Demetri Kofinas: What's up everybody? Welcome to this week's episode of Hidden Forces with me, Demetri Kofinas. My guest for this episode is Alex Mashinsky, founder and CEO of Celsius, a next generation lending wallet that aims to be the "Killer App" of the cryptocurrency revolution. Alex is a serial entrepreneur and founder of seven New York [00:00:30] City-based startups raising more than one billion dollars and exiting over three. He is a serial inventor with over 35 patents relating to exchanges, VoIP protocols, messaging, and communication. He is one of the inventors of Voice Over Internet Protocol with a foundational patent dating back to 1994.

Alex, welcome to Hidden Forces.

Alex Mashinsky: Thanks for having me.

Demetri Kofinas: You got a really long bio man; I only took out a small paragraph of that. I could have filibustered the first 10 minutes of your bio.

Alex Mashinsky: We could have done the whole interview just talking about my bio.

Demetri Kofinas: [00:01:00] We're going to have to really get into your company because I was asking you before I started what to call it. I had Next Generation Lending and Market Making Platform and you corrected me and told me to say Lending Wallet. I actually think there is a ton of things that you're going to end up doing out of this. I mean, I don't even think … But again, this is your company, you know better than me but we'll get into it. I just see so many avenues. I think that it's so really cool. You did also a great job, by the way, with your White Paper; it was painless to get through it. Also, whoever-

Alex Mashinsky: That's because I didn't write it. My team wrote [00:01:30] it.

Demetri Kofinas: So who did your art because they also did a lot of assets?

Alex Mashinsky: We thought the animals represent our community better than people. When you see people they all look alike, but behind them there are different personalities that's more representative by animals than by people.

Demetri Kofinas: Yeah, you got this little monkey, this monkey hipster; you got a lot of monkeys in here. You got some cats.

Alex Mashinsky: Those are the good guys, you know-

Demetri Kofinas: And you got a shark! The shark is a banker, right?

Alex Mashinsky: The sharks, the whales, those guys you have to watch out for.

Demetri Kofinas: There are whales [00:02:00] in this too? I didn't see that.

Alex Mashinsky: Yes.

Demetri Kofinas: All right, this is great. Well, listen Alex, well I'm-

Alex Mashinsky: The hippos, those are dangerous.

Demetri Kofinas: I'm really excited to do this interview with you. We met a few weeks ago and at the time I knew nothing about Celsius. As I've delved into it, I read through the paper and then I had a chance to speak with your CTO and one of your risk officers, Roman. I find your platform really cool and really interesting platform again. We'll get into what it is. Let's start [00:02:30] maybe there. I'll just let our audience know just for the interests of time because there's so much to get into here, you have a prolific background, I suggest people take a look at your background, your patents; also you're the founder of GroundLink. You're the founder of the company that wired up the New York City subway system for wireless. So you have a huge track record.

Alex Mashinsky: Transitwireless.com

Demetri Kofinas: Transitwireless.com. But I want to talk about Celsius. Before we get into what Celsius is, maybe you can lay out for us the problem that Celsius is attempting to solve?

Alex Mashinsky: Sure, that's a great starting [00:03:00] point. Most people on this planet currently have no way of generating income on their hard-earned dollars. Basically, because of the central bank's reflationary policies all over the planet: the Japanese, the European, the central banks and the fed, a whole generation has never seen-

Demetri Kofinas: An interest rate?

Alex Mashinsky: Interest rate, exactly. The idea that you can earn money on your money, which is how the rich people make all their money, [00:03:30] is completely unattainable to the vast majority of the population. On the second part of it, so you can get … Basically, if you deposit money with the bank, even if you lock it up for two years, you're not going to get more than 2% interest. You're lucky if you get 1% interest.

At the same time, the banks and the financial institution have done a phenomenal job of extracting every dollar possible from you, right? If you charge your credit card and you're late paying, you pay … You go one day beyond the 30 days [00:04:00] that they give you as … Whatever, the average is probably 15 days, you have to pay them 25% on average in interest, so they give you 1% but they charge you 25%. We basically asked ourselves a very simple question: why is it the way it is? There was no good answer. The only reason that there is such a gap between what the bank pays and what the bank gives you: what the bank charges you is that there are no other alternatives. The banks have become such a gigantic monopolies and toll [00:04:30] collectors that they don't need to give you a good deal.

Demetri Kofinas: Well, that's one extreme. I mean 25% is obviously an extreme interest rate level. There are lower levels, but in that entire range, the bank obviously makes money. What's interesting with what you're getting at and what's interesting about the way that you approach this problem, which I think is really cool and our audience will appreciate, is that I think what you're getting at, what you did is you looked and said what is the legacy thinking around loans and around interest, how can we do [00:05:00] this better and why are banks charging? Why is it that they charge so much? For example, you told me that and I said, "Well, they're charging 25% to somebody because he has a lower credit score, because he's not as credit worthy a part of," but you made the point that most of that interest is not actually covering the risk of lending to that person, it's just extractionary.

What you've done with the Celsius is I think really cool when you look at your competitors in this space with how you're actually issuing credit against acid back [00:05:30] loan basically. Can you talk us through a little bit how that works? How the mechanics of your platform work? How you've thought differently in that regard?

Alex Mashinsky: Yeah, so we don't think that we can fix the dollar world. It's not like we can jump into the dollar world and come up with a product that is better, cheaper, faster? I mean, what we said is basically let's make sure that the crypto-world: the new world in which there's still no set rules, let's make sure that that world is set in a way that is done in the best interests [00:06:00] of the holders: of the coin-holders.

That's really what differentiates us from everybody else in crypto. We start with the coin-holder and we ask ourselves every day what can we do for the coin-holder? I don't know many companies that do that. If you think of Costco, if you think of Amazon, and you think of their founders and what they do every day, every day Jeff Bezos wakes up and he asks himself what else can I do for my customers? That's why Amazon is such a powerful company.

[00:06:30] We have exactly the same principle and our principles are based on can we create a wallet or something that holds your coins, that thinks about you every day, that thinks about how to earn you income, how to get you cheap loans and how to do all kinds of other things that you could never get in the dollar world. In our world: in the crypto world, we don't need a credit score because we could care less what your credit score is, it's a new world. You come in, as long as you show us you're a good citizen, you're a good actor [00:07:00] and you deposit some coins with us, we will issue single digit loans, meaning loans at less than 9%.

Demetri Kofinas: Basically, someone comes to you; they come to you with an asset and you're issuing an asset back loan. In some ways, there are some similarities between what you're doing and a classical gold standard where you actually deposit … The bank has a certain amount of gold and can lend against that gold. Of course, they're creating credit-

Alex Mashinsky: Those are the old days where they-

Demetri Kofinas: Yeah.

Alex Mashinsky: That was before 1970 that was every loan.

Demetri Kofinas: Exactly. But in this case, you're actually getting less than the value of your loan, [00:07:30] which is interesting and important, I think. It also differentiates you. What is your loan-to-value? What is the highest LTV that you're going for?

Alex Mashinsky: Our job is to balance, giving you as much access to capital but at the same time not creating too much risk for yourself. If you hold bitcoin, the loan-to-value is going to be 40% to 50%; if you hold Ether, it might be 30% to 40%, and if you own other coins that are more volatile like Dash or Litecoin, the [00:08:00] ratio may be 25%? Why? Because we're trying to protect you. The last thing we want is for you to have a margin call, you the customer who is the coin-holder.

We'll do everything to protect you because it's not in our best interest. If you think about exchanges or banks or financial institutions they love making margin calls, they love when you're late paying your credit card because they start charging you fees, they jerk up your interest rate and they do all kinds of other stuff. We do the opposite, if you've even getting even close to that scenario, [00:08:30] we'll let you know that you are close to it and you should take action immediately to protect yourself further. For example, deposit more coins to increase your loan amount so you're not in a margin cost ratio or pay down your loan with dollars and so on. These are protective assets. Why? Because we're acting in your best interest.

Demetri Kofinas: Well, in traditional financial markets, it's a lot easier, other assets for example, to liquidate those assets if you get a margin call. In this case, it isn't as easy-

Alex Mashinsky: It is as easy. [00:09:00] Bitcoin trades $20 billion a day. If I hold your coins and you gave me $100 or $1,000 or $100,000,000, I could still liquidate it very, very easily. The issue is-

Demetri Kofinas: It depends on how big your position is.

Alex Mashinsky: Even $100,000,000, I could liquidate it in one day without moving the market.

Demetri Kofinas: Okay, I have to ask you about that then.

Alex Mashinsky: Yes.

Demetri Kofinas: Because I've heard that's extraordinarily difficult to do. Two things, I'd love for you to explain to me how: one, and that's interesting because you probably have all sorts of interesting relationships that make your platform work. [00:09:30] I keep calling it a platform, I apologize, we'll let it slide for the audience.

Alex Mashinsky: A magical wallet.

Demetri Kofinas: A magical wallet. But that's the entire rationale I can imagine for why your LTV is so low because of the fact that this is just-

Alex Mashinsky: It's not because of the lack of liquidity.

Demetri Kofinas: Price movement? It's how quickly the price could-

Alex Mashinsky: It's not because of that. It's the-

Demetri Kofinas: It's the volatility?

Alex Mashinsky: It's the point of only lending you 50% or 40% or 30% is to protect you as a coin-holder. If we lent you 70%, then you would get a margin call every few days. Now, if I was Goldman Sachs and they wanted to [00:10:00] basically grab as many dollars out of your wallet as I could, that's what I would do. I would give you a much higher loan-to-value ratio because I want to liquidate your position.

Demetri Kofinas: But if I-

Alex Mashinsky: Because I make higher fees when I liquidate your position. I give you a bad exchange rate, I-

Demetri Kofinas: But if I go to Golden Sachs with $100,000,000 of Apple stock, I'm not going to get a margin call that quickly.

Alex Mashinsky: You'll get-

Demetri Kofinas: If I take a-

Alex Mashinsky: You'll get up 80%, maybe some of them will even give you even 90% margin against your Apple stock.

Demetri Kofinas: But Apple stock [00:10:30] isn't as prone to volatility as a cryptocurrency is my point.

Alex Mashinsky: Just in the last few weeks, it dropped more than 10%. In two days, in three days, Apple stocked more than 11% in three days, and if you had a margin call you would have a big loan against your Apple stock, you would have a margin call, and if you couldn't put more dollars in you would liquidated. Again, we start with the premise: we're not the counterparty to our customers. We are the custodians; we are the protectors of our customers.

Demetri Kofinas: Okay.

Alex Mashinsky: [00:11:00] That's the main differentiator between us and the banks. The banks start with the premise that they are your counterparty. Their job is to extract as much profits out of you. That's the job of any corporation. Their job is to figure out how to extract as many profits out of you as possible. That's why they're doing a credit check. Why do they do a credit check? They want to know if you're high credit score guy or a low credit score. You're high credit score? Guess what? They're not going to charge you a lot because they know that you have options. You have [00:11:30] low credit score?

Demetri Kofinas: That's like Amazon. You know, Amazon, I'm sure you know this, if you shop around at other places online, Amazon knows that-

Alex Mashinsky: It's not the cheapest.

Demetri Kofinas: You get-

Alex Mashinsky: And they're not the cheapest but they provide the most value.

Demetri Kofinas: Yeah, no but I'm saying they sniff out the sea.

Alex Mashinsky: Yes.

Demetri Kofinas: If you're looking around based on you know-

Alex Mashinsky: Yeah, on your browsing history, right?

Demetri Kofinas: Yeah exactly. That determines how low they go for you. Also, your location and everything. Okay, so counterparty.

Alex Mashinsky: But they still deliver more value than most other people.

Demetri Kofinas: Hey, look ... I can't complain about Amazon.

Alex Mashinsky: Yes.

Demetri Kofinas: I wouldn't be alive without Amazon. So [00:12:00] counterparty. That's an interesting point. That brings us to a conversation about how you're providing this liquidity, this credit. There's a term that I've written down for myself here, when you talked about Costco, I thought of this for myself as you guys are a monopsony buyer of credit. It seems to me that what you're doing is you're pulling these assets in: these digital assets. You are pulling together and you're shopping around for credit.

Alex Mashinsky: Right. Unlike pure-to-pure exchanges, where you the individual are pegged against a hedge fund [00:12:30] that wants to lend you like lending club or others, we pool, like you said, the most important piece here is that we pool together as many asset holders as possible, and then we go to very large financial institutions and say, "We know you wouldn't lend against one Bitcoin, that's worth $10,000, how about 100,000 Bitcoins that are worth a several billion dollars?" The answer is yes. They will do it for several billion dollars what they will not do for several thousand dollars.

We [00:13:00] are creating effectively a pool, just like Costco, just like Amazon, where the pool of buyers have tremendous purchasing power versus all the vendors out there. In our case, it's vendors of credit, and we can do single digit lending because our purpose as an organization is not to maximize profit, unlike the banks and financial intuition, but rather create the most value for our customer. By creating the most value, our token value will increase.

[00:13:30] If you think about what's the invention of Ethereum, when you ask people what's the invention of Ethereum? Most people tell you, "They were the first guys to come up with the smart contract." I don't agree with that. I think the invention of Ethereum is the ICO itself. The token or the coin that they generated separated the value creation from the network itself, so the Ethereum network does not have to generate any profit.

Demetri Kofinas: Right.

Alex Mashinsky: It does the best for all of its users, and the token of [00:14:00] the coin measures the value of the community. So right now, Ethereum is at 950 or whatever it is, and that measures the value of the community. Our job is to extract the best prices for our community, give all of that value back to the community members and our token will reflect if we're doing a good job or a bad job.

Demetri Kofinas: So I come to you, I deposit, let's say, $1,000,000 at current value: market value of Bitcoin in my wallet with Celsius. At that point, [00:14:30] I want to take out a loan against it. You're aiming at eventually to get to 40% LTV or 50 %. But initially, I assume you're going to be much lower, right?

Alex Mashinsky: No, we're there today. We're already partnered with several financial institutions that agreed to go all the way up to 50%. The reason for that is that we're raising enough money that is used as a … We're staking our own capital-

Demetri Kofinas: Right.

Alex Mashinsky: As well. We're not just staking the membership coins [00:15:00] but we're also actually staking dollars, which the bank says, "Deposit these with me, also deposit the coins, I'll act as the custodian for the coins. Now, I have two assets. And then I'm willing to give you cheap loans, just like I'm giving to all the other rich people that come, give me a lot of money and ask me for a loan against a lot of money." We didn't invent anything new, we're just doing what the rich people have been doing for the last several hundred years.

Demetri Kofinas: You guys, this has a lot-

Alex Mashinsky: Banks love giving money to rich people.

Demetri Kofinas: It's true there's a [00:15:30] Chris Rock skit? Look, if this is Joe Rogan's podcast, we could sit here and I could show you the video. There's a great skit of

Chris Rock where he talks about how when you're poor, you can't get any money but when you're rich they just want to give it to you.

Alex Mashinsky: Exactly. At very low rates.

Demetri Kofinas: At very … That's the point. Yeah exactly. You have not launched this product though yet.

Alex Mashinsky: We have not launched the product but we already have the-

Demetri Kofinas: Okay fine. But I do want to get into all these details. When you do launch this, you're saying upon launch, I would be able to come to you with a million dollars of Bitcoin and get $500,000 loan?

Alex Mashinsky: Yes.

Demetri Kofinas: Okay.

Alex Mashinsky: We're aiming [00:16:00] to become as inclusive as possible, and by being inclusive, we're going to cap how much you can borrow, so we're not going to allow a guy with a million or 10 million to suck up all of the supply that we have because our aim is to bring the next hundred million people into crypto. All of the people that cannot afford to come into crypto should be able to come in, buy some crypto-

Demetri Kofinas: Okay.

Alex Mashinsky: And get a loan against their crypto and get immediate access back to at least half of the money, so we're capping the loans at $10,000 to make sure we enable-

Demetri Kofinas: [00:16:30] Okay. Well, I'm excited-

Alex Mashinsky: To be exclusive.

Demetri Kofinas: I think that's smart anyway. I mean, you want to go easy on this. This is money; you're dealing with credit, and this is you know-

Alex Mashinsky: Yes.

Demetri Kofinas: This is interesting. Maybe instead of talking about where you're going to be at MVP the moment you launch, maybe just more interesting to see with where it could go because I think it's fascinating where this could go. I spent a lot of time imagining. We don't have to put out direct targets, for example, I thought how far down do you think you'd be able to drive down your rates but you know whatever. Let's put that aside. Your aim is to essentially [00:17:00] become a destination for these digital assets and then to be able to aggregate enough of them but you'll be able to get market bottom interest rates from banks and other financial institutions that will lend against those assets.

Alex Mashinsky: Right.

Demetri Kofinas: Of course, then there are a few fascinating things about that. One is there is a tremendous amount of value. The market cap for Bitcoin is what right now?

Alex Mashinsky: About $600 billion in total.

Demetri Kofinas: That's a huge … All cryptocurrencies, right? You're not going to be lending against all cryptocurrencies. How many-

Alex Mashinsky: Top 20.

Demetri Kofinas: Top 20 that's pretty impressive.

Alex Mashinsky: We're launching with [00:17:30] top two, and then we're going to expand it to top 20.

Demetri Kofinas: Let's talk about your tech a little bit because this is all different cryptocurrencies exhibit different levels of liquidity, different levels of volatility, and so that's got to be factored into the amount that you loan against them, how quickly you give margin calls on that asset, and how quickly you liquidate, right? So all that, that's a ton of computational brainpower that has gone into your software.

Alex Mashinsky: Right, so we don't treat borrowers differently. We treat a guy who borrows $100 and the guy who [00:18:00] borrows $100,000 equally. But we treat coins differently, like you said. Dash is going to have more volatility and more risk than Bitcoin and on Dash, we will lend less because of higher volatility. Again, all that is to protect the borrower. The interest rate may be the same.

Demetri Kofinas: To protect you and your bank: your counterparty as well. Not just the borrower.

Alex Mashinsky: Yes. By protecting ourselves, we're protecting the community. By protecting the community, we're protecting both the depositors [00:18:30] and the lenders.

Demetri Kofinas: You're trying to be responsible-

Alex Mashinsky: Responsible citizen-

Demetri Kofinas: Responsible lender. Yes, blow up the financial system on some future date.

Alex Mashinsky: Right, so if you think about like in the 70s, Luminaire, who I met a long time ago, invented this basically, securitized the mortgage back securities and invented a whole new class of assets, and people could borrow against those assets or lend against those assets. This is the same thing. We're creating a new assets class, but instead of allowing Wall Street to benefit from all of this-

Demetri Kofinas: [00:19:00] The securitized digital asset class-

Alex Mashinsky: Right.

Demetri Kofinas: Okay, that's what I want to get into that because that's what … I figured that when I was going through I was like-

Alex Mashinsky: Right, but instead of allowing … Usually Wall Street makes all the profits in that, and that's why the 2008 collapse that we had was mostly because of these new asset classes, right?

Demetri Kofinas: Right.

Alex Mashinsky: Going array. Here, what we're trying to do is make the community: the asset holders benefit from all of it. But because we're taking all the profits that are going to be generated and injecting them back to the coin holders, right? In the beginning, our lending is going to be at [00:19:30] 9%, our payout, our interest is going to be at 5%, and the gap at 4% has to do with our operating cost and everything else. But as the membership increases, we can basically dramatically lower that. I see us going below 1% spread between the bid and the ask, between the lending and the borrowing. A few years from now when we have several million members, so you're going to earn 6% or 7% and you're going to pay maybe, again, maybe 7% or 8%.

Demetri Kofinas: Well, I definitely see. First of all, I don't think that you're innovating in the securitization [00:20:00] market and creating a securities market in this asset class. It makes you responsible for anything that could go wrong in the market. But I think that there could be plenty of things that could go wrong in this market in the future. The fact that it's not an MBS market doesn't mean that people can't go, speculate, go nuts and create massive amounts of leverage on them-

Alex Mashinsky: Well, so the MBS market, Mortgage Bank Security was created to, again, create as much profit for the banks as possible. It was not created to protect the homeowners or create income stream for homeowners. You see?

Demetri Kofinas: [00:20:30] Sure.

Alex Mashinsky: The difference between all of these financial products: derivatives, right? We call them derivatives in the financial world, and what Celsius is doing is that for the first time, Celsius as a representative of the community, comes to the community and says, "Hey, are you going to let the CME or the CBOE or Goldman Sachs grab all those profits? Or are you going to take all these profits?"... It's the same product, I agree with you. It's exactly the same product. But where are the profits going to go? We're distributing [00:21:00] the profits to the people who stake their coins. You're a Bitcoin holder, you're going to get a lot of this back. If you're a small coin-holder, you're getting a little bit. You show me a financial product that came out of Wall Street where the person that provided the actual underlying asset got anything back out of it?

Demetri Kofinas: No, I agree that the token economics are different. Also, it's phenomenologically different what you're doing here.

Alex Mashinsky: I'm doing that because for the first time in history, the taxi driver, the delivery guy and all [00:21:30] the people that we see who come to these conferences and cheer on for crypto, they came into this before Wall Street. Our opportunity here is to keep Wall Street out and allow us to-

Demetri Kofinas: Well, good luck there, but I … I mean, they're coming it. But-

Alex Mashinsky: Of course, they're coming in but it doesn't mean we have to-

Demetri Kofinas: The shark is here, the sharks that are in your White Paper.

Alex Mashinsky: Yes, we put them in there as a deterrent.

Demetri Kofinas: I got to tell the audience too. I don't think I mentioned this on the previous show because it would have had to be in the previous show. I don't think I did. I mentioned it on Twitter [00:22:00] that when I was moderating your panel at Celsius, and right before me was your speech, your lecture, your-

Alex Mashinsky: Presentation.

Demetri Kofinas: Presentation, what is it called? You got a real thing with these animals and stuff, you had the ninja turtles and you had Splinter as Bitcoin, and-

Alex Mashinsky: That's the Torche-

Demetri Kofinas: And you gave Celsius Donatello.

Alex Mashinsky: Yes.

Demetri Kofinas: That was not a coincidence. You gave the smartest guy to Celsius. All right, let's get back to this, though. In any case, I understand what you're saying but I'm drawing a distinction between your product [00:22:30] and your offering, the fact that you're also creating the securities market, that soon will be freely traded and there'll be a secondary market for it. In a future ecosystem, if we have an entirely new financial system crop up out of this, not just your platform, just generally speaking, as this market matures, you're going to have the same credit phenomena that you would have anywhere else.

Alex Mashinsky: Look, the NBS market is 10 times bigger than the underlying mortgage market. Today, the derivative market [00:23:00] in crypto is maybe one hundredths smaller than the crypto market, so the growth is going to be in a derivative market. Now, if we have most of the deposit and we're doing what's in the best interest of the coin-holders, we will have most of that income. It means we will give most of that income back to the community. If the coin-holders are going to hold their coins with exchanges in all kinds of other institutions that don't pay them anything back-

Demetri Kofinas: They may want to go bet with that money. I'm just saying-

Alex Mashinsky: I understand.

Demetri Kofinas: My point is separately speaking.

Alex Mashinsky: That's why we're giving you loans. [00:23:30] Telling you, "Hey, you want to earn 5% or 6% interest? Put your coins here. You want to borrow against it? That's fine. You can do both at the same time. You can earn and borrow at the same time."

Demetri Kofinas: All right, so let's talk about that because coming soon, you're going to also allow people to short using your platform.

Alex Mashinsky: Yes.

Demetri Kofinas: Talk me through that. Also, to be clear, you have multiple counterparties-

Alex Mashinsky: Streams of income.

Demetri Kofinas: Yes, that is cool and I want to talk about that. But just to tie off the knot here, the money that's being lent out to the customers: to the users of this platform is coming from multiple banking partners, [00:24:00] financial-

Alex Mashinsky: Yes.

Demetri Kofinas: Institutional partners. Okay.

Alex Mashinsky: In each country basically, you'll need almost … Almost in every country, you need a different partner.

Demetri Kofinas: When will you be able to announce to the public who those partners are? Is it important? Is it something that you are excited to share, is there something that-?

Alex Mashinsky: I'm very excited to share. I wish I could mention their name right here, but for a variety of reasons, most of them have to do with our partners not being ready to make a public announcement because their product is not ready. Our side of the equation is ready; we're waiting to execute, so [00:24:30] these are very large financial institutions, if I mention their name, you would know who they are, and you'll be like, "Wow."

Demetri Kofinas: Is it Jamie Diamond? Did you turn it around? Did you-

Alex Mashinsky: Yeah right? He's right here in the next room saying exactly the opposite of what I'm saying right now. No, it's not Jamie Diamond, but it's a very large financial institution like JP Morgan.

Demetri Kofinas: JP Morgan.

Alex Mashinsky: Just not JP Morgan. Our job is to really, again, partner with the best institutions, extract as much as possible out of them on your behalf and deliver most of that value [00:25:00] back to you: the user, so if you open your wallet and you don't see us delivering tremendous value; if we're keeping too much to yourself for any reason, then we did not do our job. Our job is to deliver so much that you would put most of your assets with us, and by putting most of your assets with us, our token value will increase in value because the community will value what we're doing more because the services we provide, again, we're a utility token, so the services we provide of direct correlation with the volume of the membership and [00:25:30] the volume of the coins being deposited.

Demetri Kofinas: Soon after it's not … You don't know exactly what it … In my sense speaking to-

Alex Mashinsky: June or July this year we're going to be announcing the first partner.

Demetri Kofinas: No.

Alex Mashinsky: Does that answer your question?

Demetri Kofinas: Sorry. No, I was actually moving past that. I was actually thinking about the shorting cryptocurrency.

Alex Mashinsky: Let's talk about shorting.

Demetri Kofinas: It's really cool that you'll be able to short physical settled futures in cryptocurrency because I think that's really important. It's something that I've made a little bit of a stink about on this show when I've had various guests from Wall [00:26:00] Street most recently with Brian Kelly and I did it as well with Chris Burniske, which is that the futures market and Bitcoin is a bastardization of the digital asset. It's ironic that you have a natively digital asset that is cash settled, and so I'm glad that there's an opportunity to do this.

Alex Mashinsky: Let's go through it.

Demetri Kofinas: Let's go through it. Explain to me how it works.

Alex Mashinsky: It's a very important element. Most people don't know today that when they deposit their coins on exchanges those coins are being lent out without their permission to sharks on the other side who short those coins. You want to know what [00:26:30] the sharks look like? Go to our website and you'll be able to see their pictures.

Demetri Kofinas: Whoa. You also can short just because you're managing risk.

Alex Mashinsky: No. Let me just explain this because it's very important. When you put your coins on Binance or Bitfanex or any of the other exchanges, they want to make as much money as possible, so what do they do? They have hedge funds, crypto funds and all kinds of other people show up and go, "Hey, do you have any coins for us to short?" They say, "Sure, here."

Demetri Kofinas: That's happening actively right now?

Alex Mashinsky: Right now.

Demetri Kofinas: How large is that?

Alex Mashinsky: Billions of dollars are being … Crypto's being shorted, manipulated and front [00:27:00] ran. All the people who listen to this podcast, one of those things already happened to them, they just don't know that it happened to them. What Celsius is doing is saying, "Look, we know these tricks. As long as we are sticking to the first principle, which is doing what's in your best interest, we can take a lot of these tricks that Wall Street uses to make money and make money for you without you having to do anything. As long as you trust us, we have to show you that's we're doing what's in your best interest."

Demetri Kofinas: All right, so that's why risk management is so important here because, again, the way that [00:27:30] you go short by selling. I'm giving you my coins and you are-

Alex Mashinsky: I'm responsible-

Demetri Kofinas: You're making decisions-

Alex Mashinsky: To make sure that the guy who went short also returns those coins.

Demetri Kofinas: Right.

Alex Mashinsky: We're doing that by asking him to give us a cash deposit, so we're saying to the crypto fund, "Hey, you want to short any of our members? Give me 50% cash deposit" Just like I'm lending you 50%, I'm asking them for 50% cash deposit. I'm holding that cash, and until they return the coins, I'm not returning them the cash. If there's a margin call, I liquidate [00:28:00] their position just like I'm doing, if you the borrower don't return the loan.

Now we have a book; we have a book of lending, which we long on. When we lend somebody against their crypto, we long, and then we have a short book, which is the book where we enable crypto fund and hedge funds to borrow. Again, all these things generating income to the coin-holders.

Demetri Kofinas: Right.

Alex Mashinsky: But now we have a balance book of business, so if there's disruption in the market, we can settle all of these trades ourselves inside our book of business.

Demetri Kofinas: Your basic role in the case in terms of shorting [00:28:30] since you're not in exchanges, you just liquidate the coins and you give the cash to the bank, counterparty who wants to go short. That's basically it.

Alex Mashinsky: Effectively, I'm returning. By liquidating, I'm returning the coins from the borrower back to the original coin-holder plus the interest that they earned on those coins. Now, coin-holders: the people that originally deposited coins into Celsius made 5% because we were lending them out to others in the community who wanted a loan, and now they're going to make another 10% or 15% or 20 % [00:29:00] from us lending out.

Demetri Kofinas: Right.

Alex Mashinsky: So now you have two sources of income.

Demetri Kofinas: Two sources of income.

Alex Mashinsky: Suddenly, people say, "Making 5%, I'm not going to put my coins at Celsius for 5%." "How about 15% to 20 %?" "That sounds much better." Guess what? There's a third source of income also. The third source of income is proof of stake.

Demetri Kofinas: Wait. Hold on wait. Before you say that, that's interesting. I want to ask about that. But now I'm a little confused because if I'm coming to you with a certain amount of money or a certain amount of Bitcoin, I'm taking a loan against that.

Alex Mashinsky: You could still short them at the same time.

Demetri Kofinas: No, for sure, but I'm saying if I leave my money, how am I earning [00:29:30] interest if you're not ... Let's say you're not enabling shorting, let's say. All it is right now is you're just basically-

Alex Mashinsky: Just lending.

Demetri Kofinas: Yeah, a lender. If I had $100,000 on your platform on your wallet and I'm not borrowing against that, is the presumption that I'm earning interest on it because I contribute to the monopsony effect: the Costco effect-

Alex Mashinsky: Exactly.

Demetri Kofinas: That's what it is? Okay, just wanted to clarify that.

Alex Mashinsky: And you're earning pro-rata.

Demetri Kofinas: Right.

Alex Mashinsky: Versus all the other depositors.

Demetri Kofinas: Right, I'm contributing to the size of your portfolio with your sort of-

Alex Mashinsky: That's why we need to balance [00:30:00] the amount of loans versus deposits and everything else that we have.

Demetri Kofinas: Now, tell me this other thing. I didn't notice this in the White Paper: proof of stake. What-

Alex Mashinsky: Yeah, so the entire world is moving to proof of stake. Right now we've proof of work. We have all these fancy computers processing every block on the block chain. Basically, there's not enough electrons on the planet to process the last coin for Ethereum or for Bitcoin.

Demetri Kofinas: Do you think that's going to happen this year for Ethereum?

Alex Mashinsky: I think 2019 plasma is going to be implemented, and in plasma is part of Vitalik's new [00:30:30] version of Ethereum, you also have a movement to proof of stake. Celsius is implementing proof of stake when we launch, so basically Q2 this year when we launch our wallet, we're already going to have proof of stake implemented, so any of the top 20 coins that is implementing proof of stake, will automatically, we will be able to adopt them.

Now, what do you need for proof of stake? In Ethereum, you need to have a node in the network, which we have, and you need to have at least 1,000 ether to be a participant [00:31:00] in the proof of stake, so most of the depositors are not going to have 1,000 ether. If they went and tried to do this themselves, they would not get the 5% to 6%, which is what proof of stake is going to distribute.

Demetri Kofinas: That's interesting.

Alex Mashinsky: Now, our wallet is going to help them collect on all of that without doing anything. Again, the beauty of everything I'm talking about is that you don't have to do anything.

Demetri Kofinas: But what if I'm-

Alex Mashinsky: The wallet works for you.

Demetri Kofinas: But what if I'm lending you Bitcoin. Do I get a piece of that even though I am not using-?

Alex Mashinsky: No, because you have switched to Ether and you'll earn proof of [00:31:30] stake.

Demetri Kofinas: You'll give people that option.

Alex Mashinsky: Or go and kick all of the Bitcoin guys and hurrying them to switch to proof of stake.

Demetri Kofinas: But you're ... I understand what you're basically saying, that's very interesting.

Alex Mashinsky: Our wallet's going to show you that for the-

Demetri Kofinas: You're aggregating-

Alex Mashinsky: For Ethereum, you're going to make 17% on all these three things put together. The wallet's going to show you: current income on Ethereum 17.3%; current income for Bitcoin 12.97%; current income for Litecoin 9.7 % or whatever, I'm just making up numbers.

Demetri Kofinas: Sure. Walk me through something here because this is my thought and I want to see where I'm [00:32:00] mistaken and where I'm not mistaken. It just came to me now. If you, let's say, become very successful and you aggregate a tremendous amount of coins in a proof of stake system-

Alex Mashinsky: I just reduce volatility by 90%.

Demetri Kofinas: But don't you --

Alex Mashinsky: Why? Because all of those coins went off exchanges-

Demetri Kofinas: Isn't that a security risk to the system itself? The fact that so much of that is aggregated in your-

Alex Mashinsky: Are you talking about JP Morgan or Celsius?

Demetri Kofinas: No. C'mon-

Alex Mashinsky: Who are you talking about?

Demetri Kofinas: I'm talking about Celsius. I'm saying that if I'm-

Alex Mashinsky: Too big to fail. Is that what you're talking about?

Demetri Kofinas: No.

Alex Mashinsky: This is for the people by the people.

Demetri Kofinas: No, hold on Alex. C'mon, you're running circles [00:32:30] around me. Listen. What I'm saying is that in a proof of state system, where the entire system, let's say Ethereum is working in proof of stake, the security of proof of stake system, because this is really interesting-

Alex Mashinsky: We are staking all those coins. By definition we are not at risk because if we do something-

Demetri Kofinas: But if someone hacks you guys.

Alex Mashinsky: What? Look-

Demetri Kofinas: That's what I'm trying to say. What I'm saying is-

Alex Mashinsky: We are not the custodian. All the coins are held by a multibillion dollar-

Demetri Kofinas: That's a security risk for Ethereum, though.

Alex Mashinsky: Actually, a multitrillion dollar financial institution. Yes, we are relying [00:33:00] on a very large institution-

Demetri Kofinas: That's a central point of attack.

Alex Mashinsky: Today, every exchange you're working with, almost without exception, is a central point of attack. Most people don't know but Coinbase and-

Demetri Kofinas: Yeah, I'm just saying-

Alex Mashinsky: All those other companies, they're all centralized companies that have all of your keys in one place.

Demetri Kofinas: Agreed.

Alex Mashinsky: So would you rather it be with Coinbase or would you rather it be with an institution that have trillions in assets?

Demetri Kofinas: I'm not in any way making a statement about your company and about your product.

Alex Mashinsky: We are not holding your keys; we're not [00:33:30] holding your coins. We're just holding your wallet. You know the app?

Demetri Kofinas: And the keys.

Alex Mashinsky: No. You know the bank of America app on your phone? Is there money inside of it? No. The money sits in a vault in the bank. It's the same way. We are the wallet, but the coins, the keys and everything sit in a vault. Most of it at any time is in cold storage because we only have in hot storage the stuff we need to either trade or borrow against or whatever.

Demetri Kofinas: Well, I guess my point was, and I may be misunderstanding it, but in one of our previous [00:34:00] shows, we actually talked about this in terms of the risks to our economy-based systems of financial tax against an economy-based system that has a proof of stake for protecting against simple tax, etcetera. So, that would just popped into my head there, I don't know what you're doing and-

Alex Mashinsky: Wait. Proof of stake is a mandatory transition.

Demetri Kofinas: Sure.

Alex Mashinsky: Because we cannot continue relying on burning all this electricity. The industry just cannot evolve if we are stuck in proof of work.

Demetri Kofinas: I agree with that, I just think that -

Alex Mashinsky: So we're just already [00:34:30] skipping everything and moving straight there.

Demetri Kofinas: Okay, so let's move-

Alex Mashinsky: And we're basically giving you a future proof wallet that gives you all of the benefits they want.

Demetri Kofinas: Anyways, separate from this, just generally speaking-

Alex Mashinsky: Did I plug that in good?

Demetri Kofinas: Look, I mean, I like to think sort of creatively on these sorts of things and that was just what naturally came to my head because I'm always looking for the risks in anything and I've thought about this in proof of stake a bit because of everyone's already convinced proof of stake is going to work, and I-

Alex Mashinsky: Look, there are issues with everything. Again, the main question [00:35:00] that you have to ask yourself and your listeners have to ask yourself, is this organization really doing what's in my best interest? Part of what we provide is full transparency. Every number that appears in our app, you'll be able to click on it and see behind it the algorithms, the protocols, everything we're using to arrive at that number. If we're telling you that you're going to earn 12 %, you can see exactly where that 12 % came from or 5% or whatever. If you think that we're not doing enough for the community; if you think there's a better way to do that, you can just let us know how to do that [00:35:30] and we will do it. It's in our best interest to implement the best, the most for the crypto community.

Demetri Kofinas: Let's talk about your tech and how you manage risk using technology because you have autotrading. You have something called multi blockchain nodes. I don't know what those are. I'm curious to ask you about those. I'm very curious about the risk waiting because, for example, we had Ari Paul on the show from Block Tower, and we had a discussion about this. Our audience may Ari made the point that, if there's an exchange that he thinks is very vulnerable to being hacked, he may still put some money in that [00:36:00] exchange, if he thinks in the overall risk waiting of his portfolio, that it makes sense to allocate something there if the opportunity is correct. You have to do something very similar because you're using third party custodians; you're using other exchanges, so I am curious how all of that works. If you could indulge us to the fullest extent possible.

Alex Mashinsky: Sure. Let's start with the smart contract and the block chain and so on. Most people tell you that they're block chain companies and they're smart contract companies but when you look under [00:36:30] the hood, you will find out that most people are running on Amazon AWS and they're in a centralized hosted facility, and they're doing everything which is the opposite of what they're tell us.

The reason is, and we're the same way, we're not any different. I'm not saying we're better. The reason is that with all of the hacks that you've seen in smart contracts and other exchanges, it's very difficult today to implement a fully decentralized solution. So we have-

Demetri Kofinas: CryptoKitties.

Alex Mashinsky: [00:37:00] Yeah. CryptoKitties, you're right. That's the only one. The CryptoKitties was, by itself, big enough to bring down Ethereum to a crawl.

Demetri Kofinas: Right.

Alex Mashinsky: No pun intended.

Demetri Kofinas: Yeah.

Alex Mashinsky: If you think of what we're trying to do, we're basically saying that it's going to take time to transition from a centralized implementation to a fully decentralized implementation, and all of our technology and all of that we're developing is to do a gradual transition. [00:37:30] For example, we are using a smart contract. Our smart contract is used to accept payment from the people who pay interest, so these are either the borrowers on one side who borrow dollars against crypto, or the crypto funds who are shorting any kind of coin and what needs to pay interest to the community.

That's Mark Contract. Luke takes a snapshot of all the depositors in Celsius and says, "Okay, there is whatever, 100,007 depositors, I know they're allocation [00:38:00] pro-rata, I need to know how long they've been with Celsius," because the longer you are in Celsius we give you priority based on you being early to adopt and support the project. Basically it starts allocating that income pro-rata based on all these parameters put together.

It's a very smart algorithm that says who gets what and it continues rewarding people based on the time factor, based on how many sell coins tokens they hold, and how many Bitcoin or Ether or other tokens that contributed [00:38:30] for the staking so we could issue these loans or shorts or everything else.

This is one side of the transaction, and that's how we use smart contracts inside the system. If you're looking at a multi blockchain nodes, again, we're trying to be efficient, and being efficient means if we're using virtual machines and all kinds other implementations, all of those are residing in the Amazon cloud to reside and participate-

Demetri Kofinas: What does that mean multi block chain nodes?

Alex Mashinsky: All it means is that you have virtual machines, you have machines that they [00:39:00] are-

Demetri Kofinas: Okay.

Alex Mashinsky: Running inside somebody's cloud who are running at the same time on multiple nodes, so as far as Ethereum is concerned, they can see a node, they know it's Celsius and they accept all those transactions. Basically, we can read all the transactions, we can write to the block chain, we can execute just like anyone else, any other node on the Ethereum network or on the Dash network or on the Bitcoin network and so on.

We're going to launch the wallet with two coins: Bitcoin and Ether, and [00:39:30] then we're going to add the next 18 largest capitalizations coins one at a time. Adding them means that you're adding nodes to those network so you can either buy or sell or execute transfers or settlements on those networks.

Demetri Kofinas: How many third party custodians do you use for a cold storage? I guess warm wallet as well that's hosted somewhere else. How many custodians do you use, and then how do you risk weight them? Because they're not all the same and they're not-

Alex Mashinsky: Of course.

Demetri Kofinas: And you don't want to have them all in one party. [00:40:00] Right?

Alex Mashinsky: We have to balance the best execution so when we sell something or buy something, we have to balance creating the best execution with the risk. For example, if an exchange in China or Hong Kong or Korea has the best price, but that exchange does not cooperate with our custodian meaning that they're not going to deposit the cash with our custodian, that's a much higher transaction for us-

Demetri Kofinas: I see.

Alex Mashinsky: Than, for example, executing on Gemini or Gdax on which we can settle-

Demetri Kofinas: And you have to take into account when you're figuring out balancing [00:40:30] the arbitrage.

Alex Mashinsky: Right, so we have to balance a lot of parameters. We operate on more than 10 exchanges and we have to balance how much cash we have on each exchange, what's the risk, can we transfer it, is it liquid-

Demetri Kofinas: Well, that's what's fascinating to me. I mean, when I was looking at this, that's where there's massive levels of complexity.

Alex Mashinsky: Yes, there's massive level of complexity, risk management-

Demetri Kofinas: Huge.

Alex Mashinsky: And a lot of different elements. Again, when you think about it as protecting your community, protecting all the people that gave you [00:41:00] coins, your execution of what we just talked about is very different than if you think about in terms of maximizing profit, which is what the banks do. Everything we write is written into the wallet with different math, and the math is how do I do the best by my depositors?

Demetri Kofinas: How much were you able to go off of financial institutions are currently doing in the technology they were already using to try to automate these types of trades?

Alex Mashinsky: You can't use any of it because, again, not to name names, but Goldman Sachs [00:41:30] took huge risks in 2008. They blew it, right? They had to be bailed out both by the government and by Warren Buffet. Warren Buffet gave them $5 billion.

Demetri Kofinas: He made a lot of money off that.

Alex Mashinsky: And that wasn't enough. After that they went to the government and got another $60 billion or $70 billion, and then they were lucky enough that one of their own was in the White House and he gave them a hundred cents on the dollar when they had to settle with AIG and everybody else. The banks-

Demetri Kofinas: Even more.

Alex Mashinsky: Even more, yes. Many more dollars. All [00:42:00] from our pockets.

Demetri Kofinas: I remember that.

Alex Mashinsky: For free.

Demetri Kofinas: A lot of people have forgotten that.

Alex Mashinsky: Yes, how quickly we forget. In 2009, guess what happened? Banks had the highest bonuses and salaries in the history of banking just a year later and none of us did anything about it. Again the problem is that when the banks flip a coin, it heads up no matter which way it falls, so you cannot use any of their systems because they have a safety net.

Demetri Kofinas: So you weren't able to-

Alex Mashinsky: Call them the fed. They're always going to save them [00:42:30] and always going to re-inflate the amount of trouble.

Demetri Kofinas: Sure. That's more …

Alex Mashinsky: That's why none of our people can earn any interest. All of these things are connected.

Demetri Kofinas: You're a populist Alex.

Alex Mashinsky: I'm an Anarchist to total Libertarians. Look, I grew up in … I was born in Communism, I grew up in Socialism and I've spend 30 years in Capitalism.

Demetri Kofinas: What is your deal?

Alex Mashinsky: So I know all three systems.

Demetri Kofinas: Wait. Hold on, how old were you-

Alex Mashinsky: No one can pass a fast one by me, I can tell you that much.

Demetri Kofinas: All right, we did a recent show with Bill Brader, you know that?

Alex Mashinsky: Yes, happy to [00:43:00] go one-on-one with him too.

Demetri Kofinas: I caught a lot of heat for bringing Bill Brader on.

Alex Mashinsky: Why?

Demetri Kofinas: Because we have such a hyperpolarized and political society, it doesn't matter. I'll catch heat from the left, and I'll catch heat from the right. I caught heat from the right this time because they were all like …

Alex Mashinsky: Well, the answers are not all on the left or on the right. the answers-

Demetri Kofinas: Conspiracy to hate Russia. I'm like-

Alex Mashinsky: Some of the answers are on the left and some of the answers are on the right. The problem is we live in a society where no one was willing to accept … Right, no one is willing to pick two good ones from here and two good ones from there. Right [00:43:30] now, you're either all on the left or you're either all on the right.

Demetri Kofinas: Like you, you're full blown Populist. Hold on, let's talk a little bit about this because I am curious about your background and it informs much of your, I'm sure ... You're clearly a technologically oriented person in that sense you're rational, but you strike me as someone that also has strong irrational side.

Alex Mashinsky: Well, it's not about being-

Demetri Kofinas: You're a humanist.

Alex Mashinsky: It's not about irrational; it's about caring for the people. I've traveled the world. I just came back from being a few weeks of ... I don't even know why [00:44:00] my wife is with me because I travel weeks at a time, go to the farthest places on Earth and I see the suffering. I mean, we live in America where half of all the credit on the planet is. We talked about it before about credit cards: $1.3 trillion worth of credit card debt. That's half of all the credit on the planet, so this country with only 270 million-

Demetri Kofinas: We do more credit than that, it's just … Even credit card debt.

Alex Mashinsky: Just credit card debt.

Demetri Kofinas: Just credit card debt, yeah.

Alex Mashinsky: That is half of all credit card debt on the planet.

Demetri Kofinas: Right. Sure.

Alex Mashinsky: That's my point.

Demetri Kofinas: [00:44:30] Paper or plastic.

Alex Mashinsky: We think it's a God-given right at 25%. Most of the planet can't even get it at 25%. Most people can go to the local bank in Vietnam or in India or Pakistan or anywhere and they would beg for 25 % and they can't get it.

My point is that crypto is a fungible commodity that can take the US rate system and extend it worldwide. You can borrow the same rate in Vietnam as you can borrow in New York City as long as you enable that. [00:45:00] Exactly, so it's a normalizer. For the first time, there's system that goes across all borders and that never existed before. The reason I'm so passionate about it is because I spent 50 years taking and now I can spend the next 50 years giving back and this is my way of giving back.

Demetri Kofinas: How old were you when you came to the United States?

Alex Mashinsky: 22.

Demetri Kofinas: What year?

Alex Mashinsky: 1988 or 89, I don't even remember. It was end of 88.

Demetri Kofinas: Before the fall of the Berlin Wall, you came.

Alex Mashinsky: Yeah.

Demetri Kofinas: Prescient.

Alex Mashinsky: I was in Europe. I had [00:45:30] two choices.

Demetri Kofinas: Very prescient.

Alex Mashinsky: Go to Moscow and become a Russian billionaire or go the United States and talk to Yakov Smirnoff. I love this country.

Demetri Kofinas: No, I don't remember him. Who is he?

Alex Mashinsky: Yeah, he's a comedian. When I land here, he used to make all these jokes about Russians who come here and like they get a car and they get a …

Demetri Kofinas: Have you seen Moscow on the Hudson?

Alex Mashinsky: Moscow in a Hudson, exactly.

Demetri Kofinas: It's an amazing movie.

Alex Mashinsky: You get a house, you get a car, you get a job, like everything is easy in America, you know?

Demetri Kofinas: [00:46:00] Poor Robin Williams. But where were you in Russia? Where did you grow up in Russia?

Alex Mashinsky: I was born in the Ukraine in a little town called Chernovtsy.

Demetri Kofinas: Okay.

Alex Mashinsky: My parents immigrated to Israel in '72. I grew up there. I went to the military.

Demetri Kofinas: You grew up in Israel, so you were either going to go back to Russia-

Alex Mashinsky: That's where the Socialism comes from. I learned Socialism in Israel.

Demetri Kofinas: Is it a hardcore socialist culture?

Alex Mashinsky: They pretend to be socialist.

Demetri Kofinas: Greeks have. I'm Greek and I always say that Greeks are cultural anarchists [00:46:30] but politically socialists.

Alex Mashinsky: Yes, same thing in Israel.

Demetri Kofinas: Is it the same thing in Israel? Do you think it's worse in Israel or-?

Alex Mashinsky: Middle Eastern disease.

Demetri Kofinas: So, you were going to go back to Russia and you decided to come here, so you never really lived in Russia but you speak Russian because your parents-

Alex Mashinsky: Well, I grew up there, yeah. I was seven when I left; I mean, I stood in lines for food. I felt the suffering and I can tell you when I go to the Eastern Block or when I travel to India or Pakistan or any of these countries, you can see the suffering. I mean, most people are suffering [00:47:00] because they don't have access to credit.

Demetri Kofinas: Well, the biggest capitalists in the world are people that grew up in communist countries.

Alex Mashinsky: Yes.

Demetri Kofinas: My father didn't' grow up in a communist country, he's Greek. He's a suborder of basok, which was the panalytical socialists movement in the early 80's. A lot of people his age, and he became totally disillusioned with it. I have to hear him rant about it ever since.

Alex Mashinsky: Yes, my father was a-

Demetri Kofinas: I'm sure your daughter has gotten an earful. All right, so before we wrap it up, though. First of all, you have gorgeous UI. I [00:47:30] think congrats on that as well.

Alex Mashinsky: Yes, great job by our team from Serbia.

Demetri Kofinas: Is that right?

Alex Mashinsky: Yes, they're in Belgrade. Go Belgrade.

Demetri Kofinas: Serbs are crazy, they're great. On a practical note, where can people learn more about Celsius, if they want to delve deeper into it, and also how deep can people get into the technology? Because this White Paper is super and also very communicative, but it's not, if you're like a giant geek and you want to get into the-

Alex Mashinsky: [00:48:00] Sure. Well, first we have a YouTube channel: Celsius Network. Two words there, you can find it easily. There's 50 videos there of me ranting about all of this and you can actually see my face.

Demetri Kofinas: Ninja Turtles and everything.

Alex Mashinsky: Yes, and we also have a technical paper, which should already be on the website already; if not, it's going to be there in the next few days. Our app, there's several videos of us running the app and testing it, so you can see actual transactions running between different wallets. We have a very active [00:48:30] at telegram channel; you can go again: Celsius Network on telegram and ask my question you want. Our tech team is always there to answer stuff, and email us. I mean, again, my email, alex@celsius.network and happy to-

Demetri Kofinas: Are you sure you want to give that away?

Alex Mashinsky: Yes, no worries. I go through 1,000 emails every day.

Demetri Kofinas: You get help, right? I'm sure you get help with that.

Alex Mashinsky: Yes.

Demetri Kofinas: What is your rough timeline? Give me an honest, conservative rough timeline for the next two years. What you really think. Assuming we don't have some kind of crazy [00:49:00] crisis in either the broader market or-

Alex Mashinsky: Our job is to avoid that crisis.

Demetri Kofinas: Right.

Alex Mashinsky: What I'm saying again and again is if we don't do anything; if we don't do what I'm talking about, then we ran out of anarchists, we ran out of libertarians and now we're running out of speculators.

Demetri Kofinas: But you can't prevent a broad liquidating.

Alex Mashinsky: No, but listen. If people come for a real reason like loans and to earn interest, they're huddlers. They are here for the long term. They are the stabilizers of the community. The reason we have all this volatility is because we're relying [00:49:30] on the speculators. What do you think was going to happen relying on speculators?

So my job is not to create a solution for the speculators. My job is to focus on the next hundred million people and see what they need, and they all need loans and they need to earn interest. I'm not trying to create a solution of people who had brought us so far. This is all about the next wave of adoption which is also a stabilizer. It's going to stabilize the coins and by stabilizing the coins, we could use them to create an asset back- [00:50:00] landing and all the other stuff we talked about for the last hour.

Demetri Kofinas: Yeah, for sure. Look I mean-

Alex Mashinsky: All those things connected.

Demetri Kofinas: If you're a finance geek like I am, there are many interesting thought experiments you could go down, and layer on top of that some of the stuff we were talking about: proof of stake. They're just some interesting areas you can go. So when do you launch officially?

Alex Mashinsky: Token generation event is March 15th; the wallet should be available by then on the Appstore and on Android. The minute the wallet is available, you can apply for a loan, and the first [00:50:30] loans we hope are going to be issued in May in hundreds of millions of dollars.

Demetri Kofinas: Then you can go and get an asset back, a mortgage back security, flip some houses. I'm just messing with you.

Alex Mashinsky: Yeah, right.

Demetri Kofinas: The point is that there seems to be, from what I understand and what I'm looking at in terms of just your UX and UI, potentially some of advantages to switching over just to use you as a wallet and that goes back to your point. You don't have to actually use Celsius in order to, if you're looking to get a loan-

Alex Mashinsky: Right, you could just use it as a storage … But, obviously, again, look, I want [00:51:00] all your listeners to get involved because unless your listeners go and talk about it and bring the next 10 guys who need it for real reason, this community is not going to grow. We did a great job getting to 30 something million wallets, the next 100,000,000 are not going to be from this community.

Demetri Kofinas: Right.

Alex Mashinsky: It's going to be all the people who have not joined yet.

Demetri Kofinas: Where are we? The early adopter phase? Early majority phase?

Alex Mashinsky: Yes.

Demetri Kofinas: Where are we on the adoption cycle?

Alex Mashinsky: We have to cross the chasm. You know that? Crossing the chasm scenario? We are stuck. We are banging against the wall trying to cross the chasm from early adopters [00:51:30] to mass adoption. The mass adoption needs a real service. Flipping coins to each other is not a real service.

Demetri Kofinas: Well, you've made the point before and you said it as well on the panel that I moderated for Celsius at The Tribeca 360, which, by the way, a great job. You have a great team. You have a lot of really good people around you.

Alex Mashinsky: Thank you.

Demetri Kofinas: You're very fortunate. I'm sure …

Alex Mashinsky: They do all the hard work. I just talk.

Demetri Kofinas: You have some great people. It's actually really great and impressive because you meet in the space … This goes back to my point, you meet a lot of-

Alex Mashinsky: That's because we more women than men on the team.

Demetri Kofinas: Always a good decision.

Alex Mashinsky: We are the only team in crypto that [00:52:00] has over 50 % women.

Demetri Kofinas: So smart. First of all, I think its way better in general to hire women. I think women work harder, I think they're-

Alex Mashinsky: When you think about the next 100,000,000 people, at least half of them are going to be women.

Demetri Kofinas: Yeah, also work harder.

Alex Mashinsky: You look at them now, it's 90% mean.

Demetri Kofinas: I just think they work harder. They're, just in so many ways, they're superior teammates.

Alex Mashinsky: Superior beings.

Demetri Kofinas: Better team players. What you had said on the panel, and this is what I wanted to say, was you made the point about the Netscape moment that we haven't had the Netscape moment yet.

Alex Mashinsky: Yes.

Demetri Kofinas: And you're hoping to be the [00:52:30] Netscape. I do think there is a lot of hype in this space in general and I do think that part of the reason that there is so much hype or rather the reason that I say it's hype is because I think the issue of scalability is of paramount importance, and I don't know if you can have a Netscape moment before that's solved. But it seems to me that you're coming at this with Celsius, what you're saying is you're trying to put together this great team, you've put together a great team, you're trying to create essentially the foundation of an alternative banking [00:53:00] system back to basics right? Because that is what we talked about in the beginning: Santoshi's original dream really was about money. We've gotten to run very far with CryptoKitties, and I think you're banking on and you're hoping that there will be solutions-

Alex Mashinsky: Lending and borrowing, interest income, those are the killer apps in my view and they're all going to be encompassed in a wallet that does what's in your best interest. The point is if the wallet does not do what's in your best interest, then we're not going to sold anything.

Demetri Kofinas: There's also something I didn't' ask you this. You said you'd give away rewards. Is [00:53:30] that like bottles of vodka?

Alex Mashinsky: No, we don't. The rewards are the distribution of any income we have as bonuses. But the opportunity here is tremendous. The opportunity is to create a decentralized global organization that is flat and is inclusive.

Demetri Kofinas: Yeah. Well, that was the original vision.

Alex Mashinsky: Exactly. Let's make sure it's not going to get hijacked by older banks and the financial institutions.

Demetri Kofinas: Invariably, people always look to hijack systems. I think … My point was just to say that I think we can separate what you're doing and your objectives with the reality that-

Alex Mashinsky: Look, when that was … [00:54:00] Launched, we were still in 14.4 modems. Most of the country was still in 14.4 modems. Those were considered fast.

Demetri Kofinas: Yes.

Alex Mashinsky: So you could say exactly the same thing back in Netscape moment is how is this thing going to scale? What? It's never going to work on a mobile phone; you can barely make a phone call. So we're going to solve all the technical issues. I'm a technologist and I can tell you I don't see any barriers. I can see all the technologies you need to implement to scale this up. The issue is, is this going to collapse because there was no real world [00:54:30] application? Or it's going to survive because we included so many people from all over the world who need the basic services and we transition from the speculative wave that we're going through right now. That is-

Demetri Kofinas: No, I think it's cool.

Alex Mashinsky: That is the chasm that we're stuck in right now.

Demetri Kofinas: No, I think what you guys are doing it, you're trying to be part of the solution, I think it's really cool. I think your company's cool, I like talking to your people and I've liked everyone I've met from your company. So thank you very much for coming on.

Alex Mashinsky: Yup, thanks for having me.

Demetri Kofinas: I appreciate you taking time Alex.

Alex Mashinsky: Let's keep the conversation.

Demetri Kofinas: Sure.

[00:55:00] That was my episode with Alex Mashinsky. I want to thank Alex for being on my program. Today's episode was produced by me and edited by Stylianos Nicolaou. For more episodes, you can check out our website at HiddenForces.io. Follow us on Facebook, Twitter, and Instagram at @HiddenForcesPod or send me an email. Thanks for listening, we'll see you next week.