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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

What a hectic silly season week it has been since last Tuesday with the Blockchain / Cryptoasset rollercoaster proving to be no exception with the Crypto Market Cap threatening to drop to nearly sub US$100bn into two digit billions over the weekend. However, at the time of writing the screens are very much lit green with Bitcoin (BTC) surging over 6% trading at US$3,463.38, Ripple (XRP) up similarly at US$0.31 and Ethereum (ETH) at US$91.64 overall Market Cap US$108bn (data source CryptoCompere.com)

I started Crypto AM twenty-six weeks ago with my first edition on the 18th June and I have to say that my voyage of discovery and learning, whilst at times exhausting, has been completely fascinating and rewarding. Along the way I have met a new breed of driven super bright entrepreneurs from all backgrounds and ages - the breadth and diversity of projects in progress has taken my breath away. Sadly the rapid decline in the value of the market took the less experienced to the wall and as their funding dried up many were forced to close. But this is the very nature of uncharted territory and quality will win through eventually – the poorly planned, badly executed and down right scammy projects pretty much have been culled, helping to clean up the pervasive 'Wild West' image.

Looking back, it's always good to take note of a success story. On the 3rd July (see www.cityam.com/crypto-insider) I interviewed Joe Crawley the co founder of Jinbi Token. I spoke with him over the weekend to find out how things had gone and despite the appalling market conditions and having to extend his timetable, Joe and his team not only raised their soft cap of $20m but smashed it raising total of $47.5m closing on 21st November.

Whilst there is no doubt that anyone involved in the industry is looking forward to seeing the back of 2018, I am more positive than ever that great things are around the corner for Blockchain and Cryptoassets and that 2019 will be a very significant year of new milestones and with years of research and development complete, a plethora of institutional entrants are coming Nomura, Fidelity and Goldmans to name a few.

As this is my last column for 2018, I'd like to take this opportunity to thank the team at City AM and team Crypto AM for the seriously hard work they have all put in. To my readers I'd like to thank you all for your support and positive feedback. I'll be back on the 8th January 2019 so in the meantime I'd like to wish you all a very Merry Christmas and a Happy New Year!

DIGITAL MONEY: RETHINK THE BANK?

Designed by Phill Snelling, Bowater Media

The bank of today has three functions: taking deposits; acting as gatekeeper to the payment systems; and providing credit. Yet since the creation of crypto-currencies in 2009, we haven't needed banks for deposits, nor payments. And as for credit, even as far back as 1776, economist Adam Smith wisely warned that the bank credit model would inevitably lead to financial crashes.

Politicians and regulators see it as common sense to tightly regulate consumer and business savings, which is what the modern banking licence covers. Implicitly, it also comes with a unique benefit for its holder, which then endangers those deposits: a bank can create money out of thin air, with no practical limits.

One serious consequence is that this new money is lent to customers and tends to inflate assets (such as residential housing). The commercial banks then extract a larger share of the national income through interest on the money that they created and lent. This rent-seeking activity is an economically destructive transfer of wealth from the customer to the owners and management of banks.

Regulatory response to this unintended wealth transfer has been tepid. But how could it be otherwise without a wholesale reinterpretation of the banking models we actually need today – starting with the way we teach about finance and economics at university.

Regulators have sought to enforce separation of investment and commercial banking activities though "ring-fencing". They have started to tie the management remuneration cycle with that of the credit cycle. Both are positive moves.

They have hardened rules on mortgages to restrict access to credit, but ignored the growth of money supply (which globally has grown by an unsustainable 40%+ since 2008). They have toughened the capitalisation requirements to protect against unexpected shocks, but overlooked leverage levels - leaving the majority of banks riskier than they were in 2007.

Regulators exude confidence that everything is well with the financial system. But beneath the surface, there is systemic risk.

In some countries such as the UK, regulators have rightly encouraged the growth of challenger banks, but there is nothing licenced that actually develops a new model for banking.

We have seen innovation from non-banks in credit provisioning (26% of lending in America was non-bank credit institutions in 2017); retail FX (Revolut and Transferwise in Europe); or cashless payments (Ant Financial in Asia). These competitors are chipping away at the incumbent banks, but they are not yet transforming the model in the way that the mobile phone transformed the communications business.

Digital Money has the potential to usher in a new banking model. To support this, regulators will need to fundamentally change their mindset. Initial indications are that they are all too cautious in approaching crypto currencies – the prototypes of tomorrow's digital money.

Regulators should mandate separation of responsibilities (custody, trading, investment); bring digital assets into the CASS regime for custody; and prohibit institutions from trading in bearer instruments. None of these require much analysis by a regulator, yet there are limited signs of a willingness to think ahead.

There is a different way forward for finance, and it involves implementing robust models such as the one set out in 1933 by 40 economists, including Joseph Schumpeter (of "creative destruction" fame), in the Chicago plan, which was updated in 2012 by no less than the IMF itself.

Under pressure from existing banks, the regulators killed implementation of the Chicago plan in the 1930's. As such, it will not be regulators who create it now. There is evidence that market innovators will drive the new model.

In October 2016, the Bank of England identified that the key risk to the UK financial system was not that of the collapse of the banks arising from a renewed credit crisis. It concluded that the real risk is payment systems collapsing in the event of bank failures.

The route to avoiding this bleak outcome is the implementation of a system of digital money that delivers person-to-person payments without the need to use banks as intermediaries. This would remove the need for the more than 300 different payment systems around the world. Just as we now have universal mobile communications, so might we have universal borderless payments.

Returning to 1933, the Chicago plan envisioned reserve banks underpinning this system. Creating a new licencing regime that disentangles banking functions is all that is required to build a massively more stable global economy.

> "Digital Money has the potential to usher in a new banking model

In this new world, a reserve bank exists only to look after deposits and is explicitly barred from offering credit. And this is closer than you might think – the Swiss held a national referendum on this earlier this year. Technology and the markets are already rethinking the bank.

Phil Mochan, Chief Commercial Officer of Koine in conversation with James Bowater

For more information see koine.com

YOU, BLOCKCHAIN, DLT & YOUR CAREER

Some of the smartest minds in the city, and around the world, are now fully focussed on the coming transformation. How a secure internet enabled by new technologies will be able to transact in new ways never before possible. What part decentralisation will play – will their employers help lead the transformation, as Apple did with Apps and music a decade ago. Or will they be moved aside or even become the next Kodak?

Speaking Blockchain: Some have left the corporate world to join or start their own venture, gaining new insights and skills from a journey at the leading edge of change. Others have become increasingly valuable to their host organisations because of the insights and understanding they are able to share and the leadership they can offer from within into this fast-moving field and the opportunities and threats this transformation brings.

The British Blockchain Industry Association (BBIA) is for you too. Supporting those in the many established industries, from health and finance to transport and international aid and the arts, who need to not just understand what is going on around them and stay on top of the rapid developments but to help build successful strategies for the future. BBIA is not just for geeks and crypto freaks, its open to all to support the insights and understanding you need to make the most of the opportunities while navigating the threats.

For now and until our formal launch in the new year you can join for free AND have the chance to be a founder member if you register now at www.BritishBlockchainIA.org

TOKEN INTELLIGENCE
TokenIntelligence.io

Speculating on the Blockchain

The quip "Reports of my death have been greatly exaggerated" is attributed to Mark Twain (whereas Spike Milligan's headstone legendarily reads "I told you I was ill!").

The former could as well be immortalised on the next block in the chain, or printed on every Bitcoin as 2018 has seen an accelerated version of the hype-cycle, with frothy exuberance, triggered by a post Thanksgiving Holiday surge, followed by premature grief, in more ways than one. As always with this cycle the actual transformation lakes a little longer, as the market and technology find a fit – or in this case many fits – and mature together.

Meanwhile speculators have, as usual, short memories. Investors looking back over the history of the Bitcoin rollercoaster know that 2018 was the fourth time since 2010 that it has lost most of its value (93% in 2011, 71% in 2013, 85% Jan 2015 and 82% this year). Yet it stands at 5,420,000% of its 2010 price today, after the latest fall. Can you name another that did better in the same period – apart perhaps from another cryptoassets?

The difference is greed and perspective. Which is the difference between investors and speculators. A distinction we should now start to make more clearly than we have been doing. Investors seek to find that fit between market and technology to bring about real and valuable innovation. Speculators seek to grab anything they can get and run.

Elon Musk has been dubbed #1 Cyberpunk for his attitude towards, and run in with, the SEC. There can be no doubt he came off worst (and little doubt he infringed the rules as currently framed) but this takes nothing from the fact that he has a point. The short-termism that characterises speculators rather than investors is destructive, and not just to Tesla. Musk is just the one brave enough to say so – and have a go at doing something about it, however ill-advisedly, given the outcome. Seen though these eyes short selling is nothing short of legalised market manipulation for short term, predatory, gain. Neither is Elon Musk the first to call for it to be banned. He will not be the last. He's right, it should be.

It won't be until we grow up a little as a civilization, stop fixating on numbers and grasp value and how it is created and, often also, destroyed. Playing zero-sum games, with people's lives and livelihoods, in a world which has long moved beyond zero-sum wealth creation.

Network effects show that with the right connections and creativity we can create more than ever before. We need to do this more and share it better. It's hard to doubt the recent report that estimated that 82% of the wealth created last year went to the 1%. While poverty stalks the land visiting increasing numbers of working poor, the just-about-managing (but increasingly in debt), and the number of homeless continually rise, how easy should the rest of us sleep in our beds? Especially the incumbents and the 1%?

Why would we - in a world where AI, bots and robots together with IoT and, yes, Blockchain and Tokens eat up all the manual and routine work not - if only for our own sake, start to value what is left to us: Human creativity? As in Nazi Germany with the minorities picked off one by one the bots have already eaten the factory work for many and will complete that process before long. With AI smarter bots and robots are now moving into our warehouses, offices and, soon, shops. Changing the nature of work forever – redefining the 'job', who and how many people will have one. (Yes, I know that there are those who say AI will create jobs – I see little hope and less evidence for this comforting thought... and shudder at the likelihood that that's all it is).

Tokens and Blockchain are not a panacea – but they do provide a huge opportunity to steer how we create and share value. So as we enter the 'season of goodwill' I wish you well for the new year and ask you, as we launch a new Taskforce on Poverty & Aid to join me at www.World1stTaskforce.org.

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

Crypto A.M. shines its Spotlight on Coincierge

Coincierge is a SaaS technology company, providing solutions to blockchain companies through their two custom built platforms. Our token sale platform provides companies with a bespoke platform to accept contributions from known contributors that have had to complete a strict process to invest, which is secure and follows compliant procedures. Our 'Cabinet' platform was created to support companies that require the management of tokens for their investors and their administration team allowing vesting contracts to be managed correctly, minting of tokens, dividend pay-outs, voting rights plus much more.

The Coincierge token sale platform is an innovative system that was designed and implemented with compliance in mind. It supports multiple security layers that protects the token sale team from ineligible investor contributions and makes sure that the entire process of raising funds is secure for crypto crowdfunding.

The nature of the blockchain-backed tokens has significantly changed during the last year. There is a level of liability on token management teams to maintain the compliance checks of their investors even after the end of the sale and this is why it is imperative to have a platform that will offer a secure and effective management of the tokens for the current and future investors that will be constantly adapting and embracing the latest regulatory and compliance changes.

The Coincierge Cabinet is a platform built to manage tokens for investors and token administrators. The platform supports an intuitive integration with the Coincierge token sale platform and it can be seen as a smooth continuation of the sale stage. The Coincierge Cabinet is a very flexible platform and can be used to manage tokens regardless of the process and platform that was used to sell the tokens because our platform will provide tools to import the relevant data into the system.

> "It is important to realise that token sales have entered into a different era

Mark Kirby, Co Founder & CEO of Coincierge

It is important to realise that token sales have entered into different era. No more can future Blockchain projects simply raise money and ignore what the future of the tokens are after the end of the crowd-funding period. The Coincierge Cabinet was built with a very simple need of having a platform that will allow post-sale management and monitoring of tokens and their holders.

At Coincierge we are all very excited to see the framework that is formed around compliance and regulation in 2019 where we will see more investments being made through the institutional networks due to a growth in security tokens and this will only grow as we see more innovative projects utilising blockchain technology to digitalise assets such as real estate, commodities, bonds and much more.

For more information, visit https://coincierge.io/

Ecoingot

ECOINGOT AND COMPASS MARKETING

Ecoingot, to create the 'Internet of Carbon'™

Ecoingot and Compass Marketing are empowering consumers to make environmentally-informed purchasing decisions at the supermarket shelf, in an exciting move towards tackling climate change through blockchain technology.

Through Compass Marketing's Smart Retail Label (SRL) Network and Ecoingot's on-demand data system (ECOSISTM), the environmental impact of products will soon be made as accessible to shoppers as nutritional information or origin of manufacture.

Until now, environmental information has not been made readily available to consumers in any kind of relevant or meaningful way. By combining the latest technological advances in smart supermarket shelf labelling, blockchain and carbon impact data, it is now possible to integrate carbon information into the consumers' shopping experience.

This innovative approach is a timely response to the recent IPCC report, which warns that urgent and large-scale changes are needed to limit the rise of global warming to 1.5 degrees, and that the world cannot meet its targets without the actions of individuals.

Making environmental information readily available allows consumers to make informed purchasing decisions, and enables them to take positive steps towards reducing and/or offsetting their carbon footprint.

"Integrating environmental impact data into consumers' purchasing experience is an exciting and important step towards us all taking responsibility for our environmental impacts" said Russell Young, Head of Operations for Ecoingot. "This agreement gives us the opportunity to provide shoppers with the information they need, exactly where and when they need it".

AZIZA COIN