

# Tokenisation\_ a new model for collaboration

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Hello and welcome to the last OMFIF podcast of 2024 My name is Lewis McClellan. I'm the editor of the digital monetary Institute, and today I'm delighted to be joined by Dom T. Ghazan an MD from global trade finance. Great to have you. Dom, how



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you doing? Thanks for having me, Louis, this is amazing. Thank you for the opportunity. Doing great. How are you our pleasure?



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So it's been a remarkable year, I think, in the you know, technology, financial technology space, a lot of progress, finally coming through that's been sort of long awaited, particularly around tokenization. And I thought that was what we would discuss today, where you know where we've come this year, and where you see as a getting next year. So, yeah, I mean, as I say, it's been kind of the topic on, on everyone in the official sector's lips for for a while now, at the institutional particularly, talking about things like collateral, mobility, faster settlement, people getting an appreciation of what it can deliver there. But the original idea blockchain was for cryptocurrencies, and that was for retail, rather than institutional access. So although it's getting all this air time in the official sector and for looking at institutional finance, are there still new opportunities being discovered for for the retail space. Well,

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thank you so much for the question. Very interesting question. Well, first and foremost, a big thank you to OMFIF DMI for having me and all of your work bringing together incumbents and the innovators in the space. Yeah. So a topic that I want to touch upon is a big shout out to ripple on their stable coin issuance of RL, USD, and especially a shout out to all of the crypto degens and the trenches, especially the bear family on the XRP ledger, as you were bought on with saying that crypto as such, you know, tokenization, tokens of value, tokens and coins, basically were there for from the very beginning to make the financial realm as such, more transparent, symmetry of knowledge, more ubiquitous, and cater to a more inclusive approach to finance, which entails basically retail partaking in endeavors that are very much catering to the greater good, rather than, you know, the investment community, if you want to call it that, when it comes to collateral mobility and faster settlement, it does have a lot of implications. Hold a lot of implications for financial institutions. It basically through the lens of risk. To my mind, it is easier in times of great uncertainty, in times of ubiquitous uncertainty, to mitigate risks that some incumbents in some jurisdictions had assumed that were unforeseeable, you know, and if there is like COVID, a period of prolonged reduction in monetary velocity, you cannot stimulate the economy with fiscal policy, the outcomes are simply too uncertain In layman terms. So I do agree, if we can reduce collateral, if we can reduce settlement times, if we have faster settlement and make collateral more mobile, by virtue of tokenization, it caters to the greater picture as such,

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can i So, yeah, as you say, there's definitely a lot of value To be derived from you know, applying the technology in the institutional space. Obviously, the cryptocurrency market is, you know, since the US election has been, has been very hot, very exciting, but it seems a little bit like, you know, the established crypto assets, Bitcoin and so on, the values going up. But are, are there still new ways to kind of leverage the technology for for the retail market, to improve things that were just kind of scratching the surface of, I'm thinking a little bit about, you know, people talk about tokenization of real world assets, and that's talked about in an institutional context as well. But I guess also applies for retail.

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Well, I have to say, Thanks. Very interesting topic. Well, you know, the words that I speak not necessarily represent organizations that I represent. You know, little disclaimer, these are my personal opinions, and especially since I'm bound by NDAs, this is just a delineation of our endeavors and broader, you know. Of broader picture as such. So would you mind specifically choosing one of the categories of of rebuild assets that you want to touch upon? Because there's just a plethora of assets that, basically, if we want to tokenize everything, which is the underpinning notion, it does entail all financial assets in the economy? Yeah, no,

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it's a good point, but I guess maybe I'll turn that around on you and say, Where would you say the best opportunities are? What are the assets that would be most useful or easiest to tokenize and would provide the greatest value?

tokenize and would provide the greatest value:

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Well, to my mind, and speaking from an angle of industrial polymerization, which is a fairly technical topic for the economy, since we take a feed stock and we, you know, cater to OEMs that basically make in class trans, for instance, a consumer good that is heavily contingent upon international raw material markets, it is vital and highly significant if we reduce especially price fluctuations by virtue of a more liquid market. So tokenization caters to liquidity. Why? Because it's a more inclusive tool that regardless of geographic predisposition or constraints of certain jurisdictions, there is a token, an aggregate that caters legal certainty in terms of what the token signifies to all holders of the token, how policy makers worldwide, how regulators worldwide, actually categorize and deem the token within their current frameworks is another question entirely. So from our perspective, and this is also something that caters to more symmetric economy, where information can flow freely and leverage parts of the economy that are now standing still with high inflation and basically mass layoffs that we've been seeing in German speaking parts of Austria, of Europe, especially here in Austria, a lot of tremendous friction in the market. Tokenization can even cater to institutional frameworks, not only on the lender set, but also the buy side. You know,

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well, I think you've kind of answered this question to some extent with what you've just said, but if you could delve into a little bit more, it's always struck me that when people talk about tokenizing real world assets, often it feels like it's something that it doesn't need a technological solution, because you could just create an SPV and sell the equity in that. So can you talk a little bit about why tokenization is unique and isn't just replicating that process in a new format?

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Well, I see the greatest opportunity for tokenization juxtaposed to the SPV aggregate as such, and actually translating best practices into black clutter law effortlessly. Why? Because we have a legal, a ubiquitous, a global breed of assets emerging with the digital token that makes it easier for international cooperation with matters in matters of financial regulation, as you're familiar with, basal and especially FSB work on the topic of synchronizing jurisdictions with regard to economic activity, especially in the real economy, we need to look for ways as a society, as as humanity in its entirety, to foresee certain outcomes that are basically catering to malicious activity, catering to especially those who want to, you know, disintegrate our international order of peace and security. So it might seem as a bit of a it might seem like a lot of a stretch, actually, tokenization can make peace be especially in these arduous times, on the perilous path on that we have embarked, these days, a fit and proper aggregate as such a tool that we can plug in as 193 nations to actually find a more robust piece for 2025 Yeah, well, at least I Hope so. I'm an optimistic, you know, yeah, certainly

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to behold. But yeah, it's, I find it really interesting, because, in a sense, you know, there has always been, you know, the incentive creating a sort of harmonized, global approach to regulation, of financing tools. There's always been an advantage to doing. Right? That's always been a valuable thing, and it's very difficult to create, you know, it's very difficult to get lots of diverse countries to agree in it. But I guess you're talking about tokenization, providing, you know, if you've got a technical foundation for it, that's maybe a catalyst for international cooperation to develop around how we how we regulate it,

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absolutely, 100% sir. If you synchronize economic behavior by virtue of best practices, it is, you know, let's say the gateway, the gateway to harmonization of laws, and if we have more sturdy foundations in international the summer. Or if the literature refers to this executive law making, especially, we can make the international framework upon which all nations, all jurisdictions operate, more inclusive, and especially when you consider the major drawback of SPVs. That is, for some you know, see it more fluent nationalistic and the biggest, let's say, Pro to an SPV, basically the influence that you can exert on a certain breed of endeavors when in the cycle of liquidity, meaning that if you have a company, an SPV is such an entity that operates out of a certain jurisdiction. It comes with a certain clear set of rules. Jurisdictions, like the UK. It's a very symmetric it's a very transparent framework. It's the rules are very, very transparent. You know what you get if you choose the UK to fund your SPV in order to finance certain Same goes for the US, even though there is a bunch of idiosyncrasies, you have a federated, united approach to capital markets requirements. As for the EU, since there is, you know, historically simple and very, very humane issues that emerge when you have different languages, different not necessarily different cultures. But then again, you know the language paradigm, as you're very much familiar with, the language paradigm can be a very hampering element when it comes to getting more efficient rules in the making that are catering to all nations, to all member states, in this case, within the EU, you know, so tokenization. I see tokenization as a panacea, even though, you know, it might seem a bit too bold, I feel like it's a panacea for most of the contemporary issues that we've been having with idiosyncrasies in the EU.

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I mean, it's interesting. You pointed that out about the EU, though, because compared to the UK or the US, the EU is the jurisdiction that got mica through right that they already started addressing crypto assets. And it might not be perfect, but it's better than anything the US has done. Um, maybe, maybe the US will overtake next year, but the UK certainly isn't that much promise there. So they Yeah, let's talk a little bit about Mika, if you mind, what you feel like that's going to bring about for for the EU's jurisdiction.

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Well, as a transatlanticist, I have to say that it is somewhat questionable if the United States of America, of America actually needed an instrument, like a token to a track cap and yeah.

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So like for investment, yeah, especially



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when it comes to exactly fair and equitable treatment of foreign direct investment. It is, it is very clear in us, but also in the UK, to my mind, you know, personal opinion. So with the Capital Markets Union, and especially the economic and monetary union, with regard to EU integration, you know, to European integration and convergence of 27 member states that for something like the supranational going to, hopefully one day in a more united approach, a nation state quality, convergence, aggregate, as we call it, I have to say that tokenization as such, Even though, even though it might seem as a bit cryptic at times, is a very clear is a very clear technology? It's a technology that you can plug into. It's been around for a decade already. We know the pitfalls of the technology. We know how to work and operate, how transnational, aggregation and allocation to transnational aggregate actually leads to certain different outcomes to other financial instruments. There is also data, also profound that's



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worth talking about. Actually, yeah, it'd be good to hear how it differs. We. What the value it provides as a financing tool is, yeah, that would be worth delving into a little bit. Well,



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the value that I see as a financing tool, especially in the EU, is that you can plan more from the lens of the public sector, rather than the private sector, within private sector entities, so you have a clearer view on concepts like the monetary basis, you can bifurcate share capital and the actual revenue generation within a company, so you have, like, a next iteration to value within a company, within a corporation, which makes it more inclusive by means of distributing profits rather than exerting power over daily business, or, like speaking from, from, from some experience, most of the most of the or I would, I would speak for myself, rather than for, you know, the general breed of entrepreneurship, because I don't refer to myself as entrepreneur. I'm just an enabler to efficiency as such, if you want to call it that. So if we have tokens that are issues, especially for the lens of a cooperative, but also in corporations that I have seen himself confronted with a lot of competition, especially in trade, like speaking of raw materials trade or trading goods and services in general, there is very much entrenched behavior among competitors, which comes natural to competition, if you consider tokenization as a means of convergence, rather than just a new breed of financial instruments that are abstractly or commonly, let's say, commonly referred to as tools for speculation among the populace. You would actually see that people can have a common interest in endeavors that are loosely intertwined when it comes to business operations, let's say LLCs that you synchronize, not necessarily on an organization level, but on an inter organ, like not on an infra organizational level, but an inter organization level, meaning that You can have North New Form, a new forum of convergence by virtue of tokenization, bringing together former competitors without them being indelibly intertwined. Yeah, so corporate law purposes, purposes



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have aligned interests from a commercial perspective, but still, but don't have to be, you know, like represented in a cat table with all the regulatory implications that sort of thing might have. Yeah, that's, that's an interesting idea. Perhaps. Do you have an example you can talk us through of a project finance this way, and why that was a better way than, you know, more conventional, non token based methods.

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Well, tokenization, with regard to what I just said, is applicable to heavy industries, especially heavy industries, considering CO two, you know, and emissions in general, since we as a society, as humanity, have decided that we want to cut emissions and we want to actually do something for getting the climate change paradigm solved and not making it more of a conundrum. We can leverage just the underpinning notion. Let's say we can leverage incumbent infrastructure, especially in heavy industries, for production of a new breed of products that cater to the green economy. The EU calls it the Green Deal. I think it's a terrific idea to have a coordination among former competitors, a combination of upstream and downstream endeavors forming new super clusters, perhaps even, you know, new innovators that are potentially being scaled up as incumbents of the future, you know. So what I'm referring to is the network of biopolymer bands as such. So you have a network of loosely intertwined, loosely intertwined incumbent infrastructure and polymerization. For those of you who don't know what polymerization is, it's making fossil fuels. More you know more generally, fossil fuels as feedstock into downstream products such as polymers, you know, other chemicals and what have you. And what comes in handy when you think of it in a more pragmatic way and less through a political lens, is that we have had. Had humongous, humongous investment in a fossil in the fossil fuel industry, we have had in the pet petrochemical industry, there is, and will be for the going into the future, a lot of investment necessary, not for sake of the product, but for the industry's pivotal position within the greater economy, and especially the global economy, when it comes to not only energy production, but especially when it comes to the masses of people that are on a daily basis living from their work in the fossil fuels industry. So it is an obligation for policy makers around the planet to actually look for solutions, how we can leverage the infrastructure that is already there for more sustainable products. And this is really the, let's say, the target that I've been having, the mission that I've been having these past couple of years, is thinking of ways how we can leverage infrastructure that is already there that we have decided as humanity that is detrimental to our greater good, to our environment, to our international peace and security, because there is a certain concentration in jurisdictions that have historically suffered from also economically benefited from but as I see it, suffered from their vital position, especially in international commodity markets when with regard to chemicals or fossil fuels. So what I'm saying is a network of bio plant factories, network of bio polymer plants. A network of bio polymer factories in the EU is one of the most interesting cases of financing, not because, not only because I'm highly involved in the topic, but also because the pull factors and talking from a perspective of risk, you know, especially risk mitigation and risk retention, actually mitigating risk towards the public sector. Public sector, especially with the Green Deal, and especially here in the EU, with the European Investment Bank and their facilities, has conceived a very, very useful, very highly pragmatic network or framework for innovators to mitigate risk towards the public sector under certain conditions.

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So just to, just to jump in there briefly, just to make sure I got, everything straight. The idea that you're talking about here is, as we translate transition away from reliance on fossil fuels, there's enormous amount of infrastructure and human capital that is tied to those downstream industries. Converting that to sustainable model, the biopolymer plants is the is the project that you're talking about for making use of those in a in a sustainable way, rather than just abandoning valuable capital and the people that that make the living from it. So, you know, converting that to sustainable biopolymer production, that that I understand, can you talk a little bit about why? Yeah, how the token the tokenization angle, comes into that

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tokenization aspect of especially, and I, I have to, you know, I'd be very gladly elucidating upon the topic in 2025 in more detail. I have to really watch my words, simply because we're in a very crucial phase these days. And if you consider fossil fuels as such, you know, we know that plastics, or plastic has been designated as an issue simply because it is an issue. If you look at the oceans, if you look at, you know, delivering if you look at the general waste paradigm. Plastics is an issue, and what we've been confronted with in the plastics industry is people trying to greenwash their endeavors. So greenwashing fossil fuels is not only a perilous path, it is futile if we look at the composition of the fossil fuel industry. And if we look at 90% of fossil fuels being used for energy production, 10% being used for other products, downstream products, it is a very interesting point of inquiry. So if we consider waste the problem, which it clearly is, we have the facts, we have the data, we have the pictures. We have people who have been on summer holidays seeing the plastic waste in the ocean. It's not a hoax, you know. And this is very important, I really, I really have to emphasize that there is no, there is no way on earth that you can find. Conformity with climate change denial. So I see the climate changing through the lens of waste. If we have waste in the oceans, waste in the rivers, waste in the forests, simply because we are a consumer oriented world economy as such, which is why there is a lot of plastics waste, a lot of plastic everywhere. We have to find a way to make something off this plastic. So the first step was taking consumer waste and recycling it. You know, if something is there and it burns energy, it sort of seems redundant. If you burn, you know, for paralysis, for instance, if you burn a plastic waste, which consumes a lot of energy, and you actually want to get rid of the energy consumption in the overall industry, it's, it's not only redundant redundant. It just doesn't make any sense. So in the next step, if you say there is more energy that we need to get rid of the waste, okay, so that's not the option that we're going to employ at such so the only option can be to frame it as feedstock. So if the waste is used as a feedstock, and you can make new products out of recycled plastics, fair enough. That's off the bucket list, so to speak. Yeah, so, so the first but we haven't figured out the first part. So if we use fossil fuels for Virgin plastics, for Prime materials, you will always have a loop of never ending loop of plastics waste. So also the recycling process of plastics takes a lot of energy. If we don't diversify our energy mix, fossil fuels will always be part of the problem and the solution which is sort of risk that we could mitigate. So this is how the idea was born, because there is a viable alternative to fossil based resins, as they call it in the plastics industry, which is bio plastics. Bio plastics, and I have not initially elucidated upon the topic. Bio plastics are basically made from alternative feed stock that cut fossil fuels out of the picture. And very much how this notion underpins climate change for the better. It does underpin giving alternatives to the fossil based, fossil fuels based industries who have a lot of investment, a lot of money on the on the table, a lot of you know, life's at stake, basically, if you don't look for an alternative product, so they have the infrastructure. It's an infrastructure that we can build something new on. And the token is element to bring together those very entrenched and very

you know very much legacy companies. Most of those behemoths in the arena have been around for 100 years already. So as is commonly referred to, you know, commonly referred to as the fossil fuels industry complex. So the fossil fuels industry complex as such, doesn't have any interest in actually pushing back on something that is of use to them, where they can actually leverage their infrastructure already. And this is what we're trying to build with plasters, especially so global trade finance takes plasters as a pilot project for tokenization, with regard to bringing together industry incumbents, and, you know, test out the functionality of tokens with regard to cooperatives. So the way it is conceived is, it's a European cooperative, there is already a legal framework on it that has been issued by stipulated by the European Union in the early 2000s and the tokenization component, with the cooperative component amalgamated to a new way to attract competitors, to get them to talk together, not only in a best practices kind of way, not only in Think Tank oriented way, but more in a black letter law kind of way, actually get them together with a common framework to sort of plug in to a token that is operating on a ledger. And we have chosen the XRP ledger for our endeavors, simply because it's there's a very clear technological framework that you can plug in with the with the xrpl. So people are interested, perhaps to close people are interested in the technology for financial purposes, obviously, because there is a lot of efficiency catered to the broader economy by virtue of tokens, where people are able to, you know, benefit greatly from early investment in, you know, your bitcoins, what have you. It's clear to everyone, not not any price predictions or financial advice, but. Way that Bitcoin is here to stay. Bitcoin is gonna form an integral part of the world economy. Don't want to go into the whole realm of conspiracies, because I initially, you know, shouted out to the crypto DJs in the trenches. There is a bunch of, there is there is a lot of there's a lot of false information out there. So you have to be very cautious when investing hard currency for speculative assets. As always, you know, Caveat emptor en American principles. But I'm very optimistic. You know, with the first of January, next phase of mica and actual, let's say, transparency indicators to create a good we will see a more liquid market. And as you know, a more liquid market is a more robust market. So, very interesting, very interesting question. Thank you so much. I tend to address a little on the topics, you



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know, it's, yeah, no, it's, it's really fascinating idea. This, I, you know, we've, people have often talked about tokenization for the sort of operational advantages that it brings up, but in terms of having a framework for, you know, decentralized ownership and governance and community engagement kind of built into the to the instrument and the and the infrastructure itself. And is a really interesting idea, exactly,



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Louis, if I may. And this element of community, this element of, let's say, community cohesion, yeah, is something that people, especially in legacy finance, often get wrong when it comes to me, meme coins. You know, meme coins are not about speculation A priori, you know, a priori. They're not about the speculation making a lot of money. It's about people who come together with a common goal of entertaining themselves around funny pictures of things that they find that make them happy, you know? So this is why I say, like the bear xrpl community, it's great because it's if you hang out at space in spaces on x, for instance, and you actually see how much work these people put in to actually understand the financial infrastructure and educate

themselves some topic that have been around for decades and centuries. Basically, it is interesting that the financial industry just thinks that meme coins are about speculation. They're not about speculation. They're about community, of course. You know COVID, emtpar, of course,

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but it's interesting. And I think in some sense, you know more so than any like cryptographic innovation the crypto industry is primarily about network effects and, you know, share alignment, I guess, a new model for for shared goals and community and that kind of thing, and, and, yeah, really interesting to hear from you about projects where, you know, for for somewhat more serious aims than the joyful sharing of pictures of the Shiva Inu dog or whatever exactly

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you have your layer ones you have basically the next iterations of the layer ones, which are the community tokens that are pretty much Built on rails that have been there for bigger purposes than community cohesion, on a, let's say, on a business oriented, private sector oriented kind of playing field, but for, you know, faster settlement, collateral management, especially when it comes to geopolitics, because it's an inherent, you know, Merchant banking, basically, is the stuff that words are built or not built, but let's say a consequence of and there are unforeseen, you know, unintended consequences nowadays, like they have been in the past and will be in the future. There is no panacea to human fallibility. You know, there, there's, there's, it's programmed into our COVID, if you allow the analogy.

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So fascinating topic. I'm afraid we're going to have to wind it up here. But Don this has been great. Really interesting to hear about, hear about your your ideas for for the potential for this technology and the project on the ground. It's be really exciting to watch that progress and see how much this kind of model can can spread in 2025 so yeah, thanks. Thanks for joining today. Great to have you.

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Thanks. Louis, thanks for having me. Thanks. DMI, thanks. OMFIF, it's been a journey, and it's got to be a great journey going into the future. Thank you.

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All right, terrific. Thanks very much to our listeners for for tuning in today. Make sure you follow us on social media to see what we're getting up. To check out our website, [omfif.org](https://omfif.org), for publications of new reports, commentaries, podcasts, details of upcoming events and so on. And we hope you join us next time. Thanks very much. Goodbye. You.



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