GDF Digital Payments Forum

Key Takeaways – Q1 2025 Session

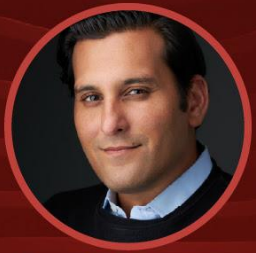
Wednesday 19 March 2025

10.00 EDT / 14.00 GMT / 15.00 CET

GDF Digital Payments Forum
Q1 2025 Session

SPEAKERS

Luke Boland
Standard Chartered



Neel Chopra *
Binance

Richard Crook
GDF EIR and Deus X Pay

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Matthew Osborne *
Ripple

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**Subject to last minute speaker changes*

The GDF Digital Payments Forum

Launched in 2024, the GDF Digital Payments Forum was launched in response to one of the top five 2024 priorities for the GDF membership community, as identified through the annual member survey and discussions with leadership.

The growing importance of digital payments—particularly around stablecoins, tokenized deposits, and CBDCs—makes this forum highly relevant.

This session covered several key trends of the digital money and payments ecosystem with three presentations and discussions lined up on:

- The U.S. policy and regulatory landscape with **Connor O'Shea from Binance (stepping in for Neel Chopra),**
- Current business applications of stablecoins including crypto payments and non-trading use cases, as well as the role of non-USD stablecoins in the digital money ecosystem with **Luke Bolland** and **Dominic Maffei (Standard Chartered)** and **Richard Crook (GDF and Deus X Pay), and**
- Stablecoins and the singleness of money with GDF's **Elise Soucie Watts (stepping in for Matthew Osborne from Ripple)** and **Jannah Patchay.**

Fireside Chat Takeaways

Connor O'Shea, Deputy Head of Regulatory at **Binance**, provided insights into recent U.S. regulatory developments. He emphasized the global impact of U.S. regulations on the crypto industry and noted the evolution of regulatory uncertainty and enforcement actions.

In the US, three main areas of change were highlighted:
(i) executive orders from President Trump, (ii) shifts in regulatory approaches from the SEC and CFTC, and (iii) legislative developments in Congress.

Fireside Chat Takeaways

He discussed the Establishment of the Strategic Bitcoin Reserve and U.S. Digital Asset Stockpile Executive Order, indicating a shift in the narrative around cryptocurrency.

Connor mentioned the SEC's launch of a Crypto Task Force aimed at better oversight of the digital asset industry and the repeal of SAB 121, which previously hindered traditional financial institutions from engaging with cryptocurrency.

Legislative developments included the Genius Act and the Stable Act focusing on stablecoins, and the Financial Innovation and Technology for the 21st Century Act (FIT21) and the Loomis-Gillibrand Act addressing market structure.

US Policy & Regulatory Landscape

Area of change (i) – **Executive Orders**:

- **Strengthening American Leadership in Digital Finance Technology Executive Order**: This Executive Order established a working group tasked with formulating recommendations on the US's approach to cryptocurrency regulation. The group has a 180-day mandate to present its findings, which are expected to be released around May or June. It will be important to observe how these recommendations are integrated into the broader regulatory framework.
- More recently, the **Establishment of the Strategic Bitcoin Reserve and US Digital Asset Stockpile Executive Order** represents a significant shift in the narrative around cryptocurrency. This order signals an acknowledgment of cryptoassets as both a store of value and a legitimate asset class.
- The **White House Digital Assets Summit**: President Trump convened key industry leaders and experts at the White House, fostering discussions that may influence future policy developments. The outcomes of such dialogues may prove critical in shaping the evolving regulatory landscape.

US Policy & Regulatory Landscape

Area of change (ii) – **The CFTC and SEC's regulatory approaches:**

- The SEC has recently stayed or withdrawn multiple enforcement actions and reached several settlements. Notably, Coinbase has announced that it anticipates a resolution to its ongoing case with the SEC in the near future. This shift marks a **departure from the enforcement-heavy strategy** of the previous administration and signals a **transition** toward a more traditional **notice-and-comment** rulemaking process.
- The SEC also established the **Crypto Task Force**, which is expected to play a crucial role in enhancing oversight and providing clearer guidance for the digital asset industry. The recommendations and regulatory frameworks emerging from this initiative will be critical in shaping the future landscape of cryptocurrency regulation.
- In addition, the SEC recently **rescinded accounting guidance in SAB121**, a policy that previously imposed significant barriers for traditional financial institutions seeking to provide cryptocurrency custody services.

US Policy & Regulatory Landscape

Area of change (ii) – **The CFTC and SEC's regulatory approaches**: *(cont'd)*

- The **Head of the SEC's Crypto Task Force** Commissioner Peirce has also issued a **questionnaire,** inviting **public input on the regulatory framework for digital assets.** This presents an important opportunity for industry participants to provide feedback, which could influence the SEC's regulatory approach moving forward.

- Similarly, both the CFTC and the OCC have taken steps to engage with the industry. The **CFTC** has launched its **Crypto CEO Forum** to solicit input from key stakeholders, while the **OCC** has issued **new guidance in alignment with the repeal of SAB 121**. These efforts collectively aim to facilitate greater participation by traditional financial institutions in the custody and management of digital assets.

US Policy & Regulatory Landscape

Area of change (iii) – **Legislative developments**:

- The legislative landscape surrounding digital assets is evolving rapidly, with several key bills currently under consideration.

- One major area of focus is **stablecoin regulation**, where two notable pieces of legislation have emerged:

    1. The **GENIUS Act** – This bill, which recently passed the Senate Banking Committee, proposes a regulatory framework similar to that of the U.S. banking system, with oversight divided between federal and state regulators based on the market capitalization of the stablecoin in question.
    2. The **STABLE Act** – Introduced in the House of Representatives, this bill primarily focuses on USD-backed stablecoins, aiming to establish a clear regulatory structure for their issuance and oversight.

US Policy & Regulatory Landscape

Area of change (iii) – **Legislative developments**: *(cont'd)*

- Another key area of legislative activity is **market structure regulation**, with two significant bills currently pending:

  1. The **Financial Innovation and Technology for the 21st Century Act (FIT 21)** – Originating in the House, this legislation proposes a regulatory framework in which decentralized projects would fall under the CFTC's jurisdiction, and centralized projects under the SEC. FIT 21's framework, which hinges on distinguishing centralized vs decentralized, would require the government and courts to establish clearer definitions of decentralization. If this approach is adopted, it will be crucial to see how regulators interpret the concept and what input they seek from industry stakeholders.

  2. The **Lummis-Gillibrand Act** – Proposed in the Senate, this bill takes a different approach by classifying digital assets based on their intended purpose, seeking to determine whether a token functions as a cryptoasset, a currency, or an ancillary asset used for fundraising. This classification would then dictate whether the asset falls under CFTC or SEC oversight, drawing upon traditional securities law concepts such as the Howey Test.

Panel Discussion

Richard Crook (CEO at **Deux X Pay** and Executive in Residence at **GDF**), **Luke Boland** (Head of Fintech Asia at **Standard Chartered**), and **Dominic Maffei** (Head of Digital Assets and Fintech Hong Kong at **Standard Chartered**) discuss current stablecoin business use cases.

Here are the key takeaways:

1. The industry is seeing a rapid adoption of stablecoins across various industries, particularly in regions outside the G7, where access to US dollars is more limited. Stablecoins were highlighted as a **faster and safer mechanism** for cross-border payments. In particular, non-USD **local currency stablecoins** are becoming increasingly important to facilitate seamless cross-border transactions.

2. Stablecoin applications are expanding beyond its role in trading activity and payments. Particularly in **RWA tokenization**, stablecoins play a key role in providing a **digitally native settlement mechanism** to complement the domestic tokenized asset ecosystem.

3. Tokenized MMFs and deposits are highly complementary in overcoming the key limitation of stablecoins, that being their inability to generate yield, allowing for short-term returns on idle capital.

What do you see as the evolving use cases for stablecoins, and why do you think they are more useful than other mechanisms?

Stablecoin Use Cases

- While stablecoins are widely recognized within the crypto industry, their adoption is rapidly expanding beyond it into the real economy. **Sectors** such as real estate, aviation, and shipping – especially those **with cross-border transactions** – **are increasingly utilizing stablecoins**. These industries benefit from the ability to make **time-sensitive payments**, including those required on weekends or those needing assurance of completion without interference.

- In G7 countries, access to US dollars and cross-border payment systems is relatively seamless, making the need for stablecoins less apparent. However, **outside the G7** – particularly in fast-growing economies within the G20 – **access to US dollars** is significantly more **challenging**. Even obtaining local currency can be difficult, and transferring US dollars across borders presents additional hurdles. These regions, often referred to as the Global South, are increasingly turning to **stablecoins** as a **faster, cheaper, and**, in many cases, **safer alternative for cross-border payments**.

What do you see as the stablecoin applications that are driving adoption?

Stablecoin Adoption Driver

- **Initially**, stablecoin adoption was primarily driven by crypto-native firms and exchanges, where their **primary use case centered around trading** activity. However, the **landscape has evolved** significantly. The overlap between traditional fintech companies – including payment processors, wallets, and merchant acquirers – and the crypto industry has grown considerably, making the **distinction between the two sectors increasingly blurred from a payments perspective**.

- A **key focus** has been on **enhancing payment efficiency** with stablecoins and fiat integration, aligning with the 24/7 transaction capabilities of stablecoins. While stablecoins facilitate seamless cross-border payments, there remains a **critical need for efficient fiat on- and off-ramp solutions**, including minting and burning mechanisms. The goal is to ensure a frictionless transition between stablecoins and traditional financial systems.

- Beyond trading and payments, stablecoins are also becoming an **integral part of financial infrastructure**. A recently launched custody solution within the banking sector initially focused on BTC and ETH but is now expanding to include stablecoins like USDC as a settlement currency. This usage extends beyond crypto-related activities, potentially playing a role in traditional securities services and asset custody. As stablecoins gain wider adoption, their role in global payments and settlement systems continues to expand, further reinforcing their importance across both fintech and crypto ecosystems.

Stablecoin Adoption Driver *(cont'd)*

- While payments are a primary driver of stablecoin adoption, **other applications are emerging**, particularly in **RWA tokenization**. As financial markets move towards tokenized bonds and other digital asset classes, settling transactions in fiat currencies undermines the efficiency and value proposition of blockchain-based settlement. In Hong Kong, for example, the government has already issued tokenized bonds, and other issuers are exploring similar initiatives. **Stablecoins play a key role in supporting the domestic tokenized asset ecosystem by providing a native digital settlement layer**.

- Beyond finance, **gaming, metaverse platforms, and Web3 ecosystems** are exploring stablecoin adoption. Companies such as Animoca Brands, a major player in Web3 development, view stablecoins as an alternative to utility tokens in digital economies. By integrating stablecoins into these ecosystems, projects can unlock free cash flow, a challenge that has historically limited the scalability of many Web3 business models.

What is the role of non-USD, local currency stablecoins?

Role of Local Currency Stablecoins

- To date, USD stablecoins have dominated the market, largely because the initial use case centred around crypto trading. Now, **as the focus shifts towards payments**, the prominence of USD remains strong, given that approximately 97% of global payments involve US dollars. However, **for cross-border transactions to become more seamless, local currency stablecoins are essential**. Instead of users in regions like Hong Kong or Africa first converting their local currency to USD before making a transaction, stablecoins pegged to local currencies could facilitate a more efficient embedded FX system.

- Regions such as **Hong Kong, Singapore, and Japan** present **strong demand** for local currency stablecoins, both for domestic transactions and international trade. While USD transactions amount to trillions per day, markets like Hong Kong still process over $120 billion in daily transactions, demonstrating the relevance of local currency stablecoins. As the broader ecosystem of tokenized money and assets continues to develop, local stablecoins will play a critical role in **enhancing financial efficiency**, **reducing friction in cross-border transactions**, and **expanding digital asset adoption**.

How do you see tokenized MMFs and tokenized deposits being used in the context of payments?

Stablecoins vs Tokenized Deposits and MMFs

- The **market for tokenized money** remains **highly fragmented**, and different regions are likely to adopt different forms of tokenized money. **Financial hubs** such as Hong Kong, Singapore, and London may need **multiple forms of tokenized money to support global financial flows**, whereas **emerging markets** may rely **more heavily on stablecoins**. Additionally, corporate and financial institution preferences vary, with many still hesitant to use public blockchains, making private blockchain solutions like tokenized deposits more appealing.

- One of the **key limitations of stablecoins** is their **inability to generate yield** in certain regulatory environments. For example, in Hong Kong, stablecoin issuers are not allowed to offer yield, which limits their attractiveness for institutional investors. This is where **tokenized money market funds** become particularly interesting. These instruments are **yield-bearing** and can complement stablecoins by **providing short-term returns on idle capital**.

- While MMFs are traditionally regulated mutual funds, they can still be used dynamically for payments. Treasurers and institutional investors can move funds between fiat, stablecoins, and tokenized money market funds throughout the day to **optimize liquidity** and **generate returns**. The **ability to settle transactions intraday while also earning yield** makes these funds a powerful tool for financial institutions.

Stablecoins vs Tokenized Deposits and MMFs *(cont'd)*

- A recent U.S. **regulatory shift** has opened the door for **commercial banks to tokenize their deposits on public blockchains**, marking a significant step in financial digitization. This evolution mirrors the early days of the internet vs intranet debate, where banks initially resisted integrating with the public internet due to security concerns. Just as firewalls became the standard for securing internet access, **interoperability solutions** will likely emerge to **bridge the gap between public and private blockchain ecosystems**.

- One of the major hurdles today is that institutional players must navigate multiple platforms to obtain, custody, and trade stablecoins and tokenized assets. The **next phase of development** involves **creating a single venue** where institutions can **seamlessly access stablecoins, tokenized MMFs, and other digital assets** for settlement, collateral posting, and liquidity management.

- The intersection of stablecoins, tokenized deposits, and money market funds represents a multi-decade transformation of financial infrastructure. While stablecoins have already surpassed Visa in transaction volumes, the next frontier is digitizing other financial assets to enhance efficiency, liquidity, and accessibility in global markets.

How do you see all the stablecoins regime and policy developments impacting the stablecoin market and strategy and singleness of money?

Navigating the Evolving Regulatory Landscape

- The ongoing global regulatory developments, including MiCA and potential frameworks in the US, UK, and other regions, are significantly shaping the stablecoin market. As regulations emerge in various markets, the **stablecoin landscape becomes more fragmented and complex**. However, it's clear that regulat**ory clarity is crucial for fostering growth and enabling innovation** in this space. Singapore, Hong Kong, and the UAE have provided relatively clear regulatory frameworks, which allows financial institutions to engage with stablecoins in a more structured and compliant way.

- Despite the patchwork of regulations, there is a **global push to enhance payment systems**, as evidenced by the **G20's endorsed roadmap to improve global payments by 2027**. For businesses, the goal is to make cross-border payments faster, cheaper, and more transparent. In line with this goal, stablecoins are positioned as key enablers in improving global payment infrastructure, addressing inefficiencies in sectors such as luxury goods transactions and high-value international trade. Decreasing friction in financial transactions and improving access to global payment systems will ultimately benefit real-world economies.

Navigating the Evolving Regulatory Landscape *(cont'd)*

- The uncertainty in the US and UK regulatory stance regarding stablecoins remains a critical concern for market participants. Until these markets introduce clear policies, much of the industry will rely on regions with more defined regulatory approaches to help guide strategy. For institutions operating in these jurisdictions, it's essential to stay agile and adaptable to changing regulations, and to actively engage in consultations with regulators to better understand evolving requirements.

- As regulators across different regions finalize their stablecoin regulations, firms are positioning themselves to meet these requirements. With regulated stablecoin businesses already operating in markets like Singapore and Hong Kong, having a clear understanding of what can and cannot be done within these regulatory environments gives financial institutions more confidence to explore stablecoin solutions. Strategically, firms must be ready to adapt to new policies, balancing compliance with innovation to stay competitive in the growing stablecoin market.

Fireside Chat Speakers

Jannah Patchay (Executive in Residence at **GDF**) and **Elise Soucie Watts** (Executive Director at **GDF – stepping in for Ripple's Matthew Osborne**) discuss stablecoins, the singleness of money, and their paper "Single-minded? Rethinking our approach to the 'singleness of money' could help to reap the benefits of stablecoins" (accessible here).

Here are the key takeaways:

The concept of the singleness of money and its relevance to stablecoins was introduced, alongside the challenges regulators face in ensuring that stablecoins maintain a consistent value. Rather than singleness, regulating for *stability* is crucial for the growth of stablecoins. Small deviations from singleness should be acceptable, and mechanisms will emerge to maintain the stability of stablecoins without strict regulatory constraints. Instead, the regulator's role is crucial in maintaining stability, such as through ensuring that stablecoins are properly backed by high-quality liquid assets and requiring a strong governance structure.

Stablecoins and the Singleness of Money

- The singleness of money refers to the idea that, **no matter what form money takes**, each unit of money should have the **same value** and be **universally accepted** as a means of exchange.

- In traditional systems, we rely on a seamless interaction between **public money** (e.g. cash or central bank reserves) and **private money** (issued commercial bank money). Even though these two types of money might take different forms, they are still considered equivalent when we use them to make payments. However, **stablecoins introduce a new challenge** to this established norm.

- **Stablecoins**, as cryptocurrencies pegged to a stable asset (usually fiat currency), are **designed to maintain a constant value**. **However, their value can fluctuate**, especially on secondary markets where they are traded. This is a major concern for regulators because stablecoins could potentially deviate from their intended value. This **poses a risk to the singleness of money** as regulators worry about de-pegging events, where a stablecoin might not hold its peg (or value) during times of stress, like a market crisis or loss of confidence in the asset.

Stablecoins and the Singleness of Money *(cont'd)*

- Even **in the traditional financial system, the singleness of money is not perfectly achieved**. Cash isn't always accepted universally, and card payments can sometimes be subject to additional fees that affect the value of the transaction. This creates an inherent mismatch in the value of money, even in the most established forms of payments. These instances highlight that **singleness of money is already somewhat imperfect** in today's financial systems, **suggesting that small deviations in stablecoins** (such as slight fluctuations in value) **might also be tolerable, as long as the broader system is secure and stable**.

- In the paper, the authors argue that the **singleness of money could be interpreted more flexibly in the context of stablecoin**s, acknowledging that small deviations from the pegged value should be acceptable, just as they are in the traditional financial system. If there's a minor fluctuation in the value of a stablecoin (e.g., $1.01 instead of exactly $1), this would not necessarily undermine its use as a currency.

- Moreover, while regulators like the Bank of England and BIS have expressed strong positions on preserving the singleness of money, the paper suggests that **mechanisms will emerge to preserve the singleness of stablecoins more effectively in the future, without necessarily needing additional regulation** to enforce this consistency. These mechanisms could include enhanced liquidity management, better market stabilization techniques, and more robust issuance frameworks that reduce the potential for de-pegging events.

Stablecoins and the Singleness of Money *(cont'd)*

- **Rather, stablecoins should be regulated for stability**, not for strict singleness of money. Stability in the value of stablecoins is what matters most. **Singleness will naturally follow if stability is maintained**.

- This would look like ensuring that stablecoins are **properly backed by high-quality liquid assets**, like government bonds or cash, with a clear and strong redemption mechanism in place. This can ensure that even if there are small fluctuations in price or trading, stablecoins can maintain their value through mechanisms like **arbitrage in secondary markets**, which is beneficial in this context because it helps **close any gaps** between the market price of stablecoins and their intended peg, ensuring stability.

- Additionally, **smart contracts** are seen as a potential mechanism to help preserve the stability and transparency of stablecoins, offering automated, trust-minimized features that can enhance confidence in the system. **Governance mechanisms** are also essential in ensuring the reliability and trustworthiness of stablecoins, particularly in a regulated market. A strong governance structure can help ensure that stablecoins are managed in a way that is consistent with the objectives of stability and user protection.

The authors shared their findings with the BoE, FCA, and BIS, receiving feedback that encouraged further discussion and engagement. A particularly constructive discussion with the FCA centered around implications of the paper and suggestions particularly on the convertibility versus redemption points on a future stablecoin regulatory regime, indicating a positive shift toward understanding the complexities of stablecoin regulation. This feedback highlights the growing recognition of the need for practical, adaptable frameworks that support stablecoin innovation while addressing potential risks.

The GDF Digital Payments Forum is a recurring quarterly meeting that is open to GDF members as well as the broader digital finance community and GDF community partners, co-chaired by John Salmon (Hogan Lovells) and Will Paul (Block and GDF Practitioner in Residence).

It will convene industry experts to further explore the world of digital money and payments, and discuss the opportunities and challenges in their development. The sessions will be purposefully curated to drive thought leadership in these subject areas, and should the need arise, serve as a catalyst to mobilize participants to form a working group to drive actionable outcomes, such as a whitepaper or report.
GDF members will receive a summary and write up from each session.

For more information on the GDF Digital Payments Forum, please reach out to Madeleine Boys at madeleine@gdf.io

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