CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets and Tokenisation

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In association with MJAC CryptoCompare

PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

What a difference a week makes! The global crypto market has fallen 20.1% is now US$167bn. On 16th October I suggested that the floor for Bitcoin (BTC) would be US$5,000 but now people are openly talking about US$4,800 being the next resistance level. At the time of writing at US$5,185 it doesn't have far to go. Other major market news is that Ripple (XRP) has toppled Ethereum (ETH) convincingly from the No 2 spot and Bitcoin Cash (BCH) has seen all of its recent gains wiped out.

Good news appeared on the 16th November with SIX the Swiss stock exchange announcing that they will list the Amun AG exchange-traded product (ETP). Interestingly the Amun ETP index will be managed by VanEck who themselves famously have their Bitcoin ETF application sitting with the SEC. Perhaps now that the Swiss have beaten the US to the regulatory punch, the SEC will be motivated to stop dragging their feet and make a decision?

Despite the dire performance of the market financially, are we starting to see an end to the beginning of crypto? It's fair to say that we're witnessing a flight to quality in the industry, by the need to create institutional-grade services for professional investors. What preoccupies investors is not just how to make returns, but also how to protect the assets they already have. Prominent hacks of exchanges this year certainly haven't helped. As a result, areas like custodial services are firmly in the spotlight.

I met an interesting company called Koine recently, which is developing institutional custody and settlement services for both fiat and digital assets. It is responding to market challenges such as the safekeeping of assets while in use, and the compliance and settlement hurdles, which currently prevent many investors entering this space. Getting this kind of infrastructure in place is the vital next step to trading crypto at an institutional scale. Even the big guys like Fidelity and Nomura have noticed it's going this way.

As we've seen things move fast in Blockchain world. So the UK needs to adapt swiftly to be at the forefront of what the IMF's Christine Legarde is calling "a new wind", calling for central banks to work quickly now to establish digital cash. Raising many crucial issues, which we need to address at speed if we are to lead. So I particularly welcome the announcement of a new, dedicated, industry body the British Blockchain Industry Association (BBIA). Chaired by our own Crypto AM weekly columnist Barry James, the BBIA is fully focussed on working with the Blockchain industry to put Britain at the forefront.

DECENTRALIZED EXCHANGES ARE THE SOLUTION TO HACKINGS AND CUSTOMER PRIVACY

Designed by Phill Snelling, Bowater Media

Cryptocurrency trading platforms, both centralized and decentralized, offer diverse features and varying levels of security for users. In a time when there is growing scepticism over the reliability of cryptocurrencies, it is more important than ever before to have a trustworthy, secure, and accessible exchange to trade digital assets. Most people do not understand that they have two options to choose from: a centralized exchange or a decentralized exchange.

Understanding the differences between these two kinds of exchanges is fundamental in order to fully comprehend what each one offers, and what security issues may arise from trading on one rather than the other. Centralized exchanges, such as Coinbase, Binance, or Kraken, are based on a system where transactions on the exchange are handled by that very same exchange, the 'third party' in any trade taking place on the platform. While centralized exchanges often offer a simpler user interface as well as liquidity, these exchanges are ultimately in control of a trader's funds and private information. As a result, centralized exchanges are left open to more potential security risks, including hacks and scams. The principal of decentralized control, which is what blockchain as a technology promotes, is also undermined using this model, because of the presence of a third party. This is the principal differentiation between the two types of exchanges, as decentralized exchanges offer more security for traders, since users have full control over all of their funds and transactions.

> It's more important to have a trustworthy, secure, and accessible exchange

The volatility of the cryptocurrency market has been affected by problems with the trading platforms used for cryptocurrencies. Hacks on centralized exchanges leave traders open to scams and an immense loss of funds, and examples of this are unfortunately not uncommon. One of the largest and most infamous hacks was on Mt. Gox in 2011 and then 2014, where 1.35 million BTC, the equivalent of $473 million USD was stolen. In 2016, Bitfinex had issues with its multi-signature wallets features, leading to a loss of 120,000 BTC, or $72,000,000 USD of its clients' funds. More recently, in 2018, Coincheck was hacked, with approximately $532 million USD stolen from the exchange. Traders on cryptocurrency exchanges need to be confident that their funds are secure, and these doubts cause potential future traders to be reluctant to begin trading in the first place. It is vital, in order for the cryptocurrency market to thrive, for traders to know that the platform they choose to trade on has limited and mitigatable security risks. After all, security breaches can affect private data, as well as incurring possible trading fund losses.

Decentralized exchanges provide an obvious solution to these issues. By removing the need for a third party, decentralized exchanges allow users to have more control over their transactions. In an era where control over one's own information is more important than ever, and where hacks continue to occur regularly, it is prudent to opt for the more secure option.

In addition to security, decentralized exchanges offer several other benefits over the centralized exchanges:

Decentralized Exchanges Help Avoid Market Manipulation. Centralized exchanges, such as Bitfinex and others, have been accused of market manipulation. Since they have full authority to determine which tokens can be listed on the exchange, they have the potential to influence the financial market in unseen ways. This is not the case for a decentralized exchange — their market actions are transparent and accessible to everyone on the blockchain.

Decentralized Exchanges Can Operate as Exchanges Instead of Custodians. While it depends on which exchange is used, a majority of centralized exchanges operate as escrow accounts for crypto for their customers. Decentralized exchanges do not act as custodians and purely make it possible for two parties to trade with each other using smart contracts.

Decentralized Exchanges Offer Unprecedented Openness And Privacy. Due to the peer-to-peer nature of each transaction, decentralized exchanges allow trades to go beyond KYC and AML procedures. This is unlike centralized exchanges, where users need to provide these large entities with personal data and trust that the exchange can and will protect it. Ultimately, decentralized exchanges provide a more seamless, sensible, and reliable alternative for trading.

Decentralized Exchanges Offer Higher Protection from Potential Security Breaches. By removing the need for custodians to operate the exchange, and by offering users increased openness and privacy, decentralized exchanges are a more secure investment option for cryptocurrency traders.This in turn offers higher protection from potential security breaches.

In time, I believe that we will see a paradigm shift towards using more decentralized exchanges due to the wide array of benefits they can offer users. It's important to remember why digital assets were created to begin with — to remove third party entities and to grant individuals full ownership over their money. By removing the 'middle man,' decentralized exchanges remain true to the nature of cryptocurrencies and blockchain technology, and by eliminating the most vulnerable point for attacks, they increase security dramatically.

David Holtzman, DSTOQ's Chief Security Officer, https://dstoq.com/

MJAC & CRYPTO COMPARE LONDON

Showcasing leaders of the blockchain industry

MJAC on November 30th will see a host of key industry players discussing and debating the hot topics within the blockchain and cryptocurrency spheres. Obi Nwosu, Coinfloor's CEO, and Nick Chong of Liquid by Quoine will deliver the two keynote speeches.

Claire Wells and Marieke Flament from Circle will discuss Opportunities and Threats for the Tokenisation of Everything. eToro's Iqbal V. Gandham will ask: Will STOs replace IPOs? Steve Swain, CEO of Lendingblock, will discuss how securities lending will lead to the institutional adoption of cryptocurrencies. David Fauchier, CEO/CIO at Cambrial, will discuss The state of crypto funds: challenges, opportunities, what next? Saar Levi, CEDEX CEO will discuss How digitizing diamonds is revolutionizing the financial investment markets, and what's next for CEDEX.

Attendees will have a front row ticket to ICO presentations and panel discussions including: Crypto and how it has evolved as an asset class over 2018, the Regulatory Panel Discussion and the Institutional Trading in the Crypto Market panel.

Delegates can enter the PowerSnooker prize draw for the chance to play against snooker legend Tony Knowles and boxing superstar Johnny Nelson on a full-sized professional snooker table.

For a 30% ticket discount use code - CRYPTOAM For event details and tickets: http://www.mjac.io

Crypto AM shines it's Spotlight on CityBlock Capital


Rob Nance, Managing Director, CityBlock Capital

This year has been a tumultuous year for cryptocurrency markets, but here on Wall Street, blockchain technology and the development of a regulatory compliant, digital asset ecosystem is moving full steam ahead. Over the past several months, the London Stock Exchange, New York Stock Exchange, NASDAQ, and Fidelity have all announced plans to launch digital asset platforms and services intended to usher a new era global finance.

But if crypto markets are down, why are the world's leading financial institutions rushing into the industry? The answer centers around the evolution of digital securities (also known as security tokens) and the ability to create more efficiency and liquidity in our capital markets.

There are roughly £550 trillion of illiquid assets in the world and the ownership of these assets are transacted and verified with paper documents. Even the world's most liquid assets, such as public stocks and bonds, are transacted with technical infrastructure from the 1980s designed to benefit brokerage houses, clearing cooperations and depositories collecting fees and creating inefficiencies on every trade made across global markets. By moving toward secure digital automation and transparency, and away from paper certificates and intermediaries, new exchanges can open for previously illiquid assets, private marketplaces can grow on a global scale and more efficient financial products can be created for institutional and retail investors alike.

> CityBlock Capital's mission is to expand the global digital economy

The key driver of this technological revolution are smart contracts (also known as smart securities) which use software code and blockchain technology to settle trades instantly, eliminate intermediaries and reduce fraud. At CityBlock Capital, our mission is to expand the global digital economy through equity investments in early-stage blockchain infrastructure startups that are facilitating this once in a generation technological upgrade. In order to build the best early-stage venture firm in this space, CityBlock has assembled an all-star capital deployment team compromised of former leaders from Goldman Sachs, Softbank, Wells Fargo and Google, to identify and source top-tier deals that sit at the intersection of blockchain technology and Wall Street. We also practice what we preach: in addition to decades of expertise evaluating start-ups, CityBlock is one of the earliest issuers of a digital security so we can utilize blockchain technology to provide diversified access and increase liquidity for our limited partners. Our unique combination of domain expertise, long-term time horizon, and laser focus on unlocking value in real-world assets is the why we're looking beyond the ups and downs of the cryptocurrency market, and we hope you will too.

To learn more, go to www.cityblockcapital.com.

BLOCKCHAIN COLLABORATORS ENVISION A NEW DIGITAL TOKEN STANDARD FOR SHARES

David Siegel, Chairman of start-up 20|30

Right now, there is a shift from public token offerings to regulated token offerings, often in the form of equity tokens.

A number of blockchain companies around the world are busy creating their own digital standards for tokenised corporate shares. David Siegel, Chairman of 20|30, a start-up in the FCA sandbox that is testing the primary issuance of tokenised equity, sees the need to create an industry standard for equity tokens. David is leading an international working group to develop an open-source equity-token standard that will serve capital markets for generations. Lawyers, technologists, and policy-makers will meet on November 28 and 29 at the Lithuanian Embassy in Brussels for the first workshop to begin drafting an equity token standard. 'People have been very receptive to us,' says David, 'the Chamber of Digital Commerce in the US, various law firms, and virtually all our competitors recognise the importance of enhancing industry cooperation in this emerging market.

Developing a worldwide equity token standard will allow trading platforms to use the same data format, which will increase worldwide liquidity for private shares and beyond.' 20|30, a member of Crypto UK, is committed to advancing frameworks that promote the cooperation of policy makers and regulated institutions with leading players in the blockchain industry.

David will be at the Pillar Project meet-up at 6:30pm on the 30th of November at Barrio Shoreditch and welcomes interested parties to join for further discussion on the equity token project.

Contact sonia@2030.io for more information

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Why We Need A Blockchain Bill

The answer is simple: We want to lead the world, not fall behind. Oh, and then we can replace many of our digital (banking, payments and other) slow toll-roads with far faster highways shrinking times from days to seconds (3 to 30 days through a bank network versus 3 seconds on the Ripple network – that's between 86,400 & 864,000 times faster, so let call it a round 100k time). With a similar reduction in costs, because there are no people involved once the network's running.

This doesn't just make things a hundred thousand times faster and cheaper, removal of friction on this level makes possible all sort of things that were completely non-starters before.

On top of all that it makes possible a whole list of things proven impossible (at any scale) before. From micropayments to fractionalisation of assets, decoupling ownership from use of an asset (including houses, cars, art, goods in transit... to name a few) releasing trillions in value currently locked away.

Which is why nimbler jurisdictions, Zug Switzerland, Singapore and Malta spring to mind, are leapfrogging the UK. Its why Liechtenstein have a Blockchain Act.

This really matters Professor Bill Buchanan OBE, of Edinburgh's Napier University explained to me in the most recent episode on www.ICOrad.io. Plus why he's launched a petition to parliament saying so. It matters because it means jobs and future prosperity. As well as losing our place in the world versus helping lead it.

This is why you should sign the petition. Britain needs this act and to stop driving the tech businesses and talent away - as the FCA has been doing by forcing closure of their bank accounts, and those of their ventures.

It's why the UK's Cryptoassets Task Force (which reconvenes in the form of Christopher Woolard, FCA, Gillian Dorner, HMT and Martin Etheridge of the Bank of England this very morning in a city conference room to discuss their recent report) should instead be planning such an act. Plus a new, positive, taskforce report properly addressing the opportunities, not just worrying about the threats – which loom so much larger because of the lack of a deeper understanding in government and the taskforce itself.

Perhaps someone, possibly Stuart Davis who's moderating the 'City & Financial' session), should ask them when, having had what amounts to something like a risk assessment, we can have a proper report providing real vision, support and direction?

Plus a Blockchain enabling bill. As well as a proper debate: On creating national and global public infrastructure built on open Blockchain technology not closed 'DLT', and who will benefit from it (if we nothing it will be again owned by greedy incumbents and run for their benefit). For a start. For now please search for and sign UK petition 230869!

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