Kalshi's Tarek Mansour: Chaos by Design

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SUMMARY

Taran from Kashi shares insights into his entrepreneurial journey, emphasizing the importance of a strong mission and the unique dynamics of co-founding with Lana. The company faced significant challenges, including a lengthy struggle with regulatory approval, which culminated in a successful lawsuit against the CFTC, ultimately leading to rapid growth and market dominance.

- *Kashi was built around a strong mission to create a comprehensive exchange for various assets, not just as a company to generate profit.*
- *Taran describes himself as more risk-averse and strategic, while his co-founder Lana is optimistic and innovative, creating a productive tension in their decision-making.*
- *The duo operates with minimal hierarchy, allowing for adaptability and quick responses to market changes.*
- *Their successful lawsuit against the CFTC was a pivotal moment, enabling them to launch their election markets and significantly grow their user base.*
- *Taran emphasizes the importance of understanding the motivations behind starting a company, cautioning against the allure of entrepreneurship without a clear purpose.*
- *He advocates for a focus on building a product that reflects the founders' values and vision, as this authenticity resonates with users.*
- *The company prioritizes responsible practices to mitigate excessive behaviors among users, particularly younger ones, while promoting informed trading.*
- *Taran believes that the entrepreneurial journey is often filled with challenges and sacrifices, and success requires resilience and a long-term perspective.*

The thing that was unique about us is we never pivoted. It was always Kashi. I mean I mean Kashi is everything in Arabic. Like we always wanted to build the everything exchange exchange for all these different assets. And we didn't build Koshi to build a company. We built a company to build KI. It's a it's a bit different. >> I see. >> We were dragged by the idea. I I I wasn't the type that wanted to be an entrepreneur or like I I think if you reroll the dice multiple times, I'd probably just be a trader or risk manager. Like I would not be an entrepreneur. Got it.

>> But the idea was so like glaring in front of us that we just had to do it. Like we we felt that we had to do it. And so the whole point of doing this whole thing is the idea. Hey everybody. Today we have Taran from Kshi. He is a gem. This is a really good episode. They walked through the desert for many, many years in this company and went sideways. Then they made a very risky bet to sue the federal government and won. And this thing has ripped ever since. It's growing, you know, similar rates to OpenAI and Anthropic, but a few years behind. I think you're going to like it. I'll be back at the end for my takeaways.

We just met for the first time a couple weeks ago at David Solomon's house and it was a CEO dinner >> and you had some very unusual ideas about CEOing. This is why I wanted to have you on the pod. >> Yeah. >> And so I want to get into those. Let's just start with your co-founder. >> Yeah. >> It sounded like it's a semi co-CEO relationship. How do you two run the company? How do you split it up?

>> Yeah, it's interesting. You know, we we've over the years we constantly been asked this this question and and and and we never really had a very clean answer to this and we always thought it was sort of like a weakness and our perspective on that has changed. I mean dramatically. I actually think whatever model works for us works for us. Great. You know, and then if you figure that out then you know >> Yeah. >> and you know the way the best way to describe it is I think like I operate at the very high level strategy make sure that we're going in the right direction.

Where's the world heading? Where are our rights to win? And just thinking, a lot of thinking continuously. And then I'm very very low in the details. >> Okay. You're high and low. >> Yeah. Extremely high. >> Head in the sky, feet in the ground. >> Yeah. >> Okay. >> But very very low. I'm talking like >> coding. >> Yeah. And more specifically like like marketing and the copy and the details and like everything around how we're marketing something.

>> Yeah. How we're talking about the product. all these little things that like the end consumer whether it's someone looking at a billboard or someone who's like in the product is going to experience like what are they going to feel and everything else that is actually running the company is Lana >> okay >> that's basically you know I think one of the best way to describe it and then I do the external stuff the regulatory the policy you know the fundra all the other external aspects of the job that tied to marketing and sales but the the day-to-day running of the company like making sure that the company is actually run is Lana >> how do you dis you must disagree about stuff >> disagree a lot like all the time So, how does that play out?

>> I actually think we kind of disagree by design. Like we have this thing, this dynamic over time, it's become a thing where like we essentially will always take the opposite side of the argument. >> Are you a contrarian? >> I'm the guy in the room that will be sort of the negative like everybody's pumped about a plan. I'm like, "Oh, here here's how it's going to fail and all the issues I have, you know, but but we tend to sort of just like disagree with each other often."

And I think also like you know again it's so people like oh you know how you disagree and disagreement like continuous disagreement is is an anti pattern but for us it ended up being a pattern because we're we're coming this we're this very complicated company that has this constant continuous delicate balancing between how much risk to take on the regatory front and like you know innovation and regulatory and you have to always balance those two those two things out and you see now in AI and safety and innovation all of that and like that sort of debate is a continuous force to drive us to the middle we end up getting you know not always the right answer but we're not too far from the right answer and we never oscillate between the two extremes and I think that's one of the powers of having like two equally powerful like co two co-founders in an organization because if you're if you're the only one you know anyone like anyone that reports you or whatever like anyone that you hire that is not a founder it it's inevitable that they won't always tell you the truth it's inevitable like no matter what culture you build etc like there's different incentive structure than someone who's a founder that owns as much equity as you etc and so you can stray right and and and and here it's very hard for either of us to trade.

>> So I talked to Lana to prepare for the interview. It sounds like you're kind of the more conservative of the two. >> Yeah. >> And maybe you're on the regulatory side and she's on the innovation side. Is that the way it sort of plays out >> more often than not? Yeah. >> Okay. Okay, >> is very faith-based like optimist. Sometimes I would say like over like incred like I super irrationally optimistic like she she she sometimes doesn't really do the the math on how something is going to work out like like on why it's going to work out and that's and continuously happen at Khi and that used to fr I mean through for years it frustrated me I was like this is like this really like it doesn't make any sense and I'm the other side I'm like I I'm a risk manager. I'm paranoid. I have a paranoid demeir and and which is also usually an antiparent for a founder. I I think about risk and expected values and like I I think probabilistically about the world and here's all the things that could go wrong. And I think that sort of that tension has led to all the decisions that we've made over time. But it's interesting because you know like Luana's approach to things and now I now believe that given enough time horizon it's going to end up being true no matter how irrational it sounds.

It's kind of it's kind of amazing but I think my side is the thing that like for reg you know for a company that has to get regulatory right you have to make sure that like you you're doing things the right way like I'm kind of that forcing function in the company and again so I think we land somewhere in the middle where we've managed to achieve the results we've achieved. I'm actually very bad at a lot of things.

It's actually shocking. Like if if you see my dayto-day like >> Because you're obsessive. You're very good at a couple things. >> Exactly. >> You're a lot of founders are obsessive. >> Yeah. But I'm I'm kind of procrastinator. >> Huh. >> Like I'm so disorganized. Like if if like people that work around me, you ask them. It's just like such a show. But like Lana like orchestrates everything. >> She's organized >> very and like she drops. But like I'm like the opposite of what you imagine for an operator. But I can get so obsessed with certain things that I want to get good at that I can get good at pretty fast and I like get good. So I don't think I'm a good marketer. I just like obsessed about it for long enough that I >> That's how I work with my co-founder.

He's very obsessive. He goes very deep down a rabbit hole and you can't get him out of that rabbit hole. >> You've had a long strange trip growing up in Beirut. Yeah. certainly an unusual childhood. Is the risk aversion sort of rooted in >> growing up in such an unusual place? >> For sure. I mean, most most things, right, that end up sticking with you are are really how you grew up. this definitely applies here. I mean, so I grew up with a single mom and I grew up in Lebanon and in Lebanon, you know, it's it's not a I feel like often times the headline make it sound like a >> sounds like a constant war zone if you read the New York Times.

>> Yeah, it's not. It's actually more of a volatile country. Like the word is volatility. It's a lot of ups, a lot of downs. You can have a lot of fun, great life, and then all of a sudden you're like, you know, running from a from So, so the mix of those two. My mom was paranoid. She she she would she was always afraid. We would sort of take a lot of issues that would been thrown at us to the extreme and we would carry them as like and I was really

young and I'm the eldest child. We're two brothers and that doesn't leave you. So, so my my brain is wired to think about all the ways that something is going to, you know, go wrong, right? Like if I get on a >> on a hot air balloon, I I I can like list you immedately >> like any Yeah. on a flight too. Like I can list you immediately all the 20 ways this thing is going to go south, right?

>> Okay. >> but it's important for our company. We're a company that take, you know, that has financial risk involved, regatory, I mean, all these different things. But that has helped us over time really become very hyper attuned to what exactly is our risk in a variety of different ways and where we can take risk and where we can't. >> Okay. I've heard you on other pods bring your mom up. >> Just can you just give us some more paragraphs on her? Oh, it's interesting.

Like rip on your mom. >> She's very I mean she's like she's definitely a tiger mom like in in that you know. So tiger mom very intense like very very intense. My you are too. Yeah, I am very intense too. Yeah. But yeah, my way or the highway were like uncomp completely uncompromising completely. And then it was a sort of thing where like so what happened is I think she had to basically sacrifice a lot of her life to to because my my dad left us at age six kind of and she had to sacrifice a lot of like her career everything she was wanted to do to basically make sure that we're okay and she wanted us to have the best life we could and come back you know come back to America. So I was born in California went to Lebanon and she wanted to come back and get to a top school etc. And so what happened is I think like a lot of her personal pride ended up being attributed to her kids. Like my kids success are going to be what I deliver in life. And so so her bar was so high on us. Everything like we would do a sport like go play tennis or play soccer and you have to win. And if you come silver like it's bad. So that's just creates like a hyper compet competitive nature. But also there's this this feeling of like there's always an answer like you know whenever we had like a financial issue or like you know like you don't give up you you bang your head against the wall you go up you go left you go right you you go down I mean it doesn't really matter you're going to figure something out >> all of that I think ends up you know now like you know decades later right like it's all in me and it it it matters because there's this sort of higher gear sometimes that like so most people have this thing of like well there's certain things that are within my control and certain things are not I don't really believe that that in that dichotomy.

Okay. I think it depends on the person >> like some people can just make a significantly larger subset of the universe of things that are like you know >> I feel like it can make things happen maybe irrational. >> Yeah. You can make you can bring more things into the control. >> Yes. >> If you have you know it's like some some people just think like okay like I >> I can do it. >> Yeah. And it could the scale of the problem could even become big. I mean it's I mean Elon has a little bit of it right. like a lot.

>> Yeah. Like I I feel like Elon sometimes and I'm not, you know, my sense is like as long as it doesn't break the laws of physics, like we probably can make it happen. It's our control. >> Yes. >> Yeah. >> we're going to get into more CEO stuff. We just heard Ken Griffin from Citadel speak at this conference we're at and he talked about picking best practices from different companies and sort of assembling his CEO playbook from other people. He learned from Jack Welch, etc., etc. Do you look up to one CEO? Are you following a playbook or are you just I'm going to make it up as I go?

>> I have a lot of I'm going to make it up as I go. Yeah. >> So, you know, and I think this applies to Luana too. Like both of us were probably very sort of like entrepreneurially illiterate. Like we haven't read all the books. We haven't watched all the podcast. >> You don't live on Twitter. >> I I do Twitter a bunch just because a lot of our users are on Twitter, but not not like in the sort of like here are the four steps to build a company.

>> Okay. >> sense. >> >> Okay. you're not in that ecosystem. >> But I have I have I look up to like there's a lot of aspects a little bit like I can honestly like a lot of aspects of CEOs I look up to like I think the extreme boldness of Enon, his ability to attract talent is amazing. I think Tony Shu I always go back to because I think his operational discipline and execution I think is honestly is one of the best. his business is so hard.

>> So hard. So is yours by the way. >> Yeah, ours our business is hard and marketplace and all these issues. I mean, but I I I think those are two names that consistently come to mind, but there's everyone like there's so many people. I mean, like the Carlson have done such a great job at like creating this sort of brand aura around their company to attract like incredibly like talented people to to you know build build something that just goes beyond what the company is exactly building. And so I observe a lot of these different things and figure out like what I can take. But then after that it's cons continuous iteration.

Like what we do well I think is like we just try and we try fast and we're continuously like did this work didn't work okay like m change it fast whether it's a hire whether it's an approach to things whether it's my own voice whatever it is I think we do this you know and and I think that's the best way to find the right answer because often times these things are very like I'm going to say company dependent but as I was saying that it's very like CEO or founder dependent like it's to your image it's very hard you know to market even your product if it it's It's not coming truly from what you're from who you are because the company is going to be to your image no matter what you do.

>> And your your headquarters is in New York. Do you think if you were based here you would be more in the mold of every other company? >> Probably. I also think it would have been harder because >> you would talk out of some of your crazy ideas. >> Yeah, maybe to some extent. The the the harder piece I was thinking is just recruiting. I mean, one of the reasons we moved at the time, what I like about New York is for our company's mission, which is, you know, like figuring out how to build this idea of infinite market, the next generation exchange, like fundamentally rebuilding Wall Street, like this new Wall Street that is more like global, more for the people.

it attracts it, it has a a stronger, let's call it like u market fit with the talent in New York. >> Yeah. >> Much better. >> Much better. and and there I felt confident we could hire the top 1% of talent whereas here >> maybe but I don't see it it doesn't feel like it burns as cleanly I think here it's really AI right now and and I think >> even if I mean we didn't necessarily know that in 2020 but like even if it wasn't AI it was going to be something that is not finance right >> okay you and Lana have I think it's 130 sort of direct reports if I got that about right >> yeah yeah pretty much I mean there's some functions that like we sort of let them do like what they do and but pretty much most of the company reports to between the two of us.

>> Okay, that's unusual. >> Yeah, it's pretty unusual. >> five years from now, are you It's unusual because it's small and it's unusual because it's zero hierarchy and it's unusual because they report to both of you. how does it actually work? How is it not chaos? >> It's kind of chaotic. >> Okay. >> But I I think you could build an organization that's somewhat okay with that because what you get out of chaos is like continuous constant adaptability. It's very easy for a company to adapt. Very easy. I mean Sam talked about pivoting and I pivoting feels like a bit of a strong word, but like the point is like you want to constantly reorient and reassemble around the biggest challenges or biggest opportunities for the company and you want to be able to do that with no friction. That's inherently chaotic.

>> How do you >> That's a complex, right? Like it's a complex system. Like it's like organisms and cells are sort of moving around and like floating in the ether and then they you know what I mean? And so like that's like the world is an inherently chaotic system. So you know what I mean? And so we're trying to impose structure that is unnatural given how the world is moving and in a world that's accelerating over time.

>> You kind of have to be more sensitive to the fact that it's increasing more chaotic. And so your structure needs to be as adaptable as possible. >> Okay, this is sort of the crux of the podcast because the CEO playbook that I grew up with like handed down through the generations I think is getting a big rethink. and like Brian Armstrong and Jack Dorsey are talking a lot about this new way to organize where it's not a pyramid, it's a circle. AI's in the middle. You're training the AI. All your systems allegible. Your people are feeding the AI and the AI makes more and more decisions. Org charts gone.

Compensation's different. All the things are getting thrown out. Are you following along with any of that or you just kind of making it up as you go? >> Making up as as you go. I didn't even know about that. I never heard about that. But like it's interesting. So >> one of the things I've learned by the way about all this, I've interviewed all these CEOs. There's no one way to do it. You look the way Jensen does, it's totally different than Elon. It's totally different from >> Yeah. It's I was saying imagine Jensen running Citadel.

>> Yeah, totally. >> That would be nuts. You know, or or you know, so I don't know. I mean, I think that like or or like even funnier like imagine Ken getting dropped into Open AI to run it. Like it it would be so crazy. But like I I don't know. I I'm actually curious to hear your thoughts. I mean like the the the world is more interconnected than ever. And I think just things are accelerating like the rate of learning the rate of change is like if it used to be I mean maybe like you have to readjust fundamentally every three to four years then every year. I mean I honestly think you have to readjust fundamentally what every month or two.

>> I kind of agree. I'm learning so much faster than I used to learn. I'm picking up skills so much faster than I used to learn. >> yeah, the world has changed >> like January to today. Like it's it's so crazy. I mean, like how it's it's hard for me to imagine making a certain set of decisions in January. >> Okay. >> That truly applies still today. >> Okay. So, how do you plan >> dynamically? Right.

>> Okay. But it's the end of December. You got a board meeting. Alfred Lynn's on your board. What do you actually even present to the board? >> Yeah. It's kind of like hazy a bit like it's, you know, the board used to be

like, "Oh, it's not structure enough." But now I think it's they they're kind of used to it. >> What is it? >> It's usually So, look, I I I Yeah. Yeah. It's a good question.

>> I tend to not have too much structure and and and one other thing actually at Cali, we're not super metricsy. >> Okay. In general, >> I thought you'd be the opposite. >> No, we're metricy very hardcore on like risk like how much margin we're giving to customers like things that are like go directly into the product. But in terms of decision- making, it's it's it's we should be a little bit more and we will probably get to to there a little bit more over time, but it's it's really more like what are the customers saying, what are the pockets of demand that like basically the energy is about and where's where can we basically be first or be most aggressive or have a right to win. That's all the conversation where it's at, right? And then there's usually like one or two key challenges that tend to be the single most important challenges in the organizations like and let me just yeah let me give you the last sort of like u maybe 18 months. So off of the election all the conversations what are we going to do about election? How are you going to cross-ell people? Are they going to stick?

>> Yep. >> And what they're saying at the time is like like well let's prove that the sort of this network effect engine now that we have we had a massive growth catalyst that it is going to create the chain reaction. Let's figure out how to like make sure that people are you know adopting other products and like get going and that worked like we really we really created that network effect where we use that new demand to attract more liquidity which boosted all the other markets and then that helps us get demand at a lower cost and then we basically compounded there. Then after that it was essentially like okay we we need to prove our broker strategy is working. So we had the direct to consumer that was growing pretty well but we wanted to make this bet that becoming an infrastructure layer like all traditional financial markets that we enable a bunch of brokers to basically go and like could we prove that we can do both at once and that one was going a little bit slow. So the next six months were like scaling that we got a bunch of brokers that sort of really started working out.

>> Then the next challenge was actually proving that we're not too dependent on the brokers. Okay, >> cuz those became >> worked too well. >> They became 80% of our revenue. >> So all of a sudden it's like, oh, amazing. The revenue like ripped, but like now you're super dependent on a bunch of your big broker partners. >> So what are you going to do now? It's like, okay, now we have to go back to focus on the direct and like really scale that now that we have a extremely liquid ecosystem because the brokers brought more demand, more liquidity. The whole thing is flowing now. Now the brokers are like 10% of our volume.

>> Okay. All the way back to 10. >> Yeah. So, so that and I I want to talk a little bit about this adapt adaptability thing because all of these were I mean we're talking about like going from like elections then like sports then we got into financials then you went to consumer business then a B2B enterprise motion and we went back and we did all these in the span of like you know what like eight months right and then it was like a lot of the policy stuff and and we should talk about that a little bit but like you know you're like exciting exciting exciting all the way to till you get mainstream and when you get mainstream society all of a sudden is like whoa whoa stop stop right there let's figure out what this is we don't understand it, you know, now you have the grandmas and the >> feel like that's going on right now.

>> Yes, exactly. It's been going on for six months, but like in AI, you know, AI is battling with it like Airbnb, Uber, all of them at some point you get a reckoning and and now like number one priority since January and I think we've done a great job at sort of positioning ourselves as a safe responsible actor but >> particularly right now after all the news about poly market recently. Yeah, I think and we've done a really good job at always being kind of regatory first do the right thing but we had to kind of tell that story and that's also hard and comes with all these challenges >> but I mean think about that right like it's it's completely different functions that like you know even if I build the best consumer marketing company how is that going to help me with the brokers and if I build the best sales function how is it going to help me re you know and and so it goes back to like I I think okay how do we solve these problems the you know generally there needs to be at least one founder in any of these these big meaty problems that we need to get right. I I really strongly like I I affirmatively strongly believe in that.

>> And so is there one of you that's the DRRI on these big hairy issues? Okay. >> Like like the responsibility the person that you that is going to get grilled is one of Lu and I on these top issues, these things that we need to get right. And I I cannot and I may be wrong and I maybe over time as the company gets more mature, I may change. So maybe in a few years we should have another chat and and see what I think. But in my in this sort of level like this growth phase and all and and all that like it's my analogy to this is a bit and I think honestly this applies to any company at any scale. I really really think so. It's like you're like on this big ship and you're driving you know the ship as fast as you can. You're trying to win this but there's always a hole in the ship and that hole is leaking.

There's water coming out of it. And I think there's two types of organizations. One where the CEO or the founders are straight up staring at the hole all day every day, which is brutal. It's painful. It's like you're >> That was me. >> Yeah. It's you, right? I think you talked about that, you know. And >> and the other type of organization that like sort of either gives it to someone. >> Yes. >> And generally that what that someone is going to do. It's very painful. Why would they why would they take through all that pain? I mean, you know how painful it is, right? It's constant pain. It's like it's essentially like >> continuous torture, right? And so they add like a rug on top of the hole and you know and like you know like we're good you know things are growing and but inevitably that hole at some point is going to start sinking the ship inevitably and whether this is your Google and AI is coming after you or you know your AI and like 90% of America hates you or like you know what I mean like and then >> what's your hole now? What what what hole have you got? I think in January what I would say our big hole was like we need to differentiate ourselves with the unregulated stuff and the insider trading issue because you've always taken it seriously but like you know you poll people and they no idea they have no idea what the difference you know like the regulated onshore prediction markets like Calian Robin Hood and others and some like poly and others that were doing it offshore and that was really bad for the industry. So, so we had this we had to kind of kind of like clean up the industry's reputation and I would say we've made a significant amount of progress but that hole is not fully covered yet like we still have work to do in terms of like explaining that like look there is the the right solution to all these things is get it regulated do it the right way and there are people doing it the right way and here's how like with all things right there's the right solution for AI is you don't decelerate AI you you you add the right guardrails and I think figuring out what those guardrails are and figure out how to communicate it effectively figure out why they're the right ones is the whole And that's where I spend pretty much like 80% of my time in right now.

>> Okay. The hole is an interesting spot in your competitor has been called out by the Wall Street Journal for their marketing practices and Congress is taking up money on it. You're used to all this stuff. Is this thing that's happening to poly market at this moment good for you or bad for you? >> I think it's bad for us. >> I think it is too. >> Yeah, for sure. Like I I think you know when you start competing you realize competition is actually really never a real problem.

I really think so. I mean, unless unless you're in a small market, I guess maybe that's a that's a problem. But if you're in a small market, then you figure out the next big market and figure out how to go take it and split it with the competition. It's okay. >> We used to always say at HubSpot, we competed with Salesforce.com. And every time Salesforce would like move the ship a little bit, everybody in the company like, "We got to move the ship in the exact same direction." And I would say, "Every time they zig, we got to zag."

>> Yeah. Yeah. There's always I mean but I I just think I don't think that's a and maybe let me like say it maybe a slightly like more nuance way like I don't think competition will be tr like a is ever a true sort of like company killer like I I I you know it's like if you're in a big market you're going to have a big piece of the pie and if you're not you should probably be in a like should be constantly iterating and shipping product and finding new untapped markets to basically go and win in and you know like there's I I believe in abundance. I mean, it's hard not to believe in abundance, right? Like look at the last like five years. It's crazy.

>> And so you were you were well behind them and you've p I from what I can tell you past them a lot of it in sports like really crushing that. >> We're we're bigger than across I mean we're like in the US 95% market share now. >> Okay. >> So like across the board. >> How'd you do it? >> I mean I think it's like >> you you were way behind. >> You know it's interesting. We were ba way behind in the headlines like maybe but like so we started the company in 2018. It's been a long time. right? Like but we didn't relaunch the general public until end of 22 and I think our proper launch was the end of 24 when we were allowed to do the markets that people really want which is the election and other markets and and they launched in 2019 a year later or started the company and then they launched immediately without the license. So they were the brand that sort of did it but we were very dogmatic in our approach which was we're going to do it the right way. Why >> I think there's two reasons one that is practical which I I think in financial services and healthcare I don't think you can cut too many corners.

>> I see. >> I don't really believe in that. Like I know in Silicon Valley it's like move fast and break things and figure out how to regulate later. Like not in financial services. I think in financial services inevitably things go wrong and when they go wrong they go wrong bad. and so I if you want to build true mainstream adoption and true like institutional adoption and like all that these people will care like how are you doing things?

Are you regulated what like so they they will care and and I think so that was one. Number two is honestly like it's a bit it's a bit more philosophical. I was excited about changing the system fundamentally like building the next generation New York Stock Exchange from within like change the system no matter how hard it is than going offshore and building something on the side and you know like that was just not exciting to me. I I I didn't feel like I'm I'm pumped about doing that. So and we were we stayed dogmatic about that approach but what we were doing is building an incredibly great product and great infrastructure and and great regulatory infrastructure that like like the word trust like I think people trust us more like when they put their money they they feel good about putting money with us.

They feel good. There's not a be >> put some money on the Red Sox last night and they beat the Yankees. Yes. >> Yeah. Nice. Great. But but I think there was that I think when we did get regulated and like we got approved, our our trajectory just went, you know, really parabolic. And I think it's a mix of that sort of foundation laying that we've done for a while, which I really believed in. I think if you if you believe that you're going towards a good market, building a solid foundation, even if you're not growing is okay, and then I think we just have superior execution on product and and growth. We were we compound at a much much faster rate. And give it enough time, the results start showing.

>> While you're there, it's 2018. Start the company. You wandered through the desert for a long long time. >> Very long time. Yeah. >> CFTC was smacking you, saying no. >> >> Yeah. The government was trying to kill us. >> Yes. It was It must have been brutal. Did you What was the lowest point? >> Honestly, I don't even remember. It was basically like It was It was truly like just sort of like It was bad. Like I mean, it was it was so bad. And and it's like you're constantly in a state of grief and then you start like, you know, you're like in this desert and you start seeing like you literally start like you're so desperate that you start seeing fake >> mirages.

>> Mirages. Yeah. You you you know, you see something. Oh, here's here it is finally. And then it's not true and it's disheartening and it's just hard. But the thing that was unique about us is we never pivoted. It was always Khi Kashi is everything in Arabic. like we always wanted to build the everything exchange exchange for all these different assets and we always stayed sort of because part of it and looking back and when I was thinking about it we didn't build cashi to build a company we built a company to build cashi it's a it's a bit different >> I see >> we were dragged by the idea I I I wasn't the type that wanted to be an entrepreneur or >> like I I think if you reroll the dice multiple times I'd probably just be a trader or risk manager like I would not be an entrepreneur got it >> but the idea was so like glaring in front of us that we just had to do it like we we felt like we had to do it.

And so the whole point of doing this whole thing is the idea. >> Okay. >> So when that's the case, then like if you lose the idea, then you know, >> a lot of people listening to this are walking through that desert. >> Yeah. >> And I I I read this book a long time ago. It was called The Dip. And you're cruising along, you get down the dip and you don't know if you're about to hit the bottom and come up or if it keeps going, >> you everyone thinks you're delusional.

>> Yeah. >> Advice for the CEOs out there walking through the desert. You know the book is is it Ben Horitz that wrote a lot about the >> hard thing about hard things. >> Yeah. That there's that that that paragraph that's so good about it which is like the reason why it's hard it's not like you're lifting something heavy or whatever. It's it's it's like no one can reassure you that it's going to end right like what I fir firmly believe and I really do is the number one risk >> because you want to give up >> for sure every day you wake up you're like what am I doing?

>> And was Lana like no we're sticking with it like what's the dynamic? >> I mean we both had our points. Lana was definitely much more stubborn. >> Okay. continuously >> like Lana is is just like yeah you know like Lana had a lot more than you know stop being a little basically like you know just just life is fine whatever like let's move on. >> Yeah. >> And what I believe is basically if you give yourself enough of a time horizon you inevitably win >> or you run out out of money.

>> Yeah. But I think that's like a >> I don't think it's a real killer of companies. Okay. >> You can always extend your runway and like it's not that hard to raise money these days >> nowadays. Yes. and you can pivot with a new idea and like it's it's really the number one risk is giving up, right? And and so but but then but that it's interesting because when I say that to me the message should not be like oh I should like do it at all cost.

>> I actually I see a lot of founders and they're walking through the desert. I think they should give up because it's opportunity cost. Yes, >> you're 35, you're going to spend the next four years walking through the desert. >> Start something new. >> I think just ask yourself why you're doing it, right? So So it goes back I mean you know you know this like to me maybe like there's a few buckets. There's like the idea is something that you're really passionate about. you should keep going, right? Because you're going to regret that. There's I think it's hard. I mean, maybe you're not, but like then there's a second bucket that sort of all the things that people believe to be true after you make it. And I think that's a bad I really think that's a bad reason. I I like because I mean, you know this like it's it's it's a career, right? It doesn't end. You have all sorts of different issues over time. That like thing in your gut stays there. It never leaves you, right? You're always stressed. you have to make sacrifices on your life. Like like entrepreneurs don't have a a good life in the traditional sense of the term, right? You you don't get to that oasis that you thought you were going to get to, right? You actually just get into different deserts and those deserts get maybe less there's some water in the desert, but like >> okay, I like this. But but maybe maybe the better analogy is like you go from a desert to like a storm and that storm sometimes is like very clean water, sometimes it's storm, sometimes it's like you know and then you know but it's a different type of you know craziness or or and and maybe it's more motivating day-to-day. It's stress and it's not just like depression but like but it's not the life that you like, oh you finally made it, you're successful, you're on the pedestal like >> okay so what do people think about what the life of a rocket ship CEO is like versus the reality? What do people have wrong?

>> It's it's just like a like a >> Is it glamorous? >> No. No. I mean, especially if you do I mean, look, some people I think I I see it sometimes. It's like when you get to that and it's finally made like they really go enjoy life, but inevitably then like the company is kind of go sideways. >> What's your life like? >> I work a lot all the time. I mean, >> are you married? Do you have kids?

>> I I have a partner. It's been like four four years and some >> complains a lot. >> no, she's honestly great, but like it's tough, right? She sacrificed a lot also to for for me to get here because she supported me in the hard times. She supported me in the in the good times which are also hard. >> Keep her >> right. Yeah. Yeah. She's she's like she's the best. I mean I think the the but there's sacrifice on that front. I think that I I travel a lot. I I wake up so basically I wake up every day at 7.

I'm usually at the office by 8 and I work I leave the office usually at 10:00. I work a little bit at home. I usually like maybe like waste time on Instagram res for like 30 minutes and I go to bed. >> What's what's the weekend like? >> I usually try to like go out for dinner one of Friday or Saturday. generally Saturday because Friday I'm so tired like I I just need to rest. And if I'm not tra like if I'm basically in the office Saturday, Sunday like I go to office Saturday. I kind of like being in the office and >> because everybody by the way you're getting >> most people most people like >> they're in there.

>> Yeah. I mean but it's not forced. It's not like oh you know like the hardcore >> I we try to do it in a way of like so no one is ever kind of like slapped or there's no expectation you need to be in the office with these hours. I don't believe in that sort of like put everyone in the office 247 hardcore grind. That's that's gonna I I do believe the founders can do it because we have the most incentive to do it. And if the founders do it naturally others are like motivated. They want to be next like they like coming on Saturday because there may be a little bit less people and they can sit next to you and ideate about a bunch of things and hopefully you got the right people that would show up but they don't have to you know.

>> Okay, let's just get back to the CEOing since we're there. 100 we say 130 150 direct 130 >> 150 now we grew a little bit >> 150. you're and like 150 is an interesting number because it's Dumbar's number. It's hard to keep track of anything north of 150. It's hard to interview those people. Most companies started hiring middle managers. >> What is is it is it like 170 3 years from now? Is it 500? Are you like William? I I'm friends with William Hockey. I call him and he's like at 130.

He's like I'm staying at 130. Is that you? >> William is very good. I think he's done a great job. I I don't know. I mean, I'm just thinking about the things that scale linearly. So, historically, support, but we have less than 10 support people. We have, you know, obviously millions of customers. >> You can automate a lot of that. >> Yeah, it it works really well, honestly. Like, if you train the right, it's amazing, honestly. so that's that's a linear thing that's gone. I mean, as we scale our institutional side, I think potentially sales could scale somewhat linearly, but I don't know, you know, I'm kind of a believer in I'm actually curious what you think, but I'm kind of believer in like a strong marketing and brand marketing as a as a fundamental enabler of sales and like enable enabler of top of funnel.

>> Yeah. Whereas that Yeah. >> Yeah. If you do that very well, I I think people just sort of follow each other. >> Where does that come from from you? You mentioned that a couple times like you're really detailed in the copy and all that. You didn't grow you grew up as a kind of mass CS guy. Where does that come from? And is it all got >> part of the paranoia, the perfectionism that came from my mom? Like I I'm like I tend to have OCD and obsessive with these things and I want things to be really per like as perfect as pos and it actually it really matters. This is the key thing like the all the results are in the last 10% like most people 80 28 that doesn't work. Everybody's 8028.

>> Okay. >> It has to be perfect. >> Okay. And if you it's like this sort of especially with marketing there's like this sort of like a resonant frequency that you have to >> this is your mom Rick talking right now >> but but it's this resonant frequency concept is very interesting because I think when you hit it you get these dramatically

improved results right and and like >> give me an example >> you know the the there's so many of them but I I'll give two separate ones specifically on marketing. So one is like so when we first went mainstream was during 24 election and one of the ideas I had is like we should do billboards across the country and the billboards are basically the product. It has to be the exact same as the product and it's live and it has to be piped with the API and every time a trade happens on the app it's going to be projected out in time square and in LA and all these billboards in real time.

That had to be perfect so that every time people look up they build a habit of like I want to see the odds and my couch is there for me to see the odds and if it is then you get the viral mechanism and like you know all of it works and it worked and but it took maybe something like 20 iterations of putting it out there retaking it back and to get it right >> okay >> it's brutal like your designer get exhausted the time the engineer gets I mean everyone is exhausted >> yes >> and but that's sort of stuff that no one's going to do other than the founder the other thing I think I believe strongly in marketing is u the timing needs to be like exactly right. It really matters and you know people always you know even when for example they >> what do you mean around what >> pretty much everything the more important like people don't care about us people don't care about anything like they just care about what themselves and then what they're reading on any given I mean used to be any given month and week day and maybe now every every few hours that changes they forget there's so much stuff going all the time you have to basically bring kashi to whatever is happening or the yourself to whatever happening in the wild not try to kind of push whatever ever you're offering to people and so what I mean by that like so in the last few months if you look at all the marketing integration we do a lot like we partner with this and that so we did Messi two days before his first game of his last workout why because well it's two days before his last I mean he's peak relevance right now right Timothy Shalom we launched that commercial 12 hours after the whole thing that happened with the Knicks why because everyone was talking about Timothy Shalom at the time right if we had done it now >> you also did the AI video before anyone did the AI video >> because it was a time where you know the artist there was a whole debate about the like you know the artist or they going to go now it's not cool to do >> because that's you you're obsessive about that kind of thing and nailing that kind of thing >> and always knowing what but now if you do the AI video like you should not do AI videos anymore now it's done now it's cool to do real things >> yes >> right but that that's so the timing with these things is like it's >> okay that's what you mean about that the messy timing was incredible and the Timothy Chalamay timing was incredible I assume you had that in process with >> yeah but we were always waiting I mean Giannis when we announced him as Like if the Knicks get knocked out in the earlier round, you're still going live with that.

>> Yes, but we we're waiting for the right. So, we were used to think we were going to do it at the Oscars, but then we waited. >> I see. >> And so, we were waiting for the perfect moment because then that's when you get the 100x outcome, right? When Jiannis when we announced Jiannis, a basketball player was essentially a day after he announced that he's not going to leave his team. There was all Yeah. Yeah.

Exactly. >> And >> now he's going to Miami. >> Now he's going to Miami. He speak relevance at the time and now he's speak relevance again. but that applies to everything. The AI ads. I think we've done a lot of work on the like when we did the news integrations back in in the fall, we announced CNN and CNBC and Fox. All of these were like we really wanted to time them at peak moments where people were talking about this debate between is the news sort of like gone? Is it like a thing of the past? And for us, the angle was never like oh couch partners. It was like the news is actually modernizing.

How did I know you want to time it well, but does Timothy care? Does CNN care? Does the New York Times care? Do the the counterparties >> battle all these different things and you can have too much process and you have to break their own processes. You know, it's all of the same that we discussed. >> That's a pipe. >> If you have a head of partnership that's doing, you know, a whole structure and they plan for three weeks, you can do that.

>> Did you hire any professional marketing person inside your company? >> Not like a head in any way. I I could not in any I mean, we have a CMO Allan. He's incredible. So an takes care of all the scientific pieces very good at spending money to basically with high ROI. and then the rest is like, you know, so the person that leads our brand or leads is doesn't have any direct reports. He's just sort of flying around country and like doing cool stuff. And he he ran a Twitter account before the, you know, the inverse Kramer >> that wait, that's where he started.

>> He was he's the inverse Kramer account. >> Remind me. >> Yes, you know the inverse like Jim Kramer when he picks stock. Yes. Yes. >> So he's like the inverse Kramer like index. >> So you make more money betting against. >> Yeah. Exactly. So and like I thought he was like >> that was him. >> Yeah. And I hired I was like, "You want to come and do our social?" He decided doing our social and he had like a knack for he came up with AI idea. he he has a knack for these sort of like weird esoteric ways to just like be part of the zeitgeist and and you know what's interesting that has worked equally for consumers and for institutions.

>> Okay. I didn't expect to say that. >> Yeah. People would think like, oh, you know, institutions want sort of this. They do and like they want to they want to be able to talk to your chief risk guy and like they they will and we have all that like we have a very strong robust foundation but being top of mind just matters continuously top of mind is >> you've got a knack I'll give you that okay I want to wind the clock back because we haven't completely finished the desert story at some point the conversation happened inside of the company hey we should sue the CFTC whose idea was that and what was the reaction >> I mean >> but what' you say?

>> I mean, it's crazy, right? Like the I mean, it is crazy. It is actually crazy in all I mean, it ended up being crazy. All even though we won. I mean, the because like it's so much more than just being right. Like it's so much more than just the law being, you know, right? It's unfortunate, but it's the truth. A lot of things are political and depends on how the winds are shifting and and the government is truly all powerful like they they can just do things for private to private companies or or probably or companies just like companies in the private sector >> because by the time you hold the government accountable to that thing you probably will be dead basically or the cost would be so ginormous you know the government doesn't really incur any cost they're protected from any cost.

>> Okay but take me in the room when she brought it up. So, so, so, so you know there's a little bit of context there because we started trying and this goes back to how much foundation we built. Like people always think

overnight success, oh it's been two years, but it hasn't. All of this has been like part of a very long-term plan. A bit like Jensen, right? Like he's built such a foundation for so long and that's how these things go. And we started engaging about the election market before we even launched the general public in the end of 21 started talking to the government saying we want to do this. It's very important. Here's why it's going to work. it's going to be the most accurate gauge and here's how it's legal, which it is. and they're like, "Okay, fine. We'll work with you, you know, whatever." Month after month, they wouldn't give it to us. They wouldn't give it to us. I had bet all the company on like the election market for 22 the 22 midterms. That was what we're aiming towards. The board is ready for it, etc.

And they keep like delaying, delaying, delaying up until they pushed it after the midterms. So, they pocket veto like they didn't say no. They just managed to politely delay us enough that it didn't happen. So, that was heartbreaking. You know it's been like so we started in 2018 we finally got to 2021 finally excited about launching they're not >> the whole company was excited everyone's excited letting us launch and all the issue about launch started working on the election market and it gets banned at the end of 22 so now we launched with a very limited set of things that's going to be very hard to get the exchange running but they banned us we lost a lot of the team over it and you know with these situations what's what's really hard about these situations >> did you push them out or they left >> a bunch of people left >> did you do a layoff >> and then we had to do a layoff and and because what happens happens in these situations is that I'm going to go on a tangent. I think it's an interesting thing. Let >> a rip.

>> So there's this concept of expected outcome and outcome. Yep. >> And they're often times not this not the same. There's a variance for the outcome and the expected outcome is you know based on your decision-m where it should land and then there's a bunch of variance in the world that pushes you in either direction. >> the world doesn't reward you for expected outcomes. They reward you for outcomes. Expected outcome is what you have control over is like the work you do. And it's interesting because I think at that point like the coin flip landed against us and the entire war is like wrong strategy, wrong execution, etc.

And it's interesting because that was the same time where I I'm a big messy fan. So, so Argentina won the World Cup was super happy. But, you know, the day after Argentina won the World Cup, I don't know if you you know know this, but the French, you know, the the the the France, the country really, the population wanted to kick out the French coach Deson, who is an absolute legend. Like the guy won them the prior World Cup. incredible performance got them to the final of the next World Cup and to the to the penalties and obviously penalties are a coin flip. I mean and they blamed him and you know it's you know how hard like the the number of teams that made it past the sort of group stage after having won a World Cup is basically trivial. It's very you know usually the team is very hard it's very hard to kind of go twice in a row. So, and it was an interesting thing which like he he flipped the coin land against him and people wanted to ask him immediately, right? And so we lived through that and >> did any did they want to ask you?

>> No, I think but like people lost confidence. It's like we should pivot and like it's wrong strategy, wrong strategy, wrong execution, all of that. Like we were not doing a good job. Basically, it's on us and it's fine. You should hold the the fighters accountable. But the key learning with that, what's interesting a little bit with poker,

the best poker players, they know when they're playing a good hand and they're okay with the variance. They can lose a lot, but they'll stick to their game. And then they know that over time the variance is going to come back and with enough plays, they're going to get to, you know, they're going to win over time.

And you see with Elon, you'll see with with some of these founders that can take these extreme risks as long as they know their expected outcome and they can intake the variance over time. >> Yep. >> And I think there's a lot of alpha in there. >> Yep. >> Because and for founders that have gone through that multiple times, I see it with Vlad and Robin Hood. I see over time they they gain a certain level of confidence.

>> Yes. >> That is hard to describe, but it's like I I've gone through it. I'm okay with the fluctuations. And is this making sense in the rearview mirror or or is that making sense at the time? >> No, not at the time. Okay. >> But now in the rearview mirror because okay, so 22 happens and we so our answer at the time a whole we got to reset. We're going to do something else. We're going to figure out what to do. But again, we're so we want to build cowry.

That's what we want to build and we cannot do it without the election markets. We're going to try again. Okay. >> So you go back to board. We're going to try again. Everyone's like I mean okay these guys are delusional. >> We tried till the end another year end of 23. Now they say no. >> They reject us. Okay. >> So again, you know, it's like goes from a low to a lower. >> Yes. >> And this was, you know, we're in the room. It's like, oh, what do we do again? Roller >> coaster and like, you know what, this time we'll sue them, you know. So it's like we're >> like was how did it actually work? Like you got the email that >> like no.

>> And then right away she's like, we should sue >> and that summer was like, we're probably going to get a no again, so we should start preparing the lawsuit. Okay. >> And we should sue them. We started talking to >> the board. You know, we had a lot of conversation with Alfred. You know, Michael was at the board at the time. >> And what did Alfred say the first time you pitched him on it? He's like, "It's a crazy idea. Like, you're a tiny startup. Even if you win, you're probably going to like incur significant you're probably going to lose." He's right. We were probably going to lose.

And he's like, "Coming of your size, even if for bigger companies, you never win against the government. It doesn't, you know, he's your own. They have all power over you. They're your own regulator. Suing them is going to like they're going to kill you." And and when I was super dogmatic, I was sort of battling it, etc. But then there's a few things that sort of came out of that. Like one was complete no-brainer. It was pretty much I mean, I I would oscillate all the time. I would just be like, "This is crazy." I mean, they're going to come after us. They're going to come after us. Personally, >> I think CEOs are going to love this because I oscillate all the time on stuff like that.

>> I I oscillate a lot, which I think is okay. >> I hid my oscillation as much as I could, but it definitely showed up. >> Yeah. And I think it's okay, honestly. Like, I I I because it's hard to have the right I mean, it's so complicated, right? And >> but and I would oscillate, etc. And I remember we got to a meeting at some point that like I was still oscillating and like, you know, it's the night before we're going to file, etc. And like was like, "Are you me

like you know it was basically she like went so hard and she's like you know this like you know like we should just do it like we're wasting time and you know it was like everyone else in the room there was this sort of feeling missionary feeling you could feel it of like you know we came so far like it let's just go full on war let's bet everything >> in your poker head where you're like there's probably a 20% chance this will work as a 1% chance >> it was so hard to prize but I I thought through all of it which was basically and like Alpha was right in many ways but They could kill us because they could essentially yank the clearing house from under us and kill the company. We would die maybe even before we even get the result which is a risk. They would they could like death by a thousand paper cuts. They can start doing a bunch of things for you. But then I was like if it does work the outcome is so big and the expected value seems pretty attractive actually. Even if low percentage odds of success the outcome is so big.

>> Were you okay? So obviously >> it's an asymmetric bet. It's a it's a big one. And we bet the farm and we're like, let's see what happens. No plan B. >> In the moment you The timing was extremely good on on winning. What was was it an email? Did someone call you? And what was the re what was going on in where were you? >> Yeah. So, you know, I the litigator Yakov Roth who led this and you know, we interviewed everybody. I picked him because he's extremely smart. But the thing that I felt he was really good at, he like he had a missionary like this man wakes up in the morning and thinks about how to put the federal government in check.

>> Okay. >> You know, you want that person just so it's like he's an amazing litigator, but like in the summer of 24, you know, usually we text and all that. He called me and I got really anxious. I thought that the court hearing came like I I was like what? Like you know, he's like, "What's up?" up and he like talked to me about something already in like dude my heart dropped don't ever call me like you should only call me once you have the court decision like never call me ever again text me I don't want you to call me because you know in the 10 seconds where I have to pick up the phone my heart dropped like okay fine I won't call you until the decision and I was sitting you know on my desk I remember like Rainer one of our engineers sitting next to me and like his name pops up on my phone >> okay >> and like I could like my entire body like I just could feel you know you know these moments where you feel your entire body just sort of like paralyzed like oh and so I pick up the phone and I was I was like why are you calling me you know and then he's like we won and after I don't remember like we was throwing like chairs out I mean yeah we were throwing chairs in the office we like we like basically destroyed the office you know it's like >> I mean it was unbelievable because you know it's like you want and in that year we suffered so much because you had like the competitor like we're you know probably was getting the brand and we're staying true to our strategy we're going to stick to it the government was yanking the clearing house from under us. enforcement action after the other. They were finding random things to just like create actions against us.

Audits, you know, the audits that usually take 10 days, >> they were mil to nine months. It it was just sort of like truly painful. Like you know the the whole like warfare thing. >> It truly happened and they make your life miserable. >> And not just a company you own personally. It's like kind of this intimidation tactic up until you cave up until they you know you're so exhausted >> and and it was just so vindicating. It was so nice, right? Like then and finally like we fin it felt like we finally had the opportunity to just sort of like win.

>> Yeah. >> For the first time. >> Okay. You win. And of course you knew this was going to work. Did it work like way better than you thought? >> Not in the first few days. >> Oh, really? >> It's like all things. Yeah. It's like all things. You have to build emotion and you have to build a brand and you have to So we But this is the thing. You win and then you're like, "Oh, let's launch it." And then nothing happens.

>> By the way, the time you won this case like a >> four weeks, like three weeks and a half before the election. >> Was that random timing? >> Yeah. >> You got to get it sometime. You know, fascinating. >> You know, Tony says it sometimes like you you need luck sometimes. >> Yeah. >> Is it because we're just lucky? I think part of it Yeah. You need to be you need to get lucky, but I think >> you took risk >> and we took five, six years of expanding that luck surface area. So at some point we could >> but did it work even better than you imagined >> after we started compounding. So it takes time. Everything takes time. But in those three weeks and a half like look we have three weeks and a half to make this go mainstream. Yeah.

>> Everybody's in the office. I don't I like basically honestly would shower maybe like once every four days. Like I was just like I don't care about anything. This is my shot. And so we worked so hard in those four weeks. It was slow slow but then it started upticking and then the machine started going and then when it started going it was beautiful. It was amazing. I got a 21-year-old son and he and all his friends use Kelshi.

>> Yeah. >> And I know you're going to say it's trading, not gambling, but I'm a little afraid some of them are going to get addicted. >> There are similar impulses. I mean, look, I I think there's a few ways to think about it. So, so let's talk about the policy and actually what we're doing because I care like I think about that a lot and I care about that. >> Yeah. >> that's like my paranoid brain. I don't want people to get hurt and with all technologies, people inevitably get hurt. they will use it in a bad way, right? This is true for Airbnb and you know >> and are you hearing from mothers?

>> Yeah. And and actually it's mixed because so let me kind of walk through a few things. So first the policy aspects I think and this is important for everyone. At some point you're going to build something very big especially in consumer and when it truly hates mainstream you're going to get haters. There's going to be a bucket of society that's going to be worried because they don't understand it or they don't get it and they're worried about the risks and they don't see the like a lot of people don't see the point of AI. Why? Why lose our jobs over someone something that can do our homework better? I think they're missing the point obviously, but you need to educate that part of society.

And then you have incumbents because inevitably if you go mainstream, you're going to be taking it from someone. And those incumbents will go very hard after you. When the taxis went after Uber, they didn't go after them saying, "Hey, our margins are threatened. That's why you should shut it down." What they say? They said it's unsafe and kids are getting hurt and kidnapped. And Airbnb was the same thing with the hotels. like they would find one case of one person that you know had a very terrible bad experience or something really horrible happened and they would blow it up in the New York Times and and the press likes scandals and drama and you know so for us the easy lowh hanging fruit is call it gambling and it's interesting because pretty much all trading products that has ever come to society have come through a fight like have basically emerged through a fight of them being called gambling. So grain futures were actually legalized with the Supreme Court decision in the 1900s. Like futures a boring commodity futures market at the time. The states were were suing and there was >> my son is not trading commodities futures in >> but they used to be >> fine.

>> The farmers were >> but consu but kids weren't. >> No that's not true. Like I I mean >> is it really? I I don't know. >> The farmers were 20 and 18. By the way the the age to trade futures is 18. >> Okay. >> Right. It's it's actually you know that's what it is. I mean now there's other more interest >> maybe my son runs in a different crowd but none of >> but I want to address no no but I want to address this but I'm saying but that's because society evolved like there's now crypto and memecoins and all these other things right like at the time there was nothing else that is this was the primary mechanism of speculation that's what everybody was doing but the claim at the time was like this is gambling and we should basically regulate as gambling and not as a financial market and Supreme Court said speculation does look like gambling because it does yeah >> you're so the stock market >> yes exactly >> but there's a price discovery aspect to this where you're on an open transparent exchange where people are trading against each other that makes it a financial market and that's why it needs to regulate financial market and so on and so forth. Fast forward to us.

There's a few things that are very important. One, the incentive structure in the model. Gambling, I don't gamble. I, you know, I I don't like I I I don't really like gambling. I I like trading. Gambling is a business model where like the revenue of the company is equal to the customer's losses. So over time, you block the winners, which is what they do. They don't want the smart mathematically oriented people that are doing research and they want the people that continuously lose. And those people, they give them promos to come back and that's how you create these addictions.

But they cannot really solve the problem of addiction because the revenues are equal to the losses. So over time, what do you do? Well, you have to increase the losses. That's what you do. You have to create those types of behaviors or at least not throttle them too much. >> The losses don't go to me on Koshi. That's the beauty of a of a of a derivatives market. >> Yeah. I take a 1% fee whether somebody lose or not. So when someone is exhibiting bad patterns that those losses are going to someone else, >> I have all the incentive in the world to basically throttle them and figure out how to get it right. So, >> but let me just push back a little bit on that. in a casino.

they try to block the the card sharks. >> yeah, >> but in your world there's a lot of card sharks betting against my son's friend who >> for sure. But that's like >> who's going on a gut feel. >> Yeah, that that's absolutely right. Like absolutely. Now it depends on the incentive structure. I want go I want smart trading. I want to incentivize people to do research because the more liquid, the better the forecast, the more truthful my forecast, the more people look at it, the more my top of funnel increases. I want the smart traders, which is a very different structure from the casino, which is like you don't want the smart behavior. You want just >> Yeah.

>> the excessive money losing continuously money losing behavior, right? So there's that. >> Now, it's important to understand not everybody wins on Koshi. >> Of course, >> not everybody wins in the stock market. Not everybody wins in the options market. Not everybody wins in athletic competitions. Not

everybody wins in competitive environment and highly competitive environments, right? It's a highly competitive. It's a competition. It's a highly competitive activity in nature. And inevitably there's going to be some people that win and win more.

Like how many people win the NBA finals or how many people win, you know, the Champions League. It's a small percentage of participants. Now, here's what's interesting. Everybody can win. It's a fair neutral platform. And my incentive is to give as many tools as possible for people to do the right thing and do research and do all of that. And what we do and what we do really well is we do take this sort of issue of excessive behaviors pretty seriously. So for for example in the 18 to 20 bucket I think the data doesn't show dramatically different behaviors but society tends to be worried about that. We add a lot more throttling to the accounts.

>> What does that mean? >> Like you cannot basically lose too much in excess. We add throttling and we start asking for additional verification that makes it so add a lot of friction for you to keep going or keep going going in the success. And the reason we do that because the positive sides of this so when I ask the parents and the mom question and their 25-year-old is trading on cash what they get excited about is like they're actually getting smarter about the future. they're smarter about the word because the alternative is they're spending time on Instagram and social media where it's like extremists and all the hate and constant brain rot and all these different things whereas here >> and they get addicted to that of course but they can't lose all their money on it.

>> I think they're losing a lot more >> they can lose their they can they turn their brain >> and I think sometimes I am losing my brain on that. I mean, you know, but like I think there's all sorts of other issues there, but my point here is like they're spending time getting smarter about the world, which I think is the whole premise of what we're building. Like I think this is going to be the ultimate antidote to a lot of the polarization extremism we're seeing because, you know, these these calibrated well-reasoned takes are not getting rewarded on social media, but they get rewarded in prediction markets.

And that trains people over time to get a little bit smarter. And I wanted to be a tool for that especially for younger people rather than a tool that like I'm losing all my money and I'm doing excessive behaviors. And there's easy ways to do that which is like you can cap how much people are doing. You can throttle these accounts. you know one of the things we do very well I think better than even some of the financial brokers or traditional brokers. we think we self-regulate. We don't just do what regulation requires us to do. We go above and beyond because I think about all the risk. So miners for example we obviously they're banned and we do KYC and all these different things but the way that miners access all these platforms is they use their parents IDs.

So, one of the things we created is a parent portal where moms and parents can give us their ID and tell us don't let anyone else use it. That solves 95% of the issue. And I I think we're doing a great job and the numbers show like you know the percentage of people that show these signs of these patterns of excessive behaviors or are losing excessively or losing in general on Kouchi is actually lower than options trading and it's lower than any active trading of stocks. So, if you buy a stock and hold it for five years, it's investing. But if you're trading it on a daily basis, etc.

75 80% of people lose and I think people have not come to terms that there there are irresponsible behaviors in all these markets and the the way to do it is basically you have to figure out how to flag these behaviors and basically get better at throttling them. >> Okay. I guess my last question this this this pod is a lot of CEOs and founders listen to it. You've had a really unusual like really long strange trip.

>> Yeah. one last piece of advice or tips for folks going through going through the desert. >> I think that like I would say a few things, but like one like really question really hard why you're doing it, you know, because the thing that you're like if it's not for the company itself, the thing that you're hoping to get, I don't know if it's really there, which is a glamorous >> Yeah. You know, >> I never found it the least obviously financially rewarding at some point after there's many ways to do that these days. The option cost is very high, right? Like if you I mean you can join a fast growing I mean there's so many ways to do that, right?

>> so I I just think the monetary reward just feels like >> riskadjusted is probably a stupid move. >> Yes. And if you adjust also for lifestyle and amount of pain >> Yeah. >> it gets pretty unattractive, right? So, >> okay. Your little brother comes to you and says, "I want to start a company." What do you say? >> I just say, "Why?" >> You push back. >> Yeah. Why? Like, why? Like, like, explain what is it like?

>> Oh, I want to be my own boss. >> You're not really your own. You got a board. You've got you work for all your employees. >> You work for everyone, your users. I mean, if you're a good CEO, you're basically >> you work for everybody. >> Yeah. I I mean, I don't think it's that sort of sense of freedom is real in any way. Actually, you're you're the least free, right? And the more it grows, the less free you are, right?

you know. So like the second thing is I really believe in the sort of theory like I really strongly believe in the in the in the theory of like it has to be true to you. Like it's going to be very hard to build a a company, market a product, build a product that is not you. It's very hard. I don't I honestly don't see how that works. And it's so because every time you see a big company and then you meet the founder or the CEO of that company and you you'd probably agree with me on this like it's shocking them.

>> Yes. >> Yes. The office is them and >> like you meet them like oh it's it's I totally understand why that company is the way it is. >> Right. And and so and I I feel like people I don't know I feel like that's not put into practice enough. >> Does that make sense? Like I think people just try to, you know, figure out all the right ways to do things. I just I mean I wish there was, but if there was, then everybody >> This is a really good quote. Be yourself, everyone else is taken. You're definitely yourself. Thanks for coming on the podcast. Thanks a lot for congrats on all your success.

>> Thanks so much for having me. This is great. >> Okay. Hope everybody liked that. I really enjoyed talking to him. it's the second time I met him. he's a gem. Couple of my takeaways. Holy crap is he mission driven. He had a a mission of of how he wanted to see the world change and the company was just like, "Okay, we're going to build a company to pull that mission off." People talk about mission a lot. Very much in his case, it rhymes with kind of how HubSpot started. Our vision mission was we wanted to change marketing from outbound to inbound and we just were like, "Oh, we need to create a company to pull that off." It wasn't originally a

company, it was an idea. So, I like that. And I like founders who are he's very obsessive and very missiondriven. I feel like today with startups, everyone's trying to win win Twitter for the day and sometimes making short-term decisions. The thing I like about Cali and the thing I really like about SpaceX is they made some big foundational bets and were super patient and were really rewarded once those things paid off. And I think more founders could learn from that. Last thing I would say is he's got a unique relationship with Lana, his co-founder.

Lana is the kind of organized one and very risk-seeking and he's a little bit all over the place and he's risk averse. It it was the exact opposite of what I thought those two relationship was were. but it's very much 1 plus 1 equals 3. It's reminded me of my relationship with Darmsh and how complimentary the two are. Hope you liked it.