CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets and Tokenisation

E: CryptoInsider@cityam.com @CityAm_Crypto In association with wirex

PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

The markets have been pretty flat this past week although Bitcoin (BTC) did dip below $3,400 level. At the time of writing, BTC is trading at US$3,452.53, Ripple (XRP) at US$0.3015 and Ethereum (ETH) at US$107.17 with the overall Market Cap at US$113.7bn.(data source: www.CryptoCompare.com)

During this pretty stagnant period and focusing on BTC, which makes up circa 53% of the overall Market Cap, I thought that it would be interesting to highlight the underlying value growth. This is best done by reviewing the all time calendar year lows: 2012 $3.88; 2013 $13.16; 2014 $91.66; 2015 $157.30; 2016 $366.20; $2017 $739.55 and 2018 $3169.(data source: www.CryptoCompare.com) The figures speak for themselves and go along way to explaining why institutional investors have been looking so seriously at the Crypto market and building the infrastructure to get involved so as not to miss out given that during the same period BTC has outperformed every major stock market.

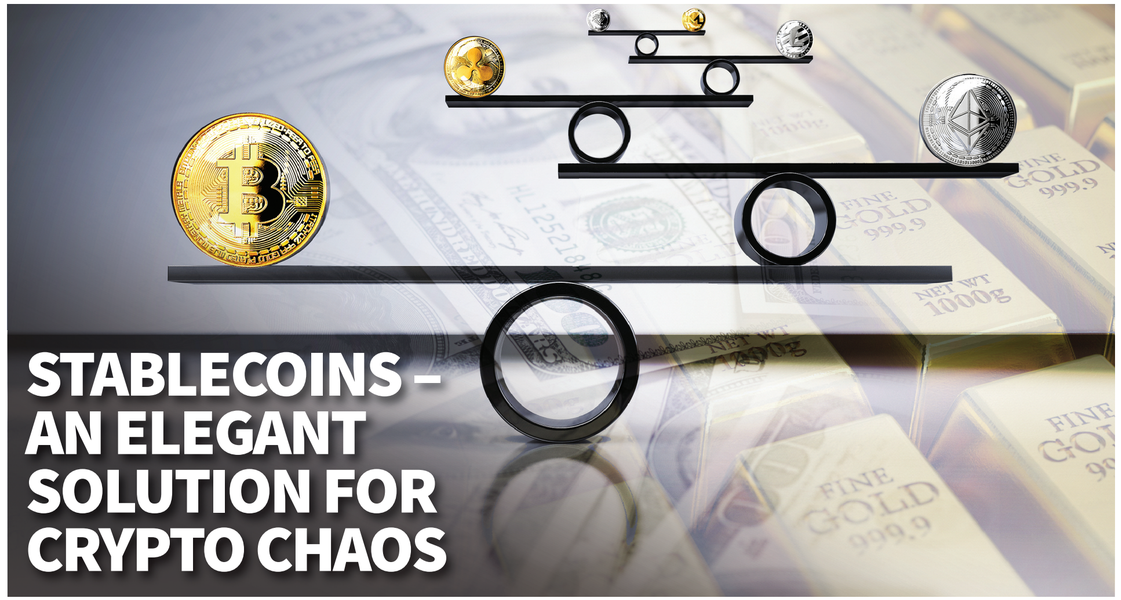
Since last week's edition the CBOE (Chicago Board of Exchanges) resubmitted a their revised application to list the Van Eck Bitcoin ETF on the 30th January. This is clearly encouraging and now all eyes will be on the SEC for their decision on this along with the Bitwise and NYSE Arca Bitcoin ETF application I reported in my last column.

On 31st January Fidelity Digital Assets Medium channel pinged to life (first time since it's 15th October launch) with a short read 'Update on Our Wok' to reveal that they have been busy building the required technical and operational capabilities and further that they engaged with selected eligible clients to enter final testing. This is more encouraging news on the path to institutional adoption.

In the retail space Binance, the largest cryptocurrency exchange by trading volume, announced last week that they would be accepting credit and debit cards. This move will no doubt provide the exchange with an uptick in fiat currency receipts. However, one cautionary note is that, whilst it makes trading more accessible to the the general public, it could make it too easy to run up debts through over trading. It would be good to know if there are safeguards in place.

This Friday sees the official launch of London Blockchain Week (see today's Spotlight article below) and I'm very pleased to say that I have five free VIP two day conference passes for the 11th-12th February. Please email me directly at CryptoInsider@cityam.com with the reasons why you wish to attend and I will provide the code to the five lucky readers.

Finally, German Kraft have launched their Craft Beer Coin. Scan their ad (below right), get the app and grab a free pint!



STABLECOINS – AN ELEGANT SOLUTION FOR CRYPTO CHAOS

Designed by Phill Snelling, Bowater Media

Cryptocurrencies - love them or hate them, but it looks like they are here to stay. With a current combined market cap of around $ 417 billion, the chances of a total wipe-out are unlikely- despite their recent foray with the bears. While we have to get the salt-cellars out with predictions, some market experts are forecasting a rise of 25% by the end of 2019.

Cryptocurrencies are the enigma of the 21st century, with no underlying assets to support them, they have made millionaires and paupers. The naysayers are revelling in their "I told you so" rhetoric, as cryptocurrencies languish in a sideways market.

However, as with all disruptive products, a new iteration may take cryptocurrencies to higher plains. These white knights are called Stablecoins.

Stablecoins provide the stability of traditional currency with cryptocurrencies' ease of circulation. They are set up with a reserve of stable assets that can be used to redeem the tokens (e.g. 1 token = 1 USD). They can also be used for payments, savings or as a tool for investors to hold their crypto.

They are viewed as the middle ground between crypto and traditional currencies. They provide users with a degree of stability because they are pegged to either a traditional currency or a physical asset (like gold). However, there is a caveat - the underlying asset may also be subject to volatility caused by fundamental shifts such as geopolitics, terrorism and natural disasters. So even though the Stablecoin does not fluctuate wildly, it is not impervious to market forces. While the coins do not totally avoid market risk, they do address one of the biggest reservations people hold when considering cryptocurrencies – extreme market volatility.

Pavel Matveev, CEO and co-founder of Wirex, a digital payments platform that allows users to easily convert and spend their cryptocurrencies like traditional currency, has just added the Dai stablecoin their platform. He says "Stablecoins are an effective way store value, allowing holders to send funds anywhere in the world without excessive fees and delays. This unique combination of characteristics has encouraged an entirely new group of people to consider integrating cryptocurrencies into their financial lives. Stablecoins have also provided a boost for the adoption of cryptocurrencies in traditional financial services".

WHY ARE THEY GROWING IN POPULARITY?

Unlike other cryptocurrencies, stablecoins regulate their worth by being redeemable for something of intrinsic value, like regular fiat currencies such as US dollars, or gold. Tiberius Group AG - a Swiss asset manager and commodities trader, offers Tiberius Coin (TCX), backed by a combination of 7 precious metals: gold, platinum, tin, nickel, cobalt, aluminium, and copper. There are now over 50 stablecoins on offer and their numbers are growing steadily.

The stablecoins' underlying asset is normally deposited with a trusted bank or custodian. In theory, if people are confident, they can redeem these coins in exchange for a hard currency or asset, and that the issuer has sufficient reserves for all coins in circulation, the price of the stablecoin should retain its value. The most widely used stablecoins are Tether, TrueUSD and USD Coin, and the recent contender Dai -all of which bind their value to the US dollar.

Creating a cryptocurrency backed by a fiat currency means that the coin's ecosystem has to be integrated into a traditional banking system to hold the underlying fiat currency or a centralized custodian. This fact diehard crypto enthusiasts a tad hot under the collar as they say it is moving away from the origins of cryptocurrencies (decentralisation).

REGULATION

Stablecoins have also opened the doors to regulation, their stability means that financial regulators and institutions are more willing to licence and integrate them into traditional infrastructures. The Gemini dollar was issued by Gemini Trust, which also runs the Gemini cryptocurrency exchange and the Paxos Trust, which owns the itBit exchange, issued the Paxos Standard stablecoin. Their "regulated" status makes them unique - they are both are licensed by the New York State Department of Financial Services, or NYDFS. The NYDFS a state body that regulates money transmitters, including PayPal and Square. Regulation is a big pain point in the Crypto arena - this is a very big step forward and paves the way for other Stablecoins.

THE FUTURE OF STABLE COINS

While crypto-evangelists may balk at Stablecoins because of their reliance on centralised custodians, they cannot be written off. In fact, they are most likely just a stepping stone to another iteration of this innovative asset class. We have already seen massive development of the blockchain protocol that originally underscored bitcoin, and in relative terms, the technology is still in its infancy. As we speak, there are literally millions of developers writing billions of strings of code to improve and enhance blockchain technology. We have no forward view of what the future holds for this new protocol and the cryptocurrencies that proliferate on it. So, are stablecoins a cop out? Not in my opinion, it brings the masses one step closer to full utilisation of these assets and can only be a positive force as we navigate the new world of digital money.

> "Even though Stablecoins do not fluctuate wildly, they are not impervious to market forces"

James Bowater, City AM's Crypto Insider

THE WIREX WEEKLY MARKET VIEW

Last week, the bitcoin price in USD remained relatively steady, moving in a range of 4.6% . It registered a low of $3322 on Tuesday and a high of $3480 on Sunday. The $3400 level has been crossed several times this week, touching lower levels than the previous week - signalling a possible return of the bears. Volumes remain very low - they are at levels similar to that of the previous week. Large buyers are not particularly showing interest as trading remains flat. As long as volumes exchanged on markets remain low and without any fundamentally positive driver, there is no reason to believe an upward reversal will happen in the short term.

The higher volatility on Tuesday was probably driven by uncertainty around the CME Bitcoin futures monthly expiry. However, Cointelegraph has pointed out that the cash settled nature of the CME futures should only have a marginal impact on the markets around the contract's expiration date. In traditional markets, large movements in prices of physically settled contracts are more common. Such movements occur when for instance, when a large institution, targeting a constant market exposure before and after expiration, fails to roll their long positions (sell expiring contracts and buy contracts expiring at the very next expiration date). Consequently, this institution would find itself required to buy the new contracts as a matter of urgency, paying a high cost for market impact.

In general, news this week did not help the market find a clear direction. On Tuesday, all major currencies dropped, including XRP (-8.2% from Monday high to Tuesday low), despite news by Coingate supporting XRP based payment options, and ETH (-8.95%).

As the bear market lingers, more cryptocurrencies and crypto-related companies are entering a critical phase. Crypto-news reported that the NEM foundation is planning "layoffs and organizational restructuring" to survive as a result of (amongst other things) their treasury management soundness being questioned. The layoffs at NEM mirror the staff attrition at a raft of other companies, albeit for different reasons. Coinbase they implemented layoffs in customer support, Shapeshift they cut one third of their staff, Steemit cut 70% of their staff and Consensys cut 60% of their workforce. Conservative and diversified strategies should be implemented for these companies to survive the current depression in the market.

TOKEN INTELLIGENCE
TokenIntelligence.io

Beyond London Blockchain Week

When the right new connections are made then exciting things happen. Insights, opportunities, techniques and technologies that can change the world. sometimes just deals.

Indeed the creation of blockchain technology itself, in pursuit of money 'by the people for the people', is an excellent example of this. Satoshi Nakamoto brought together some existing technologies with peer to peer technology in a completely new way.

London blockchain week is in its 5th year, starting as fintech week. London is a contender to help lead the world in the remaking of the internet.

This is a great example of the value created when different worldviews and ideas collide, sparks fly, new insights are born, and, in this case, deals are done in the context of the wide open territory this technology has created.

The relative certainty provided by the recent FCA consultation forms part of the backdrop this time: It's now clear that the FCA and the government recognise at least three new kinds of tokens - with the potential for us to leapfrog America, given the protectionist attitude of the SEC. Broadly they are utility tokens, for future services, exchange tokens for fractionalised assets (think fine-art, gold, diamonds...) and security tokens for everything else - loans, bonds, shares etc.

Now that it is clear just how restrictive the latter will be they will no doubt be the subject of debate and battles for better support. Because in effect this looks like the application of existing regulation, with all the friction that involves, to all activities other than those covered by the other two token types.

So, no doubt, while this is hotly debated over the week deals will be done, new connections made, and likely many new ventures conceived.

Which is why, from the research we completed for Britain's frontier technologies association (bbfta.org), loud and clear the number one demand from all of those involved in the field was: Networking.

This makes perfect sense. The leading edge is out there - no longer with major corporations or even the likes of Google and Apple, but in the wild. In startups and new ventures scattered around the world. Even more so with blockchain and DLT than other technologies, including AI and IoT. Progress is across such a broad front of industry verticals and is moving so fast that it is impossible for publishers much less academe to keep up.

If you're planning or executing a venture in this space the insights, knowledge and experience you need are in these teams - in the heads of those at and near the leading edge. Sometimes in major enterprises but most often in startups and new ventures. As is the talent.

So when we asked, it makes total sense that the number one demand by a country mile should be networking. As a consequence and as significant as London blockchain week itself we, the bbfta, will be announcing the networking of the blockchain ecosystem itself during the conference.

Unveiling not just a new modern, reinvented, industry association that is also for the industries which are being disrupted and remade, as well as those within the blockchain and DLT space. But a beyond that, a major new business platform that will harness new and frontier technologies to not just connect the ecosystem, and the people in it, but catalyse and nurture valuable connections, towards the creation of new task forces, ventures, consortia and more.

See you there Monday 11th, join us, free for now at bbfta.org, or hear more from founder Luis Carranza, founder at ICOrad.io

Crypto A.M. shines its Spotlight on London Blockchain Week

London Blockchain Week is an event series in its fifth year. It features a hackathon, conference, workshops and evening drinks. The aim has always been to unite the international Blockchain community including governments, enterprise, startups and investors. The event has grown organically over the years attracting some of the most influential people in the space. The last 12 months have been a real roller coaster ride for anyone involved. Last year ICOs captured the imagination of everyone including mainstream press. Billions were made and billions were wiped away. 2019 promised more regulation and a more mature market place with security tokens and stable coins replacing the wild west of random coins. There are also a lot more projects gaining traction in the enterprise or government space. With the hype dying down, Blockchain Week is a great place to connect with the people that are shaping the next iteration of distributed ledger technology.

"Blockchain/DLT technology is here to stay and revolutionise the way business and governments collaborate and use data. There's money to be made in the long term if you don't lose yourself in hype cycles."

I've been involved in the sector since 2012 when I started exploring payments innovation. Bitcoin had been around for 4 years by then but it was still not commonplace see large corporates or banks talking about. It was around that time that Fintech was catching fire as a buzzword and Blockchain occupied an exotic place in the FinTech ecosystem. Conversations about crypto usually led to discussions about crime and the dark web, but soon shifted to the potential of novel applications for Blockchain. That's when everything changed. In 2014 we launched London Fintech Week and in 2015 we dedicated an entire conference to Blockchain. At the first event we had the Bitcoin foundation trolling Ethereum about the delivery date of a stable product. Some of the enterprise speakers I wanted on stage had issues getting corporate sign-off due to the association of Bitcoin with crime and the deep web. In the end we did get a good mix of banks, enterprise and projects like Ethereum on stage. Since then we've tracked all the trends and the people creating them. Bitcoin volatility scares the life out me but is still the most robust example of the technology at scale. I'm really excited about the progress being made using Blockchain to solve problems that have an impact on society. There's also serious money being invested and lots of commercial opportunity. Part of what we're doing with Blockchain Week is bottling up that excitement and connecting people in order to fast track adoption of Blockchain. With Blockchain Week, we try to avoid being a sea if people pushing their wares, but more like a comfortable place to get involved. We're a small team that's genuinely passionate about the future of Blockchain. We just see this as doing our part.

> "We're a small team that's genuinely passionate about the future of blockchain"

Luis Caranza, Founder of London Blockchain Week

For more information visit www.blockchainweek.com

BLOCKCHAIN ROOKIES

BLOCKCHAIN AND ENTERPRISE: WHAT ARE THE BLOCKERS TO ENTERPRISE ADOPTION?

Troy Norcross, Co-Founder Blockchain Rookies

Windows '98 was the first edition of Windows to come to market including the TCP/IP protocol stack as standard. In many ways it is the same time in the evolution of Blockchain - only it's 2019 rather than 1999. Enterprise adoption of the Internet was nascent and the question was: What's your Internet strategy?

Even with various surveys indicating that companies are "interested in Blockchain", as yet we have seen only a few projects publicly announced. So what is holding enterprise back from adopting Blockchain technology?

One reason is a general misunderstanding of the Blockchain space. Some companies still believe that Blockchain is only used for illicit and illegal transactions. Some believe that Blockchain is bad for the environment due to its excessive energy use. Still others think that Blockchain simply will not scale to meet the needs of the enterprise. The reality is that each of these is true only in a specific context. Blockchain technology is a broad category of protocols (there is more than just one Blockchain) and each of the other issues can be addressed through good planning, governance and architecture.

The number 1 reason why enterprises are not adopting blockchain: Enterprise cannot see how it drives top-line revenue and business growth. Blockchain does a great job at removing inefficiencies, unneeded middlemen and cross-industry waste. Yes, thus far, there have not been any use cases where using Blockchain technology has been part of driving enterprise growth.

Today there are a wide range of blockchain projects being developed for industry bodies, consortia and strategic partnerships to solve cross-industry problems. When these projects move out of stealth mode it will clear away much of the misunderstanding and - just possibly - reveal the killer app that shows how Blockchain Technology can drive business growth.

Do you have an answer to the question, "What's your Blockchain strategy?"

Blockchain Rookies - Providing Blockchain education and strategy to enterprise clients