

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

It is always good to hear about initiatives that help the lay person understand blockchain technology. Word has reached me of a new publication due out at the end of this year from Palgrave Macmillan. Maria Grazia Vigliotti and Haydn Jones draw on 20 years' broad business and technology experience in a book designed for business leaders. The "Executive Guide to Blockchain" captures much of their experience of blockchain technology over the last six years, and in particular working with executives in helping them understand, develop and apply the technology. You will be able to preorder a copy through the www.palgrave.com website.



The crypto market has continued to be moderately stable this past week and at the time of writing Bitcoin (BTC) was trading at US\$8,256.53; Ethereum (ETH) is at US\$176.82; Ripple (XRP) is at US\$0.2919; Binance (BNB) is at US\$18.30 and Cardano (ADA) is at US\$0.03930. Overall Market Cap is at US\$223.71bn (data source: www.CryptoCompare.com)

In Switzerland, despite the very public setback of losing seven high profile founder members, FINMA approved Libra Association went ahead with the signing of its charter inked by the twenty one remaining members which will see the project continue. However, that didn't stop doubters of Facebook's effort to create a cryptocurrency being vocal including JPMorgan Chase's CEO Jamie Dimon who observed whilst on a Washington conference panel "it was a neat idea that'll never happen."

In the US news broke that Fidelity Digital Assets, which was launched last year by Boston based Fidelity, is opening up for 'qualified investors' therefore ramping up its cryptocurrency custody business, hoping to profit from the scarcity of big, regulated institutions in the chaotic world of digital assets, according to Abigail Johnson, the investment group's chief executive.

Last week saw the rather controversial CC-Forum Summit take place in rain drenched London. Mercifully the organisers kept their word of inviting On Yavin who I believe understood the value of sometimes having speaker who might need to be held to account turn up. Primarily I'm talking about the marmite figure that is Craig Wright. He certainly didn't disappoint his critics by being appallingly behaved swearing and patronising his way throughout and not least of all when bidding for a piece of art produced by VESA which I auctioned.

On a positive note, I saw some extremely good projects including ByteTree.com (see Spotlight below) and also Prowd.io who on Tuesday the 15th held a satellite event to launch their STO in the bohemian setting at the Mercato Metropolitan. The Project Crowd team managed to assemble a strong group for their groundbreaking launch for the Prowd platform. They shared the stage with DustAid, WeOwn, OXBC, Craft Beer Coin, Kirsty Bonner and Jason Allan Scott who Mc'd. Project Crowd are already well on the way toward their stated purpose which is to reinvent recruitment and from the feedback we received in the room, it looks like the message is landing well. For more about the project make sure you visit www.prowd.io

Governments have a huge problem today with the monetary system, which is some digital and some paper money, and all sorts of complexities in collecting tax from everyone.

Tax evasion is a huge problem in every country, what if I tell you that with such a pace in technology advancements it is possible now to collect every penny/cent of tax?

Inflation can also be a huge problem for every country, what if I tell you that it is also possible to successfully control inflation without impacting badly on the economy?

Money has become more digital than actually paper money although some extremes still happen at both ends.

China has evolved faster than anyone else with a huge percent of people using their mobile for payments with WeChat QR codes to pay for everything, so they already do have a digital currency in place with a small amount of people still using paper money. Tenpay market penetration is at 84%.

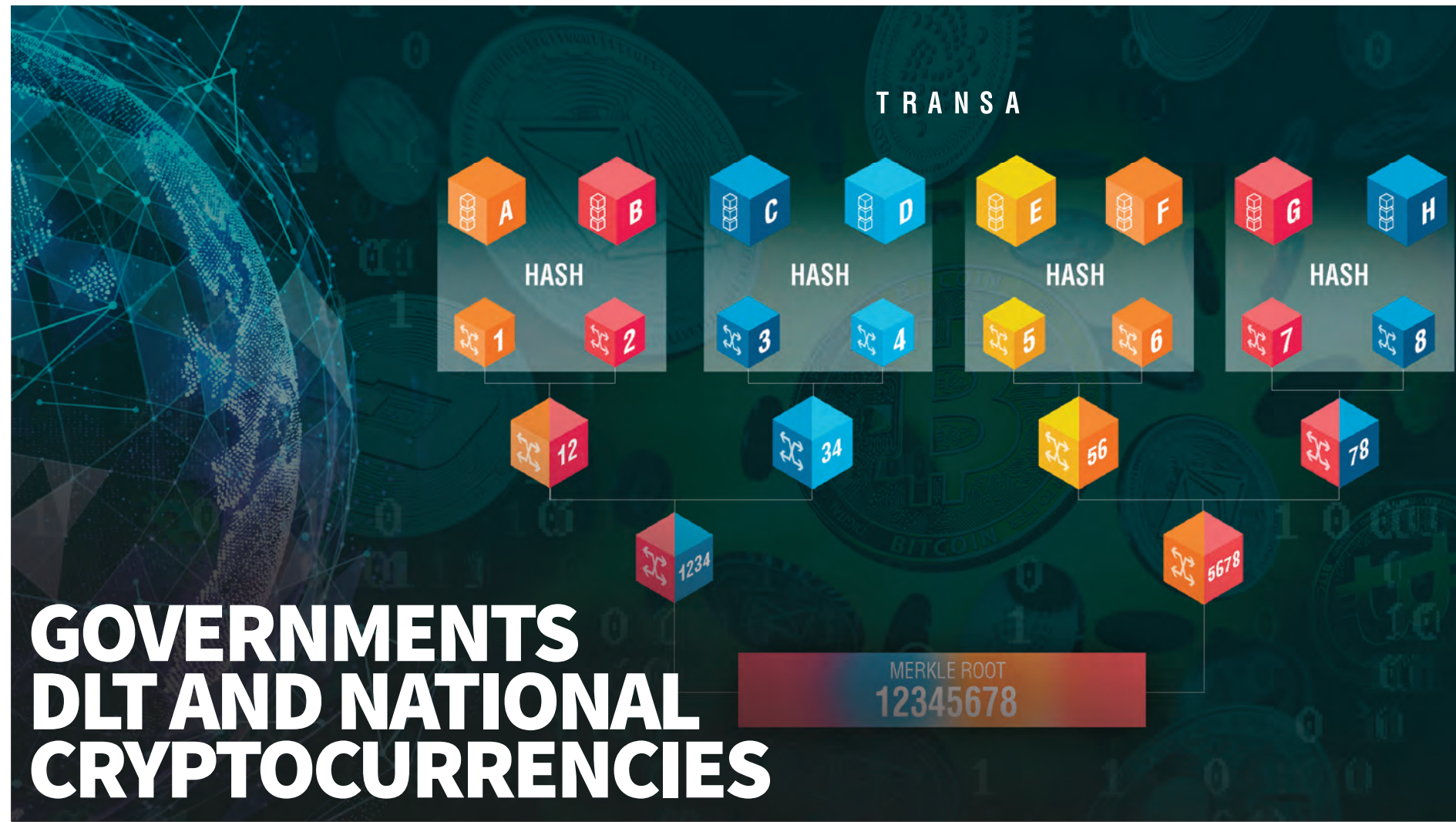
Germany in contrast is a paper money society with 74% of transactions being made in cash!

The world in general has been moving away from cash to digital money with credit cards first followed by mobile payments avoiding carrying a plastic card.

So, the technology is available and at a low cost to push out digital currencies at a faster pace than ever and a lot easier.

Some governments are at the moment developing Distributed Ledger Technology and National Cryptocurrencies that will enable them to address the problems I mentioned.

Some of the countries National Cryptocurrencies are already at an advanced testing stage. So, imagine now the following:
 ● A Government National Distributed Ledger with a Merkel tree concept
 ● Every citizen and every organisation/entity is issued a national unique identifier (hash key) and that goes to the main chain.



GOVERNMENTS DLT AND NATIONAL CRYPTOCURRENCIES

Designed by Phil Snelling, Bowater Media

- Government and central bank create a national cryptocurrency as a side-chain in the Merkel tree
- Other cryptocurrencies will be on side-chains to enable easy/fast exchange and traceability
- Every citizen is issued a wallet/card (similar to your debit/credit card) which has your national identifier
- Government and central bank ends fiat; notes, coins, digital money

- Every single transaction in the country will go to that central ledger as side-chains, being your income or outcome. Now, every single penny/cent that you earn will go to that ledger associated with your national identifier for all your life and even death if the government wants to keep historical records of their citizens. Everything you buy and sell, from a car to a coffee, will go to that ledger as-

tial for full integration of everything in a society.

We at Naoris.com have created a distributed cybersecure ecosystem, and a few years ago we were thinking on how would the future look like with new technologies such as DLT and AI, so that was implemented earlier on our solution with various side-chains and blockchains as well.

We had to do it because we understood early that it would be a new world of many Blockchains so we have a hybrid concept that allows cus-

Economic policies can be automated by using smart contracts with Artificial Intelligence

tomers to Bring Your Own Blockchain (BYOB).

Going forward our advice to everyone creating new concepts/products is to think on how to develop and be ready for this type of approach and to think about the potential of side-chains and interoperability because we are only scratching the surface albeit with some very advanced concepts in cybersecurity in case of Naoris.com. Employing innovation and new ideas will be advantageous for most sectors.

Fernando Martinho, co-Founder and Chief Technology Officer of Naoris, in conversation with James Bowater. For further information visit www.naoris.com

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CRYPTOCOMPARE MARKET VIEW

Binance passes \$1 billion in cumulative profits

In last week's news, exchange giant Binance marked its Q3 token burn (a mechanism to share the spoils of a strong quarterly performance with holders of its native BNB token) by passing \$1 billion in cumulative profits. Little over two years since its launch, the company has expanded from basic crypto exchange into multiple revenue streams, including a futures trading platform and a new project (IEO) launchpad. The past quarter was the company's second most profitable on record, yielding \$185.3 million despite Binance.com losing considerable volume due to the transitioning of US users on to a separate site (Binance.US) for compliance reasons. Perhaps of greater surprise, the company announced that it was increasing leverage allowance on Binance Futures from 20X to a staggering 125X.

Bitcoin (BTC) continued to trade sideways, starting and finishing the week around the \$8,300 mark. This was despite dropping to retest support at \$7,800 on

Friday, which reignited bearish sentiments. A 5% rise on Sunday may have helped to calm nervous bulls, who will be seeking to build the momentum to mount another challenge on resistance at \$8,800.

Ethereum (ETH) painted a similar pattern, briefly falling below \$170 on Friday before recovering to close the week at \$175. Altcoins had a relatively muted week, reflecting nervousness around Bitcoin's downwards price movement. There were however some high performers, including Nexus (NXS), which closed the week 43% up vs BTC following an endorsement from Apple's Steve Wosniak, and Synthetix (SNX) which increased 29% following speculation on investment from VC firm Andreessen Horowitz.

In separate news, CryptoCompare launched a new Real-Time Orderbook Streaming API. The service offers custom risk alerts for unusual market activities to help traders and investors manage risk amid the volatility of the crypto markets.

CRYPTO A.M. INDUSTRY VOICES

When Institutional Money?

At first, the most popular crypto meme was "when moon", then came "when institutional money". The "moon pump" in December 2017 was driven by the over inflated initial coin offering (ICO) market, together with a last-minute rush for what at the time could be dubbed as professional money. Since then, the market for ICOs has dried up and while this may have disincentivized further growth of retail flow, the interest for secondary market trading from institutional type firms only continues to grow. Still, the interest from retail money remains strong and it is this high leveraged retail flow, together with numerous trading venues across the globe that has resulted in a highly fragmented and at times, a very inefficient market.

The magnitude of these inefficiencies, together with the fact that much of the information related to project developments is disseminated in private group chats before finding its way to more mainstream media outlets, provides plenty of opportunity to capture alpha. This is a true wide range of trading strategies, but arbitrage, relative value and event driven strategies have been particularly profitable.

The question is, if the secondary market for digital assets as we know it that lucrative, why haven't we seen more traditional names enter the new asset class? For one, its regulation and while London has been a host to a number of crypto exchanges and businesses for years, it was only last week the publication from the FCA provided much needed clarity on regulatory stance. The publication confirms as part of the FCA's new supervisory regime, from 10 January 2020; it will be putting into place a mandatory registration requirement for all crypto asset businesses in the UK that fall within its remit.

Going back to "when institutional money" meme and clear regulatory guidelines will certainly encourage some asset managers to consider crypto assets as part of its alternative asset offering. Especially given the benefits stemming from its uncorrelated nature to tradi-

tional assets and asymmetric performance. However, regulation alone is not enough and just like in traditional markets, in particular equities, the introduction of prime brokerage will have profound implications for the market. The one-stop shop has been around since the 1980s but so far eluded the crypto currency market.

This particular pain point can only be resolved with a solution that marries the principles the traditional investment community is accustomed to, with the advances that come from utilising blockchain technology such as whitelisting withdrawal addresses and crypto custody solution.

To attract institutional investors in a large number, the crypto market needs to be more transparent and compliant. Services such as lending and margin financing, high touch and low touch execution services like over-the-counter (OTC) trading and algorithmic orders, market data and research products are not just a good thing to have but a must. In addition, there needs to be a bulletproof custody solution which is also flexible enough to cater for a variety of blockchain protocols. Until there is a solution that provides all of the above, very few hedge funds will go through the burden of self-financing at each exchange, which makes the firm open to all sorts of risks.

The BEQUANT Pro provides market participants with bespoke brokerage services for digital assets and with its institutional grade architecture and infrastructure, it aims to break the barrier to entry for institutional investment in digital assets. The growing list of services includes multi-exchange access, low-latency colocation offering hosted in a state-of-the-art Equinix data centre, SAFEQUANT Custody with ultra-secure cold storage and "on-demand" access, as well as BEQUANT Exchange. Such an extent of services may be common in traditional markets but a first of its kind in digital assets.

Denis Vinokourov, Head of Research, BEQUANT Exchange. For further information visit <https://bequant.io/>

Crypto A.M. shines its Spotlight on ByteTree.com

While digital assets are unglamorously known for their speculative premiums and misinformation, ByteTree provides the hard facts. The heavyweight team at ByteTree track over 80 metrics that help to value digital assets in real time, aiding investors to increase risk adjusted returns. In the last 3 months alone, the team have applied their proprietary data to correctly predict a 20% fall in the price of bitcoin. For digital asset investors looking to make informed decisions based on live data and historic trends, the ByteTree terminal is the solution.

DIGITAL ASSET VALUES ARE CORRELATED TO NETWORK ACTIVITY

The price of digital assets such as bitcoin are correlated to the value of transfers taking place across their networks. This value transfer has supported bitcoin's meteoric rise over the past decade and will continue

to be a key determinant of its price in the future. Global blockchain-based payment networks are growing fast, with the industry now beginning to appear on the radar of networks such as Mastercard and Visa. In 2018, the combined efforts of all Mastercard's payment products facilitated a little over \$5.9tn in transfer volumes, with an average value of \$84. This was supported by a team of over 13k employees which took 53 years to build. The Bitcoin Network

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The heavyweight team at ByteTree track over 80 metrics that help to value digital assets in real time



James Bennett, CEO of ByteTree.com

alone, released in 2009 and with no formal employees, supported transfers of \$830Bn in 2018 with an average transaction value of \$2,300. It is a remarkable achievement, which ByteTree believe will continue to see further growth.

In addition to their increasing share of global payments volume, the open-source

nature of public blockchains means that there is far greater visibility on transactions than typically seen with traditional payment networks. Investors, researchers and enthusiasts can observe the frequency, value and cost of transactions in real time in order to quantify the health of the network. For those newer to the market, the ByteTree

blog is a good place to understand these metrics, as well as learning how to apply them to investing. One feature not to be missed on the ByteTree terminal is the transaction value heat maps; where users can visualise payments on blockchain networks to gain a greater understanding of the underlying economy.

The high-quality live data feed powering the ByteTree terminal was not easy to build. ByteTree was founded in late 2013 by Charlie Morris, previously head of Absolute Return at HSBC global asset management and Mark Griffiths, an accomplished programmer with design awards from leading tech companies including Apple Inc. James Bennett, CEO, joined ByteTree in August having previously founded a crypto-asset consulting business in 2017. James' focus is on delivering the most comprehensive set of blockchain network data in the industry to support institutional digital asset investors.

The ByteTree terminal is currently the only platform that provides live price, network data and fundamental valuation metrics for digital assets. For those looking for an even greater advantage, the team are building a web-socket API to enable their clients to stream data directly from the network to power quant driven models and trading strategies in real time. ByteTree.com is currently free and we welcome your feedback.

Find out more at <https://www.bytree.com>



LIBRA, MORE THAN ZUCK-BUCKS

Troy Norcross, Co-Founder Blockchain Rookies

The idea of Libra started as a Facebook project. But Libra does not belong to Facebook. Libra will be controlled by a foundation of which Facebook is a member. While it is easy to refer to Libra as Facebook's cryptocurrency, this misses the bigger picture. It also misses Facebook's real interest.

Is Libra a cryptocurrency? No. Libra will be a currency just the same as the Pound Sterling or the Euro. The Libra Association will act in the role of a central bank. They will manage a collection of low-risk fiat currencies and government debt giving Libra a consistent value and relatively low volatility.

And yes, Libra is built using blockchain and distributed ledger technology

which will be managed by the Libra Association. For those trumpeting Libra as driving crypto adoption, the reality is that consumers will likely never know that underlying the Libra transactions are public/private key pairs and a blockchain-like network. People will buy, sell, exchange and transact Libra through their digital wallets, which is where Facebook truly comes into the frame.

Facebook is a data company. They use their data to monetise attention and to facilitate commerce. In this case, Facebook's Calibra subsidiary will build the wallet, which allows consumers and businesses to conduct transactions using Libra. These wallets will be fully KYC and KYB compliant.

The verified identity will be necessary to be compliant with anti-money laundering and various other banking regulations. As a byproduct, the wallet becomes a globally recognised form of identification. And in emerging markets, lack of identity is a barrier to financial inclusion which Calibra could help to address.

Libra will be a globally accessible currency providing simple, safe and secure access to both individual and businesses. Libra does not exist exclusively for the benefit of Facebook. Libra is more than Zuck-Bucks.

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



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