



THE INFLUENCERS: DIGITAL TRANSFORMATION

TRANSCRIPT

LAWRENCE WINTERMEYER

Introduction	Welcome to Season 2 of The Influencers. We've expanded our scope to bring you interviews with some of the most interesting and thoughtful voices from a digitally driven seismic transformation happening at the intersection of law, business, and technology. We'll be sharing with you the rapidly evolving information that you need to know.
Leo von Gerlach	Welcome everybody to another edition of the influences with podcast conversations on digital transformation and law. I'm Leo Von Gerlach and with me today is Lawrence Wintermeyer. Lawrence is a key figure in the world of digital finance. He is founder and executive chair of Global Digital Finance (GDF); that is the business organization for digital assets and digital finance more broadly, and he has just been appointed as new CEO of Avrio Worldwide, a provider of infrastructure service for digital finance product. Lawrence, great to have the opportunity to speak with you. These are exciting times everywhere, but certainly also in the world of digital finance. Perhaps we start with your idea to found Global Digital Finance and what drove you and what are your current aims with the organization.
Lawrence Wintermeyer	Well, Leo, always great to catch up. GDF was actually a suggestion from my co-founder, Simon Taylor. We were both working in the fintech ecosystem in London and I had just finished up my job as the CEO of Innovate Finance, which was the fintech community in the UK and we saw what was going on in the token ICO space and as we call it, long digital folks, we thought it was best to put a community together and see if we could help to get the community to better define standards of conduct and make the environment certainly more professional for investors. And so that's how we started, almost six years later now, we're going strong and we're really an open innovation community for digital innovators, whether they're startups, financial institutions, and we focus on standards, advocacy and education. So, we're still going strong but broadly a member-led community where members really define the priorities and we, you know, work to calibrate those priorities with global regulators and jurisdictional regulators.
Leo von Gerlach	Great. So, kind of you are bringing together the different stakeholders of the whole ecosystem that in its entirety makes up the world of digital finance to achieve something on the educational side, to achieve something on the regulatory side and now you have taken on again an executive role for a specific business organization. Perhaps before we go into what Avrio Worldwide actually does, you just let us know how you divide your time and how you make it possible to switch between your role for a business organization and then also for something that is an association for the wider community?
Lawrence Wintermeyer	Great question and really my life story in this, probably the third act of my career at my vintage. GDF, like many members associations is a not-for-profit. You know, I spent quite a bit of time with GDF, certainly, you know,

	<p>30%-40% of my time with GDF. I spent quite a bit of time particularly with the foundation as well that I am a founder of in South Africa focused on early childhood development, so I found in my later years in life at my vintage, I'm trying to give back to the community, you know, some of the time that when I was younger I didn't have time for.</p> <p>Avrio is one of my portfolio companies. I have a number of portfolio companies that I have invested or that I'm involved with founded. Avrio has been going for a number of years in the digital financial marketing infrastructure space, but the board asked me to pick up the CEO role this year, which I agreed to do. So, I broadly spend about half of my time with that. Although the two halves, Leo as you well know, never really make one, but such is life. It's a very exciting time, as you said at the top of the podcast, so, and a lot of the interests in these, you know, concentric rings that are part of my community align at times. Not often, but certainly from a market perspective, there's alignment.</p>
<p>Leo von Gerlach</p>	<p>Yeah, as you say, I mean sometimes math doesn't really add up and 50 and 50 doesn't really make 100, but sometimes 150 or even 200. I clearly see that and with that in mind, it's a broad kind of description what Avrio does - kind of digital infrastructure services - that may be a little bit of an abstract term, perhaps you can explain what that means specifically and what the offering is.</p>
<p>Lawrence Wintermeyer</p>	<p>It is, and in fact it's a community of plumbers which most of digital assets is about, which is a terribly uninteresting topic to many people, particularly consumers. But we have a US registered platform, an ATS in alternative trading system for private markets, public markets stack for routing to any public markets, a digital assets stack and an EFT exchange. And so we are particularly positioned as a business to business player focused on organizations that are looking to bring their products and service to markets either in a digitized to tokenized way or bringing their community of investors to the platform that are really looking for access to new products and services.</p>
<p>Leo von Gerlach</p>	<p>So, it's kind of technology service that you provide; it's probably also business consultancy services in the digital space. Is it probably something also more holistic that getting new companies into the ecosystem; is it more on the technology side, more on the business side or is that hard to define?</p>
<p>Lawrence Wintermeyer</p>	<p>Well, I think, you know, it's an excellent question. It's actually where digital confluence, you know, digital community crosses the business community. We don't do consultancy or advisory, but particularly if you look at areas where digital transformation is happening and put aside the bond market of the public markets, the securities markets, the public equity markets, there's a lot going on in private equity, in property and really in the transformation of traditional assets in getting them into some sort of form of digital tokenizations. That is a very big area of focus for us, so we've got a full technology infrastructure stack, but we've also got a team of former hedge fund quants and product people. So, you know, we're pretty handy at product design and structured products as well. So, it really is a hybrid company and I think to your point, that's exactly what we're focused on. Many of our, you know, strategic partnerships or partners that are interested in bringing assets to market or products to market that you might not find on</p>

	<p>Wall Street right now, so, you know it's a really good way of looking at it, but it's all in new space as you know. And so I suspect that we'll see the developments of this market now over the next 10 to 15 or 20 years and in the same way you know, we saw the developments of the you know, electronic stock exchanges from the 70's into the 80's.</p>
Leo von Gerlach	<p>So that kind of helps companies to bring their business vision about in the space of digital finance, perhaps more specifically in the space of digital assets. That kind of leads to the follow-up question: where do you see this whole asset class of digital assets in the broader sense heading, in particular with all just the turmoil we have seen more recently on the market?</p>
Lawrence Wintermeyer	<p>It's always difficult to predict. If you look at what's gone on in real world asset tokenization, 2023 was a year where all the proof of concepts started to move into production and particularly with the larger, you know, Wall Street or tier one banks and custodians. But the focus has been on vanilla products, money market funds, ETFs. So, those are what I would call more digital transformation plays.</p> <p>There's an interesting play coming out of Ownera and JPM on intraday repo. So, you know, in intraday money, you know, buy out 10, sell at 3.</p> <p>It's really starting to move and I think many in the market who, you know, whether they're ATs (alternative trading systems in the US) or MTFs (multilateral trading facilities in Europe) have had a difficult time actually answering the question you've asked and picking the market. I would have said, you know, certainly 5, 6, 7, 8, 9 years ago, many people were focused on the tokenization of unregistered securities in the US for private markets and that's been pretty slow to move for a number of reasons.</p> <p>So, a lot of folks focused on the tokenization of property. All of these things are starting to move, but they're moving slowly in that the assurance of the technology and particularly a lot of this is on blockchain technology, the assurance that you need often in a regulated environment that has witnessed the scrutiny of quite a few pilots and making sure that the technology actually works and does the job and is reasonably resilient. And so, I think that's all starting to happen now, which is why the future really, the next decade, will probably see the wholesale replacement or certainly addition of new digital financial market infrastructure.</p>
Leo von Gerlach	<p>And as you say, Lawrence, the times of proof of concept are probably over. Products really need to be ready for battle and be bulletproof and with their business case and their adaptability to the market. That brings me to ask, what type of assets do you see having that potential? What specific areas in the digital space are those where most promises lie at the moment?</p>
Lawrence Wintermeyer	<p>Well, putting aside the trends in 2023 and I think we should mention, certainly in Europe and in France, we've seen debt being tokenized. A lot of this is happening in Europe and a lot of this is happening in Europe at an institutional level, mainly because of some of the barriers that most of your listeners will be familiar with in the US with the SEC, and then certainly most recently the SAB 121 in the Bulletin as it relates to custodians.</p>

	<p>But, you know, the real opportunity for digital assets is to unlock liquidity. You know, again, a very boring topic for consumers or end-users who are saying, "What? Why do I need this stuff? What's it going to do it? I just, you know, when I get in the car, I just want to turn the key for the engine to work. I don't really care how it works, so if it's gasoline or petrol or diesel". But you need to really peel back these layers to look at where products are going to go because the biggest opportunities, I think, unpacking are in markets and in asset classes that require liquidity or that have great growth opportunities and can benefit from greater pools of participation, whether that's, you know, large allocations of institutional capital or smaller but large distribution of retail capital.</p> <p>So, again I think, a lot of eyes are on private equity, particularly in the inflationary period wherein private equity firms are really looking at the opportunity of unlocking access to their assets that extends right into private markets and unregistered security. You'll know, Leo the popularity of investing in FinTech, MedTech, CleanTech, and many different investment segments have become interested in, you know, technology certainly being led by, you know, the Magnificent Seven in the public exchanges. So, looking at areas to unlock private equity and private assets I think is the, you know, one of the areas to, the biggest areas to focus on.</p>
Leo von Gerlach	<p>So, that's interesting. In addition to obviously the existing fields of currencies and bonds that are all just going tokenized to some degree and what we have seen in recent years, you are now just mentioning more traditional industries and those that are the focus of private equity in particular. I would also think that brings us into the world of very traditional assets, real-world assets. So, do I kind of understand you right that this is also something where the attention is going at the moment?</p>
Lawrence Wintermeyer	<p>I, again, I think you raised a number of important points: (one) without digital payments and, so, on the retail side, we've got stable coins and on the institutional side, we've got, you know, deposit tokens or treasury tokens, we're all waiting to see how central bank digital currencies unfold, whether they're retail or wholesale, but that digital payment infrastructure is critical for anything in digital asset store. So, that will continue to move.</p> <p>Depending on which markets you're in, a lot of institutions aren't particularly focused on retail stable coins. So, there's a bigger focus on institutional coins and certainly waiting with anticipation on where wholesale central bank digital currencies go.</p> <p>As for public markets, I think we need to wait and see. I mean, there's a relative efficiency from a capital perspective and you know public bonds, you know, security markets, but there's a great transformation opportunity. You know, if you look at the bond market in particular, you know, administration is still fairly fragmented and, you know, I think the number of players that are looking at that space is one of the biggest markets in the world, whether it's public or private debt.</p> <p>So, those markets will be a priority, and I think will certainly quietly develop their use cases as in unpack. But where does the real capital creation or the capital inclusion, the new opportunity to really get investments of greater liquidity into the broader market. You know, again, I think people are focused on, you know, commodities is a big one and opening up further the commodities markets but, broadly, private equity, private markets and real</p>

	<p>estate are the ones that I would keep an eye on over the next few years and pay attention to the developments.</p>
Leo von Gerlach	<p>Wonderful. This was the whole world of digital finance in one answer. So, currencies, funding and investment targets in forms of real world assets. Perhaps we stay for a moment with the last topic, that's kind of a new one, whether you see the challenges, whether you see the opportunities in real world asset tokenization.</p>
Lawrence Wintermeyer	<p>It's probably one of the biggest opportunities for us to look at and to tokenize mainly for efficiency, liquidity and to promote greater access to all sorts of investment segments but, as you know, Leo, there are a number of barriers.</p> <p>So, when we started at the top talking about making the use case, that already, I mean, it needs to, you know (one) work and be secure as importantly as an investment product. It needs to, you know, deliver the investment at the risk profile that it says so.</p> <p>You know, ultimately, what are we trying to do? We're trying to have yielding investments in this great search for yield investments that are performing and that are safe and offering them to a broader segment of investors. And so, the technology I think is really important and, you know again, you find many regulators aren't particularly convinced that public blockchain protocols are going to be the best way forward in the earlier stages for retail investors or, for example, the tokenization of debt where we see many financial institutions in smaller communities of private networks working through these cases.</p> <p>And so, I think that assurance really needs to unwind this part of the transformation to these new digital rails and, you know, we'll have the old one. So, we'll have a new infrastructure and an old infrastructure, you know, two different train tracks side by side running for a number of years as this is proven.</p> <p>And then again one point about, you know, what this means to investors and it's always great to look at retail investors as a use case, that nobody cares about digital financial market infrastructure or tokenization, you know, these are industry terms that industry practitioners use and that, you know, we in the plumbing of the financial market infrastructure are focused on.</p> <p>What's the use case? Consumers simply want stuff that works. So, if you look at credit cards many years ago, when you and I first started using them Leo, you went to a restaurant, they had the phone in the number to make sure the card wasn't stolen, you know, you paid for it on a carbon copy, a piece of paper that you needed to sign, and then it got posted to your account a month later and a paper statement came a month later, you know. Now you just tap your card if you do use a card, maybe you don't even use a card, you just use, you know, one of the pay applications on your phone and it's paid. You can go in and settle it anytime you wish on your phone as an application.</p> <p>So, those improvements in removing the friction in how financial services are used, are the things that ultimately are appealing to end-users. You know, you want to be able to do it all on your phone, bank, trade; you want to manage your pension on your phone.</p>

	<p>So, I think the offer of tokenization really simply makes that asset class and that range of financial services more diverse and accessible for you, whether you're a retail investor or a professional investor or an institutional investor, and at the same time, the volume of that carves out a lot of efficiencies and creates a greater pool of liquidity.</p> <p>So, you know, what most of us are really focused on is creating more wealth and greater liquidity, but hopefully focusing on the safe side of digital and the opportunities that digital offers, rather than quite often the fraudulent things you hear about, you know, how the internet works. So, it's an opportunity and I have to end, I know I've gone long on about this, but it's a bit like nuclear technology. It can be both good or bad. It depends on your application of it. So, my whole community and businesses are focused on the safe assurance and the good use of the technology, and I think that's what most of the people, Leo, in our community are focused on.</p>
Leo von Gerlach	<p>So that makes obviously a lot of sense. Investors want to have their investment products to yield results. They want it to work, just simply work technically and they want it to be safe and reliable and perhaps we stay with the safety and the reliability, and that is closely related with the regulatory surrounding for any such product. Do you see that we are already where we should be? Where is room to work towards to end? Perhaps allow me this additional question. Does that bring us again back to your work with Global Digital Finance, GDF?</p>
Lawrence Wintermeyer	<p>Well, that tells them that in GDF we try to represent industry as the voice of the industry and our advocacy work. But again, the confluence of the intersection of financial services or regulated financial services and digital technology makes for a pretty information rich space and so, you know, I think the adoption cycles typically, we'd like to use a 10-year period as a sort of typical adoption cycle. That's just bringing people along quite often, it's not that the technology doesn't work or can't work. It's that it takes that long from an anthropological perspective to get people comfortable with it, you know, make sure that we can get it in the legal system, in the regulations that apply and to make sure that we've worked through, you know, the technical architecture and resilience of what it is we're building, and I think these are important points. These are all things that that GDF is focused on.</p> <p>But, you know, I think the simple answer is, until you can prove to the gatekeepers in this case, who are regulators, that the technology is safe and that it works well, no one's going to be convinced and I would say, as an industry, we still have a lot of work to do you. You know, you get back to, you know, what are some of the trends? I mean, from my own perspective, I try not to be the arbiter of discretion but in the internet, in the broad internet and web space where there is no provenance or identity, and so you can have public protocols, D5 protocols, social media and actors acting without a provenance and identity, those are not well suited to environments that require an identity and a provenance and an understanding of who it is that you are. So that needs to be resolved in the next decade and I would say that's on a risk adjusted forecast scenario, that communities that evolve where community members all have a provenance; I am Lawrence Wintermeyer; I am who I say I am, and this is who I am.</p> <p>It's only when you create those sort of environments that most regulated financial services work, whether, you know, you're a retail consumer, a small medium sized business or an institution. So, I would expect to see a greater</p>

	<p>onus on the provenance of networks for their community members and that's what, right down to the application, the technology, the wallets, the phones and the use of technology as we go forward.</p>
Leo von Gerlach	<p>Lawrence, and as you say, I mean, there's work to be done and it's great to see you keep going. Thank you so much for joining us and thanks everybody for tuning in. I hope you join us again for the next session of The Influencers. For now, good-bye, take care. See you soon, everybody.</p>
Outro	<p>Visit our digital assets and blockchain hub at Hogan Lovells Engage Premium for more podcasts and other resources.</p>