

# THE DAILY HODL

News and Insight for the Digital Economy

## Cato Spotlights Fintech – From Crypto Mom to Bitcoin and Ripple

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The Cato Institute hosted its fourth annual summit, Fintech Unbound, on financial regulation covering fintech and financial inclusion for underserved communities. The conference of regulators, policymakers and innovators sparked spirited conversations and featured several speakers, including Commissioner Hester Peirce of the U.S. Securities and Exchange Commission and Ryan Zagone, director of regulatory relations at Ripple.

Commissioner Peirce, also known as “CryptoMom” for the pro-crypto stance she took in her dissenting opinion on the SEC’s rejection of the Winklevoss Bitcoin ETF proposal in July, gave the keynote address. She raised several issues regarding the government’s regulatory approach.

*“I am a lawyer and, now, a regulator; although this may sound redundant, I am not an innovator. I am not a technologist or trader. I certainly do not have the capacity to assess the likelihood of any cryptocurrency’s marketplace success, or more generally the prospects of any innovation, financial or otherwise. I worry, however, that the Commission’s focus on perceived weaknesses and vulnerabilities of bitcoin imply that we do have this capacity.”*

*“In my dissent, I noted the benefits of institutionalizing the bitcoin market, and I continue to believe that, increasingly, the Commission will be faced with a choice: Either create space for innovations to occur in our regulated markets or prepare for investors to seek out such innovations in less-regulated, or unregulated, spaces, such as foreign-registered products that lack the transparency that trading under our rules would provide.”*

Matthew Feeney, director of the Project on Emerging Technologies at Cato, moderated the panel on fintech, payments and cryptos. He was joined by Andrea O’Sullivan, the co-author of *Bitcoin: A Primer for Policymakers*, who addressed why people, even in relatively stable economies, such as the US, would want to do away with intermediaries in the financial system.

*“We have a lot of options available to us, but that’s not always assured, and that’s certainly not the case in much of the world. In removing the trusted third party, in replacing it with a peer-to-peer network that is totally managed by a distributed network of computers across the world, what you do, in addition to solving a long-standing problem in computer science, is you ensure that anyone anywhere in the world with access to a computer and an internet connection has the ability to transfer value. If you’re living in a kind of economy that’s in a nosedive, like the tragic situation in Venezuela, it’s very important that you have access to some kind of transfer system.”*

She also talked about the need for a technical solution to make Bitcoin faster and more effective. Despite the fact that there are many philosophies about how to tackle the Bitcoin scaling problem, she says that many different groups are supporting the Lightning Network solution, and that the developments are working.

Ripple's director of regulatory relations, Ryan Zagone, spoke about the potential for governments to become key players in the fintech transformation.

*"I do think what we're seeing now is a recognition that blockchain and crypto will play a key role in the next generation of infrastructure for financial services. And countries now recognizing there's potential to be a leader there, so they can become a global capital finance."*

Zagone highlighted the rapid growth of fintech developments in London.

*"There's now more people working in fintech in London than New York – also Hong Kong, Singapore and Australia combined. Their fintech growth has been astounding. And it's both domestic growth, and foreign companies moving there because the environment is so much more workable. It's not easier. There are still high bars and strict rules, but it's flexible and workable to allow innovation to happen."*

Regarding Ripple's target in the cross-border space, Zagone pointed to the \$2-5 trillion that are pre-funded and locked in accounts in order to enable liquidity for payments.

*"Our view is that crypto can play a role in replacing that and allow immediate access into foreign currencies without having to pre-fund. So you unlock all that capital that can come back and be put to use in a better way."*

He also addressed the ongoing discussions about XRP and its classification.

*"We're very clear. We have a longstanding view of XRP – does it meet the definition of a security? We didn't create it. It's not equity in our company. But it's ultimately up to the SEC to decide that."*

John Collins, partner at FS Vector, spoke about the nuances in the space.

*"Principles-based regulation, and asking for permissionless innovation, will inevitably create gray areas. It's a delicate balance between industry and regulators to walk that line – between clarity and being allowed to innovate."*

The conference was held in San Francisco at Hotel Nikko in San Francisco on September 12.

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