

# CRYPTO A.M.

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

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## CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER



I spent several days last week in Malta attending the second edition of the DELTA Summit which was less frenetic than the first but stuffed with the rafters with high quality projects and speakers alike. However, there was a worrying cloud hanging over the 'Blockchain Island' with rumours circulating that international correspondent banks were ceasing supply of dollars to local banks from the 31st October. This might well be more to do with 'sins of the past' as I know how hard the incumbents and institutions have worked to clean up. However, it does suggest to me that banks, whilst on the back foot, are trying to disrupt blockchain & crypto related businesses as well as the infrastructure that supports them.

The crypto market stabilised somewhat this past week with Bitcoin (BTC) hovering around the US\$8k market and at the time of writing was at US\$8,087.71; Ethereum (ETH) is at US\$177.33; Ripple (XRP) is at US\$0.2782; Binance (BNB) is at US\$15.74 and Cardano (ADA) is at US\$0.04122. Overall Market Cap is at US\$218.44bn (data source: [www.CryptoCompare.com](http://www.CryptoCompare.com))

Last week the FCA announced an open consultation with a view to restricting the sale of investment products that reference cryptoassets and whilst it could be damaging to the industry if not thought through, I believe that sensible regulation is critical. I spoke with Lee Birkett, Founder of JustUs who echoed this view "We are introducing new retail and sophisticated investor tests for our UK FCA regulated P2P platform JustUs from 9th December 2019. The UK P2P regulatory framework commenced in 2013 and it is very positive that the FCA is now consulting on crypto and the blockchain. Regulatory protection from bad actors, who currently promote inappropriate leverage and CFD's crypto products to non-sophisticated retail investors is welcomed and will provide trust and security for global crypto adoption."

In London I caught up with Jos Evans, Founder and CEO of AIX (Artificial Intelligence Exchange) who told me about their exciting partnership with Zero Hash to settle their digital OTC trades. AIX is the world's first natural language AI broker, automating peer-to-peer trading of financial assets anonymously. AIX is a transformative AI-driven negotiation and matching engine, built to act as a broker for institutional OTC traders. Zero Hash is a FinCen-regulated Money Service Business as well as a Money Transmitter and holds a virtual currency license from NYDFS. Jos told me that "Through our partnership with Zero Hash, we will provide crypto market participants with the ability to source liquidity instantly from around the world, and settle automatically, all for a fraction of the costs that they are currently paying. We are very excited to be launching this combined product with Zero Hash"

Since I was away for it, Crypto AM's friends at Craft Coin are throwing a rerun of last week's Oktoberfest, this Friday at 4pm where 'Meet The Founders meets Blocktoberfest!' There will be a reserved space at German Kraft in the Mercato Metropolitan, Elephant & Castle. If you wish to join me send an email to [CryptolInsider@cityam.com](mailto:CryptolInsider@cityam.com)

While Ada Lovelace came very close to being featured on the new £50 note – but did not make it, I was comforted that our Cardano token – ada – was named in honour of the British mathematical visionary who worked on the Analytical Engine, a mechanical general-purpose computer design. I was equally happy that Alan Turing, a pioneer of computer science and artificial intelligence, will be the face of the new banknote from 2021.

The Bank of England's July announcement reminded of how the works of Lovelace and Turing – in one way or another – have contributed to Cardano and continue to do so.

Cardano is a ground-breaking blockchain network and the first proof-of-stake platform developed for smart contracts using fundamental research from world-leading academics – subject to rigorous peer review – with papers presented at top-tier international symposia. The protocol's design aims to protect user's privacy, while also considering the needs of regulators. In doing so, Cardano is the first blockchain to balance these requirements in a nuanced and effective way.

While Cardano is a decentralised worldwide project led by the brightest minds of the planet, we drew some inspiration from prominent British scientists and poets – past and present. For instance, Plutus, a formal programming platform for writing smart contracts for Cardano, uses Turing-complete language.

Speaking of languages, we named our simple programming language for writing financial smart contracts for the Cardano blockchain after Christopher Marlowe – poet, playwright (and spy). The Marlowe language is specifically designed for financial applications and is for financiers rather than programmers, requiring no formal programming experience. It will be launched after Cardano is decentralised and might become the solution to vulnerable escrow contracts.

The first era of the Cardano platform we called Byron, named after the great



# BLOCKCHAIN IS YET TO UNLEASH ITS FULL POTENTIAL TO POWER THE ECONOMY

Image provided by Cardano Foundation

British poet, Lord Byron – also, of course, Ada Lovelace's father. This was the 'bootstrap' era, designed to set up the network, prove our Ouroboros consensus protocol and start building a community of users.

Last month, we started rolling out the networked for the Shelley phase of development, named after Byron's great friend and companion in verse, Percy Bysshe Shelley. This connects individual nodes into a peer-to-peer network – an important first step for the decentralised Shelley era. Later this year, we will bring in delegation, staking and incentives with real ada rewards. These

are the core pillars of Shelley which after a suitable period of testing will be rolled over to the main net in 2020.

Blockchain technology will play a vital role in the British economy and the emerging technology's importance will only increase. However, the blockchain sector needs effective policies to start powering the economy and to help diversify it. As an industry, we need to collaborate and work together to help shape governance and standardisation policies around blockchain, including anti-money laundering, market integrity, tax treatments and legislation. In that vein, we recently joined forces

with London-based industry body, Global Digital Finance (GDF).

Many in the UK are analysing the merits of blockchain to ensure the country is a friendly jurisdiction for innovation. This process is likely to intensify as the economy gets more globalised. As such, the UK and many other nations are assessing if their existing legal frameworks can deal with the ongoing technological disruption. The Cardano Foundation and its ecosystem partners, Input Output HK, a blockchain software engineering company, and EMURGO, commercial development specialists, are working with various countries to

help them find ways on how their existing laws will interact with blockchain.

With the mandate to shape legislation and setting standards while ensuring accountability, the Foundation is also working with the International Association of Trusted Blockchain Applications (INATBA) under the European Commission that brings together developers and distributed ledger technology projects with regulators and policymakers to future-proof blockchain.

In the financial services industry that plays a key role in the City of London, we are working with the Algorithm Contract Types Unified Standards (ACTUS) to

create a standard framework for smart contracts in finance. The Cardano Foundation is also driving the adoption of Cardano through accelerating blockchain models with corporations, governments, enterprises of all sizes together with Konfidio, our strategic partner based in the German capital.

Just as Lovelace and Turing laid the foundations for modern computer science, the Cardano Foundation hopes to blaze a trail through setting legal frameworks, standards, and policies for the blockchain industry in the UK and



Existing legal framework can allow businesses and enterprises to harness the power of blockchain

beyond. To paraphrase Turing himself (whom I consider one of the forebears of the modern blockchain thanks to his cryptanalysis), blockchain's current state is only a foretaste of what is to come, and only the shadow of what is going to be.

Nathan Kaiser, Chairman of the Cardano Foundation, in conversation with James Bowater. Established in Zug, Switzerland, in 2016, with a presence in 10 countries. [www.CardanoFoundation.org](http://www.CardanoFoundation.org) <https://www.linkedin.com/in/nathankaiser>



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# Crypto A.M. shines its Spotlight on SkyRocket

Merging the realms of blockbuster Hollywood movies and gaming could well be a match made in heaven, with Sean O'Kelly and Richard Clarke identifying what they call "a gap in the market".

Establishing Skyrocket Entertainment at last year's Cannes Film Festival, UK film producer O'Kelly and the gaming industry's Clarke migrate Hollywood feature films and branded intellectual property rights into the gambling and social gaming sectors.

As a result, world-renowned stories and characters, established with audiences worldwide, are transformed into new gaming content and products for social and real money gaming, such as slots, instant games, bingo and lotto, via licensed operators in legal jurisdictions.

Skyrocket recently caught Crypto Insider's attention with its acquisition of independent casino games studio, The Games Company (TGC) from BlockChain Innovations Corporation. The online casino games provider currently counts a product portfolio

of ten titles, including Hippie Chicks, Cash Cowboy and Super 7 Wilds, with games available in the UK and markets served from Gibraltar with several new launches scheduled for later in 2019. What's interesting is that these games are available to be played using multi-currency wagering including cryptocurrencies.

This, combined with Skyrocket's additional acquisition of Black Cow Technology's Remote Gaming Server (RGS), means that Skyrocket's TGC is already fully integrated and live with



These games are available to be played using multi-currency wagering including cryptocurrencies



Hans Winkelmann CPO  
Sean O'Kelly co-founder & CEO  
Richard Clarke co-founder & COO

William Hill, LeoVegas, Poker Stars, Rank and many more tier 1 & 2 Platforms and Operators.

TGC has a proven track record for developing and rolling out online games – it also has a pipeline of new integration opportunities and partnerships with online gaming operators so it's primed to expand recurring revenue.

"Skyrocket is thrilled to have TGC aboard – this will significantly help broaden our reach in delivering exciting and stand out games using our exclusive media rights through TGC's certified Remote Gaming Server and existing partnerships, says co-founder Richard Clarke

Having also recently bolstered its portfolio with the acquisition of the international rights to 75 iconic feature films including Rambo 4, The Expendables and The Fallen franchise, Skyrocket has also optioned the exclusive worldwide gaming rights to a further 100 major film titles.

Co-founder, Sean O'Kelly explains: "Blockbuster films and branded content bring proven and established audiences worldwide and, with the rights that Skyrocket acquires, we ensure that we get the utmost from the raft of new milestone commercial opportunities the company has recently secured.

For more info and to get in touch check out [www.theskyrocket.co](http://www.theskyrocket.co) or email

spent playing the games – ultimately yielding much bigger revenues.

"With our franchises such as Expendables, Rambo and Fallen – each time there's a new film in the franchise we ride the coattails of the multi-million-dollar marketing campaigns around the film's worldwide release.

"Skyrocket is uniquely positioned – we are between movie studios (from whom we acquire movie rights) and game platforms and operators. Skyrocket, with over 20 years' experience in licensing IP rights, successfully navigates this often-complex process to acquire and deliver exclusive game-ready assets to the gaming industry."

Adding on how such issues can be mitigated: "Because Skyrocket operates on a fee percentage from income basis and owns all its gaming IP, we are rendered risk-free.

"There is tremendous demand for new content from gaming operators which Skyrocket, with its valuable and rapidly growing film library, intends to galvanise. We are creating a vast bank of tradable assets with our film IP.

There is still some limited availability to invest under EIS as Skyrocket is finalising its capital raising round. The valuation at which the shares are being offered is very attractive as Skyrocket has left it unchanged despite the raft of new milestone commercial opportunities the company has recently secured.

For more info and to get in touch check out [www.theskyrocket.co](http://www.theskyrocket.co) or email



## QUANTUM COMPUTING: A THREAT TO BLOCKCHAIN?

Troy Norcross, Co-Founder Blockchain Rookies

On 27 September there was a flurry of articles talking about Google's achievements in quantum computing. "How does this affect blockchain?" - and possibly more interesting to some people, "How does this affect bitcoin and cryptocurrency more generally?"

Blockchain protocols are designed to create blocks of information which are connected together in such a way as to make it impractical to go back in time and try to edit previous entries. This is most often referenced as blockchain information being immutable: unable to be changed.

Even with quantum computing, the chances of being able to go back in time and edit old entries in a blockchain and

then to create the series of links between all the blocks is not practical. Even if you did, you would need to have substantial control over the network to rewrite the blockchain to your amended version.

So if the threat isn't in rewriting the information on a blockchain, where does the threat lie when it comes to quantum computing?

In order to write information into the blockchain, the nodes on the network need to verify each transaction. For this, they use a public and private key pair. This unique cryptographic pair of numbers ensure that only authorised transactions are processed by the network. Your private key is something to be closely protected. Most cryptocurrency hacks occur when

private keys are stolen or lost.

With quantum computing, it becomes possible to discover someone's private key based on their public key and the messages stored in the blockchain. Once it becomes possible to break someone's private key, the integrity of the information in the blockchain is diminished.

Truly useful and usable quantum computers are (probably) 3-5 years away. But when they are available you can count on them being used to crack cryptocurrency wallets by discovering their private keys.

Get in touch with us: [info@blockchainrookies.com](mailto:info@blockchainrookies.com) / [@getblockchain](https://twitter.com/getblockchain)

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## CRYPTOCOMPARE MARKET VIEW

### SEC Fines Company Behind EOS

Last week began with the news that Block.one, the entity behind the EOS network, had reached a settlement with the SEC over its crowd sale. The EOS ICO, which ran for a full year and raised an estimated \$4 billion, was being investigated as a potential securities offering. The regulator ruled that while the (Ethereum-based) ERC-20 issued during the raise could be considered a security, the current EOS token is not being deemed as such. The fine issued amounted to around 0.5% of the funds Block.one raised. The market reacted well to the news with EOS/USD rising 8% following the announcement. It's currently sitting at \$2.95, up 20% from its September low. Bitcoin has traded sideways over the past week, trading at the time of writing at \$7,930 – almost on par with its opening price despite a 10% swing

between its high (\$8,505) and low (\$7,701) across the week. Anticipation is now building over which direction the asset will make its next major move. The Bitcoin Fear & Greed Index currently sits at 32 – a massive drop from the euphoric 95 set in late-June – suggesting the prevalence of bearish sentiment. Bitcoin, however, is known to confound expectations and trap those too eager in their expectations. Whichever way bitcoin goes, one may expect Ethereum (ETH/USD) to follow at a typically greater magnitude.

This week, watch the performance of altcoins vs BTC for continuation of the budding uptrend. Major names among last week's star performers included ATOM (up 23%), ENG (up 22%) and BAT (up 21%). The total market cap for alts is \$63.7bn, up 3% from last week's open.

## CRYPTO A.M. INDUSTRY VOICES

### Is crypto trading making you overweight? Use a basket

Cryptocurrencies haven't disappeared like some thought they would. If anything, its appeal as an asset class continues to grow. While past performance is not indicative of future results, the price of bitcoin alone has increased by 150% over the past six months, indicating that cryptocurrencies may be here to stay.

So, you want in... but where to begin? There are two questions one needs to answer: how to trade and what to trade.

There are a couple of different options for trading cryptos. You can buy a physical crypto with a provider that usually gives you a wallet. Trading platforms have emerged, but these remain unregulated in most cases.

You can also trade through a regulated CFD broker like FXCM. This allows customers to trade cryptos alongside instruments like foreign exchange, commodities, metals, energy products and stock indices – all from one account.

One of the advantages of trading via CFDs is that you don't need to worry about storing your physical crypto in a "hot wallet". Numerous high-profile hacks in many of the largest crypto exchanges have set alarm bells ringing. When retail clients trade CFDs with regulated brokers, their funds are held in segregated bank accounts and are subject to pricing and execution governed by strict regulation.

The second question is how to trade it. With all the different coins available, all with different pricing and volatility, it can be difficult to know which coin to trade long or short. Bitcoin has the best name recognition, but is it going to be the biggest mover? Why not trade Ripple or Litecoin? Do you know what influences the price action of each?

To address these questions, there has been a rise in cryptocurrency baskets. This is a grouping of numerous cryptocurrencies like Bitcoin, Ether, Litecoin and others, all into in one tradeable

product. The advantage is that you do not need to pick a specific crypto to trade – you just pick the direction. If you think cryptos are undervalued and poised for a rally, go long. If you think tough times are ahead, go short via a crypto basket. Investors should remember that cryptocurrencies have a higher volatility than other products and market liquidity will fluctuate, which could result in jumps in price and slippage.

Hedging your base investment against a basket lowers trading costs and reduces the risk of adverse movements in a single cryptocurrency potentially amplifying losses.

However, be mindful of complicated weightings. If five products make up a basket, different brokers may place different "weights" on each crypto, so basket traders may unknowingly have much more exposure to a single crypto.

FXCM has recently launched its crypto basket – named CryptoMajor. Our basket has an equal weighting for each coin, which ensures that the product is not overly exposed to just one crypto. Whether Bitcoin, Ripple, Litecoin, Bitcoin Cash or Ether are making headlines, you are still part of the action.

The CryptoMajor basket is available on all of FXCM's flagship platforms plus MetaTrader 4, NinjaTrader, and via API.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

70.96% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

Michael Kamerman is Managing Director of Corporate Strategy at FXCM Ltd. Learn more about cryptocurrencies trading and their inherent risks at [www.fxcm.com/uk/cryptocurrency](http://www.fxcm.com/uk/cryptocurrency)