

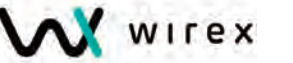
CRYPTO A.M.

Our series on AI, Blockchain, Cryptoassets and Tokenisation

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In association with



PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER



The Ethereum network finally and successfully implemented the Constantinople and St Petersburg hard forks on 28 February (in simple terms, a hard fork is akin to an upgrade on an operating system). Since the market had already priced this in there was little significant change to the Ethereum price.

In fact, the whole market has remained pretty flat over this past week. At time of writing, BTC is trading at US\$3,733.62; Ethereum (ETH) remains at number two position, although down just over 6% at US\$125.62; with third position Ripple (XRP) at US\$0.3044. Overall market cap has ended up pretty much identical since the last *Crypto AM* at US\$125.75bn (data source: www.CryptoCompare.com).

Ripple hit the headlines when last week when it listed on Coinbase, taking most observers by surprise. So, in true Crypto-sphere style, accusations started flying around that this had been privately organised, leading to an emphatic Twitter denial by XRP executive Miguel Vias: "We're happy to go on the record. Coinbase's listing of XRP (also, not 'our token') was Coinbase's independent decision - we did not give them anything to make it happen." I'm sure things will continue to rumble on, especially with the advent of the JPMorgan Coin as a possible threat to XRP dominance.

There is also buzz around Facebook and its reported development of a stablecoin, dubbed by many 'FaceCoin', to be used as a payment method on its WhatsApp messaging platform. The team is rumoured to be more than 50-strong and the first use of the tech most likely to be in the Indian market.

Separately, friend and *Crypto AM* contributor Thomas Power has recently set up a London-based Blockchain Dinners forum. It was through this that last week I met Liliana Reasor, Founder & CEO of SupraFin, a fintech company based in London. SupraFin, which is in capital-raising mode, is a global automated asset management platform for cryptocurrencies for the benefit of the masses. SupraFin aims at democratising portfolio management of cryptocurrencies through automation, artificial intelligence, and customisation. SupraFin empowers the individual to benefit from analytics usually only available to quant asset managers and hedge funds.

I also met up with Rob Gaskell from 20|30 shortly after our 'Spotlight' piece was published a fortnight ago. He was thrilled to explain that after months of work between 20|30, the London Stock Exchange and Nivaura, the world's first tokenised equity was created between regulated companies and a regulated exchange. This opens the way for new forms of capital-raising and is a great 'first' for London. It really is good to see that our capital city is still leading the way in innovative projects.

Masayoshi Son, the charismatic leader of SoftBank, has been making headlines with his 300-year, \$100bn vision of the future. But, for me, it misses a paradigm shift happening in the internet today: a change that could render many of his investments vulnerable.

In short, the most transformational technology of tomorrow, from data collection to AI, will be increasingly open source, tokenised and highly decentralised.

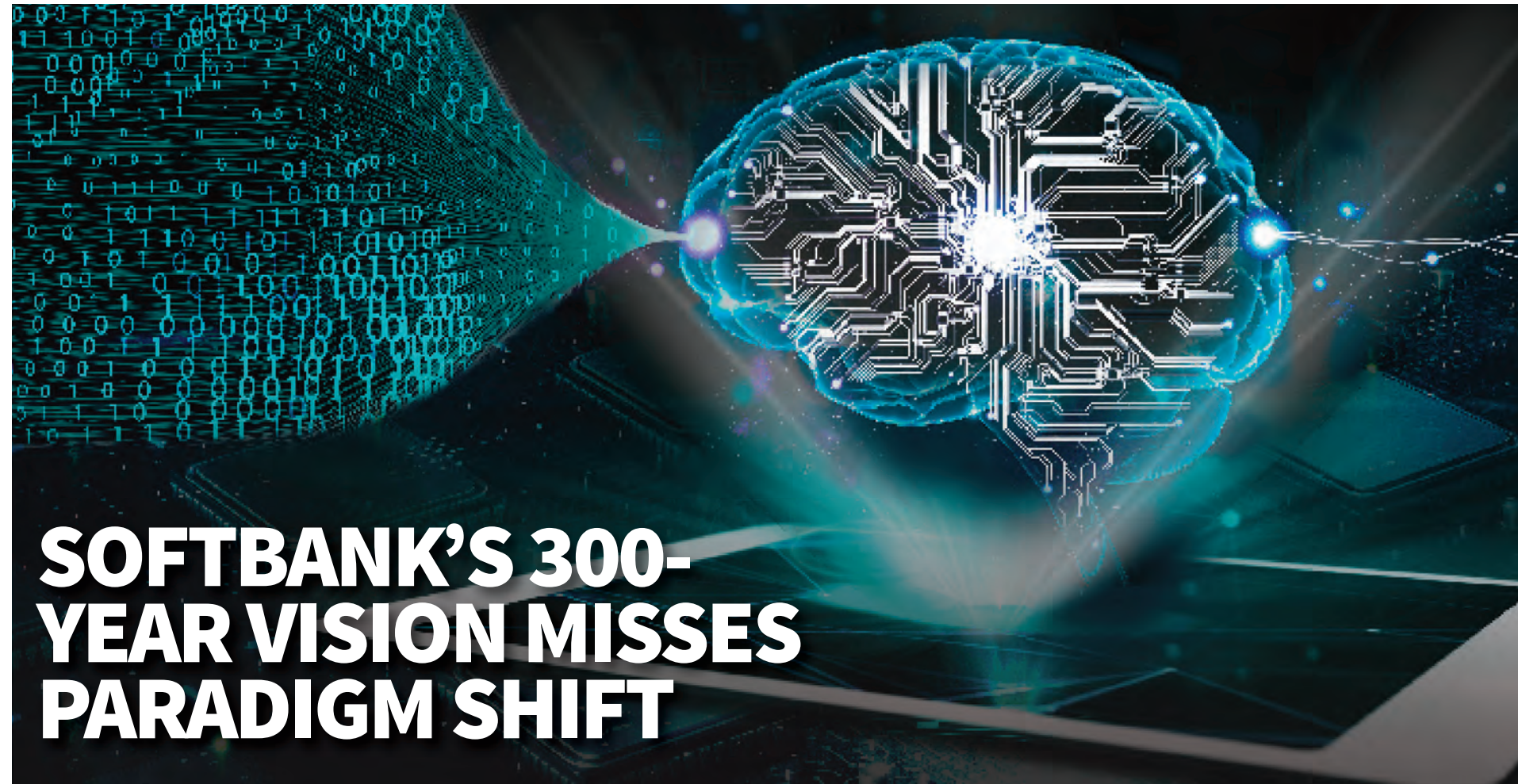
SoftBank's model takes the logic of the economies of scale and network effects core to 'Web 2.0' venture investing to the extreme, focusing on 'winner takes most' sectors. Son often opens meetings with "imagine capital were no longer a problem", enabling the team to prioritise aggressive growth over profitability.

If we look at Softbank's portfolio, it focused on a handful of synergistic categories such as: multi-sided marketplaces, real estate (offices, storage, robotics), e-commerce and logistics (last-mile delivery). Often these investments are based on one primary premise: they are 'AI optimised' companies that at scale, and with a data advantage, can better optimise utilisation and capacity to outcompete on the fundamental economic unit costs of their market over the long-term.

To support this thesis they are also investing in hardware companies such as ARM and Nvidia that are making machine learning easier, faster and cheaper, as well as software startups such as Improbable, which provides a virtual environment to support the development of complex digital worlds. Interestingly, with Improbable, they have recognised that the gamification of networked problem-solving may be the best way to parallelise machine learning at scale. And it's here there is a hint at what may await them.

THE SHIFT TO SHARED 'GLOBAL PUBLIC UTILITIES'

This story starts with a shift of computer power away from cloud to open source internet protocols that enable the same benefits of scale but through distributed marketplaces. The most famous example being the bitcoin blockchain: where billions in resources, including specialist hardware and energy, have emerged 'bot-



SOFTBANK'S 300-YEAR VISION MISSES PARADIGM SHIFT

Designed by Phill Snelling, Bowater Media

tom-up' co-ordinated by a simple algorithm and reward system. However, this was just the first example. Where bitcoin mining was focused on mobilising hardware to solve a very particular mathematical game there are many other distributed systems emerging where parties commit resources to solve a variety of problems in exchange for digital rewards.

In our own portfolio we have Haja Networks (enabling interoperability between traditional database silos), Ocean Protocol (for that data to be sold through decentralised data marketplaces to help train algorithms) and Fetch.AI (where those al-

gorithms can gain economic agency and sell their value to others). When combined they provide an emerging stack of technologies that level the playing-field for start-ups by bringing economies of scale for a longtail of market participants. This means many of the old advantages that underpin Son's vision, such as data monopolies and centralised IT infrastructure, will be available to all through these new 'global public utilities'.

VISION AND VALUATIONS UNDER THREAT

The advantages of proprietary datasets,

their algorithms, and in-house talent will gradually diminish as open networks offer an attractive alternative. As governments push for sovereignty of data and users gradually respond to the incentives of tokenised networks these new protocols it will challenge Son's 'winner takes most' platforms.

If these trends are not responded to by SoftBank's portfolio then the dream of building sustainable companies with any meaningful AI advantage is under threat, and so too are their valuations.

Uber will become a company nobody chooses to drive for; DoorDash a company that cannot recruit couriers; and WeWork a heavily indebted commercial real-estate company.

In fact, the very economic model of Silicon Valley's freewheeling 'move fast and break stuff' capitalism, at the heart of Son's vision, is itself falling out of vogue as eloquently described in 'The Age of Surveillance Capitalism' by Shoshana Zuboff. The idea of trusting platforms such as Uber to develop benevolent AI to extract and exploit the 'digital exhaust' of our interactions is quickly becoming unacceptable and dated.

WHAT COULD SOFTBANK DO NEXT?

Well, given they have already deployed 40% of their \$100bn, the best they can do is hedge at least some capital into the counter-narrative. However, what's unique about these new protocols is because they are open source they aren't as vulnerable to the typical response by incumbents: buy, assimilate or kill.

Currently the 'crypto' market is 90% down from its 2017 all-time highs, and furthermore many next-generation protocols are only just coming to market - this time with bear market valuations. One thing that is in short supply right now in crypto is patient capital.

So, if Son repeated what he did so well after the dotcom bubble, with in-

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One thing in short supply right now in crypto is patient capital

vestments into Yahoo! and Alibaba, he could 'buy the dip'. Theoretically, SoftBank could lead the investment round of every threatening new protocol coming to market or, more importantly, those that complement its portfolio.

Why? Because all these protocols are looking for adoption to effectively turn their technology into internet standards. If SoftBank's portfolio are the early adopters of these technologies they can adapt and protect their multi-sided marketplace cash-cows secured by ubiquity of service, brand and network effects.

Bringing that much capital into the market combined with real-world adoption, would see the mother of all bull runs, with the potential for a trillion-dollar crypto industry.

Jamie Burke, Founder & CEO of Outlier Ventures, in conversation with James Bowater

WIREX MARKET VIEW

Crypto's calm after the storm

After its precipitous fall on 24 February, the crypto market cap stabilised and remained stagnant for the rest of the week. The top coins posted marginal losses, with Ethereum down 5.62% despite the successful Constantinople upgrade. Litecoin saw healthy gains of 6.6%, however. Maker (MKR) is still bucking the trend, as it rose against the market this week to \$672.46.

After slipping from \$4,125 to \$3,800 on Sunday (24 Feb), Bitcoin (BTC) recovered to post gains and grew over the day to hit \$3,888 by Monday evening. BTC continued to toggle around \$3,800 until Wednesday, when it moved from \$3,845 to \$3,790. After recovering to reach \$3,850 on Thursday, the price of BTC has moved within a \$25 range and continued to fluctuate around \$3,840 by the end of the weekend just gone.

Coinbase's listing of XRP this week was subdued after accusations emerged that Ripple, the parent company, had paid for the currency to be listed. Ripple's head of markets, Miguel Vias, refuted these claims, stating that his company had nothing to do with the listing and that it was an independent action by Coinbase.

Twitter co-founder and CEO Jack Dorsey continues to back crypto and recently showcased his Bitcoin Lightning Network full node from Casa. The Bitcoin Lightning Network enables fast transactions between participating nodes and has been positioned as a solution to the Bitcoin scalability problem.

Further supporting the fundamentals was the announcement that the private Swiss bank Julius Baer will start offering crypto services to its clients. They have partnered with SEBA Crypto to allow them to offer investing, crypto asset trading and storage to clients.

A report by Bloomberg on Sunday stated that companies in the cryptocurrency industry still face huge resistance when trying to open bank accounts. Sam Bankman-Fried, CEO of Alameda Research, explained that, while it's not illegal for banks to accommodate crypto companies, they don't want to deal with the compliance requirements. Recognising these challenges, Wirex, a hybrid crypto/flat payment platform, has recently announced a business offering that should bode well for increased business adoption.

Rumours around Facebook releasing a crypto asset are not going away and a recent *New York Times* article reiterated that Facebook may build a coin for its WhatsApp subsidiary (see James Bowater's column, far left).



Frontier Insights takes off

Some extraordinarily interesting stats, facts and insights are emerging as our new *Frontier News & Insights* takes shape, and takes off. Weekly, we bring together news on applications, use cases, blockchain DApps (decentralised applications) and distributed ledger technology (DLT). In our most recent edition...

Chainalysis competing with Neutrino - who have just been acquired by Coinbase - who has said the acquisition 'is particularly important as we work with regulators and agencies in different countries to bring new assets there', adding that this will help Coinbase identify 'which new tokens [that] are gaining value and gaining traction'. Coinbase's director of engineering, Varun Srinivasa, prefers the term 'blockchain intelligence', because it includes the aim to predict trends based on data insights...

178 CRYPTO EXCHANGES GLOBALLY AND ASIA LEADS THE WAY

The digital asset market continues to expand and there are now an incredible 178 crypto exchanges globally, with Asia leading the way accounting for more than 80 per cent of digital asset trading globally.

KPMG, BLOCKCHAIN AND THE 'DIGITAL TRANSFORMATION' OF INSTITUTIONS

KPMG says the big areas for the coming year, for institutions, are capital markets and derivatives trading, with projects already nearing completion. Then insurance, and 'neglected areas' such as mortgage origination, securitisation and servicing.

40% SEE BLOCKCHAIN TECH AS GREATEST INNOVATION SINCE WEB

According to a Global Blockchain Business Council survey, already 40% of companies consider the invention of blockchain technology as the most important technological innovation since the invention of the internet. And the chief factor holding back wider adoption is a lack of understanding of blockchain and its benefits.

LSE SEIZES THE MOMENT - AND A SEAT AT THE FINTECH TABLE

In another mainstream development, the London Stock Exchange (LSE) has joined the board having taken a significant stake in fintech firm Nivaura. The first company globally to issue a bond on blockchain while in the FCA's sandbox. Since then the FCA has granted Nivaura 'full regulatory permission to do business'. They claim to reduce the time needed to issue bonds by more than 60% and have healthy revenues from 10 unnamed clients.

BIG DATA: THE RISE OF 'BLOCKCHAIN INTELLIGENCE'

The operation of a blockchain (or DLT) generates large amounts of fine-grained data in real time. This can have incredible value - in addition to all the other benefits of security, availability and universal openness (in the case of blockchain) - for ad hoc multi-party transactions. A new industry is in the off-

For now there's more (in greater depth than is possible here) available by joining, free. Go to blockchainexpert.org/insights. (You don't have to be a blockchain expert or British to join and benefit from the network).

By Barry E James, chair of bftda.org and founder, Token Intelligence

Crypto A.M. shines its Spotlight on HAYVN

HAYVN's platform will enable significant volumes of digital currency to be bought and sold easily and securely with over-the-counter (OTC) transactions directly between counterparties such as institutional investors, banks, hedge funds, asset managers, liquidity providers, and ultra-high net-worth individuals (UHNWIs).

HAYVN believes that the lack of regulated custodianship and trading has been a significant barrier to entry of institutional capital into the industry. HAYVN Custody provides insured and auditable safekeeping of customers' digital currency under the technical oversight of our regulators.

Becoming financially regulated in the world's leading regulatory centres for digital currencies is the backbone of HAYVN's strategy for the institutional user-base, recognising the importance to clients that governance, Know Your Customer (KYC) & Anti-Money Laundering (AML) policies adhere to the highest global standards.

Upon launch, HAYVN will have both on-shore and off-shore banking capabilities

to ensure its clients can obtain swift and efficient conversion of their crypto-assets into fiat.

HAYVN works to the highest possible standards of security and technical governance to deliver the platform that institutional investors require. HAYVN has partnered with nCipher, the global leader in cryptographic technology in the banking industry, to create a peerless bank-grade security solution.

HAYVN is required to ensure that controls are put in place to prevent market manipulation practices that

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Becoming regulated in leading centres for digital currencies is the backbone of HAYVN's strategy



Christopher Filios, Co-Founder, HAYVN

impact both financial and cryptocurrency markets, such as 'pumping and dumping' and 'front running'. They deploy state-of-the-art controls to ensure that all market participants adhere to strict policies and procedures.

HAYVN eliminates counterparty and liquidity risk by using a 'double escrow' system where trades are fully

collateralised and pre-funded.

As an OTC platform, HAYVN does not use unregulated matching engines and the fee structure is clear and transparent on either a 'maker fee' or a 'taker fee' model. There are no hidden costs unlike other unregulated platforms, which can hide fees in spreads or in artificial volatility at settlement.

HAYVN Research offers institutional-quality insights into the digital currency markets and industry developments in collaboration with Imperial College London. This research will provide the guidance that institutional investors need to make informed investment decisions.

In an increasingly crowded environment, why HAYVN?

- Liquidity - HAYVN has secured significant digital currency liquidity to ensure there is always a market available to meet demand.
- Fees - Fees are transparent and low, split between maker fees and taker fees, providing clarity for clients on the true cost of their trading activity.
- Trading certainty - HAYVN holds in escrow both the digital currency and fiat currency of all our clients, eliminating counterparty risk.
- Custody and security - HAYVN Custody allows users to custody their digital currency in the secure regulated environment legally required by many institutional investors.
- Regulation - We adhere to the highest compliance standards in the digital currency industry and we expect to be regulated by the most exacting regulator in this industry.
- Fiat conversion - Regulation gives HAYVN uninterrupted access to the fiat banking system.

For more info, see www.hayvn.com

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