

# CRYPTO A.M.

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

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PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER



As you will note in the CryptoCompare Market Overview (opposite) last week, the Crypto space was dominated by the grilling of Facebook's David Marcus by the US Senate. This certainly caused initial downward price pressure but ironically buoyed the markets somewhat as Bitcoin became 'good' in the face of 'bad' Libra, the advent of which is terrifying the central financial authorities of the US.

At the time of writing, Bitcoin (BTC) is at US\$10,476.90 ETH is at US\$221.84; Ripple (XRP) is at US\$0.3246; Binance (BNB) is at US\$31.68 and Cardano (ADA) is at US\$0.06061. Overall Market Cap is at US\$287.04 (data source: [www.CryptoCompare.com](http://www.CryptoCompare.com))

Whilst on annual leave last week in Malta, I was invited by my friend Dr Abdalla Kablan to the pre-launch of his DELTA Summit which was held in the courtyard of the Auberge de Castille, the Office of the Prime Minister Joseph Muscat.

The intellectually stimulating panel, discussing blockchain and technology was made up of Steve Wozniak, Dr Abdalla Kablan, Hon. Silvio Schembri and Mr Jacopo Visetti. DELTA Summit will be held on 2nd - 4th of October in Malta

The guest of honour, Steve 'Woz' Wozniak, was a childhood personal hero of mine having cofounded Apple with Steve Jobs - I've been using Apple computers since 1984! He is extremely positive about Blockchain and the benefits that Crypto could ultimately deliver. His big announcement was that he had joined forces with Jacopo Visetti to cofound a new company; EFFORCE which has been domiciled in Malta. EFFORCE uses it's LinkedIn page to state that it is the first blockchain based platform whose main goal is to meet the demand and supply of investments in energy efficiency.

As an engineer first and foremost Woz, throughout his career, has always focused on being efficient - his mantra is the fewer parts needed for a technical solution without compromising quality is key. With no 'staff of hundreds', he is completely hands on when filtering approaches for cooperation/investment. Efforce is clearly one of those passion projects and he spoke from the heart about the goals of this project and was particularly effusive about how Malta had bent over backwards to make him feel welcome.

AI was thrust into the spotlight with the revelations surrounding FaceApp the AI-run photo filter app which went viral all over the world now used by more than 150 million people. The free-to-download app allows users to artificially age themselves in photos. To do so, the app uploads your photo to a remote server that uses artificial intelligence to predict your future appearance - I am sure many of you reading this have seen it. The really scary thing is that the company behind it, Russia-based WireLabs sets out in the user agreement that gives it control over everything you upload to the app in perpetuity! My advice? Stay away from it!

Over the last five years, some have viewed cryptocurrency remittances in Venezuela as a test case that demonstrates how distributed ledgers can be used to sidestep corrupt authoritarian regimes and flawed financial ecosystems. All too often, however, the commentary has been too idealistic and simplified even by the standards of Bitcoin evangelists and Tech idealists, failing to take into account the practical realities of putting Blockchain to use in a society with a collapsing infrastructure.

The truth is in Venezuela there are relatively few businesses that accept payment in digital currencies. Further, there are not many exchanges which people can use to swap currencies. Worse still, like other countries there is very little Venezuelans can actually do with the digital currencies that some have. Such problems are further compounded by the lack of computer and financial literacy amongst the broader public who would struggle to comprehend what is still a very niche area of technology and finance. Even for those that understand how to use digital wallets and exchanges, they then have to contend with Venezuela's collapsing infrastructure which sees frequent blackouts impeding internet services.

The practical realities of digital currency remittances and charitable donations are further complicated by the situation many donors face in terms of the trust. Will the recipients of charitable donations act honestly and administer funds as efficiently as possible? Many Venezuelans are desperate, and the temptation not to do so is great. Such problems exist in wealthy countries too. Recent findings show that in the USA, 50 charities received 1.35bn (based on tax filings) over 10 years but less than 30% reached intended recipients. Charity directors, employees and contractors need to be paid. This doesn't take into account that there is considerable duplication of resources within the sector (the UK alone has four charities dedicated to saving red squirrels!) Given prices for everyday goods triple every day, the need to reach people directly has never been more pressing in



# THE BITCOIN BLOCKCHAIN HAS ENABLED CHARITABLE DONATIONS IN VENEZUELA

Designed by Phill Snelling, Bowater Media

Venezuela where customs officials and government agents can often impede aid from crossing borders and reaching the people its intended for. Direct donations via digital wallets over distributed ledger technology appear to provide a path for outsiders to send remittances to people in need. This view however fails to take into account difficulties people have converting coins to Bitcoin and then to an online exchange to change it into dollars or Bolivars. Even when that process has been completed withdrawals from ATMs are limited to the equivalent of one dollar a day! The current infrastructure simply doesn't

support the lazy references to Venezuela being a test case for digital currencies acting parallel to the government backed currency.

This misinterpretation of how cryptocurrencies can be used by outsiders to provide aid to people in Venezuela is what led to the development of the PolloPollo platform to ensure people who might not understand cryptocurrencies and exchanges could still benefit from the underlying technologies. It places the responsibility for exchanges and wallets with merchants and retailers who tend to be better placed in terms of resources for dealing with donations

and passing on products. All citizens have to do is register online for food and medicines that store owners have and then when a donation has been made via the Obyte cryptocurrency platform they can collect the goods. The need for on/off ramps for government currencies has been removed, they merely need to have internet access.

A recent PolloPollo recipient: one 40 kg bag of chicken feed covers about 2 months, and costs about a week's food budget for herself and her daughter. (photo is temporary, waiting on others photos)

Up until now cryptocurrency charity

platforms have focused on distribution of digital coins to people in need, however these solutions fail to make more of an impact than a traditional dollar or Euro donation would have made. Cryptocurrencies and charitable donations won't solve the problems of Venezuela's brutal socialist dictatorship and economic mismanagement of one of the world's most resource rich countries. They do however provide a much needed alternative store of value that is free from political/central bank interference and devaluation in a country that is currently suffering 130,000% inflation.

Distributed Ledger Technology provides an immutable record of value and ability to transfer funds and resources instantaneously between separate parties where traditionally trust and time issues have been real impediments to ensuring transactions take place. The humanitarian crisis with Venezuela cannot be ignored, simplistic assertions that Bitcoin and other digital currencies can create a parallel economy alongside the Bolivar are both simplistic and flawed. The underlying Distributed



## There are relatively few businesses that accept payment in digital currencies

Ledger Technology does however serve an immediate purpose of ensuring transparent, immutable transactions between two parties who would otherwise have been forced to use expensive and cumbersome alternatives. It is this technology's potential for positive impact in a desperate environment that led to the creation of PolloPollo with support from Obyte. Ultimately the people of Venezuela have to address the corruption and poor government that has driven so many people towards this untested area of technology to solve the most basic of needs that every citizen should take for granted. Only time will tell how this sub-section of finance will develop in Venezuela and beyond.

Caspar Niebe Project Founder of PolloPollo in conversation with James Bowater. For further information <https://pollopollo.org>.

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## CRYPTOCOMPARE MARKET VIEW

### Facebook Grilled by US Congress On Libra Cryptocurrency

Facebook's blockchain lead David Marcus spent much of last week facing the scrutiny of the US Congress during questioning by the Senate Committee on Banking, Housing and Urban Affairs and the House Financial Services Committee in Washington. While the Senate hearings were predominantly antagonistic to the proposed cryptocurrency and blockchain, the House of Representatives went into greater detail, exploring whether Libra would qualify as a security, why the Libra Association aims to be headquartered in Geneva and how it might transition to a permissionless blockchain. On the topic of whether Facebook would retain the power to censor user transactions - as it can users on its social media platforms - Marcus was equivocal, saying "I don't know yet."

Top altcoins had an unremarkable week, with etherium ranging around the \$220 level for most of the week to trade at the time of writing at \$224. In more dramatic news, last week saw footage emerge of the attempted robbery of a Bitcoin exchange in Birmingham. Adam Gramowski, owner of the exchange, said the gang of masked men attempted to steal a Bitcoin ATM by tying a rope around the machine and attaching it to their car. Several witnesses reportedly saw the attempted theft which Gramowski suspected was due to the thieves' hope that there was cash inside the machine. CryptoCompare research has shown that holding bitcoin over the last year would have been the best investment strategy. With the exception of leading exchange Binance's BNB token, hanging on to bitcoin would have proved more profitable than any of the top altcoins over the last 12 months.

## CRYPTO A.M. INDUSTRY VOICES

### The importance of secondary markets for digital securities

The digital asset movement has created an increase in the democratisation of finance. That is, removing technological, legal and regulatory barriers to allow accessibility to capital markets for both companies seeking funding and investors looking to invest. This is seen in the rise of "security" tokenisation. Security tokenisation is the creation of digital securities, often referred to as Security Token Offerings (STO) or Digital Security Offerings (DSO), where ownership of a real-world asset, e.g. equity in a business or ownership of property, is represented on a distributed ledger, like Blockchain. The same technology that powers Bitcoin and other cryptocurrencies.

three main advantages being: - Increased liquidity: Illiquid assets, such as property, will not suddenly trade at high volumes but it will improve the current situation. Properties owned today by institutional investors may only change hands once every several years. Now a holder of that security could make some or all of it available on the secondary market. - Capital market access: The cost and ease of digital securities allow issuers to enter secondary markets which would have been cost prohibitive before. These new capital markets are no longer just accessible by financial institutions, they are accessible to everyone. This raises the chance of a successful initial placement. - Efficiency: Technology allows issuances to be operated more efficiently. Cap table management, corporate actions and lifetime management of an issuance see less friction. These benefits compound as token standards develop and we see an emergence of true digital currencies for on chain payments.

As we move up the liquidity spectrum to semi-liquid assets, benefits are still realised. Companies already listed on smaller secondary markets may have some liquidity, but it's constrained by market accessibility. Therefore, whilst liquidity may not be the driver for these entities, they can benefit from democratised, 24x7, global capital markets and the technological efficiencies. Finally, liquid securities at the other end of the spectrum have enough liquidity and are accessible by many participants. These issuances still benefit from the increased technological efficiency. The digital securities ecosystem is starting to see the tokenisation of securities with the majority being at the illiquid end of the spectrum. As these assets begin trading on a secondary market, we will see benefits being clearly demonstrated, leading to increased adoption all across the liquidity spectrum. Over time, all assets will be created on-chain because of the efficiencies that will be brought to the market and all participants within it.

Thinking of all assets on a liquidity spectrum helps us understand these advantages. On one end of the spectrum, illiquid assets such as property and private equity funds, show the greatest number of issuer advantages if they use digital securities that trade on a secondary market. The

Graham Rodford, CEO and Cofounder of Archax For further information visit <https://archax.com>

# Crypto A.M. shines its Spotlight on nuco.cloud

This week's spotlight feature introduces you to the nuco.cloud, the first blockchain-project to ever receive a grant from the German government.

CEO Tobias Adler has gathered a team of experts around him to develop a distributed computing cloud that aims to make the power of a supercomputer available to everyone. Based on existing technology from the University of California in Berkeley (BOINC) the nuco.cloud gathers resources from the idle computing power of smartphones, Computers and Servers. Customers can then use this computing power to calculate their projects in the cloud. This entire process is then verified and the payments are transferred via blockchain.

With this approach, the nuco.cloud can provide computing power faster and more secure than competitors. They are aiming to achieve a better service at 10% of the price of the current providers in the market.

They are currently running their ICO to secure funding for the development of the nuco.cloud. Tobias Adler and his CMO William Andrews are currently on the road almost constantly promoting their project on Summits all over Europe. Just in the last 2 months you could have met them at the Malta AI and Blockchain Summit, in London or in Monaco at the Ritossa Global Finance Summit.

During this time the nuco.cloud has



The nuco.cloud can provide computing power faster and more secure than competitors



Tobias Adler, CEO

already found many companies as partners, customers and miners who have provided them with a Letter of Intent to actively use and promote the nuco.cloud once the development is finished. The ICO is currently in its first public phase

with a price of 0,08 € per Token, which will end on July 31. In a bold move they are running their ICO for a full year and the pricing will hit 1,28€ per Token by the time they are going to reach their already established listing on the exchange of

Globance. The final price of 1,28€ per Token was set as 25% of the pricing of the current market-leader. This will act as a baseline to later achieve the 10% target that has been set.

Since the nuco.cloud is based on OpenSource technology from the scientific community, they have also vouched to give back, in the form of donating 10% of their income in tokens to scientific research facilities all around the world. This way the scientific community can use the computing power of the nuco.cloud free of charge. The nuco.cloud focuses their donations on research projects concerning sustainability and scientific advancement in the technology sector. This way everyone investing, using or mining in the nuco.cloud can be responsible for the next big leaps and scientific discoveries that have been made possible with previously unavailable computing power.

The nuco.cloud is setting out to help small and medium sized business realise new projects, that they are currently not able to afford and try to improve the world of scientific research for everyone at the same time.

If you are interested, you can find everything about the nuco.cloud on their website: <https://nuco.cloud>



# IT'S A CONSORTIA APPROACH, STUPID

Jon Walsh, Associate Partner Blockchain Rookies

Working in the Blockchain consultancy business and speaking with FTSE 250 companies on a regular basis, I have often heard the senior management try and look at how they can use Blockchain for their own competitive advantage. These are the guys that will blow millions on creating a cool sounding PoC that can be PR'd and show the board how forward thinking and innovative they are. Problem is, they've got it all wrong. As the hugely knowledgeable, Jason Kelly of IBM says "Blockchain is a team sport". Blockchain is designed to be decentralised in order to create a platform of trust to record multiple

transactions in a trustless environment between multiple distrusting parties. If you're thinking that a Blockchain designed, built and run just for your organisation is going to allow for clients, suppliers and partners to now trust, you are sorely mistaken. Initial steps when considering what your Blockchain strategy should be is to look around at your industry and see what common problems there are, how you can agree on common standards and looking for areas where a shared ledger acting as a central source of truth would make a significant difference for all players - within a consortium. Consortia is only easy when all

participants are looking for a joint win. The tech side of Blockchain is easy, the hard part is creating a governance system that works and no party is subservient to another. Don't wait to see what your industry does. Form a Blockchain working group as the first stage to a consortium and work together cooperating with your competitors for the good of all of you. Ultimately, an industry-wide approach is the only way. - It's a consortia approach, stupid.

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