

# CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets, DLT and Tokenisation

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

Since last week's Crypto AM, the markets have been pretty stable and, at the time of writing, Bitcoin (BTC) is at US\$11,885.70, ETH is at US\$308.81; Ripple (XRP) is at US\$0.3996; Binance (BNB) is at US\$33.94 and Cardano (ADA) is at US\$0.07999. Overall Market Cap is at US\$336.95 (data source: www.CryptoCompare.com)



Last week I took the opportunity to shadow some exciting U.K. companies AmaZix.com, Tokenise.io (see Spotlight below), Torca.io and Verasity.io on their fundraising trail which took me to a private event in Monaco (https://www.theblock.events) where I met a familiar face, Xander Van Der Heijden, CEO of Venturerock. With the importance of finding solid vetted capital so relevant post the ICO craze, it refreshing to find such an early-stage venture capital platform with an ecosystem of founders, backers and venture builders that have transformed the venture capital model into a venture building one.

In doing so, they have designed a new investment protocol that digitizes the investment supply chain, from agreements to shares, eliminating the middleman (e.g. notary) and creating liquidity in a previously illiquid asset class. Next to this, Venturerock has developed a 72-step Venture Readiness Program based on experience in accelerating 700+ startups, where startups are guided by an iPro network of independent professionals working alongside founders to increase the performance of the portfolio.

In the same space an alternative method that works well is the power of organised network events and is exemplified by goldfinger.net Founded by Rob Charles, the Goldfinger concept was born in 2014 in New York and is essentially an investors club where entrepreneurs can meet investors to raise capital and vice versa. It has been meeting every month in New York for the last four years and last month launched in London. The next meeting will take place on the 31st July and I will share details for City AM readers nearer the time.

4th July saw the start of Fintech Week in London kicking off with the Women in Blockchain Meetup reinforcing the importance of diversity and inclusion in the space whilst yesterday saw a rigorous debate on the Libra effect and the Internet of Value. Under the new leadership of Dr Jane Thomason, London Fintech Week 2019 is a superb event for quality, credible content for government, investors and industry to learn about the latest trends in Fintech and Blockchain. Today has a jam packed agenda - the great debate at 1pm is on the Future of Money which promises to be a robust session! Any City AM reader who would like to attend is more than welcome to register through www.fintechweek.com and using the code cryptoamVIP get a 50% discount of the current sale price.

As a cutting edge tech leader or high-end finance person, likely the last thing on your mind, while professionally driving your sector forward in today's climate, is the art world. When I meet CEO's and inquire about the creative aspect of their business, they immediately assume I'm attempting to sell them paintings. They are only half right and then proceed to say, with a belly erupting laughter: "First, we will raise \$50-500MM, then buy our yachts, and after that, we might think about acquiring some art." After the mostly mental, vitamin-free, deconstruction smoothie the contemporary art world has been serving for the past 50-60 or so years; I can hardly blame them. Counterintuitive as this might seem, the current state of the modern arts is a profound commercial mistake and an even worse for the collective well being. This is, of course, a long, nuanced conversation, but some themes can quickly revitalize it.

When Apple first launched, Steve Jobs commissioned a true modern artist, in the form of the notorious film director Ridley Scott, to direct the advert 1984, for which he paid a million dollars. That sum is now hard to quantify in today's relative value as big business advertising budgets are stratospheric with a fraction of the results. The Orwell's book related advert integrated and attributed a societal shift to Apple from the start, transcending it as a tech company in people's minds - so it was a movement from the starting pistol bang. I'd argue this approach is why the company is the biggest in the world. Jobs knew the vision for the company needs to ride on something bigger than itself, could see the future and why the user experience is critical. The real substance of crypto is completely underutilized by the companies pushing for mass adoption in their outward communication. Crypto needs to return to the big picture and be comfortable with the responsibility that comes with disruption.

Let's go back much further to find a suitable springboard. When Leonardo DaVinci was designing flying machines,



Image is of 'Flip and Fork' painted by VESA, 2017

cannons to defend Florence and exploring the scientific and mystical realms, he had a forward vision. The Medici's funded architecture and Michelangelo, not because of only looking good, but with an equal understanding of the value of this effort to society and legacy at large. This kind of human exploration would now be considered more political rather than a deep internal desire for meaning and value. The art and mastery DaVinci produced was attached to a thriving and better future

for all. Michelangelo has inspired awe for centuries. As crude and mixed as the following may be, there is some truth to it. Today, what is considered high art by the establishment is utilized to criticize society (AI Weiwei, Banksy) or rides on our eternal lust for shiny and sexy things (Koons). It also sometimes it makes death more sanitized fun (Hirst), but the current tabu of art has become its most functional origins - spiritual transcendence, beauty, and visions for the human future. I was happy to see a

swing towards this in Hirst's latest work, but something new is cooking here.

Crypto is genuinely inspiring for most who take the rabbit hole dive. You can feel it in the emerging creative community inside it too. The art side was written about in Forbes at the beginning of the year, and it is changing the lives of many. Verifying various art and digital creations in an immutable and decentralised blockchain, especially by the living creators themselves, solves many of

the problems we now have with the dead ones. Crypto provides many solutions for us, whose authentic originals live on a hard drive. Bitcoin, Ethereum, EOS, and many others are ending the dark ages of digital value creators.

In private conversations, and on RT, financial sector insiders, who are concerned about the next financial bubble burst are unknowingly predicting a lot about the future of contemporary art too. Those of us who are fighting tooth and nail to bring a diversity of

substance back to the art world, are horrified by documentaries like the BBC "The Great Contemporary Art Bubble." We know that the next financial crisis will not be kind to many artists now being pushed by commercial galleries and contemporary museums.

What is most interesting about crypto, is that it is far more deserving of the theme of 1984 in terms of the decentralising nature, but what Jobs knew already in the '80s or the Medici's from the 1400s still voodoo to business in 2019. With emerging AI and further revolutionary robotics, many companies and white collar jobs will be made redundant in a far

“With emerging AI, many companies and white collar jobs will be made redundant

smaller time bracket than many anticipate. This is why creativity is the next thing to become a corporate meme after the sustainability and identity protection motion. Unless taken seriously and adopted fast, the meme will be a weak band-aid to a war injury. Another interesting side aspect of this is also how it teaches creatives to take responsibility and charge of their own financial futures. The less financially dependent and free to think artists we have, the better off society will be.”

Vesa Kivinen, Artist and a Published Writer, in conversation with James Bowater. To learn and see more, visit artforcrypto.com and artevo.org Twitter and Instagram @artbyvesa

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## Crypto A.M. shines its Spotlight on Tokenise

Last week, Tokenise received a stock exchange license for Daxnet, its Digital Asset Exchange Network. The Self-Regulatory Organisation license granted by the Barbados Financial Services Commission (FSC) enables Daxnet to become a fully regulated stock exchange providing primary issuance and secondary market trading exclusively for tokenised securities.

As a newly FSC regulated entity, powered by Tokenise, Daxnet will launch a multi-jurisdictional platform with a single global order book, and is already welcoming listings from companies situated across the globe.

The system is being built to enable issuers to tokenize securities, providing streamlined processes and frictionless market access for issuers and investors. Tokenise is developing an end-to-end solution for primary issuance capital raising, secondary market trading and clearing and settlement of tokenised

securities. The aim is to create a market and trading infrastructure that will provide access, liquidity and flexibility to investors wishing to trade tokenised assets.

Tokenise already operates under a FCA regulated entity in the UK which will help facilitate deals both in the UK and the EU for listed tokenised securities. This is a huge step towards the wider adoption of securities and allows both traditional and

“Tokenise has been granted a stock exchange license for a complete solution for digital securities



Mike Kessler, Chief Executive Officer of Tokenise

new asset classes to be tokenised and traded on a regulated stock exchange, facilitating equities, bonds and funds as well as paving the way to digitise new asset classes including direct ownership of assets such as property, royalties,

private equity and securitisation vehicles. Rights to ownership or income are embedded in the security, and the token reflects the underlying security on a one-to-one basis. To be more precise, the token overlays the security and as that

token is traded, the beneficial owner changes and the register is updated on the blockchain. Whoever owns the token, ultimately is the owner of the security.

The vision for Tokenise is ambitious, but by using technology and relying on robust regulatory controls and a stringent legal framework, Tokenise is well on its way in creating a global network of regulated brokers and exchanges. This will enable institutions and investors from across the world, to have access to securities and assets that were previously reserved for investment firms and wealthy individuals.

Michael Kessler, Chief Executive Officer of Tokenise and Daxnet said:

“We are delighted to have been granted the stock exchange license, I want to say a big thank you to our team. This is the first key step in providing a globally accessible capital markets solution, for entities looking to raise capital through the primary listing and secondary trading of tokenised securities. Allowing securities to be tokenised and traded can unlock access to greater liquidity. Ultimately, our vision is to build a global platform that democratises access to capital markets and creates a global stock exchange, working symbiotically with small and medium sized businesses up to global multinationals.”



## BLOCKCHAIN: MORE THAN CRYPTOCURRENCY

Jon Walsh, Associate Partner Blockchain Rookies

The crypto market is exciting. Real government money is being exchanged for magical internet money that you can't touch or smell in the hope that further speculation from others creates an increase in price. And now the almighty Facebook is getting in on the game with their own cryptocurrency. Outside of bitcoin, I find it hard to consider any of the other coins or tokens as actual money, and even bitcoin barely fits one of the criteria of money as a (potential) store of value.

What's boring is the underlying technology of Blockchain. It's just a distributed ledger to record and validate transactions immutably, without any

single party controlling it.

I would argue that Blockchain is here to stay, and over the next few decades, we will see Blockchain technology becoming the norm and quietly sitting in the background with no consumer needing to understand it any more than the average Joe understands TCP/IP and its relationship to the internet.

Blockchain is the "protocol of trust", which in time will transform consumers relationship with their food, service providers, clothes, insurance and many other industries you can't even imagine today.

When it comes to cryptocurrencies, I have significant doubts that beyond the

top ten coins by market cap today, the vast majority of the 2000+ alt coins will pretty much go to zero.

It will be Blockchain technology that is here to stay (sans tokens), and the speculative magical internet money of the majority of coins that will eventually fade from the market and our memories the same way that many of the highly speculative Dot.Com's of the late 90's.

To riff on Antony "Pomp" Pompliano; Long Blockchain, short alt coins.

Get in touch with us info@blockchainrookies.com/ Twitter @igetblockchain



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## CRYPTOCOMPARE MARKET VIEW

### Bitcoin Futures Volumes Smash All Previous Records

Last week the CME Group, the Chicago-based derivatives exchange, announced that daily Bitcoin futures contracts traded on its platform reached a record \$1.7 billion in volume on June 26, surpassing the previous record by over 30%. This news came as BitMEX, the leading cryptoasset derivatives platform, announced a staggering \$1 trillion in yearly volumes.

After briefly dropping below the \$10,000 mark on Tuesday, Bitcoin recovered well from its substantial fall to stay for most of the week above \$11,000 and is at the time of writing trading at \$ 11,770. Ethereum (ETH) meanwhile saw a similar drop on Tuesday, trading for most of the week below the \$300 mark, before recovering well over the weekend to trade at \$310 at the time of writing.

The Financial Conduct Authority (FCA) has proposed a ban on the sale of cryptoasset derivatives and Exchange-Traded Notes (ETNs) to retail customers. The FCA explained that it considers these

products "ill-suited" to retail investors who are unable to "reliably assess the value and risks of derivatives or ETNs that reference certain crypto-assets". The FCA explained that it was considering the move because of the nature of cryptoassets gives them "no reliable basis for valuation," due to market abuse and financial crime, price volatility and because retail consumers have an "inadequate" understanding of the instruments.

Five members of the US Congress last week sent an open letter to Facebook founder and CEO Mark Zuckerberg, COO Sheryl Sandberg and Calibra CEO David Marcus asking them to agree to a moratorium on any further development of its cryptocurrency Libra and Calibra wallet. Led by Congresswoman and chair of the House Financial Services Committee, Maxine Waters, the group argued that regulators need to look into the cryptocurrency to evaluate trading, national security, monetary policy, and privacy concerns.

## CRYPTO A.M. INDUSTRY VOICES

### Achieving Market Adoption with Disruption

Blockchain and decentralisation, combined with Artificial Intelligence, have a real prospect of disrupting almost every industry sector. As Ginni Rometty, CEO of IBM, said "What the Internet did to information, the Blockchain will do to transactions". So perhaps it is relevant to look at how disruption occurs to better predict paths to market adoption.

Just over twenty years ago, as I was starting my first disruptive technology business, Clayton Christensen, a Professor at Harvard Business School, coined the term disruptive innovation. An innovation that disrupts an existing market and replaces the incumbent market leaders. They are disruptive because these innovations come from entrepreneurs and startups rather than incumbents. Historically market leaders failed to identify disruptive innovations when they first appear. They then failed to adopt them early on, as initially disruptions do not provide enough efficiency or profits. In addition, disruptive innovations take longer to develop and have far greater risk than incremental innovations.

However as soon as efficiencies and profits are achieved, disruptive innovations deliver very fast market adoption and impact leaving incumbents unable to react effectively. They try to improve their own models until disruption renders them obsolete, like Blockbuster with Netflix and Kodak with digital cameras.

With no market leaders involved, early market adoption of disruptive innovations can be very slow and often requires entirely new ecosystems to be created. For instance, even though the first cars were ground-breaking, they were expensive and there was no infrastructure of roads or petrol stations. Moreover early laws restricted them to the productivity levels of the horse-drawn carriage, they were destined to displace. It took another thirty years before Ford's ModelT assembly line became the disruptive innovation, revolutionising transport with the mass market.

Which leads to the first question: will it be different this time? The last disruptive innovation of this scale was the internet, at a time when few businesses had studied

how disruption works. The most obvious exception to this was Microsoft, twice, which saw both the threats of the internet and then SaaS, and was able to change its entire model to embrace them.

This time incumbents are more like Microsoft and are acutely aware of extinction threats from disruption, like the internet revolution. In fact many of today's CEOs are those whose companies, such as Amazon, Facebook and Google, disrupted many major industries at their time.

Facebook is already creating Libra, and almost every market leader from banking to technology, is rapidly exploring or building blockchain solutions. However we haven't yet seen any meaningful impacts or profits, and they are merely addressing more obvious use cases, so maybe we are still following the standard disruption model.

If so, I believe there will be three phases of market adoption evolution this time. We could name these Variation, Transformation and Disruption. In this version of events, we are now at the Variation phase. Major companies creating blockchain and decentralised solutions that vary their models and deliver them rapidly to their existing user bases.

The next phase will be Transformation. Fast growing earlystage companies innovating in their industries without blockchain or decentralisation, which are quickly able to integrate them, to transform their products and in turn their entire industries. This phase needs to start now and is the one I am currently most excited about.

Only after this phase will we see Disruption. Likely from small teams, building on the knowledge of the previous stages, who will totally displace entire industries. I don't think I can even imagine what this will look like yet.

However understanding the phases of market adoption should get us there far sooner than 30 years this time.

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