



A BEGINNER'S GUIDE TO DIGITAL ASSETS & DISTRIBUTED LEDGER TECHNOLOGY

PART 2 (OF 3)

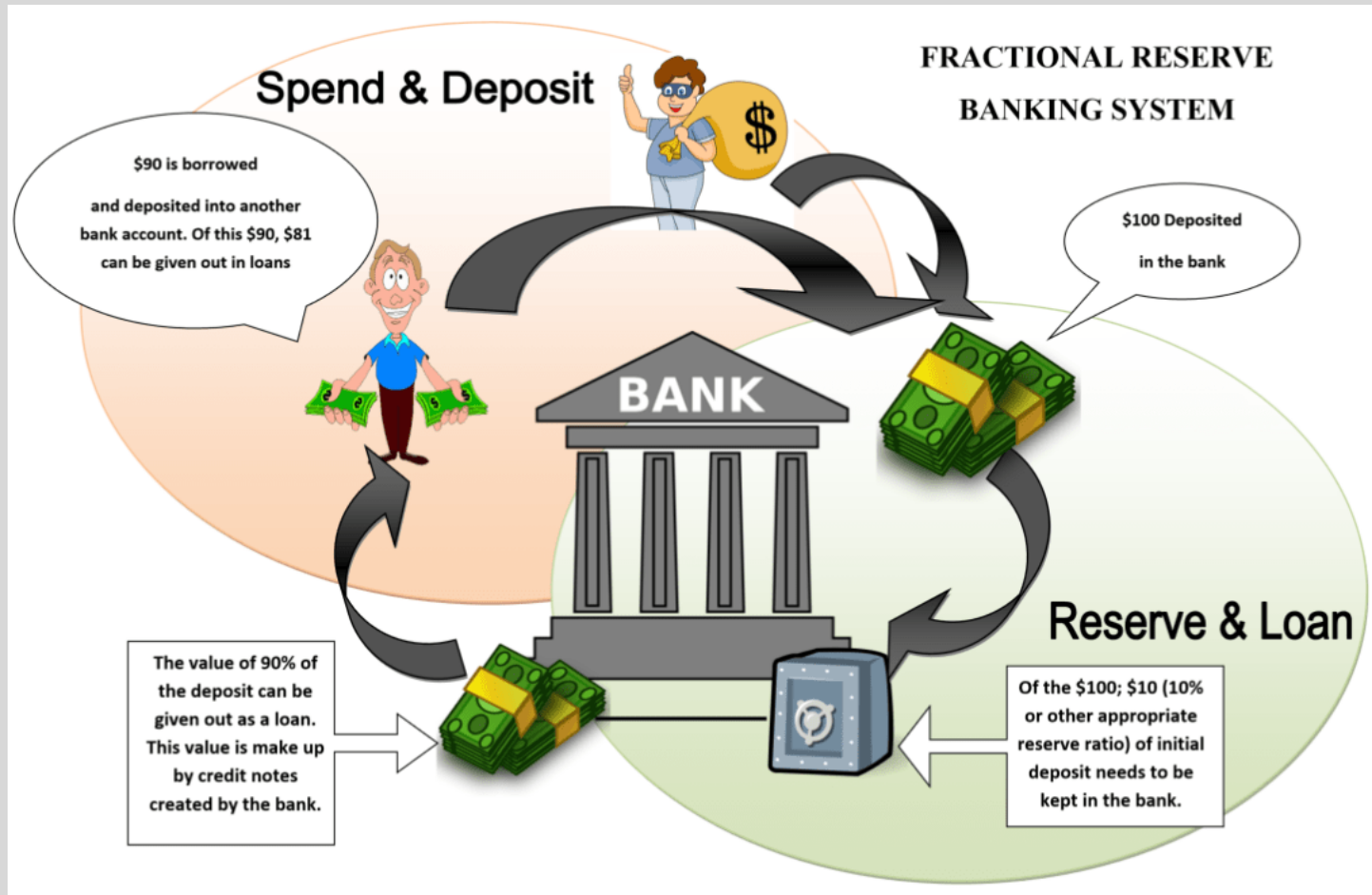
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THE CURRENT (FRACTIONAL RESERVE) BANKING SYSTEM AND WHY IT'S SO BROKEN



So why is it so broken?

- If too many customers demand their money at the same time the Banks cannot repay everyone as they do not hold enough in deposits
- If large numbers of people can't keep up payments on Loans or Mortgages due to recession/depression then Banks go bankrupt
- The current system is not actually 'backed' by anything
- Banks are incentivized through potential 'big returns' to take risks with customer funds
- Banks charge large fees and exclude certain social groups from accessing loans/credit and accounts

THE NEW QUANTUM FINANCIAL SYSTEM (QFS) AND HOW IT FIXES THINGS

What is ISO20022?

ISO 20022 is a standardised messaging system between Banks and Payment providers that will literally revolutionise the global financial landscape and will work alongside the new blockchain infrastructure to create a fast, efficient, scalable and interoperable ecosystem. This ecosystem will be backed 1-2-1 by tangible assets such as gold and other precious metals, unlike the current financial system.

Benefits of ISO 20022



Flexibility

ISO 20022 can adapt more easily than current messaging standards. So it's more responsive to changes in the economy, emerging technologies and innovation.



Harmonisation

Over 70 countries have already adopted ISO 20022, so messages will be harmonised with payment systems around the world.



Compliance and regulation

Richer data will make it easier for businesses to detect fraud and help target financial crime.



Resilience

ISO 20022 will be used across many payment systems. This improves resilience by allowing re-routing of messages which reduces the impact of outages on users.



Enriched data

More data can be carried. It enables more detailed and better structured reference information.



Competition and innovation

More flexibility means more competition and innovation in the financial sector. Better data may lead to product innovation.



Straight-through processing

Less need for banks to make manual interventions. Potentially fewer delays for the end customer.



Analytics

Enriched data will improve analytics. More efficient data collection may improve the decision making.

WHAT IS FINANCIAL INCLUSION?

Financial Inclusion

Did you know that approximately HALF THE WORLD'S POPULATION are either Unbanked or Underbanked? This means they ;

- Have limited or no access to bank accounts to send or receive money
- Have no access to loans/credit in order to improve their financial position or start/build a business
- They can't invest in stocks/shares/money generating financial products

GLOBAL FINANCE World's Most Unbanked Countries CFTE						
Source: Merchant Machine, Global Finance, 2021						
Country	Total Population (Millions)	Unbanked Population (%)	Cash Transactions (%)	Card Transactions (%)	# of ATMs per 100,000 Adults	Internet Penetration (%)
Morocco	36.9	71	41	27	28.6	62
Vietnam	97.3	69	26	35	25.9	66
Egypt	102.3	67	55	27	20.1	45
Philippines	109.6	66	37	22	29.0	60
Mexico	128.9	63	21	44	61.5	66

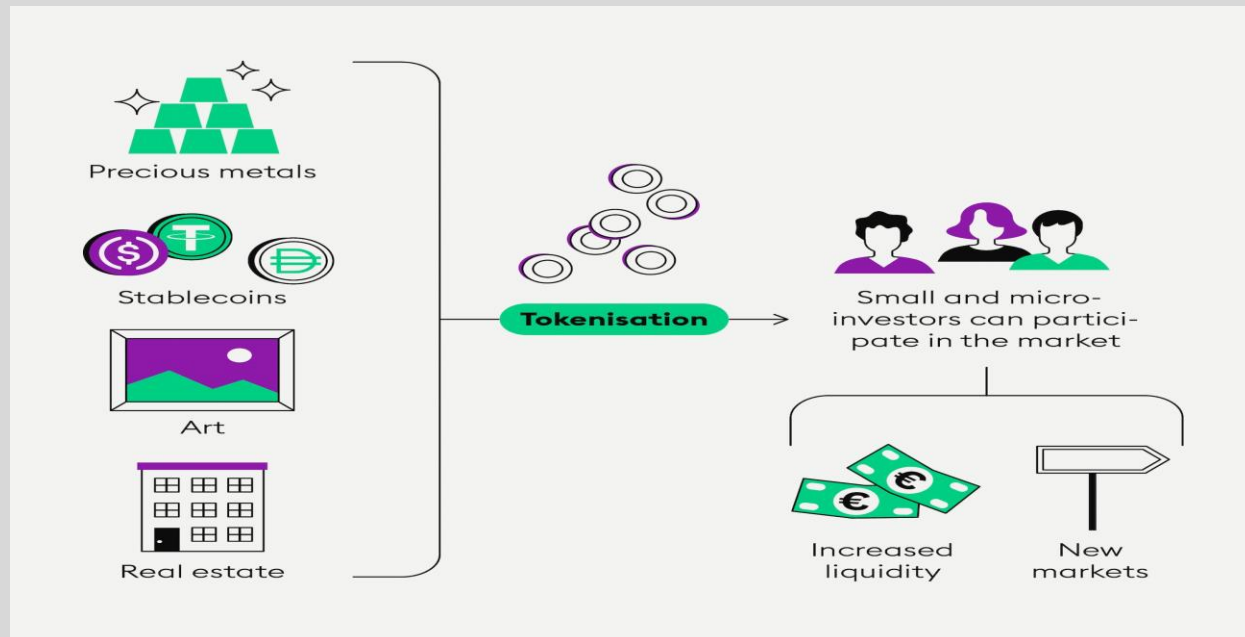
WHAT IS TOKENISATION?

Tokenization is the process by which a piece of sensitive data, such as a credit card number or a Stock certificate, is replaced by an alternative (surrogate) value known as a token which can sit on a Blockchain, be protected and allocated to an individual or entity as the undisputed owner. This is a gamechanger as it means ;

- Any individual with a phone and an internet connection can purchase a fraction of something such as a stock or share or even a piece of art
- They can benefit financially from any appreciation in value of that asset over time
- They can use this appreciation in value to improve their financial position and gain greater inclusion within society, start or build a business
- Literally ANYTHING can be tokenised

Example : Bob and Alice have £600 to invest and they wish to purchase shares in Apple Stock. The current Apple share price is £800 per share but the minimum they can purchase on the NY Stock Exchange is currently 1 share, so Bob and Alice have to choose another share to buy that costs £600 or less.

The NY Stock Exchange can now tokenise all their Stocks on a Blockchain and now Bob and Alice can purchase $\frac{3}{4}$ of an Apple share.



WHAT IS A CBDC (RETAIL AND WHOLESALE) AND HOW COULD IT IMPACT YOU?

What is a CBDC?

Central Bank digital currencies (CBDCs) are a digital representation of a country's own fiat currency (eg GBP EUR USD etc) and are issued on a Blockchain by that country's Central Bank (eg Bank of England, European Central Bank, US Federal Reserve etc). Digital Currency issued to a private individual by a Government is called a 'Retail CBDC' whereas Digital Currency issued to another Central Bank or Government is called a 'Wholesale' CBDC.

What is the difference between a Retail CBDC and a Wholesale CBDC?

The key difference between the two are that a Retail CBDC is 'programmable' but a Wholesale CBDC is not.

What does 'Programmable' mean?

The term 'Programmable' in this context means that the Bank issuing the Retail CBDC is able to control what the funds are spent on [by the individual] but this is not the case for a Wholesale CBDC payment.

Example – The UK Government sets up a digital wallet for a mother receiving Child Benefit and sends her £60. The mother goes into a Supermarket and tries to buy a bottle of wine. The transaction is declined.

HOW CAN I PROTECT MY FAMILY AGAINST ALL OF THIS?

In the financial world there is a well known phrase which is “Stack your pennies next to their pounds”...

Essentially this means follow what the financial elite and billionaires do, not what they say. In times of economic uncertainty, recession, depression and high inflation there are a number of assets that always thrive ;

- Gold
- Silver
- Other precious metals and commodities
- Cash
- Digital Assets (the ones that have a limited supply and are therefore deflationary)
- Income yielding assets (eg Real Estate)