Alex Tapscott - The Digital Asset Revolution and the Future of Financial Services

The first digital age brought us the computer and Internet. Now, the second level is taking us to a time when technology will be ingrained in our lives – like machine learnings, virtual reality, etc.

But blockchain technology will be the most important technology of this new technological shift. And it will become the new version of the Internet.

The Internet has been a printing press for information – allowing info to be copied and distributed worldwide. That's been good for many things (like allowing people to learn and read anything at any time), but it hasn't been good for things that require scarcity like money.

Currently, middlemen are an important part of the commerce industry. But they have limitations. For one, they're centralized. This exposes them to corruption, hacking, etc. They also add costs and slow down the process. For example, when sending money to another country, it can take days for the transaction to go through. For things like remittances, that's a big deal.

The Internet is shifting from a facilitator of information to a facilitator of value. Now that's changed with bitcoin…

Bitcoin is used as a hedge of inflation, an investment, a "financial lifeline" against governments, and a payment method for the unbanked. And blockchain technology that came about with bitcoin is changing the world.

Blockchain is a decentralized ledger. This is a way to create scarcity in digital goods. It's soon going to work with every asset in the economy. Today, Alex is covering how blockchain is changing the financial technology industry.

The financial technology industry isn't a well-oiled machine. It adds too many unnecessary steps. Transactions don't take seconds. They usually take days, involving many of these intermediaries.

"FinTech" is a digital wallpaper. It makes the financial sector more appealing visually, but doesn't really change anything in the underlying sector.

Decentralized finance ("DeFi") is reimagining the entire industry. It enables peer-to-peer models for anything the current financial industry does. Some examples of this include:

- Storing value (wallets)
- Moving value (peer-to-peer payments)
- Lending value
- Funding and investing
- Exchanging value (how we move value) i.e. decentralized exchanges

- Insuring value and managing risk
- Analyzing value
- Authenticating identity (owning our digital identity, protecting certain data from services)

Blockchain is enabling an entirely new asset classification – crypto assets.

1. Cryptocurrencies (digital money)
2. Protocol tokens (base-layer platforms for blockchain technology) i.e. Ethereum
3. Governance tokens (give holders a say in decisions of decentralized apps)
4. NFTs (unique, scarce digital assets)
5. Exchange tokens (loyalty points on steroids)
6. Securities tokens (DeFi stocks, bonds, derivatives)
7. Stablecoins (cryptoassets that track value of traditional asset)
8. Natural asset tokens (digital asset backed by real-world commodities)
9. Central bank digital currencies ("digital dollar")
    a. Pros – Reduce friction, improve stability, broaden access.
    b. Cons – Privacy issues

Red flags – regulations? Finance is one of the most regulated industries in the world. But these regulations shouldn't be made to stifle growth in the area.

Legacy financial leaders are having a hard time coming to grips with crypto and blockchain. Banks don't have to fight blockchain. They can introduce it and include it in their businesses.

By embracing and understanding the exponential change that blockchain provides, investors will be ready for this future that is already underway.