

# CRYPTO A.M.

Our series on AI, Blockchain, Cryptocurrency and Tokenisation

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

Tomorrow marks the 10th Anniversary of Satoshi Nakamoto's whitepaper entitled "Bitcoin: A Peer-to-Peer Electronic Cash System" (<https://bitcoin.org/bitcoin.pdf>). The World Economic Forum predicts that of 10% of global gross domestic product (GDP) will be stored on Blockchain technology by 2025/27; the IMF estimates the 2018 figure for global GDP to be US\$87 trillion. Given that Bitcoin is trading at around US\$6,380, accounts for 53.65% of the total US\$206 billion Crypto market cap and according to LBX.com is currently demonstrating its lowest weekly volume since November 2016, which tends to happen when searching for the price bottom – it's no wonder there continues to be so much interest for investors and regulators alike.



Gibraltar has long and essential ties with the City of London and with Brexit nearly upon us it's more important than ever that we protect that relationship and give Gibraltar all the support she deserves. This was the week that seemingly the entirety of the Gibraltar hierarchy - from both government and business - descended on London. At its heart the purpose of this invasion was the promotion of the jurisdiction as being open for business when it comes to Distributed Ledger Technology (DLT) / Blockchain and, of course, Crypto. Given that the landmass of 'the Rock' constrains Gibraltar's economic options, it's no wonder that their prime revenue source is financial services whether it is in banking, insurance or gaming. Now Gibraltar has added DLT to its own ledger of products and services to regulate.

Regulation is what Gibraltar does best because above all else because it's custodians will never put the jurisdiction at risk - to do so would be playing Russian roulette with the economy. Despite this what has really impressed me is how open and welcoming they are - they really do mean business. In fact the Gibraltar Funds and Investments Association (GFIA) announced the launch of the Crypto Fund Code of Conduct during their breakfast in London.

Callaghan Insurance Brokers hosted an event introducing the London insurance market to Gibraltar's DLT regulatory framework where I was fortunate enough to meet with the Hon Albert Isola MP, Minister of Commerce, Siân Jones from the Gibraltar Financial Services Commission and Nick Cowan, CEO of Gibraltar Stock Exchange all of whom have contributed to this Gibraltar Special Edition.

Yesterday at the Crypto Challenge Forum I heard that an exciting new TGE (Token Generating Event) is being launched, Corre Energy is holding a TGE to raise money to launch the "world's first asset backed mass energy storage platform" designed to unlock the value of stored renewable energy – [www.corre.energy](http://www.corre.energy).

Gibraltar will legislate on token offerings, market integrity and the provision of ancillary token-related services

countered with "this interweb thingy will never amount to anything". The BBC used to be happiest when the number complaints about a programme garnered a similar quantity of plaudits. Crypto booms have come, and busts have gone, but have we now reached the point of no return for blockchain and distributed ledger technology?

While the point of bitcoin is, for many, far from obvious - 'what is its com-

# A PLACE FOR EVERYTHING AND EVERYTHING IN ITS PLACE

Designed by  
Phill Snelling,  
Bowater Media

elling, sustainable use case" - there is little doubt unleashing a radical alternative to trusted third parties - the mainstay of traditional regulated financial services - has the potential to fundamentally alter thinking on the way states protect their citizens from malfeasance and incompetence in financial services.

It may be years before DLT actually impacts the financial services world, if it ever does. How should regulators respond; and when? First of all, it is important to understand, in most cases, regulators come some way down the food chain. Decisions on what and how

to regulate rest with policymakers and legislators. Regulators implement the will of legislators, usually in the public interest, as expressed in law. The opinions of regulators may be sought together with those of stakeholders, incumbents, and civil society but, fundamentally, the course is set by legislators. So, how should regulators respond to new discoveries? In an era when innovation is to be encouraged and embraced, where should the balance be struck? The starting point is often to look search current law and regulation and see whether a novelty fits into an

existing pigeon hole. Rarely does it sit there elegantly. Occasionally, law is written in such broad and sweeping terms that it neatly grips some new product or service. Sometimes, fear (of the unknown) takes hold and the impulse to ban prevails. Most often, the recognition that a new response is necessary pervades but here the regulator has to pause, waiting for legislators to take the next step. At this point, one enters a vicious circle of regulatory uncertainty holding back innovation resulting in the perception of low impact and significance, in

turn suppressing the perceived need to create new rules. A new regulatory paradigm is required for innovation. Sandboxes and regulatory proofs of concept may help expand knowledge and understanding but they do not, in and of themselves, deliver a solution. Governments lauding the merits of fintech and proclaiming their nation to be leading in the next big thing have a vital role to play in stimulating innovation by providing regulatory certainty. Regulatory certainty is undoubtedly what the Government of Gibraltar has

delivered for businesses involved with cryptocurrencies and other virtual assets. Naturally cautious and conservative, Gibraltar is no stranger to taking carefully-thought out and measured risks with new technology.

A well-respected international finance centre sitting alongside nations such as UK, Australia, Canada, Denmark, and the USA in the OECD's transparency rankings, Gibraltar places its hard-won reputation as well as concern for consumer and investor protection at the forefront of its regulatory thinking. It succeeds in delivering these paramount outcomes without impeding innovation. On the contrary, it supports fintech by judicious application of new methods of regulating firms to achieve robust regulatory outcomes.

Take distributed ledger technology. Gibraltar introduced a pioneering purpose-built regulatory framework for DLT firms - those with responsibility for customers' assets and the like. Gibraltar's new regulations, which came into force on 1st January this year, attracted 40 licence applications. The first have been granted.

Soon, Gibraltar will legislate on token offerings, market integrity and the provision of ancillary token-related services with a complementary regime to its principles-based DLT regime.

The DLT team at Gibraltar's Financial Services Commission, is now the largest within the near 90-strong financial services supervisor. The team represents one of the largest contingents of regulatory expertise on DLT and virtual assets anywhere in the world.

An acceptance of the need for novel and innovative regulatory solutions to new and evolving technologies, business models, products and services has to be the way forward. Whether we look back in another ten or fifteen years on a blockchain-based world remains to be seen but customers of Gibraltar-based crypto firms will be content that their interests were safely protected without diminishing development of the innovation upon which those firms relied.

Siân Jones is Senior Adviser on DLT at the Gibraltar Financial Services Commission

## GIBRALTAR INTERNATIONAL FINTECH CONFERENCE 2018

### Gibraltar a centre of excellence for Blockchain

Over the past year Gibraltar has worked hard in its determination to become a centre of excellence for the Blockchain and digital assets industry. In January 2018, Gibraltar became the very first jurisdiction globally to introduce legislation around Distributed Ledger Technology (DLT). This means that any firm carrying out business, in or from Gibraltar, with the use of DLT for storing or transmitting value belonging to others, needs to be authorised by the Gibraltar Financial Services Commission (GFSC).

So far 40 companies have applied to the GFSC for licences to operate Blockchain businesses and some of these are veritable titans in the industry. I am delighted to see that the GFSC has already granted licences to two recipients, COINFLOOR, a leading Bitcoin exchange, and COVESTING, a cryptocurrency exchange and copy-trading platform.

Of material importance to Gibraltar's engagement with the industry is that it entertains advances

from only the highest quality businesses. Those interested in obtaining the DLT licence have been engaging in rigorous discussions with the GFSC since the introduction of Gibraltar's DLT legislation in January. Representatives of applicant organisations have to outline a comprehensive plan for meeting the jurisdiction's nine robust regulatory principles, with the business being subject to a strenuous risk assessment by the regulator. We want Gibraltar to be home to those with the highest standards and will not compromise in this ambition.

We will shortly publish new legislation for the regulation of Token Issues which will further enhance our ecosystem providing a quality framework for these firms and will be joining forces with all our new entrants to drive a partnership with the University of Gibraltar providing structured learning in these new technologies. We are creating a centre of excellence, and this is only the beginning for Blockchain in Gibraltar.

Hon. Albert Isola MP, Minister of  
Commerce HM  
Government  
of Gibraltar



## TOKEN INTELLIGENCE

### Crowdlending Tokens Ready to Go Global

The new token ecosystem is maturing now at an astonishing pace – and starting to put down deep roots into the regulated space, with the announcement of the first token to be generated and to be offered by an FCA regulated company. The aptly named MoneyBrain.com.

CEO Lee Birkett is a serial entrepreneur, and veteran crowdfunder, and the trailblazing BiPS token, named after 'basis points' who's abbreviation BPS is pronounced Bips, has been created with Lee's Crowdlending sister site JustUs.co.

Crowdfunding plays a pivotal role in the BiPS story. A history that has enabled the BiPS project to take shape in what must, from what I've seen, be record time, from inception to announcement. Possibly because of five years of experience, team and technology building, at the forefront of fintech, working with the FCA and funded by the crowd – who've provided the lion's share of the capital.

JustUs was originally funded with £430k via Crowdcube in 2014, funds used to build the platform and regulatory applications. A further £1M in equity and £4M in crowdfunded lending followed and enabling JustUs

to become a fully regulated FCA Authorised P2P platform a year ago.

When I interviewed him on the launch for ICOrad.io Lee revealed that after an initial reticence, in light of the bad publicity around ICOs, he now sees this as just the next stage of the development for P2P and his platform. An opportunity to use blockchain to facilitate the global roll out of P2P by making BiPS available to a global network of contributors.

Initially wary of a bad reaction from partners and investors he was more than pleasantly surprised by the enthusiasm with which the development has been greeted throughout – perhaps because of the increasing maturity and professionalism around blockchain he says is clearly gaining traction within financial services.

While the UK's Cryptoassets Taskforce continues to deliberate and the FCA have sought to expand their 'regulatory perimeter' by stealth this proves that there already are opportunities aplenty for those with a mind open enough and eyes to see new opportunities being opened up globally by tokenisation.

Listen to the entire interview now at ICOrad.io

## Crypto A.M. shines its spotlight on GBX

Last year saw the Gibraltar Stock Exchange (GSX) embark on an ambitious journey with the creation of the Gibraltar Blockchain Exchange (GBX) in September 2017. It's now thirteen months on and the GSX Group has become one of the first Stock Exchanges in the world to launch a token sale platform and cryptocurrency exchange.

The focus of the GBX was always to leverage our experience in running a trusted and regulated Stock Exchange in order to bridge the world of traditional finance with the world of cryptocurrency and token sales. 2017 was often referred to as the "Wild West" but we could see beyond this, envisioning a new path to help this market evolve and mature.

An institutional-grade platform, with complete KYC and AML checks, a pool of whitelisted users, and a network of Sponsor Firms, all come together to propel the GBX to the forefront of the future of token sales and digital asset exchanges.

Sponsor Firms are an integral part of our world-leading, institutional-grade process. They operate as a first line of defence and are responsible for the initial vetting and due-diligence for any

project looking to list on the GBX. Token issuers must appoint a Sponsor Firm. Only after they have completed that process, will they be able to proceed with an application. This, in turn, is then carefully reviewed by our team internally.

We have always strived to create a more robust ecosystem within this nascent space. Our efforts have already reaped rewards. We are proud to now have 24 Sponsor Firms in our growing global network, all of whom process both primary market and secondary market issuers looking to gain exposure on our trusted platform.

Last month, we were given our ap-

The GSX Group continues to evolve its ecosystem



Nick Cowan, CEO of Gibraltar Stock Exchange

proval-in-principle from the Gibraltar Financial Services Commission (GFSC), the Gibraltar regulator for DLT Licenses in the jurisdiction. This was an accomplishment that few firms could announce. Gibraltar, as a jurisdiction, has been leading the charge creating a blockchain hub in Europe, since January 2018 when

it passed legislation for DLT regulations. Our journey doesn't stop here. The GSX Group continues to evolve its ecosystem, in line with an industry that is changing on an almost daily basis. Everyone is now talking about the future of Tokenised Securities, and although these are uncharted waters currently, we have

a firm vision of where we feel the industry is heading. We'll be announcing more very soon, and we invite you to follow us online to keep up to date with all the latest news and information from the GBX.

Nick Cowan  
CEO - Gibraltar Blockchain Exchange



## BLOCKCHAIN SCALABILITY HAS ARRIVED

Meinhard Benn, Founder & CEO of SatoshiPay

Timing is everything, especially when it comes to the scalability of cryptocurrencies and the use of blockchain.

Blockchains already facilitate secure and traceable instantaneous transactions for millions of people and businesses around the globe, but for blockchain technology to compete with traditional payment methods, it needs to supersede incumbents such as Visa, which is considered the gold standard for comparison. Processing on average 1,667 transactions per second (TPS), Visa is fast, however it comes with a price – businesses using Visa pay high transaction fees for the convenience.

The emergence of blockchain is

disrupting the monopoly of traditional transaction businesses by giving the freedom to send any amount, anywhere, without expensive cross-border currency conversions and heavy fees.

Although blockchain has been criticised for its inability to meet speed demands of the global economy, it is important to remember that not all blockchains are equal in their delivery capability. Bitcoin transacts at about 5 TPS, Ethereum at 15-20 TPS, Ripple, at 1,000 TPS is getting close to Visa's level, and Stellar, at over 2,000 TPS manages to surpass Visa's daily average TPS.

Stellar is now the sixth largest cryptocurrency by capitalisation and it continues to expand its partnerships and

global reach. It is these technological developments that are facilitating market growth, enabling the likes of SatoshiPay, which uses Stellar and Lumens (XLM) as settlement tokens, to commercialise its revolutionary micropayments solution. Consumers will therefore benefit from high-speed transactions of all sizes at a minimal cost to the user.

With payment traceability, dramatic cost reductions and transactional speed addressed, the crypto arena is extremely exciting. With more and more people discovering cryptocurrency – there are currently nearly 4 million regular users – efficiencies and technological upgrades will increase the blockchain rollout and its uptake in the global arena.

