

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

Since last week's edition of Crypto AM the market has seen some upward motion but is now back to the same level and, at the time of writing, Bitcoin (BTC) is trading at US\$3,571.62, Ripple (XRP) at US\$0.3199 and Ethereum (ETH) at US\$122.13 with the overall Market Cap at US\$119.3bn (data source: www.CryptoCompare.com) The holiday interruption is now out of the way with the conference and 'meet up' season well and truly underway where existing projects will be reporting on their progress and new innovations with other entrants making their big launches. One surprise however, is Ethereum's much vaunted hard fork Constantinople, which was anticipated to happen last week on the 16th January has been officially delayed until 27th February. A hard fork is where the Blockchain splits into two and is essentially a method to fix or improve the protocol such as its security and functionality – the delay of Constantinople stems from an external audit firm's identification of security vulnerabilities in one of the five new protocols.

27th February is another significant date in the Crypto calendar as this is the last date for the SEC's decision on the VanEck Bitcoin ETF decision although President Trump's continued shutdown of the US Government might well interrupt scheduled business. State business doesn't seem to be affected though with the major news that on 18th January Wyoming introduced a Bill SF0125 - Digital assets-existing law (www.wyoleg.gov) described as an "Act relating to property; classifying digital assets within existing laws; specifying that digital assets are property within the Uniform Commercial Code; authorizing security interests in digital assets; establishing an opt-in framework for banks to provide custodial services for digital asset property as directed custodians; specifying standards and procedures for custodial services under this act." The importance of this cannot be overemphasised as this should pave the way for banks to be custodians of digital assets and operate throughout the US. This should make it easier for the SEC to start making the critical regulatory decisions essential for institutional adoption.

Over the weekend, I ran into Florian Bollen from the German Kraft micro-brewery in London's Mercato Metropolitan. As 'Meisters of Purity' the team there are dedicated to doing things properly using their patented water distillation process and, with sustainability as a core value, they use the heat from the fermentation process to distil London tap water and the wastewater from adjacent gin distillery and bar Jim & Tonic. The resulting pure water is then mineralised according to recipes used in both the beer and the gin. What does this have to do with Crypto you ask? The billion dollar global expansion of German Kraft will be funded by the issuance of asset backed utility tokens called Craft Beer Coin. Who said cryptoassets can't be fun?!

As governments consider the RegTech of crypto and blockchain, not all is equal. As with inward investment visas, those countries with faster acting governments can step up to attract big brand names in this emerging financial sector. Two neighbouring countries, Switzerland and the principality of Liechtenstein, have made strides to capture early entrants.

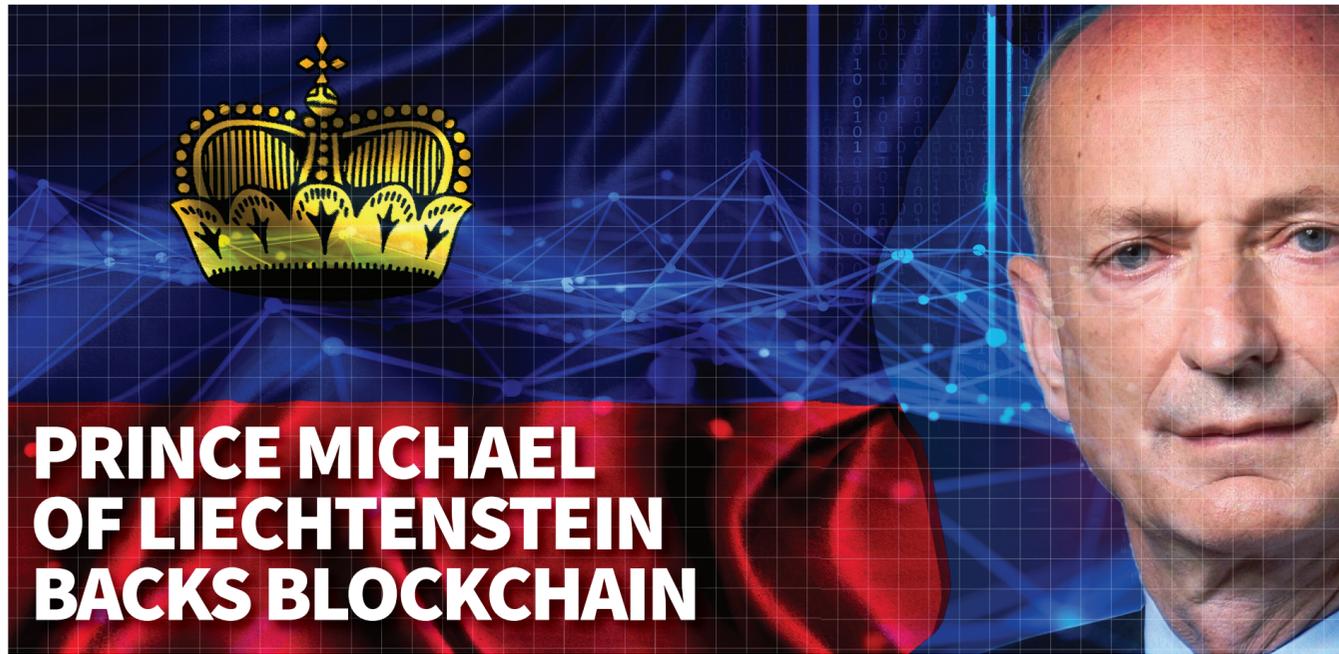
Prince Michael of Liechtenstein, Chairman of Industrie-und Finanzkontor Ets., a privately-owned trust company with a specific expertise in wealth preservation, spoke to Karen Jones, Citywealth, Editor and contributor to City A.M. about the plans to attract tech organisations to Vaduz, the capital of Liechtenstein, and his interest in this emerging market.

Prince Michael's interest in cryptocurrencies was raised in 2013 when the US treasurer declared Bitcoin 'dangerous'. At that stage, Prince Michael decided to find out more about cryptocurrencies and then realized that the underlying Blockchain-technology was a development with enormous potential for disruption.

The application of Blockchain in the financial industry will require some regulation, explains the Prince. However, he warns that regulators are often more concerned about what can go wrong instead of looking at the opportunities. Liechtenstein has addressed this with regulatory laboratories set up to test potential regulations. He believes it is important to work with the industry and start-ups in order to understand the system and to make the opportunities visible.

A less capitalistic approach is being taken in the principality to help start-ups succeed. Besides having initiated a law to regulate tokens, cryptocurrencies and ICOs, Liechtenstein's legislator has also created a new legal instrument called LVC (Liechtenstein Venture Co-operatives). The LVC is a legal offering to support investors and investors through a weighted mutual reward system which includes intellectual property.

As a headline speaker at the Swiss Blockchain Summit, the Prince has a



PRINCE MICHAEL OF LIECHTENSTEIN BACKS BLOCKCHAIN

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longstanding interest in Blockchain from a logistics point of view. He sees that decentralized Blockchain technology has the potential to replace traditional methods. Having observed the financial industry for many years, he saw it as burdened with bureaucracy and regulation. He thinks the potential to replace institutions with technology for instance in payment systems is real. However, he understands the wariness from governments but adds that this is normal because new technologies always raise fear in the beginning. He acknowledges that many might be against the rise of Blockchain at first sight. The Liechtenstein Government

favours the development of Know-how in Blockchain within the principality and has become a pioneer in developing a law on Blockchain in the financial industry. As a liberal country, Liechtenstein sees its role in providing the right framework. There is a Technopark in Vaduz that supports start-up companies by providing office space and infrastructure. Liechtenstein is also part of the Technopark-Alliance-Network Switzerland, the number one location in Switzerland for the transfer of technology from academia to practice. There is also a consultation in the pipeline for the regulation of

while a further 30,000 people work in foreign branches of companies based there. It has a long-standing customs and currency treaty with Switzerland and a membership in the European Economic Area (EEA), which provides access to the European Union market.

Prince Michael is convinced Blockchain will bring a big change to the financial industry and will particularly affect the custody and payment sector. He thinks that in the future, these functions will be kept separately from the banking industry. He sees it as a good opportunity to increase efficiency in financial services and suspects we will have a future like the African system with peer-to-peer transactions and security. However, he reckons the



A less capitalistic approach is being taken in the principality to help start-ups succeed

banking system will still play an important role in financing and in the case of private banking, personal advice will certainly remain essential. The token will find a niche to secure property rights and ICO's will be useful, mostly for financing in smaller scale ventures

Prince Michael of Liechtenstein is Chairman of Industrie- und Finanzkontor Ets., a trust company with a tradition and expertise in the long-term and trans-generational preservation of wealth, especially family wealth. He is also the founder and Chairman of Geopolitical Intelligence Services AG, a geopolitical consultancy company and information platform.

Karen Jones, founder and CEO of Citywealth (www.citywealthmag.com) in conversation with James Bowater

THE WIREX WEEKLY MARKET VIEW

After a low volatility regime in September and October the status quo was abruptly unsettled as Bitcoin headed south, shedding over 40% of its value.

There was a wide array of factors affecting the markets; the bitcoin cash war, the concentration risk of the mining power in a proof-of-work blockchain, the lack of coherence among digital exchanges for the hard forks and airdrops treatments and the repeated delays for the development of the lightning network.

Negative narrative around the investigations by the DOJ and the SEC, for alleged misconduct by some large digital exchanges, dubious ICOs, and jitters around crypto-collateralized loans, drove the bulls away. Consecutive postponements regarding ETF regulation by the SEC did not bring the market rally that many forecasters, had anticipated.

Despite the gloom of the markets, Wirex has seen more opportunistic buyers drawn in by an extremely high volatility regime. Bitcoin Whales (dormant investors) are getting more active. This is confirming our current view for renewed large market swings, around the 3000 to 4300 levels, with a strong support above the 3000-3100 levels where markets

should at least consolidate.

The spotlight this week is on Ethereum. Ether initially outperformed its peers (+11.35% on Monday) ahead of the Constantinople hard fork, however after the audit revealed a vulnerability in the code, developers decided to delay the fork until February, and the price consequently readjusted on the 15th (-6.42% on Tuesday).

Bitcoin evolved between 3470 and 3774 with lower volumes with still a high volatility (daily realised annualised volatility stable at 0.53), giving direction to LTC, and XRP.

Waves announced a \$120 million funding round last month (Dec 19th). Since then, the token has been slowly readjusting, catching up on the overall macro bearish trend (down close to 6% this week).

In the medium term, we could see a strong rally if a positive fundamental change happens. There are many positive drivers in 2019, the Bakkt exchange backed by the Intercontinental Exchange, it is expected to launch this month. Another driver is the recent rumour that Russia is considering buying billions in Bitcoin as it is allegedly looking to shift its central bank's reserves away from the U.S. dollar.



A Giant Leap for Fintech

SECURITY TOKENS: RISING RAPIDLY INTO THE BILLIONS?

This week's 'Security Tokens Realised' conference is going to be even more interesting than I thought when I delivered last week's column – for one very good reason.

Blockchain technology has just landed a whole new asset class... right slap-bang within the FCA regulated zone... and it has a very familiar face. Familiar to anyone who's been keeping up with Fintech developments over the last decade at any rate.

An altfin business, Moneybrain.com, working with sister company JustUs.co have created a new currency called BiPS. So what?

MARS LANDING?

What makes this significant, a world first in fact, is the joining of the old with the new. That this, once connected up, will allow practically anyone, anywhere to buy and own a real-world, regulated, fractional asset!

You may recall from last week's column (pay attention at the back) that this is an extremely significant step because it opens up the field in a way which is unprecedented. In the case of BiPS, from the UK to the entire world. From one country to 200, as anyone anywhere can buy a BiP – or a small fraction of one. Opening property investing to the world.

ONE SMALL STEP THAT'S A GIANT LEAP FOR MANKIND

Of course this is hugely significant for Moneybrain who, as CEO Lee Birkett told me, already has a lengthening queue at the door (could BiPS.Moneybrain.com be the next fintech unicorn?), and is thinking bigger than ever before. It is even more significant for the city, Fintech, and the UK – we still have the chance to lead the way, and lead the world!

QUICKLY INTO THE BILLIONS

Because being able to build the new on the established is extremely powerful. Property portfolios, pensions and other funds can all benefit. Not just from a reduction in costs but from what you might call liquidity on steroids.

So how has an outfit from the north, Manchester, taken a world lead in the face of all the funding from ICO, VCs and the intense interest of the banking sector?

Homework! Or rather years of groundwork paying off in a whole new way. (I should point out that I have known Lee for years and been badgering him for the last year or two to pay attention to this 'blockchain thing', so have ended up advising the BiPS team).

CROWDFUNDING EQUALS FRACTIONAL FUNDING...

Because Crowdfunding equals fractional funding – in order to CrowdFund a loan it has to be fractionalised, broken into 'loan parts', which must be accounted for. This is now well known and well understood – including by regulators, with whom Lee has worked closely over those years to blaze this particular trail.

Plug into that blockchain tech in the form of the BiPS token and it moves to a whole new level. In fact Lee told me that after months of development and testing when they finally fired up the engine it felt like the first landing on Mars, and in light of the significance it's not difficult to see why.

There are whole new worlds to explore as a result. You can start to do so with Lee and I as the entire interview is now live on ICOradio – join us there – or I will be chairing Wednesday afternoon at this week's conference: www.SecurityTokensDelivered.com. See you there! Barry.James@TokenIntelligence.io

Crypto A.M. shines its Spotlight on Tokeny

Tokeny, the compliant tokenization platform, is the European market leader in delivering an institutional grade, secure end-to-end platform. Working with clients across five continents, Tokeny has the solutions required for the compliant issuance and servicing of digital securities.

The Initial Coin Offering (ICO) market that exploded last year was an innovation that represented a great technology advancement. Peers could instantly trade tokens representing business services, or in other words utility tokens, with one another 24/7 and 365 days a year. Using blockchain technology, this new technological advancement drove more efficient flows of capital from a significantly wider pool of investors. Of course, the problems that surround ICOs are very well documented, and some studies have reported that over 80% were scams.

With ICOs now in decline, 2018 has been called by many as the shift to Security Token Offerings (STOs) and it's a popular notion that by 2030 tokenized securities will be the primary method of

security issuance. To understand tokenized securities, it's fundamental to understand securities. With securities, it's mandatory to respect the relevant laws and regulation for every jurisdiction the assets are issued in, and in every jurisdiction the securities will be distributed. As you might expect, the exact same process is needed when issuing tokenized securities.

But why replace the financial infrastructure that has existed for

“ We believe blockchain technology is the foundation of a new financial infrastructure that will revolutionize the way capital markets operate



Luc Falempin, CEO of Tokeny

decades? With STOs, and the utilization of blockchain technology, the benefits are overwhelming. Here I will focus on two. Service functions that are currently carried out by middlemen can be

automated through blockchain technology, reducing costs and increasing transaction speeds. The promise of liquidity, although not currently existing today, is a key benefit

of using distributed ledger technology (DLT). The ability to fractionalize tangible and illiquid assets through tokenization can bring liquidity into markets that have had little to no access to it. Furthermore, secondary markets will also offer increased liquidity through a constant 24/7/365 trading market.

As one might expect in a growing industry, the STO market has shown that there are many players in the space that respect rules and regulation, and you could argue that this reflects signs of maturity in a nascent industry. At Tokeny, we have created the T-REX (Token for Regulated EXchanges), to enforce the compliant transfer of securities on the blockchain. The T-REX standard is a decentralized set of global tools, based on the Ethereum blockchain, to allow for the interoperable, frictionless and compliant transfer of tokenized securities.

We believe blockchain technology is the foundation of a new financial infrastructure that will revolutionize the way capital markets operate. Having recognized that there are problems in the industry related to fraud and scams, we have come up with a set of solutions that address those pain points, something we believe will help drive mass adoption across the financial industry.



DECENTRALISATION MAY BE THE MOST INTERESTING FEATURE OF BLOCKCHAIN

Troy Norcross, Co-Founder Blockchain Rookies

Ultimately, and kind of obviously, a decentralised business or ecosystem means that there is no single point of control. With no one single point of power, and a governance model where the majority of the constituent players need to agree on transactions, it puts the control in the hands of those individuals (nodes) and therefore creates a more harmonic and fairer way of ensuring that the ecosystem "works".

This concept feels revolutionary. We have grown up in a world where we are forced to trust central points of authority, whether it be government,

the banking system, and even the social media platforms where we share our lives and interact with our friends and peers.

All of these trusted third party's can deny you access to their service any time they want for any reason they want and there is pretty much nothing you can do about it. Government's can revoke passports, social media platforms can censor you, and banks can refuse you access to your money.

In blockchain technology, decentralisation is about control. Specifically, who can control the contents of the ledger? Who can approve or reject transactions? Who

has control over the protocol? Who has control of the majority of any cryptocurrency? Is control spread out amongst multiple individuals or organisations? The idea behind decentralisation is that we don't need middlemen, and by removing them, we can eliminate censorship and authoritarianism as well as reduce friction in trades.

And one last thought: Decentralisation requires structure and agreement. Decentralisation is achieved through good governance. Governance is one of the most important and least discussed topics in Blockchain technology.

