CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets, DLT and Tokenisation

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PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

It's been another quite bumpy week in the crypto market with the positive gains being eroded although at the time of writing Bitcoin (BTC) is slightly up from last week at US$10,357.50; Ethereum (ETH) is at US$182.44; Ripple (XRP) is at US$0.2614; Binance (BNB) is at US$22.28 and Cardano (ADA) is at US$0.04674. Overall Market Cap is at US$266.61bn (data source: www.CryptoCompare.com)

I have just returned from an extremely positive trip to Zürich to see how the Swiss are getting on in blockchain and crypto. I was astonished to find how progessive they are but also relieved to find out how seriously the regulatory framework is being crafted. This all bodes very well for the next cycle of adoption by the more traditional financial institutions. This is a lesson the United Kingdom needs to learn fast as, at the moment, the biggest single choke point is the ridiculous behaviour of UK banks towards companies involved in cryptoassets and cryptocurrencies. I have been contacted by so many companies in the Crypto AM Community who have had their banking facilities removed or restricted the minute they engage in any actual crypto activity with the potential consequence of destroying their business and hard work.

By stark contrast in Switzerland, with a recently awarded FINMA (Financial Market Supervisory Authority) banking and securities dealer licence, the new Swiss bank SEBA is able to close an important gap between the new digital economy and traditional banking. For Swiss Blockchain companies SEBA will provide accounts and custody for fiat and digital assets without those companies living in fear of being shut down. Even in the United States things are already better than the UK with secure banking for crypto companies in the state of Wyoming where this kind of behaviour is outlawed.

Returning home there is a lot of introspective thinking at the moment, mainly due to Brexit, focused on once proud UK manufacturing industries. In a few key sectors like Blockchain however there is no need to look back, the UK is pushing ahead in leaps and bounds and the knock-on effect will undoubtedly have a positive impact in a number of areas. I had a really good chat recently with UK based Manufactory who are on the cutting edge of Industry 4.0 and the drive to create greater efficiency and visibility in the UK's (and the global) manufacturing space. Manufactory are using blockchain technology to drive this transformation and have partnered with Globacap, a name readers may recognise, for their raise. Without blockchain Manufactory wouldn't be able to achieve their vision for smarter more connected factories and the next industrial revolution would probably be happening offshore.

I'm looking forward to sharing more when Manufactory appear in the Spotlight feature meanwhile do look at https://manufactory.ai

Designed by Phill Snelling, Bowater Media

For the last decade in my publications and various interviews, I have been consistently saying that it is a race to zero between the US dollar, sterling and the euro.The same applies to interest rates of which more than $17 trillion now hold negative yields. When the dollar rises, gold typically falls. The dollar rallied sharply during July yet failed to dent the gold bull run which underscores the strength in the gold breakout move we've seen due primarily to currencies which remain in a perpetual state of free fall due to record levels of money printing. Exchange rate stability is an illusion. Bitcoin, gold, and hard assets have been and will continue to be the answers to protecting the value of one's savings.

On 13th August, the yield on the 10-year Treasury Note fell below the 2-year yield for the first time since December 2005. A recession occurs on average 22 months following such an inversion. This has been true over the past half century. The inversion shows investors are harboring elevated worries about the global economy. The trade war against China and a hard Brexit are increasingly worrisome since the world is more connected than before. Chinese presence and control in Hong Kong may accelerate as a consequence of the current crisis between the two countries. Should such occur, perceived risk of doing business in Hong Kong will jump, and eventually, businesses may relocate into countries such as Switzerland and Singapore as safer alternatives. Capital is therefore moving into assets that are perceived to be safer. Earlier this year, the three-month yield moved above the 10-year yield.

That said, just because a yield curve inversion signaled a recession in the past, does NOT mean it will happen in the current environment due to the impact of Fed money printing debt monetization. Investors must keep things in perspective by not taking any single indicator too seriously. What worked in the past has often failed since 2009 in this Age of Quantitative Easing ('QE').

But as I've written, QE has its limits so it's a question of whether Trump's pro-business policies together with exponentially growing technologies, or ExpoTech, can energize growth in the U.S. to where the Federal Reserve will not be forced to lower rates all the way down to 0%, but instead pay down debt via faster growth. Renowned investor Stanley Druckenmiller has doubts and has gone on record predicting rates will have no choice but to hit 0% in the U.S. Ray Dalio of Bridgewater has said a major devaluation across fiat currencies is coming. Former Fed Chairperson Alan Greenspan has said, "This will not end well." Jim Rogers continues to put his bets on an unavoidable day of reckoning.

CME Fed Fund Futures now expect three rate cuts over the next three Fed meetings - 18th September, 30th October, and 22nd December. Other central banks are following suit. Beijing has already indicated easier money on the way. European Central Banker Olli Rehn recently flagged the need for a significant easing package in September. Mexico became the latest country to surprise with a cut in rates, the first in five years. Canada's yield curve inverted by the most in nearly two decades, piling pressure on the Bank of Canada to act. Markets are primed on reduced discount rates and a resumption of bond buying across the board. German 10-year bund yields now stand at a record low of 0.71%. Italian, Spanish and Portuguese bonds sharply rallied on the news. This substantial stimulus would send the U.S. dollar even higher.

While hard assets shall continue to rise in value in this endlessly expanding debt bubble, a tidal wave of hard assets to be tokenized is coming. The ex-CEO of NASDAQ stated that in 5 years, all stocks will be tokenized. Others have noted this applies to just about any hard asset. Blockchain technology brings liquidity and efficiency into even illiquid markets by removing the middle men while enabling both retail and institutional investors to participate in fractional ownership. Tokenized real estate on the blockchain is just the ice cube on the iceberg. The economic advantage is massive.

As a consequence, HanseCoin is the first and so far only regulated company to target the EUR 50+ billion in construction equity projects starved for funding due to onerous regulations such as MiFID which decimated the closed end fund market. Other companies are focused on tokenizing completed projects ready for the retail market. But investors beware. As we know from the ICO space, many companies were built on broken business models akin to the dot.com boom of the 1990s. Such companies often use 'lazy' solutions such as tokenizing the rights to the underlying asset, not to the asset itself. As a consequence, only accredited investors are allowed to invest which avoids regulation and is certainly not groundbreaking. They then claim they tokenize assets which falsely

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drives up the price of their tokens. HanseCoin instead is moving blockchain forward by staying compliant with evolving securities laws while using blockchain to bring transparency, efficiency, and liquidity all at a substantially lower cost into the investment space which benefit the seller, buyer, and investor.

Dr Chris Kacher, Co-Founder at HanseCoin OÜ, in conversation with James Bowater. For further information visit www.hansecoin.com, https://t.me/HanseCoin and www.selfishinvesting.com/

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CRYPTOCOMPARE MARKET VIEW

Apple Thinks Crypto "Is Interesting"

In news that generated a lot of excitement in crypto circles, Apple finally revealed some of the company's thoughts on cryptocurrency. In an interview at CNN's Business' live event "The Table" in San Francisco, Jennifer Bailey - Apple's Vice President of Internet Services - explained that the company is monitoring the new asset class, saying "we're watching cryptocurrency. We think it's interesting. We think it has interesting long-term potential, but we're primarily focused on what consumers are using today."

In market news, last week saw bitcoin recover strongly from its slump around the $9,500 level to push above the $10,000 mark, the momentum of which carried BTC to a weekly high at $10,851 on Friday. Dropping hard off that mark, however, bitcoin is trading at the time of writing at $10,254. Altcoins failed yet again to make any serious headway, with Ethereum (ETH) trading below $180 for most of the week to trade at the time of writing at $180.24.

Investment management firms VanEck Securities and SolidX Management announced last week that they are planning to sell a new "ETF-like" product which will give institutional investors access to bitcoin. The VanEck SolidX Bitcoin Trust will give "Qualified Institutional Buyers" such as hedge funds, brokers and banks, the ability to buy shares in a physically-backed bitcoin product. The announcement follows over a year of delays from the US SEC regarding a decision on the two companies' fully-fledged Bitcoin ETF - which is yet to be approved.

Leading exchange Binance last week announced the launch of a new USD-pegged stablecoin. Delivered in partnership with crypto custodian and stablecoin issuer Paxos, the new coin - named BUSD - is set for launch later this month on the Paxos platform, and will be available on Binance, initially trading against BTC, BNB and XRP.

CRYPTO A.M. INDUSTRY VOICES

A show off strength to help SMEs and Mid- Tier businesses deploying AI, Blockchain, Data & DLT solutions.

While there are regular headlines on how blockchain will transform our daily lives, at the moment its potential application for small and medium size business [SME's], mid-tier and other underserved sectors in the economy such as education does not feature as a priority on national or international agendas. They are not the audience we see champing at the bit to attend the ever-increasing number of blockchain conferences and are frequently quoted as saying 'we know we need blockchain but have no idea why'.Most of the new blockchain models favour large or corporate business models. Other obstacles like a higher age demographic for established mainstream SME's increase the poor advancement uptake compared to the millennial and Z generation social and serial entrepreneurs who are avid digital and tech natives.

Surprisingly more than half the entire population of the world work in SME's and they are the backbone of the economy, both financially and to social development. Collectively that is a huge untapped market and conversely a market where blockchain solutions can have a profound and catalytic impact to an already disproportionately disadvantaged market. Reducing costs, increasing efficiency and overcoming the many challenges that have common causes of angst are a blockchain and a 'go to market 'opportunity. Yet SME's are often also missing enough people, skills and knowledge to develop new strategies to transform their business, entrenched in making ends meet, generating cash flow, meeting compliance and trying to grow.

A CEO of an SME in Australia was often competing for tenders against the might of big supply chain giants. The double disadvantage was that as an SME they didn't have the cash flow to carry the 90/120 day payment terms demanded by the mining companies on issued Invoices.The only way to compete was to 'bulk buy' on goods to keep prices low or offer a higher level of service with higher costs. They had to pay suppliers upfront or in 30 days because their account size was too small and carry an overdraft because trade finance was costly. Move forward a lot of years and imagine the joy of learning of a blockchain invoice financing option for SME's. One that buys invoice debt by tokenising invoices and fractionalised the risk with many investors, both lowering dramatically the cost and increasing availability to options and competitiveness.

Effective change requires a profound Mindshift in thinking and those in the blockchain industry with SME experience that understand the real challenges, to offer high quality relevant education, and actively support the step by step development of simple business cases that can deploy solutions. Trade finance, Invoice financing, reduced cost in financial transactions, systems to support verification of skills and compliance, greater administrative efficiency, valuing the identity and data of the SME, protecting IP, building international trade opportunities, creating business infrastructure that is affordable and trustworthy are good starting points. Imagine if SME's could use white labelled smart contracts for important, yet costly infrastructure such as Shareholders Deeds, Employment Contracts and WHS Procedures. The flow on is not just a reduction in cost but a safer, more diverse, secure and sustainable business. Building business cases to tangible challenges that speak their language and deliver bottom line results will start the trusting the process. The innovative blockchain start-up market is burgeoning. The businesses and sectors in which blockchain/ DLT really make sense are those in which SMEs don't have enough knowledge on how blockchain, AI & data work and how it will benefit in the future.

DR MAXINE ROOM CBE, Director of Mind Shifting | Taking Action, Managing Director MG Consultancy [London] Ltd.

Crypto A.M. shines its Spotlight on Cudo Ventures

In the world today there are over 2 billion private PCs, 2.7 billion smartphones and 100's of millions of gaming consoles that are inactive almost 50% of the time. However; even with an abundance of underutilised processing power, storage and bandwidth, environmental damage is underway in the bid to build more and more data centres to provide organisations with the compute power they require for numerous functions such as medical research, video rendering and AI and ML model building.

Following the sale of his previous cloud and network infrastructure business for ~$30m in 2016, Matt Hawkins launched Cudo Ventures, in 2017, seeking a more environmental and equitable way of providing a marketplace for blockchain computation, enabling any business or individual to monetise or consume IT resource for workloads such as rendering, scientific research. In the same way Airbnb created a platform for sharing spaces, and Uber for sharing transport, Cudo Ventures is creating a platform based on the Sharing Economy model for consumers to rent out their spare compute power to businesses who require it.

Matt Hawkins, CEO of Cudo Ventures said: "Cloud services are an extremely powerful tool which is becoming increasingly popular. These services are expensive however, and with their expected growth they also have a big ecological impact. Distributed computing extends the cloud idea to edge and user devices, in order to reduce the need for massive server rooms and to facilitate the access to these new technologies. This will not only translate into a great reduction of the cost of these services, but also on rewards to the users for contributing to the network. By securely connecting the buyers project with the seller's IT equipment in a truly elastic way, ensures both parties benefit financially."

> Cloud services are an extremely powerful tool which is becoming increasingly popular.

Nuno Pereira, Relationship Director
Matt Hawkins, Founder & CEO
Pete Hill, Partnership Director

Cudo Ventures' study of 2000 consumers reveals that consumers are open to this model, with over 60 per cent of respondents confirming that they would be interested in renting their spare computing capacity, which rises to 86 per cent for respondents aged 16-24. A particular interest in creating a more sustainable way of computing was registered by all respondents.

Matt Hawkins added: "The sharing economy has matured into an established socio-economic trend that is fundamentally changing the way we live our lives. And this is just the beginning. Our research into the impressions and impact of the peer-to-peer model reveals how much room for growth there is, especially in the up-and-coming generation Z market."

Cudo's distributed workload model means businesses and individuals can save up to 10x compared to leading cloud platforms such as AWS on one side.

Self-funded by over $2m to date, Cudo Ventures is now launching their CUDOS token, a service attributed compute token. With the private token sale kick-off at the Dolder Grand in Zurich last Friday for which City A.M was there to witness, Matt Hawkins, along with two of his senior team will next visit various cities across the US before heading over to Korea and Dubai.

Find out more at https://www.cudos.org

BLOCKCHAIN ROOKIES

BLOCKCHAIN TARIFFS AND DUTY

Troy Norcross, Co-Founder Blockchain Rookies

Could Blockchain and Distributed Ledger Technology (DLT) be useful in addressing challenges related to the collection of tariffs duty? In a word, Yes.

Blockchain and DLT systems have characteristics of being distributed, decentralised and immutable. They can be used to record all manner of things from traditional ledger entries associated with accounting to certificates and licenses of businesses, individuals or systems. Blockchain can provide a means to verify duty has been paid on individual items at any point during their journey through the supply chain.

Beyond recording information in such a way as to create a single source of truth between multiple distrusting parties, blockchain and DLT provide a platform for automating certain activities. Smart contracts make this work. (Think macros in Excel sheets).

For example, an entry made in a ledger, reflecting that a container of goods has paid full duty. Instantly, a smart contract automatically issues a certificate on the blockchain. This certificate allows anyone to confirm the tax status of the container.

With the ability to both divide and combine items, blockchain records information about an entire shipping container of goods as being duty paid. As that container is offloaded and broken into pallets, and then into boxes, and then into individual items, the ability to prove duty paid would persist.

Although ambitious, there are plans for a global trade blockchain where multiple countries participated as well as numerous manufacturers, shippers and wholesalers could be transformational in assuring the integrity of tariffs and duty across the supply chain globally.

Just because it is possible does not mean it is simple. There are challenges relating to standardisation, data capture, audit and more.

Still, the answer to the question is – in a word – Yes.

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