FDTF Call Notes

*8 June 2021*

# Attendees

* Mike Bennett
* Rob Nehmer
* Terrance Milligan
* Pete Rivett

**Apologies:** Bobbin Teegarden

# Agenda

* Work on the RFI

# Meeting Notes

## Introductions

Terrance: with OMG marketing, background in computer science.

Was working with the IIC, now OMG SDO.

## Digital Currency RFI

We arrived at 2 kinds of thing:

* Currency-specific questions
* Definitional questions

On these:

On the definitional questions we said that:

* We would put up a working definition of what we think something means
* Invite responders to comment, expand, correct etc.

On the currency we would either:

* List kinds of things that might be regarded as 'currency' (and digital ones)
* List example digital currencies
* Or something of both

And then pick one (or more) and answer a set of questions.

### Document Structuring

2 things arise from the above:

1. We can structure the document to have these as 2 parts
2. Broader question e.g. exchange, exchanges, cryptography etc.

Some but not all of our existing sets of question might fall outside these 2 broad headings (definitional; currency-specific) into the broader.

Does that make sense as a plan?

We can then have 3 categories:

1. Definitional questions
2. Currency questions
3. General / miscellaneous questions

### RFI Editing

See RFI

In the 'explanatory' bit:

Are we overdoing the separation of ideas – leading the reader / responder inadvertently?

e.g. if we want to ask 'Is Coin the same as Token?' – we want what their responses would be, not seed the things with clues that would prejudice their answers.

Recall: we want to figure out the best way to get at these distinctions and non-distinctions as the reader sees them.

#### Outcome:

Refactor this into a single list, not 2 sections.

Also this is possibly terminological variations in various subsets of the area

For example:

* Different crypto communities may have different terminology
* Some terms may be specific to crypto but not other currencies kinds

For example, it would be good to see a good consensus on:

* Proof of Work / Proof of Stake / Proof of Coverage / whatever else

### Proofs

Proofs e.g. PoW have various specific algorithms that are used to be that proof.

So we want to be able to extract what re the different processes involved under those different terms.

Why are those mechanisms important for a given kind of currency?

What is it Proof of is generally the movement of funds from one 'ledger' to another.

Exchanges seem to have to write specific code for each kind of DLT in order to be able to exchange the coins in each of these. This is expected since it must be able to interact with the ledger or each DLT for which it lists a currency. See for example the recent IOTA upgrade, that required each exchange to update the relevant code.

- add this to the Background section.

Ancillary: PoW etc. – as long as we are interested in exchanges we are interested in the detail of how they do this.

Also relevant for future scenarios e.g. people making the market in a given coin may determine that some Proof Of works or doesn't work – e.g. if they are able to identify a vulnerability in the algorithm of one of these, may lead to opportunities for someone.

Why would the need to write specific code for each kind of DLT?

Because the exchange has to change the record in the DLT itself for that currency.

PR: Sure there must be some (standard?) API out there to do this.

More likely, would be a different API for each of these DLTs. If the DLT makes a fundamental change that would change the API then presumably that needs to be rolled out to the Exchange.

Assume that exchanges retain a balance in each ccy.

They actually hold all the balances of the currency holdings of each user (users can then move some or all of their balance at the Exchange, to be a balance in their own Wallet.

We think this is right – is this the kind of thing we need to put down as a tentative understanding and ask responders to correct or clarify?

Or it's similar to a broker relationship – they manage my account wrt a given digital currency.

The balance arrangement at the Exchange is a balance sheet thing.

### Question for the RFI Editing

Q: How much of these do we need to get into. Similar to how shares are traded, how the custodian, DTCC, market-makers etc. but people don't need to care about it. More interesting is how they use it.

MB surely this kind of thing that is less interesting to an end investor is the kind of thing that is more interesting to a standard body, as e.g. there may be some standard API that does not exist.

We want people to answer on specific questions that would flush out specific things where there may be standards opportunities rather than broad marketing terms and assertions. Of the sort that can be prevalent in the industry.

### RFI Questions

Kinds of questions we can or should ask about this:

* Transaction costs

Also variations in txn costs e.g. in Ethereum there are different speeds available for different gas fees – more or less a bid-ask spread. Can end up spending too much time negotiating on the gas fees, and end up losing out the actual intended currency transaction.

Also how this affects the usability and take-up of the digital currency as a whole.

Forward directions: will we see more 'commoditized' sets of Blockchain gas/speed combinations, versus bespoke arrangements / one on one negotiations as above. Questions to tease this out.

Also seeing with exchanges. Mark-up that someone requires because of the work of movements in the coin price while you are doing the exchange. Bargaining within the exchange itself? Separate from broker's fees. Separate from risk in the instrument

Also huge scope for arbitrage between prices in exchange pairs on different exchanges.

- this feels like a lot of stuff to add to the exchanges and exchangeability questions.

### Actions:

Add some of the above to the 'Background' piece.

## AoB

See FDTF Agenda (now updated)

## Next Meeting

Quarterly Meeting – next Wednesday, 3 – 5pm EDT.