology. If you're a small guy in Peoria, not so good. So it does give access faster mover, movement, accessibility, the rentiers are not involved. That's a very big deal. So to me, to convince a plumber whether they should buy bitcoin and he'll be rich is not the right way to sell the story.

Mary-Catherine Lader 34:59

I think part of that's exactly why the market structure, legislation that's in draft form right now is so important, is because for the past several years, if you were building anything on a blockchain, you had a massive regulatory overhang and legal risk behind you, and so that led to adverse selection in many cases, and who was willing to launch assets on blockchains and which participants were willing to participate on them. So what you hear in the stats that you shared Nicole is a willingness to bet, in the future, you hear the reality of this technology is instantly accessible, right? So that the same assets, as Zoe was saying, early assets, basically, can be instantly available at the same time to a retail investor and to a professional investor, the same infrastructure, the same level of liquidity. It's transparent. That is extremely appealing. And so in the stats you shared, you hear users of all kinds of different backgrounds being excited about that. And in order to have higher quality assets and more things that you can buy for the long term, and to have your real financial life on a blockchain, we need market structure legislation. And so excited about it happening this year, because I hope, I hope, because then more and more teams can say, wait, actually, it's so who knows how to read IPO markets anymore, but I have a cash flow generating business. If I'm willing to launch a token where I can disclose the ownership and have the revenue be on chain, I can have instantly digital disclosure, and I can have a much faster path to liquidity and to capital markets. So that's the world that I hope we're living in, literally, as soon as next year. And then I hope we'll come back and Zoe, maybe you'll say, Okay, now we're ready for retail.

Nicole Valentine 36:24

I gave stats for the US. I mean, in the, around the global population, there's 6.8 percent in crypto. Dante, Can you talk about the rest, the rest of the world? I gave some stats, how, how the world is engaging with stablecoins?

Dante Disparte 36:38

It's a very good question. So, and it's great because it gives me a chance to wax philosophical. On the US dollar it says in God we trust. And $100 bill and a $1 bill might have the same total cost to produce them in the same total cost of material, but yet it's the buyer's willingness to send and receive that makes all the difference. And so you denominate a payment in whatever currency people are willing to accept. There's also—it's also true that around the world, many countries have currencies that might not be worth the physical paper they are printed on. And so the biggest use case for stablecoins, and dollar denominated stablecoins, outside of digital asset trading, is actually to give people a store of value as a hedge against domestic or local currency hyper volatility. Those people don't show up to speak in Congress. Those people may not be here at the Milken Global Conference, but they're not voiceless, because the fact is, in many cases, they're taking advantage of what is true of crypto, which is that, number one, it has to be definancialized as a technology conversation. Banks are not monolithic, but if a single bank fails, it erodes confidence in all banking. Digital assets and crypto are not monolithic either. And every single time in the media, there's a headline that says crypto equals ransomware, or a blockchain has failed and locked people out permanently, typically, those are single products, single entities on single exchanges. And so it's time to start naming the bad actors that may be failing, that are indicting crypto, so to speak, as an industry, because it needs to become just a general purpose technology at its core, but it's also in the use case that I care most about, and I think Circle cares most about payments, store of value and enabling the dollar to go places where it cannot go on its own, there's some really profound data in our most recent USDC economy report about a use case that is very simple, no more than $1 store of value on a device-centric level for millions of people all over the world, I think that alone, it may not be a great investment to Zoe's commentary,

Zoe Cruz 38:47

No, no, don't misunderstand. It could be a great investment someday—

Dante Disparte 38:52

Access to the dollar for so many people is a great pathway to savings, and that cannot be ignored either. The other quick point I would make is, again, at the scale of the world, we have a planet with about a billion people who live in the shadows, they don't have national ID. That would get them into the formal economy. Digital assets, pseudonymity, anonymity and device-centric financial services are also creating a pathway to normalize the delivery of the formal economy to billions of people, potentially. And so I think the crypto story, in the long run is actually bigger than investments in capital. It's billions of end users who are stranded on the margins and potential trillions of dollars of real world activity that can reach them in novel ways. But I completely agree with the commentary between the Acting Chair and Zoe as well, that this shouldn't just be lawlessness. It needs rules, and the more we have rules, we could race to the top and actually do this in a safe way.

Zoe Cruz 39:43

Can I just interject? I think Ethereum, I'm doubling the position. Just to be clear. I think it's going to go much down.

Nicole Valentine 39:51

Down 40 percent and doubling position.

Zoe Cruz 39:52

But again, it isn't about—the exciting thing about this isn't about money. Of course, money is wonderful; it's a report card, as I used to say, Morgan Stanley. Fraud, people talk about fraud in this industry. Sadly, it exists. The largest fraud in history was from a public, regulated company called Enron. I was running fixed income and commodities at the time. I had a front seat, second largest Worldcom, Wirecard, Archegos, Madoff—none of them had anything to do with so this. It drives me mad that fraud should be eradicated, but it isn't the purview of crypto.

Nicole Valentine 40:34

Ivan, I want to turn to you, because whenever I—you're on FinTech Advisory Council, thank you. You are growing. I mean, you are making acquisitions, you're building, you're expanding what you're in the driver's seat, and you're architect, architecting growth and more products and services and meeting the needs of retail and institutions. What's your decision tree? And as you're making these acquisitions and moving forward, tell us about them.

Ivan Soto-Wright 41:00

So first, it's really simple. I hope that we can enable people to access anything on chain. And if you think about what has been able to be on chain so far, we're just scratching the surface. Obviously we have Bitcoin uncorrelated, diversified portfolio. You can look at it from risk adjusted basis, and you could say this could be the next gold, gold is an $18 trillion asset class. There's still a growth story there. I think a lot of people just had to jump through hoops to basically try to claim some of their assets weren't securities. We're now getting to market structure. We're actually going to see productive assets end up on chain. What is the most used cryptocurrency today? It's actually the US dollar, right? And, you know, I think that's a really good thing, and now we got to get it into everyone's pocket all around the world, and now we can frictionlessly be able to do that in the form of the stablecoin. Where do we go from there? We're going to be able to offer interest, we're able to offer yield, and for people that don't have access to banking, full stop already, a massive improvement. The next jump is, wow, I can actually start earning interest in yield in US dollars. And then it will be, oh, 'I can actually access a stock, I can access a commodity, access a bond.' And so we're just, I think, at the very beginning, and now that we get to regulatory clarity, we're going to have a whole range of new productive assets that end up on chain. Now, the way that we look at things, at MoonPay, it's all about access. So how do we connect the legacy system? How do we connect as many of these payment methods in different parts of the world? And how do we make that frictionless to the user? We really care about that user experience. And I think we build these beautiful widgets that we embed and all the most popular places where people want to interact. We think that regulatory compliance is super important, so we take that very seriously—160 countries making sure that we can do that in a regulatory compliant way. Huge legal and compliance budget, but our goal is we expend that budget so developers are able to build more freely, and we start focusing on all these incredible use cases, these technologies like Uniswap, incredible invention for abstracting liquidity. We want to see more builders be able to build on this technology and not worry about the regulatory compliance aspect. So for us is get those licenses, offer it as an infrastructure to everyone. Now, this year has been a really big year for consolidation in the industry. I think we're seeing that as a theme across the crypto space. From our perspective, we've been really focusing on where the new emerging use cases, we think, for payments, especially with merchants. We're actually starting to see that merchants are recognizing—'Wow, why am I paying two to 3 percent to accept a payment when I could accept it for free and potentially accept it in a better currency than the currency that I have?' I think, from my perspective, that's we acquired this company called Helio this year. We power SolanaPay. We make it frictionless. You can go and check out as a merchant if you want to buy the new Solana mobile phone. We found that users actually preferred using stablecoins to make the purchase over debit and credit cards, and it saved Solana millions of dollars as a result of doing that. So we're just at the very beginning of merchants starting to embed it. We're starting to see really great traction with Shopify around being able to use cryptocurrencies and merchant transactions. And then kind of the second area that we've been really looking at is obviously stablecoin orchestration. So we think every business around the world is going to be thinking, how do we accept stablecoins? How do we convert them into our local currency? How do we make sure that they plug into the existing financial system, or spinning up virtual accounts in these different parts of the world is really important to us, but it's all about access. It's all about how do we make this technology usable for everyone in the world, no matter where they are?

Nicole Valentine 44:20

Thank you. I've been watching the live stream and checking out all the other conversations that are happening across the platform. And there was a conversation today where there was two, two economists talking about, you know, the outlook. And one of the economists said, 'Crypto is just an experiment.' And I want to get your take, starting with you, Sebastian—kind of debunk that— is crypto just an experiment?

Sebastian Bea 44:49

Was that Satoshi? So the unnamed economist said that there's a lot of economists, and they all have an opinion and multiple hands to wave. Look, if it's $2 trillion, if it's 15 years old, if it's if the US government owns it and will never sell it again, right? In the case of Bitcoin, it seems like it's a real thing, at least to a lot of people, right? But everything in finance, but the dollar and and Bitcoin, it's all social consensus in the end. So you have to ask yourself, if I have a dollar, will that person accept it? And the answer is yes. Okay, well, if I have Bitcoin, do I think it's going to help my value. You know, in my portfolio, the answer right now, for most people is, I don't know. I'm kind of afraid, and but some people say yes, right? Maybe 10, 10 percent say for sure, right? And that's where we end up at the current levels. I'm glad that we have an experiment like this back in the United States of America, right? Where, you know we are, we're for privacy, we're for innovation, right? And these are inherent characteristics of crypto. I mean, I think it's a great experiment, and I think it's clearly succeeding. Where it goes from here? I think it could be explosion. I think you were saying earlier, Cambrian explosion. I think we are seeing a real separation of the herd, right? More recently, in the case of Bitcoin and with stablecoins, that these are becoming very clear. They're not experiments. These are real things. They're actually solving problems in the real economy today. But that's, that's just the start. We've got some real breakthroughs. I mean, they're not, you know, an example would be like Figure you may have heard of them, but they're the number one non-bank, issuer of HELOCs the United States of America, home equity lines of credit. Everyone knows what that is, right? That's not an experiment. That's a second that's a second lien on your house, right? And they're crushing it, and they're doing it all on a blockchain called Providence. And most of us don't use but, but maybe we will in the future, right? That's still a bit of an experiment, but it's an experiment that's winning. And I'm just, you know, personally, being part of Coinbase and dealing with investors, I'm just really excited that now this experiment is being supported here in in America, where we believe in entrepreneurialism, we believe in what's possible, and it's actually now happening here.

Nicole Valentine 47:18

Chair Pham, I want to get your take on regulatory, approach to experiments and beyond.

Caroline Pham 47:24

So, I'm happy to bust another myth. And one of the myths I'd like to bust is everybody who says that tokenization isn't real. Everyone's talking about it. It's not real. Well, to date, there has been over 1.5 trillion in institutional repo and payments being done by big banks for the last several years, 1.5 trillion. So it is very real. There have been billions of dollars of digital bond issuances in both Europe and Asia. So tokenization is real. It's here when you think about the overall total addressable market for tokenization of financial instruments and other real world assets. A couple years ago, Citi and McKinsey each separately came out with conservative estimates of 2 to 5 trillion in total addressable market for tokenization of financial instruments and real world assets by 2030. That number could well be larger by now. So it's a very real thing. One of the things I'd like to do is pull together some of these different threads that we talking about, right? So I've been telling you about tokenization. I've been telling you about collateral management. For collateral management to work, you need a collateral instrument, collateral token. When you move past thinking about tokenized treasury, ETFs, what is another token that is backed by us, treasuries? Stablecoins. USDC is backed by US treasuries. So many people are thinking another step ahead about using stablecoins as tokenized collateral in our financial markets. I think this is a really revolutionary again, use case for both, again, tokenization and stablecoins. All right, let's marry that together with crypto assets. For tokenization to work, it needs to be on a network. The most popular network is Ethereum. How does Ethereum work? Ethereum works by burning ether, which is actually called gas, and that powers the transactions on the Ethereum network. What are other consumables that are traded in our markets? Actual oil and gas, right? FX, these are all consumables. So if there's going to be 2 to 5 trillion of tokenized assets, and you need to burn a network token in order to make that work, then now you've got a entire value chain that brings together tokenized financial instruments, stablecoins and un-backed crypto assets that are network tokens, that are the consumable that is needed to power that network.

Nicole Valentine 50:00

Thank you. So in our in our final minutes, I'd love for each of you to give the audience online right here a key takeaway. I mean, we're consumed with content all day. We're going to be consumed with content tomorrow and Wednesday. And what do you want people to take away from this conversation, from your work, from the industry, I want to start with you, Ivan.

Ivan Soto-Wright 50:25

I think crypto wallets are the future. I think they will replace your bank account, or they will be embedded absolutely everywhere. It's a more efficient technology. It's 24/7 and we're just getting started. So we just need to build that backwards compatibility to the existing financial system. And we should see more and more people in this room transacting with crypto wallets.

Nicole Valentine 50:45

Thank you. Chair Pham?

Caroline Pham 50:47

So I'll repeat something that I said back in 2017 when I was at Citi and we were looking at blockchain technology and its potential to disrupt the financial system. So I said, if you have this technology, that is a more efficient and cheaper way to move assets around the world, essentially, better pipes and plumbing for our financial system, then what happens to us when we're the bank that's the pipes and plumbing for the financial system. So are we going to be dinosaurs and get taken out by a mass extinction event, or are we going to be nimble and evolve like the mammals did? So I think this is something that we have to really recognize. It's real. It can modernize the entire pipes and plumbing of the financial system. And so are we going to be the dinosaurs? Are we going to be those clever little mammals?

Nicole Valentine 51:36

MC Mary-Catherine—

Mary-Catherine Lader 51:38

I'd say that this year is the year that that traditional players start to use these interoperable protocols that like instant 24/7, global liquidity starts to be infrastructure for all different kinds of assets, and you won't even realize you're using those kinds of crypto technologies.

Nicole Valentine 51:55

Thanks Dante, all right. Key takeaways—

Dante Disparte 51:58

Key takeaways, number one, I think it's still early. When you're describing a technology, the technology is still a protagonist. And when was the last time you went to a conference and heard about how the internet works? And so soon enough, blockchain and crypto will fade into the background and will just be another extension of core technologies that allow us to conceive of a world where money moves without bank holidays and at the speed that we're describing on this panel. The other thing I would say is that, you know, up until now, we have been competing in an environment despite US policy, and we didn't win the space race, the actual space race, without our political leaders giving us a destination. And so I think there's a lot to be said for moving away from an era of gradualism to one of optimism and dynamism, because the opportunities here are pretty grand, but we're not going to succeed unless we have a national destination in order to compete in this domain.

Nicole Valentine 52:49

Great, Zoe?

Zoe Cruz 52:50

So I would think about this as a paradigm shift, and if you look at this very real revolution, as I call it, and we zoom out in terms of I'll interject my macro view of the world have been around for a long time around markets. The governments around the world are printing money—it's overused, unprecedented. It's unprecedented. When the Chinese are printing money. We just don't know how much—they're not as—the Americans are printing, even the Germans are printing money. The Weimar Republic is a distant memory. When you have such huge debt, private and public. There are two ways out of it, repudiation or inflation. Everybody's choosing the latter. So in that world, Bitcoin makes sense as an allocation, but the Cambrian, the paradigm shift that we're talking about, I think you should read, and actually I will help you summarize it, the "Structure of Scientific Revolutions." That's where paradigm shift was invented first, and we, in macro, borrowed it, and it was basically, you know, a lot of scientists do a lot of work on something, on a paradigm, and then Copernicus comes up and says, no, no, no, the Sun doesn't move around the Earth. It's the other way around. The work that was done before is over, and you begin a new thing. I think this is a massive paradigm shift. You need to stay open minded and not say, this is fake and fraudulent without even knowing what it is.

Nicole Valentine 52:52

Thank you. Sebastian—

Sebastian Bea 53:53

Long time ago, I was covering a hedge fund and asked the hedge fund manager, I said, man, why did you? Why did you didn't you do business with us? He said, You've never shown me something I've never seen before. That guy was John Burbank, who, some of you may know, is a phenomenal investor, at Passport Capital, and it always stuck with me. He caught the housing crisis in 2007 and made 200 percent right? They got the heavy industrialization—the big build in China that happened that surprised almost everybody. So that always stuck with me. And I think about, you know, the way to think about this is that you've never seen this before. We haven't really seen this before we but we've seen some things are kind of similar. And I think so. I'll just say one thing. Remember, in their mid to early '90s, the US government saw this new technology and said, You know what? Let's not screw this up. Let's support this and see what happens. That was the internet, and we had an amazing bubble that turned out to not be a bubble, right? Because 20 years later, we have American exceptionalism. But what are we really talking about? Right? We're talking about the support that happened for a nascent industry that then created these amazing companies, right? That really change how—well they created the internet, Amazon, Apple, et cetera. But Amazon, Netflix, all these companies, were really able to accelerate because of what the US government did. And we have just seen a complete flip flop, right? We have gone from a very difficult environment to the complete and polar opposite. There's no more myth busting in TradFi. They're all rushing in right now, because they all see the same thing, and now the career risk is gone, right? So has it been a little bit messy in the industry over the last three or four years? Of course, it has, but you wouldn't see firms like Goldman and BlackRock—but you wouldn't see firms like that involved. If they were concerned about what happened, you'd see them involved because of what they think might be coming next. So I'd say focus on what's next. This is, this is something that hasn't really happened before, that we're taking finance from offline to online. Money and assets are way harder than information, but now we have incredible support to make it happen, and what that means on the other side, we don't know, but this is the time to engage.

Nicole Valentine 56:46

I want to thank everybody for engaging in this debate. I think you all scored really high. I look forward to the next opportunity to talk more about what is next, and I want to thank you for engaging this conversation. Thank you so much.

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