

# CRYPTO A.M.

PARTNER CONTENT

## CITY A.M.'S CRYPTO INSIDER

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Greetings from Gibraltar where I'm meeting with Albert Isola the Minister for Financial Services, Digital and Gaming, various regulatory advisors as well as Diego Zaldivar of RSK Labs an investee company of Coinsilium Group run by Eddie Travia and Malcolm Palte. It was on the 30th Oct 2018 that Crypto AM ran a special so it's going to be interesting to see how things have changed.



With global stocks falling in reaction to the appalling Coronavirus outbreak in China, the crypto market, at the time of writing, is remaining resilient and up on last week. Bitcoin (BTC) is trading at US\$8,735.00 / GB£6,703.38; Ethereum (ETH) is at US\$169.63 / GB£129.63; Ripple (XRP) is at US\$0.2308 / GB£0.1765; Binance (BNB) is at US\$17.50 / GB£13.43 and Cardano (ADA) is at US\$0.04516 / GB£0.03466. Overall Market Cap is at US\$241.71bn / GB£185.05bn (data source: www.CryptoCompare.com)

I spent last week in Davos where climate change dominated the discussion topics as well as diversity and inclusion - all of which was central to the City of London: The Global City event. The Rt Hon Lord Mayor of the City of London, Alderman William Russell opened proceedings for this very strong panel event entitled: The Future of London, Global Financial Hubs in an age of Disruption. Friend of City AM, Charlotte Crosswell, CEO of Innovate Finance joined the strong female panel who included Catherine McGuinness, Dr Rhian-Mari Thomas OBE and Dame Elizabeth Corley.

IOHK and Cardano were represented in force at the CV Labs organised Crypto Valley Week, Davos 2020 with Charles Hoskinson and Nathan Kaiser making major announcements throughout. One in particular caught my ear confirmed by meeting Philippe A. Naegeli and Lucas A. Erth of GENTWO AG (based in Zug, Switzerland). They explained to me that they are able to offer customers the chance to securitise bankable and non-bankable assets including digital assets such as cryptocurrencies and tokens. The launch of these investment products with a Swiss ISIM will potentially unlock a huge amount of institutional investors. If GENTWO and Cardano can reach a partnership agreement for the launch of a financial product then Cardano's blockchain becomes investable and a bankable asset for qualified investors.

As you are aware I announced that the inaugural Crypto AM Awards 2020 will be taking place on Wednesday, 11th March. The nominations are open and free to register, but will close on 31st January. Please use the following link <https://www.cityam.com/crypto/crypto-am-awards/>

Finally, for your diaries, I am attending Security Tokens Realised (<https://securitytokensrealised.com>) which is taking place at the Grand Connaught Rooms next Tuesday & Wednesday. Last year sold out but there are still tickets available. However, since I am hosting the awards organiser Michael Barrell has kindly agreed to give the first City AM readers to apply a 30% discount by using CRYPTOAM30

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

# BITCOIN: GOLD REIMAGINED FOR THE 21ST CENTURY

Designed by  
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When Satoshi Nakamoto first described Bitcoin in 2008, there was little way of knowing what a behemoth the asset would become over the following decade.

Dominating media headlines with its meteoric price rises and inspiring a slew of copycat coins, Bitcoin has served as both the blueprint for a decentralised economy, and an entirely new class of digital assets.

But while Bitcoin has made substantial progress in establishing itself as a store of value, its usefulness as a means of exchange has been eroded. Heavy speculation and high transaction fees has resulted in most users holding Bitcoin for the long-term, especially given the asset's all-time highs of almost £15,000 per coin.

Diehard crypto evangelists likely view this as a departure from Nakamoto's original 'digital cash' vision. But the truth is, Bitcoin's assumed role as a speculative asset has irrevocably shifted the financial world as we know it - and few assets have as much to fear from Bitcoin's power play as gold.

Precious metal advocates have long looked to gold for stability from the often-volatile financial markets, especially in times of crisis or recession. However, in recent years, it's become clear that many of the attributes which have traditionally been associated with gold can also be observed in Bitcoin.

So, what parallels exist between Bitcoin and gold, and crucially, what does Bitcoin do better?

### SUPPLY AND DEMAND

Scarcity is a key determinant of gold's price, as we know, the precious metal is finite. Nevertheless, quantifying the exact amount of gold on Earth is difficult. The World Gold Council estimates that around 190,000 tonnes of gold exists above ground, but how much is left to be extracted is largely unknown.

Bitcoin, on the other hand, is limited to 21 million coins. Once the last coin is mined - in around 120 years by current estimates - no more will ever enter circulation. This hard cap on circulating supply makes it easier to predict the

price of Bitcoin in the future compared to gold.

In an interview with CNBC last August, Bitcoin bull and Galaxy Digital founder Michael Novogratz claimed that Bitcoin's role as digital gold was clear to regulators, and still had a long way to go before it reached gold's global market cap of \$8 trillion.

### INSTABILITY: AN ARGUMENT FOR BITCOIN?

Geopolitical tensions have always been a key driver for gold demand, evidenced most recently following the crisis in Iran.

As City A.M. itself reported, prices of gold surged to a seven-year high of

£1,228 per ounce for the first time since 2013, following the brief but tense period of unrest at the beginning of this month.

Historically, similar price action has followed other major global events, solidifying gold's status as a safe haven asset - and leading some experts to argue that an alternative to gold simply isn't required.

The issue with this argument is that in the 21st century - short of a global catastrophe - Bitcoin is simply an easier asset to access and store in times of uncertainty. For those in politically unstable nations, Bitcoin not only fills the role of gold as a hedge against volatile fiat currencies, but it also proves harder - if

of Millions of Dollars in private sales of secondary securities and is connected to one of the largest regulated Alternative Trading Systems (ATS) of affiliated Broker Dealers and Registered Investment Advisors (RIA) network in the US. We are granularly familiar with the compliant requirements for secondary sales of private securities.

When we collectively speak of "digitization of securities" or assets we are really addressing less the primary sale of those securities but facilitating the ease of secondary sales of those securities. Compliantly making those sales happen is probably the most relevant area of development in the digital sector.

Counterparty risk, investment issuer due diligence, current financial and operational information on the issuer, is of at least equal concern as the relatively easy KYC and AML of the potential buyer. The above issues are more complicated to solve and will require collective coordination within the industry to set best practice.

To have the digital securities sector grow, as is the aspirational hope, there will have to be clear differentiation between offerings with strong counterparty verification as well as offering diligence and those less robust offerings carrying more execution risk due to lack of information provided by regulated entities.

For further information visit <https://uscapglobal.com>



in the highly-regulated aerospace manufacturing industry has led to his appreciation of the need to work closely with regulators while adopting technological solutions to improve efficiency in the sector. This successful approach has been brought over to US Capital Global, where leveraging innovation and regulatory developments has been a key driver in the firm's growth as a FinTech investment bank.

Approaching the Fin Tech and Digital finance sector with the experience of the transformative time in aerospace manufacturing US Capital Global sees the need to respect and embrace regulatory compliance and assessment of counterparty risk. The company is in continuous contact with US regulators regarding primary offerings of digital securities and looking ahead to the required protocols of secondary sales of those same securities. US Capital Global has facilitated the sale



gold against a turbulent stock market. These events not only prove Bitcoin's usefulness as a safe-haven asset in times of instability, but they also help to consolidate Bitcoin's position as 'digital gold' for investors looking to the asset as a store of wealth.

### BITCOIN'S SECOND DECADE

As a store of value, gold has a couple of millennia on Bitcoin. But that may not be enough to stop the leading digital asset from making the next decade its own.

Early challenges associated with digital assets have largely been addressed, especially those of access. It's already easier than ever for professional investors to buy and store Bitcoin, and now, solutions such as those we have built at Mode are also increasing access for retail investors.

Mode's vision is to deliver a banking ecosystem which recognises Bitcoin's potential to act as a store of wealth. The 2020's will be defined by an increased access to decentralised infrastructure, and an increasing number of millennial participants in the financial markets.

The last step of the digital asset revolution is the provision of attractive and seamless ways for new investors to access the market, with comparable user experiences to popular mobile banking solutions.

While central bank digital currencies look set to fill the role of digital cash, Bitcoin is poised to take the mantle of digital gold. Whether it can do so in a way that is competitive with physical gold will depend on building simple and effective investment products to attract mass adoption.

Jonathan Rowland, Chairman at Mode Banking, in conversation with James Bowater. For more information or to download the app visit <https://modebanking.com>

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not impossible - for authoritarian regimes to confiscate.

As an industry, we've seen this demand in practice very recently. Blockchain research firm CryptoQuant found strong correlation between the Iran crisis and exchange outflows of Bitcoin.

Outflows tripled from around 12 thousand BTC on January 2, the day before the Iran crisis, to over 37 thousand on January 3. After Iran's retaliatory show of force on the 8th, outflows rose to a colossal 49 thousand BTC in anticipation of an all-out war.

Outflows of Bitcoin generally indicate that investors are moving their Bitcoin away from exchanges with a view to

hold long-term - in the exact same way gold is stockpiled in times of crisis.

Once the crisis de-escalated, the price of Bitcoin abruptly fell - exactly as would be expected from a safe haven asset.

Closer to home, the fluctuating price of the pound in the wake of Brexit negotiations and the recent general election, in addition to the political influence on the UK stock market, has led some investors to seek a safe haven for wealth protection. Earlier this month, Forbes columnist Professor Panos Mourdoukoutas shared that researchers from the University of Pretoria had confirmed that Bitcoin was indeed used as a comparable hedge to



What would it mean if you could operate in a global marketplace with the same confidence as a face-to-face transaction? Today eBay and dozens of other online marketplaces provide just this functionality by acting as trusted intermediaries between buyers and sellers of goods and services all over the globe.

But what would it mean if there was no eBay, Alibaba or Airbnb? How could you ensure that when you made a transaction that all parties would hold up to their commitments? And how could you enforce contracts for any failure to deliver or deviation from what was agreed?

One aspect of the solution is through the careful use of transparency between counter-parties in the transaction. In the

event of any dispute, the records of the offer and the acceptance can be made available to third parties to support enforcement.

Because not all transactions are instantaneous, a transparent record of the progress can also add value. Counterparties can track and trace assets as they progress through the real world in a series of transfers and transformations. Assets include raw materials, finished goods as well as payments, remittances and trade finance.

All of these things comprise details on a single golden record to which all parties agree is the sole source of truth. And to which all parties agree can be made available for audit.

Businesses achieve efficiencies by

eliminating and reducing the costs and time of reconciling data between multiple parties. They both increase margin and reduce costs through operating in a marketplace with no broker or intermediary.

These marketplaces are not without their challenges. Stakeholders must agree to governance models which reflect the (often conflicting) interests of the members as well as standards that sometimes span geographic and political jurisdictions. But they are possible. They are possible today, thanks to blockchain.

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



Australia is in the grips of an ongoing bushfire emergency  
- Over 2,000 Homes destroyed  
- Over 1 billion animals and wildlife have perished  
- Over 25 million acres are scorched  
Donate with crypto at <https://www.cryptofirealliance.com.au>



## CRYPTOCOMPARE MARKET VIEW

### Vodafone Leaves Facebook's Libra Project

Markets last week remained relatively buoyant as Bitcoin managed to stay above the \$8,500 mark - sticking close to its weekly high around the \$9,000 level. Ethereum, the second-largest cryptocurrency by market capitalization, is also close to its high of \$170, currently trading at \$166.

Telecom giant Vodafone last week said goodbye to the Facebook-led Libra cryptocurrency project. One of the founding members of the Libra Association, an independent not-for-profit membership organization set to govern the Libra cryptocurrency, Vodafone now joins PayPal, Visa, Mastercard, eBay, Mercado Pago, and Stripe in leaving the beleaguered venture.

Data published by crypto tracking websites has shown that in 2019 a total of \$2.5 trillion were transacted via the Bitcoin network, with the average transaction amount standing at 2.75 BTC, or \$23,000. The largest amount transacted in a single

day on the Bitcoin network was close to \$20 billion. For comparison, Visa's network reported a total transaction volume of \$11 trillion in 2018.

Bitcoin Cash, a cryptocurrency created through a fork of the Bitcoin blockchain, has seen some miners propose a 12.5% "tax" on mining rewards to fund developers, threatening to "abandon" the blocks of those who do not comply. Following the proposal, the creator of Litecoin, the cryptocurrency seen as the silver to Bitcoin's gold, proposed a voluntary 1% donation from mining rewards for the same purpose.

In regulatory news, Israel's International Institute for Counter-Terrorism (IICT) has alleged that Hamas has been using bitcoin to raise funds, with activity from a financial website by the name of "cash4ps" linked to the organization. Last week also saw HMRC offer a £100,000 contract for software that can identify when cryptocurrency is being used to avoid paying taxes.

## CRYPTO A.M. INDUSTRY VOICES

### Are YOU the next NeoBank?

Industries now evolve at an exponential rate. It took over 100 years to go from steam power in the 1800s (industry 1.0) to commercially available electricity which powered mass production from the early 1900s (Industry 2.0). However, only 50 years later the microchip drove the iconic rise of personal computers and smartphones (Industry 3.0), while only 20 years later we've shifted again into Industry 4.0 with the rise of IoT's (Internet of Things) and Digital Assets. It is understandable that we no longer associate industry change as a "revolution"; perhaps emerging markets or future tech is the new name for an industrial revolution as the gap between them narrows.

We are now all familiar with the idea of industry changing or disruptive technology. Uber, the world's most successful private car company, owns no cars, Airbnb owns no property. IP now has a value very few would have foreseen. We are standing at the true dawn of the Digital Age.

This is no more apparent than in the financial sector, with the rise of the 'challenger NeoBanks' like N26, Revolut and Monzo, an entirely digital entity with no branches to speak of, in its place, a user-centric mobile app for execution.

NeoBanks are rapidly growing with 39 million users globally and skyrocketing valuations thanks to their attractive value propositions, which include personal finance management features, low rates, superior user experience.

Despite this, unless these new banking platforms have the chance to be owned by a diverse range of communities, we may repeat the same mistakes of giving a small group of "too big to fail" industry leaders the same power to set the rules of the game.

Facebook, Apple and Uber have all made vertical crossovers into finance. Facebook has endeavoured to launch their own financial product in LIBRA. Whatsapp a social messaging platform now allows the exchange of Ethereum or ERC20 tokens between

users. Apple already has payment software and is releasing its own Apple Card and Uber plans to launch Uber Money initially offering real time access to earnings for drivers. As more non-traditional brands get into the digital banking space, we'll see the growth of 3rd party service innovations catering to user demand.

For this reason, Vanta Tech was launched by four co-founders with professionally-diverse backgrounds in marketing and finance; two of whom helped deliver a digital banking solution previously and saw the gap in the market for aiming to solve the challenges of setting up a NeoBank and democratise access to owning and operating their own NeoBanks. Providing the flexibility that is going to become necessary in modern finance, pioneering white label BaaS (Banking as a Service) from conception and feature ideas, through to launch, licensing and full back-office operations; Vanta can confidently get you into the market in 2020.

Any brand with an active audience can be a challenger bank. Whether you're in retail, entertainment or finance. The most important factor is that you are a leader in your industry with a community that trusts you, as trust is the true value that underlies money and exchange. 'White Label Digital Banking' makes it very cost-effective for smaller groups, organisations or developing countries to create their own bank or financial institution to bring together their communities in new and empowering ways.

We are able to serve not only what you need now but what you will need in the future. Being agile, unique and able to deliver new features is the key to your success against larger corporate financial institutions, allowing you to remain 'future-proofed' as we accelerate into the next "revolution"; NeoBanking.

For more about Vanta Tech and to request a free proposal to set up your own NeoBank, visit [www.vanta-tech.com](http://www.vanta-tech.com)