

Payments International

Speaker Interview



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Q: What role do you see stablecoins playing in the payments landscape?

A: Stablecoins are the latest iteration of cryptocurrencies. Since the original invention of bitcoin, advocates have been looking for ways to enable crypto to perform the functions of money. One of the constraints on many cryptocurrencies so far has been price volatility, otherwise these instruments are not functional as stores of value. However, we need to examine the thesis more closely and ask whether the only reason crypto has not become mainstream is price volatility. I think that there are other aspects. One fundamental issue is whether we want digital money to be the equivalent of bearer instruments. These are problematic from AML perspectives. In my view some of the problems that stablecoins are designed to address really exist, but there may be non-crypto ways to solve these. Specifically, the combination of Federated Bank ID and real time payment systems goes a long way to solving payments once and for all.

Q: What effect will the emergence of stablecoins have on existing payment methods?

A: Potential disruption can have a highly stimulative, positive effect on legacy markets. The emergence of stablecoins and other cryptocurrencies will likely lead to improvements in the what we call the 'fiat currency stack'. This is the set of systems spanning RTGS, ACH, card schemes, emoney schemes, etc that make the national currencies work. Improvements in fiat currency electronic payment systems are far from sexy, but this is where the real action is taking place to bring payments into the 21st century in a responsible way.

Q: What do you see the relationship between banks and coin-issuers being in the future?

A: As I mentioned before, the banking system and regulators have a hard time with bearer instruments. If you remember the movie 'Die Hard' the whole heist was for the villains to get their hands on bearer bonds. Bearer instruments make it hard to know the sources and uses of funds. However, these are early days for cryptocurrency and we don't know how the space will evolve. Many possibilities exist – central bank digital currencies, etc. In the field of technology the field of possibilities is always much larger than the set of responsible, useful initiatives. In some directions there could be very negative impacts on the financial system and the ability of national governments to conduct monetary policy. Idealism is great and I often compare cryptocurrencies with the development of Esperanto. Both are idealistic, utopian visions to remove friction and lead to a more global world. So far they are both minority interests. It remains to be seen whether the world really wants global languages and global currencies.