



# CDFA // BNY MELLON DEVELOPMENT FINANCE WEBCAST SERIES

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BEGIN AT 2PM EASTERN**

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## What Development Finance Needs to Know about Web3



BNY MELLON



# What Development Finance Needs to Know about Web3



## Zeyu Zhang

Coordinator, Research & Technical Assistance  
Council of Development Finance Agencies  
Columbus, OH



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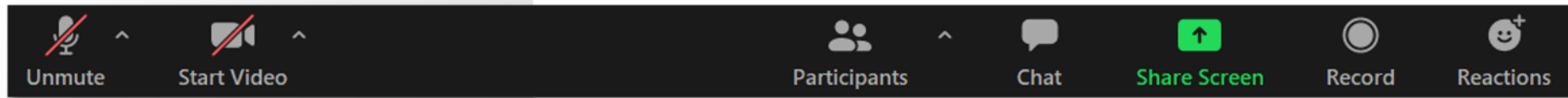
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## Oreste Casciaro

Vice President  
BNY Mellon

## Janet Perez Shensky

Senior Vice President  
Strategic Partnerships at Lendistry

## Sean Stein Smith

Professor  
City University of New York-Lehman College

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# What Development Finance Needs to Know about Web3



## Sean Stein Smith

Professor  
City University of New York-Lehman College  
New York, NY



# What Development Finance Needs to Know about Web3

Dr. Sean Stein Smith

City University of New York - Lehman College

Wall Street Blockchain Alliance



## About me

- ▶ Dr. Sean Stein Smith, CPA, CMA, CGMA, CFE
- ▶ Assistant Professor, Lehman College, City University of New York
- ▶ Forbes Contributor - Crypto & Blockchain
- ▶ Accounting Today Top 100 Most Influential People in Accounting
- ▶ E.C. Harwood Visiting Research Fellow - American Institute of Economic Research
- ▶ Board of Advisors - Wall Street Blockchain Alliance (WSBA)
- ▶ Chair, Accounting Working Group, WSBA
- ▶ Immediate Past Chair, NJCPA Emerging Technology Interest Group
- ▶ Advisory Board Member - Gilded “Crypto Accounting Made Simple”
- ▶ 40 under 40 in Accounting (2017-2021)
- ▶ Host - NJPCA IssuesWatch (Tech)
- ▶ NJCPA Trustee (2022 FY)

# Agenda

- ▶ Crypto update
  - ▶ Bitcoin is old news!
- ▶ Web 3.0 update
- ▶ Implications for local governments and technologists





# Active regulators



- ▶ Many opinions and perspectives on bitcoin and crypto for financial institutions
- ▶ New SEC chairperson Gary Gensler *is* a crypto expert - does not necessarily mean he is always going to innovate
- ▶ Janet Yellen not a fan of crypto or bitcoin
- ▶ Trade associations very active
- ▶ Infrastructure bill with crypto language embedded within it

# President's Working Group Report on Stablecoins

- ▶ Issued in Q4 2021
- ▶ <https://home.treasury.gov/news/press-releases/jy0454>
- ▶ First comprehensive report on stablecoins issued by the Federal Government, with major private sector partners
- ▶ Not supportive of the sector nor its use cases



# U.S. Executive Order - Crypto

- ▶ Long-awaited executive order signed into law in March 2022
- ▶ No specific actions steps or policies
- ▶ Three (3) main takeaways
  - ▶ No crypto ban or shadow-ban
  - ▶ Mandates coordination among policymakers
  - ▶ Definitive shift toward integration
- ▶ <https://www.brookings.edu/blog/techtank/2022/03/17/how-bidens-executive-order-on-cryptocurrency-may-impact-the-fate-of-digital-currency-and-assets/>



# Stablecoin breakdown

- ▶ Have a market capitalization well in excess of \$150 billion USD
- ▶ Used for transactional purposes, and play an integral role in the DeFi economic landscape
- ▶ Issued by private organizations and are pegged to external assets
  - ▶ Fiat currencies
  - ▶ External assets (gold/oil)
  - ▶ Other cryptocurrencies
- ▶ But, are they taxable?

# What is DeFi?

- ▶ New name and term for what was called “open finance”
- ▶ An umbrella term for a suite of blockchain projects and initiatives
- ▶ Runs primarily on Ethereum or Ethereum-based blockchains
- ▶ Increased reliance on smart contracts
- ▶ Capitalization of DeFi market grown from \$686 million in Jan 2020
- ▶ Over \$15 billion in Jan 2021
- ▶ Over \$250 billion by Q4 2021
- ▶ [https://news.bitcoin.com/total-value-locked-in-defi-reaches-250-billion-uniswap-quickswap-trader-joe-dominate-dex-volumes/#:~:text=The%20total%20value%20locked%20\(TVL\)%20in%20defi%20has%20reached%20an,value%20has%20expanded%20by%2025%25.](https://news.bitcoin.com/total-value-locked-in-defi-reaches-250-billion-uniswap-quickswap-trader-joe-dominate-dex-volumes/#:~:text=The%20total%20value%20locked%20(TVL)%20in%20defi%20has%20reached%20an,value%20has%20expanded%20by%2025%25.)

# NFT, explained



Digital assets that are connected and represent an underlying asset



Every NFT contains distinctive and identifiable information that makes it distinct from any other NFT



Cannot be exchanged directly for each other



Cannot be sub-divided like bitcoin can be sub-divided in Satoshi's



Reduces the potential for fakes/forgeries due to blockchain foundation

Web 3.0

# What is Web 3.0

- ▶ Web 3.0 is an idea that has been around since the 1990s
- ▶ Web 1.0 - HTML and basic web search functionality
- ▶ Web 2.0 - social media, data gathering, ad-driven businesses
- ▶ Web 3.0
  - ▶ Decentralized, trustless
  - ▶ Driven by artificial intelligence and deep learning
  - ▶ Major implementation of tokenized/crypto utilization
- ▶ Major pushback against privacy issues raised against virtually every firm
- ▶ <https://www.investopedia.com/web-20-web-30-5208698>

# Crypto connection to Web 3.0

- ▶ Web 3.0 is not based on cryptocurrencies, but...
- ▶ In order to have a decentralized and trustless platform to share data the users require blockchain
  - ▶ Immutable, traceable, transparent, instant sharing of data
- ▶ Crypto and smart contracts are how blockchains interoperate
- ▶ Tokens = certain types of crypto
- ▶ Crypto is how Web 3.0 applications operate and are paid for
- ▶ <https://www.analyticsinsight.net/what-is-web-3-0-and-what-does-it-have-to-do-with-democracy/>
- ▶ How far along are we?

# Web 3.0 examples

- ▶ Apple Siri
- ▶ Facebook (now known as Meta)
- ▶ Filecoin
  - ▶ Blockchain and crypto based online file storage
- ▶ Brave Browser
  - ▶ Tokenized based online browser with no data gathering
- ▶ Steemit
  - ▶ Content and streaming platform to decentralize and pay creators
- ▶ <https://metamandrill.com/web-3-0/>

# Web 3.0 pros and cons

## Pros

- ▶ Data ownership, control, and privacy
- ▶ Fewer intermediaries
- ▶ Transparency and faster surfing
- ▶ Personalized and customized web browsing and advertising

## Cons

- ▶ Lack of interoperability and cross-platform functionality
  - ▶ No “PayPal” application yet
- ▶ Complicated
- ▶ Lack of regulation and standards
- ▶ Upgrades to current sites are necessary

# Implications for you

- ▶ Blockchain and crypto are being used by more institutions (private and public sector) every single day
- ▶ These tools, combined with Web 3.0, provide a faster, cheaper, and more secure way to process payments and store information
- ▶ Also provide options for raising capital in new ways
  - ▶ Tokenized ownership/financing, or coin issuance to fund projects
- ▶ Many opportunities and challenges for motivated professionals

# Thank you!

- ▶ Questions?
- ▶ Comments?
- ▶ Jokes?
- ▶ Email - [drseansteinsmith@gmail.com](mailto:drseansteinsmith@gmail.com)
- ▶ Twitter - @seansteinsmith
- ▶ LinkedIn - Sean Stein Smith



# What Development Finance Needs to Know about Web3

## Janet Perez Shensky

SVP

Strategic Partnerships at Lendistry



lendistry

Lendistry is a minority-led and technology-enabled small business lender that **provides economic opportunities and progressive growth for small business owners and their underserved communities as a source of financing and financial education.**

## Our Business Model

Along with our non-traditional business model that is technology-led and customer-focused, our team has a collective 300 years of banking experience, making us well-equipped to assist small business owners during unprecedented times.

## Our Social Impact

Our target markets are minority small business owners and their underserved communities. We have provided \$8.5 billion in small business loans and grants, supporting 576,000 small businesses.

## Our Technology

We have an ongoing investment in our proprietary technology to enhance the borrower experience. Lendistry is uniquely positioned to use its technology to quickly and efficiently deploy capital in a scalable way.

## Our Entities

B.S.D. Capital dba Lendistry



Community Development  
Financial Institution

**CDE**

Community Development  
Entity



Federal Home  
Loan Bank

Lendistry SBLC, LLC



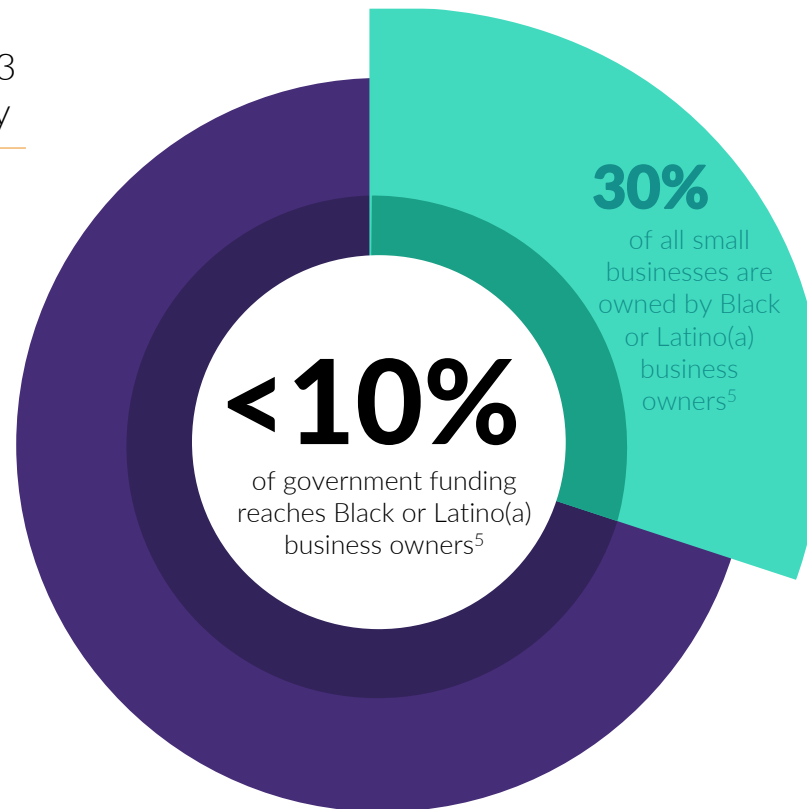
Small Business  
Administration

## Nearly 10 million new businesses were formed in 2020 and 2021.<sup>1</sup>

The speed of funding decision (54%) and chance of being funded (46%) are the top two reasons small businesses report using online lenders, despite these lenders having the lowest satisfaction rates of any funder type (18% satisfied).<sup>2</sup>

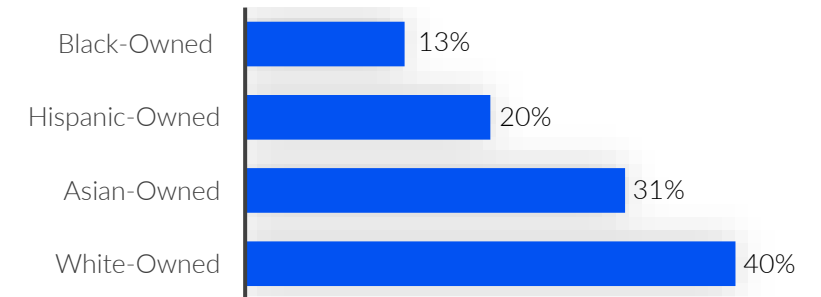
The numbers of banks from 1987 to 2013 dropped from **17,325 to 6,812**<sup>3</sup> with only

**5,670**  
banks at the end of 2017<sup>4</sup>



Black-owned firms that applied for traditional forms of financing were least likely to receive all of the financing they sought, even with good credit scores.<sup>6</sup>

### % of firms who received financing



<sup>1</sup> US Census Bureau

<sup>2</sup> 2020 Federal Reserve Small Business Credit Survey

<sup>3</sup> American Bankers Association

<sup>4</sup> FDIC Quarterly Profile (4Q17)

<sup>5</sup> 2021 SBA Weekly Lending Reports

<sup>6</sup> 2021 Small Business Credit Survey

# lendistry | Supporting Underserved Communities with Technology

01

## **RAPID DEVELOPMENT**

Build and deliver financial products and grants quickly to meet the needs of the changing economic environment

02

## **MULTI-TENANT**

Enable other financial institutions & community partners with our technology increasing our reach and impact

03

## **ACCESSIBILITY/TRANSLATION**

Enable application with accessibility tools and multi-language features to increase accessibility and ease

04

## **ONLINE SERVICING**

Customer portal to manage payments, see payment details and set up automatic payments online

05

## **RAPID DECISION**

Fast reliable decisions that are inclusive of underserved communities and use factors that are relevant ensuring those who need capital have equal access to it

06

## **ARTIFICIAL INTELLIGENCE**

Use our data to abstract patterns that can predict trends and measure risk fast

07

## **MANAGING WASTE, FRAUD & ABUSE**

Leverage fraud prevention tools such as behavioral analysis, ID checkpoints, and bank accounts verifications

08

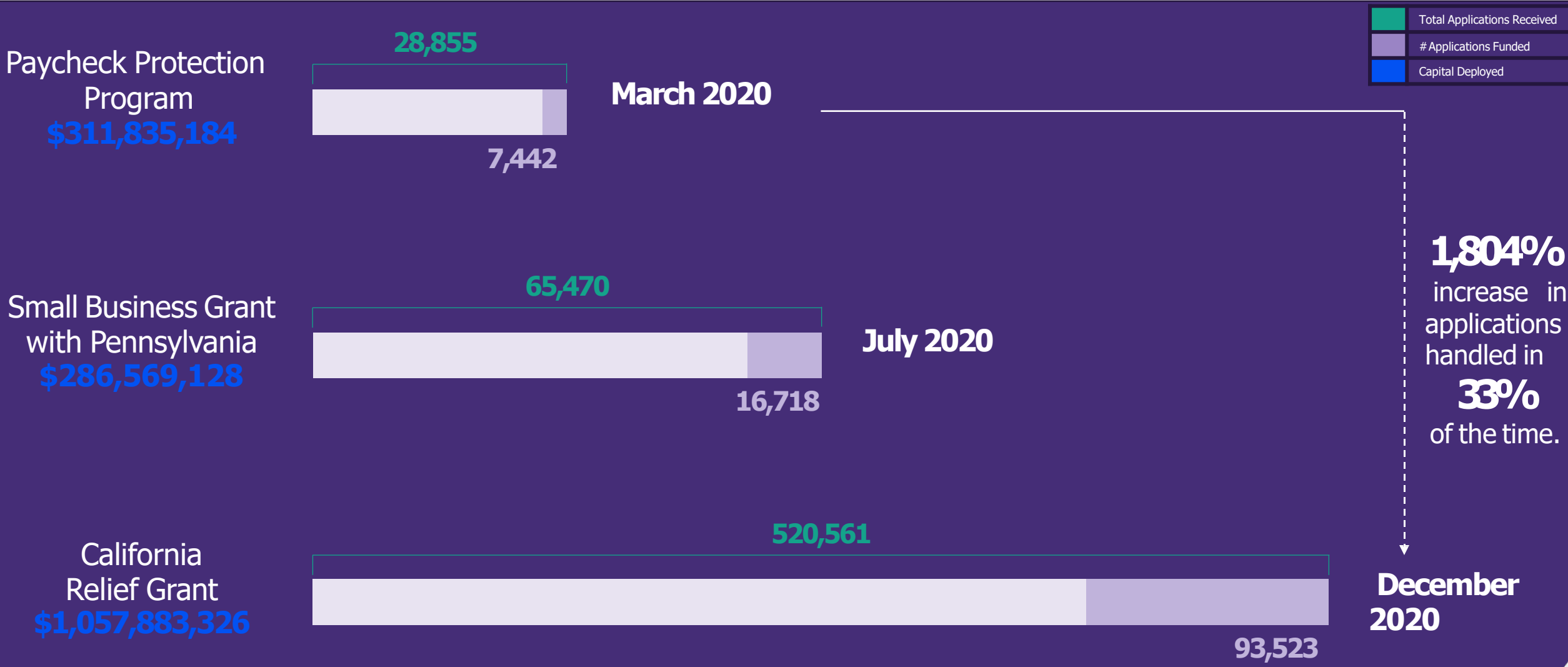
## **PREDICTIVE CAPITAL NEEDS**

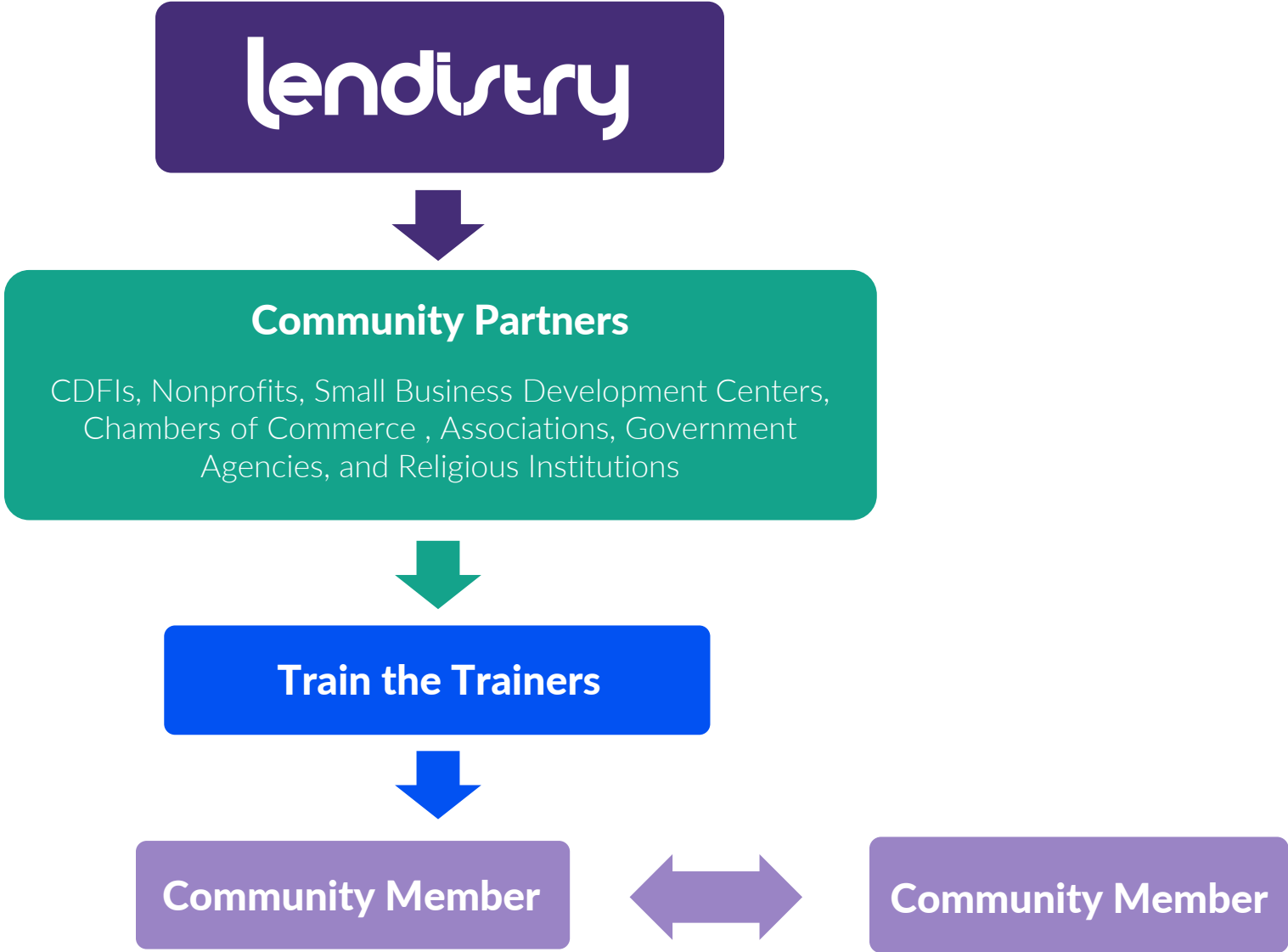
Leverage our data to proactively provide capital when our customers need us the most without them having to initiate the interaction

- » Our technology roadmap ensures our technology provides the value our customer's demand.
- » We are leveraging technology to remove friction preventing scale.
- » Technology is the key to reducing the reliance on manual processes that result in longer wait times.
- » Technology is also strategic in how we reach more customers through our alliance and partner programs.

# Lendistry | Lendistry's Impact on COVID-19

The full scale and leverage of our proprietary technology platform allowed Lendistry to quickly deploy urgently-needed capital to the front lines of U.S. small businesses.





The screenshot shows a web browser window with the lendistry logo in the top left and a contact number '213-555-1212' in the top right. The main heading is 'Let's get started with your application (California Small Business Relief Grant Program)'. Below this is a form with two columns of input fields. The first column includes fields for First Name (Marisol), Email Address (test-careliefgrant@yahoo.com), Owner cell Phone (123-456-7890), Business Name (Test Company), and a checkbox for 'I accept the SMS/Text Policy'. The second column includes fields for Last Name (Testcase), Confirm Email Address (test-careliefgrant@yahoo.com), Confirm owner cell Phone (123-456-7890), Zip Code of Business (92021), and a 'CONTINUE' button. Below the first section is an 'Owner Details' section with fields for Owner First Name (Marisol), Owner Email (orgdemo@yahoo.com), Owner Address (220 Locust Ave), Owner City (Anchill), Owner Last Name (Testcase), Owner Cellphone (123-456-7890), Owner Address 2 (Please do not enter PO Box), and Owner State (Missouri).

## PARTNERS

- Access to standard application
- Robust data collection
- Detailed reporting

## CUSTOMERS

- Intuitive online application process
- Translation tools
- Videos
- Information buttons

Adaptable  
to multiple  
financial  
products

PaaS

Scalable

Rapid  
Adaptation

## Lendistry Today



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By the end of this year, we expect to provide over

**\$10 Billion in capital**

to small business owners and support

**2 million jobs**

# Contact

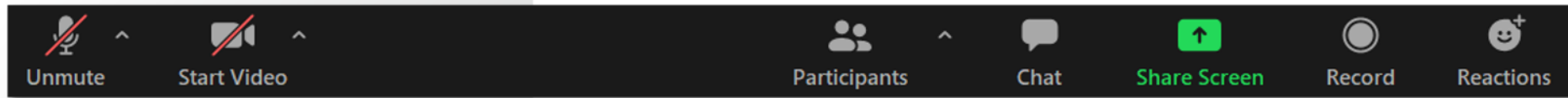
## **Janet Perez Shensky**

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# Audience Questions



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# Upcoming Events at CDFA

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We offer 17 courses in development finance designed for all skill levels. Learn more and register today at [www.cdfa.net](http://www.cdfa.net)

### Exploring Equitable Capital Technology (EC-Tech) in Development Finance

Tuesday, May 24, 2022 // 2:00 - 3:00 PM Eastern

### Intro Housing Finance WebCourse

May 23 - 24 // Daily: 12:00 - 5:00 PM Eastern

### CDFA // BNY Mellon Development Finance Webcast Series: Racial Equity in the Bond Markets

Tuesday, June 21, 2022 // 2:00 - 3:00 PM Eastern



# Contact Us



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