



Lowenstein's Tech Group Podcast: Crypto Innovators

Episode 10: Africa Leads the Way in Crypto Adoption & Policy

By [Eric Swartz](#), [Leah Satlin](#), Steven Grin,
Nelly Chatue-Diop, Obi Emetarom

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Eric Swartz: Welcome to the Crypto Innovators podcast, presented by Lowenstein Crypto. I'm your host, Eric Swartz, Senior Counsel and Vice Chair of Lowenstein Crypto. We're speaking with the most innovative investors, founders and operators in Web3 to shine light on the technologies that fascinate us all. I'd like to introduce you to your other host, Leah Satlin.

Leah Satlin: Hi, everyone. I'm Leah Satlin, Lowenstein Crypto Counsel, specializing in IP and commercial contracts.

Eric Swartz: Today we welcome Steven Grin, managing partner at Lateral Frontiers. Nelly Chatue-Diop, co-founder and CEO at Ejara, and Obi Emetarom, co-founder and CEO at Appzone Group. Hi guys.

Steven Grin: Hey Eric, how are you? Hey Leah, how are you?

Nelly Chatue-Diop: Hi.

Obi Emetarom: Hello.

Eric Swartz: And to kick things off, we're going to start with our questions for Steven. Steven, can you tell the listeners about yourself and your journey before Lateral Frontiers?

Steven Grin: Yeah, happy to Eric. First decade in my career was sort of fairly traditional US private equity. I managed a couple of funds under the brand name Capstone Equities, primarily around real estate, and did a little bit in energy and credit [inaudible 00:01:41]. Coming from a family of immigrants, saw my community sort of go back to Eastern Europe, after sort of communism collapsed in the early '90s, and always been fascinated initially in emerging markets. Did my masters in economic development at Columbia, and I'd

already spent some time in Africa back in 2005, 2006, working for a guy named Jeff Sacks.

So I have spent the last pretty much decade now, primarily investing in frontier markets. I lived and worked in a small country in South America called Guyana, where I oversaw their climate finance fund. Since 2012, I've been pretty much focused on investing as an angel, and now as a VC on the African continent.

My journey to crypto sort of comes through two prongs. I think like most people, through Bitcoin, back in 2013, 2014. Funny enough, I actually did my masters with Saife, who wrote the Bitcoin Standard at Columbia, and then the others through the Austrian school. And interestingly, those two worlds sort of converged back in 2019. We began to see a lot of innovation around crypto use cases on the continent. And then obviously with COVID in early 2020, there just was a huge explosion and renaissance on various use cases. I'm sure we'll get into that later in the podcast.

Eric Swartz: Absolutely. And just generally, I think crypto's use case, at least at the earliest stages, was exactly for that, to bank the un-banked. And I would just love to hear more about as an early stage and growth investor in Africa, how have you seen crypto empower people to save.

Steven Grin: Yeah, there's that saying that Bitcoin was born in the great financial crisis, and sort of proved itself in the last crisis. I would sort of add to that, while we've seen a lot of speculative use cases and approaches in the west, I think that it's sort of real utility really gets proven out in EM, and especially in a time and a market like this. And from financial infrastructure to financial inclusion to remittance in utility services, to savings products, to ownership rights, I think the approaches are boundless. And I'm really sort of pleased to be here with two co-founders that we backed, and both are taking very different approaches to sort of blockchain architecture and to use cases for distributed ledger technologies to solve different pain points. But really, still thematically around proper utilities of crypto that are non-speculative. Yeah, we'll jump into that.

Eric Swartz: Just to echo that, I think that's so important for folks to hear right now. Because the amount of devastation in the market related to the more speculative use cases that folks were, I'd say focused on in this last bull run, and as they usually are in bull runs. What I love about our podcast is that we like to bring folks to the table who have actual use cases that are useful and utility focused.

Leah Satlin: Nelly, we're going to turn to you now. We've had quite a storied career in crypto, working for several leading projects. Can you tell us a little bit about that journey?

Nelly Chatue-Diop: Thank you, Leah. I'm happy to be here. So it's a bit of a statement saying that I have an early foot here in crypto, especially since my journey started only back in 2015. And I came across by chance on a post on a social network, about Exapi, Bitcoin. And Steven was mentioning to kind of what was said at that point, was how it could empower Africans because of lower fees and

high remittances. And being in the diaspora, because at the time I was living in Europe and having sent a lot of money across the years back to my family in France, this was a pain point I had experienced. So definitely [inaudible 00:05:16] my mind. And I started kind of reading more about it, reading Bitcoin white paper, and that's how I discovered the marvel of that industry. And I did pretty much everything, because I'm a computer science engineer, so I started learning how to do some programming, the smart contracts, how to do some mining. I bought a data center in the US. I started investing, so I did pretty much everything. But one thing I really got involved in pretty early was community building. And since there was this new blockchain project that was emerging called Tezos, and I was lucky that they were located in Paris, so not far from where I was also based. So I was able to interact with developers. I was also able to understand more about what kind of proof of stake, because it was like the first blockchain implementing proof of stake, how it was compared to what was already there. So that's how I got very involved in that project and bridging communities across Africa. So whenever I will go back to my own country, I will organize meet ups, offline, training local developers in blockchain, understanding technology and smart contract development.

And in 2020, I decided to take a leap of faith, and I resigned from my job in Europe, and came back to Africa to launch Ejara, with a mission to really democratize access to investment and savings for people in Francophone Africa and the diaspora, leveraging blockchain race. Because it's more secure, it has this kind ownership property that we value very much, it brings wealth preservation. And don't even mention the lower fees, and the fact that it's censorship resistant. And I've been involved at Ejara since 2020. I'm lucky to be back by [inaudible 00:07:12], and it goes beyond money, as we explain later. So that's pretty much how I got deeper into this ecosystem and started building for my community.

Leah Satlin: Awesome. And I just want to dig into Ejara a little bit more. I know Eric and Steven were talking about how there's a real use case here. What do you think makes this mobile investment platform based on the blockchain Ejara uniquely tailored to the African markets?

Nelly Chatue-Diop: Yeah, sure. It's a very easy question for me, because I will answer with what our customers tell us every single day. The first kind of use case that emerged when we launched the [inaudible 00:07:57], we launched the investment vertical, allowing people to be able to store securely their crypto assets, to buy and sell using their locals currencies, but also their local payments means, namely mobile monies. So what it told us was for small merchants, it suddenly became easier to pay his suppliers, because he could leverage stable points. Whereas, beforehand, he had to spend three to six months between all the papers needed by the bonds, and also really high fees. And not being even sure that the transaction will go through, with leveraging Ejara and his non cost [inaudible 00:08:40] stable funds. It just goes almost incidentally. So this was kind of the first use case that really emerged.

Another one was for all these emerging middle class that is growing in Africa, across Africa. They also are looking for alternatives to diversify their portfolio, to kind of start investing, having the same access as we do when we are in

the west in Europe in the US. And we provided them that. We provided a way to jump in into Bitcoin, into this new kind of digital money, and strengthened the resilience of their portfolio.

Most recently, we launched the saving vertical, by tokenizing local treasury bonds. So basically we took the local government bonds, and we put it on the blockchain, slice it in a way that the law, not anymore only they reach the institutions to get access to the local financial markets, but also the motorbike driver, the cleaning lady, the gig workers, the informal workers. So we allow them for the first time starting at \$1.50, instead of thousands of dollars, to jump in that financial market and really enjoy the high yields. Because the local treasury bonds in the geography I live in, operating, they're anywhere from 5% to 10%, depending on the maturity. So in that way, we are contributing to the financial inclusion. We are seeing 40% of women transacting on our platform, saving with us, investing with us. We are seeing them very also active on all the education initiative we are putting in place, whether online, on YouTube, or even offline meet ups where we teach them about financial literacy. What is this Bitcoin about? How we could live wage blockchain ways to do even more than the tokenization of consumer financial assets.

Leah Satlin: That's so great. I'm glad to hear you're also focusing on women in that respect. Really cool.

Nelly Chatue-Diop: Thank you.

Eric Swartz: Agreed. It's amazing. I can't imagine being able... First of all, bonds with such high yields, because we just don't see that here. And second of all, getting access to folks that need a safer return, and at a smaller quantity. That's amazing, and I'm so glad to hear it, because a lot of people talk about the use case, but Nelly, you're really putting it out there in the world, and it's just fantastic to hear.

Leah Satlin: Yeah, the gig economy thing is also really great. To give those people an opportunity to invest in small amounts, it's really wonderful, useful.

Nelly Chatue-Diop: Thank you.

Eric Swartz: Now we want to turn to Obi. Welcome, Obi.

Obi Emetarom: Yeah, thank you. It's great to be here.

Eric Swartz: Great to have you. We're really excited to hear more about your experience with Appzone. Wanted to start with just how your experience in founding and exiting Parkway guided you in building Appzone.

Obi Emetarom: All right, thanks. Yeah. So with Parkway, initially we learned early in the days about how the need to focus on and specializing in particular areas, how that led to becoming more competitive and enabled the ability to scale faster. In the early days, we were quite spread broad and thin, and we realized that resourcing those different initiatives would be quite a challenge. So we

carried over to Appzone, we understood the need to build that ability to be the best in a particular focused area, that skills well.

The second thing would be tied to talent. We learned as well the need to acquire talent that from the top cater. And we need to provide an environment where that talent can develop, contrive and can build loyalty and give their best without bullying out. With some inexperience, at the early stages in Parkway, we would've overlooked a little bit of what it really takes to build a really solid world class team. And we could see how that's detracted from the outcomes, and from the traction that we would've required.

So right now in Appzone, we focus on the talent from the top 1%. We focus on exposing this talent to a lot of learning and development. We try to provide an environment and culture that enables talent to give their best, without burning out, or without creating an impression that there's no concern for welfare and wellbeing. So we've been able to strike a very good balance, which has really helped us to achieve some of the things we achieved.

The big thing as well is that while there's a lot of raw talent in Africa, what we lack is exposure, expertise, and training. So we find ourselves really focusing heavily on building learning and development programs that help to accelerate this process of gaining the expertise. So we have the raw talent top 1%, but then we need to make sure that that raw talent can become the kind of expertise we need to deliver value in as quick time as possible. And then after investing heavily in training and development, it wouldn't make sense if it's sustainable to now have a high turnover. So being able to balance out, both ensure that the training process, the raw talent is there, the development process is effective, and the turnover is low, is something we've really been able to balance quite well, now.

Eric Swartz:

That's amazing. I wish you could teach us how to do that, because I think turnover is always hard for any business, frankly. And the ability to develop talent the way that you're describing is also just something any business struggles with, frankly. I think it's just amazing to hear that you guys have taken such huge strides to bring programs, and that not only develop folks, but also keep them with you. That's amazing. We could all learn from that, that's for sure. What have been the biggest obstacles you're experiencing in building your permission blockchain for fiat payments, regulated digital currencies, and getting all the regulatory approvals that you need to operate it?

Obi Emetarom:

The first thing I'd like to point out is when looking at payment infrastructure generally, it's rare to find a payment infrastructure or payment network that has become successful, that wasn't started by consulting with banks, and maybe central banks. So if you look at Nigeria and Africa and you look at MasterCard and Visa and the rest of them, they've mostly been founded by consulting with banks, and sometimes with the regulator involved. So that tells something. It goes to say that huge challenge with getting cooperation of the traditional financial services providers, when it comes to do with a payment or similar type of infrastructure. For us, doing this to land on top of this challenge, to do it in an unconventional way that involves a technology or a digital asset that is essentially contentious. So involving blockchain and

crypto added one additional layer of challenge to it. At the time we started, we didn't have any engagement with the regulators as well.

So that was the challenge, that sort of complicated things. Because the traditional financial institutions were very about participating in scheme that utilize the new technology and new digital assets, without any work from the regulators. We overcame this initially by proposing proofs of concepts, to being able to run essentially mini pilots at no cost to these financial institutions.

The other thing was the promise of improved efficiency, reliability, reduced cost, was we think a huge incentive for these traditional institutions to want to sort of participate initially. So when we combined both of them, we were able to do some initial mini pilots. But in no time, we had to approach the regulator, because we couldn't scale the operations the way we were going. So we had to bite the bullet, and we approached the regulators. Initially, they didn't understand what we were trying to do, but we engaged them from a point of view of separating the technology, blockchain technology from cryptocurrencies as an application of blockchain.

And we tried to show how blockchain technology itself is quite powerful, and how applying blockchain to payments, handling particularly settlement aspects of payments, where we could run smart contracts that affect settlement for fiat payments on the blockchain, in a much more efficient way, more cost effective, more reliable, more secure. And we think that struck a cord with the regulators, which gave us initially an approval to continue our pilot, and then ultimately got us to obtain a license earlier this year to run Nigeria and Africa's first centralized payment network based on blockchain.

Now following that, for us, the case of payments and blockchain in country are much simpler, because we're able to essentially move the fiat realtime settlement system onto the blockchain. But once you think about cross border payment infrastructure, as the additional layer where that the... There's no one currency or no one settlement authority that is available to enable value flow from one country to the other, which obviously creates a huge opportunity for blockchain and crypto. And the value we see there is that with a stable coin that is adopted by participating institutions within the blockchain in different countries, then real-time value can be processed in local currencies, while settlement for those transactions can flow through a stable coin that has fixed value. It's fantastic, elegant solution. There's no need for a central authority. The values managed on the blockchain, the stable coin can be backed by a valuable asset or any other globally accepted currency. So this works perfectly on paper.

However, the challenge with that is that in some jurisdictions, like in Nigeria for example, where the regulators are drowning against crypto altogether, that has had to make us think around a new approach to crypto, which is linked to addressing the issues that regulators are concerned about. So we asked ourselves, "What's really the issue?" And we realized that for them, it's really about the fact that this new digital asset does not comply with the existing regulatory requirements. Then we went back to the drawing board to design into the blockchain network some of those regulatory compliance

requirements. So a KYC, AML exchange controls and so on, such that we can provide the right level of comfort that would allow not just the use case for settlement, like a stable coin for settlement token, but all other crypto use cases to inherit this compliance capabilities that are native to our network.

We are now in the process of engaging for taking the conversation to the next level, which is going beyond the conversation around using blockchain for fiat settlement, but now talking about the regulated approach to digital assets on our blockchain. We're just in the process of commencing those conversations. It's easier now, because we are now a licensed entity, formally regulated by the central bank. And we are hoping that once we are successful with that engagement with the Nigeria Central Bank, it forms a reference point for us to have similar engagements with the other regulators across the other African countries. So that's essentially how it's been.

Eric Swartz: That's amazing. And frankly, very similar to all the problems that our US projects are experiencing. We've been trying to work closely with regulators to get them to understand how these technologies can effectuate a lot of what they would expect to see from a compliance perspective, for a long time now. So we actually discuss in the context of the CFTC with various derivatives projects that we work with, very similar issues around how the technological enablement actually can provide some of the compliance that you need, and the KYC and AML checks that you need, and also confirming ownership and a lot of just the record keeping that's required from a compliance perspective. So we've been working with a number of projects on very similar regulatory efforts, both with the CFTCN and with the SEC. So on the security side, we do a ton of that work as well.

And just excited to hear that you've actually had some real engagement from the regulators in Africa. In the US, it's been a very slow, slow process. So it sounds like you guys have actually had a bit more success than we can claim to have here with our regulators, which is incredible and exciting to hear. For instance, a few of the crypto banks that are attempting to obtain Fed accounts just have had a lot of trouble in doing so. That's just one example, but similarly, Circle has had a lot of trouble in connection with becoming a public company, which is not necessarily what we expected. Actually, the deal just got pulled. So I think a product like yours is kind of... In many ways, you're leading the charge in showing exactly what's possible.

Obi Emetarom: Yeah, absolutely.

Eric Swartz: Well, thank you so much for educating us on the projects that you guys are working on, and the great blockchain work and efforts that are going on in Africa right now. Love hearing from an investor, and also from projects about how exactly it works on the ground. I think we all have learned a ton from this conversation. Thank you again for joining us.

Obi Emetarom: Thank you very much.

Nelly Chatue-Diop: Thank you.

Steven Grin: Yeah, thank you so much for having us.

Leah Satlin:

And for our listeners, before you go, if you enjoyed today's episode, please be sure to subscribe and hit the like button. Thanks a lot.

Kevin Iredell:

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