

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



Old autumnal weather has returned to the streets of London and grey is the new blue! Sadly it seems to have affected many people's moods, not least in the run up to the CC-Forum which starts in London today at the Q&A Conference Centre in Westminster. The controversy surrounded the exclusion of Crypto AM contributor On Yavin as a speaker. Disappointingly the organiser cited the reason as being at the behest of a powerful Sheikh which elevated the levels of argument to accusations of potential discrimination. I spent my weekend discussing the situation with community leaders and accept that the debate was not motivated in that way. As such, On has been invited to start proceedings tomorrow with an open fireside chat moderated by co-Chair Eric Van der Kleij and I will be attending the conference because of those who have made the effort to visit the great city of London where diversity and debate thrive - long live the debate!

The crypto market has continued to be moderately stable this past week and at the time of writing Bitcoin (BTC) was trading at US\$8,310.49; Ethereum (ETH) is at US\$183.54; Ripple (XRP) is at US\$0.2894; Binance (BNB) is at US\$18.24 and Cardano (ADA) is at US\$0.04172. Overall Market Cap is at US\$225.44bn (data source: www.CryptoCompare.com)

This past week has really been one focused on the continuing regulatory issues surrounding cryptocurrencies (including stablecoins) and the continuing fallout from the Libra proposal. Of particular concern was the fact that in the USA, Senators Sherrod Brown and Brian Schatz wrote to the CEOs of Visa, Mastercard, and Stripe warning them off involving themselves in the troubled project. I find this kind of political interference very disturbing albeit unsurprising. It's becoming increasingly obvious to me that very question of the US Dollar's position in the world as the dominant currency, which has hitherto been regarded as unassailable by the institutions that benefit from it, are coming to the realisation that they are WRONG. There are other revolutions underway that aren't Blockchain/Crypto which also provide alternatives. The sooner the lawmakers and economists understand alternatives exist already the better. Nonetheless, of the founding 28 members of the Libra Association five have now left: PayPal, eBay, Stripe, Visa and Mastercard.

The grey clouds seem to be extending as well to global stablecoins which are facing a similarly gloomy prospect as the G7 announces a report on the risks that digital currencies pose to the global financial system. The report is due to highlight nine major risks that will need to be addressed by global stablecoins and, even then, states that regulatory approval is still far from assured. Speaking to Crypto AM Howard Womersley Smith, a partner at Reed Smith, commented "Allowing huge amounts of money to be held outside of central bank reserves would leave the global financial system at the mercy of the actions of one private company. It is possible that the future of global stablecoins depends on if these concerns can ever be truly allayed."

Cryptocurrency. The word evokes images of dodgy dealings on shady online platforms, with masked individuals who are always just out of reach. Throw in a mysterious case about vanishing Bitcoins and an allegedly faked death (as in the QuadrigaCX debacle) and you've got yourself the plot to a David Fincheresque film, tipped for Oscar glory. But why this bad rep? Objectively speaking, cryptocurrencies are an ingenious invention. Born out of the ashes of our collapsed financial system in 2008, cryptocurrencies have revolutionised our concept of transactional trust. Devaluing our need for third-party financial intermediaries, they paint a picture of a future where individuals are in complete control of how they transact. Fiscal privacy would be absolute in a world where privacy itself is the latest commodity.

This may not be just a distant dream. Mainstream ventures now accept cryptocurrencies as a viable payment method. The latest to jump on the bandwagon is Agatha Bacelar, candidate for the United States House of Representatives in 2020, who is accepting campaign donations in five major cryptocurrencies, including Bitcoin and Ether. In justifying this novel move, Bacelar states that the current political system is built to stifle a future "where economic freedom is afforded to all." Whether crypto is a part of that future remains to be seen, as one cannot ignore the massive flaw in this Cypherpunk Utopia. With this enhanced privacy, inherent in the design of most cryptocurrencies, new ways for wicked actors to exploit the system for illicit gain prevail. How then can we catch these unconventional bad guys when all we have are conventional tools?

THE NOTORIOUS BTC!

Crypto's notoriety stems from the daily barrage of newsworthy scandals. The cryptocurrency security firm CipherTrace reported that \$1.2 billion has been stolen through various cryptocurrency-based frauds in just the first quarter of 2019. While crypto-frauds can take many forms, exchange hacking is one of the most prevalent, with high-profile stories such as the ever-evolving mystery



THE GOOD THE BAD AND THE BITCOIN

Designed by **Phil Snelling, Bowater Media**

surrounding QuadrigaCX. Here, over 115,000 investors have been left staring into a crypto-abys after the 30-year-old founder of Canada's largest cryptocurrency exchange unexpectedly (and purportedly) died last December, sealing off any and all access to over £145 million worth of cryptocurrency. After entering into creditor protection in Nova Scotia in January 2019, court appointed auditors EY traced transactions via the Blockchain to determine that the wallet in question had been emptied five months prior to Cotton's supposed death.

Another crypto-fraud on the rise are clone firms. Clone firms take legitimate

details, such as the name and website of legal firms, copying them as their own to give the impression that they are the authorised firm. The Financial Conduct Authority (FCA) has recently warned of the alleged clone firm First BTC FX, which scams consumers through fraudulent cryptocurrency investments. First BTC FX has been posing as the legitimate firm First Global Limited. Under this pretence, this sham body professes to provide investment schemes whereby investing \$100 can return \$3,000. The lack of a clear legal or regulatory landscape in this area has meant that those who are ill-informed or duped by supposed technical expertise and the prom-

ise of a quick pay-out are easily targeted - hence crypto's bad reputation!

OLD TOOLS, NEW PROBLEMS?

How do we break this cycle of misuse? Take, for instance, one of the key problems surrounding the tracing and recovery of stolen crypto: anonymity. Though discussions of 'Public/Private Key encryption' are far from riveting, the salient point is that all crypto-transactions are shielded by layers of encryption that make the identities of either the sender or the recipient impossible to trace. How then should we go about recovering misappropriated funds when we don't know whom to sue?

Mercifully, the UK courts have a potential solution. While this isn't a crypto-case per se, CMOG Sales & Marketing Limited v Person Unknown and others in 2018 is a vital stepping-stone that could be adapted to fit crypto-issues. The case concerned an alleged fraud worth £6.3 million, committed by persons unknown. Worldwide Freezing Orders and Disclosure Orders (which are the nuclear weapons in a lawyer's arsenal - weapons of mass litigation if you will) were granted to enable the claimants to put together a financial picture of who might be responsible. These tools are seamlessly transferable to crypto-fraud cases. Although the identity of crypto-

users is veiled, their activities are less so. Therefore, it may be possible to trace a person's activity on the Blockchain and impose a Worldwide Freezing Order on the specified encrypted address.

However, the law is still lagging behind the tech. Once you've frozen these crypto-assets, how do you retrieve them? How do you bring these fraudsters to justice? Crypto-frauds are an emerging form of criminality, but not necessarily one that is alien to us. Fraud is fraud; the platform has simply changed. Our existing legal tools could be up to the task.



Out of the ashes of our collapsed financial system, Cryptocurrencies have revolutionised our concept of transactional trust.

Once fitted with technologically-minded 'upgrades', they will be a formidable device in making cryptocurrencies less of a fraudster's playground and more of a veritable vision of the future. Readers will recall Warren Buffett's apocryphal saying post-2008 crash: "Only when the tide goes out do you discover who's been swimming naked". Only time will tell whether those holding or dealing in crypto are fully or barely dressed.

By Keith Oliver, Head of International, and Amelia Meenan, Legal Researcher, at Peters & Peters Solicitors LLP in conversation with James Bowater. For more information <https://www.petersandpeters.com>

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CRYPTOCOMPARE MARKET VIEW

SEC Halts \$1.7 Billion Telegram ICO

Last week's news was dominated by US regulators stamping their authority on the crypto space. Most strikingly, the Securities and Exchange Commission (SEC) issued an emergency restraining order to prevent Telegram, the company behind a messaging app with more than 350 million users worldwide, from issuing GRAM tokens to US customers. More than a third of tokens sold the company's \$1.7 billion raise for its TON blockchain were bought by US investors. The regulator has also been applying pressure to the major corporations backing Facebook's Libra project. Mastercard, Visa, eBay and Stripe all backed out due to fear of increased regulatory scrutiny.

Bitcoin (BTC) had a largely positive week with the asset opening below \$8k before rallying to more than \$8,700 (a 12% increase) by Friday. This momentum came despite the SEC's rejection of the Bitwise Bitcoin ETF on Wednesday. The rejection was largely

seen as 'priced in' following the rejection of VanEck's similar proposal in September. BTC is currently trading around \$8,500, firmly within the range established following the major price drop on 24 September.

Ethereum (ETH) has also traded higher this week. The asset opened the week at \$169 before an ascent to \$196 (a 15% increase) on Friday. ETH is currently trading at \$183. Alcoins have continued their encouraging price movement. The combined market cap for alts has grown from \$62.8 billion at the week's open to \$68 billion currently (up 8%). The week's winners included SiaCoin (SC), up 45% on USD, Matic Network (MATIC), up 44%, and 0x (ZRX), which is up 29%.

Focus for the week ahead will be on whether BTC bulls can launch a second assault on the \$8,800 resistance encountered on Friday, or whether bears can regain control to push price back below \$8k, which would then open the door to further downside.

CRYPTO A.M. INDUSTRY VOICES

Will cryptocurrencies fail or succeed?

With Bitcoin Cash, you can send any amount of money to anyone in the world, effectively instantly and practically for free, without needing permission from anyone else. That's the elevator pitch I've been giving about Bitcoin, and now Bitcoin Cash, since the very beginning of my involvement with the digital currency.

Even as the cryptocurrency space as a whole began to care more about "crypto" than "currency", and emphasized "blockchain" more than "Bitcoin", I continued to argue that the digital cash use-case will be the killer application of blockchain technology.

And even as the Bitcoin Core project steered Bitcoin away from being peer-to-peer electronic cash, turning it into a high fee, low volume settlement system, those of us who shared the original vision of Bitcoin as peer-to-peer electronic cash persisted. We supported an upgrade to Bitcoin's transaction capacity and, eventually, decided to support the version of Bitcoin that is still on track to become digital cash for the whole world: Bitcoin Cash.

When that finally happens, not only will the world be a more free and productive place to live—anyone whose profits relied on an unfair control of the money supply will have to find a new, more productive way to make money. Tools like Bitcoin Cash are just waiting for the world to wake up to the corruption of central banks and today's financial third parties. With electronic cash, there is no third party: there's just you and whoever you're transacting with.

There's no verifying your identity, no frozen accounts, and no one can seize your funds. Cryptocurrency offers exactly what the traditional financial industry never would: money outside of their control.

Instead, everyone has equal access to a

fair, transparent, and unbiased money system, which increases levels of economic freedom for everyone on earth.

That's been my vision since I first started promoting Bitcoin, when it was still barely worth a few dollars per coin, and it remains my vision to this day.

It's not very surprising that Bitcoin has its naysayers. Many powerful people's profit models are threatened by decentralized money, which I'm sure has led to some of the more persistent negative rumors surrounding Bitcoin. Other people simply don't understand it, or get a very wrong idea about what Bitcoin actually is from bad sources.

Some figureheads of the anti-crypto side of the argument, like Nouriel Roubini, go as far as to claim that cryptocurrency has no value at all, and will fail completely. Dr. Roubini is well known for accurately predicting the housing crisis of 2008, and even earned himself the nickname "Dr. Doom" for his bearish attitudes. He may have been right about the housing crisis, but he is wrong about Bitcoin.

That's why I've agreed to debate Dr. Roubini about that very topic—"Will cryptocurrencies fail or succeed?"—at this year's premier Blockchain and AI investment event, the London CC Forum, which is being held in London, England October 14th through 16th. I look forward to facing off against "Dr. Doom", and to explaining the value of digital currencies with an audience of some of the most influential names in the crypto space.

Roger Ver is an entrepreneur, investor, and Bitcoin enthusiast. He was the first person in the entire world to invest in Bitcoin-related startups, hence his nickname "Bitcoin Jesus". Roger is currently the Executive Chairman at Bitcoin.com and is an advisor for a multitude of other cryptocurrency businesses and projects. To get started with Bitcoin, visit Bitcoin.com.

Crypto A.M. shines its Spotlight on AiX

AI and 'Cryptocurrency' are two of today's top tech buzzwords. Many traditional areas of finance are set for disruption and AiX is looking to combine these technologies to radically change large scale OTC trading in financial markets. Replacing the traditional broker with an AI, natural language system, AiX is set to be the world's first conversational AI Broker for institutional OTC trading. The benefits will include a significant reduction in fees and faster transaction times, whilst simultaneously creating a fairer and safer trading environment.

Bringing world class talent to bear, AiX has had to transform an idea to reality in lightning speed to ensure that it remains at the forefront of the rapidly evolving crypto and AI space. The AiX platform has been built by a team with decades of experience in building enterprise grade software at Deutsche Bank, Goldman Sachs and Credit Suisse and trading/broking/portfolio management in financial and commodity markets. Disruptive technologies, despite their potential benefit, often face one major

challenge when pushing for mainstream adoption; when they require the user to change their behavior or habit. AiX faces no such challenge.

Through natural language processing and cognitive reasoning, the AiX chatbot will interact and work for the trader the same way as a human broker might, but much quicker and more efficiently. "Voice broking suffers from systemic issues that we wanted to eradicate for modern institutional traders. Scalability is the most obvious challenge; our system can handle thousands of orders and requests for prices simultaneously at any time without making a mistake". With no new



AiX makes trading simpler, smoother and more secure, boosting profits.



AiX Team

application or program required, traders will interact with AiX via existing messaging services such as Telegram and Symphony, adding the AI system as a contact just as they would a new broker.

On request, AiX automates price discovery, negotiation, execution and settlement whilst ensuring anonymity

throughout the entire process. "Clients using traditional OTC brokers are required to rely upon trust in the hope of preserving anonymity whereas AiX ensures it every time" Launching first in crypto markets where trading is expensive, slow and unsafe, "AiX makes trading simpler, smoother and more

secure, boosting profits."

Institutions and traders want solutions that help to ensure transparency, adhere to regulatory best practice and reduce trading costs. An automated brokerage system such as AiX addresses all three of these requirements as it negates the ability for collusion, is always fully impartial and will reduce commissions considerably. Clients can rest assured that their broker is acting in their best interests.

The cryptocurrency market is seeing renewed demand from institutional players that are looking to gain exposure to these new assets, yet remains fraught with risk, complexity and high costs when it comes to trading. AiX simplifies the OTC cryptocurrency market, allowing seamless execution, settlement and custody for its clients. Whilst crypto is currently unregulated AiX has built its business in accordance with regulatory best practice in order to be aligned with their institutional clients. "Our technology records all trading in a fully auditable manner thereby providing clear evidence of best execution."

Find out more at <https://aixtrade.com>



GOVERNMENT AND BLOCKCHAIN

Troy Norcross, Co-Founder Blockchain Rookies

There are 537,000 individuals who are over 65 years of age and also in the higher rate (40%) tax bracket. And yet, they still get a free TV License and Winter Fuel Allowance. After talking with several individuals who meet these basic criteria, the feeling from many of them was that they didn't need these credits, but that there was no way they could opt-out. Connecting the tax systems at HMRC to the benefits systems for winter fuel and TV license credits would be just too expensive. Even if it meant saving up to £118,000,000.

A blockchain-based identity system would allow for individuals to share their tax rate without sharing their income or other personal data and

furthermore, would allow them the chance to opt-in or opt-out of various schemes and give them full control over the information they shared. The platform would be used by individuals but would not be owned or operated by the government. Personal data would be held and managed by the individual and not in some huge central government data store.

In another example of the government's adoption of blockchain, the UK Land Registry participated in a pilot around property conveyancing. The pilot involved financial partners, solicitors and identity providers as well as the UK Land Registry. By providing a single source of truth during the transaction there was no need to

transferring of information and the associated reconciliation.

Whether connecting disparate government systems such as the TV License credit and HMRC or connecting government data to the private sector such as the case with the UK Land Registry, blockchain can play an important role. These blockchains are multi-party networks not single owner systems. Government can benefit from by working with the private sector in new ways using blockchain and DLT rather than building yet another monolithic database.

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