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***The Crypto Exchange* — Crypto's Capital Markets Revolution: Insights From GSR's Josh Riezman**

**Host: Genna Garver**

**Guest: Joshua Riezman**

**Genna Garver:**

Welcome to another episode of [The Crypto Exchange](#), a Troutman Pepper Locke podcast, focusing on the world of digital assets. I'm Jenna Garver, one of the hosts of *The Crypto Exchange* and a partner in Troutman Pepper Locke's Investment Management and Digital Assets Practice Groups. Before we jump into today's episode, let me remind you to visit and subscribe to our blogs, [ConsumerFinancialServicesLawMonitor.com](#) and [TroutmanFinancialServices.com](#). And don't forget to check out our other podcasts on [Troutman.com/Podcasts](#).

Joining me today to discuss the latest on digital assets is Josh Riezman, the Chief Strategy Officer in the US and head of US legal at GSR, a leading crypto trading and investment firm. Previously, Josh was Assistant General Counsel at Circle, focusing on product and regulatory matters. And before crypto, Josh was on the trad side advising global financial institutions on trading, clearing and custody in securities, commodities, and derivatives. I should also mention, Josh was recently appointed to the board of MEI Pharma, a NASDAQ-listed biotech company that is pursuing an LTC treasury strategy. Josh, thank you for joining me.

**Joshua Riezman:**

Great to be here. Thanks for having me, Genna.

**Genna Garver:**

To kick things off, Josh, can you tell us a bit about GSR and its role in the digital asset ecosystem?

**Joshua Riezman:**

Sure. Look, GSR is one of the, if not the largest and oldest crypto market makers in the space. And what does that really mean? That means we work with token projects to bring them liquidity on exchanges, both centralized and decentralized, globally. We've been doing so for over 10 years. And we've brought over 400 tokens to market from a liquidity perspective. And at any given time, work with over 150 issuers providing global liquidity.

Mainly known as a market maker and one of the main market makers in the space, but we also have a pretty active OTC business. We provide both spot and derivatives to our clients and against the street. We're pretty active in the venture space, one of the most active crypto venture investors, and mostly on the smaller ticket size, kind of related to our marketmaking

business. And then I'd say, lastly, we are increasingly engaged in kind of asset management and the capital market space as traditional finance and crypto come together more and more.

**Genna Garver:**

First off, it's amazing that GSR has been around for 10 years doing all of these things. And I feel like the rest of the world is just catching up to you. And I've heard you say that GSR is crypto's capital markets partner. Can you tell us a bit more about that offering?

**Joshua Riezman:**

Yeah, I think when we zoom out as GSR, what's super interesting and what we realize is we really are working with crypto projects at every stage of their evolution from the capital markets perspective. Just to give you a sense, just over the last couple of months, we are engaged at the kind of incubation level with certain projects. We work with Polygon to incubate a liquidity-focused chain called Katana that has received a lot of press. And it's kind of first of its kind focused on the benefits of really deep and recursive liquidity. But just kind of starting from the ground up, developing that network and that token.

And on the very other end of the spectrum, as you mentioned, we're working in the digital asset treasury space, working with our clients, partners, and friends to bring institutional liquidity to these various networks in the form of NASDAQ-listed companies. And so when you kind of combine that with everything we do in between, both the advisory market-making, OTC, you kind of see we're providing that full life cycle support from ideation, all the way to potentially NASDAQ listing.

And kind of going back to our roots as a market maker, it is somewhat of an evolution to where we are now. We're really providing that kind of full life cycle support. And as I'm sure we'll talk about today, as kind of regulations become more clear, both in the US and globally, it's really allowing us to lean into that strength and something we're really excited about.

**Genna Garver:**

Amazing. I mean, I know GSR has been so busy this year. You've received so many new licenses and authorizations around the world. And as you said, you've been investing in digital asset treasury companies. That's something that Michael Saylor pioneered in – it was just 2020. It seems like it was forever ago. But, basically, moving micro strategy, which is now strategies, into Bitcoin, we've seen a number of NASDAQ-listed companies follow suit. I think these companies are now called on the street DATs or DATCOs. Just had to throw that nomenclature out there to feel cool for a second. What do you think is driving this debt trend?

**Joshua Riezman:**

Yeah. I think the debt trend is kind of being driven from a few different angles. One is what we're seeing is there's tremendous demand for crypto. Now we know that that vacillate with time, and crypto has its peaks and valleys. But right now, there's tremendous amount of demand both in kind of what we call spot crypto, so native crypto markets, but increasingly from traditional

securities investors looking for exposure to crypto. Look no farther than the Circle IPO, and the success, and where that's trading, right? At one point, I think it was 10x its underwriting price. There's just a tremendous demand. And so with that demand, you're going to see people looking to meet that.

And so, increasingly, the networks that have really reached escape velocity are working with publicly listed companies to identify strategies that make sense, treasury strategies. And so what started with Bitcoin has quickly kind of diversified into Ethereum, which is kind of the obvious second-largest crypto asset. And we're going kind of down the scale, right?

And so you've seen Litecoin, which we worked on, Solana, which we also worked on, and a couple others in the space for sure. And our underlying view is that most tokens that reach escape velocity are going to look to have publicly traded markets in the securities vehicles, both on the ETF side, which have been held back mostly due to regulatory reasons, but we now think are poised to kind of proliferate, but then also on the digital asset treasury side.

And what's super interesting on the digital asset treasury obviously – and you and I have talked about this, but they're able to effectively monetize their access to capital, their lower cost of capital, to generate a yield which has been relatively sustainable. And no one can predict the future and no one thinks these may be sustainable forever. But I think our view ultimately is that with the right companies, the right management, and the right asset, you can generate sustainable yields by drawing forward that future value and giving it a present-day value. And that's what Michael Saylor has done so effectively, being one of, if not the most well-performing stock in the market over the last 5 years.

**Genna Garver:**

That's right.

**Joshua Riezman:**

And so long as that success continues, you're going to see people looking to copy or duplicate that performance in other assets that investors have an interest in.

**Genna Garver:**

Yeah, it's so interesting. Because, I mean, that's just a treasury play, and there's an existing business continuing alongside that treasury. And not to confuse that with the GENIUS Act, which is a stablecoin legislation, which is really just about a payment system, using stablecoins pegged to the US dollar to make payments.

The next category of stuff that we've been dealing with, of course, is Congress's continued work on actually having a digital asset market framework for crypto, generally. And that has made its way through the House with the passage of the Clarity Act. And now the Senate committees are working on their own version. Do you think the US is finally on the right track for a digital asset regulatory framework? And do you see any concerns with these blueprints? Is this really happening?

**Joshua Riezman:**

Yeah. A bunch of stuff to talk about there. Let's kind of break it up because I think it's super interesting. But I think we mean the US has been behind, no doubt about it. And I'm not saying anything new here. But what we've seen with the changing administration, but increasingly bipartisan, and I don't want to take away from how successfully bipartisan these acts have come, is a recognition that let's get the obvious stuff out of the way, right?

And so with GENIUS and the stablecoin bill, it was an obvious win-win to proliferate the use of the US dollar in the digital economy. We would set standards and bring clarity, which we're going to say a few times in this conversation, I'm sure, around stablecoins and their use and construction in the United States. And I think what we've seen from the ground floor is how powerful stablecoins can be from a transfer of value and payments perspective to increase the velocity of money and really the global use of the US dollar.

I'll give you one example that I think is always super interesting is in the big banking crisis, where you had Silicon Valley Bank and Signature Bank effectively be brought down by regulators, but ultimately closed shop, those were banks of GSR at the time. And for a normal business, you would be reliant to effectively continue operations on having access to your bank.

While we set up new banks because we're in crypto and we use stablecoins in our trading activity, business continued as usual. We continue to generate P&L. We continue the ability to move funds around globally in a way where you're not relying on the traditional banking infrastructure. And we think it's super powerful. And, ultimately, the blockchain rails is a quicker, faster means of settlement. I don't think there's any doubt about it. And so it's just a new technology we don't have to be so afraid of because we used the words crypto before. Just like we move from cash, to credit cards, to Venmo, right? This is just a new way of transferring value. And putting some rules of the road around it I think is set to really allow it to proliferate in non-crypto-specific use cases. And we've already seen tremendous volume in payments globally, and we think that's going to speed up and really be a natural extension of the US dollar globally. And so that was – I use the word no-brainer, but pretty obvious.

**Genna Garver:**

Right. I mean, I couldn't agree more, frankly. I walked by a currency exchange kiosk in an airport a few weeks ago, and I literally was like, "Oh, there's the next phone booth."

**Joshua Riezman:**

Totally.

**Genna Garver:**

And I also was like, "And could that come quicker, please?" Because the idea of not needing to go through that hassle, literally, it could just free up some mind space when anyone is traveling, or sending money to family, or anything like that. Just really practical everyday stuff. Not even

talking about the fancy stuff here. Just like really simple things. That is definitely a future I'm super excited about.

And then, we've got, hopefully, some more structure coming on crypto generally beyond payment, but I don't know. I mean, we're not there yet. Everyone's super excited when Clarity passed the house. But now I'm thinking, "Okay, now it's like end of August. Where's the steam for this?" Just curious, do you have any predictions on that?

**Joshua Riezman:**

Yeah, look, one of the Achilles heels for crypto in the United States has been this issue between basically the securities and commodity regulatory regimes that we have set up. Now, when you go to most countries and where we deal in most countries, you deal with one regulator that deals with financial services, and this is less of an issue. This is a particularly thorny issue in the United States, as drawing that line between securities and commodities. In our case, dealing with the Securities Exchange Commission and the CFTC, right?

And so it goes without saying – and people have been saying this now for years, and we saw this in the [inaudible 0:12:07] administration, is that without rules of the road, people are operating in gray zones that they're unclear about and rife for enforcement. At some level, I don't blame regulators who show up and want to do their job. On the other hand, we really don't know where these things should sit. And providing that clarity is super important.

And so at one level, the Clarity Act was a huge step forward. And that you got bipartisan support between a significant number of Democrats joining the Republicans in the House Financial Services Committee and the ad committee to put out real legislation that would look to address this issue. Before I say anything more, I don't want to take away anything from the success of that action.

Now, at the same time, we see proposals in the Senate. I think what I would tell you from our perspective is the Clarity Act, while such a huge achievement, it's extremely complicated. And it's extremely complicated because it's trying to deal with a real issue, which is, "Hey, the capital raising and capital formation has always been governed by the securities law. And we shouldn't take that away."

But in crypto, you have the issue where typically it starts with the capital raise, and then you have a token that's separated at some level from the capital raise. And at what point, if any, does that investment, that initial investment contract cease to be relevant for the transaction in that underlying crypto asset? And very reasonable minds can differ on that interpretation. In fact, we see really different interpretations from judges, right? And when they evaluate crypto assets under the Howie Act decision, they come to different conclusions. And that's why we can't have it.

And so, ultimately, the Clarity Act looks to deal with this by suggesting effectively that assets that mature over time and meeting certain kind of decentralization guideposts become more freely tradable. But, ultimately, they say the right thing up front that the secondary trading of digital asset tokens is governed by the CFTC. And so I think they're like all the way there, but with some complexity, it's probably better for us lawyers, maybe than the market. And so we're

interested to see where this goes. But to the extent we can simplify where we're super happy to see that happen.

**Genna Garver:**

Yeah. I kept trying to visualize that magic moment in time when security is no longer security and it's just a token. I feel like we've been stuck in that cloud for so long now. And I can't say that I really had clarifying experience reading Clarity. And I kept thinking like, "If we were to put this in a graphic, or in a chart, or a timeline, what would that look like?" It is very complex. Hopefully, the Senate will kind of work through some of these bumps and not add to it. But it is a process, obviously. And, ultimately, likely will be some sort of compromise on some of these more challenging points.

But even with Congress continuing its work, we have other stakeholders going down parallel paths here. Last week, the president's working group on digital assets released its report and included numerous recommendations and agency rulemaking directives. And we covered that in other episodes of *The Crypto Exchange*. I had Tony Tuths from KPMG on here the other day, and he really drilled down on some of the tax provisions that were in there. Can you share with us recommendations that you were happy to see in the report? And what, if any, you wish were included but didn't make the cut?

**Joshua Riezman:**

Yeah. Let's come back to the Senate bill because I think there's some interesting things to say there. But before we do, I think first of all, though, I think people may rightly have a lot of qualms with actions coming out of this White House. But I think as it relates to crypto, they've been leading from the front edge. I don't think there's any doubt that they are interested in making the US the center for crypto activity, which, ultimately, I fully support, and I think is a worthwhile goal.

I think, look, just being in New York we see all the crypto-based startups. And you can't work with them and see all the hiring and the innovation underway across the board. And I would say, "Hey, this is the thing we should want to see in the US." And so how do we attract it? And so when you read the report, I think they rightfully criticize the enforcement-first mindset that permeated previous administrations as it relates to crypto, and that there's really no reason we need to look at this technology of effectively blockchain databases, right, and say it should be illegal in the United States. I think we should say, "Hey, if people want to use this, if we think there's real use cases, that's outstanding, if that generates jobs in the United States." And let's put some rules of the road.

And I think the good things that they did in the report, which is just kind of reiterating, it's pretty clear the secondary trading regulatory nature for crypto assets should be with the CFTC. That we should set a taxonomy for digital assets across security tokens, commodity tokens, and kind of more commercial use tokens, and say, "Hey, look, this is how we separate the distinction between tokens." And once we identify them, then we can be a little bit more clear how to regulate those.

And then I think the other important piece is just banking and digital assets is that as a firm that's been debunked in the current previous administration, being very clear that banks can support digital assets without being penalized with companies that are doing the right thing and law-abiding companies and people, that should be beyond doubt. But it hasn't something that's been beyond doubt. And we're happy they've brought that attention in the report.

**Genna Garver:**

And so right after the report came out, then we had the SEC issue a statement on its project crypto and the CFTC announce its crypto sprint. Again, the names, you have to just have a little laugh. But the SEC seems to keep issuing guidance on the application of securities laws to digital asset transactions, and is continuing with another round of its crypto task force rounds. And the chair seems very keen on moving all financial transactions literally on-chain.

It's a little surprising. Because the first half of the year, we saw the SEC kind of take a step back and be like, "Yeah, not our domain, not our problem." Could this be an indication that the agencies are competing for jurisdiction? Or could this really be a problem for institutional adoption dealing with multiple regulators?

**Joshua Riezman:**

Look, I think there's no way around the fact that if you're dealing in financial services in the US, you're going to deal with multiple regulators. And so I think at some level, we're used to that. And I think what the SEC has said recently, if you look at Chair Atkins report or a recent speech actually, he's focusing on all the right things, right, which is how do we increase innovation? I guess similar from what the White House was saying. Make crypto the center in the United States. And how do we get rid of some of the frankly BS that existed before that was hampering us?

And so one of the things he focused on was decentralization theater, which I thought was such a great speech, because he's like, "Hey, we're not going to do this anymore, right? We're not going to pretend. We're going to deal with these issues head-on. And to give the market to the extent we can, from the regulators, even without legislation, some way to move forward." And that's really all we're asking. It's like, "Hey, I have a new idea. Be clear what it is you want me to do to bring that idea to market, and we will do that." And that's what entrepreneurs have been asking for, and I think that's what they're starting to deliver.

And I think what's similar is if you look at what the CFTC is doing in the recent sprint, and they've basically announced that they're going to allow DCMs to list spot crypto or at least look into allowing that. What that showed me is, hey, things are coming together. And this is something else that the White House report has mentioned is they want to see a super wrap that lets you trade securities, and commodities, and crypto all in one place. But there's a lot of like in-the-weed stuff we have to fix to allow that to happen. And if the regulators can do it, I think that's what your acting chair, Pham, was saying, is let's just do it, right? Let's do the things we can do and then have Congress fill in the things we can't do in the meantime to head towards this goal of institutional adoption, regulatory clarity, and kind of ending some of the false boundaries that have existed previously.

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**Genna Garver:**

Yeah, I think it's such an important takeaway. I've noticed in the past week, just to drive that point home, on a commercial. I won't say who the company is buying the commercial, but basically touting the ability to use their platform to trade both securities and crypto. Obviously, that's really putting a message out there, that's what's the next stage of all of this. But what's the next unlock for institutional adoption?

**Joshua Riezman:**

I do think the market structure legislation has been passed in the House, that's now in consider in the Senate, is crucial. I'll say kind of two things. First of all is institutional adoption is happening, right. We're talking to extremely large banks, asset managers, issuers, trading platforms. They all either have crypto activities public or in the works. And that there's not going to be an option to totally sideline crypto from future financial services activity. And crypto will be there.

But for the real institutional deployment to feel comfortable, they're going to need this market structure legislation, which is, if I offer this, who's my regulator? What are the bright lines? Because, typically, financial services operate in this zero-risk environment, and they need to feel confident, or at least their internal legal departments need to feel confident that the business lines they're proposing haven't been crossing any gray lines. And crypto's been in the middle of the greyness as we mentioned for the past few years.

If we can get simple, clear legislation of what it means to trade in these assets, what registrations need, if any, I think we're going to see an increasing adoption. But I don't think we should mistake that they're here now. BlackRock's here, Apollo's here, CME's here, J.P. Morgan's here. They just announced a big deal with Coinbase. The institutions are here in a way they weren't even a year ago. And market structure legislation for me is the big unlock for the full deployer.

**Genna Garver:**

Awesome. Yeah, I mean, it definitely feels like the genie is out of the bottle. Government's catching up. But for us to really move forward, hopefully, we'll get that clarity that we all seek. Josh, thank you so much for joining us today. Thanks to our audience for listening to today's episode. Don't forget to visit our blogs and subscribe so you can get the latest updates. Please also make sure to subscribe to this podcast via Apple Podcasts, Google Play, Stitcher, whatever platform you use. And we look forward to our next episode.

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