

# CRYPTO A.M.

Our series on AI, Blockchain, Cryptocurrency and Tokenisation

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

Having left London to celebrate my birthday (tomorrow!) in Nice, I have had a chance to reflect on my Crypto A.M. journey in this, my tenth edition. I have had a remarkably enlightening ten weeks making sure that I met as many as I could of the UK's leading figures in AI and the Blockchain Industry, and am now a member of several groups wanting to drive these industries forward.



Many believe that 2018 has been the inflection point in the growth of the Blockchain Industry and that it is indeed here to stay, as Thomas Power wrote in my first edition (18th June 2018).

I recognise that, as with all nascent and now rapidly growing industries, there are divergent views on where the direction of travel should be and also varied opinions of what will win through - and what won't. That being said, common themes do emerge and top of the list is to clean up the image of Initial Coin Offerings, which have had a bad press because of the bad actors the 'wild west' nature of the space attracts, and it's generally recognised that the only real way forward for that is credible, flexible and safe regulation.

Although I believe that there is much the Blockchain Industry can do to self-regulate, it is vital that the financial authorities and government step in and provide the same. This will provide peace of mind to our entrepreneurs not wanting to be exposed to retrospective action, investors wanting to be protected from rogue operators and also open the doors to regulated investment funds who can't invest their clients' funds into an unregulated space.

With the fast pace of progress of integrating AI and Blockchain into key solutions, leading to the advent of the Digital Economy 2.0, I strongly believe that there is an opportunity for the UK to become a leader in the space which could be vital in a post Brexit Britain. Watching Bermuda, Malta and Singapore move with lightning speed to embrace new legislation and seeing by default the UK, through Gibraltar, Jersey and the Isle of Man, doing the same, I am struck by how we might just make a success of this.

The Commonwealth is made up of 53 member states and has a population of around 2.5bn. Most, if not all, have derived their laws from English Law and of course the Head of the Commonwealth is the Queen. With all of the countries I have just mentioned being members it highlights my theory that the powerful network of the Commonwealth could be harnessed to create a uniform regulatory framework - and that the UK should not be slow to jump on board and help drive this agenda forward.

## City A.M.'s Crypto Insider meets Mirox Crypto's Benjamin Beal

While some investors scramble for the latest crypto opportunity, other more traditional types are on the fence, unconvinced of the risks and uncomfortable with losing their hard-earned capital in a young volatile and unregulated market. With this in mind, Mirox Crypto Ltd feels it has a created a unique concept, which provides a more managed approach for crypto investing by providing security and market education to their clients.

The firm and their team of advisors from the Token Lounge have recently launched a fixed income bond to a limited class of investors. The new bond combines a hedging strategy that covers any underperforming investment and structures them into three levels of risk; Mining, Initial Coin Offerings (ICO's) and Trading.

City A.M.'s Crypto Insider met with Mirox Crypto Director, Benjamin Beal, to get an inside track on what the bond aims to do.

Benjamin Beal stated, "We created the bond as a large number of investors are looking into crypto, but feel the market is too unstable and they don't have the

sector knowledge to invest strategically." "At any one time, there are countless projects claiming to create new solutions to industry problems through crypto and blockchain technology. We identify the best opportunities and structure investments in a strategic way to help provide security over our clients funds." "Specifically, we have identified three areas within the crypto market that come with different levels of risk. We see investment into crypto mining rigs as having the lowest exposure as its asset backed, and we have assessed a number of projects in Europe that require additional funding. ICO's are the next

Recent data has shown a volatile market within crypto

Crypto founders are going out of their way when it comes to ensuring that their token classifies as a utility token. The fear of being regulated and having the government peek into their beloved project makes them shiver. In their opinion being regulated equals mountains of work to be done and keeping up with ever-stricter compliance guidelines. But is this really something to be afraid of or is regulation something that will be able to bring some much-needed stability to the volatile sea that is the crypto market? Does London need some Dutch courage when it comes to tokenization?

Off course there are many projects that thrive well on a utility, but let's face it from last December the top 100 listed ICO's dropped an astonishing 90% of value in total with investors seeing their investments evaporate if not disappear in their entirety. HODL (Crypto slang for Hold On for Dear Life) has become a trend word that if used as a motto could sink one's entire investment capital especially with pumps and dumps combined with large shorts getting more common. Just look at the market in the last week. The sea is rough enough to scare any sane seasoned captain. But, as the saying goes: "Remember, rough seas make great captains."

For our own project here in Holland, we have been working on a way to turn the tide not only to launch a more stable token but also put real value underneath it. And yes, as sure as the sun rises in the east, we did run into the financial regulators instantly. We consider this a good thing. Our vision for the market is to skip the STO (Security Token Offering) strategy in its entirety and launch a full ETO (Equity Token Offering) instead. Creating the first fully regulated token that is in full compliance with the regulatory offices and backed by the bricks and mortar of the company. The tokens will offer full dividend rights, voting and meeting rights and in the future even a tender offer system that notifies the shareholders directly via their wallet. We believe that regulations are an opportunity to cre-

**Author:**  
**Sander Kooger**  
– **Founder of This Is Fashion and the TIFstock token**

*Image designed by Phill Snelling, Bowater Media*

ate a somewhat calmer market, which could even be used as a hedge against normal crypto volatility.

Given that the first publicly tradeable share, as we know it, was originally invented in Amsterdam in 1602 by the VOC we feel it is almost our duty to set the pace once again! Where the old version powered and funded de Ruyter and our fleets of ships to go global, this time

we look to have all hands on deck to push the boundaries in such a way it benefits entrepreneurs equally, creates opportunity and spreads the crypto fever.

Just like any new route, we will run into obstacles, rough seas, and navigational issues. We figured that it's only fair to share this knowledge with our fellow crypto captains and pirates alike.

level up, as our experts and partners are able to assess which of the opportunities available are more likely to succeed. Finally, crypto trading is the most volatile and therefore the riskiest of the three."

"We have partnered with a UK firm that has a consistent and proven track record in profit creation. Their strategy incorporates arbitrage and delta neutral, which recent audits confirmed as more than sufficient in covering off any risk exposure within the chosen crypto portfolio, ultimately a gearing of 1:2, ensuring they were fully hedged.

"We have gone so far as to be able to fully indemnify the strategy through leading underwriters within the London markets which protects capital and interest. We feel this strategy is unique as it enables us to provide investors with an opportunity to position some of their portfolio in crypto with the comfort that capital is protected."

Recent data has shown a volatile market within crypto, but the simple fact is this market is here to stay. However, it will take time for it to fully mature and for those that are looking for fixed returns and peace of mind, the Mirox Crypto Bond could be a great addition to their portfolio.

For more info on the bond check out [www.mirox-crypto.com](http://www.mirox-crypto.com)



have a go at it. Basically what it boils down to is to create enough shares in a holding company, certify those shares and put them into a trust office foundation that is owned by the shareholders, in the foundation put a blockchain on top that acts as a shareholders register, ensure the smart-contracts for the tokens take care of the dividend and voting rights and sell them to investors.

This approach gives some benefits over regular shareholder ownership. For the start-up, it makes dealing with shareholders, votes, dividends, and communications less of a drag. It saves a ton in legal costs as this is replaced by the Blockchain and opens the way to onboard smaller investors as well. For shareholders it simplifies life: they receive dividends directly in their ETH wallets with messages, votes and meeting notifications being received in the same way.

“ We turn our corporate stock into an official regulated stock

I want to personally call on the sector to create their own innovative mechanisms to deal with lack of regulation, whether you are an investor who wants to learn more about new funding methods, an entrepreneur who is looking for funding or an investment bank who is afraid we will sink your fleet of existing investment strategies. I believe there is enough Dutch courage to go around. London just might jump ship and set sail to discover exciting new lands.

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Our objective? To structure our company in such a way that we turn our corporate stock into an official regulated stock. Then issue tokens that will tradeable on regulated exchanges like Chaintip.io or the new crypto assets exchange the Singapore regulators are building. The route, contracts, and all other legal documents will be open-sourced on our GitHub, so everyone can

use them as a map to set sail to this calmer sea.

Together with Liqwith.io, we managed to solve the most pressing problems. Liqwith.io offers us the technology to manage our shareholders, tokenize the shares and a solid legal base to start this project. As this method is still in its infancy, we also invited our own lawyers to take aim and



## ICOS AND STRATEGIC PARTNERSHIPS

**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.

Last week we looked at being a true community member. This week I want to talk about Partnerships. Let's look at partnerships in ICO projects. They can be incredibly powerful for an ICO, because both their perceived and strategic value are great indicators of success for the campaign and future of the company.

Strategic partnerships have always been a great way to grow and scale, but in ICOs they're particularly powerful because they give reassurance to potential investors - especially if the partnerships are with people "above the paygrade of the ICO, as a start-up".

One ICO from early 2018 is a company called TriForce, operating in the video game sector. Their Token (FORCE) seeks to

become the universal gaming currency built on the Ethereum platform.

Their campaign attracted a huge partner in Latin America called Busca Todo, whose website (levelup.com) sees 50 million gamers visiting every month. This was, of course, a big deal for TriForce (a small team from Milton Keynes, UK), who gained a gaming giant on-side, with all the marketing and brand support that entails, plus access to a new community of gamers and potential investors.

Another great example of an ICO forming strategic partnerships is Contract Vault, based in Crypto Valley (Zug, Switzerland). They formed strategic partnerships with several highly renowned and influential firms around Legal counsel, tech implementation etc and gained a massive

spike in attention to their campaign as a result. Their biggest partners, Eternitas and ChainSecurity, opened up new audiences for them and provided reassurance to potential investors about their ability to deliver their entire vision beyond the ICO and into real paying customers and business growth.

Partnerships also show that well established companies are endorsing and siding with the ICO and believe in their technology and ability to succeed. Be very wary of ICOs that are not forming strategic partnerships, as this could be because there aren't any partners that feel compelled to join them or, worse, they are just in it for an exit scam and so are not focused on future success, just ICO contributions!

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 tokenlounge.io

## LBX WEEKLY MARKET OVERVIEW

### A ride on the crypto carousel with LBX, The London Block Exchange

Last week, the total crypto market cap dropped below £160 (\$200) billion for the first time this year, as alternative cryptoassets continued their capitulative process. What happened?

By the end of July, altcoins' performance decoupled from bitcoin's as the original cryptoasset remained stable and its competitors started falling. Then, last Monday, ether - the token that powers Ethereum, a blockchain that enables decentralised applications and facilitates crowdfunding - faced another major fall, which triggered 20% to 50% losses across the board. Fingers were pointed towards competing projects which raised funds in ether. The claim goes as such that these might have gone short before dumping their holdings on the market.

Zooming out, the truth is that the sun's rays from the holidays hasn't been strong enough to warm up investors who are still burnt from the downtrend that started last winter. Still, some traders found solace risking catching falling knives. How? Following the generalised

dump, several altcoins managed to appreciate 20% to 100%, provided one was able to buy them at the bottom, of course. More importantly, another gamble will take place this week. The cryptosphere has been eagerly awaiting for the US SEC's approval of a major ETF - a financial instrument that enables institutions to gain exposure to a cryptoasset. So far, all filings have been rejected, and the market has even reacted negatively during times when a decision has been postponed. But, this Thursday, the SEC faces the final deadline regarding the submission of ProShares, a popular ETF provider. Experts claim it has no chance of being approved, and many anticipate another crash. However, if markets behaved the way everyone expects them to behave, then anybody could become wealthy.

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## ICO NEWS



### Can Publica Disrupt the Disruptor-in-Chief?

Blockchain and ICOs are not just for payments, but hold promise to revolutionise a wide range of industries - from music and wine to logistics.

Amazon famously disrupted publishing - but will blockchain disrupt the disruptors? As most authors will tell you, not only is it near impossible to make any money at it, but you have to do your own marketing these days - and even then you're only going to get a small percentage... eventually. The lion's share going to Jeff Bezos' empire.

There are plenty of 21st century ways of getting your words out, from blogging and e-books to Unbound, print on demand, Smashwords, CreateSpace - there's little guarantee of quality, and no way to ensure getting paid properly. Or you're back to publishers giving the nod, or the Amazon mass grave'.

Not any more if Publica.com's Josef Marc, who I interviewed for this week's show, has anything to do with it.

Likewise Sukhi Jutla, who's written three books - including the first in the world published on Blockchain, aptly called "Escape the Cubicle".

Josef, who calls Publica "the Gutenberg press for the 21st century" became fascinated with Bitcoin which led him to apply the technology to publishing. Now Publica enables authors to self-publish,

or raise funds through a book ICO, selling their token - yes, a book token! - via a smart contract provided, managed entirely by themselves. Including setting the price.

When a sale's made, the reader immediately gets the key in their wallet and the author gets instant payment in theirs - in Publica's own, freely convertible, Pebblecoin.

No third parties taking a cut - the writer gets 90% Even better enabled by blockchain, you can loan it, give it, or resell it, just like a 'real book'. Plus if you resell one of my books I get whatever percentage I set when I set it up!

"This blockchain technology now allows authors unprecedented freedom to both crowdfund and distribute their books" commented Jutla who says it's easy to setup, taking a few minutes.

Provided you own the rights you can upload your book and have another outlet (from which you get 90%). Or crowdfund a new one. Running a book ICO is like kickstarting your book, getting your fans to vote with their wallets.

There's a ton of titles in the app already, so - what you waiting for?

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