Will Traditional Finance Take Over DeFi?

By: www.ProfitableInvestingTips.com

When Bitcoin was invented and followed by other crypto tokens, the goal was to allow folks to engage in financial transactions via the internet unencumbered by traditional financial middlemen and government regulators. Somewhere along the line crypto **lost its way**. Leaders of the crypto business world mishandled customer assets and lost people's money in huge amounts. Outright **fraud** has resulted in criminal charges against the likes of Sam Bankman-Fried, the former head of FTX. The end result has been the acceleration of regulatory practices and laws curtailing many aspects of decentralized finance. Now we wonder, will traditional finance take over DeFi in places like Europe where they are rolling out new **EU crypto rules**.

New EU Stablecoin

Something happened that was easy to miss as the crypto world focused on new crypto regulations in the EU. Some believe that regulatory clarity will be good for crypto businesses and others worry those new rules will make many aspects of current crypto business operations impossible. What snuck in, almost unnoticed, was the rollout of a new stablecoin. The large French bank, **Societe Generale SA.**, has introduced Coinvertible. This is a new stablecoin that is only available to institutional investors who have already passed the banks strict rules regarding know-your-customer. The system will be fully compliant with MiCA, the new EU banking rules, and fully integrated with the bank's traditional financial operations.

Finding a Place for Traditional Investors in the World of DeFi

Over the brief lifespan of cryptocurrencies and associated decentralized finance businesses there have been two competing themes. One was simply disbelief that crypto was real or would amount to anything. The second was that this was potentially a very profitable niche and it would be nice to get in on the profits.

Crypto winter dampened some of the enthusiasm about crypto but mostly it made traditional investors want the best of both worlds, the growth and enthusiasm of crypto-based **DeFi businesses** and the relative security of a regulated financial system. It would appear to us that Societe Generale SA and the Coinvertible may have satisfied that desire for profit potential and regulatory security.

Does the Crypto World Like or Dislike the New EU Regulations and Stablecoin?

We were mildly surprised to read that Coinbase, the Winklevoss twins with the Gemini crypto business, and Coinbase have all been complementary of the EU regulations. We are not all that convinced that these folks like being regulated but, probably, they prefer a tough but clear set of rules to the approach US agencies like the SEC have taken of applying laws not initially meant to target crypto and held crypto businesses accountable for rules that at least they claim were not meant to apply to them.

Will Traditional Finance Steal All of the DeFi Customers?

The thing in all of the new rules and regulations that the crypto world and especially decentralized finance businesses need to worry about is that traditional financial institutions with all of their assets, connections, and patience will bit by bit move into areas of business pioneered by folks in DeFi and cherry pick all of the good customers and good businesses. Big banks give lip service to small customers but what makes them rich are the large ones. These are also the ones who insist on security for their deposits, the same ones who are moving money out of regional banks and into big banks in the US during the current **banking crisis**. Over time the folks in DeFi who survive and the traditional financial institutions that want to take advantage of crypto and decentralized finance will become more and more like each other to the point where one might not (eventually) see a difference.

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