Steve Vallas, CEO Blockchain Australia talks with Mike Scott, Co-Founder and CEO NONA

NONA is an expert FinTech software consultancy. They design and build intuitive, scalable FinTech software for companies around the world. They conduct themselves and deliver value with a level of care and excellence that is rare and difficult to match. They have garnered considerable expertise and experience in the FinTech space (with a particular depth in Blockchain product development) and continue to work with some of the global leaders as a preferred software expert across consultation, design, and development. NONA designs and builds intuitive software for FinTech Companies.

Steve Vallas
Given that you are looking from South Australia into the rest of Australia and the world, it's a unique view that sort of says you see the the best and worst of the ecosystem because you're not in the Sydney environment where you might otherwise perceive it to be the center of Australian conversation or the Melbourne environment the Queensland environment. So, when you're seeing that Australian sort of landscape, what are you seeing is the current challenge outside of the need to attract talent from the company perspective? Where's the opportunity across Australia, having the opportunity to sort of stand back from it and say this has been, I can see it in entirety?

Mike Scott
Yeah, it's a good question. I mean I'll share my little tiny lens, which doesn't necessarily hold too much weight but I guess, anecdotally, if I think about the only Australian plans that we've got specifically in the blockchain space. I guess it's kind of surprising but they're out of Adelaide. They're actually not out of the eastern states which is really surprising actually and that wasn't because I met these people at a coffee shop or an event, it actually came, sort of, full roundabout, but actually found that really surprising to be honest, is that we're working with a client right now that's based in Adelaide. We've got another client that we've been not working with commercially but helping them sort of design, a blockchain based system for the last couple of years, also based in Adelaide, which is really interesting, but I guess the difference is these are startups that are building a product from scratch. These are not banks or financial institutions that are trying to innovate and I guess that's maybe the big difference Steve is that in Adelaide, I think there's a very, very small, very young startup ecosystem. Sydney is a hell of a lot more developed, and you know I think the opportunity in Sydney is getting into the bigger institutional players. When I was down for your event, you know the Blockchain Australia event, it was great. And where were we sitting? We were sitting in the large institutional buildings, we were sitting in the high-rises. We were sitting in the corporates and I think that's the difference. There's not a lot of that going on in South Australia, you know, there's, in fact, I haven't seen any of that going on in South Australia. The blockchain adoption in South Australia is coming from individuals or very small groups of people, but blockchain adoption in Sydney is coming from individuals and small groups of people, but also from the large institutions that are adopting it and pushing it, which I think is the fundamental difference.

Steve Vallas
So, where do you sit on that view because I've often talked about the fact that this grassroots bottom up approach, I think, as an ecosystem, Australians like to think we will be able to do that. We can build this grassroots up there's always the perpetual conversation about, we can be the new Silicon Valley. Then there's the top down

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conversation that says, this needs a national approach, it needs a federal approach or we need buy-in from Australia institutions that are already at scale. How do you see those things playing out at the moment? Is it one or the other? Realistically, do we think it's both? Do we think one will dominate? What's your sort of landscape view about those competing ways to grow out and ecosystem?

Mike Scott
You probably know a lot more about this than I do, but I guess my observation, from a builders perspective, so you know, we're building stuff for other people, we're not launching our own products, which allows us an interesting lens because we get to see both. We get to see the guys coming up from the bottom and we get to see the guys pushing down from the top, I guess, from the top. As you know, as everybody listening to this will know, that it's all about the regulatory environment, right. The big institutions can't do much outside of the regulated environment so that's more sandbox stuff and that's really necessary. The guys coming up from the bottom, in my observation, they can do a lot more, they can sort of play a lot more outside of a regulated environment. From my observation. So I totally think we need both. I think we absolutely need both, you know, and I think, you know because I run a global business. I just don't think in terms of Australia or the US or the UK anymore. I really don't. I just think in terms of like 'what's happening in the world', and the regulatory environments, absolutely separate the countries, but I also think there's sort of first mover stuff that trickles down you know, we're all watching what's happening with Circle at the moment and the USDC. That's got nothing to do with Australia as far as I know, yet it's going to have major implications if they actually do list, which I'm sure they will, if they actually get the banking license which I don't know if they will or they won't, but if they do, that has very far reaching implications for stable coin legitimacy, around the world. So, to answer your question directly, I think it absolutely needs to be coming from the top, and coming from the bottom. But I also think that, you know, it's not like Australia doesn't need to be like an island. You know we were absolutely able to leverage off what's happening to us and the UK and make it Australia, you know, make it relevant to the Australian market as well and I think it's great that companies like Circle are. You know, I don't even know if they're gonna get their banking license, it almost doesn't matter, but the fact that it's public, and they're doing it and they're trying to do it. It is just opening more and more doors, I guess, for what's happening in the Australian blockchain environment.

Steve Vallas
I think I'll be consistent in saying, too many conversations in Australia are siloed, Mike. The view that says I think the border and I talked to people, particularly when we talk about states versus the federal view as well, that the squiggly line that divides South Australia from Victoria, New South Wales and Queensland actually doesn't matter. And I think that message is slowly getting through. From your experience and given again the global sort of lens, what's that inbound opportunity look like? What's that direct investment opportunity look like, because it feels to me that the traction that builds is being built on governments and departments within government saying 'what's the economic benefit'. What do you see? Where's the pressure? What would you say to people? Here's a really strong signal that this is available to Australians if we're open to it and likewise that exportability of the things that we're doin. What's the international lens look like for you, as far as direct investment or otherwise?

Mike Scott
So I mean, again, it's my tiny little lens which is, which is not enormous but what I see is you know, we work with some of the biggest blockchain protocols in the world and what I mean by working with them is I don't mean using them, I mean, they are our clients. Right, so they contract us to do work for them. I have a large contingency in Australia, some of them in the US, some of them the UK but they're all domiciled in a very regulatory friendly

environment. So if we're looking at working with, you know I won't mention names, but I mean you know all of these guys, these are really the leading players, you look at where they're domiciled, it's Zug, or it's a friendly environment. And they're not living there, very few of these people that we deal with are, you'll see headquarters, Zug, or headquarters wherever it is. They're not living there. They might be living in the US, the UK or Australia or Africa, wherever. But I think that's the opportunity, you know, we've seen it happen with Zug I mean, that was a place that nobody had even heard of. As far as I know, until the blockchain and crypto came around, it's now super famous for being a friendly environment that allows people to set up and operate in a slightly different structure there. And, you know, I'm not a regulatory expert by any stretch of the imagination, but I'm not surprised that at the big events that you guys put on in Sydney and Melbourne, that was the theme. You know, where is the regulatory environment going? Because until that's at least clear, it's very difficult for, you know, to attract investment into these places at scale because we just don't know what's possible. So, not to oversimplify things but I think the investment opportunity for Australia is to figure out a regulatory framework that is really friendly and progressive, and they will attract more investment, because there's a lot of talent here. The market is not the US size market, but it's a big enough market to at least test ideas and get scale. Not US type scale, but absolutely scale. So you know there's nothing new here my thinking and it's you know we all say the same things I guess in the space but I guess until we've got that regulatory framework in place, there's still going to be a big hurdle to attract significant and consistent investment into these projects. And it's what we see from our clients is we see people raising money all over the world, but domiciling in a regulatory friendly environment. It's pretty much without fail with every one of our clients and I'm talking from the startup that's raised $3 million, to go all the way up through to the Tezos and the Algorands and the you know the really big players. The sort of commonality is where they're domiciled. It's a regulatory friendly environment.

Steve Vallas
From a jobs perspective, that jobs and growth is the narrative, I think that's important obviously to everybody in government and across the country, who would you go out and hire, Mike? I mean, who do you need that you can't find enough of or where do you see that future for your business? What are the roles that will be created on the assumption 'now suddenly you had an influx of talent', because there are a variety of programs, looking to sort of activate inbound talent attraction. I know AUSTRADE for one is trying to deliberately grow that sort of element. Who would you like to hire? Who would be the first hire and who would follow that in your business at the moment.?

Mike Scott
Yeah, so I mean, look, it's no surprise, I mean, our biggest bottleneck in terms of hiring is senior developers, or as we call them technical leads and we have an incredibly simple definition of what that is. It's somebody that can lead a project, technically, with no help. Right, we don't have reams and reams of explanations, we have a more detailed explanation for juniors and mids but senior developers that you can actually put on a project and lead that project. Now in the context of blockchain that's even more difficult, because it's obviously, sort of a sub specialisation within, within being an engineer. We see this all over the world, so this is definitely not just an Australian problem. Let me be really clear about that. Australia has also got a shortage of talent, and you know that's evidenced by a lot of companies now shifting the way that they work from saying 'I will never outsource anything to, you know what, if we actually want to keep up with velocity we simply have to outsource some of our work'. And, we're seeing that through, I guess the demand that we've never had before and it's not because we flip the switch on a marketing engine or a marketing machine, it's just we speak to people all over the world. This problem is pervasive around the whole world. And the trouble here Steve is that, you know, the existing talent is

only so big and yes, there's more talent coming through, and blockchain application development it's becoming more popular, but there's a massive lag effect, right. People don't start saying this stuff this year and then become really attractive to hire next year, you know, the developers we're hiring because they will have 10, 15, 20 years experience, obviously not in blockchain because it hasn't existed for that long. So there's a massive lag effect and it's going to take a long time for us to catch up if we even do. Digital transformation at large, it's not slowing down, it's just speeding up. So the direct answer to your question as to who we would hire, we would be hiring more senior software developers. I don't see that supply increasing significantly anytime soon. There's going to be a lag.

Steve Vallas

And if we're investing in that future, what do you see as the role of alliances in tertiary institutions in a formal education setting versus self taught? How do you see that mix playing out, because I think you're right, in that slow lag and development that says effectively we're planting seeds which will become the trees of over the years ahead, but in between, what could we do to aid that process on the assumption again, that most jurisdictions, or many jurisdictions are vying for that same talent Mike? I'm assuming we can't compete in a dollars sense as we're geographically remote. What does it look like at the moment? Where do we take something which already has some degree of momentum? Is it an academic institution? Is it formal or informal, where do you think is a good place to sort of jump in midstream?

Mike Scott

Firstly, you're absolutely right, like formally trained in formally trained, there's no right and wrong, you know we have developers that definitely have no formal education and are incredible seniors because they've just been living this for the last 15 years. We have developers that have got 2,3,4 degrees specialising in the space. There's a place for all of them. Depending on what you're building, in terms of where can Australia help the government help, where can the community help, I mean, I hate to boil it down to money, but the R&D grants are great. Government support is great and the reason for that is there's just an economic reality, that if you're a very good developer at the moment, you can earn a lot of money working for anyone in the world. So if you're sitting in Australia as a developer, you know, you've got an option, let's say Adelaide, you're sitting in Adelaide right now even Sydney or Melbourne, you're sitting in Adelaide, you're a very good developer, you're a competent developer in working with Blockchain applications for last three years and with general development for 10 years before that, you could earn, I don't know 100 120 150 grand a year, staying in Adelaide, or you can earn 400 grand a year plus working for a US based startup but you can still live in Adelaide. It's a very difficult thing to beat, which means you've now got to come back to, 'Okay, well what can we offer as a startup or a business that Google can't, or that X US funded startup who has just started their first round, the third round of $20 million can't offer' and then it comes back down more to like the purpose, the culture, the environment, what are we building does it actually matter. That's all to say that like, there is an absolute element of just, you know, just straight up money, just being able to afford at least a market related salary which is getting more and more difficult for startups, you know, if you're raising a million dollars, and that million dollars that your startup is giving you just for argument's sake, a one year runway. And you raised that a year ago, that's no longer one year, the change in developer salaries, it's not cut that runway down to nine months, six months, but you've only got that amount of money. So, suddenly what was already a stretch is now a stretch plus 30% or 40% because of the increase in developer costs. So the government does some good stuff with R&D grants and that's awesome. I don't want to reduce it down to an over simplistic sort of statement of saying 'give startups more money', but it's kind of what I'm going to say, because it's just the cost of building these things has increased so much over the last year that startups, scale ups and services

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companies all need help to be able to get up to this market related level because otherwise people will just go and work overseas for the same amount of money, and in this remote world, they can still live in Adelaide, Sydney and Melbourne or wherever they want to. It really is a real challenge and I'm speaking to technical founders, services companies, startup companies and my own clients just saying, 'is this just me am I the only one seeing this or are you seeing this' and it's now I'm absolutely convinced that this is the whole world that's seeing this massive crunch on developer talent.

Steve Vallas
Is there a disconnect there Mike? Because, what you're saying makes enormous sense to me. The fact that says you have to be fluid in the way you allocate funds, what with the cost of the project would otherwise be. But we live in an environment, and whether it's a sort of a harsh assessment like environment, that says, they're very measured and considered, you know, you get your money, three months later you get X amount of money and 12 months later. The international protocol view in my experience has been, 'they just know that the faster you can build this, the faster you get into an MVP, the faster to market is what you should be doing'. So, how do we address that challenge because on the one hand, I think it is compelling to say to governments, you should assist in this process, but are we lacking that bit in between? Is that where the worlds haven't sort of melded? We've still got a narrow focus that says, 'this is the way startups have always been built, they're measured, they run for two years in environments where we're watching things like the DeFi space take off and overnight enormous funding pools exercise.' Is there a fundamental shift that we need to make in the way we view the way we grow businesses in this country?

Mike Scott
It's a great question, Steve and it's not one that I'm going to give any mind blowing answer to. I think I'll just pick up on a couple of things you said, so you and I both know that overnight successes usually are 10 years in the making. The overnight part is what we see in social media and the media. I interview a lot of founders talking about DeFi space. All of them have got a story where they worked in X startup, Y startup, Google, what have you, which led them to this point that they now got this "overnight success in raising $20 million for their lending protocol and DeFi". I think just the first thing that jumped to my mind when you were talking about and it's not the direct question you asked me, but the investor ecosystem in Australia seems to be quite difficult and limited still. I've had the luxury of interviewing very big investors and I've had the luxury of investing the majority of people who have raised investment, and it's difficult. It's difficult to get significant investment in Australia at a very early stage, the angel investment market doesn't seem to be very developed here. It seems to be quite small and nascent. Australia as a nation is quite risk averse, quite conservative, quite calculated, quite thoughtful. Risk averse, calculated and thoughtful are not things you put synonymous with Blockchain startups, you know, so there's a disconnect. You've got to have pretty high risk tolerances. Sure, you've got to be thoughtful, but you basically got to go 'This is a one in 20 chance, it could work, I'm prepared to throw money at this problem' and you listen to some of the more larger VCs that are backing blockchain startups in the US, there's so much more fluid and open to failure and just going 'yes, totally understand this probably won't work', but we've just got to take lots and lots and lots of bets, and just keep learning with this in the DeFi space and in the NFT space. I think Australia's VC and seed market is still just really, really small. They've been very successful. We've got some major success stories here, but they're not success stories from backing blockchain startups, and my sense and again I just really want to caveat this is I don't have a big lens into this, but my sense is that this blockchain space is still considered too risky for the vast majority of VCs and Angel investors in Australia, and I think, you know, probably quite smartly, they're kind of just waiting to see what happens before they start throwing real money and whereas you

look at the UK, the VC market for blockchain is already very sophisticated with some of the biggest VCs in the world, having dedicated portfolios to the space.

Steve Vallas

And, sort of relative terms Mike, probably handy to sort of benchmark this on that assumption and zero says 'we don't invest in space' and ten says, 'we're all in on this space', where would you place Australian conversations and VCs in their conversation? Is it 1 2 3 we're suggesting now. It's not yet at five, we haven't hit that tipping point. Where's the Australian one, and then globally, how would you categorise the appetite that you're seeing in the markets you're dealing with? Where's the number relative to where we are?

Mike Scott

Yeah, so again I'll just keep caveating this because I'm one person, I'm not a journalist or a particularly plugged in person, but just through the lens of me speaking to tons of startups that want to work with us. None of them are talking to me about, and this is in Australia as well, trying to raise significant VC money in Australia, all of them. Once they've got their seed money or they bootstrapped or their friends and family around, they're going off to the US to try and raise. So, like, this is probably quite harsh, but I'd put it up like an eight or nine. It's almost every conversation is like 'yeah we might have raised some sort of very, very small funding in Australia to get going to build out a PRC or maybe an MVP, but that Series A round we're going to the states, we're looking to the states', and that's a problem, right, like until we change that narrative of going, 'No, there's actually some very sophisticated supportive VCs that get it and want to work with us and Australia', that's gonna keep happening. Because if they can go and chase $20 million checks in the US and there's just nowhere to chase those locally, then, then that's going to be an issue. This is just in blockchain, you know, obviously there's a lot of investment in FinTech and other areas and in Australia, which is great, but you know everybody sees us, the US dollars as the big ticket exits, I mean, you know Square acquires Afterpay for $38 billion. That narrative is not Australian FinTech acquires Australian FinTech narrative is always US FinTech acquires X territory FinTech. So it's tricky because that capital flow and that IP then is kind of just flowing out of Australia and into the US which is obviously something we want to try and change.

Steve Vallas

Jumping back to the NONA story then, happenstance, planned, and South Australia? Is it as you said, naturally it wouldn't necessarily be the first place that jumps to mind. It might have been for you. Is it happenstance that you find yourself building a global business out of South Australia or is that a deliberate decision?

Mike Scott

Yeah, the local Adelaide, I always feel so bad because when I arrived here I got asked to speak a lot and it's like the first or second question it'll always be like 'Mike, you're in Adelaide, what made you choose Adelaide?' And my answer was, I didn't, I didn't choose Adelaide. And it breaks my heart because you know I kind of want to say that I chose it, but the reality is, we left South Africa as a family for personal reasons. South Africa is incredible. It has amazing talent. It's my favorite place in the world. Cape Town, where I'm from, the crime is pretty bad though, and we sort of chose you know that we want to raise our kids in a safer environment. A very sad decision. I'm a huge fan of Cape Town in South Africa. That's why we moved, nothing to do with business. Long story short, we applied for the visa process, it's very difficult to get into Australia from South Africa, we got in, and we sent the government an email saying, 'Thanks for having us. We'll see you in Sydney in March 2019.' And they said, no you won't, you can choose Adelaide or Darwin. So we were like, okay. Well, anyway, long story short, we chose

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Adelaide. Look, we're very happy here. Would I choose to build a global business from Adelaide? Probably not, however, I can work from anywhere in the world. It actually makes very little difference. So I'm not hiring in South Australia, you know we're hiring predominantly still in South Africa because we have a strong network, there's amazing talent there, we're servicing into Australia, but, no I don't think I would choose to build a global software development business from Adelaide. Having said that, we just bought a house we're pretty settled, we're pretty happy here, we're hanging around, we're not going anywhere. That does kind of break local people's hearts when I tell that because they always get really excited about like I look here you see somebody's chosen and I'm like, I didn't choose it guys, but I'm here and I'm really happy, and we're staying, but I really just need to emphasize the point that we've been working with clients around the world from Cape Town, and Johannesburg for years fare before COVID. It used to be quite a struggle in certain instances to, you know, we'd be chatting to a client in New York and they'd say, yeah but Mike, you know, you guys versus the guy down the road that we can just walk into the office. That has just disappeared completely. That whole conversation doesn't even happen anymore. It literally isn't even effective. We have hardly any clients in Africa. Almost all of our clients are spread throughout the world. That conversation just doesn't even come up anymore. You know, they might say oh by the way we are team based and I'll say Cape Town, and then we'll usually get into a conversation about Cape Town, but there is no conversation about all but how do you handle remote teams and it's amazing, I think, for, for the global markets. Now you've got Australian businesses that want to be servicing into the US. I think the borders are lower than they've ever been. And those barriers are smaller than they've ever been. So I'm sitting in Adelaide. Our team is growing. We just hired five developers that are onboarding. I get pretty sad when I think about not being able to physically go and hang out with them or that I usually go back to Cape Town every 90 days, that doesn't happen in COVID, but I don't think it's a hindrance from building a business globally at all. I think it's really easy now.

Steve Vallas
Now, the reason I like that story is that this is the set of circumstances you found yourself in and this is what you're doing and you're creating a big business in relation to it. So it isn't this manicured version of history and the truth. On the NONA side as well then, the business snapshot, where are you today? What is the main work that you do? How is that sort of playing out at the moment?

Mike Scott
Yeah, so as a snapshot, we're growing nicely. We don't want to grow too quickly from a people perspective, so I think there will be 37 people by the end of these onboards, these five hires we've just made. We're really proud of these five hires because at the moment to find five high quality engineers in any business is incredibly difficult. We only work with full time people,we don't outsource, we don't work with freelancers. Our typical project is a team of three to four developers, and a project manager sitting on a project. Our absolute sweet spot is when we're working on our stack, which I won't bore you with but on our stack on a FinTech project which has an element of blockchain. So what a lot of people don't realise is that blockchain application development is actually just application development, with a very small percentage of blockchain integrations, API connections, etc, etc. So we're really happy with where we are. We made a big focus, I wouldn't call it a pivot, but we've narrowed our focus in the last two years to only work with FinTech, which is quite scary because when you do that you turn away a lot of customers. That was a fantastic move. 100% of our portfolio now is FinTech. I'd say about 50% of that is blockchain specific and we're really happy. I think it's great for us to be able to say that we've been working with Blockchain applications for like three or four years already. We built our first NFT project in 2018, I mean that was before most people even knew what NF T's were and I think it's it's a great time to be alive Steve, we just seen the

most crazy crazy innovations, it's incredible, you know the DeFi space is still very misunderstood by me, by everyone, except the people that are actually building these things, but there's just enormous potential. The other thing that I'll say is that, you know, we get a lot of inbound interest. We speak to a lot of people on my podcast. I'm very fortunate that I get to speak to some of the world's leading FinTech and blockchain founders. And what I can tell you from a blockchain perspective is, there is not a single FinTech founder that I'm talking to today that is not at least exploring blockchain. So even the most conservative cross border remittance and *swift esque* type fintechs when I talk to them now, might not be on their website, but they're absolutely exploring stable coins or if it's a savings app, they are absolutely exploring Bitcoin rewards or Etherium rewards. It's absolutely pervasive now in terms of at least exploring it. Where even two years ago, you had the naysayers. Now the guys are just kind of going 'look whether or not you like it, we've got to be exploring the blockchain elements that are going to just give us the edge'. So it's really fun and it's really exciting to be a part of building all of these things.

Steve Vallas
And what's the best social channel or best place to communicate with you then Mike? How should people come looking for you? Is it the website? Is it on some of the social channels? Where is the first port of call for people who are looking to reach out.

Mike Scott
Yeah, so no website is pretty simple, it's nona.digital. I'm really active on LinkedIn. You can find me at Mike Scott on LinkedIn, and then the podcasts will probably give the most value to your listeners. The podcast is called The FinTech Founder Journey, which you'll find on any podcast channel. Between those three things you'll definitely find us, and I'd love to chat to anyone who wants to chat.

Steve Vallas
Thanks Mike.

Mike Scott
Thanks Steve, thanks for the chat.

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