

LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 361. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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Before we get started, I want to talk about the 10th Annual LendIt Fintech USA event. We are so excited to be back in the financial capital of the world, New York City, in-person, on May 25th and 26th. It feels like fintech is on fire right now with so much change happening and we'll be distilling all that for you at New York's biggest fintech event of the year. We have our best line-up of keynote speakers ever with leaders from many of the most successful fintechs and incumbent banks. This is shaping up to be our biggest event ever as sponsorship support is off the charts. You know, you need to be there so find out more and register at lendit.com

Peter Renton: Today on the show, I'm delighted to welcome Dave Uhryniak, he is the Director of Blockchain Strategy at TRON. Now, TRON is a super interesting organization. they build themselves as the world's fastest growing public blockchain, but their mission is to decentralize the web, you see it right there on their Homepage and we talk about what that means in some depth, we talk about what actually TRON is, it's actually Decentralized Autonomous Organization or DAO, Dave gets into that in some depth as well. We talk about the different components of the TRON ecosystem, really interesting discussion about how some of the new technology here is going to impact the traditional banking system, Dave has some great ideas and great thoughts there, we talk about NFTs, we talk about the Metaverse and much more. It was a fascinating conversation, hope you enjoy the show.

Welcome to the podcast, Dave!

Dave Uhryniak: Hi, Peter.

Peter: So, let's get started by giving the listeners a little bit of background about yourself. I'd love to kind of hear some of the things you've done before you got to TRON.

Dave: My background is in equity research really and consulting, I was in equity research really throughout the early 2000's where I covered the financial services industry and I was able to really develop a thorough understanding of what makes a financial institution work, particularly a bank, right. So, you relate that to today, I can see how everything could potentially play out with DeFi and the risks that wallets and these other new creations could present to the traditional banking system.

From there, I went into more of a consulting role focused on financial services, worked at Big Four firms as well as boutique firms and it was really during that time where I got into blockchain. That was around 2016 where I was entirely in blockchain consulting and working on at that time we were working with payments companies, insurers and government agencies to

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help them to understand what blockchain might mean for their business and how to respond to it. Eventually, I ended up at TRON, I wanted to get more deeply into the inner workings of crypto and blockchain, TRON was a great place to do that.

Peter: Right, right. So, what was it about crypto/blockchain technology that really piqued your interest?

Dave: When I first learned to Bitcoin, I probably, like many, thought it was a bit ridiculous, you know, it's not backed by anything necessarily, it has no value other than the value people provide to it, but then I started to really dig into it and understand it better and that was the result of, you know, reading the white paper as well as doing work on my own to understand not only blockchain technology but understand the crypto side of it and that was what really led me to want to be involved in it.

When I look at blockchain technology, you know, the biggest thing was that I thought that that technology would be definitely disruptive to the payments industry and, of course, it is. But, I didn't think or wasn't aware at that time, until a couple of years later, of how disruptive it will be to all businesses and really at this point I think we're still only scratching the surface of how blockchain and new ideas such as NFTs can really impact traditional business models.

Peter: Right. You joined TRON a few months back, but obviously you had a lot of options, I imagine, everyone's hiring in crypto right now, it seems. What was it specifically about the opportunity at TRON that appealed to you?

Dave: TRON's a really interesting place because it's a very, very well established company in certain respects. In another respect, it's still almost unknown and I found that dynamic to be quite interesting and quite engaging and something that could really be a great opportunity. So, for example, TRON, you mentioned earlier, you don't know too much about it, but TRON Mainnet went live in a fork from Ethereum in 2018 really starting in Asia and during that time, within Asia, we developed a huge presence throughout kind of the APAC region, really a very broad ecosystem with everything from decentralized exchanges to an NFT marketplace and really one of the things we do very well is, you know, probably 25%, nearly 25% of all Stablecoin trading flows through a TRON platform which is pretty significant.

But then you move to the US and, you know, TRON is almost, you know, in many respects known very little. I saw that, or at least I believe, that's an opportunity because we have this huge really what is a superior layer one blockchain technology at the core, right, and if you think about it in terms of, you know, the blockchain trilemma of decentralization, scalability, security, I think TRON in an honest assessment, TRON probably exceeds most blockchains that are out there and really, we just have to make it more known to users in the US and increase awareness and have people building on it.

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Peter: Right, right. You mentioned some there but what are the different components of the TRON ecosystem?

Dave: The TRON ecosystem really after growing pretty rapidly within the last few years, now we're really focused on going what we see is six key areas, right. So, DeFi is definitely a key area for us and within DeFi there is a wide range of projects already on it, but then like I said, we have a decentralized exchange Poloniex, the JUST platform is also a decentralized exchange, I think the market cap on that might be around \$4 Billion so it's pretty significant and then we're adding new projects all the time. NFTs is the second part or one of the pieces of the ecosystem, we started out with Ape NFT Gallery to where, you know, users could come and look at NFTs related to the more typical pixelated images or NFT versions of classic pieces of art, right. So now, we've expanded that to include a marketplace to where now, you know, the marketplace launched earlier this month, I think there's over 60,000 or 65,000 NFTs listed on it already so it's growing rapidly, we're adding more collections to that platform, you know, daily.

From there, GameFi, we started with WIN NFT HORSE was the first one and I think the second one now is WIN NFT RACE. You know, not only are we developing our own games, we have new games coming on to the platform all the time. Metaverse, another key area for us, you know, we just purchased some space in Blocktopia in that office building as well as well as we have space in Crypto Voxels, we don't do all these separately, we see them really overlapping between Metaverse and NFTs and GameFi, really it's all blending, we're doing a lot there as well.

Then let's talk about Next Cross-Chain where we have BitTorrent chain which really I think is really unique, a differentiator for TRON. As you know, I think that was 2019/2020, TRON bought BitTorrent, you know, one of the largest platforms in the world and now we've developed BitTorrent Chain which is a cross-chain solution so by developing on TRON using BitTorrent users are automatically also connected to BNB smart chain as well as Ethereum and that's how really we see the world developing. It will be cross-chain, multichain cross-chain, everything will interact and I think TRON is definitely a leader in forging that path.

And then lastly, let's talk about Stablecoins, as I talked about earlier, for USDT, the Tether Stablecoin, we do just the other half of all the volume on Tether is through TRON which gives us approximately almost a 25% market share of all Stablecoin trading. What's interesting is TRON actually has a larger share of Tether than Ethereum and when you look at the market caps of Ethereum and TRON they're vastly different. I think TRON, well, I don't know the market cap off at the top of my head right now, but it is a fraction of Ethereum's, I know that, yet we're still able to have a bigger market share in Stablecoin trading and I think that's really due to the significant competitive advantages we hold there in terms of speed and cost, really just can't be matched anywhere else.

Peter: Right.

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Dave: And then coming up on the fifth of this week, May 5th, we are launching USDD, the first decentralized Stablecoin which, in my opinion, is really very unique the way it's setup and the way it's managed and I think it's going to really bring together the blockchain crypto community. I could see it being adopted, in my mind, by many countries as legal tender, I think it makes a lot of sense.

Peter: Interesting. So, can you maybe just dive into that a little bit, like what is it that makes USDD different from USDC, USDT or some of the other Stablecoins that have a lot of volume.

Dave: Sure. As it starts out, we'll have tender reserve backed by TRON and over time that reserve, the TRON portion, will go down and that will be replaced by reserve from other large blockchain participants around the world. Think of it in these terms, right, so if you think about the United States Federal Reserve System, there is the Central Bank and there's different branches of the Federal Reserve throughout the country, they all make different contributions to, you know, the Central Bank to support the dollar, right.

Similarly, TRON will kind of function in that Central Bank role in terms of providing the reserve and getting it started, handling the back-office type of operations and other blockchain entities throughout the world will contribute to that reserve and then dynamically, the peg will be maintained by burning or adding TRX as the peg moves away from the dollar, right. So, it's very dynamic, it's very diversified, it's very decentralized, hence, the name the USD Decentralized.

Peter: Right, got you. And so, TRON uses a Proof-of-Stake model, right?

Dave: Well, we use a Delegated Proof-of-Stake.

Peter: Okay. So, maybe you could explain how a Delegated Proof-of-Stake is different to a Proof-of-Stake.

Dave: In Proof-of-Stake there's a lot of talk right now about Proof-of-Stake because, you know, Ethereum is Proof-of-Work and eventually, at some point, they're moving to Proof-of-Stake for a variety of reasons that we'll touch on and there's even kind of a school of thought that say that blockchain should move away from Proof-of-Work to Proof-of-Stake as well. Now, Proof-of-Stake versus Proof-of-Work is probably more efficient, I that's what people are looking for, there's a bit more speed, it's more scalable and if you look at Proof-of-Stake versus Proof-of-Work, you know, from that aspect it's a bit more, not that anyone will say it's more environmentally friendly because Proof-of-Work is much more environmentally friendly than you hear about on a day-to-day basis.

I mean, I don't want to get into that, but when you look at Delegated Proof-of-Stake, you're really looking at something that is even more energy efficient than Proof-of-Stake. It's more

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democratic because delegates are elected through a much more democratic voting system and each token holder has a say. For TRON, you know, we validate transactions in less than three seconds, it's secure. TRON, unlike another large blockchain that happened this week reporting a great deal of congestion and was down for seven hours, TRON has never had congestion and, you know, it's a very secure, very stable blockchain, part of that could be due to Delegated Proof-of-Stake.

So, those are some of the larger differences, kind of at a high level, obviously I'm much more familiar with DPOS than POS because that's where I work in, but, yeah, I would say that's at a high level, that's what makes it different.

Peter: You've got an interesting perspective there because you said you were a consultant in the traditional world and you've moved to this DeFi world, I'd love to get your perspective on what you think the financial community, bankers, even fintech companies, what is it do you think they need to understand about DeFi?

Dave: When you look at what's happening in the US right now with how different groups of traditional financial services are approaching DeFi, so let's break the traditional world into two groups at this point. So, you have traditional retail banks and then you have the traditional, what we call capital markets banks so we're on this side, this is more of your Goldman Sachs, Morgan Stanley, those types of banks. Over on the other side, you know, let's just say that's more of your Wells Fargo and smaller hometown banks, mid-sized banks, you know, Fifth Thirds of the world, that type of thing. So, let's look at it through those two lenses and what you see is on the capital market side they are integrating and adopting this new DeFi methods of doing business.

So, for example, Goldman Sachs recently made a loan with Bitcoin, they're doing a lot of NFT development, integrating blockchain into clearing and settlement, right, so they're adopting these tools and these new technologies, really trying to work with them. And I think, over time, what you're going to see in a short amount of time is having a degree of M&A and activity in that space, right, so much like early in the tens when fintech was just coming up, you know, they were picking apart the large banks because they would pick one service, do it much better than the banks can and then eventually it will be acquired. I think something similar is going to happen along those lines in the capital markets space.

Now, let's move over to the retail side, so I think what we're seeing here is retail is being much more adversarial towards the new technologies, right, we don't see, really for the most part in the US, there's some banks like in Argentina, Banco Galicia announced that they will be offering some crypto products to their depositors I think maybe in their asset management space. But, for the most part, in US retail banks we see much more of a standoffish approach, maybe somewhat of a competitive approach and we think that's because well, one, retail banks really aren't good at adopting to change; two, there's never been a serious competitor to op-ed

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checking accounts in the entire lending deposit business as there is now within the crypto world so that's something completely out of the blue.

Their first response, and I think you're seeing that already, is going to be to seek regulatory relief so what we're seeing is the CFPB now wants some influence over crypto and the SEC is hiring a bunch of more crypto people and, you know, all of that I think is, I'm sure they're doing it for a lot of reasons, part of it is to try and protect traditional banks from these new interlopers that do it better, faster, cheaper than they do, right. So, that's their first line of defense, but really, in my view, crypto can't be stopped and you see wallets becoming much more prominent and what wallets mean is as crypto adoption becomes more and more and more people use crypto, it eliminates the need to have a traditional bank account with ramps for crypto into fiat and back or even crypto into Stablecoin and using that as legal tender you don't need to have a bank account.

Now, pull that through, you see deposits, really short-term, low cost deposits at banks begin to dry up, they're moving to a different source. What does that mean? That means there's fewer liabilities, banks can make fewer loans, that means they have to ultimately borrow more from the Fed, get a higher cost of funding, profits of banks begin to fall. That's just on that side and that's one thing I think they are going to fight against staunchly. Payments is another business, monstrous business around the globe, they will push back against that.

When you think aboutit's funny, I did a podcast I guess last Friday with some folks from Binance and we're talking about how centralized exchanges really function as bridges between different payment systems. If you took that out to the extreme or even just a little bit, what they're doing now as an exchange is moving information from point-to-point between people, right, so why couldn't that information they move be a payment from point-to-point, right. I have no idea if that's on their roadmap or their horizon or whatever, but it makes sense because they're just really facilitating a transaction, really facilitating the exchange of information and that's all a payment is.

Peter: Right.

Dave: So, you know, there's a lot of things going on that could materially upend the current financial system and on the retail side, like I said, confrontation, on the institutional side, collaboration.

Peter: I read you recently became a DAO, a Decentralized Autonomous Organization.

Dave: That's right.

Peter: Can you explain why you did that and what that means for TRON?

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Dave: You know, I can to some extent because the decision on that actually was made last July and it took about six months to really make it happen and then from there that's right about the time that I joined so I am really...I've been at TRON the entire time it's been a DAO. I think I could speculate as to why that decision was made, I think the mission of TRON, and this is on everything we do, sort of websites on everything, is to decentralize the web. Justin and others really believe in decentralization, giving power to creators and users as well as making TRON the most accessible and inclusive blockchain in the world. Being a DAO helps to pursue those missions, right, pursue those goals.

I think that was a big driver for wanting to do it, I think it's difficult to say decentralize the web when your company is centralized, you know, that's not how TRON is anymore, we are a fully decentralized organization. What's it like working there? You know, working with a DAO, at this point in time, offers some unique challenges because you have to have different organizations for signing contracts and doing a lot of day-to-day things, just normal business things that you require different things for, but that's because really the legal framework hasn't kept up with kind of the technological framework, you know, I should say with the caveat of Wyoming which has given DAOs legal rights to move to LLCs.

Peter: Okay. So, I'd love to kind of get your sense, you know, your thoughts on NFTs, you touched on it earlier. Obviously, we've seen a lot of action in the art space, some in music, gaming is picking up, what is it that you're seeing at TRON, you said you've got 65,000 NFTs, where do you see the NFT space going and how is TRON going to help facilitate that?

Dave: I think the NFT space may be one of the most dynamic and most interesting business situations ever to exist and here's why. (Peter laughs) It's because the applicability of NFTs, much like blockchain, also very interesting, much like blockchain, they are applicable in so many areas, right. The use cases for NFTs for art and even music are really the low hanging fruit of NFTs. We're starting to see them...I think the next set will really be kind of adoption within financial services, mainstream financial services by large institutions, again, back to the capital markets firms. Goldman Sachs is developing NFTs for financial services and I'm sure all the other Wall Street banks will be following. NFTs have use cases in about 12 or so industries and within each industry is multiple use cases. People often use baseball to say how far along a certain something has progressed and I would say we're in the top of the first with NFTs.

We're at a point where we don't know what we don't know about how they can be applied, but it's going to be financial services, you'll see them in supply chain, you'll see them in real estate, luxury goods, really I think eventually everywhere there's a blockchain you'll see NFTs on it in some form or fashion, it's really still very early. While I do like many of the current use cases for NFTs, I think the art is really cool, creators deserve more for what they make, but we're so early on how NFTs can be used, but it's really fascinating and how TRON is doing that. We're focused on those six verticals like I was talking about and really getting involved with NFTs in DeFi, NFTs in gaming, just really NFTs in the Metaverse and really enabling developers to come and, you

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know, use the TRON layer one and be creative, you know, that's how we're getting involved there.

Peter: With the Metaverse, you mentioned that you bought real estate there, what do you see is the primary opportunity in the Metaverse, what is TRON really doing to kind of prepare for that?

Dave: I think the Metaverse is really interesting and I think it's going to be such a unique experience and I think it's going to be so much more than walking around with some VR glasses. It's going to create a really unique shopping experience so imagine being able to go into the Metaverse while you sit on your couch or somewhere, look around, go to the store, find something, purchase it in virtual reality, receive some type of NFT for it, if you would, and then either have the item delivered to your house or be able to pick it up at a store. That's really a blend of virtual and real world and I think that's going to be a big part of what happens in the Metaverse and TRON is really enabling a lot of that.

What we do is enabling developers really, you know, going back to our competitive advantages or some of them thinking about cost and speed by being low cost. TRON is incredibly inclusive and accessible to people around the world, it's also incredibly developer-friendly and creator-friendly because to do something that innovative you need to try, fail, try, fail, do it again and you can't spend a ton in gas fees every time you try and fail, right, you have to do it at the lowest cost possible and that's what TRON provides, right. So, it's a great place to get things up and running, use BitTorrent chain, increase your addressable market size or total addressable market by not only you develop here, but then you have access to BNB chain and Ethereum as well and that's how we're facilitating growth in not only the Metaverse, but the other areas.

Peter: Interesting, interesting indeed. So then, let's close maybe with just tell us what's exciting, what's coming down the pipe at TRON?

Dave: Most exciting things happening this week, USDD comes up and I can't wait, I'm really excited to see what happens with it. I think there will be a very high demand for it and can't wait to start talking more about it to people and really making it part of everyday life, you know, using it in normal transactions. I think that's what's very exciting. Additionally, we have people all the time reaching, at least, I have people all the time reaching out to me to help them not only to get on to the platform, whether it's DeFi company or NFT company, but people reaching out asking if they can participate in USDD. So, it's really an exciting time at TRON, definitely, our growth profile has shifted, we're approaching 90 million accounts and really arguably the fastest growing blockchain, but in terms of getting developers on to the platform, that's really accelerating.

Peter: Well, really interesting stuff, it was so interesting learning about TRON. Dave, I really appreciate your coming on the show.

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Dave: Yeah, thanks for having me, Peter, it's great talking with you.

Peter: You know, I was chatting with Dave after we stopped recording there and talking about the importance of developers and that's what he's saying is that it's such a core piece of his job is to attract developers and they're doing that successfully right now because for TRON to really take off, it's going to have to have a really deep developer pool, that's what Ethereum has today and that's I think where TRON is moving towards. It's got a lot of advantages over Ethereum as Dave also pointed out in the interview and, you know, it really needs to get a lot more developer talent here and the sky's the limit.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

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