

Title: The Future is Now - The New Financial System

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0. Preface

TL;DRS: Wonder where to keep your wealth safe after MOASS? Don't put it in the current financial system. The dollar and banks are becoming useless. The new financial system is coming, GameStop's plan is tokenized stock and ETH adoption, and the MOASS will suck wealth from the old system and pour into the new. Please do try to read the post as I've made it as simple to understand as possible.

Good day apes, ever since GameStop started making an NFT marketplace on Ethereum/Loopring I've been trying to learn as much as possible on what Ethereum is. My conclusion is that it **is** the base of a new and complete financial system. In this DD I will try to provide a simple explanation on how the old system is fundamentally broken, how the new system is rising and (with some speculation) what is RC's plan for GameStop and the MOASS. It is no coincidence that the idiosyncratic risk stock is going deep into the new financial system.

1. The Fall of the Old Financial System

Let's begin with some basic concepts. The economic system and the financial system are different things. The global economy is humanity's biggest and most complex machine, it contains everything that humans produce, distribute and consume. All of our work in general, our creation of value. On the other hand, you can think of the financial system as just a tool that helps moving and keeping track of value. It is the economy's paperwork. Since it doesn't create value, it is just a cost to society. As such, it should strive to be as small and efficient as possible.

The reality is, however, the current system is doing the opposite of that, and has been for decades. From 1947 to 2010, finance industry income as a proportion of GDP rose from 2.5% to 7.5%, and the finance industry's proportion of all corporate income rose from 10% to 20% in the US. Also, the actions of the people in charge of the system have created one of the highest levels of inequality in history. **This just isn't sustainable and eventually something has to break**.

I won't go too deep into how the system has failed and is collapsing since there is a gigantic amount of excellent DD on this from this sub. Printing 80% of all USD since 2020, bailing out banks with trillions at the cost of taxpayers and creating a housing bubble are only some of the things the people in charge have done. If you haven't read them already, you really should read u/crind's [The Bigger Short](<https://reddit.com/r/Superstonk/comments/o0scoy>), u/atobitt's [House of Cards](<https://reddit.com/r/Superstonk/comments/mvk5dv>), and u/peruvian_bull's [Hyperinflation is coming - The Dollar Endgame](<https://reddit.com/r/Superstonk/comments/o4vzau>).

The current system is specially bad in the most relevant topic for this sub, the stock market. Even though trades get done at near the speed of light, the securities bought need **two business days** to settle, leaving plenty of room for manipulation and crimes to take place. Sometimes the security you paid for doesn't even get bought and instead becomes an FTD, the "share" in your broker is synthetic. You gave them money and they told you they bought the share but in reality they took the money and gave you nothing. As shown in the House of Cards DD, there is a market-sized naked short selling scheme. Naked shorting means making synthetic shares out of nothing and selling them, effectively creating a fake supply. By "providing liquidity", naked shorts **fundamentally break the law of supply and demand, the basis of economics**. The "stock market" cannot be called a real market. It is some imaginary fixed game detached from reality with a fake supply and a fake price. And this is a huge problem because companies are real things that provide real value to society, and now the market for their property rights, which works as the base of the capitalist economy, is a fraudulent made-up scheme.

In summary, the current global financial system has been growing, gaining more and bigger risks of

collapse, increasing inequality and becoming more complicated and obscure, to the point that it is impossible to truly understand. On top of that, in the stock market it has completely stopped doing its purpose and is broken. The system is a parasite on the economy and humanity, and there is no way to fix it. Its collapse is inevitable and is happening right now. Does that mean that the economy will also collapse and leave society in ruins? Thankfully, no.

2. Ethereum, the base of the New Financial System

Ethereum is a decentralized blockchain. Basically, it is an incredibly secure growing list of records that has no single entity as an authority. Everybody who participates in the network, *is* Ethereum. However, unlike bitcoin, Ethereum focuses on smart contracts, and this is the main reason it shines above and can become the base for a fully fledged financial system.

A smart contract is like a regular contract or protocol, but that automatically executes the terms of the contract. This is really useful because it removes the need of trust and intermediators, and also reduces arbitration costs and the chances of fraud. Furthermore, because they are on a blockchain, smart contracts are immutable and distributed, which means they do not change after they are written and that it is practically impossible for malicious actors to tamper with them.

For a [simple example](<https://www.youtube.com/watch?v=ZE2HxTmxfrI>), instead of needing to use kickstarter for crowd-sourcing a new videogame, a developer can make a smart contract that says that they require a specific amount of money, promises to fulfill specific obligations and make a product that meets certain criteria. People that like the idea can fund the project (by buying tokens of the contract), if it doesn't achieve the required amount of money, everybody gets it back. If it does, it goes to the developer who gets to work. When the product is finished, the people that bought the tokens make a vote deciding if the developer fulfilled their part of the deal and made a product that matches the established criteria. If they did, the project is a success and all parties get what they wanted. If they didn't, they can get a refund.

Another important concept to keep in mind are tokens. As Matt Finestone (ex-Loopring employee and current head of Blockchain on GameStop) puts it, tokens are a natural progression to digitized ownership. Currently ownership is represented as electronic records in a regular database, something that has many problems. Since this traditional database is completely contained within a single institution, it is vulnerable to attacks, and said institution can do whatever they want with it. You know, like what the institution in charge of stocks, the DTCC, does with them. On the other hand, tokens on a blockchain don't have these weaknesses. If you buy one and the trade is confirmed, it is instantly settled and you actually have it. It's not in a broker or a bank, *it literally is in your wallet*. **Fungible tokens** can work as currency, like ETH, LRC or IMX, and as securities, like tokenized stocks. **Non-fungible tokens (NFTs)** can determine ownership of unique things like art, in-game items, movies or books, real life objects like limited edition skateboards or luxury watches, even real estate properties. The possibilities are endless.

The amazing benefits of smart contracts and tokens are the base for **Decentralized Applications or DApps**, which in turn make **Decentralized Finance, or DeFi**, possible.

The economy needs financial instruments to function. These instruments are monetary contracts, meaning currency, evidence of ownership, debt, and equity (or shares). The point of DeFi is having these instruments without relying on intermediaries like brokerages or banks, or central authorities like central banks or treasuries. While at the same time making them more secure, reliable, and free from greed and corruption that come with the institutions that make up the current system. Looking at the current state of affairs, we really, really need this. With DeFi, the failing fiat currency (USD) gets replaced by ether (ETH), traditional ownership contracts get replaced by blockchain tokens and NFTs, a ton of bureaucratic paperwork just gets done by itself, trades settle instantly (where possible by law), stocks become tokenized, the fraudulent "market" gets replaced by a decentralized exchange, banks and other institutions like brokerages become obsolete because people hold their assets themselves and the parasitic middlemen are now useless. Beautiful.

Smart contracts are here and they just work. Ethereum, NFTs, DApps, etc are already here. The technology for DeFi is here. Specific products and updates (like "The Merge" coming next week) need finishing, but things are moving very fast. **Which means the most important thing left is adoption**. **The people and companies need to ditch the old system and start using the new, incredibly better one**. And I

believe this is where GameStop, Loopring, and the MOASS come in.

3. GameStop, Loopring, and Security Tokens

In recent years GameStop became heavily naked shorted, and a fake supply of shares *with a size* *many times the true supply* was created, with the purpose of forcefully bankrupting the company. However, bankruptcy is off the table for GameStop, and the gigantic fake supply is still there. Now there are probably millions of investors holding many times the true supply of shares who refuse to sell them. When a short squeeze occurs, the shorts become buyers creating a demand many times higher than the supply. Which means no matter how much the price rises, *supply never meets demand*. **This is a critical, fatal flaw for the whole system**. The problem isn't "just" that the resulting short squeeze will reach absurd levels, as in hundreds of millions of dollars per share, it's that it will keep going up after that. And then nobody will be selling shares but there will still be shares that need to be bought. The price becomes infinity. Not a billion or a quintillion, *infinity*. As admitted by the IBKR chairman, this squeeze means the collapse of the entire financial system. Everything breaks. The dollar becomes useless, the stock market cannot function. As the DTCC itself wrote in a report, one stock is an *idiosyncratic risk* for the market. **This is the number one reason I believe RC and GameStop, after close to two years of this saga, haven't done anything that triggers the squeeze**. Yes, a year ago they could've issued an NFT dividend and ignited the MOASS, but at what cost? There was no financial system to replace the old one after it collapses. And the economy, which most of our lives depend on, needs a financial system. So my belief is, the MOASS can't happen until the new system is ready.

Fortunately for us as shareholders, RC, Loopring, and the GameStop team don't say a single thing more than what they need to say. They just work on their plan. We can connect the dots on what we know to try to figure out what they are working on, but it will only be an educated guess. Don't take everything of what comes next as set in stone. Basically, **the plan is tokenized stock**.

In december 2018, Matt Finestone, who worked at Loopring at the time, [wrote an article on tokenized securities](<https://medium.loopring.io/the-2019-truth-on-security-tokens-7800c14129e4>). I recommend you read the whole thing, but some important points are:

>Programmable compliance is a win-win-win for issuers, investors, and regulators. Compliance by code — in the security tokens themselves — makes everyone's' lives much easier. [...] In the current system, performing a trade may require checking permissions and statuses across multiple ledgers maintained by multiple parties. Allowing and 'papering' the change in ownership is a process wrought with friction and cost, and involves a lot of human oversight. [...] I think it's reasonable to believe that one day [regulators] may *mandate* securities to tokenize for the enforceability it offers. They would never have to chase paper trails again, everything self-executing, and if something did go awry, the proof is there, immutable.

Basically, he is saying the current securities market have is inefficient and requires too much oversight to function correctly (and we know it doesn't). Tokenizing securities would remove a lot of uncertainty, everything would self-execute, and very importantly, it would be incredibly easy to regulate.

Programmable compliance means the law is literally written into the security, and it can't act against it. And if something goes wrong, the blockchain provides an immutable record of what happened. Recently Gary Gensler, head of the SEC, said a stock exchange built on blockchain would be a good thing and that makes me mildly optimistic about the SEC in the future. **Win for issuers (GameStop), win for investors (apes) and win for regulators (SEC)**. The only party that loses from this are the parasitic criminals on WallStreet and Citadel, that *need* the inefficiency and obscurity to profit. Remember when RC tweeted from a GameStop that was really close from the SEC headquarters? I think it's possible the GameStop blockchain team and the SEC are working together on this programmable compliance. Anyways, let's go to the next point Matt makes.

>Security tokens allow for rapid (instant) settlement. This is a positive for private security trading to reduce uncertainty and counterparty risk. It even represents an improvement for public securities; public equities typically settle 'T+2', so ownership of the stock actually changes hands 2 days after the trade was executed. Private securities can take much longer, on the order of weeks or months. [...] The settlement system is highly complex, and blockchains could remove a lot of that. I'd posit that blockchains can do a much better job than previous tech, given the degree of certainty regarding transaction recording. [...]

Finally, maybe blockchain settlement can really speed things up by virtue of having the token transfer automatically set the rest of the settlement wheels in motion, if other processes can also be sufficiently automated by smart contracts.

The settlement system is old but is there for a reason, as legal transfer of ownership means time to settle may still be needed in the real world. However, the instant settlement tokenized securities offer still is a positive thing, removing unnecessary complexity and providing better a better system for the legal requirements, which can also be automated with smart contracts, to work.

He concludes his post with this:

>I mostly think of security tokens in one simple sentence:

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>**In the same way that much of corporate (and other) finance gets done on Excel — even though you can use other tools — Ethereum may one day simply be the giant Excel spreadsheet in the sky, making everything so much easier, that we will wonder, how did we ever do without?**

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>I think it will become increasingly obvious that financial assets will tokenize. It's an accounting technology, it should be no surprise that we use it for...accounting. Then one day...

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>**We won't call them security tokens, we'll call them securities.**

Ethereum is the giant Excel spreadsheet in the sky that makes everything easier. Exactly what a financial system should be.

Matt makes an excellent case for security tokens. Tokenization of financial assets is the inevitable future, because it just works. It is simply way better in all things than the system we have now. Also, since these tokens can't be made out of thin air, **the main crime harming GameStop, naked shorting, becomes impossible**. It is no coincidence that Matt Finestone is now head of blockchain at Gamestop.

By the way, half a year before Matt's post, [Loopring's Byron suggested to Elon Musk on twitter to make a car-company token ICO after he claimed his car-company was the most shorted stock.](<https://i.redd.it/u33xc1k4r81.jpg>) Even though the suggestion wasn't a tokenized security (their views probably changed since then, considering Matt's post came afterwards), it is no coincidence that Loopring formed a very secret partnership with the *actual* most shorted stock in the market.

So if security tokens is the base of the plan, how would the tokenization of GME go, and what would the MOASS look like?

4. The MOASS and the Transition Between the Systems

Now that we have the very plausible assumption that GME will issue tokenized stock, let's go through what happens to the financial system and the stock market when they do.

We don't know and can't know exactly what the plan of action is until they announce it. I think the most likely options are either they do another stock split in the form of dividend, but this time it's 2:1 and the new stock is tokenized, or they just issue one new tokenized stock for each existent one, with the traditional stock disappearing after a set amount of time, effectively removing the shares from the current system.

One new security token that trades in a different exchange for each existing outstanding share.

Insiders, DRS'd apes and institutions receive their security tokens without issue. Then the remaining are sent to ETFs and the DTCC. From there they have to distribute around 100M tokens to, lets say, 300M to 800M shares in beneficial ownership. An impossible task. Brokers that didn't buy shares and naked shorts run to buy real shares to receive their tokens but there simply aren't enough. MOASS. Short hedge funds and brokers need to buy the new security token on the new exchange to deliver to the stockholders. The price of the new GME security token also skyrockets. Regular and tokenized shares for sale run out but there are still shorts that need to be closed. Citadel and Wall Street go bankrupt while the price goes to infinity. If the situation remains like this the fraudulent stock market will completely collapse and harm the real-world economy.

GameStop can then make a new share offering, that would let shorts close, **but the offering is in the new security token sold for ETH.** Now they can buy new shares to deliver to the stockholders, who in turn can choose to hold or sell for ETH. Now the shorts buy those security tokens again, to send to another stockholder waiting for their dividend share. If it is not enough, GameStop can make new offerings until shorts close, the problem is solved and the stock market can continue. In this process, which could take a long time, GameStop and Apes **make an insane amount of ETH**. At the same time, the price of ETH/USD starts going parabolic since the SHF need to buy ETH to buy the new shares, and outsiders of the saga want to participate in the new stock exchange. And the best part is, that ETH goes to GameStop and to Apes, and the shorts remain with nothing because as soon as they buy the new shares they have to give them to us. I really hope this is the plan because it is just beautiful. The USD devalues against ETH at an incredible rate, and ETH becomes the best and most valuable currency. The FED probably does what they do best and print trillions of USD to give to banks/funds to buy ETH and solve the MOASS, further devaluating the USD.

This move effectively sucks value out of the USD, which is on its way to hyperinflation anyways, and pours it into ETH. It sucks wealth out of Wall Street and pours it into GameStop, that becomes the most valuable company in the planet, and Apes, who also own GameStop. Apes become the new rich class, in the shiny new and improved financial system.

Now, this is speculation and maybe the plan is to bring a lot of adoption and lead the ETH ecosystem (more of that on the next chapter), become very profitable and then start issuing ETH dividends or something like that, with security tokens coming later. Even if tokenized stock is the immediate plan, there are still many uncertainties in how exactly the play will be made. Maybe the currency of the future is LRC, instead of ETH in Loopring's network. Maybe GMERICA is the new tokenized stock exchange built on Loopring, maybe GameStop, Loopring and FTX are working together on the new exchange, or maybe the new tokenized shares will trade on the existing FTX exchange. Personally I don't think this last one is the case, two days ago [I made a post](<https://reddit.com/r/Superstonk/comments/x8h4r4>) arguing that FTX's value for GameStop is not in their **centralized** exchange for tokenized stocks, but in their FTX Card and FTX Pay systems, something that has amazing potential to bring adoption to the new financial system. Which brings me to the last chapter of this DD.

5. GameStop in the Post-MOASS World

As I explained in my last post, I believe by partnering with FTX, GameStop wants to let people use the GameStop Wallet and ETH to buy things from GameStop ecommerce and retail. They said they will be "collaborating with FTX on **new ecommerce and online marketing initiatives**" and that "GameStop will be FTX's preferred **retail partner**". I think they want to link the FTX card, which works like a normal debit card but without the need of a bank, to their wallet. It will let consumers buy products with ETH, even though the price is set in USD, with extreme ease. Eventually, most likely after MOASS, GameStop will set the prices on their products on ETH. **They want to lead the new financial system not only in the stock market, but to the real world economy, because they know it's the future.**

With GameStop ecommerce and retail, you will be able to buy phones, consoles, videogames, clothes, PC parts, and all kinds of real world things with ETH. With their NFT marketplace, you will be able to buy art, in-game items with Immutable X, books, music, comics, and more with ETH. Since GME Entertainment is probably acquiring or partnering with Blockbuster, who is coming back with the help of NFTs, you will be able to buy, rent or stream movies and shows with ETH. And then **even more things that will come in the future**, new things with MOASS share offerings that we can't even imagine right now. I'm incredibly excited for what's coming. All of this in one company, the company you own.

GameStop is the future, and the future is now.

Power to the Players ■■■■