


INNOVATION TRENDS OBSERVATORY

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CRYPTO-ASSETS SPECIAL EDITION

In this special edition on Crypto-Assets, we're taking a look at private and public initiatives. We're starting with public digital currencies in Europe: Isabelle Martz, Deputy Head of French Retail Payments, talks about stablecoins and Central Bank Digital Currencies. Then our Chief Operating Officer for South Asia, Nicolas Stum, decodes Project Ubin from the Singapore regulator (MAS). Finally, on the private side, we'll go back to France to discover Lugh, the first French stablecoin, with its co-founder Olivier Ou Ramdane. I have also added the most recent deals of our market leading subsidiary in digital assets and security tokens: Societe Generale FORGE, led by Jean-Marc Stenger. We're only at the beginning of this journey, you may start hearing about Non-Fungible Tokens (NFTs) such as owning a digital football card or a piece of Andy Warhol for the most lucky of us or DEFI 'Decentralised finance'. We will comment on them in the next observatories. Digital assets will become more and more part of the financial services business language with a progressive adoption, increasing the transparency of financial and non financial assets, increasing our ability to develop economies and to build holistically financial wealth.



#1

PUBLIC INITIATIVE IN EUROPE: STABLECOINS AND CENTRAL BANK DIGITAL CURRENCIES



BY **ISABELLE MARTZ**,
DEPUTY HEAD OF FRENCH RETAIL
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DEFINITION OF STABLECOINS?

Stablecoins are cryptocurrencies – based on a blockchain – whose value is pegged more generally to a fiat money (of a basket of fiat moneys) or to an asset (such as

metals for instance). Their value is then stable compared to the highly speculative cryptocurrencies such as bitcoin.

STABLECOINS, A THREAT?

Facebook's statement to create the Libra (now Diem) was a wake-up call for Central Banks. The ability, by a private actor, to issue a currency and set-up a supra-national payment system was shaking the ghost of the GAFA supra-power, their ability to weaken the monetary politics tools and the worldwide financial order. The European Commission is fighting back with its new regulation called MICA (regulation on Markets In Crypto Assets).

A Central Bank Digital Currency (CBDC) – be it based on a blockchain or not – is a response to the threat from such big private actors or from other Central Banks with international influence (US or China for instance). But a CBDC issued for retail and corporate actors (called 'retail CBDC' by difference with a CBDC issued for financial institutions called 'wholesale CBDC') could as well threaten the financial system, which seems paradoxical! A retail CBDC could indeed compete with money in commercial banks (the money you have in your

personal accounts), then impact commercial banks deposits and jeopardize their ability to finance the economy. A solution could be to limit deposits and usage of retail CBDC.

OR AN OPPORTUNITY?

The need of a retail CBDC can be questioned, as no clear use cases justify its creation above the need of sovereignty of course. Existing systems of payment are efficient, with high volumes processed in real time, 24 hours a day, and business models for intermediaries (banks and payment solutions providers). But the real opportunity of crypto currencies is offered by the blockchain technology capabilities. The most promising feature, that does not exist natively in traditional currencies or means of payment, is its programmability. A transaction in crypto currency is a line of code in the blockchain: this code can encompass conditions for instance on the payer and the payee (e.g. persons eligible to a public subsidy) or go look for conditions encoded in a 'smart contract'. It opens opportunities for fidelity points, pay as you used, machine to machine transactions, directed payments, etc. Economic impacts are massive, though development of such algorithms is still complex and not matured (questions of responsibility and irrevocability for instance).

SO, WHAT'S NEXT?

The public consultation about a retail CBDC by the ECB seems quite positive, though a technical solution ensuring privacy, security, inclusivity, with cross-border capabilities is a technical and regulatory challenge! Experimentations should be the next steps in months to come. On the private side, the field of opportunities and uses cases is wide and open: and SG ready to play the game!



#2

PUBLIC INITIATIVE IN ASIA: SINGAPORE PROJECT UBIN



BY **NICOLAS STUM**, CHIEF OPERATING OFFICER, SOUTH ASIA AND APAC SPONSOR OF ADN (ASIA DIGITAL NETWORK), SOCIETE GENERALE

“To the young and to the not so old, I say, look at that horizon, follow that rainbow, go ride it”
Lee Kuan Yew, Singapore founding Prime Minister.

How to become a Smart Financial Centre? This is the challenge Singapore took up in 2016 when the MAS (Monetary authority of Singapore) launched “Project UBIN” with an ambitious goal: develop public-private initiatives to explore the use of DLT for clearing and settlement of payments and securities Project UBIN (granite island in Malay) is a multi-year multi-phase project. Each phase explored DLT-driven improvements to the clearing and settlement process. **Phase 1 and 2** focused on the building of technology capabilities including the setup of a tokenized Singapore Dollar and the testing of decentralized inter-bank payment and settlements. **Phase 3 and 4** focused on network interoperability (i.e. Delivery versus Payment, Cross Border Settlements) and finally, **phase 5** on the viability of use cases and validation of commercial values across the ecosystem. This last phase was conducted using production-grade frameworks, across 3 finance domains: capital markets (equities, bonds) lending (loans, trade finance) and insurance (health, motor).

WHAT IS NEXT?

In their 6th and final report, the “UBIN” sponsors quote “the next leap will be in implementing live commercial solutions

to solve real world challenges.... this sixth report is intended to be a springboard for this next leap.”

Since 2019, new tests are being conducted by GLCs (government linked companies) in the field of digital bonds (Olam issuance and recently Singtel) in collaboration with the SGX (Singapore Stock Exchange). DBS bank has also displayed its ambitions in crypto-assets by creating a digital exchange.

HOW COULD SINGAPORE PLAY A ROLE IN THIS NEW DISTRIBUTED LEDGER TECHNOLOGY ERA?

Precisely because it is Singapore; a neutral, business-friendly territory but with a strong regulatory framework and first-class infrastructure. Over the past years, the city-state has welcomed FinTech and Tech Fin of all nationalities, including GAFAMs and BATXs, to build a smart financial ecosystem, of which the DLT cluster is a piece.

BUT WHERE CAN THE POTENTIAL LIE IN A COUNTRY OF 6 MILLION PEOPLE, FURTHERMORE OVERBANKED?

Perhaps Singapore sees an opportunity in the development of ideas incubated by these smart finance players, who by creating this new DLT ecosystem, will attract capital to the island or export their solutions to tackle the 3 main challenges facing the neighboring countries: financial exclusion, inefficiencies in the banking sector and a young generation going beyond the usual financial uses. Keep in mind that the population of Indonesia, the Philippines and Vietnam alone is close to 470 million, of which 35% are 20 years old or less (compared to 750 million Europeans and 335 million US Americans). In these emerging markets, internet penetration exceeds 60% and mobile social usage nears around 55%.

Find out more:

- [Project UBIN moves closer to commercialization](#)
- [Marketnode](#)
- [DBS creates its digital exchange](#)

#3



PRIVATE INITIATIVE IN FRANCE: LUGH – THE FIRST FRENCH STABLECOIN

BY **OLIVIER OU RAMDANE**, CO-FOUNDER OF LUGH

WHAT IS THE LUGH?

The Lugh (EUR-L) is the first fully transparent stablecoin pegged to the Euro, built on Tezos blockchain technology. To ensure the stability of the Lugh, for each stablecoin issued, one Euro is saved to a dedicated bank account held by Societe Generale. The Lugh is an asset designed for today’s world, offering the benefits of digital assets and blockchain technology, combined with the stability of one of the most traded currencies in the world.

WHO IS BEHIND THE PROJECT?

LUGH, a company set up expressly to operate the Lugh, lies at the centre of an ecosystem of top-tier players:

- in technology: Nomadic Labs, R&D team promoting the Tezos protocol and start-up SCEME;
- Coinhouse, leader in crypto-asset investments for retail and corporate clients in France, in charge of distributing the EUR-L (another name for the Lugh);
- PwC France and Maghreb, responsible for independently certifying the number of EUR-L in circulation each month, and the balance of the reserve bank account;
- and distribution group Casino, securing a position on the frontier of the payment instruments of tomorrow.

HOW IS IT USED?

Initially, the Lugh stablecoin will be offered to Coinhouse clients to facilitate cryptocurrency transactions for retail or professional investors seeking protection against the risk associated with the volatility of these markets, by instantly and inexpensively falling back on a stablecoin.

Our objective is thus to promote the massive adoption of the Lugh by crypto-traders, by diversifying trading platforms offering the EUR-L.

In the longer term, we consider that the Lugh can be used by any individual as a means of payment natively integrating multi-partner loyalty programs. With this in mind, Lugh wishes to set up a consortium of B2C players (commerce, tourism, entertainment, etc.), of which Groupe Casino is the first member.

WHAT IS THE TIMING/WHAT'S NEXT?

In the coming months, we aim to make the Lugh the benchmark € stablecoin used in the crypto-asset finance industry, while federating an ecosystem of partners around an innovative payment instrument and new everyday financial services based on blockchain technology that may arise in 12 or 24 months

To learn more, [watch the LinkedIn Live talk between Claire Calmejane, CIO of Societe Generale and Cyril Bourgeois, CDO of Casino Group.](#)

#4

SOCIETE GENERALE ENTERPRISE OFFERS AND RECENT DEALS BY SOCIETE GENERALE FORGE

Societe Generale FORGE offers access to **digital assets** at the best banking standards: **structuring and issuance, secondary market** and **custody**.

Societe Generale FORGE is a pioneer in generating **Security Tokens**, providing many benefits for issuers and investors:

- transaction speed;
- lower costs for market access and reduction in the number of intermediaries;
- automation of events related to financial securities;
- transaction transparency;
- development of new hybrid instruments (Utility Tokens) authorized by the PACTE law in France.

Most recent deals:

By issuing the first structured product as a security token on a public blockchain, **Societe Generale - FORGE's** innovative operating model completes a new step in its development: **enabling Security Tokens to be directly integrated to conventional banking systems interfaced with SWIFT format.**



Watch the replay of our live event with Jean-Marc Stenger, CEO of Societe Generale FORGE who talks about the EIB 2YR Inaugural Euro Digital Bond.

Find all the news about Societe Generale Ventures's portfolio at ventures.societegenerale.com

