Crypto_Part I

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SPEAKERS

Steven Valentino, Introductory Voice, Ed Leaf, Jason Schwartz

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I Introductory Voice 00:03

Welcome to a hard look, the Administrative Law Review podcast from the Washington College of Law. We'll discuss how administrative law impacts your daily life from regulatory actions by agencies and the litigation over them to the balance of power among branches of the government. This is a hard look.

S Steven Valentino 00:27

Everybody welcome back to a hard look. On this episode, we'll be exploring the regulatory void that surrounds cryptocurrencies and digital assets. Today, with the help of both my guest host Edward Leif and our guests Jason Schwartz, we will review the evolution of cryptocurrencies, the contemporary applicable regulatory regimes and the Biden Administration's recent Executive Order calling on federal agencies to study the space and proposed regulatory solutions. But before we dive into our topic for today, let me take a moment to introduce my guest host and our guest. So Edie is an articles editor here on the Administrative Law Review and founder of the Blockchain Virtual Currency and Digital Assets Law Society at WCL. He has a publication available on the Accord our online companion publication, which is entitled Tick Tock Tick Tock: How the Committee on Foreign investment in the United States can Mitigate the Threats Posed by Foreign Made Software Applications. And then our guest Jason Schwartz is currently a Tax Partner at Fried Frank. He has represented banks funds and asset managers, investors and other parties on tax issues relating to securitizations, financial products, funds lending and crypto. His work is widely published, including a recent article in Tax Notes entitled the taxation of decentralized finance, which is most relevant to our discussion today. At fried Frank, Jason also oversees the web three friendly pro bono project that incorporates and obtains tax exemption for fledgling nonprofits, including charitable decentralized autonomous organizations, or DAOs, which are native to the crypto ecosystem. Jason is also an Administrative Law Review alum. And we were really excited to have him back for this edition of a hard look. And as a disclaimer, the views of our guests are his own and are not a reflection of that of his firm organizations, clients or other parties in which his opinions could be imputed. Ed and Jason, welcome to A Hard Look.

J Jason Schwartz 02:05

Thanks for having me. Thanks. Thanks, Steven.

S Steven Valentino 02:08

Alright, Ed why don't you go ahead and get started today.

E Ed Leaf 02:10

Sure thing. Hi, Jason, thanks, again for joining us. You know, I wanted to start on a personal note, everyone I've met who has a deep interest in crypto can kind of remember a defining moment when their interest shifted from maybe fascinated observer to something more serious. So what's your story? How did you come to crypto and what has made you decide to develop a specialty in it?

J Jason Schwartz 02:33

Yeah, so there's a saying in the crypto space, that everyone comes for the money and stays for the tech. And I'd say that the same is true of myself, I actually, I got into crypto solely professionally, because I had a number of asset management clients that were interested in setting up funds, that that invested in crypto among other things. And as I started reading about it, I realized that this ecosystem is a revolution, both both culturally and financially. There are people in the crypto ecosystem thinking about how to provide universal basic income to you know, on a global scale, there are generative artists who whose work was previously, you know, under appreciated, we're now selling their work for 1000s, or even millions of dollars, collecting royalties on secondary market sales, which is something that just wasn't possible to do in the traditional art world. And in in a time when the US dollar and other currencies are being weaponized against people. Self sovereignty of money is becoming increasingly important. from a humanitarian perspective, also DAOs, which you mentioned before, and which maybe we'll talk about a little later allow for the efficient movement of capital across borders, sort of, irrespective of where people live, and, and the sharing of ideas across borders, again, irrespective of where people live. So I think the crypto ecosystem is just really, really exciting. I got completely crypto pilled accidentally, while while while just doing some sort of, you know, mundane legal research, and I just haven't been able to look back look, I'm actually wearing today, a t shirt of a crypto code, actually, Cryptoad Number 761, which I own and, and that just shows you sort of how far down the rabbit hole I've gotten.

S Steven Valentino 04:46

So speaking of the origin story here, bitcoins Genesis block was mined on January 3, 2009. And today, it's sort of interesting. As a matter of history, the global crypto market cap right now is almost $2 trillion. yours. So during this time, as many of us are aware, there's been very little regulation in this space at the moment. However, we just got sort of the first glimpse into a regulatory possibility. With President Biden issuing Executive Order, I believe 14,067 on ensuring responsible development of digital assets. So what are your thoughts on the current regulatory landscape surrounding crypto and what are your expectations in the longer and medium term here in the United States for Biden's Executive Order?

J Jason Schwartz 05:31

Yeah. Okay. So just, first of all, just so you know, I'm a tax expert, I'm not, I'm not an expert in securities, law, and or commodities laws, and those those are highly relevant as well, but but I can speak in somewhat of an educated manner on all of them. Broadly speaking, modern finance needs, modern policy, modern regulation. Our current system, I think, universally, can be described as a cubby hole system, lawmakers define cubby holes for different types of products, and then regulators determines what new technology fits into what cubby hole? Unfortunately, I don't think that that system really works well, for crypto. For for one, I don't think that crypto is a single type of asset. I think that there the crypto can represent a lot of different types of assets. But number two crypto results, or crypto represents a fundamental shift in the way people interact with one another. So until until the advent of crypto, really, the vast majority of transactions were intermediated. And I guess you could say that, I guess the vast majority of transactions still are intermediated. It's entities that conduct business, not people. When I send you money, I send you money through an intermediary. And virtually all of our laws are keyed off of that fundamental principle, in tax in particular, that the vast majority of taxes are, are paid and enforced through intermediaries, for example, through withholding taxes or corporate income taxes. There's 1099 reportings reporting for independent contractors, there's w two reporting for employees, there's k one reporting for partners. None of that works in the crypto space, because there are no more intermediaries in the crypto space. I commend the Biden administration for taking the first step in asking its regulators to start thinking about crypto. But I suspect I think that at least in the long run, we will need to fundamentally rethink our entire legal legal system for to accommodate this change in technology.

E Ed Leaf 08:12

Yeah, I mean, I think that's I think that's really, really interesting. And it kind of goes to a fundamental point of, you know, do we need new laws or do the do the existing regulatory frameworks apply? So I think that's very insightful. Speaking of new things, the executive order specifically mentions decentralized finance or defy and stable coins. Could you speak a little more about what DeFi is and that's a little car coins are and how agencies might react to their growth?

J Jason Schwartz 08:42

Yeah. Okay. So so as you mentioned, I wrote I wrote a very long report and Tax Notes on the taxation of Defy. So this is my jam right here. Blockchain Tech is a solution to the middleman problem is, as I was talking about disintermediation, think of it this way, instead of a bribable, hackable, sewable rent seeking middleman, you can now interpose, what's called a smart contract, which is basically just just a self executing software program between two parties, and those two parties don't need to know who they are or who each other are, they don't need to AML KYC each other. They don't need to trust each other. In that sense. defi is considered trustless as its referred to as trustless. So now, instead of you and me doing some complicated financial transaction through 10, different intermediaries, which might actually be unfeasible if we're cross border, we can create a program that conducts the transaction automatically upon the satisfaction of specified inputs. So just to sort of you know, to sort of give a very, very simple example, on the compound, or have a protocols, which are which are native to Aetherium. Anyone can provide liquidity to a lending pool. So for example, I can contribute a stable coin to a lending protocol. And the lending protocol automatically lends that out to borrowers on an over collateralized basis, right, they, they provide collateral and so the smart contract and they receive the loan. So like maybe they put in a bunch of appreciated ether, and they take back, you know, 50% of that value in some stable coin, which they can then use to pay off expenses or lever up their investment or for any other any other reason that they that they may see fit, in order to re access their pile of appreciated ether that they contributed to the smart contract, they need to return they're borrowing plus interest. And when I've contributed liquidity to that pool, what I what I get back in response, in return is basically a pro rata share of what's in that pool. What's in that smart contract, the smart contract, self enforces, right and it determines the interest rate and resets automatically, it also automatically liquidates the ether that the borrower pledged as collateral. If the value of that ether dips below a certain level, suddenly, you have the public able to conduct financial transactions by providing liquidity for loans for example, without without having without having to be financial institutions without having to set up corporations without having to do any AML KYC on their borrowers. That's defy in a nutshell, right? This idea of creating software protocols that allow peer to pool or peer to contract transactions and enable you know, you and me to participate in a in a financial ecosystem. That simply wasn't avail available to us prior to the advent of a really a theory of smart contracts platforms. So that's defy stable coins are one of the core assets within the defy ecosystem. So in order to have any type of mature capital market, you need some non volatile assets, right? Stable coins are one such asset, they track the value, typically of the US dollar, but it could also alternatively be the value of gold or the value of oil or you know, the value of the euro or whatever. So they're sort of stable relative to the value of ether, for example. It's, it's very interesting to see the government's response to stable coins, because on one hand, the IRS has said that stable coins are not treated as currency. So for example, you could have a stable coin that is euro, you know, a Euro based stable coin, but it's not treated as euros for US tax purposes. Number one, that gives rise to tremendous arbitrage opportunities, potentially regulatory arbitrage, which I could see people taking advantage of down the line. Number two, a lot of the a lot of the government, you know, regulation and guidance today assumes the existence of only one type of stable coin, which is sort of the most centralized stable coin, I guess, because that's really the one type that that governments understand. So under the centralized stable coin, tether, or USDC are are the biggest examples. Anyone can, you know, deposit dollars into a financial institution, and that financial institution in turn means stable coins to the Ethereum blockchain? Right. And in theory, one stable coin is backed by $1 held in that institution. But that's not always true in practice, arguably, but in theory, that's, that's true. And the government says, Oh, well, we need to regulate this, you know, understandably so they say like, Well, look, look, what if these financial institutions just abscond with the money or something? You know? That's fair. And the the President's working group, you know, report talked about that. But the President's working group report, which was prepared by Treasury did not talk about other types of stable coins. There are crypto backed stable coins that track the value of the US dollar, but they're backed entirely by crypto like pools of deposit and crypto assets. There are algorithmic stable coins that either rely on sort of rebasing mechanisms or seigniorage mechanisms to maintain their US dollar peg and there are also hybrid stable coins that are sort of a hybrid of crypto backed and algorithmic stable coins. And again, if the government only looks at one type of stable coin, they're going to inadvertently I think, create tremendous As arbitrage opportunities that could be detrimental, you know, from a policy perspective, like to the government could actually hurt the FISC in some cases, but also could be detrimental to the efficient development of the market. And, again, I think I think that harkens back to my earlier point that regulators are accustomed to dealing with cubby holes, and they sort of are thinking, well, we have this one type of stable coin, we're going to figure out how this one type of stable coin is treated. Whereas they really ought to be thinking holistically about the crypto ecosystem and thinking about sort of unintended consequences of regulating one aspect of the system without without understanding the entire system.

E Ed Leaf 15:41

Yeah, I mean, that's, that's fascinating. And maybe just as a couple of follow ups, I mean, I heard you talk about, you know, crypto is about cutting out intermediaries, and it's a trustless system. How would you respond to the idea that I mean, you brought up the protocols of Ave and compound? How would you respond to the idea of somehow regulating those protocols that are enabling the these, this interaction between anonymous parties, and also as a follow up to the stable coins? I know that the Biden administration is also looking at creating, exploring, and other countries have done it as well, a digital version of US currency? And is that something that you think could one day be an actual, like, play the role of stable coin in the defy system? Or is it to kind of centralized and contrary to the, the crypto ethos?

J Jason Schwartz 16:32

Yeah, that's, those are those are all interesting questions. So sorry, what was that? What was your first of those questions?

E Ed Leaf 16:45

Yeah, no problem. And sorry, the the protocols themselves?

J Jason Schwartz 16:50

Can you regulate the protocols themselves? So that yeah, so that is sort of like the the knee jerk reaction, I think of, you know, any lawyer, or I guess, aspiring lawyer in your case, or, or regulator? Well, why can't we just regulate the protocols? Here's the problem with that. The protocols are just open source code. So it's unclear how you regulate a code, okay? Like, like smart contracts provided by Ave or compound, or uniswap, which allows you to passively make a market in, in token trading pairs. These are just code. If you, you, the regulators might be able to shut down the front end, like the website that I visit, in order to access the Java ecosystem, but anyone can spin up a front end. And anyone can do that from offshore as well. The contracts aren't going away, you can't shut those down. So it's unclear really, how the government can regulate those protocols. I would say, I would say that the government probably can't regulate those protocols. So where does that leave the government? I mean, just just trying to play it out? And I don't have an answer, but you might ask yourself, you know, one possibility would be to prohibit all US people from engaging in activities on those protocols. Not really sure why that would be the right answer from a policy perspective, but but just sort of thinking about it. Could they do that? Well, interestingly, you know, as I as I said, at the beginning, one of the core features of crypto is that it allows for self sovereignty, right? Like, my crypto is literally my crypto, it's just like, cash in my wallet. Nobody can freeze my crypto, if I hold it outside of Coinbase, or Kraken or Gemini, right? If I just hold it in a Metamask, wallet, it's my crypto Metamask, by the way, also does not custody, crypto Metamask is again, just really a front end for accessing the Etherium ecosystem. So, um, so I don't I don't know, I don't think the answer is for the government to try to regulate these protocols. I really think that the government needs to start thinking creatively about what what its real purpose is. I think, you know, really getting back to basics, you know, arguably, the government's key role in in, in, you know, the financial ecosystem and the broader financial ecosystem is to, you know, protect people from fraud. Right. And I actually think that if the government you know, focused on that if policymakers focused on protecting people from fraud, actually think that there there are, it would be able to find some very readily actionable items for you know, helping, you know, your average consumer in crypto, but I don't think it's, you know, I don't think that saber rattling about the Howey Test is is one such actionable item. I just I just don't I think it's it's, it's detrimental to the United States. It's not going to stop crypto, it's going to just, it's just going to hurt our country's ability to move forward with this revolutionary technology, I think it's detrimental to the consumer, because it it, it keeps us out of, you know, emerging markets where you that that are highly likely to be relevant in the near to medium to long term, you know, just in the overall global economy. And it's also detrimental from a capital formation perspective, because I mean, frankly, there's a lot of money to be made in this space. And, and I think there's something fundamentally unfair about the fact that you don't be, you know, prohibited from earning a positive yield in crypto when I'm earning a negative real yield in my bank account. Now, all that all that being said, I think it's perfectly reasonable for the government to regulate the centralized actors within the crypto space, okay, if I hold my, my, my tokens, with Coinbase, then I have a reasonable expectation that Coinbase will be, you know, a trustworthy custodian of my tokens. And I think it's perfectly reasonable for the government to take steps to ensure that that happens. But once my tokens are self custody, once I enter the defi ecosystem on my own, I think it's gonna be very hard for the government to regulate that. And I don't know that, you know, from a policy perspective, it really makes sense for the government to try to aggressively regulate that.

E Ed Leaf 21:44

That's great. I want to shift focus now to NFTs or non fungible tokens. Obviously, they have exploded in popularity over the last few years. So specifically, like you mentioned earlier, some NFTs actually will pay they you can you can make royalties on a secondary market by selling on a secondary market, but others will just pay rewards directly to to to holders, seemingly implicating maybe the Howey Test, how do you expect policymakers to approach these types of digital assets?

J Jason Schwartz 22:17

Yeah, so so NFTs, you know, just like crypto tokens, generally, NFTs can represent a number of different things. And frankly, they can represent a number of different things at the same time. Okay, so just as a few examples, some NF T's are, you know, representations of digital, non financial assets, like art, or like collectibles, you know, like my crypto, right, or like a game skins and shields and whatnot. Some NFTs are digital financial assets. So for example, on on uniswap, which is a trading platform, I can provide, you know, I can provide liquidity to this passage to this automated automated market maker, basically, and I take back an NFT that represents the liquidity I provided and the potential profits that I'm entitled to. That's it, you know, that's a digital financial asset, some and a fee is our membership interest. So, actually crypto is a membership interest as well, you know, secondary market sales of crypto of Kryptos. And of many NFTs results in an automatic royalty stream to a treasury, right and the Treasury is held on chain and then that Treasury can be collectively owned, basically, by the NFT holders, the NFT holders effectively represent a Dao, right, a decentralized autonomous organization that can then vote on how that Treasury is used. So in a sense, it's kind of like a partnership if you if you think about it in in, you know, traditional in the traditional legal context. And then some NFTs represent off chain assets, right, you can have an NF T represent title to real property or, or intellectual property, or you can have an NFT that represents a medical records, right. I mean, people are talking about about creating NFTs that actually represent sensitive information that then, you know, I can make available only to certain people, that they're otherwise encrypted. So I don't I don't think that there, it's, I don't think, well, you've easily not, you've definitely asked a question that's not easy to answer because I don't think you can really say there's, there's one size fits all for NFTs. Now. I think, you know, policymakers are gonna have to start are gonna have to start like thinking, you know, do we create a law or policy that that nevertheless looks at NFTs holistically, you know, similar to like, not, you know, not NFT like fungible tokens, or do we, you know, dig deep and try to figure out what each NFT is really is At its core? And again, I don't know the answer to that. But I think it's like, I don't think the answer is Oh, the law is already settled, like figured out, which seems to be what regulators have been doing up till now. I think that's really, really problematic. And frankly, it encourages people not to report. Right. So so in the tax world, you know, at least anecdotally, there are many, many taxpayers, who are just, you know, highly reluctant to report their crypto, their, you know, their crypto taxes, not not because they're like, natural born, you know, tax evaders, but rather, because they recognize that there are no clear rules on, you know, the transactions that they're engaging in, and they're concerned about an overly aggressive Treasury going after them for some footfalls, and ruining their lives. If they disclose that, you know, they engaged in one of these transactions, and the IRS then has the benefit of hindsight to sort of go after them for not properly reporting their taxes. That's really, really problematic. It encourages distrust in our government. It's just from a policy perspective, it's fundamentally unfair. And it's really, really sad to see because I think it's going to you if this state of affairs continues, it's going to it's going to hurt the United States. And our, you know, our technology, our historical, technological primacy on the global stage.

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Steven Valentino 26:32

Let's harken back to something that we talked about earlier, and that we mentioned where your pro bono efforts are actually really focused on DAOs. What sort of, can you talk a little bit more about what they are and sort of the interesting regulatory implications that they they raise?

J

Jason Schwartz 26:49

Yes, so the so a DAO, there's no definition of DAO right, including in the crypto space, you know, so some people say that a DAO is kind of like a chat room with a bank account, you could kind of think of it, you could think of it like that it's a chat room with a shared bank account.

Sometimes that shared bank account is actually just like two or three people who hold the, you know, hold keys to a multisig wallet, right? And they just sort of pinky swear to deploy the funds in that wallet, in accordance with the vote of the other members of the DAO. Sometimes the DAO is what people refer to as maximally decentralized, it's a lot harder to accomplish. But in that situation, effectively, the multi SIG wallet is owned by all members of the DAO. Right. So so like, collectively, the DAO has to vote on how funds are deployed, that could obviously get very inefficient with with larger DAOs. Under sort of traditional legal principles. There's a concern that a DAO is really just a general partnership. Okay. And that, and then the question becomes, okay, if it's a general partnership, so number one, you know, for those listening who are lawyers, general partnership is like kind of the worst treatment you can have, because of her from a legal liability perspective, because it means that everyone is liable. You know, 100% liable for all of the entity's liabilities. So if someone Sue's the DAO for a billion dollars each, they could potentially collect, you know, from any one of the solvents, members of the DAO, right. Also, from a tax perspective, a DAO would, by default, generally be treated as a partnership. And again, that means that each partner in that partnership is taxed currently on their share of the partnerships, net income and gain, whether or not distributed so like, let's say, the DAO, you know, buys an asset, and then, you know, sells it for $100 profit and uses all that money to buy another asset that then goes down to zero? Well, it doesn't really matter, the DAO had $100 profit, and each member of the DAO is taxed on their share of that profit, even though they now hold an asset that's worth zero. Okay, so that's, that's like, highly, highly problematic. Moreover, there, again, a lot of reporting requirements, when people join together in a joint venture that DAO is simply are incapable, at least when they're fully on chain they're incapable of complying with, right, so partnerships, for tax purposes need to provide K-1s, they also need to do tax withholding, sometimes they need to, you know, obtain tax forms from people in some cases, particularly for investment Dows they need to do AML KYC on their on their members. None of that is happening right now. Okay, for most Dallas. That's that's kind of terrifying, right from from a lawyer's perspective. It's really exciting also, like, like, I think that DAOs or I think DAOs are an amazing tool. because, again, you know, just sort of philosophically, I'm an open borders guy, I love the idea of, you know, highly liquid capital being able to flow to, you know, wherever it wants to go, you know, with with minimal friction. I love the idea of people being able to work together across borders. But I think that they're, you know, we could be in for some kind of reckoning, when the regulator's start coming down on on DAOs that are not cloaked in, you know, some kind of legal entity. So, so, you know, different, different DAOs are using different approaches to try to become sort of legally compliant. Some Dows are being set up to be sort of solely voting DAOs. Right, so so like, so recently, I don't know if you guys have been following this. But the board apes recently announced that they're creating a DAO, that the the Ape DAO, and the Ape DAO is being formed in conjunction with the ape Foundation. And I think that that is sort of a paradigm that's emerging and Dow land where you have a DAO that is solely vote voting, and doesn't share any profits, and it's a sort of solely a governance now, and then you have a foundation that actually holds the key to the crypto wallet, that, you know, in that, that that effectively, you know, earns all of the profits, you know, that the foundation administers the Dow it implements the Dow is decisions, and then it receives the profits from those decisions. And those profits go back to building the ecosystem, they don't go back to the down members, right. And the foundation is set up offshore in a low tax or no tax jurisdiction, like Guernsey or the Marshall Islands or Cayman Islands, or I've seen some in Switzerland. And the foundation is an it's a nonprofit. So it it commits to send all profits back into the ecosystem. In other words, there are no shareholders. And if structured properly, you know, maybe that enables the DAO members to take the position that they're not taxed currently on their share of profits, and that their DAO membership interests are not securities because they don't share profits. And, and that, in fact, none of the profits from the project are subject to any tax, right? Because because they're all collected by that foundation. Now, number one, that's like this legal fiction that like, we really should be thinking about, like, is that really what we want to encourage? Because I don't think that that's really what the government wants to encourage, you know, if it, I mean, maybe really, number one should be does that work? Right, but but like, but, you know, what we assuming it does work? You know, is that really what the government wants to encourage? And, and, and if not, like, we have to be, you know, the policymakers have to come up with a better approach. But what I'm doing in the pro bono incubator is I'm working with a number of web three, sort of native, you know, organizations, Dows, whatever they are, that that wants to do good for the world. And, and what what we offer is to create a 501(c)(3), right? It's just a tax exempt organization. That's akin to what I just described, where the 501(c)(3) complies with, you know, all of the requirements to be a charity and consults with a DAO, that that provides the 501(c)(3), the DAO effectively socializes the cost of the 501(c)(3) research. The best example that I know of, for this paradigm is actually big green, and I don't have any affiliation with them, but you should check them out because I think it sounds like a really great project. Big Green is run by Kimball musk, Elon 's brother, and, and big green, that what one of their purposes at least, or maybe their primary purpose is to teach people in disadvantaged communities, for example, people in a number of African nations, how to be self sufficient, like how to plant gardens, right, how to how to plant their own food, grow their own food, the green is a 501(c)(3), I can contribute cash to big green and take a charitable donation for my contribution. However, big green then consults with the DAO, the big green DAO that finds you know, that helps it find the, the, you know, worthwhile recipients for charitable contributions, and also that I As I understand it assists in actually getting those funds to those to to the right hands, which is is, you know, is much easier to do when you're transacting in crypto, particularly in countries that don't have, you know, a highly regulated, highly built out financial system, where are you, you know, you can't trust the middleman quite as much as you can, arguably, in the United States. So that's, I think, a great paradigm, it's one that I'm really proud to be working on, admittedly, is a smaller scale than, than big green, probably. But it's something we do for free. You know, we do all the legal work for free, and we're open. So you know, if any of your listeners are interested in setting up a charitable organization, it also doesn't have to be web three, but I'm just into web three, these days. Free, Frank does that pro bono, so just get in touch.

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Steven Valentino 35:51

So to round off our foundational discussion into the key terminology that exists, distributed ledger technology is what I think most people understand in common parlance. But I think they quite don't understand how it operates or what it is necessarily. So could you sort of elaborate on what it is how it works? And then sort of, could this be relied on in different areas of law, and help like, undergird or reinforce certain systems that exists today?

J

Jason Schwartz 36:17

For sure. So we're at the precipice of a revolution in record keeping. Blockchain tech is the first successful application of triple book entry. Triple entry bookkeeping. So in addition to each firm having its own assets and liabilities column, there's a third column, effectively, a state column that describes the location of every on chain asset in the world. Okay. That means that you can quickly audit, you know, multiple firms on sort of a global scale. In addition, you can very quickly, efficiently and safely transact with people you don't know, and move sensitive data, you know, again, efficiently, safely, and without, you know, without requiring any intermediary, medical records, IP, you know, real property, mortgage loans, I think all of this is going to be on chain, you know, within just, within just a few years, I've already worked with a number of financial institutions that are using Blockchain tech, on like private blockchains, for example, that banks are starting to use private blockchains to make transact bank to bank transactions more efficient, and transparent to the counterparties. Across Borders, I'm working on a number of public blockchain transactions that are meant for retail investors to be able to view their, their their investments more more efficiently and transparently and with you know, reducing the possibility for fraud. And, obviously, you know, very, very interested in the art world where, you know, suddenly, suddenly, artists can know at any time, every single holder of their artwork, right, not only that, but the holder is no no each other. Now granted, granted, you know, they don't know, they don't necessarily know each other's individual, you know, individual IDs, right? I've doxxed myself, I told you I have a crypto, you can you can look for Cryptoad 761, you'll see my crypto wallet. Net, yeah. And you'll see everything in it. Or at least the one that I make available to the public, but but, you know, it doesn't really matter what my you know, in real life identity is the fact that suddenly, and you know, each collector of a particular work can get in touch with each other collector, and they can, you know, jump in a discord channel and start talking about what what other art they want to collect. They can create a dowel, like the flamingo doll that, you know, that started as just a joint art collection. And now it's worth like billions of dollars. I mean, that's, that's amazing. And I think that that I think that we're actually at the very very primitive level right? This this like pixelated Toad on my T shirt is just, you know, uh, you know, just like a beta test of a beta test of what we're capable of accomplishing in this world.

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Steven Valentino 39:39

And and Jason, thank you for this insightful first half of our discussion on cryptocurrency and other digital assets. In the next part, we will pivot towards current events and how crypto is interwoven itself into the modern financial fabric and what might lie ahead on the regulatory horizon for it. Stay tuned and we'll catch you in the next part.