LendIt Fintech

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FINTECH ONE-ON-ONE PODCAST 369-SULTAN MEGHJI

Welcome to the Fintech One-on-One Podcast, Episode No. 369. This is your host, Peter Renton, Chairman & Co-Founder of Fintech Nexus, formerly known as LendIt Fintech.

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Peter Renton: Today on the show, I'm delighted to welcome Sultan Meghji, he is the former Head of Innovation at the FDIC, now he left that post early this year. I wanted to get him on the show because he has a lot to say now about the state of financial regulation, he wrote an Op-Ed in Bloomberg soon after he left, really didn't mince words and basically shared that we really have a lot of work to do if we're going to keep up with the pace of financial innovation.

So, we get into that in some depth, we talk about what are the biggest challenges for agencies like the FDIC today, what innovation is really most needed in the banking system, we have a creative exercise where we go through what an ideal regulatory financial system would look like and we talk about what are the actual changes in reality that need to happen to get us where we want to be. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Sultan!

Sultan Meghji: Thanks for having me, Peter, good to see you.

Peter: Good to see you, my pleasure. So, let's get started by giving the listeners a little bit of background about yourself, just give us some of the career highlights to date.

Sultan: Thanks for having me, it's always kind of interesting because I think a lot of people who know of me or know me from my role at FDIC where I was the first Chief Innovation Officer which I just left a few months ago, but before that I spent basically 12 years building and selling startups and cloud computing, fintech and in biotech and then another five or six years before that on the corporate side and then ten years before that as an academic researcher focused on Artificial Intelligence. So, you know, I should say what's my actual coming out of school skill set, it's building AI, working on things like the first web browser, working with one of the lead tech guys at the New York Stock Exchange and a few other things like that.

Peter: Okay. So then, I remember when the FDIC launched this search for Head of Innovation, it was a long process before they found you and you started so maybe we can...I'd love to get your thoughts on why you took the job at the FDIC.

Sultan: So, there are a couple of things. So first, I knew about the job, I knew about this program for quite a while, while I was running a company. In fact the Chair and her Chief of Staff went kind out of their way to make sure that a lot of us from the industry actually kind of knew about it and were helping them try to find someone and they'd hired a recruiter and all these other stuff. You know, they got close a few times, but the thing that kind of, that I would say not just timing, but also I think it was kind of exciting for me is, you know, in my previous role I actually have been working with the FDIC on some tech innovative stuff and I had this really kind of a great opportunity to jump in and there were three things they were really looking for.

One is they wanted somebody with technical credibility, somebody who really kind of knew how it worked, knew how to markets work, could really understand, you know, if we're talking about AI or crypto or quantum computing, you know, they actually know what it is because the Federal regulatory system really doesn't have people with that kind of STEM experience in readership goals.

The second is they wanted somebody who understood the regulatory system and had worked with it so obviously I've worked with SEC previously, I've worked with FDA, obviously worked with the bank regulators, OCC, Fed and FDIC so I knew the landscape, I knew a lot of the people and all that.

The third is they wanted somebody who knew how to build stuff and knew how to transform things and I've done that both in starting small to mid-sized businesses, but also, you know, running large transformation programs because there is a non-trivial amount of that. And so, you put those three things together, there's just really not a lot of people in the United States that kind of live in those three universes and that community.

Peter: Right. So then, when you get to the FDIC what are the innovations that you were most focused on?

Sultan: Well, it's interesting, you know, what I knew before I signed the paperwork and tech POs and what I knew after that are really radically different. (Peter laughs) Once you go in, you think okay, great, we're going to, you know, streamline the examination process and we're going to, you know, figure out how to be more data driven and you have all these things and then, you know basic things like checking your email on your government-issued phone wasn't something you could really do, like even to open attachments, I couldn't respond to the Team's messages, stuff like that. So, you know, the first six months I was there it was a lot of kind of weirdly tactical stuff so, you know, a complete refresh of end-user compute for the agency, an entire refresh on how we did collaboration, especially with the other agencies.

It was a lot of sort of like making sure that people had tools that were reasonably modern. You know, the email client on the end point device the day I started was copyrighted 2009 and I started in 2021, I'm fairly public about the fact that I think a lot of the Federal IT organizations are really good at hiring project managers and hiring government contractors, but not really good at actually getting anything done. So then, switching to more outcomes-focused things, you know, I really tried to get people to start thinking about process as being something that you do to get to an outcome, not just the sake of doing.

You know, the first couple of weeks I was there, I would do ten hours of meetings on Zoom, like you and I are talking right now, a day and I would not get any work done because everybody had to walk around and introduce themselves and talk about what they did this week and, you know, talk about this and talk about that and at the end of an hour long meeting nothing actually got done, no decisions were made, nothing like that. So, I spent a lot of time trying to change that energy and then building things like sand boxing apparatuses, programmatic functions and other things like that so it really created division inside the agency that didn't specifically focus on outcomes which didn't really exist.

Peter: So, as far as like the technology, the innovations that exist at the FDIC, like call reports is one thing that the former Chairman was very vocal about, what are some of the thing that were the highest on your priority list?

Sultan: Yeah. So, there were a bunch of innovative programs that were kind of like called market phasing that immediately landed on my lap and the first was the call for a modernization program and it was really trying to figure out how to take what existed for larger institutions and make it available to all institutions so that, you know, you didn't have to have that, you know, faxing call reports which many banks still do, but actually happened to shipping the data over and shipping a sub-set of the total data.

You know, it's interesting, day call it 60 on the Job, we had a system that could absorb call report data in real-time, do all the real-time analytics, all that other great stuff, that was not the hard part. The thing that was actually harder was getting the actual examination teams to use it and not just stay using the old way they operated so we did call for modernization, spent a lot of time on cyber security which mostly I still can't talk about, we spent a lot of time working at crypto currencies and Web3 and Artificial Intelligence and new programs.

And then the other kind of final thing, there was a lot of inter-agency and inter-governmental work that really wasn't getting done too much and so what we did is try to establish collaborations. So, for example, one of the very last things I did before I left was create a collaboration between the FDIC and FinCEN to focus on collaborating on how to move the discussions around digital identity forward because that's a big topic and we need to really focused on that and so we did.

And then, finally, I'll say one thing that we did that I was really quite proud of was we did a lot work around financial inclusion and kind of working on equity in the overall banking system so we did a number of public events. You know, we started a process of creating a fund to specifically help ensure that minority-owned depository institutions and CDFIs were kind of getting the same level of access that their peers were getting. So, it was a fantastic series of activities and you have to ask the current Acting Chair how they're going.

Peter: Right, right, okay. So then, as you look at the banking system today, what is most urgent do you think, I mean, maybe it's not just looking FDIC-type oversight, but what do you think is most urgent for banks today, particularly when it comes to technology, what do they need most?

Sultan: I actually spent a lot of time talking about this and it's really three things. The first is cyber security, cyber security and cyber security (Peter laughs). I have publicly said, of all the banks I have looked at in my time in the banking system there are only two that I feel like actually do a level of cyber security work internal to the organization that makes me comfortable that I would put my money in. I obviously wasn't able to say that when I worked in the agency, but I have said it, you know, more recently so out of the, you know, 4,500 or so banks in the United States I think there are two that I have looked at and obviously I've worked with all 4,500 so I'm sure there are some others, but of all the ones that I've looked at there are only two that I'm very comfortable with.

Peter: Before you go on, I just want to touch into that. Are you saying that they're vulnerable to hacking, they're vulnerable to the websites going down, some money being taken, what do you say or all of the above?

Sultan: All of the above. I mean, the biggest challenge we have, you know, kind of as a civilization right now is we know another 5 to 10 million cyber security experts trained in in-market doing their job because we have a lot of legacy tech and this is a large threat to our landscape and we just don't have a pathway to do it so that's actually, you know, why things have started to do. Since I left is I've joined Duke's Engineering School and I'm actually building more curriculum on cyber security because we just needed to get more cyber security people in market which actually gets to kind of the second thing I think that's really going to be begin to be more of an issue in the banking system which you need capital.

The age of the leadership of most of the banks in this country is pretty high relative to the rest of the market so, you know, roughly speaking, the median age in the workforce in the Unites States is like 36, 37, 38 so like late 30s basically and in the banking sector it's in the high 50s. And so, you can't have a two-decade shift like that and still have people sticking around, you know, this is the joke, always goes, five years ago the average bank CEO was 60 and the bank Chairman was 65 and now five years later, the average age of the bank CEO is 65 and the bank Chair is 70 because it's the same, between the two it's the same 9,000 people basically.

Peter: Right.

Sultan: So, we have a huge human capital issue and the challenge is the next generation of people in that market just aren't going into the sector, you know, they're going to fintechs, they're going to cryptos, they're going to tech, they don't have as many people, especially with STEM backgrounds, you know, in their hiring pipeline.

Peter: Right. That's really a problem that even fintech, I think the talent that is available, it's pretty solid a lot of fintech companies do well with it, but there's just not enough great people to go around, it seems so I'm sure banks are struggling with that. So then, you sort of touched on it, I want to kind of get your sense on what's the biggest challenge to actually enacting change at the FDIC?

Sultan: I'll broaden the question slightly because now we can tie it in to whatever we were just talking about. Whether you're talking about the banking system, we're at large in the United States or the regulatory system they're really quite similar. So, hearing bankers, you know, complain about the regulators and you hear regulators complain about the bankers, you know, it's a lot of the same things you hear, but the biggest challenge is in so many legacy organizations, I men, this market, in particular, no one has ever been incentivized or really trained on how to systematize change. If you're in the fintech ecosytem, the tech ecosystem, most of the markets here, you don't do the same job three years ago that you were doing, right.

Today, the job is different, for you and I this is absolutely true, right, you don't sit in the same job for seven years and do things exactly the same way, like that notion of change, especially around digital, has really been systematized into so many markets over the last 25 years. You know, banking has been really insulated from that and so whether we're talking about a regulatory system that is doing things the exact same way they were doing it in 1987 or banks that are doing thing fundamentally the exact same way they were doing in 2005, you see a lot of that same issue, you see kind of an analog mindset, you see people saying well, you know, we just got to wait for COVID to be over so people get back in their car so we can buy radio spots so they know about this and drive by our signs by the side of the road.

You hear bankers say that and I'm just like I don't think you really understand where your customer base is or who your customer base is about to be and so that's where there is a metric that I tell everyone, that if you're running a bank, you should be paying attention to which is new customers with either new deposits or new loans. If it's the same customer doing a version of the same loan he did five years ago, okay, that's fine, you're not growing, I don't care if it is adjusted for inflation slightly higher than, you know, what you expect that's not really meaningful. We've injected so much capital into the financial system over the last 15 years and so much of it isn’t landing in the traditional spots.

So, yes, there's more money in the banking system now than there has ever been, but it's a proportion of the new capital injected into the system, it's a tiny percentage.

Peter: Right.

Sultan: And so, you know, I think a lot of people, especially kind of the top level Federal regulatory community, just don't realize how much money is outside of the banking system and I'll give you one metric that's kind of useful one. Roughly speaking, you know, within kind of a reasonable margin of error, there's about $2 Trillion in deposits in credit unions here in the United States, about $2 Trillion, that is almost exactly what is sitting in the Federal reverse buy account as of last week and which is also, by the way, just the same amount money that's been invested that sits inside of crypto currencies.

And even with all the hoopla over the last 30 days, that number is not going to go down, that number is going up and so, obviously, we're seeing some activity around the regulatory side of that, but I don't think a lot of people really understand where the dollars that are created by the Treasury and the Federal Reserve have actually landed. So, I think there are a lot of banks that really need to re-evaluate what their product and service, that is, who their customers are and how to get it in their hands because you're not going to get a bunch of 27-year olds to walk into a community bank branch.

Peter: Right, right. I was talking to a banker at our big event last week where they were saying that they saw a lot of these outflows going to crypto companies, like they saw the people, they're sending money via ACH to all these crypto platforms, that's when they decided they needed to do something.

This was a forward thinking bank that is exploring crypto trading as an offering. You know, that's the sort of thing that banks have a lot of visibility into all these, but it takes a different mindset to I guess to want to change.

So, one of the things I always think about with government is there's so much talent. I mean, I get to talk to incredibly smart people on a day-to-day basis on the fintech space and the crypto space and the banking space for that matter and I often think about the regulators, they have a tough job. I mean, people like yourself went in there and I think there are some like you that have done it, how do bank regulators like the FDIC , you know, try and attract the talent they need to really implement this latest technology?

Sultan: I'm going to disassemble your question. The first is a fundamental talent question that the big US government has. They struggle so badly, the systems are not designed for.....you don't incentivize the right way, the salaries they offer relative to market, I mean, there's just a whole list of stuff. I was in a panel about a week and a half/two weeks ago where the Head of Human Capital for the GSA, General Services Administration, which is a big part of the government, really took exception to some of my comments because she reasons like well, you know, our job is to be steward of these jobs and our job is to be a steward of these agencies.

I'm like, but isn't it your job to actually deliver the services that these agencies exist to serve and if in 2030 you have to have 40% of your workforce have a technical background and in 2022 it's 5%, what are you going to do to close that gap and they don't see it as their problem. They say, we can always hire someone from the private sector, well, you can't always hire somebody, right. We tried to hire a social media manager at FDIC and I actually had like a very senior person from another agency who has been in the private sector, she's unbelievably well qualified for this job, we couldn't get her into the final panel and I'm not sure why the HR process didn't let her go all to the way through the panel, but a bricklayer did.

Peter: What? (laughs)

Sultan: And, you know, it's just ridiculous, right, and so that's the first part. The second part is the hiring systems of federal regulators is fundamentally designed to hire accountants out of accounting school or lawyers out of law school and then to put them in a 7 to 10-year training program, kind of program them how to do a job that was designed in 1987. Guess what? That is exactly who they're hiring today, that is the vast majority of the people in the hiring pipeline, the problem is all the lawyers who get good leave within five to ten years, they have a very high attrition rate of the people coming in and the people who stay don't have the technical experience and don't actually know how to do these things.

So, the agencies are fundamentally not hiring the people they need and this is getting harder and harder because we are seeing a huge exodus of people with these skills leaving the regulatory community and going to other places. They are going to the PayPals of the world, they are going to the Figures of the world, they are going to JPMorgan, you know, so that there is such a concentration of that skill set in DC that there are a bunch of people who are, you know, policy advocacy types in DC running around and they're actually...all their job is to steal people from Federal agencies (laughs) and I don't think a lot of people in their agencies really understand that.

Peter: Right, right. That brings up to my next question which, you know, obviously you stayed, I think it's about a year from thereabouts and then you left, the thing that I've always found quite interesting, your Op-Ed, you wrote an Op-Ed published in Bloomberg I think the week right after you quit and, you know, I've read the Op-Ed like five times and it was just one of the most I felt like brutally honest assessments of where we are when it comes to regulatory agencies for the financial system, maybe just with summarizing what you shared in the Op-Ed.

Sultan: I mean, we've talked about a lot of it and fundamentally, I highlighted a series of points that to me are all within the power of any one agency, any one department, any one department head, any HR person, etc. and it was we need to get better about hiring the right people. When we get them we need to make sure that we're keeping them and we're training them and we're growing them and we also need to make sure that we're protecting ourselves as agencies so that they don't want to leave. So, create a positive work environment, create a good culture around that and so that's one piece of what the Op-ed was about.

The second piece was fundamentally about how the agencies themselves are not really paying attention to what's going on outside and so they don't even have visibility to a lot of these questions. You know, I spent part of my agreement in the agency was focused on quantum computing, especially what we call post quantum encryption so it's an upgrade to the encryption we use across the Internet and there wasn't a single person in the agency when I started who really understood it except one person because he had to learn it because of an incident or something happened and they had to pay attention to it. I think he was a lawyer, he wasn't a mathematician or anything like that so you just have to kind of take what's given, I mean, that's the thesis of the Op-Ed.

Peter: And then so what was it then that caused you.....I mean, you said that the government needs good people and then you went ahead and quit yourself, it must have been untenable then to keep you there. What was it that really drove you to leave?

Sultan: I mean, there were a number of things. The first was I had set a goal of about six things I wanted to accomplish and I assumed that would have been two and a half or three years when I went in, I didn't say that was kind of my assumption and there were six things I wanted to accomplish and by December of my first year, I had gotten four of them accomplished which was I thought pretty good so that was number one. So, I knew I kind of got kind of the big heavy things kind of set up, the first one.

The second thing that happened is there is a very narrowly political fight at the agency between the various board members and some of that's still public, like a lot of it did...I can say that there's a lot of stuff that didn't some out in public that I really I think, you know, looking back on it, really just showed why rank unprofessionalism as in terrible behavior on the part of some pretty senior people. They just really....I don't like working in places like that, I don't like working in places where that kind of behavior is rewarded or even tolerated.

And then, the third reason was I was looking out at the market and I was looking at what was going on and I joked that I took the job as a retirement gig and if my ability to get things done and it's a terrible work environment and I'm looking at the market kind of moving even more quickly and more interestingly in areas like I find fascinating was there, you know, I didn't need to pay checks so it was kind of like I woke up one morning and I was like this isn't worth my time.

Peter: Right, right, interesting. So then, in your column and I'll also link to it in the show notes, but you really didn't pull any punches, you basically said some pretty ....basically people not wanting to change, wanting to keep things going the way they have, did you hear much reaction from inside government about your column saying I don't know why you said that or people say I wish you hadn't said that, what was the reaction?

Sultan: Not a single person said that I was wrong or that they disagreed with me so I feel like that's a good one. So, I got a lot of very positive support from a lot of circles, you know, from very junior to very senior people, I mean, it speaks a lot of, you know, that came out on a Tuesday and by Wednesday afternoon, I was basically in a white house discussion of outputs so like there's some appreciation in some circles that I wasn't saying too extraordinary.

The only piece of feedback I got there that wasn't even remotely negative was a few people saying well, you know, why didn't you stay and stick it out and try to solve it and all the stuff. Fundamentally, the regime that I would have had to work inside didn't care about what was good for the American people or what was something that would actually make things better or more effective or anything they just wanted to have their own interest taken care of, kind of screw anyone else so I won't do that.

Peter: Right, right, got you, got you. So, let's do a creative exercise, if we will, I want to get your perspective having been inside government now. A lot of it is being talked about, the complex regulatory structure that we have in this country that has, you know, sort of being patched together over 200 plus years. If you were to design the regulatory system for finance, for banks today, what would it look like?

Sultan: For the listeners, when you suggested this is a topic, my immediate response was well, that's an entire second podcast to have that discussion. So, you know, it's interesting and I've been having this conversation since I left with a lot of people in the (inaudible) circles and other agencies and things like that, I'm going to talk about three parts of the answer and I don't think I know what the full answer is, but here are three parts I think are at least interesting.

Number one is you rightly point out that the entire regulatory environment in the United States is patchworked together over, you know, just shy of 90 years basically, right, what was done in 1933 and put pen to paper in 1933, in many cases, has no relationship to how the world operates today. And so, even if it isn't a full clean sheet of paper, there's a lot that could be done to bring regulations up-to-date with how the world currently works so the example I give is if you're under the age of 30, you probably have ten apps or more on your phone where you have put some of your money and you're transacting within that ecosystem on a daily basis and those ten things, at least nine of them are not banks.

If you were to try to explain that to someone from 1950, 1980, even the year 2000, they would not get that and the regulatory system is fundamentally oriented to protect that status quo so I would absolutely address that as a first piece which is to go back and say okay, the FDIC was created because the Federal Reserve examines banks the way it does because and then builds systems that support that so that's the first part.

The second is there are, roughly speaking, 120 different agencies between the state and federal level in the United States that one way or another have a regulatory obligation to the bank account and the American citizens, okay. How in the name of all that is holy can you get those agencies to all agree on anything, let alone operating in a reasonable straightforward way, they don't. And think about the waste to the tax payer, billions and billions of dollars is being wasted, right, so, to me, there is a huge consolidation exercise that needs to happen across the regulatory agencies. There are far too many agencies, far too many overlaps, far too many, we call them delegations of authorities so, for example, FinCEN might be given authority by Congress, but they can't get the budget to do it so they have to delegate it to another agency because that agency isn't Congressionally funded, i.e. FDIC and then they go down a path there.

The thing is we don't have to kind of imagine that from nothing, there are many countries with just as complicated a regulatory structure and requirement that we have that are doing this to more centralized activities. I highlight Germany, it's a fantastic example of a country that has a much more straightforward regulatory regime than what we have and, frankly, it's more efficient. If you look at how they just do de novo banks, it's a model for how we could do it. United Kingdom is another great example, right.

Peter: Both those countries have like one single regulator, a core regulator.

Sultan: So, one could make the argument that we really only need two things, we need a central bank and we need a bank regulator, right, so two agencies not 120 or whatever it is and be done with it. So, that's the second point.

The third point is we have I think an awesome opportunity to create a regulatory regime that actually makes the rest of the world want to work with our banking system and right now, we aren't incentivizing that by virtue of the fact that the US dollars, the global reserve currency and has been, and since we kind of stole it from the original Bretton Woods discussion. I am a member of Bretton Woods so I love this story….do you know the story of why the US dollar is the global reserve currency, have you heard this, Peter?

Peter: Please share.

Sultan: Okay. So, back when the original Bretton Woods meetings were happening pretty much everybody agreed, except the United States, that we should create a one single global currency that everybody could use, that all the central banks could use to share money between them and it would be managed in kind of a thoughtful way. It was some kind of a fiat currency 40/35 years before fiat currencies were thought of thoughtfully and the guy leading that discussion was one of the delegates from the United Kingdom and he had to go to the bathroom and then had to rush off to get back to England.

The American delegate walked over with a sheet of paper scribbled out at that part and wrote US Dollar and that's what ended up making the US dollar the global reserve currency for the Marshall Plan and all these other things that we did in setting up the World Bank and the IMF and all of that. The original plan was not, it was to actually have a single global currency for that kind of activity and so that's why the US dollar is the global reserve currency.

Peter: I haven't heard that. Plus, I mean, the US economy is the largest in the world. If you're going to have a reserve currency, you don't want it for a minor country.

Sultan: That wasn't true in 1945, right.

Peter: True, yes, yes.

Sultan: I mean it may have been, just in terms of industrial production, but I don't think we knew that as the real thing. So, anyway, the US dollar currently, we don't incentivize foreign banks to lend against the American banking system except at the Federal Reserve, right, we don't really incentivize global capital to come to the United States. There are a number of other countries that are making it incredibly easy to do anything in their financial services ecosystem because they have centralized and streamlined the regulatory capabilities. You know, the United Kingdom is doing a really interesting job with some stuff around crypto, you see it in places like Singapore and a few other places, but the US can really engineer a system that would incentivize people to work inside of the American financial system which is the safest and soundest in the world and the most transparent and all that stuff.

We don't have to throw out the baby with the bath water, what we have to do is make it operate in a way that actually incentivizes people to do that so if we move to a much smaller number of agencies, and really I think it should two agencies. It should be a externally oriented central bank and then an internally oriented regulatory body because right now, it's 50,000 people and half of them are doing the jobs someone else in another agency is doing.

Peter: Right. That is so wasteful. So, given the realities that we do have 120 plus regulatory agencies and each one wants to justify their existence and does not want to give up the fight, what are some incremental things we can do to kind of get to a better place?

Sultan: Well, the first one that we're seeing Congress already take action on which is to begin to think about how to regulate the crypto currency environment and do it in a straightforward way, like that's a great thing to happen. I think there's a good legislation coming out. I think it will get better as it iterates over time because it 's still, this a highly dynamic environment so that's a big one and ensuring that there's a way for those crypto environments to be regulated and operate in the global financial system is going to be a win if we can figure out how to do that versus this kind of meteor thing you see with the People's Republic of China where they're just like we'll make it all illegal. Well, that's not going to work especially when, I mean,70% of crypto holders are American citizens, like that's just not going to happen, right. So, that's one big that I'm excited to see some forward progress on.

The second thing that we can really do is prioritize hiring leaders, agency directors, deputies and senior staff of all the regulatory agencies who actually know how these new systems work, how technology works who aren't incentivized for stasis and who are incentivized to actually make things better. We do a terrible job with incentivization and so I look at the pipeline of people that both the major parties are thinking about putting in, either now or over the next couple of presidential cycles for agency leadership Fed Board roles, you know, Fed board roles, Fed presidencies, things like that.

I'm kind of slightly more involved in that because, you know, wanted to make sure we have people who actually understand how these things operate, right, and actually know how to drive change and who've actually driven change before, like the first time you're an agency director, it shouldn't be because you had 30 years tenure at the agency. It should be because you understand what the goal is in and what we have to do.

The agencies, generally, especially OCC, FDIC, CFPB and Federal Reserve all have tremendous statutory flexibility in terms of doing what they do. The statutory authority doesn't necessarily say how you do it, it just says what the results have to be and in some cases the legislation is incredibly well written. I mean, the FDI and the banking act, there is some really thoughtful nuance and it is just that the agency leaderships have historically been bureaucrats or insiders or not, you know, strategic leaders who understand how to make those changes.

Peter: Let me close with your perspective here, are you optimistic or pessimistic on the future of the Federal agencies and their roles in the regulatory system and keeping up-to-date, keeping things going?

Sultan: I am always hopeful, I am not necessarily optimistic, I think that because of ambiguity in action and so many of the people involved in these discussions having planning horizons that are just a few years long because they are already retirement age and they're not really thinking about this as something they have to solve for the next century, I think we're going to see eight out of every ten decisions that need to get made or not going to get made in the next couple of years. It's just going to be kick the can down the road and you certainly see that with the crypto EO that came out.

Peter: Right.

Sultan: Last week of actually, no, it's today, today was supposed to be the day where all the agencies got back with their initial research comments, etc., etc. and it's already been moved out to like Thanksgiving, basically, which means next year.

Peter: Right.

Sultan: So, like they're just kicking the can down the curb and then the 20% decisions that are being made are not going to be made because it's the right thing to do, it's going to be made because somebody wants to be the next Treasury Secretary or somebody just decides well, I just want this to all be illegal or I want to, you know, I want us to have postal banking like Marty Gruenberg has been quoted talking about it.

Peter: No way.

Sultan: Red backhand stuff, right. So, you know, I'm hopeful that we can, you know, because there are good people and this is the thing I don't want this to come off like I'm just taking a cricket bat to this entire discussion, but like there are some good people in these agencies. The problem is just because they aren't playing the high school politics that so much of these agencies operate around, they're not in a position to actually make, you know, help make the right decisions here. And so, you've got to go down four or five levels in most of these agencies to get people to actually understand most of these issues and so I'm pretty sure that anything at that level that anyone wants to do, the vast majority of people, you, me and anyone else, will probably be okay with.

The problem is that it can't get through that political layer and that's the thing that I think really stops a lot of these discussions so here is a great example and here's the one that will be a harbinger for me as to whether or not I should really be excited about where we're going or not. I already talked about quantum resilience encryption, post quantum encryption, this is a fundamental thing that's happening, new standards around encryption are coming out on an almost daily basis the National Institute of Standards & Technology (NIST), it's going to have a new standard for encryption on the Internet at some point in the not too distant future.

How the regulatory agencies respond that is going to be a key indicator for me as if they have actually internalized some of these discussions. Once that’s available it should be no more than six months before that is in place, if you're not using it, you're going to get dinged on your examinations, etc., etc. I am willing to bet that it will take closer to three to five years.

Peter: Right, right. Well, I hope you're wrong, but we'll have to leave it there, Sultan. It was a really fascinating and illuminating discussion so thanks for coming on the show today.

Sultan: Thanks for having me, Peter, great to see you as always.

Peter: You know, in the fast paced world we live in today there is certainly no guarantee that the United States is going to maintain its financial dominance of the world, the US dollar will be the world's reserve currency, that may not change in the short term, but in the long term if we don't do something about the regulatory system to make it easier and less wasteful and embracing of innovation, if we don't do something about that in the near term I think the chances of our long term dominance is going to be reduced substantially. We need to have a regulatory system that embraces innovation because the pace of change, it's only going to accelerate.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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