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Virtual Event Series

NFTs for the Win

Guest Speaker

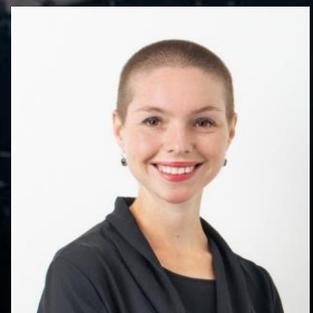


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DiffuseTap: NFTs for the Win

Last time on DiffuseTap, Zach Bruch, Co-Founder and Co-CEO of Recur, talked to us about the different ways businesses are commercializing NFTs, creating interoperable NFTs that can be taken off-chain, and the true value NFTs bring beyond the hype.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) ... straight from your armchair like a boss.

Meet the Speaker



Zach Bruch is a crypto industry expert who helped pioneer the markets in its early stages. Bruch has held leadership positions at some of the largest institutional trading firms in the industry, including Kraken, Cumberland/DRW, and JST Capital. He is Co-Founder and Co-CEO at [Recur](#), a chain agnostic NFT company that is transforming the market by setting the standard for decentralized recurring royalties. LinkedIn: [@zach-bruch](#)

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KENNY ESTES: Zach, would you mind doing a 30 second intro on what you're doing over at Recur?

ZACH BRUCH: Sure. Great to meet everybody, thanks for having me. My name is Zach Bruch. I've been in crypto forever. I spent the past five years in the exchange and trading worlds. But now, I focus 100% of my time in the NFT ecosystem. I co-founded a business called Recur. Recur builds white label NFT experiences for some of the world's largest global IP. We haven't announced all the groups and IP that we're working with just yet, but what we have been public about is our property, [NFTU](#).

NFTU is going to host the [official collegiate experience](#) for college NFT. That includes NFTs for baseball, basketball, football, hockey, soccer – you name it – throughout the collegiate world we host within [NFTU.com](#). We also made an announcement recently that we will be the official NFT partner for [ViacomCBS](#). We will be bringing a lot of their beloved IP, characters, films, series, and franchises to the metaverse very, very soon, which is super exciting.

That's what we're focused on. We're taking a blockchain agnostic approach. I'm sure we'll dive deeper into a lot of those things throughout this call. We really feel that NFTs are a gateway for the average consumer or fan to really access the greater crypto and digital ecosystem. I'm really excited to be a part of it.

AYLA KREMB: Beautiful. I know that we've dug into and have had a few sessions on NFTs before this, so I think we understand what an NFT is. But it will be really interesting to understand what are the different business models that have been tied to NFTs, especially given you're exploring some new areas on your end as well.

ZACH: People have been taking different approaches and different business models around NFTs. You have [artists selling NFTs](#) and using it to show proof of ownership, as well as embedding some form of royalty in there so that no matter where it goes in the future, or where it trades, they will continue to receive a piece of that.

You also have other people that are using it as access to a community, where it grants you access to something. It could be [access to content](#), or a live event, or even merch. Similarly, at Recur we look at NFT as a way to really gather the community, bring them into a space, and have them engage around an IP, a character, an artist or musician, or something that they love. NFTs give them a unique access opportunity both from the metaverse and in real life.

KENNY: That's reasonably broad, so let's circle back. What is an NFT? Let's start talking about some of the specific use cases you have there. What is an NFT and why is it on everybody's tongue these days? What is so exciting about it and what are the developments you're seeing?

ZACH: An NFT is a non-fungible token. I don't know how deep or how granular you want the answer to be, but an NFT is a [non-fungible token](#). Non-fungible means that it's a unique token that is a digital asset.



It can really be anything. Like I mentioned, it could be anything from music to a film clip. Anything that is embedded within a smart contract code. You can use the smart contract behind the asset, and it tracks the proof of ownership. Because of that, it opens up this world of opportunity, where one could feel like they're a part of something, and that they really, truly own something.

That is really special because today, if you have someone, let's say, playing Fortnite, and they buy a skin, or they're playing another game and they buy a digital asset in a traditional game, they cannot take it with them anywhere after that. Or if that game shuts down, their asset no longer exists. With an NFT, they have true ownership of the asset, and they can take it with them wherever.

I think what makes this super compelling for large brands, musicians, or whoever is that it creates a community around things that people love. That's why you're buying it. But also, you can then go and access things forever. And as a user, you can take it with you and use it in so many different types of ways. The interoperability of these assets becomes massive.

There really is a world of possibilities. If you're playing NBA 2K, and you buy your player a pair of Nike shoes, then you can take those Nike shoes and then maybe bring them into Fortnite or Roblox, or otherwise in a decentralized metaverse. It creates this broader range of utility for these digital assets. You have true ownership over it, and it can stay with you forever.

From the creator's perspective, you can embed royalties in the smart contract code. the actual artists, creators, designers, or original IP can continue receiving a piece of the pie wherever it goes. For our NFTU property for example, a piece of the royalty goes to the athlete forever. If the athlete ends up getting hurt and can't make the NFL, for example, but they had a really great collegiate experience, they can still be able to monetize that asset forever.

Or if an athlete gets a lot better after college, and they end up becoming a superstar in the NFL, then that asset continues to accrue value as it trades, and that athlete will always see a piece of it. It becomes this really unique way to tie the community and creators together, while continuing a narrative and building your community over time.

AYLA: You mentioned something there about interoperability in the underlying infrastructure. That capability is probably one of the more interesting innovations that you guys are working on. Do you want to share a little bit more about how the underlying infrastructure drives these business models and the ability to do all these exciting things you speak about?

ZACH: Sure. So NFTs give you this form of proof of ownership. But the reality is, today, a lot of people have been choosing select chains to work with. People are only minting Ethereum, or NBA Top Shot, which is on Flow. You also have other Solana-based NFTs that are only minting on Solana. But the way we see it at Recur is that there might be a winning chain for gaming, and a better chain for financial assets, a better chain for social, or who knows what will happen in the years to come. Therefore, you want to have the most flexibility and the widest range of distribution for the brands and the fans that you work with, as well as to have the widest range of utility. This way, if there is an amazing game that they want to



play on Solana and bring that asset with them, even though we minted it to start on Ethereum, they should be able to take it there.

So, we created swapping technologies that even if we mint today on Ethereum, for example, a user can go and swap that onto Solana, really making the asset interoperable. I mean, do you really own something if you can't take it with you wherever you want to take it? It's like, if you went and bought a t-shirt in New York, but you couldn't wear it in Miami, or you couldn't take it and drive to Pennsylvania or California, you're stuck with it only in one place, do you really own it? Do you really have full control over it?

Having true ownership, which is what NFTs are all about, to us means that it has to be interoperable. It has to be able to cross chains. It has to be able to go wherever the consumer wants to take it. That's why it was so important for us as a business to be blockchain agnostic, to build swapping technology, and to really provide the widest range of access for our consumers, as well as the brands, creatives, and artists that we work with.

KENNY: That's great. I want to pick up a different type of flex. Someone in the chat brought up digital flex, which is this sense of digital status symbols. There are certainly a lot of crazy prices you're getting for gifts, depending on what camp you are in, and there are all these entities that are out there. How much of that do you think is sustainable long-term, and how much of that is purely a status symbol? I recognize that you're trying to distinguish yourselves a little bit from that core, "let's get these big numbers" type of attitude, so what are your thoughts there?

ZACH: Yeah. I think on social media today, you have groups of people that are flexing various things. I don't have an Instagram account, but I think that you have all sorts of people on Instagram showing flashy jewelry, or diamonds, cars, boats, or yachts or whatever it is. They're showing this lavish life that they have, and that's a big part of culture. Those things are happening. So in the digital world, of course that's going to happen in some capacity.

But do I think that that's the use case of NFTs? No. I think right now, you're seeing a lot of these big numbers. In art, you see people getting excited about a \$69 million art piece. And other people are buying expensive digital artworks. Even CryptoPunks and Bored Apes are very expensive right now.

But I actually think the driving factor behind why it's so compelling is the community around it and being able to be part of that community around it. At Recure, we see that a large utility of assets is actually for the everyday person. We're never going to be selling our assets for a million dollars, or hundreds of thousands of dollars. We focus more on the 10, 20, 100, 200, to 300 price range, which everybody can access, and which we feel people are really going to want to take, bring it with them throughout the metaverse, share with their friends, and show to people.

But again, the speculative nature of artwork or flexing – that's going to be part of it. It's the same way if you like to talk about watches. Some people have really expensive watches that they want to show off.



Other people have nice watches that they just like and enjoy for themselves. And other people just look at the clock to tell time.

But the mechanism to tell time, and the concept of creating a watch was really important. It was important for it to be mass produced to everybody in all sorts of capacities, from really expensive to inexpensive. I think similarly with NFTs, you're going to have this really expensive stuff. But I don't think that's the full utility of NFTs in any way.

AYLA: If people are going to compare what you guys are working on, just in terms of both the infrastructure and the business model that you're known for, how do you measure up to other platforms that do similar things, like OpenSea and Rarible? Maybe from a perspective of recurring royalties, or the resale market that you enable, how do these platforms compete with each other? Are they more complimentary than anything?

ZACH: Sure. [OpenSea](#) and [Rarible](#) are marketplaces. We are not a marketplace. We create [white label](#) experiences for these large global IP. It truly is their experience. We've just built it and created it for them. There are secondary marketplaces on these IPs, but they can take the asset off and go trade it on OpenSea, Rarible, [Mintable](#), or another third-party marketplace. We look at those folks as complementary to what we are doing.

I think where we also really differentiate from a bunch of these other folks is this concept of being blockchain agnostic and interoperable. Being blockchain agnostic, we don't have our own token either. We feel that we're creating the right alignment of interest between ourselves and the brands we work with because we are constantly trying to accrue value back to our brands.

Other groups or other marketplaces or NFT businesses have a token where they have a fiduciary to those communities to accrue value back to their token or have to only build on top of the blockchain that they created. We feel it ultimately hinders them because then, their fans or consumers can't access the wider breadth of the industry and go play a game or go to a social media application elsewhere that is off that chain.

And the other thing that we are working on is cross-chain royalty, which includes recurring royalties off our platform. We were part of the team that created [EIP 2981](#), which is the official royalty standard for Ethereum. And now, we're working on it on a couple of other chains. So even if the asset leaves our experience, the original creators and artists and musicians will still receive their royalty. That makes it very empowering to them.



KENNY: That's great. And you've mentioned a couple times the white label user experience and your deal with Viacom, which is just cool. Grant has a question which I would describe as a buying question. How big is this market? How much potential is there for these types of experiences that you're creating? Is every corporation just sitting on tons of untapped value, and you're getting into it? What does that look like for you?

ZACH: Yeah. I think every single massive content studio house creator is going to enter this ecosystem, and I feel like the metaverse, or NFTs, or this new digital world is going to be an extension of their brand. They're going to build a community around it, and they're all coming in quite aggressively. You will see so many large brands enter the ecosystem throughout the next 12 to 18 months, which is really exciting. I think at the beginning of the year, you had like 100 or 200,000 NFT buyers, and recently I read a stat that says today it's somewhere around 4 million. It's growing rapidly, and will continue to grow rapidly.

Also, I think as more capital is poured into the ecosystem, you're going to see a lot of new innovation, which will make the experiences deeper and more immersive, and easier for non-crypto native folks to access. Right now, it's a little complicated. You have to download a MetaMask wallet, buy Ethereum, and understand trends, transaction fees, and also what minting is about before you can go to OpenSea and make a purchase. It's very hard for someone who is not crypto native.

There are other groups out there like ourselves at Recur that allow you to use crypto to purchase their NFTs, but you can also use a credit card, or Apple Pay. Dapper brought so many new people into the ecosystem via NBA Top Shot because they allowed for credit cards, and that was really incredible.

I think that as you have new people innovating in the ecosystem and more capital flowing into the space, we're going to see all sorts of great innovations that make the experiences so much better, and so many content players coming in. That, to me, is inevitable. NFTs are definitely here to stay. And the communities that will form around these NFTs will be very, very strong.

AYLA: One interesting question here around IP. You mentioned that there are companies that you've got an exclusive contract with to turn their IP into NFTs. How does it work? For example, do you think that companies like YouTube are going to start generating NFTs off the assets that you hold? Is there enough reason for companies like YouTube to mint NFTs that are not theirs? What is your thinking around one of the more controversial parts of IP ownership?

ZACH: I don't know what the YouTube terms of services are., so I don't know if I can answer that appropriately. But if they don't have the rights to the IP on their platform, and they don't have the rights to mint and sell that IP, I would imagine YouTube would be more inclined to allow their creators to mint and sell their content, and YouTube would somehow own a piece of that, potentially. But I don't know enough about how YouTube handles their IP ownership relative to their creators to answer that in an intelligent way.



KENNY: Maybe we can broaden out the question then to trademark content in general. For instance, can you do an NFT on Star Wars characters? What is there to actually prevent that from happening and from you monetizing that? What is the state of play in the industry in your opinion?

ZACH: With any IP, you have to acquire the rights from the group that you're working with. We're working with Viacom, and we have the rights to make NFTs for Viacom. If you wanted to do Star Wars, you'd have to have the rights from Disney. And if someone else went and made a Star Wars NFT, Disney would attempt to go after them. Otherwise, when they come out with their own, you would know that it's not the official Disney NFT.

One of the most incredible parts about NFTs is that the answer to whether it's legitimate or not is right there in your face in the smart contract. You can tell whether or not that studio, that IP, or that content creator is in the ecosystem.

Let's use Yeezys for example. Let's say you're walking down the street and see someone wearing a pair of Yeezys, or Kanye West sneakers. I'm not much of a sneaker head, but I know the name. So I wouldn't know if those are real Yeezys or not. But if it was an NFT, you can see right there in the code that it was minted by Kanye West, and we can instantly know if those are real Yeezys.

We know it's a real NFT. It's right there in your face. IP and licensing is going to be similar in the metaverse, and in fact, it's going to be so easy to see what's counterfeit and what's not. Whereas, if you walk around a stadium before a game, you might see a counterfeit University of Michigan t-shirt that the makers probably didn't acquire the license to make. You can still wear it, but you don't know if it's real or not. You yourself have no idea, and you might not even care if you're wearing a real Michigan shirt. But in the metaverse, you'll see it right there in the code if it's fake, and that won't look too good to other people because it's very obvious.



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Dennis Chookaszian
Corporate Director, CME Group

DiffuseTap: Institutional Grade Governance

Sharing his decades-long expertise on corporate governance, Dennis discussed how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer
CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse 2022

Susan talked about the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.
VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for Coinbase and Binance from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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