Episode 45

What the FTX is happening in crypto?

Wondering what exactly is going on in the crypto world? Expert Dan Wilk breaks it all down. Plus what recent events mean for the future of the space.

[00:00:00] Dan Wilk: Think about how many times Bitcoin has been deemed, dead or gone and battle tested over the 12-year life cycle. It's pretty remarkable. But the software continues to exist and thrive on. Different humans are just interacting with it cause they're all tattered, broken, and bruised.

[00:00:19] Kara O'Halloran: Welcome back to FireSide, a podcast from FS Investments. My name is Kara O'Halloran. I'm a director on the investment research team here. On today's episode, the collapse of one of the world's largest crypto exchanges, FTX has dominated headlines in recent weeks. So today we're going to talk about what, and more importantly, how this massive failure happened and what this means for the broader crypto landscape moving forward. So to talk through all of that, I have brought on FS's own crypto expert and client portfolio manager, Dan Wilk. Dan, thanks for joining me.

[00:00:51] Dan Wilk: Great to be here. I'm amazed you invited me back. Well, but I guess it took a pretty big event to get me here, huh?

[00:00:56] Kara O'Halloran: Well actually, I have to say, I think this is long overdue because our Spotify wrapped came. I'm a big Spotify Wrapped fan, so it can tell me how much Taylor Swift I listened to during the year. But we get a Spotify Wrapped for our podcast, and you are our most popular episode ever. So I think the listeners are going to be very excited that you are back.

[00:01:14] Dan Wilk: Yeah, it could be me, it could be the topic. I'll probably lean more on the topic, but...

[00:01:18] Kara O'Halloran: No, we'll go 50/50.

[00:01:19] Dan Wilk: There you go.

[00:01:20] Kara O'Halloran: You were a great guest though.

[00:01:22] Dan Wilk: I like it.

[00:01:22] Kara O'Halloran: And I know it's been a quiet couple weeks for you, right? Nothing going on.

[00:01:25] Dan Wilk: Really quiet. Not a lot to, uh, to look at, which, we won't have much to talk about to it.

[00:01:29] Kara O'Halloran: Oh yeah. Perfect. So we'll, we'll get done in a couple minutes. No. Right.

[00:01:33] Dan Wilk: Beautiful.

[00:01:33] Kara O'Halloran: I will admit my desire to do this episode is a little bit selfish. Dan, as you may have figured out, I'm more of a passive observer to the crypto space. Putting it nicely.

Yeah, I think I told you that the first year I knew you, I tried to hide my skepticism and you were like, "Kara, you didn't do a very good job." But anyway, I'm going to, I'm going to try to be more neutral because I am curious. So I'm excited. Like this is the podcast I want to listen to, right? So I want to talk a little bit about what happened, but [00:02:00] I really just want to know like what this means for this space more broadly and I think what happened has been pretty well documented so far.

[00:02:05] Kara O'Halloran: I mean, we're getting, we're still getting like countless news stories and SPF did an interview with the New York Times yesterday, so there's still a lot unfolding, but maybe just to set the stage, and I don't want to spend too much time on this, but to set the stage, this is December 1st is when we're recording. Could you just walk us through a little bit, pretty high level, what's gone on over the past two and a half weeks?

[00:02:30] Dan Wilk: Yeah, for sure. We'll, we'll start from the top and then, we can get as granular as you want and we'll obviously throw out the caveat, or the term allegedly, right? Yeah. Everything we have to say here, there's still a lot unfolding. Facts are still coming out. You mentioned Sam Bankman-Fried was on TV last night, which is mind numbing to say the least. But for starters, for those who don't know, Alameda Research was one of the power player trading firms in the crypto space.

[00:03:00] Dan Wilk: They were really well known, and Sam Bankman-Fried was one of the main co-founders. And during Alameda's Rise, they had the idea to start a crypto exchange. This is back in 2018, and their thesis was look, the infrastructure of crypto is still pretty weak and sophisticated traders don't really have the tools required in order to execute some of their strategies.

[00:03:14] Dan Wilk: So this new exchange was called FTX. And again, you've gotta wonder, how much, I guess lasted, I don't know. Wait, gotta think of that. Think about how I'm going to say this. You've gotta wonder, viewing the space now or viewing the, the FTX startup. How much was, productive and had an intent to create something new for sophisticated traders versus what actually happened, right? And folks have probably seen the logos on sports stadiums, baseball umpires. Tom Brady's a spokesperson. I think Giselle was in there too. But they had a meteoric rise and eventually they became the fourth or fifth largest exchange in the world. So you fast forward to this one tweet by CEO of Binance, who was the largest competitor to FTX, led the industry to believe that there were some issues going on with FTX behind the scene.

[00:03:58] Dan Wilk: Like hungry wolves, the crypto community [00:04:00] basically sunk their teeth in and threw some unbelievable reporting from some different blockchain analysts. They uncovered that there was a lot of discrepancies with FTX's balance sheet. So, again, we can deep dive as far as you want to go, but I think the really important thing to harp on here, the facts are, Sam Bankman-Fried moved customer funds, so deposits from FTX and possibly other entities, into Alameda, which was his personal own trading firm, and then possibly to himself personally. So this is again, alleged at the moment, but Sam has since come out and admitted to this. But if we pause for a moment and think about all of our non-crypto friends, it's pretty clear, right? You deposit your money into a bank. One day your money's gone. Where did it go? Well, the CEO of the bank sent it to his own trading firm and potentially used it and spent it himself right to the tune of 10 billion, which is a huge number.

[00:04:52] Kara O'Halloran: Yeah, I mean, can't do that. And. You can't take money from the banking if you're going to bring it back the next day. There's a long word of things, right. I won't use the word, but there's a word for that in, in...

[00:05:03] Dan Wilk: I would prefer if you used it.

[00: 05:04] Kara O'Halloran: No. I'll, maybe down the line. okay. I think that's a very helpful summary.

[00:05:08] Kara O'Halloran: Think that like that sets the stage pretty clearly. So I want to talk now about how this happened, right? So it seems like we keep hearing these stories recently about these massive startups that fail in spectacular fashion, right? There's WeWork, kind of a classic over extension story Theranos, which was purely fraud. I think we're hearing people describe this as crypto's Lehman moment or our generation's Enron. So, how did this happen? Was it fraud? Was it hubris? Was it just complete ineptitude, what was it? ?

[00:05:39] Dan Wilk: Yeah. Yeah. it's a fair question. everybody's trying to ask that question, right?

And I think. The FTX community is running with one, narrative. I think the media's running with another, and then, individuals who are doing a lot of the kind of citizen journalism are kind of uncovering other things. 10 billion is a lot of money to go missing, right? And the question is always, okay, so why wasn't there a whistleblower?

Why didn't you know, lawyers or [00:06:00] accountants notice this? Well, it's because, again, allegedly Sam built special made custom accounting systems that hid the missing assets. So if you look at...

[00:06:09] Kara O'Halloran: Can I pause for a second?

[00:06:10] Dan Wilk: Yeah.

[00:06:11] Kara O'Halloran: Cause that brings up a question, and I'm sorry to interrupt you, but I thought one of the whole points of crypto, right, is that it's transparent, it's on the blockchain, everything is visible.

Am I wrong in that? I genuinely am asking that.

[00:06:24] Dan Wilk: totally. No, that's, it's a fair assumption, right? And I think one thing that crypto community touts is, hey, we have this new innovation in public database accounting that provides more efficiency, more transparency, so you can see everything going.

And then this large centralized entity totally disrupted that. And the very technology that was birthed out of, the 2008 financial crisis that was supposed to skate all of this stuff, we ended up kind of recreating, repackaging, exactly what we tried to solve for. But I think, if you break that down, you can strip out kind of the centralized entities from, crypto itself, right?

There's nothing new [00:07:00] about potential fraud. what's new is, we. Transparent reporting from different entities. Right. whether it be Twitter or whether it be, some other individuals who came out and raised their hand because they were actually using the blockchain to uncover some of this fraud.

Right. It's comical when you break it down. the SCC had actually probed FTX in Alameda six months ago in December, or I'm sorry, in, in June. Cut that out. it probed, FTX in June and it's like, Hey, good job guys. Like it took one tweet and 12 hours for the entire community to uncover this fraud.

So it's pretty remarkable. Like it's a double edged sword, right?

[00:07:38] Kara O'Halloran: Yeah. It's like the system that built it or the Yeah, like the system that was supposed, the system did catch it.

[00:07:44] Dan Wilk: Yeah, exactly

[00:07:44] Kara O'Halloran: it allow, it's perpetuate the fraud but also caught it.

[00:07:47] Dan Wilk: bingo it like it's an awesome technology in that it provided the means to find it.

And you look at, Bernie Madoff's a perfect example. I mean, he was in business for 20 years and had 50 billion before he eventually turned [00:08:00] himself in on the brink of bankruptcy. Right? And that was in a regulated marketplace. I think in this case, if you look at all of these centralized businesses that have gone under.

They don't have the transparency built in, right? They're built around blockchains with the ability to interact with them, but there's no one enforcing them to actually build on top of them and run their business on blockchains. They still have opaque structures, they still have, different bad business practices and then they interact with blockchain on the side, right?

You need to either marry the two for an all or nothing in order to get what you need outta the technology.

[00:08:32] Kara O'Halloran: Oh, interesting. Okay. I think that answers my question then. So you kind of alluded to regulation a little bit, and the need for, companies to be forced to run their businesses on the blockchain, not just around it or however that, whatever that looks like, I won't pretend to be a crypto regulation expert.

do you think that regulation could have prevented what happened? And do you think that this expedites the, the regulation and crypto regulation has been something that we've been talking about? I mean, SPF was the number one [00:09:00] proponent of it. does this expedite regulation going forward, in your view?

[00:09:04] Dan Wilk: Yeah, I mean, it should absolutely right. I think in the United States we've, candidly drug our feet to some extent. We haven't. drafted proper securities laws. Sure. Like certain states have created licensing agreements and they've allowed for charters to take place, but there hasn't been uniform legislation that's allowed folks to interact with the space as a fiduciary.

Bitcoin's the only digital asset that has any sort of regulatory clarity, and that's why a lot of the businesses built solely around Bitcoin have continued to succeed and thrive. I think for a lot of young investors, shout out to the young folks listening to Fireside podcast. it's a massive moment for them.

you're probably. Are a lot more familiar with crypto than most, but for a lot of industry veterans you've seen, you know them draw the analogies to different headlines, right? Lehman, MF Global, Long-Term Capital Management, Bernie Madoff, and so on. we've had finance frauds in regulated markets, right?

[00:09:52] Dan Wilk: The MF global collapse was in a similar manner, right? You have a very known brokerage that it's very known with regulatory [00:10:00] framework. You need to segregate customer assets and house assets. Yet the CEO decided to take a bet on billions of dollars worth of European debt that went bad and the issue became, he did it with customer money, so it went bad.

They defaulted. Sounds pretty familiar for what's going on other than obviously the personal. humans are continuing to prove that they have the abilities to blow themselves up when they mix, leverage and greed, right? Shout out, Archegos in March of 2021. And I think in FTX instance, in addition to fraud, it just showcases that there's way too much leverage allowed in crypto, right?

If you look at trading more broadly, you're allowing investors to lever up an asset with an 89 vol. That's wildly reckless, right? We would all agree that you shouldn't be able to do that, and it's a perfect example for offshore exchanges. So 90 to 95% of all crypto volume happens offshore outside the United States.

With those offshore derivatives [00:11:00] platforms, they're actually offering 125 to one leverage. Now the onshore derivatives platforms, they don't offer more than two and a half. That's an absurd difference and just an absurd statement right there. 125 times, I mean, basically 125 to one odds would make 1950s Vegas mobsters blush, because it's a 99.9% in favor of the house contract, and yet retail is kind of running into traffic, at an international level trying to interact with these things. it's mind numbing.

[00:11:31] Kara O'Halloran: Yeah, you, you can't see my face right now, but it was, . It was pure shock.

[00:11:34] Dan Wilk: so, so to answer your question about regulation, I mean, you need it in order for folks to come in and act as fiduciaries to deter some of this nonsense behavior that goes on, it's not going to totally eliminate it, right?

We've seen that in traditional finance, but to further legitimize the asset class more broadly, you can't just have regulatory framework built around Bitcoin and nothing. Or you need to acknowledge that it is Bitcoin and nothing else. Right. It's a pretty binary outcome in that sense.

Interesting. So,

[00:11:59] Kara O'Halloran: [00:12:00] okay, let's focus really quickly on Sam Bankman Fried, obviously at the center of all of this, I mean, he was just, he just gave an interview with the New York Times yesterday.

It's, it seems he's kind of getting like a moment in the spotlight right now, right? It's kind of bizarre. and I know you have some feelings about that, so, What do you think is ultimately, it's so hard to speculate, but like, what do you think, how do you think ultimately history's going to view him?

[00:12:26] Dan Wilk: Yeah,it bothers me so much, given that he still has the platform and folks are willing to listen to him, right? it's the equivalent to, CNBC sitting down with Bernie Madoff and saying, let me hear your side of the story, right? Yeah. Like, if we revisit the facts to what Sam has admitted to, he was the CEO and control owner of the firm and allegedly took, 10 billion of customer deposits. We don't really know where they are. He moved them to a company he 100% owns, he further moved them to himself and then he hid the transfers all along the way. So, look, that's really bad. And the media wants to talk about, how it affects his philanthropic efforts [00:13:00] or what went wrong with Sam, or hey, what are Sam's thoughts about regulation and how he couldn't have done this.

You know, I think Sam's running with the story as well as some other FTX folks is like, Hey, we were young, inexperienced, we had this meteoric rise and it was bad risk management and accounting and we made mistakes. Well, yeah, I mean, I'm not going to curse on the podcast cause I hope to get back, but like that's...

[00:13:19] Kara O'Halloran: we don't want an explicit rating.

[00:13:20] Dan Wilk: Yeah. that's absolute bs, right? I mean, Sam is a lot of things, but cognitively challenged is not one of them. Right. He has a degree from. He was the co-founder for one of the largest exchanges in the world. He ran a sophisticated prop trading firm all while running an extensive lobbying campaign in the background.

So the ignorance just doesn't really check out. So the issue here isn't that, FTX grew too fast and they didn't have proper accounting trolls that failed. We're sorry. The issues that Sam

Bankman Freed had to make the decision as to whether he was allegedly going to use or not use customer funds in a way that the terms of service did not outline right.

And the lack of accounting controls in this system were a [00:14:00] feature, not a bug, right? So him saying, oh, it was mistake and it was completely false. these lack of controls were basically how he was able to make those decisions in the first place. And I think that needs to be acknowledged and it's a full stop there.

It's hard to find an innocent explanation for, what he's coming across or if he's being honest or not, because the media's simply allowing him to plead ignorance. And at the end of the day, it's like, Elizabeth Holmes got married inside of Enron's headquarters and now it's like, oh, ignorance and risk management.

Sorry. Like it's, call it what it is.

[00:14:31] Kara O'Halloran: Yeah. I think he, yesterday in his interview said he was as truthful as he was knowledgeable to be. Which I'm like, okay, those are words.

[00:14:39] Dan Wilk: Yeah. And look, he, he may have a criminal prosecution coming across. Yeah. I'm sure he is not going to go on a campaign admitting what he did.

[00:14:44] Kara O'Halloran: Right.

[00:14:44] Dan Wilk: And he is going to say, Hey, prove it. Which, again, is just a shame.

[00:14:48] Kara O'Halloran: And I also, I think one thing that maybe we should have said up front is that Yeah, I'm clearly here, I'm taking kind of a skeptical view because. I'm learning from you, Dan, right? I think it's natural to be [00:15:00] skeptical of crypto in this moment, but it's also a lot of people.

A lot of money. I mean, these are retail investors, very real people with very real savings. So at the end of the day, it's like, we're all sitting here kind of, I'm reading Twitter all the time and there's really entertaining things that are coming out. Like, I think I saw Margaritaville as one of their unsecured creditors for $55,000, which is like my personal favorite.

But, and we can make light of it when we're watching it from the sidelines, but it is a very serious problem. 10 billion of assets seemingly gone of real human money. So yeah.

[00:15:32] Dan Wilk: A hundred percent. it's a, it's just an opposite experiment in some case too. being that it isn't regulated, like in, in traditional markets, you have regulation, it deters bad actors, but like, let's face it, regulation provides a backstop and a lot of government guarantees that people like.

And this opposite experiment that's going on in digital assets, it's basically a trade off for decentralization where you don't have the backstop, but you do have transparency. So transparency is awesome when you use it correctly, but from a regulatory standpoint, if the centralized [00:16:00] entities aren't being forced to use it, then what good is it really? Right?

They're not being forced to say, Hey, here's where our wallet exists on a public blockchain. Here are our verifiable assets. Here are our verifiable transfers. Here's where your money exists within our ecosystem. They're just building businesses that can interact and it's proving,to come up bust time and time again.

I mean, there's a laundry list of companies obviously, that have gone bust in the last six months.

[00:16:21] Kara O'Halloran: Want to talk about one other thing that it sparked a question, something you brought up. So you said that clearly FTX was not using customer funds in a way that's outlined within their terms of service.

and I think back to earlier this year, maybe spring or summer, There was a filing or a line in a Coinbase filing that said customers could be viewed as unsecured creditors. and that caused a lot of headlines, a lot of fear, really. And I think they ended up, I don't remember exactly how it was resolved, but I think they ended up basically saying, oh, that's not what it actually means, or whatever, So is it though, I mean, how do we think about crypto going forward. Some of these other companies are [00:17:00] all of our are assets, available? Are we all unsecured creditors?

[00:17:03] Dan Wilk: Yeah. I think that's what everybody's wondering. I mean, I can't tell you how many people reached out to me and asked, Dan, what, where do I custody my assets?

What do I do? Nothing seems safe. Yeah. And that's a crazy concept to, to think through when you're trying to create a new qualified asset class for financial investment. Right. And if you look at, some of the companies who have gone. BlockFi's a good example. they just announced, what was it a day or two ago, they had that the same means, right?

There weren't proper disclosures in place that let customers know what exactly was happening with their money. They're promising yield. Yet the question never became, well, where's the yield coming from? And they found out that there were a lot of, bad business practices or, we would call an unbelievably irrational tolerance for risk to, to put it really lightly.

But you know, you do look at other entities who've built things the right way. Coinbase came out and at least they made the disclosure and at least let people know, Hey, here's how it's structured right now. But they've also been growing their wallet business, which is completely separate [00:18:00] and does provide, customers with, kind of their own private keys and self custody, et cetera.

we have a direct partnership with NYDIG, the New York Digital Investment Group. They do a great job segregating client assets from firm assets where, they can even point a client onto the blockchain to show them specifically what their asset value is, where it is, how it's being treated, et cetera.

[00:18:19] Dan Wilk: And for the most part it just sits there. But the fact that they're leaning into this public accounting makes a lot more sense. they're regulated by the New York Department of Financial Services. They have a big four auditor. They have, one of the largest insurance contracts, blah, blah, blah.

Like the list goes on, and you look at how their business is built to interact with digital assets versus others. It's pretty clear while why they've thrived in a sense, while some others are completely going bust and you kind of look at it and you're like, how did you not think the house of cards would fall eventually?

Right. Even just the aspect of it being a 90 vol asset, you're levering to the gills. Like that game can't go on forever. Right.

[00:18:52] Kara O'Halloran: Yeah. I gotta be honest, I feel like a lot of what we've just talked about is. All of these people making really bad decisions, and [00:19:00] I'm trying to get you to convince me to not be as skeptical of crypto.

Are there any good guys out there right now? Like what, where do you see success stories right now?

[00:19:09] Dan Wilk: Yeah. No, it's a good question. I mean, obviously, we have a pretty extensive partnership with, with NYDIG and they've grown, they're coins under custody. a number of consecutive quarters.

I think they're up to 14 or 15 now don't quote me on that exactly, but...

[00:19:20] Kara O'Halloran: coins under custody.

[00:19:21] Dan Wilk: Yeah.

[00:19:21] Kara O'Halloran: What a term

[00:19:22] Dan Wilk: exactly

I'm such a traditional finance person.

but look, when you look at all these companies, failures, right? These are centralized companies that have a real ceo, a real board of directors, humans making decisions, and often the decisions are wrong.

[00:19:36] Dan Wilk: So if you look at their counterparts in the defi world, Defi, nobody knows what it means. It's just financial services running on a blockchain. So running with computers instead of human decisions if then statements versus yes or no's, right? If you look at the counterparts doing the exact same thing, right?

So for every centralized human driven exchange, the FTX that's blown up right now, decentralized code driven [00:20:00] software for exchanges, they're having record volumes. For every, corporate lender that's gone out of business. Decentralized code driven lenders, they're remarkably unscathed. They liquidated clients who were over levered and they've continued to function with no, problems, really.

So the reason for that is because the code forces these financial services to be over collateralized. And then two, the code is brainless, right? it's if then statements. There's no arbitrary decisions or emotional decision making that says, no, we have a great relationship with this firm. Let's let them go get extra financing.

We won't margin, call them whatever it may be. So while code is basically liquidating all of these, different firms, right? Big surprise. Alameda had to pay off a number of defi protocols before they filed for bankruptcy because they would've gotten liquidated, right? At the end of the day, it's kinda showing that the technology is fast, it's promising, it's attracting, a lot of interest, but if it's, you're going to allow it to persist in largely unregulated ways, you're just going to get the live rendition of, of human behavior.

And all the good and the [00:21:00] bad that comes with it when it comes to interacting with it. crypto companies are just kind of repackaging the same problems of leveraging greed. but shout out to, the whole crypto community who uncovered the fraud in basically, 12 hours looking through blockchains and combing through it.

I think that was pretty impressive. it's incredibly frustrating, for someone like me. but, if the only good comes from it is, expedited regulation, you know, I think regulators can be quick to act, can be quick to bring securities laws, can be quick to set, more uniform standards instead of state by state and the assets themselves are largely still thriving and useful.

[00:21:34] Kara O'Halloran: The defi stuff actually makes sense now that you put it to me that way. so thanks. Okay. So let's...

[00:21:39] Dan Wilk: We got somewhere through this whole process...

[00:21:40] Kara O'Halloran: We did, we did. And I'm also. I like to joke with you. So , you walked into...

[00:21:45] Dan Wilk: I thought you were going to jump on my, so some of these assets make sense, you didn't jump on that.

[00:21:50] Kara O'Halloran: That'll be another podcast.

[00:21:52] Dan Wilk: Perfect. tune in for the debate.

[00:21:53] Kara O'Halloran: Yeah. Oh, we'll do that. That would be a fun one. so let's just wrap it up. Let's talk about the longer [00:22:00] term, where does crypto go one year, five years, 10 years, what is your kind of medium to longer term view on what happens?

[00:22:09] Dan Wilk: Yeah, I think everybody wants to know that right now, right? I think nothing's changed from a technological perspective. we've mentioned it time and time again, right? Blockchain is a new way to structure a public accounting database is a phenomenal innovation. You can integrate it into a number of different areas, and we need to figure out how to do it in a regulated way. But we've talked before, how I've been involved in the space for a number of years and what I did was kind of go back to 2018 and think through the dire collapse we lived through then. Right? It felt like the industry was completely hopeless. We had no path forward. This would never kind of recover. But you know, what we really needed was, the crypto version of Carl Icon to come in and say, look, I want to buy distressed assets at a really attractive price instead of all these, blind speculators and retail momentum traders just trying to lever up and get rich and buy a Lamborghini and go to a Miami nightclub, right?

[00:23:00] Dan Wilk: So if you fast forward, and look at where all the money was made in the last four. It was from all the new customers that basically came to market. They raised large funds, Arca Digital, Brevenhower, Jump, NYDIG, a great example. NYDIG has basically become the industry standard for custody and crypto wealth solutions.

So they're coming in and looking at it at a, at an attractive level. So in 2018, the market cap of crypto overall was a hundred billion. And still today, after everything we've been through, after all the headlines, after all the negativity, we're still sitting at around 900. So you're still on a nine x gain in the last four years for those companies who basically cleaned up after those in 2018.

The problem is unfortunately they did the same thing and now someone's going to have to come in after them and clean up all over again. So where that new capital comes from I think is going to be interesting. But from the, an asset perspective or from a software perspective, cryptographic software is really all it is.

Ethereum is still producing blocks, there's still a lot of stable coin activity. There's record defi activity, right. Bitcoin's security as measured by its hash rate is still hovering around all time highs. [00:24:00] So it's a weird moment where the assets and software themselves are fine, but the players are just absolutely hurting and blew themselves up.

[00:24:06] Dan Wilk: So with everything going on, even after kind of, last night's interview, with Sam Bankman free talking through what he did, how he executed it and obviously the ignorance he pleaded, BlackRock CEO Larry Fink basically talked through how promising the technology of tokenization really is and what that means to finance moving forward.

KKR just this month's month announced they tokenized one of their fund offerings. JP Morgan, two weeks ago completed a massive wall Street milestone with their first defi transaction on chain. Pretty unique, right? Nike came out, they announced that they're selling digital NFTs, whether you believe in NFTs or not, they're selling, digital goods and they're making tens of millions of dollars.

[00:24:45] Dan Wilk: Reddit is now kind of taking a play from their playbook. So when you examine the space, I think it might not be the next kind of crypto native Defi app or web three buzzword program or application that's going to be the next kind of winner. I [00:25:00] think, it'll actually be the next, pseudo-Disney or company with a hundred year track record that starts to figure out how to utilize blockchain for their business in a new creative way.

And I think what's really fascinating, right? If you separate the assets from the players themselves and you figure out how we can go forward, once you have regulation, you basically allow for a lot of these pools of capital that exist to interact. And, it's remarkable that folks, aren't able to do that or haven't taken the time to, to think about how the tech could be applied more differently than, obviously just, levering up for greed for yourself.

[00:25:30] Kara O'Halloran: Yeah. And I will, I will end on a high note. I'll close this out. I can't believe I'm going to say no, I'm only kidding. But I mean, I think what I've learned from. This conversation from reading over the last couple of weeks, from other conversations we've had is that, this is not a failure of the tech. It was a, it was bad actors. and I think that, at the end of the day, it's like the tech remains untarnished in a way. Is that fair?

you can go through and say battle tested, right? I mean, you think about how many times Bitcoin has been deemed dead or gone and battle tested over the 12 [00:26:00] year life cycle. it's pretty remarkable. But the software continues to exist and thrive on. Different humans are just interacting with it cause they're all tattered, broken and bruised.

[00:26:11] Kara O'Halloran: All right, well, I think we'll wrap it up there. Dan, thank you so much. I actually thought this was super helpful. I learned a lot. We will have you back on soon for sure.

[00:26:19] Dan Wilk: Awesome. Stay tuned for the debate.

[00:26:21] Kara O'Halloran: Yeah, the great debate. All right, see ya.

[00:26:24] Dan Wilk: Thank you.

[00:26:40] Kara O'Halloran: If you liked this episode, subscribe to FireSide wherever you get your podcasts.