

PITCHIT FINTECH STARTUPS PODCAST NO. 42-ADAM DELL

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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Todd Anderson: On Episode 42, I talk with Adam Dell of Domain Money. Domain is a comprehensive and secure wealth building platform that empowers retail investors to take control and get serious about investing across bulk stocks and crypto, You know, the big difference Domain offers is that they're actively managed, they're designed to help the retail investor gain better access to equities and crypto. Adam and I took a deep dive into crypto and how it's helping to re-shape financial services as we know it.

We discussed the regulatory issues of today and how the market is already moving in the direction of crypto and DeFi and that regulators will have to learn and regulate the market, not the other way around where regulators regulate it first and then the market forms so the market's forming and the regulation will come. He also explained that most engineering teams today are already started working on blockchain-based solutions. We talked about the differences in building a company today versus when he first started, trading fees and compression, corporate board construction, raising capital and a whole lot more. So, without further ado, I present Adam Dell of Domain Money.

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Welcome to the podcast, Adam, how are you?

Adam Dell: I am well, thank you for having me, Todd.

Todd: Of course. I think many of our listeners are probably familiar with you, but if you can give just a quick background about yourself, a little bit about your story and, you know, when answering that question, what is it about being an entrepreneur that still excites you as someone who has built a few companies, sold them to big corporates. What is it about that adventure that still kind of gets you going each morning.

Adam: I really enjoy solving problems with technology. The things that tend to attract my attention and get me excited enough to start a business around them are real gaps in the market, real problems where consumers or businesses that technology can solve and I like things that have an inevitability around them. When I got involved early on with Open Table it was evident to me that consumers will make reservations at restaurants over the Internet and while today that seems like a very obvious thing, back in 1999 it wasn't so evident. It was very obvious to me that corporations would need to keep their email systems up and running and email systems weren't as reliable back then as they are today, but even as reliable as they are, they still need to be backed-up and they still need to be

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redundant. And so, it was obvious to me that that that was something that needed to be fixed and so I started a company around solving that problem.

Clarity Money which was a company I started in 19...., sorry, in 2017, dated myself a little bit, 2017, it was very clear to me that Mint and the other personal financial management tools out there were not doing a great job of helping consumers solve their personal financial management issues. It did a really good job of giving you dashboard about your cash, but it didn't do a very good job of giving you a button to press to improve something about your financial future, put some money away to save, cancel some subscriptions, improve your credit score, that was obvious to me that that was a problem that needed to be fixed.

So, to give you a little bit of background on my journey, I got into financial services in 2017 with Clarity Money, after about a year, we were acquired by Goldman Sachs, we had acquired, you know, over a million customers. I spent three years at Goldman where I was a partner at the firm and had a product at Marcus which is their consumer-facing bank, really had a great experience at Goldman, enjoyed my time there to work on a lot of exciting projects and lead the product development efforts around Marcus Invest, Marcus Savings, Marcus Checking, our team worked on the Apple Card and so it was a really interesting time there and that journey really led me to Domain Money.

If you really look inside the bowels of our financial system, what you find is a very archaic old system, there are roughly a hundred automated clearing house networks for ACH networks around the globe, on average it takes two days and costs \$2 to consummate an ACH transaction. A typical ACH transaction is you go to the grocery store, you swipe your credit card, you buy your milk and eggs. That may seem instant and simple to you, but on the backend a lot of different parties and a lot of (inaudible) involved and again, it takes two days plus \$2 to complete that transaction roundtrip on average. That struck me as quite unbelievable given the innovations we have had in technology and in large scalable networks and as I started to study core blockchain technologies, it dawned on me that a blockchain network can accomplish the same thing in two seconds for 40th of a penny at a lower energy cost as well.

And so, the inevitability light bulb went off in my head around it's inevitable that we evolve our financial systems to embrace these new technologies, they are faster, cheaper, more secure and more scalable and as I went down the rabbit hole of really understanding blockchains, the thing that most stood out for me was just how profoundly the engineering community had embraced this new innovation and really voted with their fee. If you look for a startup in banking technologies for people working on the plumbing of our financial system, it's really hard to find engineering teams that aren't working on blockchain technologies and that ought to tell you something. And so, that inevitability light bulb again went off for me and led me to my latest adventure which is Domain Money,

Todd: If you can tell the audience a little bit about what exactly is Domain and ultimately, who are your target customers.

Adam: We perceive there to be a real market need for . Investing is hard, there is a lot of market volatility, investors are looking for guidance in investing in a new asset class like crypto and rather than trying to navigate which coin and which verticals are likely to gain dominance, we think investors are interested in a broader, diversified basket of assets that are actively managed by investment teams that are highly knowledgeable in the space and constantly looking after the investors' money on a day-to-day basis trying to ensure the best possible returns.

And so, what Domain Money is is an investment platform for retail investors where you can invest in both stocks and crypto through curated portfolios that include both stocks and crypto as well as somatic portfolios, for example, our domain metaverse strategy which is a play on the infrastructure layer of networks.

Todd: So, I saw on your website you had mentioned that you don't want crypto to be a novelty. Do you see that some of the other platforms that have currently been in the market, is it in that sense of that they are treating crypto as a novelty, like there is no actively managed part to it, it's kind of peek and choose your coin, hopefully, you'll get the right coin, maybe I'll make a bunch of money on those for, you know, a few months, but there's no real thought and thoughtfulness put behind it.

Adam: You know, we're at a point where serious investors are questioning whether or not digital assets, crypto should be a part of their portfolio. Serious investors now squarely recognize that this asset class is an important one, it's a source of potential outperformance relative to things like the S&P 500 and if they're looking for real yield on their investments crypto ought to be a part of that. Now, the difficulty I see that consumers face is that, you know, going back all the way to Peter Lynch's Invest in What You Know, consumers can touch Amazon, they can touch Johnson & Johnson, they can touch Coca-Cola, it's very difficult for the average retail investor to get into the bowels of touching Ethereum, touching Polygon and really understanding what these underlying technologies are.

And so, that disconnect creates a problem for the retail investor who doesn't have the time or inclination to really go deep down the rabbit hole of what is crypto. The other complicating factor is there's an enormous amount of fad, fear uncertainty now as well as noise in the market by virtue of the social dynamics of the crypto ecosystem which are powerful and very important. However, it's difficult to distinguish something that is a pumped up LEAN coin versus something that's building fundamental value in transaction utility. What I mean by transaction utility is we've really focused on, again, the infrastructure layer of banking. Our expertise is in understanding banking systems, understanding how money flows around the globe either through decentralized exchanges or the pure transfer of money and what we see is an increase in the overall utilization of these blockchain technologies for real financial functions, not speculation, not LEAN coins, but actually consummating a real financial function.

So, let me give you a specific example, decentralized exchanges where consumers are able to lend their money out and earn a yield on that money are growing in importance. From 2018, they've gone from roughly \$5 Billion in total value to \$200 Billion in total value in those networks, that's real dollars being lent into a market and borrowed from a market which is performing a fundamental market

function, a money market, right, which historically has only been accessible by institutional investors. And so, we look at those kinds of fundamental trends around utilization as we think about navigating crypto investment opportunity set.

Todd: You know, you mentioned earlier you can't find an engineering team who might not be just playing around with or working around on blockchain in some way and then this week you had the former Innovation Chief at the FDIC resign and had some choice words for what regulators are, at least inside the FDIC are doing, related to they won't get rid of fax machines and you know, they're kind of still stuck in the past and they're thinking alright, we'll just shoehorn banking regulations from the 30's into crypto. How big of a problem is the disconnect between where the engineering teams are versus where the regulators are and does that make even you or any other founder who might be working in this space nervous that either we get left behind or the regulators just don't fully understand this technology.

Adam: You know, I'm a student of history and a student of economics, I studied Political Economy in college, I went to law school and there is a maxim that is true today as it was 500 years ago, a thousand years ago which it said, politics follow the economy, it's not the other way around, the economy is marching forward regardless of the politics that follow it. And what's very clear is that the market system of utilizing the newest technology to improve and gain efficiencies is unstoppable and you need not look very far particularly as it relates to China's move to try to clamp down even further on Bitcoin and blockchain technology generally to see that this market continues to march forward regardless. That said, China is making its own investments in digital assets, they just want to do it in a way that is much more regulated and controlled which is very much within China's playbook.

If you look inside the policy discussions and research that's currently being done by the federal government, what you'll see is a very well done research effort and policy discussion around what is the right way for the United States to navigate this emerging technology and embrace it. There is no question that the federal government is over time going to issue digital dollars, there's no question that over time the federal government is going to find ways to regulate this industry and we, as a company, welcome that because we think it's an important step in bringing this market and this technology to mainstream.

Now, will it take longer than some light, absolutely, will it tamp down some of the more speculative behavior in this market, absolutely, is that a long term good thing for the consumer, absolutely. We endeavor to have a seat in the table in helping frame those discussions around the utility of things like DeFi marketplaces, the utility of things like what changes and alternatives to ACH networks, the utility of having a distributed ledger that is more secure and more reliable and more scalable and more global than existing ACH networks. We welcome all that and hope that it comes sooner than later, but recognize that it will take time.

Todd: The retail investor and retail investment into the market, at times in past they've come in and they've left, it feels as if this time it's different. Is that your view that the retail investor is, you know, more apt to be involved in the market long term and maybe crypto is part of that equation that is

helping that. A second question is fees obviously on the equities and stock side have come to zero, do you see that same trend happening in the crypto space?

Adam: Well, the only thing different about people saying this time it's different is that this time isn't different (laughs). There's no denying that there are times when consumer, retail investing trends go up and there are times when they go down and you can chart them very clearly to polar bear markets as free cash in the ecosystem in the form of stimulus, you've seen a lot of that activity in the last few years. Trying to time the market is a bad endeavor, I think dollar cost averaging and having a long term investment thesis is knowing where to go and to have a thesis that is predicated on fundamental economic value rather than any kind of particular momentum or excitement around a particular asset. You've got to look at the underlying trends and at Domain Money we're very focused on those underlying trends, again, utilization and real market value, real commercial value.

I'll give you the statistics, Visa has a very large transaction network, right, they did ten trillion in transaction volume last year alone across their entire network globally. Ethereum did eleven trillion in transaction volumes alone and so if you think about how long Visa has been in existence, the utility of that network and how quickly Ethereum has passed it, it doesn't take long to figure out that the true utility of these underlying technologies is very real. And so, we look at those kinds of trends and those metrics rather than any particular swing in the market on a given bench. To your question about transaction fees, there's no question that repression will happen around trading fees, we think that's a good thing for the consumer and will in (inaudible) with that, you know, as the market evolves.

Todd: And so as one who's built a number of different companies and, you know, has ultimately sold or those companies have been acquired to large corporates, you mentioned you worked at Goldman for a few years in the Marcus Unit, in the Marcus products, you know, do you ever see large corporates ever being able to build or at least speed up their innovation to compete with how fast startups can build and I know startups are leaner, but blockchain's moving at the speed of light, you just mentioned the statistic with Visa and Ethereum, don't corporates have to get faster in their innovation?

Adam: Yes is the answer to your question, they typically do that through acquisition. I am impressed with Goldman Sachs, I often thought of large incumbent financial institutions as quite slow moving sort of reliant on their older business models that weighed them down, Goldman in particular with no legacy consumer business or retail business to speak of was able to really create a blank slate and create space for entrepreneurs and innovation to come in and really move quite quickly. If you look at the progress Marcus as a business unit has made in its short life as a company inside Goldman, there's no denying that the revenue ramp and the scale of that business is enormous value creation in a very short period of time which is very unique for a large company, particularly one as large as Goldman Sachs.

I credit David Solomon and the Executive Team for creating that space and giving room for entrepreneurs to execute at a faster pace than is typical. That said, I think that's a relatively unique situation in that Goldman doesn't have a consumer business to cannibalize or to create margin

pressure and conflict around it's an entirely wide space that is unique for a large consumer facing brand and so they typically, as I said, solved that problem through acquisition.

There's no question that, particularly as it relates to blockchain technologies, the large financial incumbents have wrapped their arms around newer innovative companies either through partnership of investment to make sure they have a seat at the table to see how things progress and Domain Money is no different. We have a strategic partnership with MasterCard where we're part of their startup program where we have a number of discussions with their leadership and showcase our wares to their broader teams that they are familiar with and understand, you know, where our company that's as fast moving as Domain Money is headed.

Todd: What's the biggest lesson you've learned about Domain since you've launched the company?

Adam: The company is less than a year old, it doesn't feel that way because I left Goldman, about 30 of my former colleagues at Goldman Sachs decided to join me in this endeavor, I'm pretty honored and humbled that so many of my colleagues joined me on this adventure. And so, we have been working together for a number of years as a group so there's a cohesiveness to our team and our ability to execute that's kind of unique for a startup as young as we are.

I would say that the thing that I've learned the most is just how quickly you can execute if you have a clear focus on what you're trying to get done and you have the right people and the right resources in place to make that happen. We've gone from a standing start in June of last year to a revenue generating company with thousands of customers basically, you know, in about eight months, just very excited about what we're doing as a team and how quickly we can move.

Todd: You mentioned the team, how big is the team today, you mentioned 30 of your colleagues came with you, what does the team look like, the make up of the team and tell us a little bit more about those around you.

Adam: Very proud and pleased with the caliber talent we have around the table so we're about 45 people today. Our Head of Content was the Head of Content at CP Alpha, our Head of Design was the Head of Design at Marcus, our Head of Engineering was the Head of Engineering at Marcus Digital Storefront, our COO was the Head of the Crypto Business at SoFi, our Investment Team comes from Bridgewater, Goldman and Morgan Stanley, our Head of Trade Offs was the Global Head of Trade Offs for Cantor Fitzgerald, our Chief Compliance Officer was at Coinbase and before that Togome.

We've put together an exceptional group of people who all see the vision that I see which is there is very clearly a space for a premium competitively priced, actively managed strategy provider in the market. Investors want that, they don't understand all of the nuances of crypto, they don't understand how quickly it moves and they want to have access to the investment categories and they want to do it in an intelligent way. And so, the intelligent way to do it is to diversify strategy that's actively managed and focused on four fundamental value creation rather than try to kick the next mean point.

Todd: You just mentioned the team around you and it sounds like, from my point of view in the outside, like an all-star cast. I'm curious to hear, back to one of your first ventures, how different that dynamic is of the team that's built and is with you today versus early on where you were probably more obviously younger and just getting going as an entrepreneur, how different that dynamic is.

Adam: Great teams create great outcomes, there's no other formula. Yes, recruiting is much simpler and easier exercise today. I do most of recruiting myself, I don't really use recruiters, I go on LinkedIn. I'm looking for a product manager with five years of experience that's come out of companies like Stripe, Square, they understand credit markets, they understand consumer, credit cards, boom, very easy to target that individual on LinkedIn.

I send them a note, I introduce myself, I explain what we're doing and set up a Zoom and we kind of go from there. Recruiting is much simpler today than it was when I was starting out, a fair and accurate insight that you've identified. There's no substitute for having a great team around you, it just makes all the difference and so very, very happy with our team and excited about what we could do together.

Todd: If another founder were to listen to the episode and obviously we get many that do, what advice would you offer them as someone who started companies and obviously has had success with companies, any particular piece of advice that you think they would find useful if they're just starting out.

Adam: Oh, there's a couple of things I'd say and there's several canons of deep thinking that have been codified for folks who are interested in advice. One of my favorite things is a line from Bill Gurley from Benchmark Capital, startups still fail for lack in ambition, they fail for lack of focus and so having a very specific focus. What is the specific problem you are solving and how do you communicate that solution to the end customer in a way that in less than five seconds they can get it. Particularly as it relates to consumer, if you don't have that and you can't articulate it, you're in a lot of trouble.

The second thing I would say goes back to our earlier comment around team. You have to have a group of people around you who are committed, who are capable and who understand what it is that you're trying to do with precision, not some vague notion of here's people we want to go get, but precisely who you're trying to target and precisely what problem you're trying to solve for them. The third thing I would say is capital, if you don't have capital, you cannot execute in a market effectively. Financial services, in particular, are so competitive, there are so many dollars flying around that if you don't have access to capital, you're just at a competitive disadvantage which is not something that you can have when you're trying.

Todd: To pick up a your last point, you mentioned capital, do founders sometimes find themselves in trouble if they are too eager to take capital without understanding what that capital investment might mean from that particular person and are they focused enough on building the right board that they put the people around them for their company versus hey, this is a big name, I'm just going to put him on the board, whatever things I have to give up, I'm going to give up versus this is my company, my vision, my founders' vision, this is what the board should be.

Adam: Having the right capital partners really matters, brand recognition helps, but it only helps insofar as it results in that individual who's on your board understanding the business that you are going after and can help you navigate that. You know, one of the ethos at our company is that I don't care where the right answer comes from, I just want to find the right answer to each problem we face, whether it's technical, operational, marketing, customer service, partnerships, what is the right answer and how to find that answer and so we've done a pretty good job, I think, of building a cadre of resources around the company.

Now, Ferguson, Buber Institution, Michael Errington, Joe Kwon from Terra, folks who are deep in the blockchain and crypto ecosystem as well as folks who come from the more traditional side of the equation, one of our investors is Elisha Wiesel who's the former CIO of Goldman Sachs, we have a number of traditional financial services folks who helped us think broadly about both traditional equities, traditional banking, crypto, blockchain and how to do portfolio constructions. We've really, you know, put together the right folks for our problem sets. And so, to your question, you know, investors who bring Domain understanding, sorry for the pun, (Todd laughs) and are ready to help are really what you're looking for, just the dollars and the brand name don't really do much.

Todd: We have just a couple of minutes left and I'd like to end a little bit lighter with some fun. Do you have a favorite book and the last book that you read.

Adam: Well, I have many favorite books, it's hard to kind of narrow it down. One of my favorite books is "Seeking Wisdom" by Peter Bevelin, he followed Charlie Munger and Warren Buffet around for basically four years and he created a framework to explain their thinking process and you really systematize that process into a set of decision criteria that's really all distilled down into probabilistic decision making. And, I really love seeking wisdom because it takes some of the ancient Roman traditions, it takes some of the best of the homespun, you know, Warren Buffet, a down home simplistic thinking and weaves those together in a very clear explanation of probabilistic decision making which is how I try to do everything.

need to remove emotion, you need to look at the data and you need to make decisions based on probabilities and if you do that over time, you'll just, by a little bit, improve your odds of success and that may be just enough to help you achieve a better outcome than your competitors and if you keep doing that over time, it has compounding effects.

The last book I read is a book that isn't particularly liked, but it's called "The Calling of the American Mind," it's really about the impact of social media and helicopter parenting and the over programming of our children and it's impact on their emotional development and well being. You know, I'm a big believer that kids need to fully demonstrate their needs because they need to learn how to balance themselves and they need to understand the repercussions of taking that risk that led to that scraped knee and that pattern recognition needs to develop over time. We entered a world where, you know, kids are so cuddled in an eco-chamber of social media that only amplifies their insecurities and that's a bad formula, not a liked topic, but something that all parents I think can empathize with. I, myself,

struggle with trying to figure out how to best provide a healthy emotional environment for my daughter while ensuring she's not isolated from the world which is on her phone.

Todd: Yeah. Do you have a favorite sport or sports teams that you root for?

Adam: I play tennis a lot, I'm a little unique in that I'm not a huge sports fan follower. I think the last team I followed closely was the Houston Oilers where Bum Phillips was the coach and Earl Campbell was the running back (Todd laughs), that sort of explains how long it's been since I have actively followed sports. I tend to enjoy playing more than watching.

Todd: I've done about 45 episodes now and only about one of them follows typical sports. Founders tend to be a little different, they either play sports or they watch something that's a little bit off the mainstream.

And then last question is biggest inspiration in life?

Adam: Well, I've been very fortunate to have a very successful brother who inspired me enormously, he expanded the aperture of my thinking about what was possible. I think when I was a younger person my aspirations were, you know, maybe I could become an orthodontist or a lawyer and while those were certainly meaningful and interesting endeavors, you know, Michael sort of opened my eyes to the entrepreneurial opportunity and expanded my horizons dramatically and so he is a great source of inspiration and I'm very lucky to have a brother like him.

Todd: Adam, I greatly appreciate your spending a few minutes with me. How can the listeners find Domain?

Adam: You can go to the Apps Store and download Domain Money there, we'll have our android and web solution out soon, but the best place is the IOS Apps Store.

Todd: Alright, thank you very much, Adam, I wish you and the team continued success, hopefully, we'll get you sometime back in the future.

Adam: Thanks for having me, take care.

Todd: Thank you

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