



# Stablecoins: Crypto's Killer App? Or Killer Of Crypto's Investors?

Byron Gilliam, Markets Strategist, Blockworks

Wednesday, 09 November 2022



## A Word From Today's Chairman

**Professor Michael Mainelli**

Chairman  
Z/Yen Group





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# Today's Agenda

- 16:00 – 16:05      Chairman's Introduction
- 16:05 – 16:25      Keynote Presentation – Byron Gilliam
- 16:25 – 16:45      Question & Answer

# What's the best way to describe stablecoins?

- Tokenized cash.
- On-chain money market funds.
- Tokenized bank deposits.
- Digital dollars.



## Today's Speaker

**Byron Gilliam**  
Markets Strategist  
Blockworks



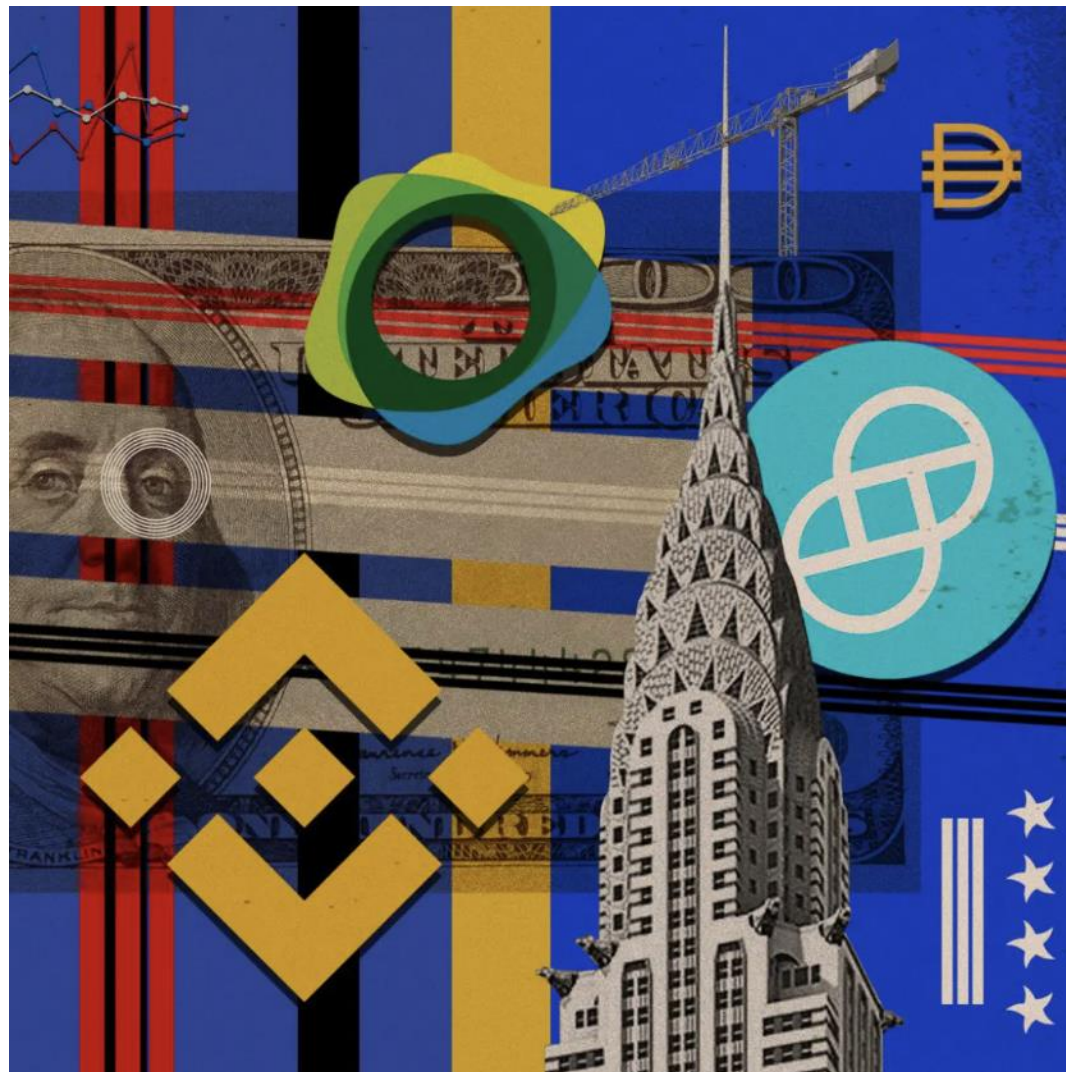
# What's so interesting about stablecoins?



- Realizing Satoshi's vision.
- Last narrative standing.
- Best business in DeFi.
- Achilles' heel of DeFi.

# What are stablecoins?

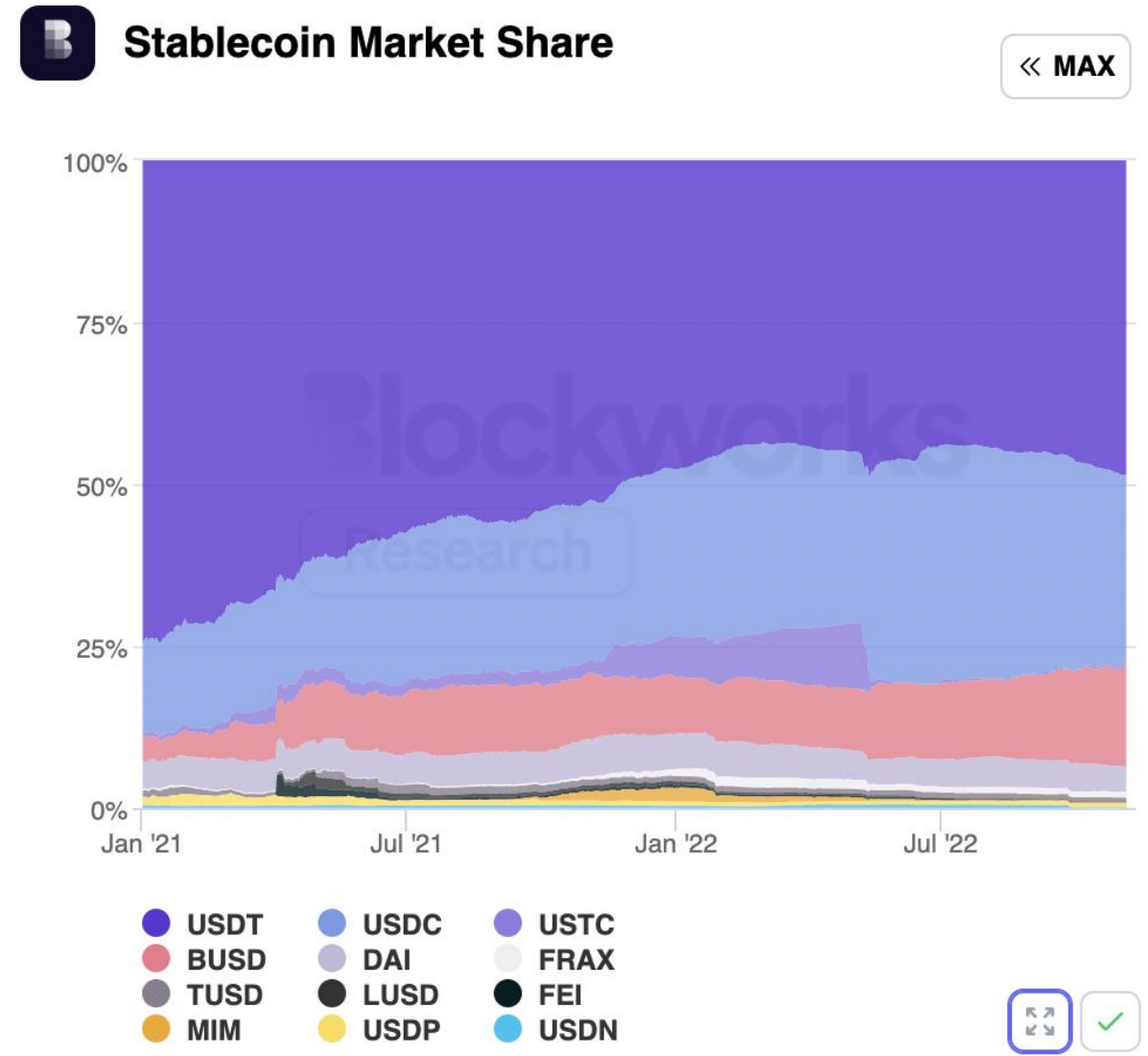
- Tokenized cash.
- On-chain money market funds.
- Tokenized bank deposits.
- Digital dollars.





## Types of stablecoins:

- Fiat-backed (USDT, USDC)
- Collateralized-debt position (DAI)
- Algorithmic (UST, FRAX)
- Yield-bearing (MIM)
- Protocol-specific (GHO)
- Bank-issued?
- “Flatcoins”



# Terra Luna: Just an old-fashioned Ponzi?

- UST was collateralized by demand for LUNA.
- Re-run of Iron Finance.
- Do Kwon: “What are we even doing here?” if we can’t create a decentralized stablecoin.



I'm officially a Lunatic!!! Thanks [@stablekwon](#) And thank you my friends at Smith Street Tattoos.

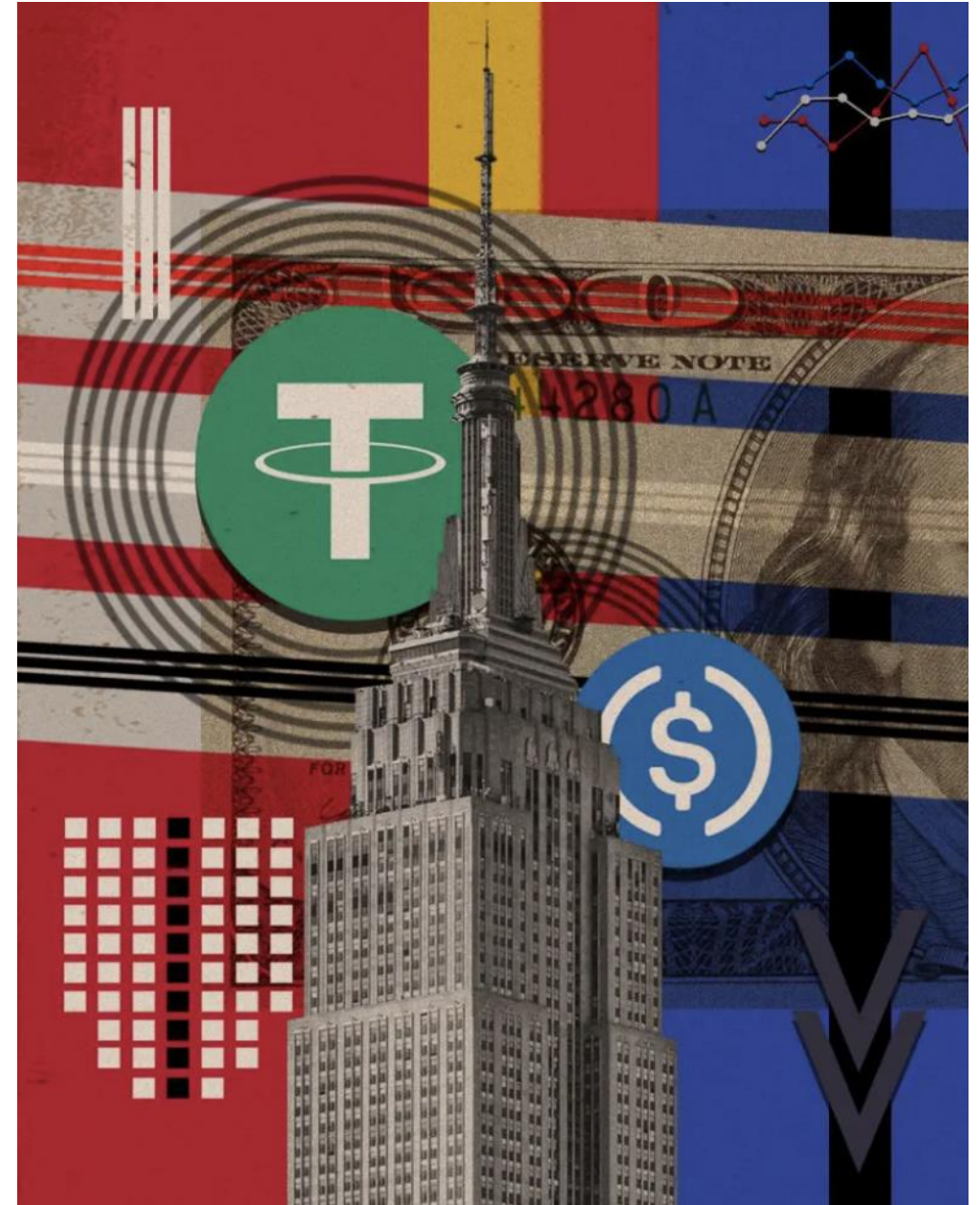


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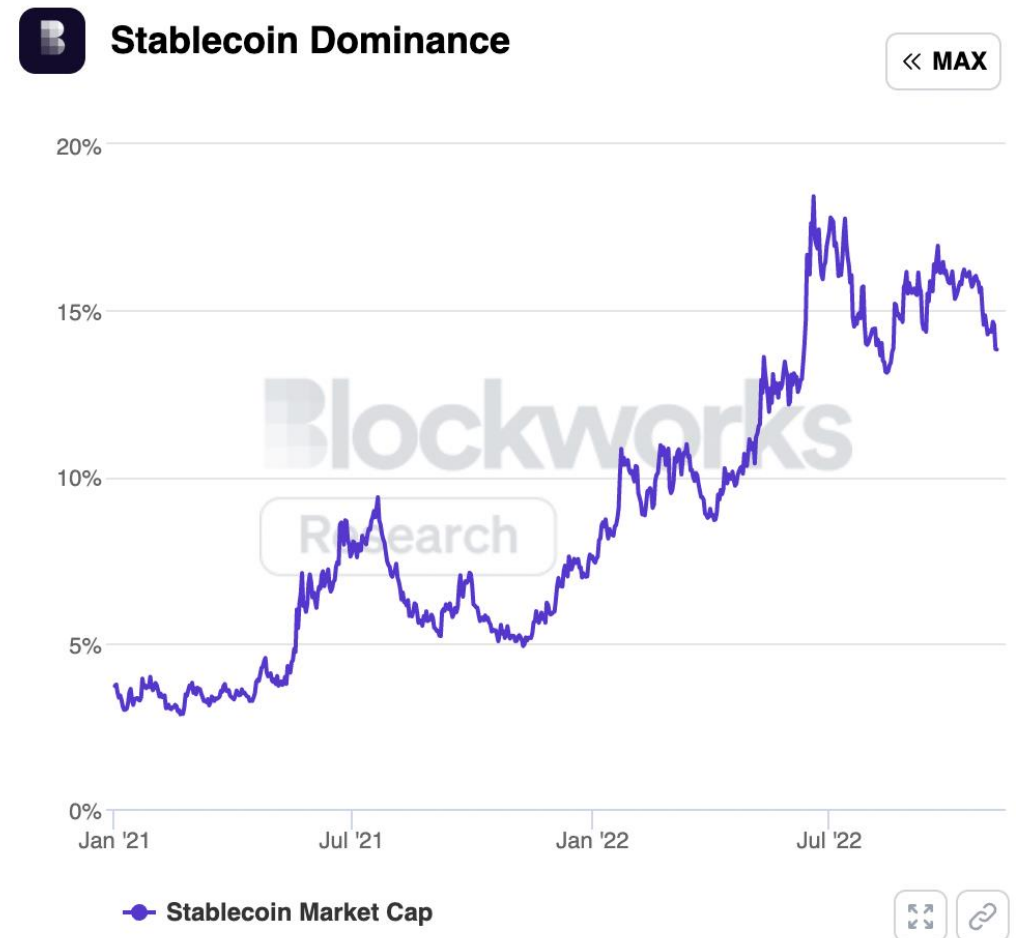
## Circle vs. Tether

- What's the difference between highly-regarded USDC and lowly-regarded USDT?
- Tether the largest stablecoin by market cap.
- USDC seeing redemptions.
- Why has Tether been more resilient than TradFi MMFs that required bailouts in 2008 and 2020?



## Show me the use cases

- Mostly used to trade other cryptos.
- SBF has bought whole companies with stables.
- Invest on Angellist.
- Opting out of hyper-inflating currencies.



# The Eternal Coin?

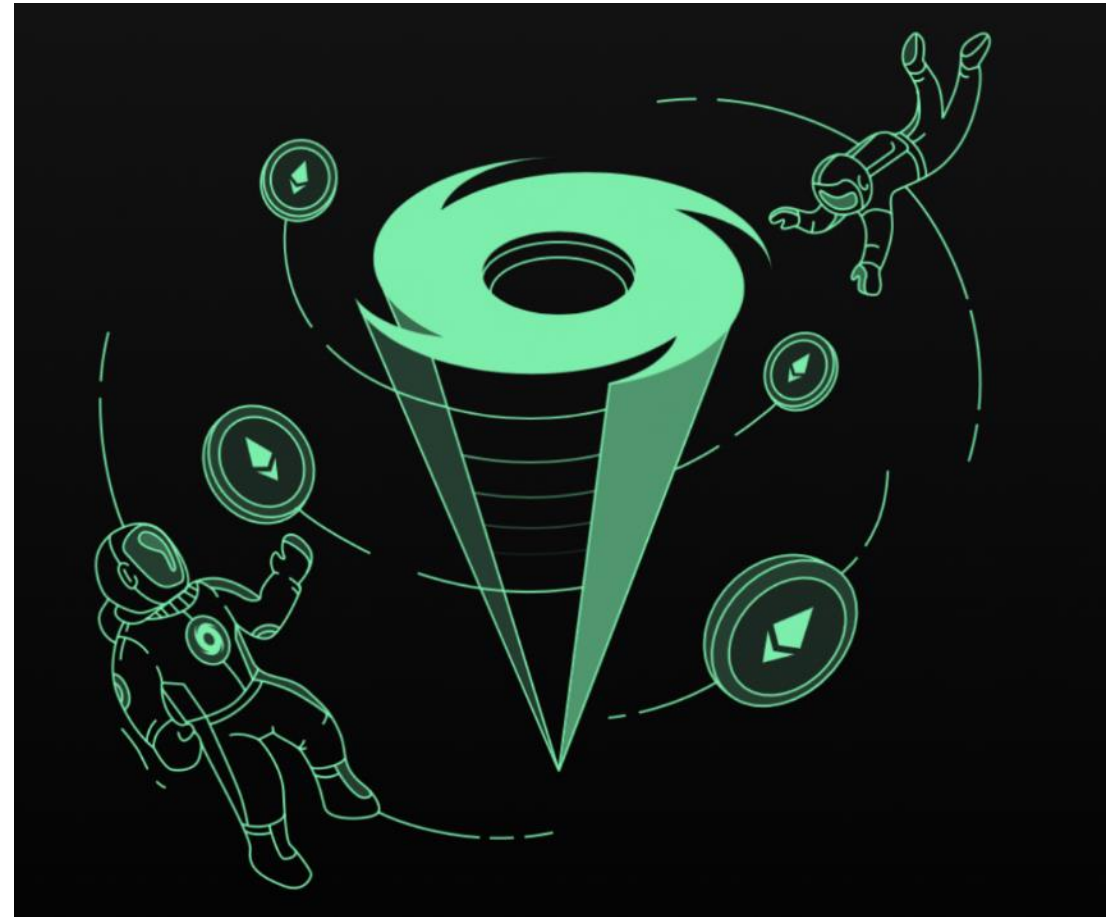
- NUON: “flatcoin” pegged to cost of living.
- FPI: stablecoin pegged to CPI.
- Design your own stablecoin with RWAs?



Source: Z/Yen Group: *IN SEARCH OF THE ETERNAL COIN: A LONG FINANCE VIEW OF HISTORY*

## DeFi's Achilles' Heel

- Reliance on centralized stablecoins means DeFi serves at the pleasure of the US Treasury.
- Treasury could kill DeFi simply by adding a few addresses to OFAC.



# The Holy Grail of Stablecoins

Floating stablecoins:

- RAI: soft-pegged whimsically at Pi.
- OHM: back by a basket of crypto.
- DAI: The Endgame.

Dilemna:

- DeFi cannot scale without centralized stablecoins.
- DeFi is not decentralized with centralized stablecoins.



## What's New?

- TradFi rates have “flipped” DeFi rates.
- JP Morgan has “tokenized bank liabilities.”





# Some Things That Could Happen

- Commercial banks issue stablecoins against central bank reserves.
- FinTechs get access to Fed master accounts.
- Stablecoins entrench the US dollar as the world's reserve currency.
- Stablecoin issuers corner the T-bill market.
- Stablecoins become the new Eurodollars.
- Regulators put the kibosh on it.
- Bank run?



## Learnings from 2022:



- People want dollars — even crypto people.
- They don't have to be good dollars (Tether).
- People don't care much about decentralization — even crypto people.
- You can't peg something to an asset without holding that asset.
- The original payments promise of crypto is taking forever to realize.



# Comments, Questions & Answers





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# Thank You For Participating

## Forthcoming Events

- Mon, 14 Nov (16:00-16:45) Chile Issues The Worlds First Sustainability-Linked Policy Performance Bond
- Tue, 15 Nov (11:00-11:45) Education In A Time Of Emergency: A Curriculum For The Anthropocene
- Wed, 16 Nov (15:00-15:45) Why Employee Share Ownership Matters
- Thu, 17 Nov (10:00-10:45) Luna-Tics & Un-Stable Coins – Forging Effective Regulatory Swords & Shields

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