

Federal Reserve Bank of New York

Innovation Advisory Council

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Digital currencies are increasing access to financial services and stablecoins are looking to provide more stability relative to the rest of crypto

Digital Currency Applications



Increases accessibility to financial services independent of traditional banks



Expedites and simplifies how settlements and transactions are processed; ultimately increasing access to funds when needed



Available 24/7 by design; even during “off business hours”

Crypto vs Stablecoin



Crypto

- ✓ Laid foundation for digital currency growth
- ✗ High volatility determined by the market
- ✗ Transactions are still complicated and expensive



Stablecoin

- ✓ Relative stability in the world of digital currency
- ✓ Interoperability between fiat and digital currency
- ✓ Proven use cases for cross-border remittances
- ✗ Erosion of trust in recent weeks

While stablecoins offer relative steadiness compared to cryptocurrency, not all stablecoins are the same

Cryptocurrency

- Transactions are verified and records maintained by a decentralized system
- Value determined by market
- Independent of any traditional fiat currency (not pegged to any existing currency)



Stablecoins

- Designed to be pegged to the prices of real-world assets, like gold reserves or the US dollar (even a barrel of oil!)
- Achieve price stability via
 1. Fiat Collateralization
 2. Non-Fiat Collateralization

Fiat Collateralized



Value maintained by holding fiat currency (or currencies) in reserve as collateral

Non-Fiat Collateralized



Value is maintained by

- Controlling supply via an algorithm (may not hold collateral)
- Holding another crypto as the reserve asset

Our recent partnership with Stellar to offer a cash-to-digital-currency bridge further highlights the opportunity for interoperability via stablecoins

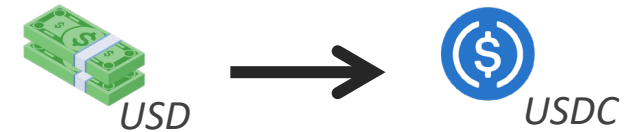
MoneyGram's Cross-Border Experience

Crypto to Facilitate Foreign Exchange Trading

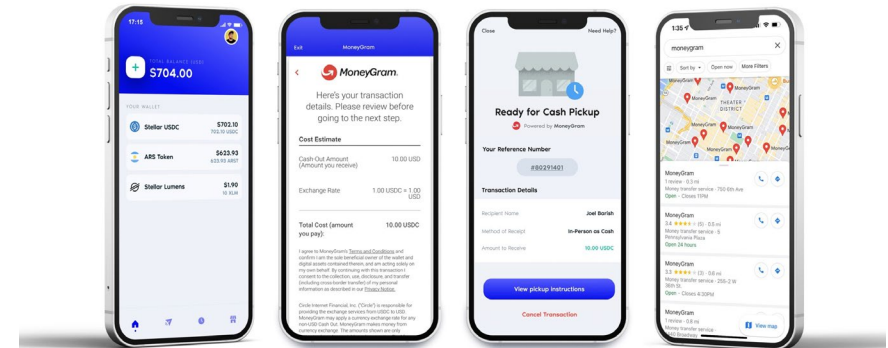


- ✓ Speed
- ✗ Two steps to reach target currency
- ✗ Added volatility with crypto
- ✗ Required market makers to enable the transaction

Fiat and Digital Currency via Stablecoin



- ✓ Speed
- ✓ Single step for cash to digital currency
- ✗ Limited by digital currency adoption



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