

# CRYPTO A.M.

Our series on AI, Blockchain, Cryptocurrency and Tokenisation

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER



Seventeen years ago today, I was travelling across Lambeth Bridge on a gloriously sunny morning in the back of a Black London Cab. I received a call from my brother Justin to say that I was an uncle again with Millie being born – so a very Happy Birthday to you! Sadly for all of us later that day the world changed forever as the horror of the 9/11 attacks unfolded. It's impossible to escape the bittersweet emotions of that day and the weeks that followed when my wonderful and exciting start up had to close as investors fled for the hills. The many knock on impacts are still felt today and there is no question in my mind that the positive elements of Blockchain technology can really help such as enhanced Know Your Client (KYC) and Anti-Money Laundering (AML) techniques leading to a sensible and usable Electronic ID (E-ID) as explained to me by Wayne Caines, Minister of National Security for the Government of Bermuda who are currently implementing this.

The Crypto world has been through a hellish time of late with the overall global market cap of Crypto falling below US\$200bn and Ethereum now hovering around the US\$200 mark. Despite this, the level of excitement and activity in the Blockchain, Crypto and Tokenisation space seems to have no signs of diminishing. In fact the bullishness was everywhere to be seen with the World Blockchain Forum (WBF), hosted by Moe Levin's Keynote Events, at the stunning Old Billingsgate building on the north bank of the Thames in the City of London. An audience paying £1,000 per ticket attracted the great, the good and the downright controversial of the Blockchain world to come and speak as well as pitch. Too many to list here but I was very impressed with Tom Pillsworth V of BTCNYEX, Jimmy Snoek and the team at Tykn, Bing Byington & Joshua Jones of Cognida / Windmill Enterprise and Kevin Kirckman of Worldfree who talks about FreeMark in today's Spotlight feature below.

It was interesting to observe dispassionately the extreme views too – Roger Ver and Jeff Berwick both in their own way blinded by their idealistic views that in the case of the former Bitcoin Cash (BCH) will save the world and the latter with his Dollar Vigilante hat on reminding the audience that if Blockchain is not kept pure of regulation we will all become slaves to what he believes to be mankind's two greatest enemies: the State and the Central Banks! Therefore it is really quite exciting that the charming Max Studenikoff has organised, in the true spirit of discourse and debate, the 'Crypto Challenge Forum' taking place in Westminster 28th – 30th October (www.cc-forum.com) Crypto A.M. will be attending and definitely sharing its findings!

The notion of truth has always been a popular target of debate. What exactly constitutes truth? In attempt to answer this question, multiple theories of truth have emerged, such as theories of correspondence and coherence. Correspondence theory, pragmatic in its relation of judgement to reality, in some sense, falls victim to this simple idea that things are not always what they seem – here comes the idea of trust and perspective. Unlike the beautiful relations you'll find in maths, real-life sources are far from perfect. In coherence theory, if all beliefs are intact with each other, it's true. Hence it does not require correspondence. However, there's doubt about whether reality can actually be described by some set of beliefs as we have more insight into it.

To address the aforementioned issues, the ProofOfTruth system will be built using Distributed Ledger Technology and seeks to bind correspondence and coherence into a single system. The network will consist of connected pieces of knowledge and critique emerges



Proof-of-Truth lies somewhere at the intersection of philosophy, engineering and economics

around it. Actors judge the information by means of discourse. This includes scientific publications, reporting, investigative journalism, political activism, public thoughts, etc. Every message in the network has a confidence rating associated with it. Confidence reflects relative truthfulness and is an absolute estimate of its usefulness. This allows us to pick two well-proven pieces of

# PROOF-OF-TRUTH: A NEW APPROACH TO COMMUNICATING AND VERIFYING KNOWLEDGE



Designed by Phill Snelling, Bowater Media

knowledge and instantly be able to tell which one appears to be more trustworthy and to what degree, while further inquest into the sub-trees (think comment trees, but much more robust) of underlying critique provides more granular insight into the matter. The confidence is calculated via "on-chain" computations anyone can verify at any time. Ethereum is a good example of how we can reliably agree on certain

computations and use market economy to fuel the process.

That said, computers themselves cannot understand discourse. This limits the range of approaches that could be applied to define truth seeking. The route ProofOfTruth takes, and we'd like to make this absolutely clear, lies somewhere at the intersection of philosophy, engineering and economics. Recent developments in the area of metamodern



If cryptos only copy government currencies for stability, we'll have squandered a great opportunity for innovation



Kevin Kirckman, CEO Worldfree Corporation Ltd

Plunging exchange rates can cost exporters their shirts. Sterling versus the US dollar can vary sometimes 7% in a month, or 2% in a day. Businesses and individuals can lose big chunks of their profits—even make a loss.

Exporters must therefore hedge transactions in order to survive in the global economy. With more and more firms attracted by the easier distribution to overseas markets, it's vital that they are protected against very real foreign exchange risks that can cost even the most sophisticated firms hundreds of millions in lost revenue.

This is why FreeMark, a radical new and stable asset-backed cryptocurrency, is attracting considerable international interest among exporters large and small.

FreeMark has been engineered to be a better global medium of exchange, providing risk reduction for every transaction—plus built-in inflation and deflation resistance. Bitcoin was a great invention. It was followed by many other digital currency models built upon the same "blockchain"—a mix of spy-thriller, code-cracking technology called cryptography, and a dose of massively network-connected, peer-to-peer

communications using the latest, fastest computer chips.

It would not have worked without all three, plus a creative sparkle blended with libertarian rebelliousness.

This techno-concoction really set the public imagination on fire when loner tech geeks and grade-school students started becoming multi-millionaires. Now you can attend high-priced conferences with the cream of the trillion financial industry.

There is a saying in the engineering world, "throw away the first design". What it means is though while inspired, the first attempt at implementing a new idea does not always deliver what was hoped, but often brings hidden opportunities that unrelenting tinkers ultimately discover. Otto Lilienthal's 1896 death-by-glider "Manflight" became Wilbur and Orville Wright's "powered airplane" in 1903, and the "let's go to Mallorca for the weekend" jet flight of today.

The cryptocurrency industry has thus far been a shooting star. Today, cryptocurrency is a multi-billion industry spanning the globe. While nearly anyone you meet across the planet has heard of the dream, thus far digital currencies are not used by the main-

stream. Less than 0.02% of global transactions occur in crypto.

Why? At the core of his project, the elusive "Satoshi Nakamoto", who wrote the 2008 paper and early code that became the Bitcoin, was attempting to counter QE, or Quantitative Easing, that justified \$15 trillion in fabricated money created by central banks since the financial crisis.

Inflation is synonymous with devaluation. The downside of unrestrained government money-printing is that money becomes less and less valuable. While this works for leveraged real estate investors, it destroys savers long-term plans by imposing an inflationary tax on their savings. In Argentina, families have lost their entire savings sometimes 3-times in one generation because of their

government's fiscal incontinence. Nakamoto's solution to this scary mass-printing, reminding us all of 1920s Germany, Zimbabwe or more recently Venezuela, was to limit the money supply to only 21 million Bitcoins.

But the problem of eroding value of money is not only caused by inflation of the money supply. In fact, the Bitcoin's volatility has undermined its use as a currency. When last week Bitcoin dropped 12% in 24 hours, that was inflationary-style devaluation at its worst, even with a constant money-supply.

In other words, the Bitcoin is more akin to the dangerous Manflight, not the comfortable, powered airliner of today.

The FreeMark was invented to solve this volatility problem. It is stable because it's

pegged to a basket of commodities. Since most goods are made of raw materials, and most raw materials are commodities, tying a currency's value to commodities connects a medium of exchange to the physical world—a more scientific approach to wealth protection.

The novel asset-backing re-legitimizes money—most of the funds it is sold for are retained in a regulated, audited, professionally-managed fund. The sterling, euro or US dollar have 0% asset-backing since the early 1970s—floating currencies are historically recent

The FreeMark challenges the baseless currency idea—learn more by visiting worldfree.com



cient and for that matter, sustainable enough—for us to be using them. Moreover, we should expect to gain only a better understanding of markets in the nearest future. One of the past developments worth noting is the adaptive market hypothesis.

Andrew Lo looks at the market through the prism of evolutionary processes, which we think is quite reasonable of a way to look at things and is intact with metamodernism, which strives to form certain metanarratives that would create more trust and better cooperation. The tricky part is setting the rules "fair". This gets even trickier once you attempt to define the rules for larger and larger groups. Another assumption to make is that currently the highest achievable level of responsibility across increasingly larger groups is personal, financial responsibility. In Veritas, "being honest and competent makes you money, while lying only helps you lose it." As it's unclear whether "existential" ideas of responsibility can be applied to arbitrary hierarchies, ProofOfTruth avoids institutions in favour of individuals.

Veritas is the first project to ever plant a financial system in the centre of the truth-seeking process so deeply. You can think of new knowledge emitting new money, while critique is what moves the money around. The amount of money emitted can be derived from its significance, real-time confidence rating associated with it and many other factors. And this of course, converts to real money. Strong individuals could be making a living off their own head and their head alone, proportionally to their competence. And we now have a plan how to make this happen.

Author: Ilya Kowalewski (aka Ian Byrd) won the Google Coding contest twice: once aged 13 and the second aged 15. Now 19 years old he has founded Veritas.icu to develop the Proof-of Truth.

IMPORTANT INFORMATION: THE VIEWS AND OPINIONS PROVIDED BY CITY A.M.'S CRYPTO INSIDER ARE OF THOSE NAMED IN THE ARTICLE AND SHOULD NOT BE TAKEN AS INVESTMENT ADVICE. THIS COMMUNICATION IS MARKETING MATERIAL.

discourse, modest epistemology, ideas of existentialism and ethical commitment to metanarratives—fundamental stories—fit well together. On the other hand advances in consensus algorithms such as Bitcoin's Blockchain, Hedera's Hashgraph and Cardano's Ouroboros enable us to build transparent and self-sustainable public networks.

Veritas takes aim at the problematics of disinformation and decision—mak-

ing. The core algorithm is built upon foundation similar to the concept of Eigenmorality and certain applications of Google PageRank algorithm. The underlying assumption is that more trustworthy actors are generally more likely to produce trustworthy information and we can put much sense into the truth-seeking process for it to be self-sustainable. Turns out, modern market economies seems to be incredibly effi-



## IS THE MIGHTY ETH CRUMBLING?

Rick O'Neill, founder of Look, Touch & Feel - a specialist digital marketing agency - pulls back the curtains on ICOs, and their marketing campaigns, to reveal the real indicators of potential success and failure.

This week I want you to think about ETH and whether it can survive its current downturn, and consider how this affects the projects you may have been eyeing.

With ETH (the crypto currency of the Ethereum platform) currently falling below 200 dollars for the first time in a year, many are beginning to debate the currency's future.

A recent article on Tech Crunch stated "The collapse of ETH is inevitable". Stating that the asset will fail to see "real adoption" and fall to zero due to its inability to scale.

Certainly the chatter amongst many

telegram groups for projects, traders and investment pools is starting to centre around ETH in particular collapsing completely (although of course there are also those still bullish, speaking of now being the time to go shopping whilst there is "blood in the streets").

Consider the fact that there are viable alternatives too. Look at Cardano, EOS, Neo and Stellar as examples with good potential. Furthermore, research the projects that are pivoting their entire business model away from Ethereum to keep investors on-side, and future-proof their business, such as TriForce Tokens, who announced recently that they'll be

building their own custom Blockchain and re-issuing the (previously Ethereum based) FORCE tokens on the new platform soon. So perhaps now is the time to look beyond ICO white papers and blockchain use cases and question the fundamental foundational tech powering the tokens of these outfits and whether it can truly scale and survive.

But do your own research, and be sure to read up on Vitalik Buterin's (Founder of Ethereum) response to the article in which he hints at possible

Big changes that would void these concerns. Be careful out there folks.



## CRYPTO ANECDOTE OF THE WEEK

### Heart-breaking Crypto Regret!

Every once in a while you get to hear first hand stories that are too good not to share! I had a lunch meeting this week with Simon Smith and Les Straszewski, Founders of Toucari.Live, a leading multidisciplinary professional services agency in Farringdon to introduce them to the Blockchain and Crypto world. Given the nature of this story our lunch was at the appropriately named Bleeding Heart Restaurant where we were meeting with a leading light in the London Blockchain scene who has to remain nameless for this purposes of this story. In response to me asking how he first heard of Bitcoin he burst out laughing: "you won't believe me!"

"In early June 2009 I was a student at Manchester University and had just finished a promo job to earn some extra money. It was at the same time a fellow student had asked if I knew about BTC. Sitting in my parents' house I used their computer to find out about it and found the site where I could buy some. I had £65 spare after my job and the price of Bitcoin was US\$0.0001"

At this point I had to get on my iPhone to do some fact checking £1.00 bought US\$1.64, so

£65 was US\$106.60. That means, assuming that they were available; his check out should have contained a million BTC. "Yup it was about a million I recall and I was about to push enter to buy them. I stopped though and did more reading – paper wallets, digital wallets process and all that blah came up, so I said so this I'm off out for a good Friday night out."

I was calculating this loss when Executive Chef and friend Julian Marshall came over to say hi and we introduced our new friend announcing he had basically blown \$7bn at current Bitcoin pricing (\$22bn last January) on a proper Friday night out!

So in honour of my gutted friend, Julian is creating the "Bleeding Heart Crypto AM Pudding" once he has finished celebrating the Bleeding Heart's 35th Birthday this Friday – Congratulations to Robert and Robyn Wilson, Julian and the whole Brigade.

Author: James Bowater

Location: Bleeding Heart Restaurant, 3 Bleeding Heart Yard, London EC1N 8SJ

Tel: 020 7242 8238



## ICO NEWS



### Audit Straight to (Blockchain) Video

Audit is about to change - so is regulation. While regulators around the globe grapple with Blockchain technology and its implications, including tokenisation of securities, fractionalisation of assets and ICOs, others - including at least one of the co-inventors of the technology - are working on a quiet revolution they believe is destined to transform the entire landscape. From static to dynamic. From grainy quarterly or annual snapshot audits to a continuous, transparent, real-time HD 'video'!

As leading academic John Quiggin, an economist at the University of Queensland, pointed out in a Guardian article last week regulation as we've known it is reaching the end of its road. Saying: "The usual defences of "bad apples" and "rogue advisers" have fallen apart as it becomes evident the problems are systemic, driven by relentless pressure from the top to maximise profits at all costs."

He cites a 2014 study "Business culture and dishonesty in the banking industry" published in Nature which showed that "Banking has developed an ingrained culture of dishonesty" and concludes "We will probably have to wait for another crash before the power of the financial system can be tamed. But, given the incentives in the system for reckless dishonesty, that crash will come, sooner or later."

Or could there be another way? As Jason Meyers, Founder of Auditchain said when I interviewed him recently. Who could refuse a system which is tamper-proof, so much better able to observe and report transactions in real-time, as well as offer near real time analysis - other than those who hope to gain from gaming the system?

No doubt Auditchain will be followed by others but Jason's top team includes such luminaries as Dr. Stuart Haber, one of the co-inventors of Blockchain technology (although cited, three times in the original Bitcoin paper, Dr. Haber has denied he is Satoshi Nakamoto), and Eric Cohen, one of the co-founders of the global standard business reporting mark-up language; XBRL.

Auditchain's mission is continuous, transparent, real-time audit - "streaming financial statements". If audit 'as we know it' is a series of grainy quarterly snapshots, then this is real-time video! Tamper proof and consensus-based - with external validation and analysis ensuring transparency and so cutting the scope for fraud.

If that's an alternative to the inevitability and hardships of another crash, as Quiggin suggests, then who can question it? Bring it on! More on this via ICORadio. Please Tweet/Telegram your questions to @BarryJames or listen at ICORadio.