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

The COVID-19 Pandemic has really taken a vice-like grip of the whole world this last week with most countries closing their economies and borders down, all the while pouring vast sums of money into stave off the effects as much as possible. Along with the rest of the country, my jaw dropped as the Chancellor announced such unprecedented levels of financial support for the population and businesses alike. All this at a time that the global economy is so fragile. Last week I observed that Bitcoin (BTC) seemed to be correlating to all of the main markets, but this week it diverged positively, climbing as high as US$6,800 before settling above US$6,000. Given that the Chancellor committed £330bn in one day, a sum equivalent to just over half the entire crypto market cap, it reinforces how nascent this industry is. I for one believe that the future is still very bright for cryptocurrencies.

In the crypto market, at the time of writing, BTC was trading up at US$6,224.72 / GB£5,419.20; Ethereum (ETH) is at US$129.39 / GB£112.85; Ripple (XRP) is at US$0.1556 / GB£0.1353; Binance (BNB) is at US$11.83 / GB£10.31 and Cardano (ADA) is at US$0.02875 / GB£0.02498. Overall Market Cap is at US$172.49bn / GB£149.68bn (data source: www.CryptoCompare.com)

Now, I apologise for going off the topic of crypto, however, I feel compelled to address the crisis we face and pertinent to me, in some of the most extraordinary weeks ever to face my home city of London, as we entered into effective lockdown, it struck me that one of the most important potential byproducts of the COVID-19 Crisis will be the rebuilding of our community spirit which has long been fading.

I have lived in the Isle of Dogs on and off since 1984. The island is home to London's Docklands and obviously the amazing Canary Wharf. So, when I was made aware of the efforts of Sunu Miah (coach at the Docklands FC) and Maium Talakdur (a former Canary Wharf Ward Councillor) to organise emergency food parcels I was delighted to play my part. Today, with the vital support of Nisa Local 'Samuda' owner Anwar 'George' Haq and from the football club members (who chip in £2/month for good causes) we put together 20 bags of essential food, store and care items (yes including loo rolls!) for some of the most vulnerable and elderly people in the immediate area which were delivered this afternoon.

The plan is to expand this effort including delivering 50 hot meals twice a week to the elderly and vulnerable members of the community during this crisis. This effort will undoubtedly grow with awareness and my understanding is that Canary Wharf Group plc too is playing its part by donating £50,000 to the East End Foundation to help similar efforts in the area.

By sharing this story I hope that others can rediscover their community spirit!

COVID-19 ERODES BITCOIN'S SPECULATIVE PREMIUM

Designed by Phill Snelling, Bowater Media

As the impact of Covid-19 spreads through global markets, it should come as no surprise that Bitcoin has been caught in the storm. Being a virtual asset, many believed bitcoin should be detached from the real world, and perhaps they are right to think so. But you can't escape that Bitcoin's owners come from the real world, and therein lies the link. If they start to panic about asset prices, they sell everything, which is what we have been witnessing over the past weeks.

At the time of writing, Bitcoin is down 12% for the year. It has been outperforming global equities since December, and the recent low was higher than the low back then. From a cross asset class perspective, the bullish investment case will step up another gear if bitcoin can make a relative high versus global equities. For this to happen, bitcoin needs another 18% of relative performance. If bitcoin succeeds in making this relative high, that will boost confidence and attract new demand. That said, do not expect bitcoin to decouple. We believe it will outperform, but remain broadly correlated to risky assets, just as it has been in the past.

The point that Bitcoin is no worse than equities is a strong one. Had it been down more than oil, European banks or cruise ships, then there would be a real problem. Take some comfort that Bitcoin has been relatively resilient during a period of extreme stress. Bitcoin used to have 90% corrections: much worse than general asset prices. In those days, it was regarded as a rarely used asset, that was highly speculative but with potential. Whenever the music stopped, liquidity dried up and the price collapsed. Things have changed. As we have just seen, the corrections are much smaller than they were, the market remains liquid and its value is underpinned by a vibrant network.

When it comes to valuing bitcoin, there is no stronger link for modelling the price of Bitcoin than the network effect. Forget the number of users or the noise on social media, what matters is that bitcoin is doing what it was designed to do – that is to transfer value. This year, around $16 billion has changed hands each week, and $18 billion last week. That is what creates value. While speculators bet on short term price moves, longer term investors are focused on the underlying network activity. That is where value lies.

So how do you measure the network activity and what has been happening of late? ByteTree was built to analyse the Bitcoin Network in real-time. Investors, analysts, researchers and enthusiasts alike can track over 80 different metrics through the ByteTree terminal. For those familiar with how to apply the data, there are ample opportunities to research on-chain behaviours and devise multi-input investment strategies. Some of the more frequently used data points are those commenting on the overall health of network. These metrics include number of transactions, value of transactions, the cost associated with each value transfer, the network velocity and miner inventory positions.

One prominent example of applying network activity into an investment framework is the ByteTree Fair Value. Back in 2014, ByteTree founder and seasoned fund-manager Charlie Morris linked total blockchain spend (transaction value $) to the price of bitcoin, deriving a fair value for the network. The fair value relies heavily on an indicator known as NVT or Network Value to Transaction ratio. The NVT is similar to a price to sales ratio that you see in traditional equity analysis, except the price is the total network value and the sales are the amount of value transferred over the network.

Applying this methodology, bitcoin has been overvalued in recent months, trading at a speculative premium as high as 74% in late February. This premium can largely be attributed to the highly anticipated halving event and is not out of the ordinary. The halving is where the number of coins awarded to miners is cut in half, reducing the network inflation rate to 1.8% from May. This will be bitcoin's third halving event in twelve years and the pattern of an increasing premium in anticipation of the halving is well rehearsed. What has not been well rehearsed however, is a global macro shock caused by a viral pandemic. It is highly unusual to see the price drop from a high premium to a discount within just 2 months of the halving event.

The sharp correction in bitcoin's price has eroded the speculative premium. Alongside a strengthening network, bitcoin's fair value is currently $6,800, with a price of $6,200 at time of writing.

So, what does the future look like for bitcoin? First off, It is very positive to see a decoupling between bitcoin and other risk assets over recent days. While there was a major sell-off, on-chain analysis attributes this to shorter-term investments. The majority of investors held their conviction. This group of high conviction holders have been waiting for this type of event for years and their bitcoin is not for sale. Secondly, as economic instability rises, more people will begin to question the financial system and look for alternatives. If central banks attempt to print their way out of default, while governments increase spending, inflation will result and bitcoin's scarcity will increase its appeal as a hedge against inflation. Finally, the bitcoin network is going strong. Demand on the network is on the rise, value transfers are increasing. The fair value indicates that bitcoin is undervalued, and historically has proven to be effective in identifying periods of overvaluation and discount.

While global markets are in turmoil, remember that bitcoin was designed for the fallout from events such as these. This could be the perfect storm that drives billions of dollars into bitcoin's harbour. It won't happen overnight, but 2020 might just be bitcoin's year.

Bitcoin is widely deemed by regulators and financial advisers to be volatile and high risk. In our opinion, it is volatile but ultimately resilient, and therefore medium to high risk.

Charlie Morris, Chairman & Founder at ByteTree http://bytetree.com/

CRYPTOCOMPARE MARKET VIEW

Crypto Markets Weather Coronavirus Storm

This week the price of Bitcoin recovered from a $4,500 low to hit a $6,800 high, before enduring another correction that saw the cryptocurrency drop below the $6,000 mark. At press time, Bitcoin was trading at $5,800, while leading altcoin Ether recovered from a low of $100 to trade at $122.

Most top cryptocurrencies recovered this week after central banks throughout the world revealed they would consider quantitative easing to help the economy survive the COVID-19 pandemic. Analysts in the space have pointed out that as an undiluted, deflationary asset, Bitcoin could become more attractive as the crisis unfolds.

Cryptoasset data provider CryptoCompare found that investors have so far turned to cash in a short-lived risk-off approach, while Bitcoin will undergo a halving event in May that will cut its issuance in half at a time when fiat currencies are being centrally inflated. Interest in cryptocurrencies appears to be on the rise, as CryptoCompare found average usage of its data increased by 200% during the crypto market crash earlier this month, while Google Trends data shows a rise in searches to "buy bitcoin."

Cryptocurrencies have also taken up another role amid the COVID-19 outbreak, as mining machines used to mine Ethereum and other cryptoassets are now being used to help fight the pandemic. The computing power is being directed toward Stanford University's Folding@home project, which runs computer simulations to better understand the virus.

The Italian Red Cross last week started a Bitcoin fundraiser which looks to raise €10,000 (£9,200) to purchase and set up a "Second Level Advanced Medical Post for pre-triage of COVID-19 cases." It has already raised nearly $20,000, and is using the surplus to purchase other supplies.

CRYPTO A.M. INDUSTRY VOICES

Gagging whistleblowers

Cointelligence was established in 2017, to provide independent analysis, insight and education about the blockchain and crypto economy. A part of this mandate was researching and identifying scams, in order to create a safer space for investors and start-ups to operate within. The goal has been to create a safe, transparent, honest industry in order to foster mass adoption.

The Cointelligence team has exposed multiple scams and has been working against activities ranging from multi-level marketing and Ponzi schemes, dishonest exchanges, and initial coin offering (ICO) exit scams. At the same time, the team educated people on how to do their own due diligence to try to avoid scams.

After Cointelligence spoke out against LATOKEN in the London Blockchain Forum group on March 3rd, Cointelligence was subjected to an online attack from multiple pseudonymous profiles. Cointelligence has been speaking out against LATOKEN for some time now, as have other whistleblowers within the industry, but it seems that someone finally decided to launch a "counter attack".

The main thrust of this attack has been accusing Cointelligence of blackmailing projects, labelling them as scams if they do not pay extortion fees. An email was also sent out to solicit evidence that Cointelligence had violated SEC regulations, with the aim of filing an official complaint.

This email from a person acting as a spokesperson for something called "Digital Transparency" was originally sent out early in March with a proposed filing date of March 15th and has recently been distributed again with a different filing date, as no one has been able to provide credible evidence for their supposed case against Cointelligence. Despite this, these emails have born the misleading header "The SEC Complaint against Cointelligence and On Yavin." in order to make the people receiving this email think that there is an ongoing SEC investigation against myself and Cointelligence - an allegation that is quite blatantly false.

Some major issues come immediately to mind:

- Who is Digital Transparency? – There is no record of a company, group or organisation on the internet with this title. It's impossible to verify the existence of such an entity.
- They are sending unsolicited emails with libellous, unfounded allegations to numerous people whom Cointelligence has been in contact with. Although it is impossible to determine exactly how many people the email was sent to, based on online threats to widely release it, and based on the number of people who have approached Cointelligence with questions regarding the message, it could be upwards of tens of thousands of people. Are they in breach of GDPR and privacy laws?
- The use of the SEC and named personnel. Has the SEC actually given permission to use their names in association with this attack campaign?

The problem with these ill-found allegations and potential illegal activities is that it discourages people from becoming whistleblowers and reporting bad actors within the industry. The time Cointelligence, as well as other like-minded members of the community, have spent fighting this has taken away from the time we could spend on more worthy projects.

Of course, this is what scammers want - to make it seem like it is too much work to fight them. They want to scare, discourage, and demoralize anyone who speaks against them.They want to have free rein to take advantage of the community and steal good people's money. If the whistleblowers are silenced who will speak out?

If we truly believe in the promise of digital assets and blockchain technology, we cannot let the crooks win. We cannot let this industry become dominated by dishonest businesses and greedy cheats. We must stand up, be counted and fight back.

Crypto A.M. shines its Spotlight on Digital RFQ

Three colleagues with a combined sixty years of experience in FinTech, RegTech, and Commodities & Equities trading and broking have come together to form Digital RFQ ('Request For Quote').

The trio set out to create a platform for secure, safe and transparent broking of the top cryptocurrencies by market capitalisation, delivering a reputable FIAT gateway for USD, GBP & EURO pairs. The company is now Authorised and regulated by the Financial Conduct Authority under an EMD banner, and coins in custody are covered by Lloyd's insurance. The team has a long term vision to adapt proactively to greater levels of governance and oversight as the industry grows.

"We wanted to provide a service that made us comfortable with the levels of due diligence and oversight offered - no corners cut, no slippage!" says co-founder Mike Greenacre, who along with co-founders Craig Vallis and Jamie Khurshid has been evaluating the digital assets space for many years.

Individually and collectively, they have delivered services and technology utilised by the world's biggest institutions and corporates, amongst them the London Bullion Market Association, LBMA's trade reporting and transparency project.

Digital RFQ harnesses their collective experience. The team realised that their current development team could build the technology, yet the issue would be deep, reputable liquidity. Hence a partnership with BC Group [stock code 863 HK]

> We wanted to provide a service that made us comfortable with the levels of due diligence and oversight offered

Mike Greenacre, Director of Digital RFQ

followed, allowing access to their world-class digital asset brokerage, exchange and custody services.

The team know plenty of crypto traders who trade on platforms where the full level of due diligence required is simply an e-mail address; that is not the goal here.

Digital RFQ is for those who want the security of knowing their broker / price platform is truly independent and conducts full KYC / Due Diligence on its clients, source of funds, and coins.

This approach means that investment risk managers have a reliable broker screening counterparts, funds, and coins, so that their transactions will always stand up to regulatory scrutiny and investigation.

At launch, the service offers a one-click platform with RFQ prices in USD v BTC, BCH, ETH, LTC and XRP. There is also a basket product of the top three coins.

The company is also ready to launch its first commodity finance token. Drawing upon the global, decentralized and open liquidity of the Digital/Crypto asset space, DRFQ will provide financing for a series of commercial ventures whose source of funding would normally be limited to Investment banks and funds.

Targeted token issuances provide funding to a specific project, venture or revenue structure. The issuer benefits as costs and timelines are reduced, whilst contributors benefit from the lower barrier of entry, and the greater market liquidity and transparency.

The first token will be available directly from digital RFQ and available to trade on a selected European secondary digital exchange.

Digital RFQ is taking crypto to the Square Mile and Mayfair, matching deep global liquidity with FCA-approved security, governance and oversight.

Digital RFQ - De Risking digital asset execution

For further please information visit https://digitalrfq.com/

SCUPPERED BY LANGUAGE

Troy Norcross, Co-Founder Blockchain Rookies

One of the biggest things holding back adoption of blockchain is how people talk about blockchain. And equally what people hear when other people talk about blockchain. All of this miscommunication leads to confusion, and this is what holds us back.

When someone says blockchain, people hear bitcoin. And that means blockchain is risky - and probably illegal.

Other people hear "gold rush". Every startup (and some enterprises) tries to use the word blockchain in their product to draw attention and to look hip and cool so they can raise money. Almost none of them need blockchain for their products, but they are forcing it into their investor decks because they feel like they have to.

Some people hear innovation. They have no more idea what blockchain is than they understand artificial intelligence. But based on the hype, it is a technology that can't be ignored. And for that reason some large enterprises have spent 100's of 1000's of £ for big-name consultancies to build blockchain projects - most of which don't need blockchain and died. Like an off-West-end venue, Blockchain Theatre has closed.

Even now, people misuse the word blockchain. Blockchain regulation is a good example. Blockchain isn't regulated. Applications built which use blockchain (like cryptocurrencies) are regulated. Blockchain databases aren't blockchain at all. They are merely databases with immutable tables. Blockchain <fill-in-the-blank>.

Blockchain isn't bitcoin. Blockchain won't be regulated. Blockchain isn't a label you can stick on a fancy innovation project. Blockchain won't help you raise money for your startup. Blockchain only applies when multiple parties are in coopetition.

Blockchain exists as a layer of information shared between multiple parties. Blockchain is distributed, decentralized and immutable. It is the foundation for new business models, trusted transfers of data and value. Blockchain can add transparency and support cooperation throughout an industry.

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