
Episode 153: Kevin Beauregard on Auctioning Tokenized Assets

- Kelley Weaver:** Welcome to Crypto Token Talk. A Crypto 101 podcast exploring how blockchain applications like Bitcoin, Ethereum, and other crypto assets could change the world. Learn from blockchain experts, thought leaders and founders of some of the most innovative companies and world-changing ideas of our time. I'm your host, Kelley Weaver, CEO of Melrose PR, a leading blockchain communications agency. Thanks for joining us today.
- Nikki Brown:** I'm Nikki Brown, Senior Content Strategist at Melrose PR, and I'll be your guest host for this episode of Crypto Token talk. Today, I'll be speaking with Kevin Beuregard, Founder and CEO of 0x. Welcome, Kevin.
- Kevin Beauregard:** Thanks, Nikki. Thanks for having me.
- Nikki Brown:** Of course. Let's go ahead and dive right in. Do you want to provide us with a brief introduction to who you are and what you do?
- Kevin Beauregard:** Absolutely. As you mentioned, my name is Kevin Beuregard, I'm the Founder and CEO of 0x. But ultimately I'm a software engineer at heart. That's how I got my start in this space back in 2013. A friend of my called me and asked how to short Bitcoin. And I was like, "I don't know enough about that to give you an answer." And he's like, "Well, you know technical things. You get me an answer." So I dug in, I spent, let's call it 24-hour deep dive, going into the original Satoshi White Paper and everything else. And I came back and I said, "I'm buying some. You can do whatever you want." And that was my introduction into the crypto space. And I've spent a number of years as a software developer and then as now a founder within the space.
- Nikki Brown:** Awesome. And when was that? What year was that when you first dove into this sphere?
- Kevin Beauregard:** Yeah, so that was early 2013. Bitcoin had just spiked to, if I remember correctly, it was right around \$65. And ended up regressing slightly before starting on that massive bull run that we remember from the fall of 2013. Shortly after that, I started mining Bitcoin and then ended up as the technical co-founder of a company called GoCoin, which was the first payment processor in the space to handle altcoin to fiat transaction. So we were early integration with Litecoin,

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Dogecoin, Tether, as well as obviously Bitcoin for providing merchant processing for businesses.

Nikki Brown: And did GoCoin kind of lead directly to 0x? What were the vents that led you to found 0x?

Kevin Beauregard: GoCoin led indirectly to 0x because that experience was obviously irreplaceable spending a number of years leading a technical team in this space and in the early days of this space. And what GoCoin, obviously having been through 2014 running the technical team at GoCoin, it kind of draws a lot of parallels to now what we're seeing in sort of the down market access crypto. But ultimately, after GoCoin, I went and I spent time at a couple of different startups leading technical teams. And then ended up at Hulu. And that's where I met my co-founder for 0x. And obviously, I was still very passionate about the crypto space and was still investing across the space. And I started talking about and singing the praises of crypto to my co-workers there. And I was fortunate enough that one of my peers at Hulu developed a similar interest and the two of us sort of formulated the idea for 0x. And we started the company in October of last year.

Nikki Brown: Great. Why auctions? Why this space? What kind of led you down that path?

Kevin Beauregard: Absolutely. 0x is a network of auction houses, a decentralized network of auction houses. And the path to auction is really seeing a need for price discovery within this space. We've got an unbelievable number of new assets and asset types that are being created, especially throughout the last year, year and a half. And also with the rise of non-fungible tokens and unique digital assets. And all of these things have very different pricing models, traditional models don't necessarily apply. And they don't have price history. It's one of the things that we saw with Ebay in the dot com era was that anybody could suddenly sell anything at auction.

And auctions are extremely effective when the seller doesn't know the value of what they have. And we have that in spade in the crypto space today where we don't have true liquidity in markets for fungible things, and we definitely don't for non-fungible assets. And we've seen within CryptoKitties, for example, the use of descending price auctions is extremely prevalent. And the reason for that is twofold. Right? The first is that an auction is very effective when you don't know what the value of what you're selling is. But the other side of that is, at least for Ethereum-based assets, we have a gas crisis insofar as writing more

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complex Smart Contracts costs the user more. And descending price auction is sufficiently simple where it's not oppressive the user to place a bid.

Nikki Brown: Okay. That was a great description there. I also want to provide our listeners with a little bit of background on some of these terms. The podcast is an on ramp for many people who are just getting into crypto as well as of course people who have been in the space for a while now. Do you want to give us your definition of what a fungible asset is and what a Smart Contract does and you think of any other terms that will be helpful in our conversation going forward.

Kevin Beauregard: Sure. So to differentiate between a fungible asset and a non-fungible asset, you can think of it as something that's fungible is something where the only thing that matters is quantity. How many of this thing do I have? So Bitcoin is fungible. I have N Bitcoin. Something that's non-fungible is something that is unique or has some unique properties about it. And that's where we started to see this trend in crypto collectibles or in-game assets that are being created on a blockchain. Those things that are inherently unique or one of a kind. And where the properties of the object matter, not the quantity.

Nikki Brown: Got it.

Kevin Beauregard: And what was the second term you asked me to define there?

Nikki Brown: To put in context, how does 0x use Smart Contracts?

Kevin Beauregard: Sure. Absolutely. 0x is a network that is built on Smart Contracts. A Smart Contract is simply a code that is executed to provide predictable output. A great example would be a vending machine. Every time you walk up to a vending machine, if you put in a dollar and you press a button on that vending machine, that vending machine is gonna have a predictable output. It doesn't care who you are, it doesn't care anything about you. Just cares that, yes, I got a dollar, and you pushed this button. And I'm gonna give you a Coca-Cola. And that's essentially how Smart Contracts work today is you're writing a piece of code that executes in a predictable manner and lives on top of the blockchain.

Nikki Brown: Excellent. I love that metaphor.

Kevin Beauregard: I can't take credit for that. I think that was originally from Nick Szabo wrote that metaphor.

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Nikki Brown: Okay. Got it. That's good to know, too. Perhaps we'll link to that in the notes of the podcast so people can look that up themselves.

Kevin Beauregard: Mm-hmm (affirmative).

Nikki Brown: Let's dive a little bit more into 0x. Do you want to walk through some of the problems that you noticed in this space that led you to founding 0x as well as why is it important for it to be decentralized?

Kevin Beauregard: There's three pillars within the space that led to us determining that there was a market need for 0x. And the first is ICOs or airdrops or token generation events, the fungible side of crypto. And the need there is simply that token evaluations in the early stages are often arbitrary. You know, we've seen ICOs done with numerous tranches where the discount lessens, later you put money in. Or we've seen airdrops where there's no value associated with the token that's being distributed. And so no one has any idea what they have or if it's worth anything yet. And then there's this time period where you have to wait for that asset to be listed on exchange. And exchanges have become these gatekeepers to the industry and rightfully so because an exchange doesn't want to give its users a bad experience and list an asset that's illiquid. That there's not enough buyer or sellers of that asset for it to be interesting.

And so, auctions provide a means of price discovery in that situation where either you're looking for a better distribution or better early price in the ICO or token generation event or in that period of time after that's happened the ability to buy and sell lots of that token at auction gives real data to exchanges that want to list it. You can then say, "Well, hey, token X has been selling at this price at auction for the last N weeks." And we know that there's that data which doesn't exist today and so now if you want to list that token, here's your mid coin price. Here's the price where you can start creating that liquid market. So exchanges can have access to more pricing information than they have today when listing an asset.

On the non-fungible side, and I talked about this a little bit. This is the second pillar. But with these unique digital assets, for the first time ever, we have this idea of true digital scarcity. You can create an endgame asset or a digital collectible that is truly scarce. A trading card that was previously only printed once. You can do the same thing digitally leveraging blockchain. And for collectibles, auctions are already the best mechanism for sale because the seller does not know how the bidding pool, available bidding pool is willing to value

their asset. They might have some idea, but they don't have an exact number so they couldn't list that thing for a fixed price. And as that side of the industry grows, and it really is starting to see explosive growth right now, we're gonna see auctions use more and more for non-fungible assets.

And the last piece is the tokenization of things. And we're starting to see this now with ... we've seen it for a number of years as well with companies that are popping up and focusing on a specific asset and how to bring back physical good onto the blockchain. The longest one that's been talked about is real estate. People have talked about real estate and blockchain forever. But we're also seeing people creating tokenized representations for cars and art. And so on and so forth. And I hesitate to say that we're gonna get so far as we're gonna tokenize everything because things have different custody models. The custody model for house is different than that of a car's different than that of a piece of art. But each of those things has a very real use case for blockchain. And as those things get created, Ox can be a conduit for buying and selling those goods at auction.

Nikki Brown: Fascinating. Wow. Yeah, I didn't realize that connection between auctions almost supporting exchanges, in a sense.

Kevin Beauregard: Right. Sale really is a form of exchange. It's just different than the way that an exchange does business today. And because of the mass influx of new assets, getting a price and discovering an initial price really can be a driver towards stability in this ecosystem.

Nikki Brown: For sure. It's interesting you were touching on the tokenization of things. And real estate has been used as a primary example as you mentioned for that. But people are starting to talk about these other types of assets that could be tokenized as well. What do you think the future holds for tokenization in that sense? Curious to hear more of your thoughts on that. What assets are most likely to be tokenized, and what assets should be tokenized?

Kevin Beauregard: Sure. We're seeing now with high value assets, and I touched on a couple. I think art is a really interesting one, and there are some very cool companies that are working on that currently because it is something that is truly one of a kind. And I think as far as what assets should be tokenized, I think, at least right now, there's a value barrier there whereas small inconsequential things shouldn't be tokenized. And larger things where you have deeds in play or there's significant

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net worth attached to them, those are particularly interesting in the tokenization of things.

Nikki Brown: Definitely. So kind of going back to 0x, you have a live beta right now. Do you want to tell us a little bit about what people can do on the beta, what sorts of assets are available and how it works?

Kevin Beauregard: Absolutely. So our live beta right now is what we're calling our Genesis Auction House, it's the first house on the network. And as we evolve into a decentralized network, that will be our jumping off point. Right now, it's a marketplace for non-fungible tokens. We're slowly adding tokens to the platform, but right now, we support CryptoKitties, Decentraland, and CryptoStrikers. And we'll be adding more weekly for the foreseeable future.

Nikki Brown: Very cool. And how can people get started?]

Kevin Beauregard: Get started on 0x or get started in crypto?

Nikki Brown: Get started on 0x. Let's talk about that one first.

Kevin Beauregard: Absolutely. So getting started on 0x is as easy as having a Ethereum DAP browser. So whether that's using the MetaMask Chrome extension or the Coinbase wallet or any one of the number of DAP browsers, and having a balance of Ethereum. And just like you would interact with any other DAP on the Ethereum network, you can buy and sell at auction on 0x.

Nikki Brown: Great. Just to gain a little more of your feeling on the future of crypto and blockchain, we talked about liquidity and how that's a bit of an issue or a hurdle right now for mass adoption to occur, do you think that's the main challenge that faces the industry or do you think there are other factors at play?

Kevin Beauregard: Sure. Do I think that's the main challenge? No, I do not. I think that's a large one, but that's a challenge that faces the existing crypto community. And larger than that, one of the things we need to solve is adoption. And one of the biggest barriers to adoption of crypto today is user experience. Like I said, the first step to using 0x today is to have a DAP browser. That barrier in an of itself involved a user adoption curve that is painful. If you don't understand crypto and aren't in it today, you have to commit some time and effort to learning it because as users of the web, we've been given these great user experiences and constantly improving user experiences using centralized technologies on the internet. And in order for this next wave of decentralized applications to really take hold, we

have to provide that user interface moment where it's very easy and maybe so easy that the user doesn't realize that they're interacting with a blockchain. And that doesn't exist today on any of the blockchains that are being used.

Nikki Brown: That makes a lot of sense. I've kind of noticed that as a theme across projects this summer, really, is that focus is increasingly on user experience and just making sure it's easy and people understand how to use the platform and also, why they should be using the platform. That seems to be something that's unique to this blockchain and crypto sphere that there's already decentralized versions of all these platforms. So why should users switch to using a decentralized version?

Kevin Beauregard: I think a lot of that comes down to that idea of true digital scarcity which didn't exist before. Previously, if you wanted to put an image of a cat on the internet that's just an image of a cat that can be copied infinitely, anyone can download it, et cetera, et cetera. Now using a non-fungible token, that image can be created in a unique manner that says, "No, this is the only one of this thing. And I own it." And that allows for a ton of permutations, including, you know, there are variations on how do you represent digital identity? And that's definitely been a trend within the space insofar as storing that information on a blockchain.

Nikki Brown: Definitely. And I do think that people are starting to realize the importance of controlling their own assets and their own data, [inaudible 00:17:32] data protection regulation that passed that has sparked a lot of discussion around that. And it does feel like it's ... the time is right for people to start understanding more about the importance of not relying entirely on these centralized institutions that can be corrupted. We've experienced the 2008 crash and that led to a distrust in financial institutions. Of course, Bitcoin kind of stemmed from that, but it's interesting to think about this trajectory and how long it might take for this cultural shift that needs to occur for mass adoption to happen.

Kevin Beauregard: It's partially a cultural shift and partially a user experience shift. It's coming down to finding that balance between the hyper technical side of blockchain-based applications and what the user is expecting. Because right now, users are expecting one thing, and we're giving them another thing. They're expecting to click on a button and instantly have something happen, and instead we're saying, "No, pay for this transaction, pay this gas fee, and then you get that thing." And for somebody who's already well-versed in crypto and understands

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why that is, that's an acceptable while not ideal scenario. But for somebody who's brand new is used to clicking on things and having that instant fulfillment, that's a problem. And I'm alluding to speed on blockchains, but that's not the only issue. There are still the educational piece of it, and also understanding why a fee exists, et cetera, et cetera.

- Nikki Brown: Definitely. Fascinating stuff. What's next for you guys at Ox? What are you working on now and what can users expect for the future?
- Kevin Beauregard: Absolutely. We're heads down building the decentralized version of our platform. What that means for us is building out the ability for anyone to own and operate an auction house and for those houses to be able to create unique and different bidding mechanisms and auction formats and also support various asset types across the platform. That is I would say a very big undertaking, and it's something that we're entirely focused on at this point.
- Nikki Brown: Great. This has been a really interesting discussion. What resources would you recommend to people to learn more about blockchain and crypto in general but also to keep up on what you're doing?
- Kevin Beauregard: Blockchain and crypto in general, if you're brand new to this space, I highly recommend reading *Cryptoassets* by Chris Burniske and really reading the first section of that book. The first third of that book is incredibly useful even having been involved in this space as long as I have, when I read that I was like, "Yes, this is what this industry needs." And I recommend it to pretty much everybody I come across as far as a resource. And if you're new to the industry, buy some Bitcoin, buy some Ethereum. If you're in the United States, get on Coinbase and even \$50 worth of Bitcoin and maybe set up a recurring buy and just don't look at it for six months. Just set up a recurring buy, 50 bucks a week for six months, and come back and see if you're happy or not. I think getting yourself into the space and having some skin in the game makes a big difference and it will make you a better learner.
- And as far as keeping up with Ox, check out the beta at Auxplatform.com. That's A-U-X Platform.com. There'll also be additional information up there about features that are upcoming, and you can follow us on Facebook, Twitter, Medium at AuxToken. It's A-U-X Token.
- Nikki Brown: Excellent. And anything else you'd like to add before we sign off?

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Kevin Beauregard: I don't think so. Thank you very much for the time. It was great talking to you, Nikki.

Kelley Weaver: That's all for today's episode of Crypto Token talk. To learn more about blockchain and keep up to date with this fast-paced industry, subscribe at [CryptoTokenTalk.io](https://cryptotokentalk.io) where you can also find today's show notes. If you have suggestions for topics or guests, please drop me a line on Twitter [@cryptoKelley](https://twitter.com/cryptoKelley). Or you can follow the show on Twitter [@cryptotokentalk](https://twitter.com/cryptotokentalk). If you enjoyed this show, please rate and review it on iTunes and share it with family, friends, and colleagues who want to stay up to date on how blockchain technology is changing the world. Thanks for listening.

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