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You did the right thing.

Memorized The Intelligent Investor at age 15. Undergrad at Harvard. First job at GS. Got your CFA. MBA from Wharton. Opened your own fund after finely tuning your craft.

And then you were liquidated by a coalition of chicken tender eating HS dropouts.

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2ND YEAR ON THE LIST

Central Bank-Backed Digital Currencies



China is a leader in the field of central bank digital currencies.

KEY INSIGHT

Central banks are issuing and regulating blockchain-backed tokens called digital state currencies—or central bank digital currencies or CBDCs—which could modernize some of the most antiquated areas of global finance. Despite the popularity of digital payment rails (the infrastructure that allows payment transfers from one party to another), the global monetary system is still largely based on state-backed, physical fiat currencies.

EXAMPLES

In 2018, the Marshall Islands created a new digital currency called the Sovereign (SOV), which is now legal tender in the Micronesian nation. Singapore's central bank created a digital currency backed by the Singapore dollar that runs on the Ethereum blockchain. Canada's central bank has been researching the issuing of a digital currency. China is the undisputed leader in CBDCs, successfully executing a large-scale pilot of more than 4 million digital yuan transactions from April to December 2020. An international coalition of central banks, including the Bank of Canada, Bank of England, Bank of Japan, European Central Bank, and U.S. Federal Reserve, issued a report in October 2020 outlining key principles for CBDCs.

DISRUPTIVE IMPACT

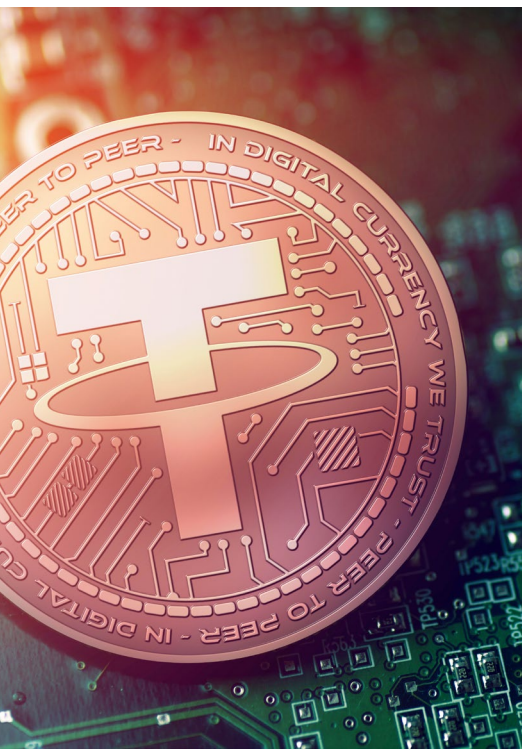
More central banks may soon embrace CBDCs, paving the way for more streamlined flows of global currencies and foreign exchange markets. In fact, as many as 70% of central banks are actively exploring this technology to develop their own decentralized currencies, according to professional services firm PwC. When it comes to natural disasters, pandemics, and humanitarian aid, CBDCs could deliver emergency relief funds faster and enable easier tracking and monitoring of digital currencies. Yet for that reason, critics say that CBDCs also present privacy and surveillance concerns. The popularity of CBDCs prompted the World Economic Forum to publish a policymaker toolkit to ensure the improvement of payment systems' safety, resilience, and efficiency; increased financial inclusion; and better data transmission and reporting to central banks.

EMERGING PLAYERS

- Bank of China
- Bank of International Settlements
- Worldwide central banks
- World Economic Forum

1ST YEAR ON THE LIST

Stablecoins



Tether's value proposition is that it is "tethered" to the value of a dollar.

KEY INSIGHT

Stablecoins work to minimize the volatility of the price of a crypto-currency, by "pegging" them to a specific exchange rate for a currency, crypto-currency, fiat money, or an exchange-traded commodity.

EXAMPLES

Visa and peer-to-peer payment company Circle Internet Financial created a credit card that uses USDC, a stablecoin pegged to the dollar. The underlying peg of another stablecoin, Facebook's Diem (formerly Libra), has yet to be announced. The New York attorney general's office and the U.S. Justice Department investigated whether Tether, the most widely used stablecoin, was used in cover-ups and market manipulations. (Tether admitted to no wrongdoing and settled for \$18.5 million in February.) Tether's value proposition is that it is "tethered" to the value of a dollar, and for every Tether in circulation, Tether Ltd., its parent company, has a dollar in its cash reserves. The controversy has not hampered investor interest or global adoption. The stablecoin regulatory landscape is evolving. In late 2020, U.S. Rep. Rashida Tlaib (D-Mich.) introduced the STABLE Act to require companies issuing stablecoins obtain a banking license.

DISRUPTIVE IMPACT

Stablecoins—specifically those pegged to the U.S. dollar—open up a universal means of exchange across the globe without traditional financial hurdles. People can now store savings in a stable asset rather than a local currency suffering from inflation, and stablecoins offer faster, more affordable remittances. This also raises regulatory concerns for circumstances in which stablecoins are used to evade currency controls and sanctions.

EMERGING PLAYERS

- Tether
- Circle
- Coinbase
- Gemini
- Binance

12TH YEAR ON THE LIST

Social Payments



These apps blur the lines between sending money to a friend versus to a store.

KEY INSIGHT

Tech companies are leveraging APIs and digital infrastructure to provide seamless, interconnected financial services. Financial institutions and payment providers are integrating with tech platforms and e-commerce to acquire more customers and fend off competition.

EXAMPLES

In 2009, Venmo became the first social payment app, requiring users to caption their transactions and offering the option to share transactions publicly. Owned by PayPal, it now has 300 million users, and social payments is a serious financial service sector. China's Alipay gives its 870 million users access to wealth management services, loan applications, and credit scores—and issued half a billion dollars in Chinese loans in 2020. Facebook's new WhatsApp Pay has 400 million users in India. Apple and Goldman Sachs created a credit card for iPhones and Apple Watches. Uber Money will build a bank for its drivers. Amazon is exploring a checking account service to go with its existing branded credit card. This year, Google will launch GooglePlex, a banking app integrated with Google Pay—creating a single app to pay businesses and peers, manage savings, and conceivably even apply for loans.

DISRUPTIVE IMPACT

As physical cash declines and banks and retailers depend on big tech to facilitate transactions, competition is intense. Tech companies enjoy revenue streams and rich personal data about people's spending habits for use in predictive marketing. That data may soon be worth more than the currency itself. Consumers pay twice: first with money, then their personal data. WeChat and Alipay drive China's advanced fintech economy with a network of merchants that accepts chat payments, blurring the lines between payments to friends and stores. As U.S. and European Union regulators debate whether to keep big tech out of finance, expect more stringent regulation in the wake of data breaches, privacy concerns, rampant fraud, and antitrust claims. Are platforms becoming banks? Or are banks plugging into platforms? Either way, radical digital transformation is happening across the financial services industry.

EMERGING PLAYERS

- Affirm
- Ant Group
- Baidu
- Green Dot

