

# Law & Crypto: Katie Haun of Andreessen Horowitz on Investing and Career



*Kathryn ("Katie") Haun is a general partner at Andreessen Horowitz. Previously, she spent a decade as a federal prosecutor focusing on fraud, cyber, and corporate crime alongside agencies including the SEC, FBI, and Treasury. She created the government's first cryptocurrency task force and led investigations into the Mt. Gox hack and the corrupt agents on the Silk Road task force.*

*While with the U.S. Department of Justice, Katie prosecuted RICO murders, organized crime, public corruption, gangs, and money laundering. She also held senior policy positions at Justice Department headquarters in both the National Security Division and Attorney General's office where her portfolio included antitrust, tax, and national security.*

*While in the private sector, Katie has testified before both the House and Senate on the intersection of technology and regulation.*

*Katie serves on the boards of Coinbase and HackerOne and has invested in and advised tech companies from seed to Series E stage. She teaches a management course at Stanford Business School and previously taught cybercrime at Stanford Law School*

*graduate of Stanford Law School. She is a lifetime member of the Council on Foreign Relations.*

**Business Today (Grace Hong):** You’ve had an extensive career across the public and private sectors. Growing up, did you ever imagine you’d work in prosecution or venture capital?

**Katie Haun:** I definitely imagined I would end up in the prosecution arena, but not in venture capital. I thought I would be a corporate lawyer, international business transactions lawyer, or a public policy lawyer—that was why I went to law school. Much to my surprise, at Stanford Law, I found myself gravitating toward criminal cases, an area I found very interesting because you get a unique glimpse at human condition.

**BT:** You’ve worked on several high-profile cases while you were at the Department of Justice. How did you end up focusing more on cryptocurrency-related cases?

**KH:** For much of my time there, I was working on international organized crime, prison gangs, murder, cartel cases. In 2012, the Justice Department heard about Bitcoin. I had just finished a big gang murder trial, and I was looking for something different, away from violent and organized crime, so my chief asked me to work on Bitcoin. I quickly realized

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saying “Let’s prosecute the internet” or “Let’s prosecute cash.” It’s not possible nor desirable. Instead, I set about looking at some of the cases that involved nefarious uses of cryptocurrencies. That led me to some of the cases that I worked on—for example, the pair of corrupt agents looking into the Silk Road case.

**BT:** How did you go about creating a cryptocurrency taskforce in the Department of Justice?

**KH:** Through some of the earlier crypto cases, like Mt. Gox or BTC-e, I worked closely with early cryptocurrency companies like Kraken, Bitstamp, and Coinbase. I realized that those entrepreneurs had amazing visions for the positive changes that technology could bring about in society, and in many cases, they actually had interests aligned with the government. They didn’t want bad actors on their platforms—it was not good for business. I realized there’s a real need for bridges to be built between the crypto ecosystem on one hand, and the government, policymakers, and regulators, on the other hand. We discussed it within the Justice Department and decided we would create a taskforce in San Francisco.

One purpose of the taskforce was to bring and investigate cases involving criminal uses of cryptocurrency. Another very important purpose was to help educate and facilitate understanding on all ends: government regulators, technologists, developers, entrepreneurs, and thought leaders in the crypto ecosystem. There was a liaison function and mutual cooperation. A third purpose was having a point of contact—a lot of times, the government’s first line of defense against the criminals in the community would be the people at crypto companies, and naturally, crypto companies also wanted a point of contact to go to. And finally, the

government agents up to speed with developments in the sector.

**BT:** After you made the move over from the public sector to the private sector, have any of your perspectives changed as a result of being in a different sector?

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**KH:** In many ways, what I’m doing now is continuing the work I started in the government. In the private sector, one of the things I do is I help companies think through the regulatory or policy landscape. There’s a misperception, generally speaking, that Silicon Valley entrepreneurs want to move fast and break things, and they don’t care about

rules or regulations. I’ve seen the reverse. Founders want to know what the regulations are, so they can comply with them and get to work. The thing that’s really causing problems for founders is regulatory uncertainty.

**BT:** Do you think that these disruptors are able to move fast in today’s environment, or do you think there still needs to be much more infrastructure or regulations established on the legal end of the government?

**KH:** Some people have talked about whether there should be a special body or special law devoted to crypto. Back in the ‘90s, in the early days of the internet, there were similar calls for a special agency to regulate the Internet or special “internet-only” laws. It’s probably a good thing that

we see the same thing happen with crypto. Because crypto allows open collaboration at scale with people all around the world, there's a lot of opportunity, and it'd be really early to pass specific laws designed at crypto because they would become outdated very quickly.

I do think regulatory guidance of existing laws and regulations could be more useful. The thing I don't want to happen is for regulation to outpace understanding of technology.

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**BT:** That's really interesting to think about. A lot of people immediately consider setting a law in place, but I agree that we need to see this space develop much more before setting down strict regulation.

**KH:** We saw that with the internet with the Communications Decency Act, Section 230 - Congress waited several years before passing it. Legal and policy scholars think that was what enabled the internet—and e-commerce—to flourish. And in many ways, for crypto, we're still in the dial-up days.

**BT:** When you hear a startup pitch, do you use any mental models? How do you value a company?

time founders or have they previously founded a company—one is not necessarily better than the other. But are they going to be able to attract top talent? How well does that founding team work together? Have they worked together before?

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With crypto, we see a lot of teams that are distributed. Although it’s not the case that we would never back a distributed team, we’ve come to realize that it’s hard enough to start and build a company, and it’s even harder when you’re distributed all over the place. Decentralization is a big theme in crypto - after all, what it’s trying to do is to build a decentralized future. What has worked well so far is if you are

distributed over a few locations, rather than many.

Another thing that we consider in crypto is regulation. If you’re in a highly regulated space, how do you think about compliance and regulatory? You don’t need to have it all figured out at the seed stage or even at Series A, but you better be thinking about it. We want to see projects that will comply with the law but look for innovative, creative, and modern ways to do so.

**BT:** Along that line, are there any questions that you ask in due diligence that are unique from what other investors may be asking?

regulatory strategy. Again, I don't expect people coming in with all the answers. We ask those questions, so we know they've thought about what the regulatory landscape is.

Another question we ask is "What is your defensibility?" In other words, why can't some other team come along and make a better product or service than you could? What makes you the best in this category? In venture capital, we think about three things before making an investment: the money we're writing a check for; the time that we'll be devoting to spending with the entrepreneurs, in board meetings or in calls for help, and support; and most importantly, the existence of conflict risk.

Whenever we make a bet, we want to be as sure as we can that it's the category winner.

Finally, in crypto, especially with token projects, we would like to see a reasonable lockup schedule because it indicates that they're aligned with the long-term success of the project. As a venture capital fund, we're long-term investors with a seven- or ten-year time horizon.

**BT:** Where do you see areas of future growth in the crypto market?

**KH:** Definitely in the decentralized financial space—"DeFi." We in this country often think, "Why would you need decentralized lending?" There's all kinds of peer-to-peer lending, but they still require a platform, middleman, or centralized authority. You as a student, for example, might be willing to lend \$50 to someone, but the market for \$50 loans might be quite small in the US if you're only able to lend to people you know. With decentralized finance, you can program into the code a greater guarantee on repayment, and all of a sudden, you could give this small loan to someone anywhere in the world. For someone in another

to-day me of their ability to start a business.

The other area where there's a lot of room for further development is in Internet money—the ability to send money around the world, with less friction or cheaper than you can now. I can send an email or a photo around the globe in seconds, but I can't do the same with money. People will tell me all the time, “Yes, you can! We have PayPal; we have Venmo.” But that only works for people who have bank accounts, and it only works from countries where those companies operate. Two billion people in the world don't have bank accounts.

**BT:** Do you have any advice for students interested in both the public and private sectors? Is it easier to get in one or the other; is either one a greater good?

**KH:** In terms of one being a greater good, I don't think so. Public service is noble, and I always felt that I was doing good for society as a prosecutor in the public sector. Now [at Andreessen Horowitz] we're contributing to a mission of bringing the internet of value to billions of people around the globe in the private sector, and that also feels very societally important.

My biggest advice to students overall is to follow your passion. It might sound cliché or trite, but in my case, it actually worked out. I was never planning to go into crypto, and now I'm running a crypto fund. Every day that I've done my job—whether it's now or

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has always been interesting and different. Whenever you're having long, sustained periods in your job when it's not interesting to you, I think that's a sign to move on and do something else.

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