Insights From the Money 20/20 FinTech Conference

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Monday, November 1, 2021

On behalf of Nelson Mullins, I traveled to fabulous Las Vegas along with over 7,000 other attendees from around the world for the Money 20/20 FinTech conference. Blue chip finance and technology companies including JP Morgan, MasterCard, and IBM were there, along with leaders in the emerging crypto asset economy such as Circle, Coinbase, and Paxos. While FinTech (short for Financial Technology) generally covers new technology designed to improve financial services, the crypto asset sector of FinTech dominated my experience.

Money 20/20 veterans recalled how only a few years ago, the crypto space barely had a foothold at the conference. But this year, crypto and the companies that are building infrastructure around it touched everything from advertisements on the back of my room key to well attended forums and prominent vendor booths.

The first day of Money 20/20, MetalPay CEO, Marshall Hayner addressed a standing room only crowd about how his fascination with BitTorrent and Napster in college...
led him to discover Bitcoin in its early days. He enthusiastically shared his vision of building MetalPay into the “PayPal of crypto” and his company’s efforts to obtain banking licenses in various states. Other MetalPay executives, including bankers with years of experience from traditional institutions, told their story of entering the crypto space and tackling regulatory challenges with efforts to provide custody solutions for crypto assets. While major blockchains like Bitcoin are public and decentralized, private companies like MetalPay are working on secondary payment and custody layers for these blockchains that will help scale their reach beyond what they could otherwise handle.

For example, on the second day of the conference, MasterCard announced that it was partnering with Bakkt to offer crypto payment services for thousands of banks and millions of merchants on its vast payments network. After those headlines broke, MasterCard’s Executive Vice President for Blockchain and Digital Currencies, Raj Dhamodharan, explained how his company had done extensive research confirming strong consumer demand for access to the crypto ecosystem. As a result, crypto credit card rewards will become more common as the demand for them is strong and companies like MasterCard and BlockFi are prepared to provide them.

This year, you cannot talk about crypto assets without addressing the white hot NFT (non-fungible token) space and Money 20/20 did not disappoint here. The term “NFT” applies to digital assets that are unique (hence non-fungible) unlike fungible Bitcoin tokens, which are all the same. Everett Kohl, Founder and CEO of Dbilia addressed how NFTs will change money. The most famous and intuitive use for NFTs are unique pieces of digital art. The exorbitant prices some of these tokens now command are as much due to their growing acceptance as status symbols and keys to exclusive online communities as they are to provably authentic art they offer their holder. While “art” NFTs generate all the headlines today, Kohl explained how NFTs can represent any type of unique asset. For example, your next concert ticket could be an NFT.

Other crypto assets that are generating headlines are Central Bank Digital Currencies (CBDCs), which are issued by central banks and stablecoins, which are tokens on public blockchains that are pegged to the value of a currency such as the U.S. dollar. Dante Disparte, Chief Strategy Officer and Head of Global Policy at Circle had an excellent discussion with Sheila Warren from the World Economic Forum about the future of these two assets. While China has already launched its own CBDC, the digital Yuan, Disparte made the case for why a marketplace of regulated stablecoins like Circle would be better than a U.S. Federal Reserve CBDC. Disparte explained that just as the FAA regulates, but does not engineer and fly commercial aircraft, the U.S. government should regulate the marketplace of stablecoins rather than issue CBDCs. This approach is certainly more consistent with the regulated free market model of the United States.

However, stablecoins present many regulatory challenges, which Kristin Smith, Executive Director for the Blockchain Association, addressed. For example, stablecoins are a key part of the emerging DeFi (or decentralized finance) space where users get previously unheard of yield for over collateralized stablecoin loans managed by blockchain smart contracts. While DeFi has the potential to revolutionize traditional finance, work must be done to make it fit within existing
KYC (Know Your Customer) and anti-money laundering regulations. One potential solution is to encourage DeFi pools that opt into regulations and require users to be verified.

On the last night of the conference, the band Journey brought the house down with an audience ranging from twenty somethings to the boomers. After that concert, I spent the late evening hours chatting with a banking and automotive executive. While a FinTech conference brought us together, the overarching topic was the future of crypto assets. This year, we have watched this new asset class burst into the mainstream. While regulations lag the rapidly changing crypto landscape, established crypto asset players and regulators both see the need for better legal guidance.

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National Law Review, Volume XI, Number 305

Source URL: https://www.natlawreview.com/article/insights-money-2020-fintech-conference