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

I attended the Private Investment Group Tour supper in Amsterdam last week where it was good to see a number of very interesting projects represented showing that positivity remains strong in the space. London based Bricktrade were represented by founders Guv Kang and Jag Singh who made a compelling case for tokenisation in real estate, which whilst conceptually is not new, what sets them apart is their status as a housing association and property agency, which will enable them to absorb any social housing allocation for property developers and sell the properties off plan before completion. They are raising development finance on behalf of small to medium sized property developers who struggle with funding through traditional methods, Bricktrade utilises crowdfunding and tokenisation, to provide their investors a guaranteed yield for the investments they offer.

After another volatile week in the crypto market Bitcoin (BTC) was trading at US$7,330.25 / GB£5,666.91; Ethereum (ETH) is at US$149.59 / GB£115.36; Ripple (XRP) is at US$0.2211 / GB£0.1702; Binance (BNB) is at US$15.33 / GB£11.84 and Cardano (ADA) is at US$0.03809 / GB£0.02941 Overall Market Cap is at US$198.14bn / GB£153.18bn (data source: www.CryptoCompare.com)

There has been a flurry of regulatory activity in recent months around the digital asset space. Germany has in particular listened to the industry in setting out its new crypto-asset custodian rules. January this year sees the start of both its new regulatory framework and the implementation of 5MLD across the EU as a whole which brings crypto-assets into the AML framework for the first time (see Industry Voices opposite). I spoke with my old friend and Crypto AM Contributor Phil Mochan who is the co-founder of Koine, an institutional custodian. He confirmed that "Europe as a whole is progressing positively to facilitate institutional access to digital assets, as the industry evolves beyond crypto-assets to digitalised securities, whilst protecting retail investors from undue risks. Koine very much supports this institutional direction but cautions against overly restrictive national regulations which would impede capital formation at a regional or global level".

One of the most active examples of blockchain in use today is Socios.com, a first of its kind blockchain-based mobile app for the sports and entertainment industry. Created by my friend Alexandre Dreyfus, who I recently met up with in Malta, it has taken the beautiful game - football - and created a platform to allow club supporters the opportunity to influence its club decisions - a first ever for blockchain and football. Today, Juventus is doing exactly that, allowing its fans to start voting on the first poll, which happens to be choosing a new goal celebration song at the Allianz Stadium. It will be the first time in history that a major sports team has been tokenised. It's also the first time blockchain has infiltrated mainstream consumers and a nod to mass adoption of the technology in the future, and a new era for fan engagement.

Graphic Supplied by Craft Coin Co

Whale dies with 100kg 'litter ball' in its stomach; Swathes of northern England could run out of water by 2035; Climate talks open as 'point of no return' looms. These are what you'll find with a quick search through the latest headlines.

Whether you believe in climate change or not, it's hard to deny capitalism isn't working out so well for the masses or the planet. Large corporations are focused and driven by their shareholders, this means keeping costs down and profits high. The route to achieving this is by cutting as many corners as you can, whilst keeping your customers and governments on side.

The irony is only a few decades ago, we already had some of the best recycling and eco-friendly solutions. For those of us over a certain age, we'll remember the days when the milk man would deliver glass bottles to your door and collect them the following week, all in his electric milk van. You would buy your soda pop in a glass bottle from your local corner store and on returning the bottle you'd receive cash back. You would shop in your local butchers, bakers and green grocers, then take it all home in your own bag or a used box. This kept the relationships among communities strong and the need for recycling down.

Then superstores arrived and locally sourced products were no longer as important. With a visit to one superstore, you could collect all your essentials, along with all your less essentials. Superstores grew thanks to their mass buying power. With this came the need for mass production, longer lasting products, higher fuel use and standardisation. To ensure products such as milk last longer, they are pasteurised and lose all their original goodness. Products that are no longer straight, or too straight, become waste. Onions and oranges that have a natural layer of protection, would now be wrapped in plastic.

With all of this mass production, damage to our environment and harm to our communities, it's time to return to our friendlier, greener days. The days when you bought artisanal products from local family businesses, the days when communities thrived. Local is decentralised, Blockchain is decentralised, Crypto runs on Blockchains... therefore in our opinion Crypto is the perfect solution to fix what global brands have destroyed: Social networks that have been created whilst shopping, or consuming local products. They can now be re-established by thinking global and acting local, using disruptive design thinking.

One example of how to achieve progress is by each industry building its own community and ecosystem. This way they can benefit from a cooperative approve to purchasing, whilst keeping their own independence.

What better place to start this resurgence in independence, than with the currency that supported and paid the workers of early civilisation. Way before we had modern currencies, Mesopotamians and Egyptians were paid in beer. Due to the communities it brought together and health benefits vs contaminated drinking water, it was recognised as a common, stable commodity and today, it is still the best way to measure purchasing power parity.

As with all mass production, there are downsides. global brewers, similar to milk producers, need to kill the beer and include additives to ensure it doesn't spoil during the time it takes to reach the stores, be sold and then consumed. In comparison, the local brewery with their own tap rooms, brew the beer and serve it on site. This means zero travel, storage or packaging costs financially or environmentally. Each litre of canned beer takes about 120 litres of water to produce and store. A litre of local beer takes only three litres. Introduce water distillation technology to the local brewing and you can turn surplus water into freely distributed clean water or sell it to contribute to charities.

To expand a brewery is expensive and quite often the independent brewers need to consider costly loans, or may find themselves selling out to the bigger brands, losing their independence.

To help get around these limitations, Craft Coin Company (CCC) created a digital currency called Craft Beer Coin (CBC). With the sale of CBC, money is raised to buy brewing equipment for the breweries. In return the breweries accept CBC for a pint of beer. As CCC isn't restricted to helping one brewery, they pass their mass buying power onto the independent breweries.

The beer lovers who download the Craft Beer Coin app and hold CBC, gain rewards such as equity in the breweries, voting rights, special discounts, queue jump privileges and each coin is underwritten by at least one pint of craft beer, a measure that harks back to beer's role as one of the world's oldest currencies.

"Small, independent breweries with bright ideas and sustainable values can struggle with their start-up financing," says Florian Krueger, CEO of Craft Coin Company. "We wanted to find a way to help them using non-traditional financing methods, and so support the worldwide revolution of craft beer."

And it doesn't just stop at beer; the success of the Beer Coin opens the door to many artisanal crafts that could be supported by digital tokens. "We saw an opportunity in the craft beer space," says Krueger. "But the model could work for many other products. When producers return their tokens to the public market, it creates a self-sustaining ecosystem that opens up new resources to the whole community."

To help continue the revival of artisanal, local producers, CCC have sights on local milk coins, wine, food, water and even forestry. Rather than growing your own tree, you will have the option to buy tree coins, each coin representing a measure of a forest. Not only will you then be contributing towards the planting of further trees, the token holder gains from the tax benefits associated with the planting of forestry.

One other example of Blockchain based Cryptocurrencies supporting not only local, but the development of fundamentally circular ventures, in perfect synchronicity with an increasing global awareness around this topic.

The future is bright and disruptive tech, used right, is the key to a better tomorrow. Bring on 2020 and let's make it count! Go team Crypto AM!!

Brian McClafferty, Marketing Director of Craft Coin Company, in conversation with James Bowater. For further information visit https://www.craftcoin.co

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CRYPTOCOMPARE MARKET VIEW

Bitcoin's Wild Ride Continues

Bitcoin this week continued its volatile week leading crypto markets on a wild ride along with it.

Dropping on Wednesday below the $7,000 mark, bitcoin then went on an impressive four-day rally that took the price all the way from $6,575 up to $7,827, before dropping again over the weekend to the $7,300 mark. Ethereum (ETH) followed a roughly similar pattern throughout the week, to trade at the time of writing at $149, with many leading altcoins recovering towards the end of the week,.

In news hailed by many as a milestone for the crypto industry, the German Bundestag last week passed a law which is set to allow German banks to sell and provide custody for cryptoassets from 2020. Banks in Germany were previously banned from providing direct access to cryptoassets. With the new law is expected to be ratified by the Bundesrat (Germany's upper chamber), Dr. Sven Hildebrandt, a partner at Distributed Ledger Consulting (DLC) said the news means that "Germany is well on its way to becoming a crypto-haven".

In more concerning news for crypto investors, South Korean exchange Upbit last week confirmed that nearly $50 million of Ethereum (ETH) were stolen from its hot (online) wallet. In a notice published on its website, Upbit explained that over 340,000 ETH were transferred from its wallet to an "unknown wallet." While Upbit said that it would cover the loss of funds, interestingly the release did not describe the theft as a "hack."

Finally, MV Index Solutions(MVIS), in partnership with CryptoCompare last week announced the launch of the MVIS CryptoCompare Institutional Bitcoin Index - an index designed to measure the performance of a digital assets portfolio which invests in Bitcoin, priced on select exchanges. The index will be used by Canadian investment fund manager 3iQ in their landmark Bitcoin Fund - set to be listed on the Toronto Stock Exchange.

CRYPTO A.M. INDUSTRY VOICES

5MLD is coming: Threat or Opportunity?

The appeal of blockchain and cryptocurrency for their enthusiasts is, in part, down to their anonymity and utility in getting around unnecessary regulations. Unsurprisingly, both of these are very attractive to criminals and terrorists!

The New York Times recently reported how terrorists are experimenting with cryptocurrencies to circumvent tighter counter-terrorist financing laws. A Hamas website openly provides the Bitcoin address and instructional videos on how to acquire and donate via Bitcoin without tipping off the authorities. Although fundraising is not very successful yet, terrorists don't need large sums of money to execute attacks.

Money launderers wanting to move the proceeds of crime around are attracted to the anonymity too! Blockchain could completely replace money laundering as we know it today. Why incur hefty fees for moving money from one financial institution to another when you can move it anonymously in cyberspace? Sanctioned entities are also getting the same idea, with Al Jazeera reporting that Iran may be developing a virtual currency as a work around to UK sanctions.

Not everyone agrees. Some experts point out that the information on terrorists' use of cryptocurrencies is still limited and anecdotal. Moreover, criminals and terrorists have plenty of pathways for moving money that still need to be closed down by international authorities. Some cynics maintain that, no matter what governments say, it's all about tax! What they really want to do is clamp down on tax revenues leaking away as people use anonymous online, offshore accounts.

Whatever the reason, governments and regulators are unnerved by the potential misuse of cryptocurrencies. The European Parliament Think Tank estimates this misuse to be worth over €7 billion.

So, under the 5th EU Money Laundering Directive (5MLD), which will come into force from January 2020, the EU is extending its anti-money laundering and counter-terrorist financing (AML/CTF) regulations to firms in the cryptocurrency space - including those holding, storing and transferring these virtual currencies, and those providing related advisory services.

These firms will now need to implement the same AML/CTF policies, procedures and controls as traditionally regulated entities. They'll also need to ensure that their senior management and staff are adequately trained, and collect data about the sources and recipients of funds. In addition, companies that work with cryptocurrency providers will need to make additional checks and assess the risk of continuing to do so.

All of this will undoubtedly increase the costs of compliance for the impacted firms and add friction to the cryptocurrency transactions. However, there are huge benefits associated with the regulation. For one thing, it provides legal certainty to market participants - if you think regulation is expensive, try litigation!

Moreover, by addressing the growing perception of misuse, the regulation will improve the reputation of cryptocurrencies and blockchain. If they are seen as more mainstream financial instruments and products, they will appeal to a much wider consumer base.

The regulation will also level the playing field by helping smaller, compliant firms to compete better with larger firms that use their reputations to command more confidence in the market.

However, not all firms will fare equally. Those that use the regulation to drive a culture change within their organisation, train staff and improve procedures will reap the benefits of the new regime. Those that continue business as usual could be setting themselves up for disaster.

Market participants need to understand that 5MLD will not destroy blockchain and cryptocurrencies. It is much needed that laws and regulations catch up with technological advances, and, as finance becomes more complex, more such directives will be required in the future.

Vivek Dodd, Co-founder and COO at Skillcast, the Compliance E-learning and RegTech company www.skillcast.com

Crypto A.M. shines its Spotlight on Quant Network

Perhaps more than most, readers of Crypto AM recognise the potential of blockchain: a technology that's starting to transform industries through its ability to facilitate trusted and secure exchange of (digital) assets and sensitive data. It's fair to say that blockchain has triggered a technological revolution.

And at the forefront of this revolution is the financial services sector. In the last year or two alone, for example, the majority of banks have explored the potential of blockchain technology to model use cases such as cross border trade, digital asset management and trade finance. However, many of these banks found that progress was seriously impeded by the lack of blockchain interoperability. What they needed was an easy method of connecting blockchains together - but no such method existed.

Until, that is, now. Because Quant Network's pioneering technology – Quant Overledger - is designed to do precisely that. The only platform that facilitates the development of decentralised, multi-chain applications, Overledger is the world's first blockchain operating system that not only interconnects blockchains, but also connects existing enterprise platforms to blockchain.

Furthermore, Overledger is designed around the recognition that blockchains are continually evolving, so if the underlying technology of a solution changes, organisations are not locked in to blockchains that have been superseded. This ensures that their applications will not be impacted – they are, effectively, future-proof. Furthermore, there's the fact that Overledger is designed for ease-of-use: enterprise users can exploit the full potential of blockchain, with no additional infrastructure, in a matter of minutes.

> Our vision is to make a real difference to the world by building an internet we can trust

Gilbert Verdian CEO and founder Quant Network

Track record: To date, Overledger is attracting major players in their quest to make blockchain work through its ability to bring interoperability. One such organisation, for example, is the leading payment infrastructure services provider, SIA. Quant Network and SIA have been working together to integrate SIAchain (SIA's infrastructure) into Overledger to develop and implement blockchain and DLT-based applications spanning different technologies, and to bring cross-platform interoperability to hundreds of SIA's financial services clients.

Looking towards the future, the implications of Overledger for the financial sector are significant with forthcoming releases the company's DvP solution. The first such solution to use DLT technology which will be demonstrated at FinTech Connect 2019.

Quant Network's crucial offering is certainly not limited to the world of finance. In fact, a partnership between Quant and Ledger3, has already resulted in a supply chain management solution that will help to preserve the world's fish stocks. Beyond the technical, regulatory, cost and time-saving benefits of making blockchain interoperable, the company's goal is to demonstrate how its solution can really help solve the world's most pressing issues, from food supply, renewable energy to power exchange.

"Our vision," said Gilbert Verdian, Founder and CEO of Quant, "is to make a real difference to the world, by building an internet we can genuinely trust." Meet Gilbert and the Quant Network team at Quant X today and tomorrow at FinTechConnect Live at ExCel

For further information visit www.quant.network

BLOCKCHAIN ROOKIES

BLOCKCHAIN, IT CAN'T DO THAT

Troy Norcross, Co-Founder Blockchain Rookies

After more than two years, we have moved from blockchain euphoria to blockchain fatigue. People are tired of hearing about blockchain - especially if they can't figure out how to make money by getting involved.

There have been numerous articles talking about how blockchain can help win the war on cyberattacks and even allow for real-time access to consumer data for advertising. Companies use the word blockchain almost as much as they use the words AI (Artificial Intelligence) and Big Data. Sadly, in the majority of cases, the companies have no clue about how the technology works or how to deploy blockchain in a way that creates real business value.

What most of these companies want is to be associated with the frenzy and hype of cryptocurrencies. And now that initial coin offerings (ICOs) and security token offerings (STOs) are dead, the only thing left is to use the word blockchain in 48 pt font on their pitch decks in the hope of raising capital.

Blockchain cannot help us win the cyber attack wars. It cannot end world hunger. It cannot allow millions of IoT devices to function as a collective in real-time. Blockchain is not a replacement for shared file storage. It is not a secure vault to protect information from hackers. Blockchain can't do that.

Blockchain is a core technology that spans multiple enterprises. With Internet infrastructure, value is in the data and services built on top of blockchain, not in the blockchain itself.

We need people to stop drinking the cryptocurrency kool-aid and playing at blockchain theatre. We need people who can think long term and build blockchain infrastructure so that others can build valuable datasets and services on top of this infrastructure. We need to stop looking at the technology and focus on solving real business problems.

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