

Amid crypto crash, Boston's Jeremy Allaire may be the last person standing

By [Aaron Pressman](#) Globe Staff, Updated December 17, 2022, 4:17 p.m.



Jeremy Allaire, walking along the Charles River Esplanade in Boston, is the CEO of Circle Internet Financial, which just had its best quarter ever. DAVID L. RYAN/GLOBE STAFF

With Sam Bankman-Fried, the best-known executive in crypto, now in jail after the historic implosion of FTX, the industry is looking for a reboot. That would seem to require, among other things, a different kind of leader, someone more experienced, buttoned up — and maybe dressed like an adult.

Enter Boston tech entrepreneur Jeremy Allaire, 51, and his startup, Circle Internet Financial.

Earlier this month, while Bankman-Fried was holed up in the Bahamas still professing his innocence, Allaire rushed to Washington to meet with regulators and lawmakers, where he pressed for more and smarter restrictions on digital currency markets.

Unlike Bankman-Fried's T-shirt, shorts, and stammering bed-head routine, there's nothing unkempt about Allaire, who dresses neatly and keeps his hair cut close for a smooth pate, Jean-Luc Picard-style. And he tends to speak in full paragraphs, sounding more like a professor of crypto than a typical crypto bro.

"If we want people to participate in this technology and in these markets in the United States, we need to have clear regulation," Allaire said in an interview. "People will not trust an opaque offshore hydra company, or whatever you want to call it. They're not going to want to trust that, because they're going to be afraid there are no rules."

Despite all that's collapsed in crypto, Circle just had its best quarter ever, with revenue 10 times as high as last year's and a profit of \$43 million, the company said in a press release. The outstanding market value of most digital currencies has plunged, but the total value of Circle's US Dollar Coin, or USDC, is steady at \$45 billion, slightly higher than a year ago.

The region's biggest crypto company still has a long way to go. But for now, put it down as a win for old-fashioned Boston fiscal conservatism, the prudential spirit that created early banks, the first mutual funds, and the titanic money market funds of

Fidelity Investments.

Instead of creating yet another volatile digital currency that trades freely, Circle's USDC is backed dollar for dollar by assets held in reserve, a setup known as a "stablecoin," where the price is meant to remain fixed. Users pay \$1 to create \$1 of USDC and Circle mainly makes money by collecting interest on the reserves. (Circle's upside with USDC is limited, though — even Elon Musk's crazy tweets can't send the price sky-high.) Unlike some other stablecoins, Circle releases a monthly audited report of what is in the reserve account and invests only in steady, boring Treasury Bills and bank deposits.

Circle "played it by the book as far as crypto companies are concerned," said Columbia Business School adjunct professor Omid Malekan, who follows the industry and thinks stablecoins are a "killer app" of blockchain tech, a breakthrough that will become even more common and useful. "Circle is positioned to do well as crypto becomes more regulated and institutionalized," he said.

While Bankman-Fried and other crypto players were based offshore to avoid regulation, Circle stayed in the United States and partnered with Bank of New York Mellon, the world's largest custodian of money, to hold its reserve assets, and hired BlackRock, the biggest money manager, to manage the portfolio.



Circle partnered with Bank of New York Mellon, the world's largest custodian of money, to hold its reserve assets. MARK KAUZLARICH/BLOOMBERG

Even at the height of the market boom, when Allaire tried to merge with a blank-check company and go public, as many tech companies were doing, he chose one headed by banking legend Bob Diamond, the former CEO of Barclays. (Circle [called off the deal this month](#) because of market conditions.)

“Circle is the ‘white hat’ in the industry,” said David Orfao, a venture capitalist at General Catalyst who has backed Allaire in multiple ventures. “The unique thing that Jeremy always focused on was: How do we become regulated so we will be accepted in the financial system?”

On a walk along the Charles River with a reporter this fall, Allaire explained how his three-plus decades of Internet experience, and two previous startups, equipped him to deal with crypto’s mega-meltdown.

Born in Philadelphia to social worker parents, Allaire moved to Winona, Minn., as a youngster. With his older brother JJ, he was obsessed with early personal computers, typing out video game programs by hand from the code at the back of Byte magazine.

He went to Macalester College in St. Paul, Minn., where he majored in political science and philosophy, fueling a lifelong interest in the structure of political and economic systems. In college, he connected with people in the former Soviet Union over the Internet to learn about the fall of Communism firsthand. Later, he helped MIT professor Noam Chomsky post his political works on the Web.

Simeon Simeonov, who met Allaire at Macalester, said his friend was always deeply curious. Simeonov's work-study job was in a student computer lab where Allaire spent a lot of time.

"His view of the future is quite spot-on, but that's not unique," said Simeonov, who worked for Allaire in the past and now is chief technology officer at AI startup Real Chemistry. "His superpower is that he can explain it and get high-caliber people involved on his side."

Allaire's first startup, Allaire Corp., cofounded with his brother developed software in the 1990s so websites could go beyond posting articles and include apps and services. VC firm Polaris, which was backing the startup, issued an ultimatum: Move the company from Minnesota to the West Coast. But Allaire's most productive meetings were with East Coast founders and investors. So the company moved to Boston, and Allaire never left.

Allaire Corp. went public just before the Internet bubble popped and was scooped up on the cheap by Macromedia, which itself was bought by Adobe. As the chief technology officer at Macromedia, Allaire started to see the potential for online videos. That led to his second startup, Brightcove, which helped companies post Internet videos and ads. It suffered through the Great Recession but went public in 2012.

After the recession, Allaire fell down a rabbit hole researching the roots of the crash and the nature of currency, which eventually led him to bitcoin. In 2012, he started talking about crypto with Sean Neville, a software developer who had worked at Allaire's first company and was mining bitcoin on his own computers.



Circle Internet Financial CEO Jeremy Allaire seated along the banks of the Charles River in Boston. DAVID L. RYAN/GLOBE STAFF

Allaire recalled the moment when “all of a sudden, like, a million dots connect.” He and Neville formed the idea for Circle, what they called a “bitcoin bank.” As they shopped the idea to VCs in Boston, they got a lot of pushback. “That sounds completely [expletive] crazy and probably not a good idea,” Allaire recalled being told.

But they won over General Catalyst's Orfao, who had been the chief executive of Allaire Corp. and invested in Brightcove, plus Jim Breyer, one of the earliest backers of Facebook.

Circle's first product was called Circle Pay, sort of like PayPal or Venmo but for making transactions using bitcoin. But the app was beset by fraud, an ubiquitous threat in the crypto universe. So in 2017, Circle refocused on helping big funds and investors make crypto transactions with a product called Circle Trade. It was an auspiciously timed venture: Bitcoin was in one of its periodic booms, with the price of a single one jumping from \$1,000 to almost \$20,000 that year.

The success of Circle Trade led to Allaire's biggest mistake — trying to expand to brokering trades for ordinary investors. Circle paid \$400 million in February 2018 to acquire a retail brokerage called Poloniex. Tons of trading activity poured in from China, some possibly violating sanctions on North Korea, Syria, and other rogue states.

Today, Allaire describes the brokerage foray as “dumpster fire after dumpster fire,” but at the time, “It seemed like the best deal ever.” As the price of bitcoin collapsed and regulatory investigations piled up, Circle dumped the brokerage unit at a loss of \$157 million in 2019. Last year, an SEC settlement cost the company \$10 million, and settlement negotiations with the Treasury Department's enforcement unit called the Office of Foreign Assets Control are ongoing.

Instead, Allaire turned to stablecoins and created USDC. Likening the startup experience to mountain climbing, Allaire said he learned his lesson. “It can be treacherous. There are near-death experiences, and you literally have to pivot.”

Those pivots have taken a toll on Circle's workforce, which surged to 400 during the Poloniex period and then shrank to 60 at the beginning of 2020. USDC has since taken off, growing from \$400 million in value to \$4 billion during 2020 and hitting \$40 billion by the end of 2021. Today, the company employs more than 900 people, including over 80 in Boston.

Eventually USDC could be used for many more kinds of financial transactions. Still, its

ongoing success is by no means assured. After the FTX debacle, lawmakers could impose such stringent regulations that Circle can't make money or expand. And the Federal Reserve has talked about having the US government issue its own federal stablecoin. (Or, absent new rules, Circle could potentially make risky investments with the USDC reserve fund, endangering the company's sober and reliable brand.)

The FTX mess "only increases the urgency" for Congress to adopt new rules on stablecoins, Stanford business professor Darrell Duffie said. USDC has done well, but "even better stablecoins can be designed."

The common thread at Allaire's companies is applying software to new markets. Allaire Corp. let websites go beyond hosting content. Brightcove made online videos more dynamic. And Circle ultimately seeks to reinvent how money changes hands.

"We have not yet achieved the '1.0' of what we set out to work on," Allaire said. "This is just a drop in the bucket."

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