CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets and Tokenisation

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PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

According to CoinMarketCap the global crypto market is now worth $211bn (from an all time high of $831bn) and given that accounts for a mere 21.7 per cent of Apple's current valuation (or equates to the entire value of Cisco Systems) we can all be forgiven for asking: what is all the fuss about cryptoassets? Well the answer is that the potential is huge and institutional investors are paying attention, government regulators are all paying attention; as we saw last week Malta is leading the charge but all eyes are on the US SEC who have so far rejected nine Bitcoin ETF applications. The first to be re-examined is the VanEck Bitcoin ETF but that will be no earlier than 29 December 2018 and perhaps as late as 27 February 2019.

The wild west behaviour of the ICOs being pumped into the retail market seems to have abated as a consequence of the tightening of regulations as well as the 75% overall drop in the value of the Crypto Market. All of this heralds the next phase of development with Institutional adoption. One method being adopted is through the asset backing of a token to create a 'stable coin' which is now the 'currency of choice' but given no one knowingly wants to go to jail or be sued these are all quite clearly securities and money will be raised by a Security Token Offering ('STO'). This doesn't mean that ICOs are finished, just that the majority of new offerings will be STOs.

As an example, Swarm Fund has launched FarmCoin as a security token designed to provide infrastructure and resources to the c.700 million unbanked smallholder farmers in Africa. Through the use of tokenisation integrated to AI and IoT, it aims to minimise inefficiencies in the supply chain, from production to distribution, and will facilitate trade to allow small-scale farmers to produce to commercial level. The token will provide smoother transactions, smarter logistics, a wider Wi-Fi connections well and data processing, soil analysis, transport and vehicle maintenance, drones and satellite. Rapid technology take-up in Africa will help with the success of FarmCoin's implementation: for example in Uganda over 70 per cent of people now own a mobile phone.

Changing the subject entirely, the importance of community for any nascent industry is paramount. Interested people can meet operators in the space and build their knowledge base. In London there are many 'meetups' one can attend - such as the Crypto Curry Club organised by Erica Stanford. I shall be going to find out more tomorrow in Matsya of Curzon Street!

APPLYING BLOCKCHAIN? DON'T WASTE YOUR TIME!

Designed by Phill Snelling, Bowater Media

Blockchain is the flavour of the month and is a technology that sits in the eye of a monumental hypestorm. It's all the rage, and no corporate wants to miss out on the excitement. In some views, blockchain is the cure to all problems facing IT (or even society overall!), and should be applied liberally at all possible points.

OK, blockchain is a revolutionary, world-changing technology, and in my view, it will eventually fulfill its hype and deliver profound value for corporates as well as for the man in the street. However, at least at this point, blockchain is best used selectively, sparingly, and cautiously. Inappropriate application of blockchain will lead to wasted effort, frustration, and disappointment.

IT IS VITAL TO USE BLOCKCHAIN FOR THE RIGHT PROJECTS.

Blockchain is great for the right applications and delivers splendidly on its core propositions, which are principally immutability and transparency. Immutability means that information written to a blockchain can never be changed, and transparency means that information written to the blockchain is available to everyone.

These two performance characteristics bring great value to a variety of uses: banking, supply chain management, peer value transfer, identity management, notarizing, etc. So: used properly, in the right situation, blockchain is an awesome technology that practically works magic - but, how does one decide on the right situation to add blockchain tech to a project?

"You Don't Need a Blockchain" (look it up online) is a concise interactive tool to help managers consider whether to employ blockchain in a project. The presentation appears a bit flippant, but the logic behind the tool is sound: it's based on the deeper US Department of Commerce document, "Blockchain Technology Overview"

Managers planning to incorporate blockchain in a project should review both sources.

USE BLOCKCHAIN FOR THE RIGHT PARTS OF PROJECTS

Once an IT project manager sees clear value in blockchain technology and has soberly decided to employ it, another line of thought can tempt them: "in for a penny, in for a pound". That is, once a project uses blockchain in some capacity, it's easy to believe that one might as well use blockchain throughout the project. That's not a wise approach.

For most conventional IT functionality, blockchain is a staggeringly poor choice. Without conventional technology ameliorating them, most IT functions, such as database operations and file storage, are expensive, of limited capacity, and perform poorly on the blockchain.

Blockchain tech is also evolving extremely fast. This is both a benefit and a hazard: New tools and techniques are being developed daily. Some of these new techniques are exciting and powerful, but importantly, displace old techniques and can even cause old facilities to be abandoned. Building a project on this dynamic base adds uncertainty to a project - and that's not a benefit!

SOLUTION: SET UP CLEAR INTERFACES THAT ISOLATE BLOCKCHAIN FUNCTIONS

For these reasons and more, I recommend the use of conventional IT technologies for most elements of a project, and enlisting blockchain tech precisely and exclusively where it provides unique value. Building well-defined interfaces between components will make for a more robust system that can survive the changing tech environment.

PERSONAL AND CONNECTED

Broad adoption of blockchain helps everyone in the blockchain community and should be a core goal of all blockchain market participants. At Coinweb, we are building two important technologies to accelerate mass adoption of blockchain technology, including crypto currencies, by making blockchains more personal and connected.

Our Hyperlayer enables blockchain applications to interoperate across several chains. Each blockchain has its own operational characteristics: they vary in speed, security, cost, etc. Applications that employ the Coinweb Hyperlayer will seamlessly harness the best blockchain for every function. This creates an optimal hybrid solution, by making blockchains more connected.

With the Hyperlayer providing cross-chain interoperability, we are improving blockchain usability through the Coin Name System (CNS). Currently, people who participate in blockchain operations such as payments identify themselves and their counterparties using hash addresses, like 1BvBMS EystWet qTFn5Au 4m4GFg7 xJaNVN2. Hash addresses are not memorable, are easy to confuse, and are difficult to validate and authenticate.

With the Coinweb CNS, people use the blockchain using easy, email-like names - like pd@coinweb. This significantly improves security, reliability, and convenience for every user. It makes a more personal blockchain.

IT'S DANGEROUS TO GO ALONE - TAKE THIS!

We at Coinweb are working hard to make blockchain mainstream. Thankfully, we're not alone, and if you want to learn more about blockchain, many enthusiasts are eager to share their knowledge with you. I recommend actively participating in the blockchain/crypto community to keep current with the latest tools and techniques. We sponsor periodic meetups around London - learn more about them at https://coinweb.io.

As part of our work encouraging mass adoption, we are working with a select set of partner companies to accelerate and amplify their ability to benefit from blockchain technology though our 360 Accelerator. If you are an established company considering a blockchain project, we'd like to hear from you.

Paul Davis was an early pioneer of Microsoft Windows and went on to manage the development of Word for Macintosh. He is currently Strategy Director for Coinweb, Inc. pd@coinweb.io

WHAT WAS KEY THIS WEEK?

NKB Group provides a summary from inside the industry.

As ever, we start with Trading highlights. Bitcoin continues to fluctuate in a range of $200-300, holding steady at the 2018 lows that we have been courting for the past three months. A special level that is holding just above most crypto miners' break-even points. Despite the raft of positive news, BTC failed its November 7th breakout, merely touching the next key $6700 support level.

This last week saw focus shift to a Bitcoin Cash rally ahead of its Hard Fork this Thursday. Other notable performers have been Stellar Lumens (post the largest crypto airdrop of $125m) and XRP. Strength in the Altcoin market should not be ignored and speaks to the wider health of the industry. Easily snubbed by some, a seasonal end of year crypto rally is a potential, along with the bullish sentiment and significant amounts of institutional money is waiting on the sidelines lets us believe that the markets are poised to break out rather than decline.

Onto Newsflow, we remain bullish. We have now seen the Harvard endowment group join the likes of Yale, Stanford and MIT in investing into this space. This movement joins an ever-growing number of financial and non-financial institutions gaining space exposure weekly. Inside the industry itself, we see further healthy consolidation with Bitfury raising $80m as well as Bitmex launching its own venture fund and Binance launching their own institutional-grade research arm. On the regulation front, it is worth noting China has now lifted their cryptocurrency ban.

Ben Sebley, Head of Brokerage, NKB Group (www.nkbgroup.io)

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Dare Corporates Not Decentralise?

How can a highly centralised organisation, in fact the apotheosis of centralisation, such as a top level mainstream global bank, decentralise?

In a world where decentralisation is at the core of the next phase of the web and the internet this is a crucial question. The answer would seem to be it can't. With Sir Tim Berners-Lee working to re-decentralise the web and Blockchain technology designed to make it decentralised and secure from its very core this could hardly matter more.

It is the great philosophical discourse of our time, being played out not so much in debate, or detente (as in the cold war) but technology initiatives and infrastructure.

On the one side is blockchain technology as Satoshi Nakamoto conceived it and gave it to the world. A technology without 'rulers' or centre. As decentralised as the original internet itself. Even more so in fact. Certainly more secure. More trustworthy - with that worthinness to be trusted flowing from open code and, defacto, the transparency that goes with it.

Without that transparency it cannot and should not be trusted. Without that transparency its magic evaporates and it loses its power to create trustworthy infrastructure that can, without the need for any perimeter, span many disparate organisations and individuals with nothing in common except, at any given moment for any two or more of them, the need to transact.

On the other side is, perhaps surprisingly, DLT. 'Distributed Ledger Technology' which is widely thought of as a near synonym for Blockchain. But in this one crucial respect nothing could be further from the truth. In fact they're polar opposites.

When banks first got their hands on the first computers back in the 1960 they did what was, for them, the obvious: turned them into a digitised version of the ledgers they knew and understood. They did not re-think, or re-design much beyond that. They, and we, have been increasingly suffering from those quick-and-dirty decisions ever since. Creating the legacy systems on which the banks are still forced to rely and which are responsible for most of the recent outages which are becoming so familiar.

Why is DLT the opposite of Blockchain? Because history now shows banks look at technology and see only a ledger. They saw a decentralised technology and removed its beating heart replacing its transparency and openness, that's gone, with a cadre of a handful of banks hoping to somehow build trust together in the hope the world will trust the result.

Seeking 'efficiencies'. Seeking recentralisation. Perhaps it is inevitable that incumbents will overcome. But Apple and Steve Jobs famously harnessed a new digitally enabled way of doing things that's massively more efficient and rearranged the economics of the music industry. We'll see.

Email Barry.James@TokenIntelligence.io questions or listen to the latest at ICOrad.io

CRYPTO A.M. PANEL EVENT

WE HAD OUR INAUGURAL EVENT ON 16 OCTOBER WHICH WAS EXTREMELY WELL ATTENDED, AND WE ARE LOOKING FORWARD TO MANY MORE FUTURE EVENTS

THOMAS POWER

REBECCA FERGUSON

The next event will be in the new year. if you are interested in attending email: **EVENTS@CITYAM.COM**

HOW STABLECOINS ARE BRINGING NEW TRUST TO CRYPTOCURRENCY

Meinhard Benn, Founder & CEO of SatoshiPay

Stablecoins are a response to the wild volatility of cryptocurrencies. As the name suggests, a 'stable coin' is a cryptocurrency that seeks price stability, often against the US Dollar ('USD') or other global currencies. Stablecoins enable businesses to accept cryptocurrency in everyday transactions without having to risk fluctuations in the value of payments from one day to the next.

In July 2018, the EURS, a Euro-backed stablecoin launched in Malta, and last month two more high profile stablecoins from both Coinbase (USDC) and Gemini (GUSD) entered the market. Tether (USDT), also tied to the USD, already is the 10th largest cryptocurrency by market cap. There are different models for stablecoins, all of the above are fiat-collateralised stablecoins. Meaning, for instance, each EURS in circulation represents one Euro deposited in the bank account of EURS issuer Stasis.

Cryptocurrency remains unstable despite growing trust in the market. Regulators across the globe are still determining how to classify and treat cryptocurrencies and it remains a speculative trading asset rather than a day-to-day form of payment or long-term investment. Stablecoins are a pragmatic solution, offering an escape from the volatility as most of us aren't able to tolerate rampant changes in value of money we need to run a business or feed our families. As cryptocurrency grows in popularity, it will stabilise in value, in the meantime, stablecoins offer a viable alternative.

SatoshiPay, a leader in global micropayment solutions, is planning to use EURT, issued on Stellar by licensed French money transfer company TEMPO, as its underlying settlement token. SatoshiPay already uses the Stellar blockchain to keep transaction costs low and adding a stablecoin payment through EURT helps it to meet the needs of businesses wanting both stability and fast, affordable transactions.

Stablecoins provide ready-to-use access to the fast-growing digital payments market.

Read more at www.satoshipay.io