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# Stablecoins and fintech infrastructure


**TEAM**

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**DISCLAIMERS**

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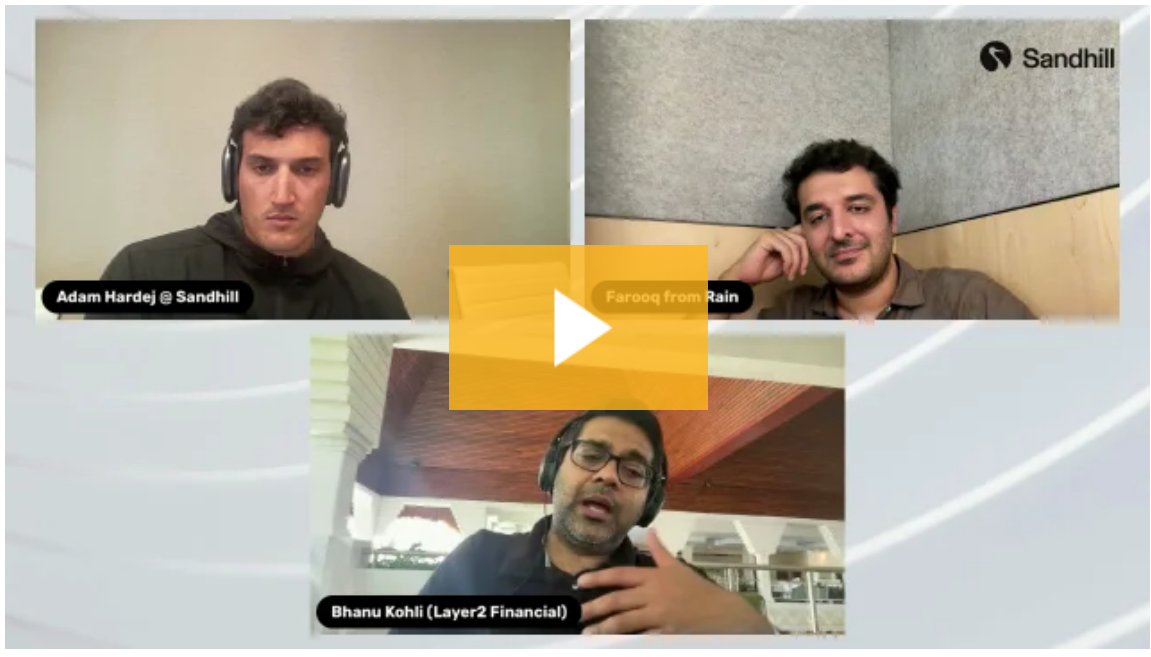
# Stablecoins and fintech infrastructure

By **Jan-Erik Asplund**


During and after COVID, stablecoins like USDC and USDT became a key way for companies in emerging markets to transact cross-border, allowing them to bypass slow and expensive SWIFT and FX channels.

On the consumer side, stablecoin usage has been growing amid the pandemic-fueled migration of workers from Latin America and Asia to the U.S. and Europe, which has fueled the growth of remittances.

To learn more about the future of stablecoin payments, we teamed up with Sandhill Markets on a panel conversation with Farooq Malik, co-founder of Rain, and Bhanu Kohli, CEO of Layer 2 Financial.




Three key takeaways from the conversation:

- **Stablecoins are evolving from "carnival tickets" for crypto speculation to legitimate digital money for global transactions, with double-digit month-over-month growth, particularly in cross-border payments and remittances.** Farooq Malik said, "We've seen renewed appetite from businesses and consumers interested in holding, transacting, and keeping dollars in their own custody... because many banks in smaller countries don't have access to correspondent banking networks," while Bhanu Kohli added, "We're seeing an increasing number of remittance players join the ecosystem and network, in addition to our corporate business."
- **COVID-19 accelerated the adoption of stablecoins as companies looked for faster and cheaper ways to move money cross-border in the wake of disrupted supply chains, and as cross-border workers increasingly used stablecoins to send money home to their families..** Bhanu Kohli said, "During COVID, there were two big things that occurred. First, supply chains became very vulnerable, so many companies decided they needed to diversify their supply chains... Second thing that happened was that people could work anywhere," leading to increased demand for efficient, borderless payment solutions.
- **The stablecoin ecosystem is becoming increasingly fragmented, with various types including yield-bearing tokens like Paxos's Lift Dollar, centralized fiat-backed coins like USDC and BUSD, algorithmic stablecoins like DAI, and tokenized deposits like JPMorgan's stablecoin.** "There will likely be an explosion of different use cases where

people want to generate yield revenue or float revenue for their own deposit or balance program," said Farooq Malik.

Transcript:

**Adam: Farooq, would you like to lead us off with a little introduction about yourself and Rain?**

Farooq: Yes, for sure. I'm Farooq Malik, the co-founder and CEO of Rain. We have been building digital money infrastructure since 2021. We started off building much of the settlement and underlying authorization stack for stablecoin payments. On top of that, we built our first product, which was a proof of concept for our corporate card program. Now we are moving more into enabling others with stablecoin payments technology and the full end-to-end flow from both custodial and non-custodial balances.

My background is mostly in traditional finance. I was previously in development banking as the chief investment officer and treasurer of a bank. Prior to that, I was in structured finance in banking and private equity operations. That's been my background and that's what we're doing. I'm excited to chat about it.

**Adam: We just had someone from Lithic on. When I think about corporate cards, would that be an apt comparison? Lithic is on the more traditional finance side, whereas this would be on the crypto infrastructure side.**

Farooq: We started with a product that we launched on top of our existing stack. It looks a lot like Brex and Ramp. A good analogy for our product is that it's kind of a combination of Brex, Lithic, a bank, and the external card issuing infrastructure.

We decided that in order to build a digital money solution, we needed to be vertically integrated on top of all the digital money components. That's why we probably built a little bit more than we would have if we were trying to pursue a banking-as-a-service or card-issuing-as-a-service approach. Our thesis was centered around owning as much of the stack around digital money, authorizations, and payments as we could.

**Adam: Got it. I'm interested to dive into that. We had a great conversation, I think two weeks ago, about the fintech stack. I'm excited to discuss the more traditional fintech stack and now talk about how the new crypto stack builds upon it. Bhanu, I'd love to get a similar kind of intro for you on Layer 2.**

Bhanu: Thanks, Adam. Prior to starting Layer 2, I was a partner at Capco, a global financial services firm. I worked with almost all the top banks in North America. My background before that was in healthcare; my startup in that sector got acquired by a defense contractor, so I spent some time in defense as well.

My experience at Capco, which was acquired by Wipro, really shaped what we're doing at Layer 2. More specifically, we realized that building new products on top of old infrastructure still results in old products. I call it "lipstick on a pig" - no matter how much lipstick you put on, it's still the same underneath.

When my co-founder and I left Capco around the same time, we had a vision to transform financial services infrastructure from the ground up. We felt that digital assets represented the best opportunity and the best alternative to traditional financial services infrastructure. This covers everything from what we call the core of the bank - the bank's ledger - all the way up to the products a bank sells, whether they be checking, savings, mortgage, or payment products.

We started the company by building a crypto-as-a-service platform, with a thesis similar to yours. The infrastructure in crypto is so raw that we can't just launch a BaaS product and plug into a bank. We have to essentially build that infrastructure so other fintechs can build on top of it. We're infrastructure people - myself, Tarun, and the whole company. We're not front-facing fintech; we don't build the sexy stuff that Brex and others build. We do the plumbing, and we're very happy being the plumbing people.

That was going really well. We had a cross product and a lot of interest from banks. This was pre-FTX. Post-FTX, within a couple of months, everything dried up. Our pipeline dried up, revenue went to zero. It was a really difficult time. We had a choice: do we pivot or do we shut down? I think every company goes through that moment at some point.

We were seeing a lot of demand on the payment side, more specifically in early to mid-2023. We were starting to see a glimmer of hope when it came to stablecoin-driven payments, but not from the US or Canada - globally, outside of North America. We were also seeing that companies didn't want to just do stablecoin payments; they actually wanted an infrastructure that created a hybrid solution. They wanted to be able to on-ramp and off-ramp, make third-party payments, receive third-party payments, and make large-scale corporate payments.

What was driving this is that everybody hates SWIFT. Because they hate SWIFT, any alternative that can help them move money faster was attractive to them. Stablecoins, being a very payment-centric asset class, were a perfect fit for those types of use cases.

So we pivoted to create a payment infrastructure company leveraging both traditional and digital assets to move money effectively across the globe. As I mentioned, we are infrastructure, so our technology is used by other fintechs, neobanks, and now even some traditional banks are coming on board, as well as payment processors. I'm happy to dive deeper into this and talk about some super interesting use cases.

**Adam: I'm excited about this pairing because it combines Vanu's pure infrastructure strategy with Farooq's more verticalized approach. I'm interested to hear about the decisions that led to these strategies.**

**Before we dive into the timeline you mentioned - pre and post FTX - I think it would be helpful to define some key terms and players in the stablecoin space. You talked about SWIFT, but there are many other important concepts and entities to understand.**

Farooq: I think we can start by defining the different types of digital money mechanisms. Stablecoins are one type, typically issued by centralized issuers and backed by dollarized or fully backed deposits or cash equivalents. There are also tokenized deposits, which are a bit different. They can be issued by banks inside a closed ecosystem or by prepaid card companies. Additionally, there are algorithmic stablecoins, which, instead of holding a deposit, are backed by some other

type of collateral. An algorithm manages the open float to maintain a stable peg. All of these different mechanisms contribute to this overall space, with various entities trying to explore and optimize different aspects.

A new entrant in this space is yield-bearing stablecoins, which look like a stablecoin but have a yield component built in. This is typically because they're holding the reserves in interest-bearing money market funds or in individual CUSIPs at the treasury level, or a combination of both. They're sharing some of that float income back to the end user or the platform partner.

It's important to establish the ground rules with all the different types of stablecoins that make up this broader market. We refer to it as digital money rather than stablecoins because we believe that the transition happening is not from fiat money to stablecoins. Instead, we think it's a transition from electronic money, which is transacted via fax or electronic funds transfer like SFTP messaging, to a digital paradigm. This new mechanism allows us to transact digitally, similar to how we switched from fax machines and modems to digital communications via email and video. As a company, we believe these types of representations of monetary value in this digital paradigm are indicative of the switch from electronic or physical money to digital money.

**Adam: Cool. Well, I know there's still a lot we won't break down. That's good enough.**

Bhanu: I think one thing I want to add is regarding CBDCs and what's coming. There's a big open question as to whether CBDCs will kill stablecoins. CBDCs are Central Bank Digital Currencies, think of them as a fiat equivalent of digital money. They are government-backed, similar to how current money works. How they will function varies; there are different models ranging from a draconian model where everything is owned by the central bank, to a more distributed model where each bank may get the ability to issue money to match up with the fractional reserve banking they do today. So there's a whole open question about CBDCs and how they will interplay with stablecoins. If I were a betting man, I'd say that future is 5 years out at best, maybe sooner.

Going backwards a bit, what we're replacing, at least at Layer 2, are existing ways of moving money. When we talk about cross-border payments, which is something we focus on, there are two primary ways of moving money. One is called SWIFT, which was built in the 1970s. It's a messaging system; money doesn't actually move. It's literally just a few top banks around the world on the SWIFT system, and anyone outside of them uses people who use them. You end up just message hopping, and sometimes it could be 4 or 5 messages before the money arrives. Banks in between sometimes sit on the money so they can generate overnight interest. The SWIFT messaging system itself is great, but it's the banking system and everything built on top of it, the entire infrastructure and network, that slows everything down. That's what we are out to replace over the next 10 years.

The other way of moving money, which companies like TransferWise, Revolut, and others have done a great job with for retail payments, is holding treasury positions all over the world. They don't actually move money every time, but hopefully, they're settled in those big corridors they operate in. For example, TransferWise might hold money in the US, India, and Europe. So if an individual wants to make a remittance from the US to India, money doesn't physically move all the time. It may move once or twice a day to net settle their positions across, and when they do move it, they use SWIFT.

Each method has different challenges. We could get into why stablecoins are better than all of them, but I just wanted to level-set on the old systems that we're replacing. We can also talk about stablecoins and CBDCs in the future as well.

**Adam: It's super interesting to hear you talk about this from a consumer perspective. You don't typically think about these issues; you just look at the number in your account. You don't necessarily worry about whether it's being held by someone in your country or elsewhere. The number is the number. It's an odd digitization of the system of actually moving physical money between countries. From that short history, you can feel how it's being built on top of actual physical assets. It's evolved from "Let's have some here, then we'll change the number, but we'll bring it across later."**

**One thing that's interesting in that conversation is your focus on digital money rather than stablecoins. I think there's a good segue here into the history you mentioned, pre- and post-FTX. Stablecoins are a broad term for many different things. The word "stable" is interesting because we've had some scary situations where these coins aren't as stable as you'd want them to be. You mentioned a few types, like collateralized internal systems or algorithmic stablecoins. Are there more prominent ones you think of? Do you believe a collateralized stablecoin is more stable than an algorithmic one, or do they all get lumped together under that term? Is that fair?**

**When I think about examples, USDC is a collateralized stablecoin, while the former FTX coin (whose name I'm forgetting) was an algorithmic stablecoin. What are some key brands in that breakdown of different types that people might recognize? I'll let either of you talk about this, as I'm sure you both know them off the top of your head.**

Farooq: Yes, there are major stablecoins like Tether and Circle, which are ostensibly backed by assets. There are various types of stablecoins, including decentralized ones like Maker's DAI, which is algorithmic or collateralized by different assets. Then there are tokenized deposits, such as JPMorgan's token on their own blockchain. Some of the larger stablecoins include FDUSD, Euro Coin, and several multicurrency stablecoins. Many emerging stablecoin issuers are launching additional tokens, like PayPal with Paxos launching PYUSD. Paxos also recently launched their yield-bearing stable coin.

The ecosystem contains a variety of stablecoin types, and this trend will likely continue. The supply of stablecoins for various use cases will probably grow. We can think of stablecoins eventually becoming similar to gift cards, where it will be easy to issue them in a closed loop. For example, if Target issues a "Target Dollar" backed by a bank deposit, they can put it into a user's wallet on their phone. When the user transacts at Target, it can be redeemed against the balance.

There will likely be an explosion of different use cases where people want to generate yield revenue or float revenue for their own deposit or balance program. This process will only become easier. In Europe, with the MiCA framework, you can

sign up as an EMI or PSP (Payment Service Provider) institution and issue your own stablecoin. They're creating rules and frameworks for that. The United States may eventually reach this point as well.

The net result will be a proliferation of various types of stablecoins and tokenized deposits, allowing people to hold balances against a stored value instrument. This could be a gift card, a mobile wallet balance, or a product like Cash App or Venmo. Building such systems from scratch will probably become easier.

However, the challenge with this approach will be similar to the current issues with gift cards: you can't use a Target gift card at Walmart, or a Walmart gift card at Delta Airlines. This is where we see a lot of opportunity at Ring.

**Adam: I understand. That's interesting. Do you have any additional thoughts on that?**

Bhanu: It's interesting when we talk about different use cases for stablecoins. More fragmentation is great for rewards use cases, but for payments use cases, more fragmentation isn't exactly the best experience for the user. It's similar to how you can't take a Walmart gift card and use it at Target.

When we're talking about moving money across borders, it's very important that there's liquidity on both ends. There need to be market makers and exchanges buying and selling these coins on either side, and that can only happen with the largest stablecoins out there. So for us in the payments world, the reverse is important - we need higher volumes in a few coins. It doesn't have to be just one or two like Tether or Circle; it can be four or five, and different corridors may have different specialties. As long as we can buy and sell it, that's what's important for us.

I do agree that stablecoins generally - let's just call it that concept for a second - will definitely improve the retail experience, the reward experience, and other experiences as well.

**Adam: We've touched on this a couple of times, and I think there are some interesting specific moments we could discuss, such as pre- and post-FTX. I'd be interested to**

**hear other examples in the space that you think of as "pre" or "post" moments. Could you walk me through a high-level history here?**

**I've mentioned a couple of times that there's been an explosion of new stablecoins, but I'd be interested to hear anecdotally about the trend line you see as well. This might be a bit outside of how involved everyone is in crypto at the moment. There was a time not so long ago when everyone was out of crypto, but now everyone's back into it again and stablecoins are cool.**

**I'd be interested to hear a condensed history of the last 10 years, which I think incorporates the time before you both entered the space. Farooq, any key moments in your mind?**

Farooq: I think the evolution of stablecoins from their beginning to now has been quite interesting. If you unpack it a little, stablecoins for the first half-decade or so, with issuers like Tether and Circle, functioned similarly to carnival tickets. You'd walk in, give them your dollars, and get these tokens that represented economic value within the ecosystem. You could use them to acquire Bitcoin, interact with DeFi apps, trade, speculate, buy NFTs, or whatever else you wanted to do.

This was essentially a way to value the GDP of the crypto ecosystem, with the aggregate value locked inside stablecoins representing a portion of the entire crypto market. However, over the last few years, especially post-FTX, we've seen a decoupling of the stablecoin space into two distinct functions.

The first function remains the same: tokenization or "carnival tickets," still representing activity in the decentralized ecosystem where you're transacting in DeFi protocols, adding liquidity, mining rewards, or sending money inside this closed loop.

The second function is what I call the "digital money ecosystem" for dollars and dollar equivalents. Here, people are accessing stablecoins as a proxy for dollar liquidity, savings, or dollarized products. This is completely different from what's happening in the crypto space.

We've seen renewed appetite from businesses and consumers interested in holding, transacting, and keeping dollars in their own custody. This is often because their local governments make it difficult to access dollars, or because many banks in smaller countries don't have access to correspondent banking networks. This limits their ability to access reliable liquidity or hard currency in U.S. dollars or other freely transactable international currencies.

As a result, we've seen significant demand for dollars, with stablecoins serving as a proxy. Consumers and businesses globally are accessing them because, in many ways, stablecoins are a way to buy a representation of the world's best product: the U.S. dollar.

Bhanu: I think the key point is for now.

**Adam: I think that's a separate conversation.**

Bhanu: That's a whole different discussion.

**Adam: That's an entirely different matter.**

Bhanu: Yes.

Farooq: It's not going to be because of anything we did.

**Adam: Yes, you guys are taking it.**

Bhanu: In all seriousness, we are seeing some interesting demand for euros from customers for obvious reasons. Instead of transacting in US dollars, it's euros. There's actually a whole market that's growing rapidly for Latin American companies to leverage stablecoins, but not USDC stablecoins - euro-backed stablecoins. It's super interesting times.

**Adam: When you think about that, and for me to summarize a bit what you laid out, in the really early days it was just like this on-ramp mechanism. You go onto Coinbase, put dollars in, get USDC, hold the USDC there, and then the USDC is going to move a lot faster when you're going to buy Bitcoin or Ethereum because it lives in that crypto ecosystem. I'm sure there are analogies to be made to some of the internal system-kind of stablecoins,**

**where it's in that ecosystem and therefore transacts more easily there.**

**You mentioned that was maybe 5 years ago, and then there was the growth of this digital money where you're actually facilitating dollar transactions. It's not about accessing the carnival; it's about transacting in dollars or euros as you would normally do, but the mechanisms underneath the surface, rather than being these more legacy SWIFT systems, are built in this more crypto-native technology. These different stablecoins are allowing that to happen more efficiently.**

**Was there a catalyst for that change, or was it gradual? Was there a new product that marked when stablecoins turned from carnival tickets to digital money? Maybe Bhanu, you can jump in if you think about them the same way. Was there something specific that happened?**

Bhanu: It is interesting, as I mentioned, we started to see this probably early to mid last year. Something literally just flipped, and the demand for that went through the roof. People wanted to start using off-ramping stables, on-ramping into stables, and in some cases, leverage stables as a bridge currency to go from corridor A to corridor B. If we're operating in two corridors, they want to buy from us and sell to us in those two endpoints.

I think there's a whole deflationary hedge concept, but I think what happened is this: During COVID, there were two big things that occurred. First, supply chains became very vulnerable, so many companies decided they needed to diversify their supply chains. This meant that money was no longer just going to China; it was going to Hong Kong, Singapore, Indonesia, India - all over the place. People started to explore how to move money more effectively and discovered stablecoins, deciding it was an interesting way to move money.

Combine that with the deflationary aspect to hedge against inflation. If you're a Latin American company, would you rather hold US dollars, which is very hard because banks don't offer US dollar products, or would you rather hold USDC or USDT on Tron and be able to deliver that to an off-ramp provider in the US, off-ramp it, and then make local payments or international payments from the US? Clearly, the second

option is more usable, and once it started to take off, it snowballed from there.

The second thing that happened was that people could work anywhere. Migrant flow increased, and people are now all over the place. Our team itself is a COVID baby company, as I think you are as well. Many of our folks who are not based in the US or Canada get paid in stables for the same reason companies want to hold stables - they prefer to hold stables to protect against their own currency fluctuations.

You mentioned something in our pre-meeting where you said we actually didn't do anything; we just happened to be here doing the right thing at the right time, capturing that demand. But really, I think it's just demand that's grown from frustration with existing systems. COVID accelerated the cross-border payment demand, and that's our view of the world.

**Adam: Interesting. Please, go ahead, Farooq.**

Farooq: I was going to add one thing: I think part of it is that during the bear market in crypto, overall transaction volume declined, yet the speed at which transactions were taking place continued unabated. People started uncovering that a bit more, so the tide going out actually helped many identify that there was activity taking place which was not tied to speculative action on Bitcoin or Ethereum or other cryptocurrencies.

I think another factor that has helped create the market catalyst for a lot of this is the same thing that created the market opportunity for many fintech products for consumers. These are fintech products where traditional tech companies or new tech companies came in and said, "Hey, this is an unmet need for parents, roommates, or contractors," and they realized there were underserved market segments within traditional financial services.

When you look at large consumer wins like Cash App, which has tens of millions of active users, that is a valid replacement for a traditional banking product that many people use, even though it's not a bank account or a bank. This is part of a much larger trend of people not having access to traditional financial instruments for various reasons and then finding available solutions that service their needs. Once you give them a user

experience they're happy with and one they would expect from a more established financial services product, that person is quite content to continue using it that way.

Bhanu: One thing I would add to this is remembering the initial promise of crypto, particularly for Bitcoin, was payments. That was the ultimate use case. However, Bitcoin never made it easy for various reasons - it's too slow to settle, and you're not going to wait 15-20 minutes for a transaction to settle. Now Bitcoin has evolved in some ways beyond being a payment instrument to become a store of value. I think stablecoins, plus the explosion of stablecoins across various chains including the L2s, have made it a much faster and better alternative as a digital asset token compared to Bitcoin.

**Adam: It's interesting that you touch on this. We had a conversation about fintech and payments with Lithic and one of the partners from Matrix who covers fintech specifically. Crypto often gets split out - people talk about fintech and crypto separately, saying "I'm a fintech investor" or "I'm a crypto investor." But really, ultimately, especially at the infrastructure layer, when you talk about consumer products like Cash App, there are decisions being made underneath the surface that are increasingly comparable. These decisions involve choosing between crypto infrastructure and more traditional systems. At the consumer level, you may or may not care about this distinction. That's been the classic kind of value proposition.**

Bhanu: I apologize, but the transcript you provided is empty. It only contains the letter "i" which doesn't provide any meaningful content to edit. To properly copy-edit and improve a transcript, I would need the actual text of the interview. If you have a complete transcript you'd like me to edit, please provide it and I'll be happy to apply the guidelines you've outlined to improve its readability and clarity while preserving the original ideas and content.

Farooq: I've always found it funny when people categorize themselves into these camps. It's like, "Oh, I'm a fintech person" or "I'm a crypto person" or whatever it is.

Farooq: It seems like if we were to look back on mobile phones and landlines, it would have been rather asinine if people had

said, "I'm not a telecoms investor, I'm actually a landline investor" or "I'm a mobile phone investor." Looking back on it now, how do you think about that perspective?

I think right now the dots haven't been connected to the degree that many people will eventually see. They'll realize that these are not "crypto companies" versus "fintech companies." We are money businesses, and the point is solving money problems for consumers and businesses globally. That's the solution we offer to the market. It's not a crypto-based solution or a stablecoin platform; it's just a financial services product and infrastructure that connects people from one problem to the solution.

A lot of the use cases we see are where much of the transaction volume is either coming in from fiat rails into crypto rails, or it's going from digital money or crypto rails into fiat rails. It looks a lot like how it looked when mobile phones came out. Most phone calls made from a mobile phone went to landlines, and then eventually less and less did. Eventually, most phone calls placed in America or elsewhere in the world went to another mobile phone because it's a meaningfully better user experience.

It took a long time for people to realize that every phone is just a phone, and I think it's going to be the same here. People are going to realize at some point that digital money is just money. I think regulation will do some of the work, and consumers will do some of the work as well.

In many international markets, people already treat USDC or USDT as money. I went to Turkey for a crypto conference last year, and there was a kiosk where I traded in Tether for local Turkish currency instead of giving them my $100 bill. That person is treating my Tether as money, and I'm getting fiat cash on the other end. Consumers are making these choices already, and I think eventually, whether anybody agrees or disagrees, it's going to be moot because the users have already made up their minds.

**Adam: Bhanu, does that ring true for you? Is that the experience you're having as well?**

Bhanu: I 100% agree with this. It's something that is just going to naturally grow. The demand is going to grow exponentially,

and use cases are going to expand. I'm trying to draw parallels here. I agree with your analysis that it's going to start slow and then really accelerate, and before you know it, it's done. This is typical of any new innovation cycle, which is why it's going to take 10 years for fiat to go away. When it does go away, it'll be amazing. It might even take longer - maybe we can place bets and connect 10 years from now when we're both old to figure out who won.

It is going to take a while, but in the meantime, supporting that experience is going to be driven by both consumers and corporations. I think the use case you gave about Turkey is fascinating. We're seeing similar stories from various markets, especially those where it's very hard to hold US dollars. There's so much demand that everyone will accept your USDC or USDT and give you local currency in return because they can then turn around and sell that for a lot higher to their customers.

It's going to be a really interesting time. Now, regarding stablecoins, how will that work with CBDCs? I think there's a whole real-world asset aspect coming in as well. Do you really need a stablecoin, or can you digitize a money market fund, for example, or create a token out of a money market fund and use that to transfer value? I think there are so many fascinating spin-offs from stablecoins that are going to make this a very exciting time for us over the next 5 years.

**Adam: One thing I've heard mentioned in both of your analyses is the comparison between crypto and fintech, as well as the concept of "adoption" that's frequently discussed. The adoption cycle has times when being in crypto is advantageous because it's seen as a desirable solution, similar to how AI is viewed currently. This has been a double-edged sword, as you get attached to hype cycles that aren't necessarily related to the underlying efficacy of the technology.**

**I'd love to get your thoughts on the rise and fall of what we see in the media around events like FTX, or how people's perception of crypto correlates with Bitcoin's price fluctuations. However, I remember seeing headlines about major corporations' adoption cycles that seemed unrelated to Bitcoin's price. For instance, I noticed the**

**most headlines about big bank adoption when Bitcoin was out of favor rather than when it was popular.**

**Can you talk about the two sides of this? Where can adoption be helpful, or do you always think it's negative? What have you seen in practice as a solutions provider? It's difficult to get concrete data on adoption, but I think you both touched on how it moves in interesting ways.**

Bhanu: I'll answer the last question first, and then we'll get into what we're seeing. From my perspective, we're seeing double-digit growth month over month. Sometimes it's single-digit percentage, but other months it's 20% volume growth. It's crazy. Adoption is going solid.

I think the hype cycle of crypto and the negativity surrounding it, let's be honest, was our own doing. It was the market's doing. There was a lot of fraud in some cases. It wasn't even unique to crypto; it was good old corporate fraud that exists in every other industry. But attached to that were a number of negative things that happened last year. The bar is higher now for those of us building in this space to show that there are real-life use cases and real-world applicability of things that are not fraudulent.

Yes, it is difficult working with bank partners, regulators, and traditional financial institutions to show them that we're not out here to conduct fraud. In fact, we're not even speculative trading at this point. We are literally just trying to build a product by leveraging digital assets as part of our ecosystem. We're a payments company, and we think that digital assets are a great way to transfer value from point A to point B. That's what we're using it for, and we're doing it safely.

One could get frustrated with all the negativity that gets attached to it, but I look at it as part of the job. With any sort of new innovation, half your job is education, and half your job is building. That's just part and parcel of the world we're in.

The hype cycle for Bitcoin goes up and down. My family says, "Hey, it must be great. Bitcoin's going up, your business must be doing well." I think the sentiment of crypto going up helps for sure – rising tides and all that – but even when Bitcoin was down, our business was still growing.

That's just my perspective on it. To your point about what we call ourselves, we proudly call ourselves a hybrid digital asset and fiat company. If you're just doing fiat, it's kind of "been there, done that." We don't want to just rebuild what's been built already.

Farooq: Alright, it's really about solving problems for us. Customers find us, reach out, and ask if we can help them solve specific issues, and we do it. That's what it's all about. What we've found is that the appetite from our clients hasn't been impacted by market prices overall.

One interesting thing we've seen is that we started off as a corporate card company. People know us because we launched a corporate card, but we're now enabling many platforms to issue payment instruments against stablecoin balances globally. We don't even formally announce that capability today - our website doesn't really cover it. Despite that, we have this massive pipeline that continues growing because people say, "Hey, I need this problem solved, and we heard you can do it. Can we do this right now?"

It's been very humbling to see the demand and appetite continuing unabated for something we don't formally advertise as one of our capabilities. It's a testament to the fact that this is an emerging problem. Many of the companies we work with, or are in the process of closing deals with, are just traditional financial companies. If we were to tell you, you wouldn't even believe they'd be interested in stablecoins as a mechanism of value exchange or storage. They don't think about it that way. They think, "I have a global customer base. I have a platform where people make money, and they need to access that money." That's how they view the problem space.

We provide them with a payment instrument that can be used globally by people making money on their platform. That's the problem we solve. From our perspective, we're using a brand-new technology platform under the hood. We're using blockchain settlement and stablecoins as a settlement layer, but ultimately, we're just a software and payments company. We provide services to consumers who come to us saying they have a problem and need a solution.

I think what's interesting about price action is that it definitely impacts attention overall. Having price action as a separate

piece that can grab attention to a market is generally good. Many industries don't have this external indicator where bystanders, the broader community, bank partners, or others interested in these products can see on CNN.com that the price of Bitcoin is up. It helps us as builders in this space get a force multiplier almost. When prices are doing well, it puts more eyeballs on our business. When prices are doing poorly, it lets us run a regular business like any other tech founder would.

From my perspective, it's good to have this attention, and even when it's bad, it's still not really that bad. It could be a lot worse - we could be working in an industry with no public interest or massive tailwinds. We have a business because some central banker in another country has been running really bad monetary policy for a long time, and that's contributing to both of us having some success. That's an external factor that a lot of businesses don't really have.

Bhanu: The wins are sometimes in our favor and sometimes not, but either way, no wins mean no movement. I think if we ever get to a spot where people don't care how money's moved—and I think honestly most people don't care—we'll be in a good position. We know what SWIFT is, we know what ACH is, and we know what Fedwire is, but normal people don't talk like that.

My dad, for example, moves money from Canada to the US for business and personal reasons. For him to be able to move money quicker from Canada to the US—within 90 minutes—without having to go to a bank for large business transactions, that's magical. He doesn't care about holding money in a wallet, managing his private key, and doing transactions. So for us, we just bury the digital asset transaction in between. He actually doesn't know what's bridging this; he just thinks, "That's amazing. That's a good experience." I use him as my benchmark for how easy to make it for people.

**Adam: The decoupling, I think, is super interesting. As Farooq maybe mentioned or dubbed it earlier, the decoupling from the carnival is intriguing. You both touched on this double-edged sword of the larger crypto landscape. There have been some big failures in the space, obviously, but there have also been some big adoption headlines. Do those really mean anything to**

**you? I guess that's what we just talked about, where it doesn't at the end of the day.**

**Maybe if it's a little bit more like when JPMorgan issues something, great, they legitimize it. But at the end of the day, it's the technology that's progressing underneath. As the technology continues to progress, which has nothing to do with the price or whether or not Silvergate failed, once you get to that almost feature parity moment, that's where the real uptick happens. It's not like there's massive adoption because JPMorgan said, "Oh, it's real now." There's adoption because the technology fits the problem. That feels like the larger takeaway.**

Farooq: I would echo that. I think it's natural for any fast-moving industry to have things go wrong for a variety of reasons at different types of companies. This is true in every single industry. For example, Airbnb hosts have had problems, and there are issues with AI now. There's fraud in lots of different types of businesses. Overall, you're always going to have bad actors taking advantage or people moving a little bit too quickly without having the right expertise to actually build the solution properly. That's essentially the price we pay as a society for innovation and having the ability and freedom to transact.

I think overall the tide is headed towards more regularization and more rules for the road, which is good. Having regulators be thoughtful and come in with thoughtful regulations and rules after having seen the failures is going to be ultimately good. For us, our thesis is really around the fact that at some point there's going to be broader formal participation by regulated participants like banks and central banks. When they come in, they're going to want to figure out how to leverage the people who have already been doing it for a while to actually build day one of a regulated marketplace.

The way that we think about it is that by participating in the system today and building a solution which is doing everything correctly, we can cement a place for ourselves in this T+1 of a rules-based framework—a rule-based digital market that will eventually emerge.

**Adam: Yes, that makes a lot of sense. I think in the last 5 minutes, as we discussed the future and the regulatory**

**aspects that are coming along, you mentioned the explosion of different stablecoins for a variety of use cases, and the reward system came up. When you think of themes for the next 5 years in the stable or digital money ecosystem, what comes to mind? Perhaps we can split it into two camps: on the consumer side, what new experiences do you think will emerge in the market over the next 5 years? And on the builder side, as you think about developing your business over the next 5 years, are there things you're counting on, things you're worried about, or things you're hopeful to see? Again, considering the 5 or even 10-year timeline of building this industry.**

Bhanu: From my perspective, there are several things we expect over the next 5 years. Let's start with regulatory clarity, which would be amazing because right now, the lack of clarity is making it hard for traditional financial institutions to participate in some form or other. This could be partnering with our company to provide vital functions that give us access to local rails, or eventually becoming our customers and leveraging our rails to do cross-border transactions, as they use SWIFT and other vendors today.

The issue isn't that banks don't want to participate; it's that they don't know how to act because of the regulators. We work with some amazing banks and are in discussions with many others. This clarity is going to be so important for deeper adoption and for more participants and partners to join this ecosystem that we're all collectively building. It'll be great for everyone.

Some of the largest banks say, "If you're doing payments, we're going to treat digital asset payments like any other payments." There are some nuances they need to understand, like how we transaction monitor, but at the end of the day, they want this to be harmonized. For our business, we want the banks that participate in payments today to participate in digital asset-driven payments as well. We're not looking for them to be digital asset on-and-off ramps – we have other partners for that. Giving us access to the rails so we can conduct and grow our business would be a great start.

Another thing we're pushing towards is expansion into other large geographies so we can do more pure digital asset-driven payments, rather than leveraging SWIFT or FX partners.

Opening up regulated operations around the world will be very important to fully realize this future of a digital asset-driven cross-border payment company. Today it's a hybrid, but the world we want to see over the next 10 years is one where there are no SWIFT transactions left. Everything should go over high-speed rails raised by digital asset currency. Ideally, everyone would be holding digital assets as well, so there's no more fiat. If we can create a world where money between any jurisdictions moves over these rails, that would be a step-function change for consumers and corporates alike. Everything from cost, time, transparency, to convenience will improve if we can leverage digital asset rails.

You'll notice I'm not saying stablecoins or CBDCs specifically – I mean digital assets in general. We're seeing an increasing number of remittance players join the ecosystem and network, in addition to our corporate business. I think both consumers and corporates will adopt this technology, though corporates might be slightly ahead.

I also hope that more people hold digital assets. I think that's the future we're moving towards, and we're starting to see that, especially with some corporates. If we can offer yield-bearing stablecoins, even if it's just running in the background and not exposed as a product, we can say to clients, "You don't have to pay for on-and-off ramping your stables to earn yield. You can just keep it there." There's a category of companies now adopting this approach, saying they'll keep their funds with us to do more payments if we can also give them some yield in return.

Generally, I'm hoping that digital assets are becoming closer to fiat assets in terms of utility and regulation. That's what we're building towards, and we hope the rest of the world is adopting this vision as well.

Farooq: I think the main item on my agenda for what happens next is really just one word: interoperability. Right now, we live in a very fragmented universe across fiat and digital asset ecosystems. There are different blockchains, different stablecoin issuers, different types of wallets, and all sorts of other infrastructure. Similarly, even on the fiat side, I can't send money from Venmo to Cash App, or from Zelle to my Venmo account or PayPal. Interoperability is probably something that is going to have to come more broadly at some point.

I think one of the biggest challenges we have from an innovation perspective right now is that we have these silos which have been created over the last 20 or 30 years of pretty good consumer apps or B2B apps, but they're limited in being able to be used by people off-platform. For example, if you use an accounting system to make payments to people, you sometimes have to onboard onto someone else's system to even pay them in the first place. So there's a lot of friction around payments broadly.

I think a lot of that is driven by the fact that the dollars you send from your account are limited in their capability because they're electronic, or even worse, sometimes they're just on these mainframe systems where they don't really have any data capacity. So when you send somebody money using ACH or wire, a lot of times they don't know what it's for. If you're using intermediaries in the middle, it shows up as someone else's name in the bank account. This leads to many reconciliation challenges.

I know this from experience, having run a treasury team at a bank. We had many problems that required human capital to solve on a daily basis because we often didn't know what the incoming money was for, who had sent it, or what it was supposed to be mapped to. This is a problem that we have today in 2024 that companies and enterprises with abundant resources deal with daily.

By creating interoperability and enabling additional data transmission on digital money rails, we can start solving a lot of these problems and move people forward, rather than trying to solve individual ossifications in existing systems. That's what we are most excited about.

Additionally, interoperability means being able to use the things you hold to transact in the way you want. As Bunty was saying, many people use their product as a way to send money, like his dad sending money from Canada to buy something in the US. Similarly, many of our clients and platform customers are hoping to enable a custom stablecoin to be used just like cash. You can actually tap that payment card or your phone on a payment terminal globally, and anywhere the supported network exists, that transaction is seamless. The customer, card network, and merchant have no idea it's stablecoin-

based, and you can transact how you're already used to transacting.

So on day one of getting a Rain-enabled payment card, it's just like having a regular payment card – you haven't lost anything, but you've gained a lot more that you don't even know yet. That's really how we have decided to enter the market: by giving you day-one interoperability with every payment terminal anywhere in the world. You don't have to believe in digital money to transact; you can actually just slowly start realizing that you can do a lot more over the very short term.

**Adam: Yes, it's an exciting time in this space. There's a certain amount of timing that comes into any sort of innovation like this. It's exciting for both of you to have been building for a while, as it feels like things are turning. Regulators are starting to put some guidelines out, and ultimately, this is becoming less about being a crypto company and more about just being a payments company. That's becoming a real conversation now, which makes a lot of sense. It would have been a more inflammatory thing to say five years ago, but now it's like, "Oh yeah, it's all fintech. It's just a matter of solving problems."**

**Thank you both for staying on a bit longer. We'll edit this and make it available for anyone who wasn't here live. I definitely feel smarter about all this and excited to see where you guys take us in the years to come.**

Farooq: No, thank you for having me. I certainly feel smarter. Thank you, Bennett.

Bhanu: Farooq, thank you as well. And Adam, great job on hosting this.

Adam: Thanks, man. Thanks. Alright, we'll talk soon. See you.

Farooq: Goodbye.