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Virtual Event Series

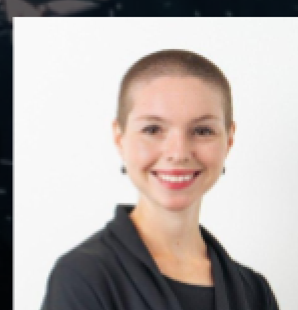
Financial Freedom via Crypto

Guest Speaker:

Elena Obukhova
Co-founder & CEO
FlashBack

Hosts:

Kenny Estes
CEO & Founder
Diffuse



Ayla Kremb
COO & Co-Founder
Diffuse

DiffuseTap: Financial Freedom via Crypto

Last time on DiffuseTap, Elena Obukhova, Co-founder and CEO of FlashBack, talked to us about financial freedom as complete independence of the financial sector from the government, why crypto regulation might not work in the best interest of investors, and the problem with investor accreditation systems.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas)… straight from your armchair like a boss.

Meet the Speaker

Elena Obukhova is an entrepreneur, business strategist, crypto and NFT enthusiast, who has published numerous articles on the space. She is founder and CEO of FlashBack.one, the first NFT ticketing platform built on Avalanche. Elena is also a founder at Fintech Advisory Services, which provides marketing and business development advice for clients around the world.

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KENNY ESTES: Today's speaker is Ms. Elena Obukhova, co-founder and CEO of FlashBack. Elena, do you want to tell us a little bit about your background and what you're up to over at FlashBack?

ELENA OBUKHOVA: Sure. I joined the crypto space in 2014 and have become actively involved in it since 2017. I was living in Asia at that time, where I was advising projects on how to get access to Chinese and South Korean markets. I was also advising them on their business development, legal framework, and other operational activities.

Later on, I started working for the United Nations, advising them on how to use blockchain technology for financial inclusion in Southeast Asia. And then, I started working with a VC fund from Silicon Valley, where I advised them on how to rebuild their financial model and business model, and utilizing blockchain technology to democratize the VC space.

Later on, I established my own consulting company. I grew it in 15 different locations internationally. I lived across nine countries over the course of that, meeting with different clients and employees. One year ago, I built FlashBack. FlashBack originally started as an NFT ticketing platform, but now it's expanding into different programs and memberships, helping onboard more people into the world of Web3. Apart from that, I'm a mentor, public speaker, and writer. I have multiple publications on the democratization of the finance sector, financial freedom, and on different local markets and specifics in the crypto space.

AYLA KREMB: Awesome. I'll put you right on the spot with the questions. Financial freedom is quite vague. It feels like the number one phrase to describe "get rich quick" schemes. But that's not what we're talking about here at all. It would be really great to get your definition of what financial freedom is in the framework of crypto.

ELENA: For sure. As you mentioned, there are lots of definitions for financial freedom. In my perspective, financial freedom is the separation of the financial sector from the government. It's where the financial sector is independent from corporate and centralized structures like corporate banks, which do have government participation that directly or indirectly affects the financial sector. Financial freedom for me is the complete separation and independence from centralized influence. That separation gives our society freedom to make their decisions without being affected by any political manipulation.

KENNY: That's a very specific definition. I like that. With that definition, what are some of the areas that you think have the most opportunity to make the biggest difference? From how you're talking about it, unbanked or underbanked people are the first that come to mind. How do you view it through that lens?

ELENA: We're not only talking about unbanked and underbanked individuals. It's more about being manipulated by centralized structures and the government. When we're talking about fiat money, fiat in most countries is being issued by the government or by centralized banking structures that have participation from the government. And when you have money that is issued by the government, that money is not for the people. That money is only there to satisfy government officials and the people who are working directly with those structures.

When we talk about society in general, there are so many ways that you can be manipulated. When you don't have access to your own funds for example, that's a big problem. In Latin America for example, people go through so many crises. There are so many incidents when the government just decided to seize banks. It's almost like people were literally robbed. They had their pension savings in those accounts, and at some point the government just decided "well, we want to get paid. There are some funds in these bank accounts, so why just why not use them for our own purposes?" People lost large amounts of money.

There are also cases where people had savings in US dollars and their accounts were banned because suddenly, US dollar transactions were illegal. People lost a lot of their savings. This indicates that we have a huge dependency on the structures of the whole financial sector that simply don't work. That's not only talking about the unbanked, but also banked people who are suffering because they entrusted their money in these centralized structures.

You've probably heard the term "bank run". It's when lots of people are trying to withdraw funds from a bank at a time, but the bank simply doesn't have funds. That's a good example to show that your money doesn't belong to you. The currency simply doesn't exist. That's why cryptocurrencies are really important. Crypto is a way that we can start achieving financial freedom and start gaining access and ownership of our own assets.

To your point about the unbanked, that's a completely different space. When I was working for the United Nations, I was doing lots of research on the unbanked population in Southeast Asia. There are multiple reasons why a lot of people cannot get bank accounts. In Asia, for example, one of the main reasons is because people simply don't have enough documents. They either don't have a government ID, they don't have other papers that a bank requires, or a bank branch is just too far away from them and they simply cannot get to a bank to create an account. These people cannot do any financial operations because banks are located far away and it's really inconvenient.

Cryptocurrency is helping to solve that problem because you only need your phone. You don't even need a smartphone. You can do operations through a simple mobile phone. In Southeast Asia, even in the poorer regions, every household would have access to at least one phone. That's why cryptocurrency can change the way we transact and give people access to the financial sector.

AYLA: I'll do a follow up question on bank runs. It feels like over the last year and a half or so, with the emergence of DeFi, certain fintech companies that are in between centralized and decentralized exchanges have popped up, such as BlockFi. What's your view on that? Because I think it tells the story of financial freedom and getting yields on your assets. But in reality, they're not actually decentralized in the way that crypto had originally intended. In the end, they feel a lot more like banks than anything else. What's your view on the current state of that in-between TradFi and DeFi space?

ELENA: If we're trying to discuss decentralization in general right now, it's very hard to imagine a truly decentralized blockchain except for Bitcoin. Bitcoin does have a massive network of miners and so far, it's the only relatively decentralized blockchain that exists. Because if we're talking about any proof of stake blockchains like Ethereum, we will see that the majority of cloud servers on which those master nodes are being run belong to Amazon.

If we're talking about how decentralized we are when those master nodes are being run in different places, then we're relatively decentralized. But if we're talking about who all those places belong to, then we're not decentralized at all. If AWS decided to ban all those POS blockchains, the station will drastically change. That is why when we're talking about DeFi, we can talk only about a certain degree of decentralization. Not every DeFi platform is decentralized.

If we're also talking about bank runs, there is also another problem. Bank runs are not only a problem with centralized structures that hold your money, where you have limited access and information about your funds. It's also a matter of liquidity. DeFi POS networks have also created lots of artificial liquidity that are experiencing a major shock during crises in the market. That's what we saw right now. Liquidity pools say they're liquid. But when you're trying to click a button to withdraw your funds and you can't take your money out, well, they're not liquid anymore.

KENNY: That makes sense. Going back to financial institutions and decentralization risks, there is a reason that we have so much regulatory-like work and compliance efforts. It's to protect people. Obviously, people get greedy. You've seen a lot of bad actors lately with the likes of Luna, where people lost a lot of money. There are reasons we have all this regulation in place. So, does that present a concern? How do you square that with this complete financial freedom people get crazy over and gamble everything with, and where people lose their life savings without a safety net? How do you see those two combining or meshing together?

ELENA: I like how you mentioned that regulations are there to protect people. How many times do people come to you and say "Hey, I want to protect you because I just care about you"? People don't really care about each other that much. When someone says that they want to protect you, they have another agenda. It's like that in most cases, and it's the same case with the government. They don't want to protect you. They want to protect themselves. They want to protect their influence, their power, and their money.

It's almost a business. They're earning from the structure through their influence. They cannot lose any control. When they're saying they want to protect people, that's a total lie. It's not true at all. They don't want to protect people. They want to protect themselves. And when we're talking about all the regulations that are being put in place to protect people, how many times were they actually helping people? I doubt it. They're helping corporations, they're helping wealthy individuals, and they're helping government officials. But they're not really helping people.

How can someone living in a palace imagine or understand how people feel in a small village? They don't, and they don't really care about the people. All these regulations are being put in place not to protect the people, but it's to protect the government and government officials. On top of that, the main problem I believe is education. We don't need to protect people. We need to teach them how they can protect themselves. They need to learn how they can protect themselves in their financial transactions.

There are many good examples. For example, in Nigeria, they have many DeFi-like instruments but they work in the cash economy. These instruments were just designed by the people. They also have lending pools, where communities gather funds and every year, one of the members of the community can borrow funds from the community lending pool. That doesn't have any government involvement. That doesn't have any regulations. People just sat down together and decided how they can help each other through the community, because they cared about creating opportunities for their community and for their business through these lending pools. That's a good example.

We don't really need to have regulation in place. We need education. A major misconception in the industry is that we need protection. We don't need protection. We need access to information. That is the only thing we need.

AYLA: When we're talking about education and decision making, one of the things that I thought a lot about is the concept of investor accreditation, that is, the accreditation to make investment decisions. That's a global phenomenon. What are your thoughts on investor accreditation in general? Is it useful? Does it really filter out the people that couldn't afford to lose the money or need more education to make investment decisions? Or do you think that it's an antiquated system that doesn't really protect anybody? What do you think accreditations should actually be like?

ELENA: To me, investment accreditation is just some corporations saying to individuals that they're too stupid to invest. They need to meet a certain criteria. They have to be rich to invest. And having money in your account doesn't automatically make you an expert in investing. We saw so many examples, especially during bubbles in the market like the ICO hype or the NFT craze.

People were earning so much money. But were they educated in a financial sense? I don't think so. The majority of people were just throwing money away. They were gambling their money and losing lots of funds. Having a million dollars in your account doesn't make you an expert in investing. At the same time, they're saying you should have a certain degree from a certain institution to be accredited. You either have to be rich or have a formal education.

But because we're living in the internet area, there are so many courses that you can attend online. You can attend them from top-tier universities, or you can watch them on YouTube. You can watch different famous traders and compare different strategies. You can get this education on your own without holding a formal degree.

I'm holding a formal degree from Peking University in China on quantitative finance, and my degree can make me an accredited investor in certain regions. But in certain regions, I can't be considered to be an accredited investor. The only courses they accept are, for example, from local universities. For this reason, the system doesn't work.

Of course, I graduated from one of the top universities and one of the most recognizable schools in China. But it doesn't matter in some regions because they don't care. They have their own universities and their own institutions that will be eligible for accreditation. At the same time, I could also skip this formal education to achieve the same level of expertise. I could just do online courses and can reach the same level through experience. I don't think I actually got the knowledge from my degree in that university. I did my own research, made my own investments, made my own mistakes, and I learned from them.

I was watching lots of different experts in the industry and comparing their information. I was reading financial statements. I was researching traditional financial assets. I started developing my own methodology on option pricing. And I didn't need university for any of that.

I think that's a really big problem. Accreditation is not protecting anyone. It's just defining a certain limit that you cannot invest because they see you as not rich enough or not smart enough. It doesn't really work. I gave two good examples for that. A person can have enough understanding of how to make their own financial decisions without meeting the criteria for accreditation.

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Corporate Director, CME Group

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VP/Global Head of Tax, Binance.US

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