CRYPTO A.M.

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

E: CryptoInsider@cityam.com @CityAm_Crypto

In association with CryptoCompare

PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

Fear. Uncertainty. Doubt. In the technology scene this is the meaning of the acronym FUD, often used in conjunction with the word 'noise'; "too much FUD and noise diverting attention and causing uncertainty!"

Last week there was no shortage of its use and is something that the nascent crypto and blockchain industries can do without as FUD is used to attack or boost projects and services which can then have a direct impact on market pricing. When false rumours transcend into 'fact' via the media becoming 'Fake News' the effects can be immediate.

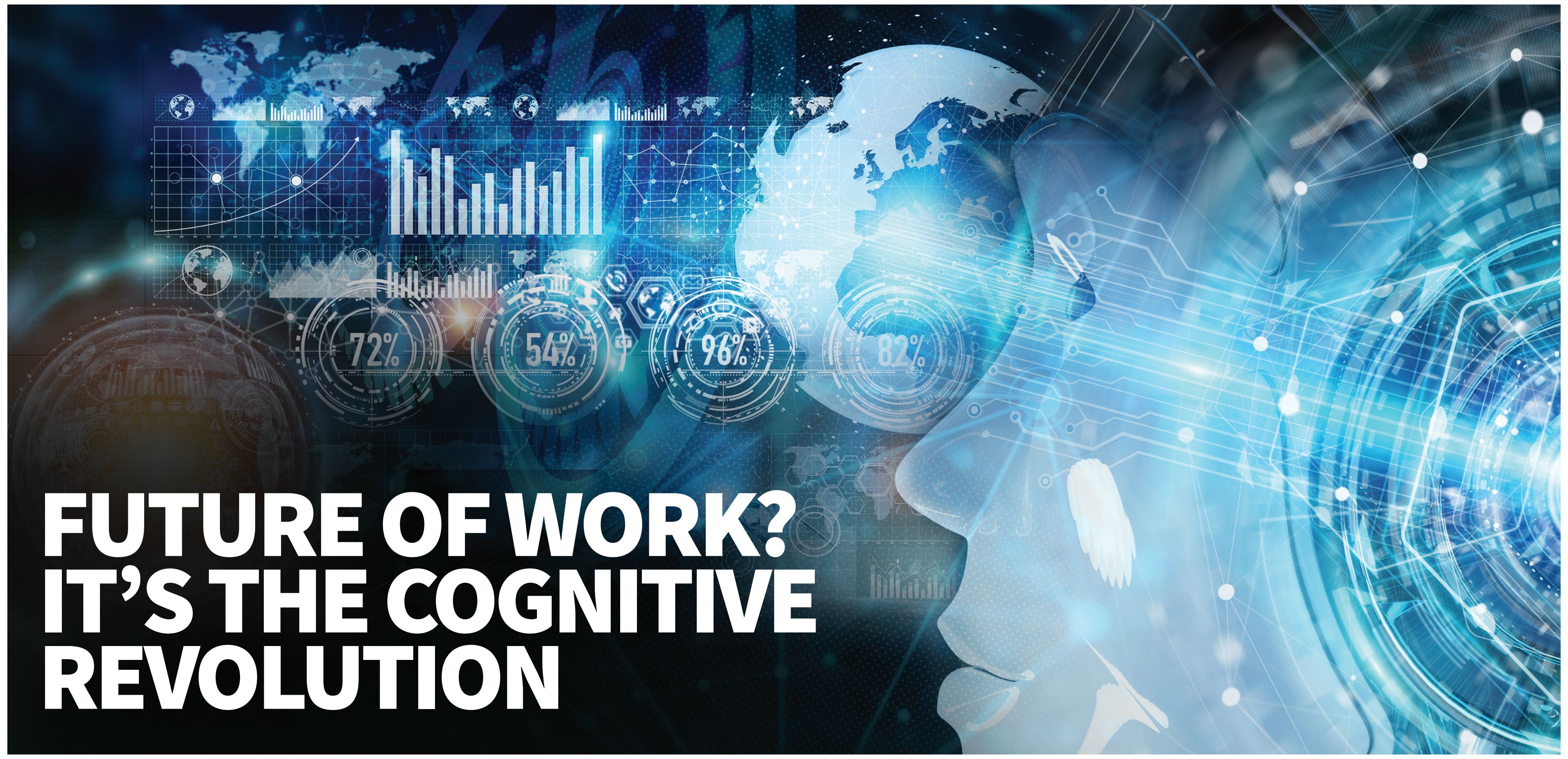
By way of example, a Twitter row erupted when Changpeng 'CZ' Zhao, founder of Binance - the world's largest crypto exchange, reacted to Frank Chaparro's piece published by The Block last week claiming that the Binance offices in Shanghai were recently raided by the police as part of China's crackdown on bad actors. CZ claimed that this was inaccurate reporting and that the Binance office had long since shut and not in response to a 'police raid'. According to CZ The Block refuses to apologise so he's now going to sue the publisher and has set up a fund to counteract 'FUD'. He also contested that as a consequence the Bitcoin Price has been negatively affected.

Certainly at the time of writing Bitcoin (BTC) was trading down at US$7,247.16 / GB£5,601.85; Ethereum (ETH) is at US$148.83 / GB£115.60; Ripple (XRP) is at US$0.2220 / GB£0.1717; Binance (BNB) is at US$15.46 / GB£12.01 and Cardano (ADA) is at US$0.03668 / GB£0.02846 Overall Market Cap is at US$196.6bn / GB£152.40bn (data source: www.CryptoCompare.com)

Decentralised Finance (DeFi), according to DeFi Prime, is the movement that leverages decentralized networks to transform old financial products into trustless and transparent protocols that run without intermediaries. London based Plutus DeFi is the first crypto lending aggregator company focused on the development of privacy and self-sovereignty within smart contract protocols, protecting users with private transactions throughout their lending & borrowing experiences. Backed by well-known VC firms such as Neo Global Capital & Obsidian Capital, the company has set sights on becoming the leading DeFi lending solution in Europe.

I caught up yesterday with Malcolm Palle of Coinsilium Group, the NEX listed blockchain focused venture builder. He shared the news that it is looking to launch a blockchain software and smart contract development studio in Gibraltar and has signed an MoU with Gibraltar based technology management company Devmons under the name TerraStream Blockchain Solutions.

He believes that the global blockchain market is expected to be worth US$57billion by 2025, with major growth drivers coming from financial services, gaming, media, healthcare, consumer and industrial products, transportation, retail and the public sector. Naturally Malcolm expects TerraStream to be well positioned to compete effectively in this fast-growing global market with the aim of commencing commercial activities in Q1 2020.



FUTURE OF WORK? IT'S THE COGNITIVE REVOLUTION

Designed by Phill Snelling, Bowater Media

At the Malta AIBC (Artificial Intelligence and Blockchain) Summit earlier this month I gave a keynote on "Ecosystems for Innovation and Disruption". Focussing on the fastest ways of achieving adoption with these disruptive technologies, the merging of venture capital funding, technical service delivery and collaborative working ecosystems may be one of the most effective. This would enable great teams with innovative products, and deep industry knowledge, to disrupt their industries without disrupting their and their customers' businesses.

It is only through the mass adoption of any technology that we see it bringing huge efficiencies and benefits. With Artificial Intelligence the impacts on humanity could be enormous. It should be a cautionary tale that the huge Social Media companies were originally held up as likely channels to improve the world and put the power back in people's hands yet, less than a decade later, they have seemingly damaged our society and resulted in dangerous fake news, echo chamber mentality and possibly influenced elections. Partly because of Section 230 of the USA's Communications Decency Act.

However Artificial Intelligence has the potential to do so much more: transforming our Future of Work, society and everything around it. I have, for many years, been fascinated by the question of the Future of Work, starting as an advisor to the European Commission looking at innovation, growth and jobs, from the changes brought about by the relatively more primitive technologies that were being delivered 15 years ago. Our next generation technologies are potentially a much more serious matter for us all, as they start to mimic our intellectual skills. So they now deserve much more of our collective attention. For instance the Economic Singularity Club considers the impact of Artificial Intelligence on our jobs' market and society and how we should be influencing that now, in order to avoid the same type of mistakes made with Social Media.

History is usually an invaluable guide: the Industrial Revolution, which merely improved on our physical skills, saw the number of agriculture workers in the USA decline from 70% in 1840 to less than 2% today. More terminally, the number of horses declined some 95% from over 20 million then to around 1 million today. Humans didn't suffer as badly, as we were able to find new jobs because of our ability to take on intellectual jobs; horses were not so lucky. More recently the computerisation of the Financial Services industry - and derivatives technologies - radically changed finance jobs and led to the closing of the legendary trading floors and stock exchange pits and most high street bank branches, requiring the repurposing of all that real estate.

We are now entering the next great human revolution: one which we could call the Cognitive Revolution, as technology improves on our intellectual skills. It's the merging of Artificial Intelligence, Blockchain, the Internet of Things and Decentralisation, which are the building blocks, that will likely make this possible. As we do not yet know what humans can offer apart from their physical and mental skills, these technologies may well trend towards steadily replacing every area of employment that we are currently able to participate in.

Whilst this is clearly a concern, the inevitability of competition makes the adoption of Cognitive Revolution solutions probable or even unavoidable. Companies and individuals cannot afford to ignore efficiencies by taking advantage of technological improvements; even those that reduce all our employment prospects. This will lead to huge structural changes. Every industry will be disrupted – from housing, to transport, to workspaces and locations, working practices, business models, roles and commutes, and even the environment. We need to start considering these impacts and preparing now.

Fortunately we still have time. This technology is still at a very early stage and there is still a scarcity of talent to build these technologies. There will likely also be considerable resistance to the disruption it creates. In addition, technologies are usually subject to Amara's law whereby we expect them to outperform in the short term and then forget about them. However, the other side of the law, is that they outperform over the medium term and have impacts far greater than we can imagine. So now is the time to act; before they reach that stage.

We also have to consider where we want these cognitive technologies to be located and which legal and moral systems they adopt. My view is that a more diverse and multicultural location such as Europe is a far better place than a more insular or autocratic one: and at the moment the US and China are the leaders in the space. It can be argued that the UK, which developed early human rights, the most commonly used rule of law and which has been a continuous democracy far longer than almost any other country could be their natural home.

We need to ensure people and leaders, both governmental and business and perhaps even religious, get familiar with these technologies now. We need to ensure they are already thinking about the future. Being a little frivolous but topical what kind of "party manifesto" do we want Artificial Intelligence to follow? Is it Labour: where we strive for everything to be free but mortgage or futures and relinquish our freedom and control? Or is it the Tories: where we have to work for what we have, have more personal freedom but risk the more noticeably unequal society?

To try to help influence this the right way, Eric van der Kleij (creator of the iconic Level 39 ecosystem) and I are building a global ecosystem of connected hubs. Our project, dubbed Asymmetric, is taking industry experts with great technologies and converting them gradually and thoughtfully to AI versions while engaging with Government, technology companies and both the wider public and educators to ensure the solutions we deliver are a positive for humanity and not an undesirable one.

As the Daoist philosopher Laozi said "a journey of a thousand miles begins with a single step". Let us make sure we take the right first steps and that we are careful what we wish for.

Daniel Doll-Steinberg, Cofounder of the Asymmetric Project & Founder of Atari Token, in conversation with James Bowater. You can engage with Daniel via Twitter: @dandoll

IMPORTANT INFORMATION: THE VIEWS AND OPINIONS PROVIDED BY CITY A.M.'S CRYPTO INSIDER AND IN THE CRYPTO A.M. SECTION SHOULD NOT BE TAKEN AS INVESTMENT OR FINANCIAL ADVICE. ALWAYS CONSULT WITH YOUR FINANCIAL ADVISOR.

Crypto A.M. shines its Spotlight on MetaVault

Planning to trade cryptocurrencies in 2020? There is a very serious risk that many have overlooked. There are also solutions!

Every week "Crypto Scam," and "Bitcoin Ransom" jump at you from headlines. Official statistics confirm that digital crime is increasing. The Australian Competition and Consumer Commission, for instance, reported a 190% increase in fraud this year.

Cryptocurrency is often incidental to a crime itself. Contrary to popular belief, most cryptographic transactions are traceable to a degree and digital sleuths have recently helped bring criminals to justice. As more villains are caught, the risks of crime should outweigh the rewards.

People working with cryptocurrencies consider the risk of theft, particularly by hackers, to be a serious concern. Internal theft is another worry. Since cryptocurrencies are effectively bearer instruments where transactions are irreversible, "fat-finger" operator errors can also be catastrophic. For these reasons and more, professional digital asset custodians were created. Some are even independently insurable to many hundreds of millions of dollars, such as MetaVault's solution.

There are other serious risks, which are easily overlooked.

When digital assets are not being stored safely in a custodial facility, they are mostly held at an exchange. There are

> "Serious security leaks in digital asset workflows could net attackers millions of dollars

Justin Short, CEO & Co-Founder of MetaVault

hundreds of exchanges globally that facilitate the trading of thousands of different digital assets. Funds have sprung up to trade them in the last few years but there are other users: businesses accepting crypto payments; corporate treasury functions; and so on. We are seeing family offices hedge political uncertainty and fiat devaluation with bitcoin holdings.

Crypto exchanges are unlike their institutional counterparts. Shares are traded on a stock exchange, reconciled via clearing-houses and transferred between brokers and custodians. You can't phone your fund's bank and ask them to wire the cash to your personal account! Crypto is different: you send the coins to the exchange, you trade, and you send any residual coins back to your custodian or wallet. Crypto traders have a grave fiduciary responsibility they don't have when working with any other financial instrument. This is very dangerous.

This serious security leak in digital asset workflows could net attackers millions of dollars at a time if exploited. Alarmingly, almost every firm is at risk today. As digital security specialists, we created a solution to this problem earlier this year.

If a crypto trader literally holds the key to tens of millions of dollars there is only one solution: take the key away! Even if not directly targeted by criminal gangs running a simple online search, a few bad months - that kill a trader's chances of earning a bonus that year - might tempt them to do something they shouldn't be able to do in the first place.

MetaVault can protect you today with its stand-alone, self-serve solution. A few other companies also offer fiduciary risk shields. If you are planning to trade digital assets I strongly recommend putting something in place as soon as you can. Don't let the 2020 crime-wave claim you as a casualty.

For further information visit https://metavault.com

CRYPTOCOMPARE MARKET VIEW

CryptoCompare's Exchange Benchmark Reveals U.S. Venues Score Highest

CryptoCompare announced last week a major update to its cryptocurrency Exchange Benchmark.

Launched in June 2019, the benchmark was created in response to growing concerns over crypto exchanges engaging in wash trading and incentivised trading schemes to inflate volumes. The new report now ranks over 160 active spot exchanges globally, using eight key metrics. US exchanges top the rankings - with Gemini, itBit, Coinbase and Kraken taking the top 4 spots.

It has been a bruising week for bitcoin and other top cryptoassets with major losses seen over the weekend. Bitcoin began the week poorly by dropping below the $8,000 mark, before continuing its slide to drop below the $7,000 mark for the first time since May, recording weekly losses of over 20% to trade at the time of writing at $6,777. Altcoins also suffered, with ethereum (ETH) dropping nearly 25% over the week to trade at $138.

In more positive news, digital asset futures platform Bakkt saw record volumes for its bitcoin futures product. According to data from Intercontinental Exchange (ICE) - Bakkt's parent company - daily volumes on the platform hit a new all-time-high on Friday to reach over $20 million. The new record represents a 30% increase over the previous all-time-high seen on November 8th. After a slow start in September, Bakkt volumes have been growing consistently ahead of the launch of Bitcoin options on the platform in December.

Fidelity Digital Assets, the cryptocurrency arm of Fidelity Investments, last week obtained a trust company charter from the New York Department of Financial Services (NYDFS), allowing it to offer cryptocurrency trading and custody services to institutions in the state. Fidelity now joins 22 other companies that have been approved for a charter or license by the regulator to engage in cryptocurrency-related business in the region.

CRYPTO A.M. INDUSTRY VOICES

Crypto and scams

Mainstream adoption of bitcoin and other digital assets is going to be slower than many of us would like. This is in part down to distrust of the space as most times bitcoin or crypto gets mentioned in the mainstream press it is in relation to hacks, blackmails, drugs, and in particular scams.

Scams like OneCoin have been able to infiltrate the minds and wallets of the non-technically or financially literate through something known as network marketing or multi-level marketing. MLM has been shown to be a highly effective way of spreading the word of an 'investment opportunity', particularly when the investment is sold as a revolution and destined to succeed. This is particularly true when these scams enter tightly knit communities such as churches or mosques. Time and time again, we have seen these scams ravage parts of Africa and South East Asia via religious groups who have strong bonds and trust each other implicitly – only faith is required, right? Due diligence flies out of the window, and relying on implicit trust of others is everything.

The scammers always use the façade of highly complex industries that very few people understand through and through. Over the past eight years or so that I've been helping to expose these scams, I have witnessed cover stories that include investment opportunities in carbon credits, waste recycling, online advertising and VOIP. It's no surprise that with the rise of Bitcoin, cryptocurrency was the perfect pretence for the next wave of scams.

OneCoin pretended to be a new crypto that would be a bitcoin killer, when in reality there wasn't even a Blockchain. Other scams in this space have used crypto mining and crypto trading as the lie that covers their Ponzi scheme. However, whatever the pretext is, you can be sure that behind the scenes there is nothing going on but a money shuffle in true Charles Ponzi style.

If you want to spot a scam just look out for the obvious warning signs, and in all of these there's more red flags than you'll find on a communist march. Any investment offering that is being promoted via social media is a pretty big sign that it lacks legitimacy to begin with, that and the lack of FCA/SEC registration – just because an investment is using a different currency to GBP or USD, it doesn't mean it doesn't fall under securities regulation.

Regulators and law enforcement must look to be far more proactive on these scams. The FCA did pout out a warning in regards to OneCoin in 2016, and then withdrew in 2017 with no real explanation. This allowed those who'd been duped to continue on in their Ponzi stupa as it was explained away that OneCoin must surely be legitimate if there's no more warning. In mine and others' opinions, the FCA failed in their responsibility to UK consumers who have lost money to the OneCoin scammers.

Last Thursday we saw the first conviction in the OneCoin saga with Mark Scott, a former partner of respected law firm Locke Lord, now awaiting sentencing for his part in laundering in excess of $400 million of stolen investor funds. This should be a shot across the bow of all scammers hoping they can ride away into the sunset with their ill-gotten gains.

We need to close the scammers down faster, even when we know that another one will pop up to replace it five minutes later. If you care about this space and you see scammers, report them to the FCA and City of London Police, write blogs, contact the press, do something, whatever it is - just don't sit idly by and complain about bitcoin not being mainstream yet as though it's someone else's responsibility.

Jon Walsh, Blockchain, Digital Assets and Adtech professional and amateur sleuth. Get in touch via Twitter @walshjonwalsh.

BLOCKCHAIN ROOKIES

BLOCKCHAIN IS DEAD, LONG LIVE BLOCKCHAIN

Troy Norcross, Co-Founder Blockchain Rookies

Earlier this month Meltem Demiorors, chief investment officer of CoinShares group declared "Blockchain is dead". Conversely, other people claim that the next wave of multi-billion dollar companies will come from blockchain.

If we look at investment in blockchain companies, the investment is significantly less than the heady days of crypt-frenzy in 2017 and early 2018. People were emotionally investing to ensure that they didn't miss out on the next gold rush, Internet bubble, Dutch tulip craze. But most people had no idea what they were investing in, and fewer still looked at the challenges of the underlying business models.

Blockchain is growing slow and steady and gaining adoption within multiple industries. Blockchain is benefitting not just finance, but also supply chain and identity.

Many enterprises have experimented with blockchain enough that they can confidently tell their customers and shareholders that they are on top of the technology and watching the market. Others fully grasp the value of blockchain as a new form of glue that can safely and securely connect multiple companies to allow for new business models, products and services. And yes, some enterprises have recognised that blockchain poses a material threat to their current business models.

Blockchain networks can generate billions in value. But this value does not and will not go to a single company. The value will not go to the Facebook or Google of blockchain (and yes - that includes Libra). The value of a blockchain network is contributed by, and returned to, the participants of the network. Ledger data and the applications built on top of this data is where the real value lies.

Blockchain is far from dead. Blockchain is growing slowly and quietly in the background. Equally, no single startup or firm is going to make billions on some blockchain idea.

Get in touch with us: info@blockchainrookies.com / Twitter @igetblockchain