Annelise Osborne
These millennials and the Gen Z will be running the companies. They will expect more efficiencies, but they're also going to be investing the lion’s share of capital, and they're looking for alternative investments. And so that is a reason why this technology is so important.

Female Voice
From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats: the full-time, the part-time, the online, and the executive MBA. For more information, visit wm.edu.

Ken White
Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world, sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. The intersection of Finance, Technology, and the Future are the focus of a new book titled From Hoodies to Suits: Innovating Digital Assets for Traditional Finance. The book just released this month bridges the gap between the hoodies who invented the technology behind digital assets and the suits who run traditional financial markets. Annelise Osborne is the book's author. A William & Mary graduate who went on to earn her MBA at Columbia, Osborne spoke at the annual Women’s Stock Pitch, hosted by the William & Mary School of Business and its Boehly Center for Excellence in Finance in April. After speaking with students, she sat down with us to discuss hoodies, suits, and the future of finance. Here's our conversation with Annelise Osborne.

Ken White
Annelise, thanks for being here. It's nice to see you in person. Last time I saw you, you were a guest lecturer in our leadership class. So nice to have you here.
Annelise Osborne
Thank you, Ken. I really appreciate it.

Ken White
So you’re an author. How exciting. What got you? Why? How did you figure out it’s time to write a book?

Annelise Osborne
Well, I would never have expected I would write a book. I never saw myself as an English person. I’m definitely more math-oriented. But I got into digital assets in 2018. I did traditional finance for most of my career, commercial real estate as well. And in digital assets, there’s this great technology blockchain that can help transform finance. One of the issues, it seemed, is understanding an education of what does that blockchain, what can that do for me in capital markets, Wall Street, Main Street? Having worked in it for a few years, people confused crypto and blockchain as the same thing. I wanted to write a book just to share in some entertaining and educational format, not like a textbook. There’s really nothing out there that talks about how this works for capital markets. I more or less had this all in my head, and I decided that I was going to put it on paper, and it all happened, and it’s coming out in June, and it’s called From Hoodies to Suits: Innovating Digital Assets for Traditional Finance. It really is a push on this great technology that was created by the hoodies, as in, obviously, I’m stereotyping here, but really younger techies. Then it’s what we really need for this to happen for Wall Street is to combine the hoodies experience with the suits experience, which are the people that have the financial experience, understanding structures and regulation, and compliance to work together to help create these, in essence, automated securities that can benefit more efficiency in the capital market.

Ken White
Wow. That could apply to every industry, the old school, the new school. Yeah, fantastic. Actually, you and I talk, we agree, we’ll just talk about a couple of the chapters in the book, and you’ll tell us a little bit about it. One of the chapters is blockchain is not Bitcoin. What are you trying to teach us in that chapter?

Annelise Osborne
The book is 11 chapters. I feel like each chapter is almost a class in itself, is very specific. I really think to understand the benefits of this technology, even if we don’t call it blockchain, you need to understand the difference is that most people lump blockchain and crypto in as the same thing. Cryptocurrencies: would you have Bitcoin ethereum? There’s been a lot of volatility. There’s been some fraud. There’s been a lot of bad press with that. Even Sam Bankman-Fried was, obviously, that’s FTX. A lot of money was lost, and even prior to that with hacking. So, I think people associate blockchain technology
with Bitcoin. But there’s an example. Jamie Dimon, who is the CEO of JPMorgan, came out very negatively against cryptocurrencies and Bitcoin. But at the same time, Jamie Dimon was creating this amazing blockchain internally for J. P. Morgan because he recognizes the benefit that blockchain can bring with transferring information and money. I think that’s a prime example. J. P. Morgan is so far ahead of most of these other banks because they put so much money into innovation and creating this, and it’s created systems for them. They’re doing ridiculous amount of money a day on repo. I’m not sure what the number is today, but it’s with lots of zeros. And they’re even coming out to say, we’re saving this much money by using this technology for repo. They’re also allowing their clients. The clients just see an account with balances in it, so they don’t recognize they’re even using this stablecoin, JPMorgan coin, behind the scenes. But it’s true innovation. And so I think people need to understand there’s a difference between the cryptocurrencies, which is what there’s hedge funds based in cryptocurrencies. It’s almost like FX trading. And granted, the cryptocurrencies generally are not backed by reserves or sovereigns, or they aren’t backed by reserves or sovereigns, but there’s this fantastic technology that can automate finance.

Ken White
Interesting. Another chapter, institutional digital asset securities.

Annelise Osborne
First, let me go into digital assets. When we look at digital assets, they can be a number of things. One, cryptocurrencies. Another is stablecoin that I mentioned with the JPMorgan coin, for example. Stablecoins are generally tied to a dollar, for example, or a Euro or whatever the basis is. It could even be tied to a ton of soy. There’s an agro token that’s tied. But the idea is it’s very stable. You also have NFTs, which are non-fungible tokens. What that means is a dollar bill, for example, is fungible because one dollar bill is the same amount as another dollar bill. But a house, my house, and your house are very specific. And so they are a non-fungible token, for example, if they were represented by a coin. And then what I’m really focused on is digital asset security, so that’s regulated. So how can we do stocks and bonds or equities or fractional shares of alternative investments, which I think is where we’re seeing a lot of activity? And so institutions now, one thing I want to highlight is the benefit. So there’s a lot of trust, transferability, traceability, are three big highlights of what you have in blockchain. So you can trust it. It’s a single source of truth. It’s there for everyone to see. It’s transferable. I can transfer to you. It’s not held within one centralized system, so it’s decentralized. And if you think about that, that was really the basis of Bitcoin, which was a paper was written in 2008, which helped create it, so it’s been around about 15 years now, was almost an occupy Wall Street movement with the thought process of how can we not have our money in banks? So that’s the whole decentralized bit. So we have; I can hold my own money in a wallet. So it’s traceable, you know where it’s from. Actually, that’s tradable. And then transferable, which is the
traceable, is that you can see where it's been, which is people talk about a lot being used on the dark web or the Black Market. But there's a great book called Tracers in the Dark, which is actually a university professor had gone through and realized you can actually really just. You leave a fingerprint everywhere it is if it's digital, and so you can actually find where money goes. And so she was able to help track all sorts of money from Silk Road and other things that were negative. But I think where we're going here is that it's very institutional. It's good for regulators in the sense that they can actually track and trace it. They can see where it's coming and going. But if we look at what institutions are doing now, J. P. Morgan obviously has done a lot within this. As I mentioned, a lot of forte-back funds are starting to be digitized. So BlackRock just announced that they were doing a forte back fund backed by US Treasury, so you can buy a digital share. It saves them money in time, over time. It'll prove to be more efficient, and it'll prove to be quicker in trading and quicker in you'll have the processes as more digital, so it can be more automated. Franklin Templeton were one of the first institutions in the space. They also have a forte back fund. Wisdom Tree has forte back funds. If you look into the private equity world, you have KKR, you have Apollo, Hamilton Lane have all tokenized private equity funds. What that is, is the benefit of having it tokenized is there's a lot of paperwork, bring an investor into the fund. There's a lot that needs to be done. But with the tokenization, it becomes much more efficient and it also becomes more tradable, and you can actually get it in smaller quantities, which we're going to go on to because there's a demand for more alternative investments at lower rates. Then there's also the world of NFTs from an institution perspective. If you think about securitization of rights, for example, songs have been securitized. The chain smokers actually gave the ownership of one of their albums out to their favorite fans or their most popular fans. I think there's a lot of different. A Rihanna song was actually securitized as well. I think there's different things that can be done in that sense. And I think there's a utility function that we don't have as much in today's securities. But if you think about Amazon Prime and Amazon Stock, they both benefit Amazon. So the stockholders don't benefit from the usability, which Amazon Prime, I get free shipping. And it makes sense for them to combine, if you think about it because then your most active users are the Amazon Prime users. It would make sense if they were shareholders and benefited from using Amazon. So I feel like there's different ways that that utility can come together. I will say AMC does say that if you are a stockholder of AMC, you can get free popcorn, but there's no way that that actually comes together if that makes sense. But there's a whole world out there when we become more digital that will be applicable, and it'll be exciting to see how the industry moves.

Ken White
How incredibly exciting. Wow, what a time. I don't know. Has there ever been a time in history like this with this kind of change?
Annelise Osborne

There has. One, everyone. People are afraid of change, generally. There's actually a chapter on change, which talks about how monkeys are better at dealing with change than humans for a study that was done. But if you think about high-frequency trading, it took a while for high-frequency trading to come along, and it came along. If you think about our phones today, from rotary phones, think about dating, right? There's all this now, all this online dating. So much has become digitized. The finance used to be paper stocks, right? Paper bonds. And so I think there's a lot. There are a lot of incremental changes that are benefiting us. But I think it's hard for us to think about changing ways things have always been done. I think about our fax machines and email and how much more efficient our days are. I don't think that it's like people lose jobs because it's more efficient. I think jobs are changed.

Ken White

We'll continue our discussion with Annelise Osborne in just a minute. Our podcast is brought to you by the William & Mary School of Business. The Financial Times, Bloomberg Business Week, Princeton Review, and US News & World Report have all named the William & Mary MBA program one of the best in the US and the world. If you're thinking about pursuing an MBA, consider one that has world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you. The full-time, the part-time, the online, and the executive. Check out the MBA program at William & Mary at wm.edu. Now back to our conversation with Annalise Osborne.

Annelise Osborne

Okay, so this, I think, is really the root of why all of this technology is so important. If we look at money today, 51% is now in the hands of retail and 49 in institutions. That retail component, if we're looking at investments, if we look at alternative investments right now, the only one in alternative investments really is the corporate sector. It's very little in the retail sector, and it's only at the ultra high net worth space. Then, if we go look at public companies, in the '90s, there were 8,000 public companies. Now it's half of that. So, all of the world is becoming more private, and there's so much more in alternative investments. When I studied finance, it was 60, 40 stocks and bonds. Now, if you look at the ultra-high net worth portfolios, this is a BlackRock study. It was 60, 40 traditional and alternative. And so that alternative bucket is really where the opportunity for growth is. You have all these asset managers. For example, you have Apollo, Hamilton, and KKR, like I mentioned. They're all looking to grow their assets under management. Most people will
go to the same pension funds, endowments, what have you, to grow their assets under management. But it’s not growing at 20%, or the rate a lot of these asset managers would like to grow. The opportunity, if we go back to that wealth diagram, is in the retail segment. It’s difficult. Retail segments are generally smaller amounts. They’re smaller check sizes, which are hard to deal with going into a fund unless you have technology efficiencies. That is what’s happening. If you look at these people are not taking on this new technology because they think it’d be cool to be an innovator. They’re taking on because they recognize there will be financial benefits, and they will also hit this new crowd. So going into generations, what this also means. So, if we look at generations right now, half the population, millennials, are now 40. Our millennial, Gen Z and Gen Alpha, which is the next generation. Also, there’s a great wealth transfer. So wealth over the last 35 years has increased 16% on a straight line basis, 16. And the benefit of that has really been the baby boomers who are now turning around and passing that money down to the millennials and Gen Z. And so millennial, Gen Z and Gen Alpha, half of the population are natively digital. They grew up with a supercomputer in their hand, which is a phone, right?

Ken White
Yeah.

Annelise Osborne
That has more horsepower than when we sent a rocket to the moon. So, I feel that this generation expects things differently. They expect things more efficiently, and they want things to do on their phone. Robin Hood, which is a. Actually, let’s go back to Gamestop. This is super interesting, I think. If you look at what happened with both Gamestop and then Dogecoin, which is a crypto, social media drove up the prices, and it was a community of people. They investigated this. There’s nothing against the law here. It was a community of people that actually, in essence, decided to invest in this, and it drove the prices up all through social media. My 13-year-old was on Wall Street Bets for Reddit, telling me what was happening with Gamestop. So that’s really interesting. This trading was all done on Robin Hood. Robin Hood is an alternative. You can get alternative assets on this. You can get stocks and bonds. I'm not sure you can get bonds, actually. But I feel like things like Robin Hood, which are digital, it's an app on your phone, 80% of their users are under the age of 35. So it's just these millennials and the Gen Z will be running the companies. They will expect more efficiencies, but they're also going to be investing the lion's share of capital, and they're looking for alternative investments and so that is a reason why this technology is so important.

Ken White
How did you write the book? We’ve had so many people on who’ve written books, and there’s all kinds of methods. How did you approach it?
Annelise Osborne
Sure. So it was over the holidays a year ago, and I had been thinking about, how do I get this message out? It’s more than just a blog post, and I thought I wanted to write a book. And so, every day over the holidays, I sat down and wrote a table of contents to see if I really wanted to do it before I told anyone. Every day, it was the same, and it was really flushed out. And so then I decided, how do we do this? I hired someone to help me put together a book proposal. In doing that, I researched that Wiley was really the only publisher that was publishing in the sector which is really crypto. And all the other books out there were really. This is the other thing. There was nothing out there like it. So there’s nothing out there talking about capital markets or Wall Street and this technology. It was really focused on crypto, crypto trading, DeFi, decentralized finance, or digital dollar, which are central bank digital currencies, which are all ideas and all new. And so I put together a book proposal. I had it approved very quickly from Wiley, but then it also publishes or work on a different than the finance or me wanting to get it done right away because I am very now, now, now. So it would take a month for everything. So I got my offer in June, and then I quit my day job, which was at Arca, great Arca Labs. It was fantastic. We were working on creating innovative structures. We had a forte back fund as well and digital treasuries. And then I wrote the book in three months. So, I wrote the first ten chapters in two months. And then the last chapter, it took me a full month because that chapter is where we’re going and where I see finance in 2, 5, and 10 years. I feel that that one is much more up for discussion. I just knew what I wanted to say, but did a lot of research to back everything.

Ken White
It’s coming out in June?

Annelise Osborne
It is out in June, yes.

Ken White
Any place you plan to go just to see it on the shelf? What’s your plan, right?

Annelise Osborne
I feel like it's not as mainstream. I think it's targeted really at executives and finance people, but also it's a huge world for students. I'm also getting a lot of feedback from people that have read it for the technology people to understand why they're building it and why this works for finance. It's interesting that it's very widespread, but it's not. If you don’t know who Jamie Dimon is, it’s a little. It's harder to understand because that's more of the finance world. I assume that, well, Wiley is very good with distribution. It's on most any site right now online. I will be speaking about it, and I’m happy to talk to people about
it who are interested in hearing more. But yes, I'll probably pop into Barnes & Noble and see it there.

**Ken White**
That's our conversation with Annelise Osborne, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program, offered in four formats: the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program at wm.edu. Thanks to our guest, Annelise Osborne, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

**Female Voice**
We'd like to hear from you regarding the podcast. We invite you to share your ideas, questions, and thoughts with us by emailing us at podcast@wm.edu. Thanks for listening to Leadership & Business.