

# CRYPTO A new series on AI, Blockchain, Cryptocurrency and Tokenisation

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER



I have been overwhelmed by the positive response to our new Crypto Series and have had the pleasure of meeting a really wide range of innovative businesses such as BlockV. Lukas Fluri and Jon Knight explained how they can effectively transform real world items into their digital representations called vAtoms. I asked them to share this and they have on the opposite page where you can scan and collect one of their vee coins.

As I set out in my mission to learn as much as possible by attending events and seminars my mind has literally been blown away with the array of really exciting ideas. One such event was to attend the astonishing CogX 2018 two-day conference in London's very own Tobacco Dock. Charlie Muirhead and Tabitha Goldstaub of CognitionX assembled a plethora of the world's brightest visionary speakers from the world of AI and for the first time, with the familial support of Fabric Ventures, included a Blockchain stage where I confess I spent most of my time. But clearly the fusion of AI and Blockchain is going to unleash some very powerful new platforms, products and solutions!

One speaker, Julien Bouteloup of Flying Carpet, wowed me with his vision for autonomous economic agents negotiating (on the owners behalf) the price for drones requesting a power up charge from an electric docking charge station set up on your balcony, roof or garden. So whilst you sit at your desk working you will get a notification that you have just been paid for providing the electricity! A mad vision for the future? No! They have tested the system successfully in Papua New Guinea!

From a regulatory standpoint Wayne Caines the Minister of National Security for Bermuda outlined how, after Premier David Burt set up a Blockchain task force, legislation for ICOs has been scoped, drafted, refined and executed in what seems a record breaking seven months. I can see a real cross Commonwealth opportunity developing here with Malta inevitably following suit in the coming months.

I suppose where I am going with these examples is that the technology of Blockchain has or is soon reaching an inflection point where mainstream adoption is inevitable. The challenge then clearly becomes building out the infrastructure for this boom something that Peter Schwabach, MD and Glen Robinson, CIO of Shield Investment Management absolutely recognise. Glen gave me the best 'simplified' explanation of Blockchain I have heard and I will ask him to do a piece for us soon but the key take away was that given the systematic erosion of trust in our institutions, Blockchain technology will certainly help re-establish trust.

**Lior Abehassera** is a former Equity Derivatives investment banker. He left the trading floor in 2017 to focus full time on blockchain applied to real assets and capital markets

**W**e are in 2025. Blockchain is everywhere. Investors still trade stocks, but not the good old fashion electronic way, through centralized exchanges like Euronext or NYSE. Decentralized digital trading is now the norm. What does that mean precisely? Investors can log on self-run online platforms and trade 24/7/365 peer-to-peer/OTC with any market participant in the world, at a super low cost and with no counterparty risk, because delivery-versus-payment is immediate.

Disrupted (banking) brokers: check.  
Disrupted clearing houses: check.  
Disrupted settlement/back-officers: check.

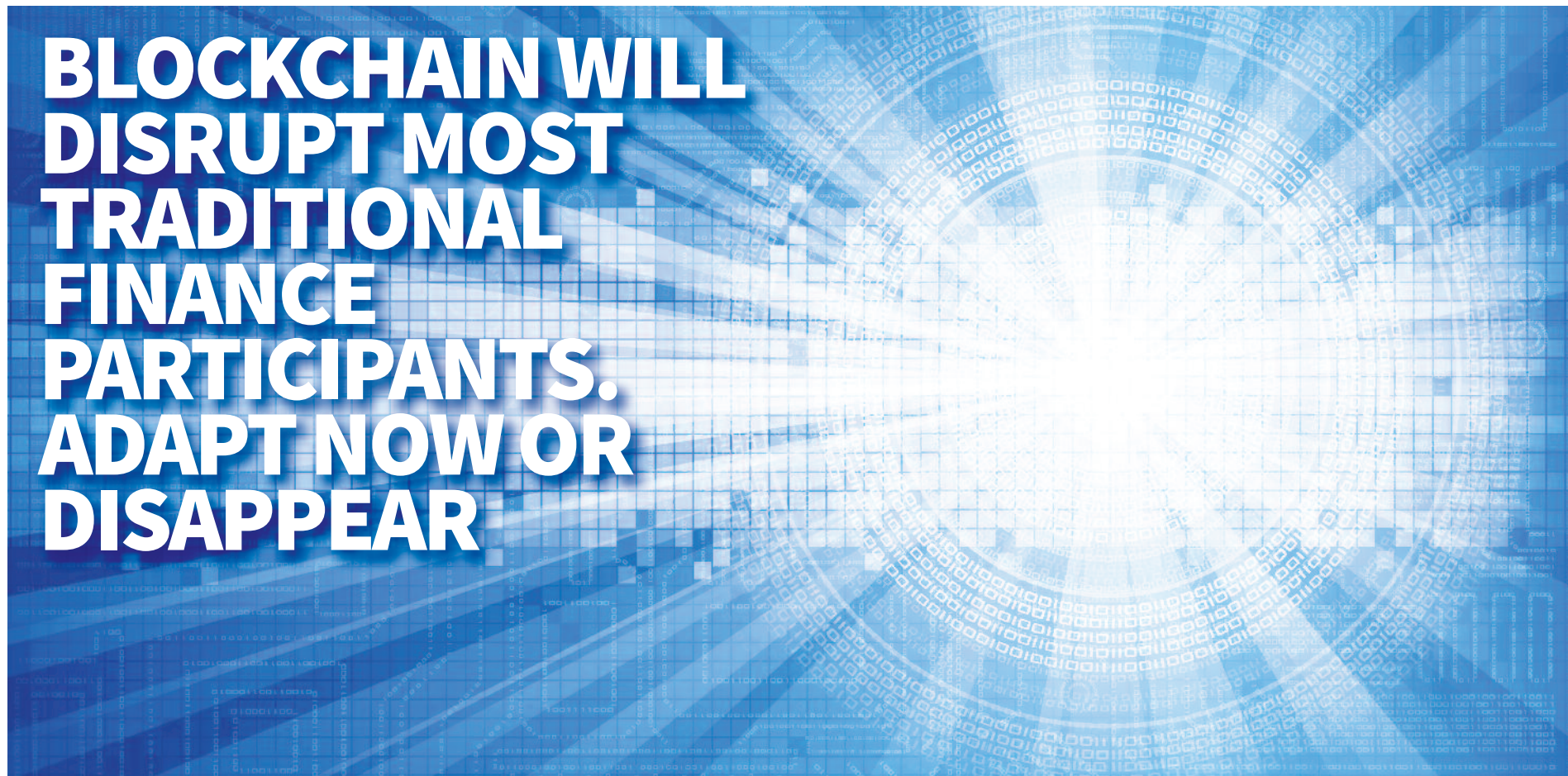
It works with cash assets, but also with plenty of derivatives. Margin calls are handled automatically, and collateral delivery/return is processed within seconds. Hedge funds and real money managers can borrow/lend directly between each other.

Disrupted Equity Finance and Repo desks: check.

Full unhackable consolidation of trading positions is happening live so no more rogue trading which cost millions to UBS, Societe Generale or JPMorgan.

Disrupted risk manager/middle-officers: check. Jamie Dimon's successor can sleep in peace at night.

Primary markets: companies & states do not go to traditional investment banks anymore since initial of-



**Digital investments. Blockchain helped the circle to become virtuous.**

offerings are posted online, therefore global investors access for issuers is very easy and process is standardized. Boom, no more City/Wall Street IB middle man! Bookbuilding is automatic, efficient, transparent, cheap and fair.

Disrupted ECM/DCM/Syndicates: check. On second thoughts, JPMorgan's CEO may have a troubled sleep after all.

Digital securities (DS) are tracked on the Blockchain and each transaction is immutably recorded. Investors safely hold directly their DS on their own digital hot/cold wallets, ie con-

nected to internet or not.

Disrupted custodians: check.  
KYC (Know Your Customer) and AML (Anti Money Laundering) checks are embedded directly into the smart contract of DS (...) and a global whitelist of investors is updated in real time on-chain by trusted entities around the globe. Only investors with clean money, the relevant level of risk/reward understanding, who are authorized by law can buy/sell DS which are duly approved in their country.

Disrupted compliance officers: check.

Disrupted regulators: check (tax-

payer: happy).  
Undeclared DS trading (not only in tax havens) is not possible anymore.  
Disrupted OFAC blacklisted tax heavens: check.

Disrupted dodgy private banks & independent financial advisers: check (states and taxpayer: super happy).

Still with me? Wait, the best is coming now. Locking capital but unlocking liquidity for investors at the same time is every Private Equity firm's dream. Funds investing in real assets such as real estate or infrastructure can now be "tokenized", ie investors benefit from fractional ownership of

the assets to the lowest level, can invest for a low amount and trade DS (also called "security tokens" by purists in the cryptosphere) at any time on the market. No more 5-10 year lock-up periods! The dream comes true. The secondary market becomes much more liquid and pricing is more efficiently and transparently visible. General Partners can keep doing what they are good at and not worry about having to sell in a rush assets at discounted levels in order to offer liquidity to their Limited Partners. Win-win situation. And by the way, this also works with Venture

Capital funds.  
Crypto cherry on the cake: digital investments into such types of fund or direct assets are now liquid, therefore big institutional investors such as pensions, insurance companies or sovereign wealth funds are less restricted and dedicate a bigger part of their global allocation to such juicy investments. Blockchain helped the circle to become virtuous, boost global AUM of asset managers 3.0.

Disrupted illiquid Private Equity, Private Debt and Venture Capital funds: check.

Positive side effect for society: better pensions during retirement, lower insurance premiums to pay, and improved quality of life for future

### Blockchain could be applied to your financial business

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generations.  
In conclusion some good news: today is 25th June 2018 and now you know what's coming. Drawing a parallel with the music industry: each time it has been revolutionized by technology there were casualties, but also winners. Vinyl, then cassette, then CD, then MP3, and now streaming. You got it. Well it is the same for Finance industry: it will always be there, but with a new face. There is still plenty of time until 2025, so make yourself a favor and hunt for information about how blockchain might be applied to your financial business... and become tomorrow's winner.

Lior Abehassera is the Co-founder of Leaseum Partners, the first tokenized Private Equity Real Estate fund investing in NY.

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## ICO NEWS



### 2018: Blockchain Bites Bringing Smarter Securities along with Smart Contracts

2018 has seen the biggest surge in the drain of top talent into the world of fintech and blockchain yet. This is just the start of what will be a long term exodus as the secure, blockchain based, internet moves, despite all the anti-hype from BIS and Jamie Dimon on down, front and centre of a new, truly digital economy.

Faster and Cheaper - because smart-contracts, which can process themselves, replace paper and certificates. Where everything that's tradable (and many things that currently aren't) becomes so instantly. At almost zero cost. Safer, because in this world of blockchain every move is traceable. Verifiable by anyone authorised, anywhere.

So ICO world is now brewing up a yet bigger storm: 'Tokenized Securities'. Why? They promise a world where shares, futures and other securities can be issued instantly at practically zero cost - born tradable.

They replace paper certificates (or a central database) by a unique digital coin for each one, with tradability built in. Securely processed 'in the cloud' by a host of computers providing a blockchain.

They promise to deliver a better, faster, safer - traceable, verifiable, real-

time - variant of what now exists in the city markets and exchanges. Most importantly of all they promise to deliver!

In the process to sweep away the economic scar-tissue that has built up around existing institutions because of the friction, flaws and costs inherent in a system built on 'computerized' paperwork.

Until now ICOs have been mostly focussed on innovations. Doing new, never-before-possible things with this new blockchain technology. No longer. The focus is now moving to doing these existing things better, faster and more securely. Within better, smarter, more automated regulation, designed for the post blockchain internet.

This week I interviewed one of the founders of DESICO, from Lithuania. Like the Gibraltar regulator and several others Lithuania's government have cottoned onto the fact that all this means tiny is the new huge, and 'nimble' is now where the opportunities lie, so have created a regulatory regime accordingly. Putting DESICO, and others, in a position to deliver exactly what we've been talking about.

They promise to deliver a better, faster, safer - traceable, verifiable, real-

## UK fintech pioneer company disrupting Africa Agritech

**C**hris Cleverly, Executive Chairman at Block Commodities, has taken on a huge challenge: shaking up Africa's agricultural production using a blockchain-powered platform to increase production and promote financial inclusion.

It will certainly be no mean feat. Despite extensive natural resources, Africa is a net food importer, with its annual food bill of \$35 billion estimated to increase to as much as \$110 billion by 2025. This is a result of the region's largely unsustainable and inefficient agricultural infrastructure and commodity trading systems.

Most farmers on the continent produce just enough to feed their families, unable to generate any further income. Local interest rates for purchasing fertilisers can go as high as 45%, making it nearly impossible for subsistence farmers to increase their production.

Block Commodities is using the same technology that enabled Bitcoin, to provide crypto loans for small-scale farmers in sub-Saharan Africa to purchase fertiliser at an affordable interest rate. Block has partnered with Wala, the mobile blockchain-powered financial services platform for the unbanked and underbanked, and its token Dala, which are already well established in Africa. With increased production, subsistence farmers can sell extra crops and generate income for their families.

And that is not all. With key partners like FinComEco, the fully integrated

### Blockchain has the potential to reset finance in Africa

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Financial and Commodities Ecosystem, OST token and the US blockchain Private Equity fund Swarm, Block is deploying blockchain to create an integrated ecosystem to allow farmers to use crypto tokens to buy and sell products, as well

as exchange for services such as health and education, promoting local commerce.

“Blockchain has the potential to reset finance in Africa,” he says, highlighting that the main objective behind Block's

work is to bring financial inclusion to millions of unbanked farmers.

Having known Chris for years, it came as no surprise when I heard about Block's project. Chris has always been a strong advocate for African development, leaving his successful career as a lawyer to dedicate himself to the business of creating solutions to untap the potential in Africa and empower its people.

Chris is also the head of Made in Africa Foundation, a non-profit organisation established to assist the development of the African continent by providing first-stage funding for the feasibility studies and business development of large-scale infrastructure projects based in the region.

He joined the former African Potash in 2015 as Executive Chairman, and with the advent of blockchain, Chris led the Company in its transition from mining business to one of the leading Agritech companies operating in Africa.

Block Commodities, with its partners, is building up a broad crypto ecosystem that enables smallholder farmers to overcome the barriers of financial restriction by putting them in control of their own finances. Using a mobile wallet, farmers are building an economy based on crypto. They are able to purchase fertilisers, sell their produce, buy goods and services and gain access to health and education.

Feed Africa to Feed the World.



## WILL IT FLY?

**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 how to assess the team involved in an ICO / Blockchain Project and how that could impact the success or failure of it. This week, we look at the overall viability of the concept of an ICO, and how to sort the wheat from the chaff. Ask some direct questions of the project, and if you can't find the answers in their marketing, then ask the Founders direct. One of the great things about ICOs is how accessible the team (usually) are, perhaps in their Telegram Channel. Firstly, ask yourself; 'Would I use this product / platform / service myself were it live today?'. If you honestly wouldn't, then this ICO isn't for you, you need to believe in it's usefulness and

understand its application.  
Next, ask 'Why does this application have to be built on the blockchain?'. Is there not some other database system that could adequately deliver this solution? If there isn't a solid business case for the use of Blockchain, then you have to wonder if they haven't just shoe-horned an idea on a Blockchain in order to create a token for fund raising purposes. And importantly, ask 'What is the need / use of the Token?'. Why can't this project use an existing crypto currency? Is this new Token absolutely necessary? The stronger the use case for the blockchain, and for a new token, the more viable the ICO is.

Watch out for too much jargon in the White Paper. A great project with a solid business case should be able to explain itself using plain language, and be understandable by a non-technical reader. Some projects may have a regular White Paper, and a technical one. If so, have one of your techy friends ready the technical version, and give their view on whether it seems a viable piece of development.

Finally, be careful contributing to ICOs that do not yet have an MVP of their proposed product. Those that do are showing you potential and also showing you that they themselves are investing in the project. Those that don't are asking you to take a bet on an idea, and not a lot else.

