

**Transcript of Community Bank Conference:
Payments Innovation and Community Banks
October 9, 2025**

CHARLES CASCARILLA. All right, good morning. I know there's going to be an exciting panel coming up next. Jim just gave us a pep talk. So, you all are going to have a lot of fun. And I thought I'd give a little bit of introduction of myself. My name is Charles Cascarilla. I'm the CEO and co founder of Paxos, which is a blockchain infrastructure company. We issue stablecoins. And we also provide infrastructure for generally large institutions, but also small ones. And I do have one or two similarities to the prior speaker in that I spent my career as an analyst, covering financial institutions. And I can say I read some call reports in my day. And they are definitely illuminating, though not always entertaining. Best when they're not entertaining, actually. And, you know, I've been able to look at small institutions and large institutions. And I think this is going to be a really interesting talk around how community banks are both important to the economy, but also how innovation can enable them to actually have an even more important place as we move forward. Maybe, Jeff, you could give a little bit of your background.

JEFF SINNOTT. Well, thank you. And it's an honor to be here with everybody. We are, I think, planning on having some Q&A at the end as well. So, looking forward to that. I'm Jeff Sinnott. I'm the President and CEO of Vantage Bank. First, let me say that I'm very passionate about technology. I'm very passionate about community banks. And that sometimes leads to me talking very quickly. So, if somebody just give me the slowdown signal if I start to do that, I'd appreciate that. But, so, as I mentioned, I'm the CEO of Vantage Bank. I did not come through the traditional community bank CEO channels. I started my career as a software engineer, working on the model banking program for NationsBank. And that was the program where, you

know, NationsBank kind of acquired all these banks, started bringing it together under one platform. And I worked on platform systems. And I worked on something that was called home banking at the time. So, I would carry around a box of about 500 floppies. And if I got it out of order, I had to start over. Technology has come a long way. From there, I went to Barnett Bank. And when Barnett Bank, which is an incredible bank out of Florida, was sold to NationsBank, I took that opportunity to go with some friends to start a software company. And during that time, I struck a relationship with the community bank, a community banker in Fort Worth; Senate Bank, Phil Norwood. And as we were growing that software company, I saw how important a community bank was to small businesses. Ultimately, that software company sold. And when that happened, Phil Norwood reached out to me and said, where are you going next? And I said, I think I might go to Bank of America. And he said, no, no, no, no, come to community banks. And you can see how you can put together the technology you've been working on at a small software company with the community bank and really make an impact, just as we did, but we can turbo charge that with technology. And so I took him up on that. I became his CIO. That bank ultimately sold to Frost. And I've been in the community bank space ever since. I'm a huge believer in what technology and community bank can do, not only for the community bank itself, but for the customers, the prospects, the communities of community banks. Vantage Bank, the current iteration of Vantage is about six years old. We brought together a few banks, and really set forward a path to set this bridge between traditional community banking and what we feel is modern community banking. We put that path in motion intentionally. And one of the first things we did was a risk assessment in terms of what are we going to face in the future? Vantage Bank is designed to be a multigenerational bank. We're 100 percent family and employee owned. And we really want to take a long game

approach. And part of that risk assessment was around AI, was around stablecoin tokenization, tokenized deposits. And so we set a path. We're a very decentralized bank, as designed. All of our employees are spread across the state. We have a digital backbone that connects us all. We spent a tremendous amount of time on data modeling and a tremendous amount of time preparing for this transformation that's occurring right now.

CHARLES CASCARILLA. Thanks, Jeff. And obviously a very innovative approach to banking you've taken over your career. Maybe you could spend a little bit of time talking about how community banks can offer their customers different types of products or different services than big banks. And how you feel like you're able to be competitive against them.

JEFF SINNOTT. So, community banks, all of us pride ourselves on, you know, really understanding what our customers are asking for. How do we structure solutions, products and services in order to make an impact for them? We can be alter responsive. And part of that responsiveness is data. But another part of that is really taking control of that innervation. You know, we [inaudible] the last panel the opinion on the big three. That's something that I think this, what we're going to talk a lot about today, untethers us from. So, for us at Vantage, we spent a lot of time putting a layer on top of our core provider, or they'll take more control of that in order to provide different chains of services and products. And, you know, that's worked out very well for Vantage. We're 1.6 billion six years ago. We're knocking on the door at 5 billion now. And so when you put together that accountability that you build with your customers, your thoughtfulness in terms of what your customers are trying to accomplish with alter responsive products and services that help them be competitive, community banks are a natural place where they're going to turn.

CHARLES CASCARILLA. Yeah, it's a very impressive deposit growth, you know, 25 or 30% probably annualized. I'm trying to do the math quickly in my head. Which is, you know, obviously significantly faster than what the market is growing. And what do you think is primarily driving that growth? When you think about is it the technology that you're being able to offer, the different ways in which you can differentiate yourself from banks where there might be a more homogenous offering when they're large and they're big?

JEFF SINNOTT. So, you know, our largest deposit growth year was the nine months after Silicon Valley Bank failed. Our deposits grew over 33% that year. But I think what that signal is, is it's a signal of when there's times of uncertainty, people turn to who they trust, who's committed to them. The other, our growth really started to explode right after, you know, COVID and PPP. We actually rolled out a program ahead of the PPP program. And we modified a third of our customers' loans in five days using technology. What that turned into, though, was this, you know, this sense of trust. And they became our biggest net promoters. They became evangelists of Vantage Bank and community banks. And we're facing that again. We're facing a time of uncertainty. This time, it's not a pandemic. This time, it's not a bank failure. This time, it's a transformation of technology and uncertainty around technology with tokenization, stablecoins, tokenized deposits. And, again, I think community banks are aware your customers and prospects on Main Street are going to turn, because we have that trust. They know that commitment. And so it's an opportunity to leverage that, and to provide solutions to them in a way that we've never been able to do before. And I'll talk more about that in just a bit.

CHARLES CASCARILLA. You know, obviously things have changed in terms of the administration's willingness to enable stablecoins and blockchain technology into the financial services industry. And obviously the GENIUS Act has also been a very important piece of legislation that is enabling stablecoins with legal certainty in a way that hasn't existed before. And certainly that's been something that you have experimented with. And I think when we were talking ahead of this conversation, I was really surprised and interested to hear in the ways that you are using both blockchain and stablecoins to change the products and services the way in which your bank can offer your customers a new experience. And also how can you even change the cost curve. So, both in the way of changing your revenues, but changing your expenses. And I think that would be really helpful for everyone to hear about.

JEFF SINNOTT. Absolutely. And I know I have probably some of my regulators in this room, so this is all meant with absolute respect. So –

CHARLES CASCARILLA. It's a very interesting caveat.

JEFF SINNOTT. So, Vantage, we have been methodically moving down this path, like I mentioned, for six years. And we've been pushing on the fences with some regulators during that time. And so one of the very first things Vantage did was we offered a Bitcoin savings plan. So, our employees could put up to just 6%, up to 6% of their salary into Bitcoin. And eventually we had to, we had to shut that down. I still have employees point out to me all the time what that cost them when we had to shut that program down. Five years ago, we started putting our loans on the blockchain. So, when Vantage originates loans, we have a proprietary loan origination system that we built. We actually then originate them on our core system, and we send them to the blockchain. And that's positioning for a day of tokenization around those assets so that we can have a much more effective way to manage our balance sheet. It provides

us accessibility into the biggest asset managers of the world. But also provides us very easy way to sell and manage loans and participate and syndicate between banks. We can also sell any part of that asset to any of you, or one of our customers. That's the power of tokenization. So, that's another example of Vantage positioning for this. In terms of stablecoin and tokenized deposits, Vantage started down this road really two years ago. We went to our regulators and we presented to them what we wanted to accomplish along this front. That was supposed to be a fairly short meeting. The very first question I got, and they may be in this room, was why are you doing this? And you're a healthy safe bank. And the answer was we're not doing this to take on risk. We're doing this to manage risk. We know this is going to be an important part of the banking system in the future. It's going to be an important part of community banks. And it doesn't have to be Vantage. You pick any, any community bank, and work closely with them along this path. And that meeting turned into a full day. And then some follow up meetings. And eventually our regulators both on the state side and the fed side reached out and said, we do want to partner, and we want to learn more. And you be completely transparent with us. You present your risk assessments and what you're trying to accomplish. And we'll work with you. And we've been meeting with our regulators every other week now for almost two years. And through that, we've been pushing forward on some proof of concepts with tokenized deposits and stablecoins. The first one we did was earlier this year. Vantage Bank, working with our partner, Custodia, did the very first tokenized deposit U.S. Bank released on a public blockchain. We since have pushed that proof of concept forward. And this gets to that differentiation, where one of our customers is a trucking company. And we asked that trucking company, you know, what's one of your biggest challenges? And this is where this technology should resonate with every community banker, because for the first time, we have an

unbelievable opportunity to actually help our customers in a way we never had before compete and win in their most crucial workflows, or some of the most strategic challenges. So, our trucking company said, one of my biggest challenges is the continuity of good drivers. I need the ability to know I can count on my best drivers. And I asked them, what would do that? What would help you have that? And he said, they all want to get paid when their route is complete. And so we said, okay, so when that truck drives into the warehouse, we could recognize that and pay your truck driver, would that do that, would that be that differentiator and he said, that's a game changer. So, our second proof of concept did exactly that. We paid when the truck went into the warehouse. And that's the kind of things that you do with stablecoin, tokenized deposits, and the smart contracts, the programmability around that. So, when you, you know, expand that to what community banks do, all of us want to understand, how can we help our customer be successful? And we can do things on the credit structure side, and we can do some on liquidity management. But we've always been somewhat handcuffed in terms of what we can absolutely do to impact them. And now we can work outside of some of those handcuffs. Some of our court reporter providers, some of the other gatekeepers. And we can work directly in this technology and directly with our customers to understand, how can we help them differentiate? How can we help them have a competitive advantage? And so now we're working on a proof of concept with a large customer builder. That commercial builder wants to pay his most important subcontractors on that inspection flow at the construction desk. We'll be able to enable that. I will say that after that proof of concept with the trucking company, we got a call from a very large car manufacturer, asking if there was an ability to do something like that with their chip supplier after it got QAd. And, of course, the answer is yes, you can do that on those type of events. Now, this large car manufacturer, Bank of America,

Chase, they're going to listen to them. But all those companies on Main Street that are looking for that competitive advantage, that's where community banks can step in and really do something to impact them in very significant ways.

CHARLES CASCARILLA. It's really interesting. A couple of things, you know, when you think about the blockchain, the whole point is that it's centralized, and that it actually can allow there to be fragmentation. Yet for there to be consistency in how things move. Which is obviously, you know, potentially bringing everyone closer to the customer. Which is, and for people who are already close to the customer, like community banks, that could actually be a real advantage. And I know that you are maybe describing some examples where you have customers and they need to be able to operate, even though they're a local customer, they have the need to operate either cross border, or even across the country. And so you now have a way of being able to operate in a much wider geography while staying local. Where there may be one or two examples that you could go into around even cross border, because it's really very interesting.

JEFF SINNOTT. Yes, so, I think it's a very important aspect of this as well. It opens up avenues of markets to community banks where, you know, we may not have access to in the past, but even if we did, there was a lot of middle parties involved that would make it less of the ability for us to do that at margins that made sense. But with the blockchain, with tokenized deposits and stablecoin, we have the ability to do that. So, at Vantage, you know, we're setting up an ecosystem, you know, sandbox was mentioned earlier, where we're going to release a sandbox later this month, and we're going to invite other community banks to participate in this as well. And we want other community banks to. And that sandbox will enable to do some these proof of concept pieces. But one of the things at Vantage is about a third of our customers

operate in the U.S. and outside of the U.S. One of the banks that we brought together was International Bank into Vantage. And so it's very important for us to be able to operate effectively and safely, quickly, and with good margins across border. So, the trucking company I mentioned earlier actually was a trucking company out of Mexico. And just to give you a little more, you know, insight into this technology and its capability, you know, it's our thesis at Vantage that, you know, in terms of tokenized deposits, and we can talk about, a little bit about stablecoin, tokenized deposits, if that makes sense, but in terms of tokenized deposits, you know, we're ready to do that today. We have shown that with the current oversight, all the rules around monitoring, AML, it falls under all customer dispute, all regulatory oversight, we can do that today. It's even more transparent than other payment rails. And a good example of that is when we did that proof of concept with the trucking company, our risk monitoring software, flagged it when we kicked that transaction off. And it flagged it because the trucking company, the CFO, had moved one penny from his wallet to the Mexican Coin Desk Exchange. And so our software stopped it. Reached out to the CFO, and we said, our software has stopped the transaction because you've done an interaction with a party that has been on some questionable transactions. He's like, well, hold on. He goes, I just moved one penny, or one peso, from my wallet to the Mexican Coin Desk, just to make sure I could test it and it was live. But that's insight you would never have before. And so from a regulatory perspective, regulatory perspective, or from a bank perspective, you truly have true, real time traceability across these wallets like you never had before. So, when we're talking to the regulators about these proof of concepts, they're asking us how we're monitoring it, you know, our answer is, you can sit in on that. You can do it real time. So, that tells you about, one, the use cases internationally. I'll also say that that transaction, and this I think gets to your point as well, again, this was an

international transaction, flipping between tokenized deposit and a stablecoin, cost us 28 cents. And that's obviously a very significant difference than the model today where you're bouncing across correspondent banks, it's taken a while for that to settle, and you're paying components of that transaction along the entire path with every one of those hops.

CHARLES CASCARILLA. And what would that, what would the cost be? Instead of 28 cents, what do you think it would be for that same transaction using normal rails?

JEFF SINNOTT. So, using a normal round, rail for Vantage, let's say international wire, that typically costs us all in about \$6.78. So, a significant difference between the two.

CHARLES CASCARILLA. Yeah, I mean, that's an unbelievable difference in costs. Plus, now you're able to unlock new revenue and opportunities. And I think that's probably something that you could dig into in a whole number of different ways. But, you know, it occurs to me that because of the legislation that's happened, everyone is trying to think, well, what do we do with stablecoins, you know, what's the strategy going to be? How does tokenized deposits happen? Obviously, large institutions have big budgets. They have big IT and engineering teams. They have the capacity to be able to fund these things. And when you're a smaller institution, it's just harder. And there's just a certain amount of capital you need to have. And that's a reality that, you know, every small company faces. When you think about how much do you want to be able to build internally, how much do you utilize external service providers, whether it be Custodia or Paxos or something. How do you think about how you can be able to make sure that you are able to offer the right type of technology and have it be competitive in a way that will unlock opportunities for you?

JEFF SINNOTT. Yeah, great, great question. And I think this is a very important part of this technology itself. So, all community banks, we all have to punch above our weight. But for the first time ever, we can work directly with each other. And we should. And work directly with partners like Paxos on the infrastructure side. And we should. And that's exactly what Vantage is doing. So, we're working with key partners to build these solutions. We're inviting other community banks to participate in this. Not only for capital reasons, but also for the margins itself. We have the ability to do this directly, which is very important. Probably for all community bankers out there. We do this all the time at Vantage. We ask ourselves, when we fall short, we hold a retrospective. And we understand why we fell short and how we fell short. Quite often, we fall short when we lose control of that experience. So, when we're passing that experience off to a party that we don't have control over, quite often, for us, that's the core provider. Something isn't as good as we would want it to be. The customer experience, whether that's an employee customer or an outside customer, isn't as good. But now for the first time, we have the ability to work directly with infrastructure companies such as Paxos, such as Custodia, such as Infinite. The ones that are actually carrying those rails directly in a relationship between them and between all of us, without having to pay tribute or without having to lose control. And I think that is a model that should be extremely exciting to every community bank. It's extremely exciting to us.

CHARLES CASCARILLA. Yeah, because it creates a direct erect movement, whereas, you know, you might have to be going up and through different correspondent banks or other banks. And certainly, you know, I think deposits are such an important element of how banking works. And there's a lot of questions around, well, will deposits continue to have the same beta? Will they have the same duration? Could they, could it shrinking, or will it increase? How will

stablecoins and tokenized deposits change? Those funding mechanisms. But one of the things that occurs to me is that, you know, when you have an asset, but you can go do things with it, you can move it, you can do other activities, you're actually more willing to hold it in some ways. And it seems like in your experience, that's what you've noticed. Maybe you could talk a little bit about how stablecoins and tokenized deposits are playing out in how you're thinking strategically for the bank, and what are the opportunities for them, and where maybe are they in opposition, if at all?

JEFF SINNOTT. Yeah, so, our thesis on this front is it is an opportunity for the golden area, golden era of community banking. And that goes right back to that impact you can have with your customers and in your community that we haven't been able to accomplish to the extent that we've wanted to in the past. So, for us, one of the things we're doing at Vantage Bank is we're sending all of our employees through a design thinking methodology. I don't know if anybody in here has ever been exposed with a methodology. But the reason we're doing that, it's about understanding problems, opportunities, and how to build a solution. And our thesis around that is that will be a new treasury management, new treasury analyst role, where you'll be going out to your customers, you'll be learning about different industries, you'll be sitting down and understanding how can we help you be more competitive? And what are the things around payments will help you? How can we actually be part of your core workflows? How can we implement Agentic solutions? Meaning we combine blockchain and AI and your core workflow into competitive advantage for your company. When you do those things, you are not only putting yourself in a position you never had before, but you're creating true value, and you're creating stickiness. And so for us, community banks are in those customers. We know how they operate. We know what their vision is. And when you can actually help them

fulfill that vision, let them have those victories along the way, those deposits are not only going to stay, they're going to grow. So, we see that we'll have our commercial customers, our consumer customers will have their accounts at Vantage Bank. A percentage of those dollars will be held in tokenized deposits. And they'll be held in stablecoin. And the difference between the two will be kind of what they're trying to accomplish with those different money movements. So, we think it's an incredible opportunity. And, again, we just need to make sure that community banks understand that they have this opportunity to work directly with each other, and do this in a way that we can impact our customers unlike we ever had before in the past.

CHARLES CASCARILLA. You know, change can be hard. I know in our own company, trying to use AI more on an everyday basis is not easy to do. You know, you're trying to build new habits. And you have, turn habits and allows you to be able to do things a certain way. If you had to give an example or a piece of advice of how community bank could begin to use this technology or begin to experiment with it, what would that be? What would be the easy way to elucidate that for your peers?

JEFF SINNOTT. The first thing I would say is bring it across functional team that carries different perspectives to the table. Break it down into small bites. You know, partner with people that you trust around this world, around this ecosystem. And that's what we've done. And that's extremely important. And educate. So, at Vantage Bank, we've partners with the Texas Bankers Association. We're doing education for both customers and bankers every other week. We're holding Lunch and Learns for customers and prospects in our community. And education is a huge part of that. And that as you start to get that education in place, put together across functional team that's going to champion some proofs of concepts. And, again,

work with those partners that you trust. And we're happy to help you with that. But just take small, small steps. It's important to take small steps. I've been talking about this now for a few years. And for a long time, I didn't have much attention on these conversations. And now, like I mentioned, we're on calls with banks many, many times each week. And I think it's an important step forward. But there are so many use cases. There are so many possibilities and opportunities. Again, it's an exciting time. And I truly believe it has the potential of being a golden era for community banks.

CHARLES CASCARILLA. You know, and another way of thinking about a stablecoin is really it's a rail. It also, it can be an account in certain cases. But it's also a rail that's, you know, 24/7, instantaneous, programmable, transparent, very cheap as you were laying out how it can significantly change cost curves. But, of course, everything new also has advantages, it also has risks. Nothing is for free. You are laying out some ways in which compliance could actually be done programmatically. And that could potentially also change costs. But are there risks that you've come across that people should be aware of too?

JEFF SINNOTT. Yeah, so as I mentioned, you know, we started, we always start with risk assessments and understanding the risk as much as we possibly can. And, of course, we revisit that all the time. As I mentioned, tokenized deposits is really a modern rail following all of the oversight that the banking system has today. And so the risk around that are very similar to any other rail that you have in place. All the things you do with any other money movement, you did really the same things, maybe in a bit more modern way, a little less overhead. But when you move outside of that, you know, and as these things continue to merge, there's several risks that we have our eye on. One is around smart contracts, programmability of the blockchain itself. And this will be interesting to see how it plays out. You know, we're going to

take a very methodical and bite size approach to that. But eventually there's a lot of power there. And where those smart contracts sit. And we feel like they should be part of the blockchain protocol itself. There's other solutions that have those outside. We think that there's a lot of education and understanding and potentially risk around that piece. But ultimately something we've got to continue to advance forward kind of party risk is something that needs to also be considered. When you get to tokenized deposits within the banking system, the counterparty risk are banks, so that's obviously proven to be very, very safe. No deposit customers ever lost a dollar in a U.S. bank. But when you move outside of that and you start working more globally, the counterparty risk, the understanding of potential depegging of that stable asset, is something that we have to monitor. And, of course, there's a lot of oversight that will come with that after the GENIUS Act was passed. Now, beyond that, the monitoring piece of it, as well as the blockchain technologies themselves. So, you know, there's going to be a lot of fragmentation around blockchain technologies themselves. Both private networks, public networks. Some of them are going to be much larger than others. The technology itself being decentralized counts on having these large networks working in a decentralized manner. So, I think it's very important that we pick the right blockchain protocols for this to be successful.

CHARLES CASCARILLA. And there are ways in which you were describing earlier, how you've experimented with blockchain technology, aside from the movement of money. Stablecoins are deposits, et cetera. But actually the moving of assets, potentially how you could tokenize different types of either loans or assets that your customers have. Maybe describe one or two examples of that.

JEFF SINNOTT. So, a really good example, and, again, this, I think, is a good example to understand how this can expand the offerings that we have at community banks. So, we

started tokenizing assets several years ago. But about a year ago, we saw an opportunity to bring a lot of different fragmented origination systems from Fintechs together into our origination system, and then tokenize that onto our partner that we work with there. It's called Alphaledger. And what that accomplishes is it allows us to have access into all these different assets, alternative assets that we never had to reach into before. But it also allows these Fintechs to come in and have a bank participate in the underwriting of those assets, which is very important to the big asset managers. And then we've had these conversations with the largest asset managers in the world who never have had access to these high yielding fragmented alternate assets before. And now they're coming through a bank. Everybody gets the same information at the same time. It's all extremely efficient. Very little, little overhead for us. So, you have a Fintech origination system automatically flow into our origination system, go through the bank's underwriting, get originated, and flow into the Alphaledger market. And now you have, the biggest asset managers have access to this. And you can then extrapolate that in terms of what that does in terms of bringing accessibility to a lot of people that haven't had the opportunity to being in the banking ecosystem before. So, it lowers those barriers. And it provides avenues that we've never had before in ways that make sense for the first time. So, that, I think, is a really good example of, one, increasing the availability of both deposits in dollars to people that haven't participated in the system before, doing it at lower overhead, doing it at less cost, I mean, doing it at less risk, and bringing these things together in efficient way that open up markets that were never opened before.

CHARLES CASCARILLA. Yeah, I mean, real world assets are still quite a small percentage of on chain assets. It's basically a rounding error. Most of it is either cryptoassets or it's tokenized dollars, actually. And then after that, you know, you're kind of, you know, still in

very early stages. But as you get more and more dollars, I can really imagine you're going to end up in a place where having that settlement capacity can then create the operational benefits for other assets to come on. And certainly that's in our thesis over time. One of the important elements that was in the GENIUS Act, and also has created some consternation, is the capacity for a yield to be passed on to distributors in the stablecoin bill. And that was part of the GENIUS Act. And I know there's been some concern of, well, is that going to actually end up creating competition for banks? Because right now they have a specialized position in how they're able to be able to offer interest on deposits. What type of difficulties might that create? Because there's other ways to get yield. Or how much is that actually similar to, for instance, money market funds? There's 8 trillion dollars of them. How do you look at the rewards based distribution that GENIUS enables?

JEFF SINNOTT. It's a great question. There's, I think a few different ways that this can be addressed. And we're not sure exactly what direction this will go at the moment. But there's a few things with that question. I think it's important to protect the moats of banking. So, when we talk about, you know, tokenized deposit, that's within the banking ecosystem. So, interest can be paid. FDIC insurance is in play. It can be used as collateral. We can lend on it. And then you move more into the stablecoin side. And I do think that rewards are going to play a role on the stablecoin side. And there could be different participants in that. There could be rewards. Let me back up for a second. I think the main concern about where stablecoins are and rewards is because the stablecoin issuer is deciding where those funds, those deposit funds go. And so that concerns a lot of us in the Community Banking industry is if They're going to select just the largest banks, is that going to cause a deposit flight? So, I think, you know, one way to address this is to provide ways to do rewards to FIs and have some fair participation amongst

the network of banks that are participating around this. But there will also be rewards directly to customers themselves. I think those will take more of the play of loyalty points, or those type of rewards. There's a lot of different ways to address this. But ultimately we feel like as a financial institution, where we expect to be carrying a certain part of our balance sheet in stablecoins, there should be a yield back to that, even if we weren't the issuer, but we're participating in that network.

CHARLES CASCARILLA. That makes sense. Now, I know we're getting close to time, and we want to make sure that this can be a little interactive. So, we're going to open it up here and see if there's any questions for Jeff, or even myself, I guess. We'd be happy to answer them and see if we could maybe answer two or three from the audience. Anybody interested? Any takers? Jackie? Let me get her a microphone. She's right over here.

AUDIENCE MEMBER: JACKIE. Hi. I'll just stand up. I would love to hear from you, Chad, because you brought one of the biggest stablecoin companies in the world. Like how do you work with banks? And what kind of infrastructure do you have that could add value to people in this room?

CHARLES CASCARILLA. Thanks, Jackie. So, the question was, Paxos has an issuer of stablecoins. How do we work with institutions? And we're somewhat unique. We are a neutral infrastructure. So, we don't issue our own stablecoins. We issue them on behalf of other institutions. So, for instance, we issue the PayPal stablecoin, which is, the ticker symbol is PYUSD. It's about 2.4 billion dollars now. And we've been issuing it for the last several years. And, you know, we don't do it for ourselves. We also issue something called the Global Dollar. And we issue that on behalf of the Global Dollar Network, which is actually almost 90 institutions. And there are several hundred more that are looking to join. And anybody can join

it. And everyone can participate. And so our view is that we're going to be the infrastructure that enables firms to go out and issue stablecoins. I think ultimately there is probably only two to five really big stablecoins that can act as a rail. But there's going to be thousands of probably stablecoins. And they could be issued by institutions. We see that today; PayPal being an example. But lots of small institutions now are issuing stablecoins for their particular communities and their particular user base. You see that for different chains. You see it for different applications. You see it for different traditional institutions as well. And I think one of the biggest things that's shifted is the GENIUS Act and the administration have made it possible for there to be like a real experimentation phase. But because they're all working through blockchain technology, while you're getting a lot of experimentation, it is actually keeping a way of having a consistent interoperability, which I think is important. You know, you don't want to have fragmentation without interoperability. Fragmentation with interoperability actually can be very healthy, because it allows experimentation, and it allows competition to happen. And, you know, it certainly will have large institutions. And I'm sure some of the large banks will issue stablecoins. And we've seen that. But we've also seen quite a few smaller institutions do it as well. And that's the exciting moment that we're at. And Paxos has infrastructure providers here to make that possible so that it's not something that someone has to go build and manage themselves entirely. Because that can be quite an investment to make and a lot of time and learnings, which we've been able to do. We've been issuing stablecoins now for over seven years. So, quite a while. We do it through a New York trust. We're converting it into an OCC trust. So, we're regulated just like a bank as the infrastructure provider, which is also unique. Thanks, Jackie.

[AUDIENCE MEMBER: KIM DEVORE] Kim DeVore from Jonah Bank of Wyoming. And I have a question for Jeff. So, when you speak about the infrastructure for community banks to put in place in order to operate on these rails, what type of, is there a de minimis level of volume that you need to be able to have in your portfolio before you actually recognize the savings from \$6.78 to a 78 cent level? That if you're not a 5 billion dollar institution, and maybe you're a 570 million dollar institution, how do you make that happen?

JEFF SINNOTT. Great question. So, I mentioned, Vantage Bank is working to provide this infrastructure to other community banks. And we're doing that in a way that will be [inaudible] with very low volumes. Because we know that we have to lower those barriers for community banks. And so we have a model. We can walk you through exactly what that looks like. We believe that this will compound quite a bit over time. So, we're willing to provide that model for community banks to grow over the next five, seven years amongst that. Our model assumes that a 500 million dollar bank, with just 10% of their transactions that are on wires today, go through in a year, it will be [inaudible] for you. So, and so we'll be happy to walk through that on a call. But we know that those barriers need to be low in order to get adoption, and for community banks to work directly together. And we don't want to miss that opportunity.

CHARLES CASCARILLA. Great. Right here. Right here.

AUDIENCE MEMBER: REP. BILL FOSTER. Thank you. I'm Congressman Foster. I'm the lead Dem on the Financial Institutions Committee in the House. One of the big challenges that everyone faces here is identity fraud in KYC and that whole nexus of things. And other countries are moving very rapidly towards having the ability to prove you are who you say you are in an online transaction by basically getting out their cell phone, doing the biometric log in, and presenting what would be in the U.S. a real ID, real ID digital driver's

license. And I think now the EU is going to have that by the end of the year. England just announced they're going to have it. It's been in place for, in Asia for a long time. And so this really avoids all kinds of things. And potentially lowers the compliance cost for this. I was wondering where you see, is that something we should really make a push? The Biden administration, of course, promised initially that they were going to make progress, and they didn't do anything. Do you have any thoughts on that, and how that could really make life easier for just automated KYC?

CHARLES CASCARILLA. Well, look, I think one of the exciting things about being on chain is that it's transparent. So, you're able to see how things are moving. And you can use a variety of on chain analytical tools to be able to monitor transactions, to be able to freeze transactions, to seize transactions, and to build compliance tools that operate in an automated way that can actually lower your costs on a pro transaction basis, as Jeff was describing. And there's different ways to be able to do that, including adding identity in as say an attachment to a transaction as it moves. There is, there's different industry standards around being a VASP; a virtual asset service provider, that require you to be able to understand where funds came from and where they're going to. And so I think there are a lot of these in place. They're not maybe quite as prescriptive as in other jurisdictions. But it's something that we expect, and, you know, very much have like the frameworks for. But they are evolving.

JEFF SINNOTT. Yeah, I'll just add to that. So, I mentioned earlier that we feel like tokenized deposits can get out the door very, very soon. We like to get out the door now. But that's between banks, within the banking ecosystem, where KYC, all that has actually already occurred, and it's actually occurring on the transaction itself on the blockchain. When you move over to stablecoin, you're moving more into some non bank areas and non bank customers.

They absolutely would like to see the U.S. move that direction. At Vantage Bank, we're using technology similar to that like with intersect in order to do those kind of things. Again, we have about a third of our transactions internationally. So, we would like the U.S. to have a standard component on that. Again, as mentioned, the blockchain allows us to do that in a way much more effective, much more efficient than we've ever had the opportunity to do before.

STAFF. Question in the back.

AUDIENCE MEMBER: CARLOS GARCIA. Hi. How are you? Carlos Garcia from Nave Bank in Puerto Rico. One question for you. What are your thoughts in terms of using FedNow as a payment rail for small businesses?

JEFF SINNOTT. So, we are a Fed, we were a FedNow beta bank. You know, we've had some challenges with adoption there. Again, I mean this with all respect, but our feeling is tokenized deposits is a better solution. It's 24/7. You're really just transferring the liability between two banks on the behalf of a customer. And so, you know, our energy and efforts are really focused on the tokenized deposit side for us. We do offer FedNow. We just haven't been able to get much adoption there. Again, we feel like tokenized deposits will be a more effective rail. And then you can add the programmability to do that. And that's where we'll start to compound over time.

CHARLES CASCARILLA. I think we might have time for one more question. We had a question in the back.

AUDIENCE MEMBER. Great. Hi. Jeff, you mentioned rewards on stablecoin, and whether that's between providers and even rewards that would ultimately go to customers. And you also mentioned as a bank, community bank CEO, you know, the concern about deposit flight, maybe deposits leaking from community banks to the large banks. And I have the same

concern about that. But when does a reward become interest? And which obviously is barred by this GENIUS Act. And how do you navigate that, you know, between just deposit flight for community banks and rewards, interest, the whole, that whole spectrum?

JEFF SINNOTT. Yeah, you know, there needs to be much more work around rewards when it comes to stablecoins. Tokenized deposits can pay interest, just as a positive. And I think there's a variety of ways to address it. You know, the way that I was speaking towards was, you know, there being a consortium of participants, FIs, within the stablecoin participants. And their ability to get a reward that could be passed onto their direct customers is one way to address that. I think that is an important way that protects banks, and also allows customers to participate in a reward program. You're effectively paying interest from that bank, because the interest is first being paid to that institution. That's personally the way I would like to see the oversight go. But there still needs to be a lot of work there. Other ways of doing it, of course, is just more on the loyalty points side. Things can get a bit blurry there in terms of is that really an interest payment versus a reward. I think that's an area, there's going to have to be a lot of focus and oversight. Again, where I lean always is, you know, go back through the financial institutions and allow them to participate with the stablecoin providers and do that in a way that's based off of the volumes. And, again, I feel like community banks can protect those volumes, because of the relationships we have with those customers, and the impact we can make working with those customers within their core workflows of their business themselves.

CHARLES CASCARILLA. All right, I know there's no doubt endless number of questions. And we could spend all day talking about this. It's so fascinating. But our time is up. And so, Jeff, it was really great to spend some time with you. Thank you so much.

JEFF SINNOTT. Thank you.

CHARLES CASCARILLA. And thanks to the audience.

[Applause]