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 a palpable air of gloom was frosting the crypto market with seemingly relentless attacks from regulators and direct interference from US politicians against Facebook's Libra project seeing a 6.5% dive in the price of Bitcoin (BTC) on Wednesday heading as low as US$7,385. However, President Xi Jinping weighed in on Thursday with a speech endorsing the acceleration of the development of Blockchain technologies and combined with high volumes from Bakkt who tweeted "Today we set a new daily record of 1,179 Bakkt Bitcoin Futures contracts traded" saw BTC record a massive 36.7% leap to breach $10k momentarily on Saturday morning.

At the time of writing BTC was trading at US$9,399.81; Ethereum (ETH) is at US$183.48; Ripple (XRP) is at US$0.2999; Binance (BNB) is at US$20.19 and Cardano (ADA) is at US$0.04230. Overall Market Cap is at US$249.23bn (data source: www.CryptoCompare.com)

Following hot on the heels of President Xi's announcement, Li Wei, head of the People's Bank of China's technology department spoke at a forum in Shanghai suggesting that commercial banks should step up their application of blockchain technology to embrace digital finance which certainly underscores the reports that China's central bank is moving ahead with the digital renminbi. If achieved then China will be offering the first central bank digital currency.

I mentioned Bakkt above and of note Mike Blandina, its Chief Product Officer, announced through a Medium blog that "We're now focused on the development of the consumer app and merchant portal, as well as testing with our first launch partner, Starbucks, which we expect in the first half of next year." This is another major stepping stone to mass adoption and demonstrates the

Closer to home, last week I caught up with Electroneum. Project Child is the third internationally renowned non-governmental organisation (NGO) to publicly reveal itself as one of the many trusted miners on the Electroneum blockchain. The first two were Ubuntu Pathways and WONDER Foundation.

Project Child, an education-oriented NGO based in Indonesia, has helped thousands of children and their families since 2011. Their mission is to ensure all boys and girls receive education as a way to a better future. They said they are excited to work with Electroneum saying this is an example of cryptocurrency helping to make a difference in developing countries.

Electroneum CEO Richard Ells said, "we have focused on creating solutions for problems that exist in developing countries, where the unbanked or financially excluded are trapped in a cycle of poverty." Ells said the freelancer platform AnyTasks, which has the same objective, will be launched soon.

Next week I shall be in Malta for the AIBC Malta Summit which is attracting a great number of home grown projects including World Mobile Chain who appear to be on a charge to create mass adoption through the creation of sophisticated mesh network telecommunications with blockchain as a pivotal component.

BLOCKCHAIN'S FUTURE IS INTEROPERABILITY

Designed by Phill Snelling, Bowater Media

The problem with the internet is that it was never designed with the security of networks in mind. Rather, it was designed to operate for closed trusted networks of participants, usually in close physical proximity. Before the early 90s, you knew someone else on your college or military network was sitting in a building not far away - it was personal and real.

Since the internet became open to the world, by nature, it would be near impossible to secure. The foundational architecture of the internet did not consider security at its core. Equally, money was never supposed to be exchanged online until Stanford Federal Credit Union first introduced internet banking in 1994. That has shaped the world as we know it, as it was the date we connected the internet to money.

MORE THAN MONEY

Fast forward to the last decade and we start to see the promise of blockchain. For the first time, we can honour the original vision of the internet to create an open, interoperable and trusted network for people, machines and data to operate, but without the original flaw of having to know and trust everyone within the network.

From blockchain's pespective: 'we can trust the network without the need to know and trust each other.'

Today, blockchain is a more trusted way to store, move and transact value, money and data. This is due to the way blockchains store and decentralise data and maintain integrity through mass-computational consensus ensuring data is not tampered. Increasingly, organisations have been adopting blockchain to safeguard their data and financial transactions – According to PwC's recent survey, 90 per cent of banks, for example, have explored using it last year.

The true innovation of blockchain is its ability to automate trust, but renders ineffective if networks cannot interconnect.

The problem is that the world of business currently uses legacy isolated communication networks: These various isolated networks generally do not connect or interact, creating data silos and limitations.

That legacy siloed approach has also been applied how blockchain is being implemented in business today. This means that

disparate business applications on competing private and public blockchains cannot readily - or securely - interconnect and transact with one another. Businesses are missing out on the real value and opportunities that blockchain can provide are made possible through inter-connectivity.

MAKING BLOCKCHAIN 'INTEROPERABLE'

The challenge is for the ability for these isolated networks across industries, regulation, political and geographical boundaries to connect and interact, and have market access.

SO WHAT DOES INTEROPERABILITY LOOK LIKE?

Within banking for example, interoperability would enable a network of banks and different financial institutions to safely transact across borders with new networks and markets, giving them access to clients they didn't have before. Transacting value and money from one party to another and having a single source of truth to trust and verification.

Healthcare is another area where we see a lot of use cases for blockchain and subsequently the need for interoperability. From supply provenance of pharmaceuticals which requires multi-stakeholder participation; to interconnecting and sharing of sensitive health data such as genomics data for research purposes and precision medicine; and to automating streamlining aspects of clinical trials; and to make improvements across the pharmaceutical value chain.

Globalisation has led to more complex supply chains. Consequently it has become increasingly difficult for organisations to demonstrate the source of their products, the impact to societies, and the environment to their consumers and stakeholders. For the first time, blockchain offers a trusted and tamper-proof means for tracking provenance of goods throughout the supply chain. However, for it to work in complex global supply chains with multiple stakeholders, cross party collaboration is needed as businesses operate on different platforms. This is why interoperability between networks, blockchains as well as existing platforms is critical.

Let's not forget industry consortia. There are currently consortias for trade finance; mobility; IoT; healthcare and life sciences; and supply chains to name a few. In most instances you may have consortia on one blockchain technology. Without interoperability they are limited in their ability to transact with stakeholders outside their network, and to therefore fully maximise global trade opportunities – now more crucial than ever, not least looking at the state of politics.

THE FUTURE

Looking into the future, we can transform industries by creating a secure layer between them – at scale. We want organisations to have choice and openness. Therefore, we have to focus on interoperability so that different industries can transact securely. It's the mandatory step for technology innovation where close networks are opened up and innovation happens. It was only when close proprietary internet networks and walled gardens from the likes of Compuserve and AOL were opened, resulting in the internet of today which created the Googles and Amazons of the world. Society operates in open networks to communicate, transact and trade, this should be the same for blockchains.

My personal goal is to build 'an internet of trust' – a network of networks where value can be securely transferred between global partners not relying on defunct internet security but rather that of blockchain.

Gilbert Verdian, CEO & Founder of Quant Network which makes blockchain interoperable and accessible, in conversation with James Bowater. For further information visit https://www.quant.network

CRYPTOCOMPARE MARKET VIEW

Bitcoin Soars to $10,000

Bitcoin (BTC's) sideways range was resolved on Friday with a head-fake that resulted in more than $150 million in liquidations on derivatives exchange BitMEX. The asset held support at $8k, 70% down from the yearly high set in June, until a break on Thursday that brought price – along with investor sentiments – down to a five-month low. Bearish expectations of another leg down to the $6k range, which had held as support for much of 2018, were interrupted by a sharp move up on high volume. Within 24 hours, price hit a high of $10.4k, an increase of 42% – the third largest daily rise in the asset's history, and the first in its recent time as a global liquid asset.

As usual, market commentators have sought a narrative to explain the move. A popular explanation has been Chinese President Xi Jinping's comments earlier in the day that his country is looking to "seize the opportunity" afforded by blockchain technology. The remarks were interpreted as a softening of the country's longstanding opposition to cryptocurrencies, however this is unlikely to be the case. A more likely explanation lies in the monthly expiration of the CME Bitcoin futures at 4pm BST that day.

In any event, the bullish reversal brings a more positive outlook to the crypto markets going into the new week. At the time of writing, BTC sits at $9600 with a retest of $10k likely on the cards. Ethereum (ETH) has also benefitted from the change in sentiment. The asset hit a monthly low of $153 on Thursday before a 29% move up that tested previous resistance at $197. Currently at $188, bulls will be seeking to establish support at $200 this week. Chinese projects have reacted well to President Xi's comments, with ONT (65%), NEO (61%), QTUM (33%) and TRX (24%) all up vs USD.

CRYPTO A.M. INDUSTRY VOICES

Will central banks answer the call to crypto?

Until this year, digital and crypto currencies have been a blip on the radar of the globe's central banks. But change is afoot; last week the Philadelphia Federal Reserve bank president said it is "inevitable" that central banks - including the Fed - will start issuing digital currency, indicating that central banks won't stay out of the conversation much longer. But is central bank input into the world of digital currencies on target?

One thing is for sure - cryprocurrencies have certainly got central banks talking. The central banks of France and Germany, among others, have indicated harsh positions on private currencies. Others have stated a more favourable, open-minded position - with Mark Carney, governor of the Bank of England, offering a decidedly favourable stance on digital currencies in his Jackson Hole Symposium address of August 2019.

Central banks are not strangers to innovative change. Currency has changed form throughout the course of history; from the use of gold pieces, to coins, paper, and electronic records. That currency has thus far been "tangible" has allowed central banks control over issuance and mandated use. But digital currencies are challenging the very foundations of their traditional predecessors.

So what now? As we see it, central banks' role as overseer and regulator of national currencies has traditionally positioned them at the apex of monetary control, which filters down through public and private spending habits, and into the personal sphere. But the proliferation of cryptocurrency - which developed in the personal use space - upends this top-down set up.

As of September-end 2019, there are reportedly over 42 million Blockchain wallet users worldwide - so, for central banks, it's not a question of obstructing coin usage. Rather, it's a question of joining the conversation in order to help this vastly unregulated ecosystem grow safely.

Moreover, central banks may have a vested interest in slowing the evolution of cryptocurrency because it somewhat undermines their powers, along with the sovereignty of their national currencies. However, the implications of failing to engage with the new ways of e-storing and exchanging value are great. The sovereignty of national currencies globally is associated with the health of central banks - and while cryptocurrency is unlikely to render central banks obsolete, there is a risk of being left behind. Considerable user preference is shifting toward digital currency. The question is, will central banks see the value of evolving to accommodate this new digital frontier? And if so, how will they act on it?

But central bank willingness to develop, issue, distribute and regulate a digital currency does not solve the incumbent challenge of fair and effective governance. Instead, these digital currencies risk being just another form of traditional currency: run by a central body to control value and without input from stakeholders - those holding the currency. These central bank "solutions", then, are not solutions - they are a digital replacement for paper and polymer notes, in the same way these once displaced the trading of gold pieces.

Is the outlook for central bank involvement in cryptocurrencies entirely negative? In short, no. I've had a number of conversations over the past 12 months with representatives from global central banks, and I have seen a gradual shift in attitude. Yes, there is still scepticism, but there are clear signs of increased interest. Despite this, central banks still have a tendency to see things in a limited technical sense, without the broader socio-economic implications. Saga is therefore in a unique position to inform and educate, clearly highlighting the benefits of a fairer, decentralized model for governance, whereby currency holders are the sovereign decision makers.

Some central banks may still resist. But, in our view, those that do answer the call to conversation will be those with the opportunity to help shape the digital currency of tomorrow.

Barry Topf, Former Bank of Israel monetary policy committee member, now Chief Economist at Saga

Crypto A.M. shines its Spotlight on Gee

When asked about banks in Feb 2019 by the Daily Mail, Anne Boden, Founder and CEO of Starling Bank commented, "I couldn't fix the broken banks – so I quit to start one of my own."

"Banks were so focused on getting rid of their bad loans and reducing their staff headcount that they'd forgotten about customers. Customers had changed – but banks hadn't noticed."

The words above summarize the new banking era, and they could have been said by Claes Persson, the CEO of Gee, a new banking solution for the gig economy, providing financial inclusion to freelancers, zero-hour contractors and other gig workers.

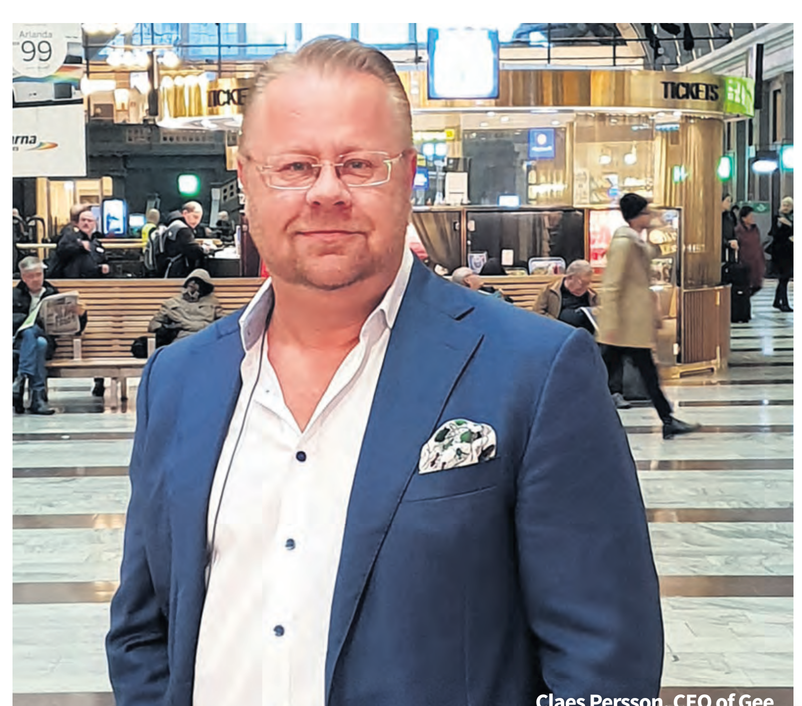
The idea of banks began as long ago as 1,800 BC in Babylon expanding with the Roman Empire, along with roads and Roman law. Banks accompanied the Italian Renaissance and then a few centuries later the growth of Northern Europe through trade, empire, and industrialization. Banks were not just for the rich and famous.

Ordinary working people pooling their resources created their own savings banks and credit unions across the nineteenth century.

Neither is the gig economy a new phenomenon. For years, direct sales companies (e.g. beauty suppliers and health & beauty firms) have offered independent agents the opportunity to earn money selling products door to door. Similarly, staffing agencies have provided businesses with temporary workers to cover for those who are on sick-leave or temporarily unable to perform.

"There is a clear market opportunity to address the financial challenges faced by giggers. The solution is Gee: a true gig economy bank focused on the whole financial ecosystem for gig workers and addressing their whole cash flow to create true financial inclusion," says Claes Persson, Founder & CEO of Gee.

> "We are not something to everyone – we are everything to someone



Claes Persson, CEO of Gee

What is unique about Gee is that it is able to monitor and control the gigger's economy from invoicing when the gigger works, the giggers' payment flow, their salary pay-outs and, finally, their whole personal finance including spending, savings and borrowing. Gee is the only financial solution capable of solving the daily issues and challenges giggers face from their everyday lifestyle through tailored financial products.

The changing nature of labour in the UK shows that several non-traditional forms of working are on the rise where self-employment is dominating.
Self-employment has accounted for 45% of all UK employment growth since 2008. There are more than 5 million self-employed people, including those who have a gig work as a second income source.

The following difficulties, faced by a large percentage of the current workforce, have created subsequent challenges for the banking industry to provide giggers with traditional services.

- Bargaining power
- Need for new payment and transfer methods
- Unpredictable & low pay
- Inability to borrow money
- Lack of job benefits, like insurance and pensions

Having a stronger and extended credit scoring from monitoring the cash flow, and the ability to take instalments or payments from cash flow before it hits the bank account, Gee can simply provide financial solutions addressing gigger's needs.

For further information email info@gee.group

BLOCKCHAIN: THE TECH IS THE EASY BIT

Troy Norcross, Co-Founder Blockchain Rookies

For all the negative press about how blockchain is immature, slow, unscalable and inefficient, it isn't the technology which is standing in the way of broad adoption. The problem is a people problem.

Blockchain offers trust between parties by providing them with a trusted single source of data. If all parties agree to this one golden record, then the need for intermediaries and go-betweens is reduced or removed. With a single data source, there is no need for reconciliation, thus eliminating costs, errors and delays.

To get a blockchain project started, multiple people have to agree to work together. Standards must exist regarding the data stored on the blockchain. Identities and permissions must exist across the network. The value created by using the system must be distributed fairly back to the participants of the network.

Many of the members of the network will be competitors. Some of them will be fierce enemies. What is required is a strategic mindset shift towards coopetition: cooperating with your competition. Blockchains provide the most substantial value when they connect multiple distrusting parties around a shared set of data in a collaborative spirit.

The first step must be to identify not just one problem, but a series of challenges, where having access to a shared set of data can add value to all participants. If there is only one primary beneficiary, the value is centralised, and you may as well use a database.

Some projects begin from within an industry association. Others start with a single enterprise willing to invest in business model innovation. Visionary enterprises begin with a view to a broader ecosystem. No one wants to go first, but the leaders.

Blockchain technology is still nascent. Even so, technology isn't the problem. The real challenge to blockchain adoption is getting people to think strategically around coopetition.

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