The following transcript is a slightly edited AI Generated transcript of Episode 72 of Beyond Bitcoin. Please be aware there may be mistakes and incorrect interpretations.

**Speaker 1** [00:00:00] Welcome to be on Bitcoin, a podcast about all things digital assets, the global communities they are creating, the generations that are using and investing, and the challenges faced by the nations that are seeking to regulate them. The content of this program is not to be taken as investment advice. The opinions expressed in the program by the host and the guests are their personal opinions only. Remember, feel free to subscribe and share with like minded friends. My name is [00:00:28]Deryck Graham. [0.3s] I'm the CEO of Portal Asset Management and my co-host is Nitin Gaur, managing director of State Street Digital Assets.

Good morning. Good afternoon. Good evening. Wherever you are in the world. Welcome along to another episode of Beyond Bitcoin. So with me today, of course, is my friend and colleague Nitin Gaur. Hello, Nitin.

**Speaker 2** [00:00:50] Hey, Deryck. Glad to be here.

Speaker 1 [00:00:53] And we also have a guest with us today, Lou Kerner, who we're going to introduce, and he's going to be our expert on the topic.

Now, Mahatma Gandhi made this great saying a long, long time ago. And it said at first they ignore you, then they laugh at you, then they fight you and then you win.

Heading: Is Crypto Under Attack by US Government Agencies? If so will the US be left behind?

Narrative: President Biden’s Executive Order on March 9 2022 appears to be the beginning of a new phase in the USA.

In short it states

(a) We must protect consumers, investors, and businesses in the United States.

(b) We must protect United States and global financial stability and mitigate systemic risk.

(c) We must mitigate the illicit finance and national security risks posed by misuse of digital assets.

(d) We must reinforce United States leadership in the global financial system and in technological and economic competitiveness,

(e) We must promote access to safe and affordable financial services.

From Secretary of Treasury to the SEC no less than 17 departments were ordered to review and provide recommendations

Outcome so far - In February the SEC heightened its wave of attacks on the industry on Staking, then stable coins and now suggesting it will put restrictions on Hedge Fund Investment into the industry.

Lou [00:05:49] Sure. Thanks for having me, Deryck, Nitin. You know, what you laid out was pretty grim. I think when people have seen the crypto light, I think everybody sees something different based on their life experience. For me, when I saw the crypto light in June 29th, 2017, what I saw was for the first time in history, we had a tool set to solve for the community instead of the man in the middle who's generally solving for himself. And that's true whether it's a corporation or a government. And the reason that, you know, I went all in 24 seven for the last five and a half years is because at the end of the day, I don't think it matters what the governments do, what the regulators do. I'm at the point in my life where I get to decide how I spend my time and I really want to spend my time thinking about it as much about the regulators as the regulators think about me. And I don't think that's anything at all. I think the regulators Gary Gensler solving for Gary Gensler and, you know, the rest of the United States and our economy be damned. And yeah, I actually really I don't believe in regulation. I don't believe in laws. I don't think laws exist. All that exist. Are people in power and what they want to do with it. And the great thing about crypto, in my mind is if we continue along the path we are, you know, I liken it very similar to if we today, you know, what, the Internet now, you know, that's can only be used for bad things and pornography and you know, let's keep that out and you know that would not have ended up well and this will end up the same way because there are other places like Singapore or Dubai or in Switzerland that are embracing this and that appreciate this for what it is and are, you know, and I think are going to be massively advantaged because of that.

**Deryck** [00:07:46] So the fact that this industry is so decentralized, you know, it means that when they turn around the SEC in this case and decide to try and shut down staking it can easily really relocate itself or just within hours it can reset itself in different countries around the world and engage different nodes. And so you're right, there's this extraordinary opportunity for America to be left behind. But what happens on the way through? Do you think we're going to see a period of hibernation for the industry? Is the industry going to wake up and actually, you know, pursue this an attack in response? How do you think this is going to play out, Lou?

**Lou** [00:08:26] So, again, I think it's going to be very painful for the companies that are located in the United States. I was it may net in September, October in New York. And it was it was very subdued. And I got on a plane. I went to Singapore for Token 2049, and it was like, oh my God, the winter. It was so, you know, this doom and gloom that's going on here in the United States isn't going on all over the world. And, you know, it's it's unfortunate, you know, and I think that, you know, the people at Coin Center and such, I think they're doing God's work. And I'm very supportive of it. But, you know, ultimately, you know, I say, you know, Google and Facebook aren't allowed in China. Right. And they're still really big things. So, you know, the U.S. can out lot. I don't think we will. It's hard to imagine that we're going to want to get left behind. But, you know, at the end of the day, in my view, in the long run, it really doesn't matter.

**Lou** [00:10:00] We have we have 50 active chapters now we are just four.

**Speaker 2** [00:11:00] Castle Island as a fantastic right And from that perspective, the choke point to point out where he looked into how banking was used to choke into some of the industries that some of the people didn't agree with. Morally, they were not illegal, but they were just trying to sort of avoid the banking and then apply the same 2.0 to crypto industry, which is, you know, sort of subsequent to what Derek explained, the letter that came out from White House, and I'm looking at this thing where Binance suspends U.S. defense for signature bank suspends all the banking with crypto firms. A few months later. MKB Metropolitan Commercial Bank, which is again the banking partner of a circle Silvergate, challenged with outflows and investigation. Overall on January 3rd, which is beginning of the year, a college of regulators announced that public chain activities are not in line with safe banking practices. And on this show and in many of the writings, we looked into rethinking stablecoins rethinking largely the liquidity that's coming into the crypto space. I love to get your perspective on a notion where if we truly treat the valuation of crypto assets and truly crypto liquid assets, these are bitcoin and ether for instance, and not rely on banking systems. Will that change the thinking that now you have internet money dealing with internet value, moving the internet sort of systems, building internet financial systems, and if there's no dependency on banking systems. So I'm seeing this constraints that is been imposed a banking system in two avenues. One is whenever you have constraints, people find a way out. There's always iteration that that that that exceeds the intention, especially in technological sense. And technology by definition is deflationary, which means things become cheaper, faster, better over time. I love to understand this. Yeah, I'd love to understand your perspective. See, what if we move to the world where suddenly these crypto assets are not only liquid assets, but they also provide valuation mechanisms and truly build a global financial infrastructure to move the assets globally. And I'm just wondering what is the impediment to it, do you analogy of Singapore and Dubai compared to U.S.?

**Lou** [00:13:05] You know, I. In my mind, what we need to do is very simple. We just need to, as an industry, build the product that people want and can use. And that's what we need to do. And I think we're on the path to doing that. And, you know, again, from a regulatory standpoint, you know, the more friendly the U.S. is, certainly the better in the short run. But this technology is going to be so powerful and it's going to be so pervasive that it's unimaginable. At some point we're not going to get on board. And while again, yeah, I've got to you know, I used to be an equity analyst on Wall Street and I put out two price targets in 25 years. And since I left the first was in March of 2010. I put a price target on Facebook because I had run a social network and so and had been equity analysts. So I thought I knew better than anybody else. And the second one was in July of 21. I put a since January 21, I put $1,000,000 price target on Bitcoin in 2031 and nobody has a crystal ball. I could be wrong. I, you know, and largely spending my time looking around, seeing if there's any reason to change that view and absolutely nothing. All of this stuff, you know, that seems so monumental at the moment. SBF The federal government, what they're doing now. You know, in in 2031, it'll be very distant memory. Right. And again, you know, maybe it won't be $1,000,000, but if it is, I know how it's going to get there. Right. It's going to go up and down and up and down. Up. Right. And if it's $1,000,000 in 2031. Yeah, that's just all noise. I mean, a lot of people trade off that. But yeah, I, I think for the most part, most people should just buy and hold.

**Speaker 2** [00:15:46] Yeah. And the thing is, this whole thing with Kraken offering, if you look at the business model Derek of of it does meet the litmus test of Hobbes test tests effort of others that's coming in.

**Lou** [00:15:58] How about how we test. No I'm I don't mean this it but it was written for Orange Fields in the 1930s, right? I mean correct. It is. It is just, you know, so we're all there are people in power and they're looking at these things and they could say whatever they want. Right. One moment, abortion's legal, the next moment it's illegal because you have somebody else different in power against the guy. That's all it is. It's nothing more than that. And there, you know, I feel bad. You know, very bad for the. Yeah, look in the federal government is a bully, right? They bully crack and into paid $30 million for what she's just credit who was harmed where was the harm Where did the $30 million come from.

**Deryck** [00:17:37] It seems to me that this. I mean, I always love it when I look at regulations and they start with things like. We're concerned about consumer welfare. Yeah. And. Exactly. And then fairly quickly after that, it says something about police, nurses and teachers. Right. And by that stage, you're totally sovereignty already. But the fact of the matter is the very next thing talks about the financial system. The US dollar is still the global reserve in currency, and the stats show about 80% of all transactions are were occurring in US dollars. Yet it only represents about 20% of the global trade. So in other words, it's an unbalanced amount of transactions occurring on the US dollar. The US dollar is the the US is able to able to issue huge amounts of debt because it is the global reserve is able to issue debt because it's the global reserve. Everything comes from cryptocurrency, a totally decentralized financial system which which holds the threat of destabilizing the US as the prominent thing.

**Lou** [00:20:44] I think for me now, this is, you know, my second crypto winter and it feels like crypto Spring now. You know, I definitely feel like the thought is in the air, but who knows? And to me, the biggest difference between this crypto winter and the last crypto winter was like building stopped. It's like, Yeah, yeah, there's still some building going on, but I mean it's feels like 10 hours, you know, the builders are, you know, who, who still have money are still building and there are a lot of them and again, in a lot of them outside the U.S. And so, you know, we're building you know, stuff is working in Defi right? They are all yeah, all the crashes were in sci fi, you know, pounding the shelves here at crypto. But they are just like Bernie Madoff was calling himself the stock market. He was just a scammer. Right. Have the scammer you know scammers are going to scam you know but the news is to me from that whole thing. I think what history has written is that, you know, is you know, maker, you know, didn't go down right they're to make or still work. Right. So Defi is defi is scaling and Defi is also in in countries like Switzerland. You know, they put real world assets on the blockchain. They're just digital assets. I mean, everything is digital, right? I mean it's it's so weird that for whatever reason they're putting a in a box that's different when it's just it's just zeros and ones.

**Speaker 2** [00:22:11] No, I completely agree. I think defining again as a flattened structure. And one thing I have always contested is if we apply the same regulatory lens to this new asset class and crypto is an asset class because at the end of the day, we set out to build a value system and build a network that moves value as a platform for disintermediation. And if we were looking to same market structure that today is, the delta is used or utilized to move value, then what have we done really? We haven't really changed anything if you have the same. So if you look at the market structure today, essentially, you know.

**Deryck** [00:23:41] So these decentralized assets and sorry, decentralized assets and decentralized finance. You know, the essence of that, of course, is this whole concept of decentralization, which is the concept of democratization and empowerment of people around the world, not necessarily the number one thing that governments want along the way.

**Speaker 2** [00:25:53] And so and so. What's your what's your outlook? I know you worked in Wall Street and you compare the two worlds together now and you are both investing. And what kind of projects are you upbeat about? What's your investment thesis as you're looking at this from co-investors and what kind of sort of opportunities you're looking for? Because that to me is is an indication of the outlook, like what the projects therapy should be looking at and stuff. Right.

**Speaker 2** [00:28:39] Now But do you think any corrective for example, we looked at this like this again, the contagion, 2 million people are affected and almost $684 billion wiped out last year. And I know there's a little bit of excessive extremes that we've seen in this whole range of reactions and enforcement actions that we've seen again, early this year as a result of what happened last year. My point is, which is what I questioned a lot of, including in Davos, is that you, the the crypto community and mostly in the investment community were critical of the regulatory bodies, like, hey, you didn't do anything about it. And my question to them was, there was a moment when we didn't want the regulators be involved in it and now we have tried that it didn't work and now they're intervening. So which one is it? Do we want to be self-managed self-governed? Including the sci fi snafu was that we had the plain old fraud. And do we hold ourselves accountable? Do we want intervention from regulators or do we? We don't, because a lot of.

**Lou** [00:29:39] It doesn't matter whether we like it or not. It's it's it's going to be here. The regulators are going to regulate. It's in their job title. And so the question is, are you going to get good regulations, You're going to get bad regulation, you're going to get regulations. And we just happened to be getting horrific, horrific, horrific, you know, that are basically shutting down the whole industry. So, yeah, right. We're going to get regulate.

**Speaker 2** [00:30:01] Very true.

**Deryck** [00:31:24] A Kyneton mica now that's based in Europe and it's found the market in crypto assets by memory, a new set of regulations coming through. You've been involved with that process. Do you think that's positive regulations that you're seeing come through?

**Speaker 2** [00:31:39] So I just think these are guidelines more than anything else. One, the language has been has been agreed upon and not the ability of them to market information for crypto assets not approved yet. And that actually is a passporting entity for 27 countries. But the beauty of some of these regulatory elements to me, Japan, so again, Japan, Singapore, Europe, US, India, I've looked into all of these from a regulatory standpoint, one out of interest. And second thing is, you know, just trying to understand where the world is heading. And I would say that having any level of clarity helps, helps for people to have. And I agree I also agree with Lewis point that, yes, there's always going to be some badly designed regulation or regulation to go after figuring out the interpretation of these laws and interpretation of of all things. But there's actually some clarity, whether it's context of establishing a firm or doing capital formation and raising capital. And for some of these, what again, what is right, what's wrong? So there's an avenue for us to contest when things go wrong. And I think everybody wants to do the right thing. So, I mean, Lou, you've been involved with many startup founders. I have been involved many sort of founders. People want to do the right thing. Very seldom you find people who start with saying, I really want to scam the system, even if they may have the intention, or that that invention may evolve later on. So these little regulatory clarity actually, in my opinion, helps. And Mike are aiming to do that, both in terms of registration of entities holding individual accountable. Of course, investor protection, that has been the sort of the mantra of any regulator in the world giving in to protect the common man, but more importantly, the notion of what happens with Stablecoin settlement instrument building financial rails, similar guardrails that you have for traditional finance with a digital asset lends to it. But I go back to Lewis point. If you're building a global system and we are building a vehicle where we don't want to have a bookend problem, and I've always said this, that the rules of engagement in Defi is the same no matter where you are in the world. And the question is, are we erecting walls, are erecting hurdles for people to get in or are we making it easier? And I think at that point what regulations can do is create moats from from, you know, protecting ignorant people or people who are not educated enough. But how do you do that for 8 billion people in the world? So there's always this question, the balance between overregulating an industry and stymieing the growth in the early stages versus providing the clarity that can flourish the industry. And I go back to ICE your days, Lou. I don't know what your thoughts are, but capital formation ability for them to bypass some of the IPO and Sarbanes-Oxley requirements to. Generate capital is quite powerful. Ability for us to raise funds in this basis is yes, things didn't go right to me, but in the second set, those things. But I'll stop there.

**Lou** [00:34:30] Well, I know. I mean, I think you're everything you said was right. I think balance is the most important word in the English language. Almost everything is a question of balance. And, you know, and I don't think about where I want to be in balance because I don't think by definition you can be. I think about where I want to be out of balance. And I think we broadly live in financial markets that I think we're way out of balance in protecting. The consumer. You know, if we're a free country, we should be letting the consumer decide for himself. You should go after people who lie and say, Hey, I'm going to do X and then they do Y. You should go after those people. Right? But you shouldn't stop people because maybe they're going to do that. I you know, in my view and by the way, and I think it's bullshit anyways, because the government tells poor people, Hey, you're too stupid to invest, invest in Facebook when it's a private company. So why don't you go down the street and buy a lottery ticket with your money? Yeah.

**Deryck** [00:36:37] Yeah, that's right. Vietnam, I think number two is India now. And if you if you look at the top top 20, Australia doesn't even fit in it and and the country that is banned from trading number eight is China and the number eight user of cryptocurrency. And that's, that's got to be insightful for everyone. Right.

**Deryck** [00:37:26] So fortune favors the brave. And in our case, fortune favors the informed.

**Speaker 2** [00:37:30] Informed. That's right. That's so much for this year. But again, Lou, a heartfelt thank you for your time. I know it's Valentine's Day and that's one way for you to spread the love through our podcast. But thanks again for, you know, for your friendship. And thanks again for coming on the show. I appreciate your time. Okay. Thanks. Sites.