

LISTEDRESERVE

MoneyBits

Yellen dances on CZ's grave



The big guns were rolled out in the US late on Tuesday after Binance CEO Changpeng Zhao (CZ) pleaded guilty to charges of money laundering in the US. On the left, US Attorney General Merrick Garland; the most senior lawyer in the country. Next Treasury Secretary Janet Yellen; the most senior financier in the US. Then, Deputy Attorney General Lisa Monaco; second most important lawyer. Finally; Chairman Rostin Behnam of the Commodity Futures Trading Commission (CFTC); semi important regulator subbing in for the SEC. That Gensler isn't there is interesting but short of that it's about as heavy duty as you get.

The plea is part of a deal which will see Binance pay \$4.3 billion to the US government and CZ personally pay \$50 million.

The settlement also requires that he stand down as CEO of Binance and have no involvement for three years. The USG is also seeking an 18 month prison sentence for CZ in a matter that looks as though it will be separately negotiated.

Yellen rolled out the usual tropes about every ghoulish use of funds that one could imagine from terrorism to people trafficking and general disregard for the law. I think the last of those Binance is probably most guilty of. Simply outgrowing a capability to properly monitor what was going on, so they didn't, and now they are here. I'm not making excuses for them either, bad behaviour has held back this industry and we are 5 years behind where we should be as a result.



nic carter @nic_carter · Jun 3, 2022

this only ends when the last stadium has cancelled their deal and the last celeb influencer has settled with the SEC for endorsing some token scam

So, nearly 18 months on from this tweet, when the chips were well and truly down, we are nearing the end of quite an ugly period. SBF stole people's money, his sentence will be long when it comes early next year and it should be. CZ didn't steal anything but he wasn't American and he didn't play by the American rules. Now that has cost him \$4.5 billion dollars, his job and possibly some of his free time in 2024.

From the perspective of the industry though. Mr Carter has updated us today on what is a reference to ETFs, the entry of regulated businesses into the sector. It will be some months away, but it will come.



nic carter @nic_carter

Cleared for takeoff

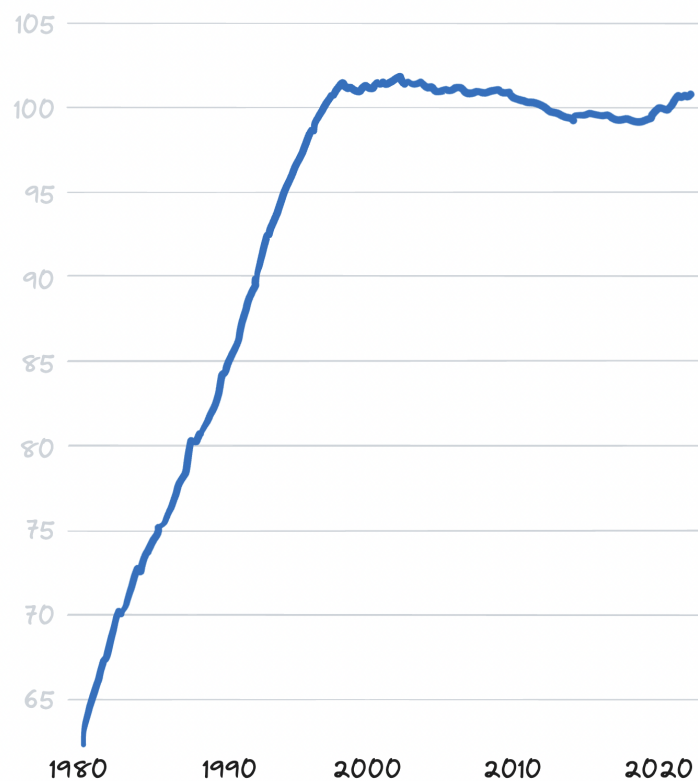
4:35 am · 22/11/2023 from Earth · 49K Views

American business, American rules, the American way. Happy Thanksgiving.

The housing obsession

This index of steady 30 year decline is quite something. People love investing in houses simply because they believe that housing is 'safe'. You might argue that even in Japan, it's not a total disaster. You could probably recover your Y100 from 1990 but the opportunity cost of those 30 years has been enormous.

Japan CPI Housing



Source: Statistics Bureau of Japan

The average price of a new 70 sqm apartment in 1990 in Tokyo was 107,660,000 Yen, or 1,538,000 Yen/sqm. At the time that was A\$900k. The average house price in Australia that year was \$184,600, so you could have bought four houses and paid stamp duty. Today, you could probably buy one and maybe cover the stamp duty.

It's not a story of Australia being good and Japan being bad. It's a story of how a lot can change in a generation. Houses were a 40 year winning play in Japan until they weren't and it lapsed into a generation of illiquidity and stagnation.

What happened was the population got older, the younger cohort was smaller and saddled with large debts both personal and national. So they did not buy the houses and property. As a result, like the population, the asset class died a slow intergenerational death.

Once again; there might be an argument to hold the assets that the workforce both now and in the future will be increasingly interested in; not the ones they are increasingly less interested in.

Cash creates

More SEC feedback for the filers of Bitcoin ETFs. The SEC has requested the ETFs operate on a 'cash creates' basis.

Essentially, this means the investor hands over the cash to the ETF issuer who is then responsible for buying the assets and ensuring that they are what they ought to be.

The alternative method (known as in-kind) allows the Authorised Participants to deliver the underlying assets wrapped in ETF shares; in doing so they could source them anywhere and dump them into the ETF without the issuer ever actually processing them directly, it's perfectly legitimate but shifts the onus on sourcing the bitcoin to the issuer.

This is interesting on a number of levels. Firstly, it will truly Americanise the ETF because the sourcing, custody, purchasing and progeny of the assets and the process will be American. It might also create tiers of bitcoin down the road; ETF bitcoin and non-ETF bitcoin or offshore and onshore a bit like the we have dollars and Euro-dollars.

I must say, I prefer cash creates because it is simple. Here's some money, now go buy bitcoin.

Aside from anything else the SEC is very clearly actively engaging on the documents, from which you might reasonably suspect that approval is more likely, not less.

Argentina



Among the many oddities of Argentina's new president Javier Milei is that he is a keen supporter of bitcoin. He does not propose to follow the El Salvador path of legislating bitcoin as currency though. His preferred path is to adopt the US Dollar in Argentina which will be incredibly painful for the economy but might work.

Most certainly though he will allow people in Argentina to buy bitcoin, a right the IMF attempted to prevent with their last bailout by tying it to further restrictions on digital currency. As an economist, Mr Milei does understand privately issued currency and he supports them.

He is not universally popular though. Expect the international press to radicalise him as a crazy person, which he might be, but Argentina has been robbed by the IMF and global agencies for many decades now with consistently failed bailouts. This election was a comprehensive rejection of that approach.

Time for something different then. Let's assume he's a nutter and he looks like he's come backwards through a hedge; it seems so unlikely that someone like that could win an election that perhaps the only reason he has done so is that he has some talent, passion and his ideas might actually work.

Argentina was once one of the richest countries in the world, not 100 years ago. The country is still rich in many ways, in both agriculture and minerals, but it is corrupt. After multiple IMF bailouts they have gone nowhere but backwards.

Looking through the list of IMF credit outstanding, it is hard to call out a country that has massively benefited from an IMF loan. They take over the economy and begin to enrich their advisor friends all in the name of 'helping'. This curtailed alphabetical list though is one of nothing but dismay. The dismay begins long before the IMF arrives; but their arrival signals that it will continue forever by saddling countries with debt that can never be repaid.

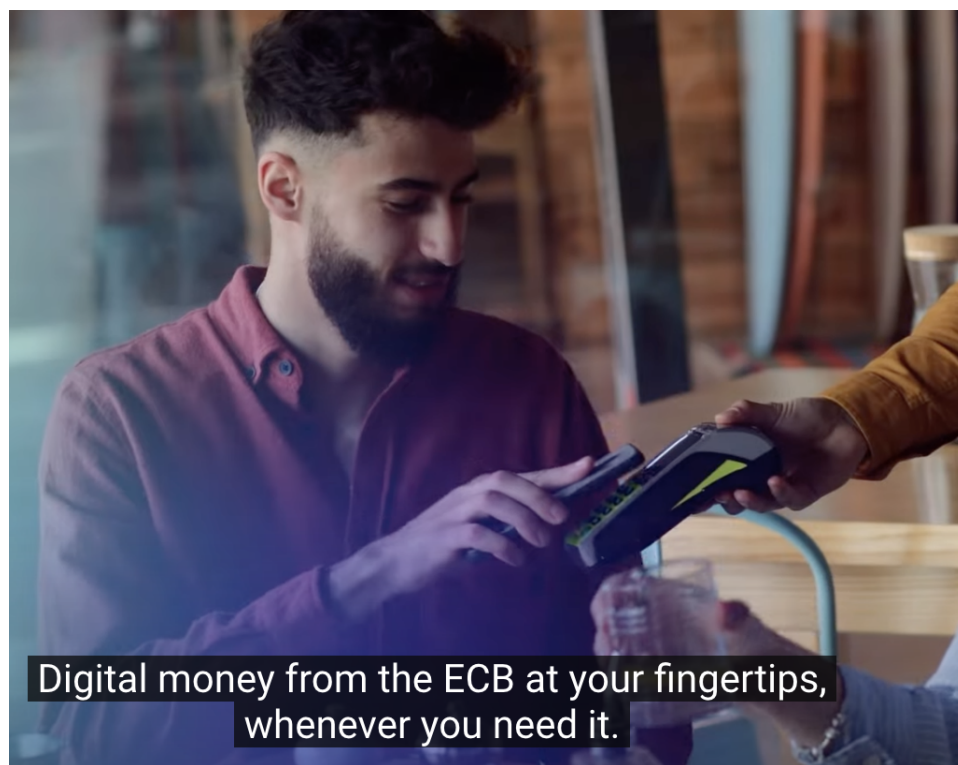
El Salvador rejected this approach. Now Argentina has done the same. It might not work, but as I look through the sorry list of IMF creditors, trying something else has to be better than the status quo.

Member	Total IMF Credit Outstanding as of 31/10/2023	Total Disbursements	Total Repayments	Total IMF Credit Outstanding as of 17/11/2023
Afghanistan	375,696,000	0	0	375,696,000
Albania	217,849,176	0	2,406,666	215,487,510
Angola	3,153,816,667	0	0	3,153,816,667
Argentina	31,708,000,000	0	608,000,000	31,100,000,000
Armenia	319,276,433	0	978,333	318,298,100
Bahamas	159,600,000	0	0	159,600,000
Bangladesh	941,773,650	0	0	941,773,650
Barbados	358,691,668	0	0	358,691,668
Benin	574,408,200	0	0	574,408,200

Euro-Trash

The digital-euro propaganda campaign stepped up a gear this week with a full [slide deck](#) from the ECB along with supporting goodies including a [one pager](#), [booklet](#) and [video](#) for you to enjoy with your family and friends.

I found the video in particular very odd. It shows people paying for things in *exactly the way they do now* with the promise that the digital euro will be easy and 'at your fingertips' ... exactly as it is now.



Digital money from the ECB at your fingertips, whenever you need it.

Here are three more Citizens doing something revolutionary called 'splitting the bill'. First they read the receipt from the restaurant, then divide by 3 using a unique digital-euro calculating machine. Then, they send the relevant amount to the other citizens. Instantly! So again, exactly as it is now.



Check your balance, enter the amount to pay your friend

Further technical developments will allow euro-citizens to make purchases in shops. This Citizen buys an apple.



It's also easy to use the digital euro at your favourite local shops.

The process looks familiar doesn't it?

So my main contention then is that the digital Euro doesn't do anything that the current Euro cannot already do.

The mechanism of its issuance is different though since it appears it will be issued by the ECB and not the commercial banks and that might be very interesting indeed.

It is entirely possible down the line that 1 Euro \neq 1 Digital Euro. So if you needed to quickly solve a debt crisis you might say to people we will pay you 80 Digital Euro cents in the dollar for your 1 Euro of debt.

That kind of thing couldn't happen though, could it?