

CRYPTO A.M.

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

PARTNER CONTENT

CITY A.M.'S CRYPTO INSIDER

JAMES BOWATER

As we officially left the European Union with Brexit taking place, I returned from Gibraltar to London where today and tomorrow I am attending the STR Global Summit with its extremely impressive lineup of attendees from the institutional headquarters of the Square Mile. They are coming to meet representatives from the entire digital assets/ digital securities ecosystem including Archax, Tokeny, Koine, Upvest, Blockpass, Ownera and US Capital Global - many of whom have features in Crypto AM.



The CoronaVirus outbreak continues to dominate the headlines and the negative impact on global financial markets was in evidence yesterday as the extended Chinese New Year holiday came to an end. The crypto market continues to move positively rising circa 7.5% suggesting that there might be a correlation. At the time of writing, Bitcoin (BTC) is trading at US\$9,323.15 / GB£7,156.68; Ethereum (ETH) is at US\$188.60 / GB£144.72; Ripple (XRP) is at US\$0.2495 / GB£0.1925; Binance (BNB) is at US\$18.25 / GB£14.01 and Cardano (ADA) is at US\$0.05641 / GB£0.04330. Overall Market Cap is at US\$259.77bn / GB£199.28bn (data source: www.CryptoCompare.com)

I spent three enjoyable days in Gibraltar last week where I met with the Hon. Albert Isola MP, Minister for Digital and Financial Services, HM Government of Gibraltar. We discussed the ongoing importance of Gibraltar's regulatory environment, especially post Brexit where of particular importance is the unique passporting of financial services / licenses between Gibraltar and the U.K. and vice versa. He was particularly positive too about welcoming companies such as Xapo, IOV Labs, eToro and Coinsilium Group to the Rock since the jurisdiction became the first in to license and regulate DLT companies globally. I'm delighted to confirm that the Minister will be attending the inaugural Crypto AM Awards on the 11th March

Additionally, I am very pleased to share with you, in this 'Gib-Centric' edition of Crypto AM, our Spotlight on Coinsilium, a great conversation with Diego Gutiérrez Zaldívar, Co-Founder of RSK and CEO of IOV Labs, as well as a great industry voices piece from leading lawyer, Joey Garcia, on the Evolution of Regulatory Standards.

On a sour note it came to light that a support service provider business to our industry with an 'international footprint' was in fact a sham. It's a real sadness that our nascent industry attracted so many unscrupulous people whether it be the projects themselves or the service providers. It's no secret that many of the entrepreneurs in this space are young and have little life experience which is where the world of the 'advisors' descended en masse. Many projects dubbed dubious / improper / scam simply were badly advised by people who were only interested in taking exorbitant fees.

It is getting better despite more 'trusted players' being exposed. As a community however, we are much stronger working together and protecting each other. My conclusion, however, is that the sooner that sensible regulation comes into effect without stifling innovation, the better!

For Diego Gutiérrez Zaldívar, Co-Founder of RSK and CEO of IOV Labs, bringing together social activism and technology has turned out to be his life's mission. He began visiting the villas of Buenos Aires at the age of 9 with his mother, herself an advocate for the impoverished communities living there. From age 13 to 20 he organized grassroots campaigns meant to improve the quality of life for these communities. But he found that no matter how much individuals committed to improving their lives and the lives of those around them, they could not free themselves from poverty; they were locked out at a systemic level.

Simultaneously, he was discovering the power of technology. He learned to programme at 11, and by 20 he was hired by Argentina's largest newspaper to form their first digital media division, eventually launching one of the first digital news platforms in the country. From then on came several software companies, including El Sitio, which went public on NASDAQ in 2000.

In 2011, twenty years after his first visits to the villas, he was introduced to Bitcoin. The inflation rate in Argentina at the time was around 10%, with strict capital controls in place making global transacting extremely difficult. After just one low cost, high speed transfer of BTC between himself and a friend in California, his two paths clicked together. Diego saw Bitcoin had the potential to enable an inclusive, borderless, global value exchange system capable of providing new access to financial services for millions. He began studying Bitcoin voraciously, joining and co-founding multiple education hubs in Latin America. In 2015, Rootstock was born.

RSK (ROOTSTOCK)

Diego alongside Sergio Lerner and three other founders founded RSK with the vision to extend Bitcoin's capabilities by adding a smart contract layer to the Bitcoin network. The third-layer protocol RIF now provides a unified suite of decentralized application developer tools, making the world's

INTERNET OF VALUE: A FINANCIAL SYSTEM OF THE FUTURE?

Designed by
Phill Snelling,
Bowater Media

most secure smart contract network a prime infrastructure on which a global Decentralised Finance (or 'DeFi') ecosystem can flourish.

The DeFi movement took off in 2019 and has been growing rapidly. DeFi expands blockchain's capability from a decentralised solution for storing and transferring value into a complete financial ecosystem, providing decentralised and interconnected protocols in place of traditionally centralised and exclusionary financial institutions.

products, and services.

Bitcoin's volatility and scaling challenges pose a problem for mass adoption and financial inclusion. In order to solve the volatility issue, RSK needed to allow for the creation of stable assets to enable everyday transactions, with BTC acting as a store of value, or collateral, much like the Gold Standard.

The financial system of the immediate future may very well look like having local currency for each country issued by a smart contract that will

have full collateral in Bitcoin.

Individuals, especially those in poorer areas, may not transact in Bitcoin at all. They would likely use a stable asset, and if they manage to have some savings, they may choose to have more long-term savings in the form of Bitcoin.

RSK INFRASTRUCTURE FRAMEWORK

To solve Bitcoin's scaling problem, you need business logic and execution that

operates similarly to how Bitcoin runs transaction processing. The RSK Infrastructure Framework (RIF) was created for this purpose. RIF is a third-layer protocol on top of RSK that aims to add micropayment channels, identity, data storage, communications, marketplaces, and gateways layers.

RIF has its own token, meant to be interoperable between networks. The idea is to enable peer-to-peer decentralised infrastructure services on other smart contract enabled plat-

forms, which is key to truly supporting a globally interconnected and decentralised ecosystem.

While the RSK Network added smart contract capabilities and on-chain scaling improvements on top of the Bitcoin network, it is not enough to achieve transaction processing levels on par with those offered by major payment processors around the world. The RIF Lumino Network was created to provide instant processing capabilities and network transaction costs at a fraction of a cent. It is an off-chain payment system for Bitcoin, which has allowed an efficiency increase of 40-50% on the transaction cost on-chain and 10 times the transaction output and cost lowering on the upper RIF layer, which implies one can process thousands of transactions per second with RIF Payments and lower the transaction costs to a fraction of a cent, which is key for financial inclusion.

Control of reputational information is also of serious importance in an age where this data is itself a kind of currency. With RIF, one can create reputational identities that can be completely owned by them, and might be used as collateral to access basic financial services. For this reason, RIF's user ecosystem is referred to as a 'decentralised sharing economy'.

IOV (INTERNET OF VALUE)

RSK and RIF have formed the basis to create a financial system for the future, and a global decentralized sharing economy, but the idea is even greater than that: a complete Internet of Value. Both platforms live under the umbrella of 'IOV Labs' to communicate this idea. The 'Internet of Value' is the full potential of Bitcoin, RSK and RIF realised: an interoperable mesh of decentralised, transparent, and immutable networks for the transfer of value that is more resilient, more accessible, and more useful for humanity as a whole.

Diego Gutiérrez Zaldívar, Co-Founder of RSK and CEO of IOV Labs, in conversation with James Bowater. For further information visit <https://www.iovlabs.org>

CRYPTOCOMPARE MARKET VIEW

Global Crypto usage growing

Bitcoin is up 30% year-to-date - currently trading above \$9,350 - having started 2020 at the \$7,000 mark. Other top cryptoassets are faring even better, with XRP up 33% so far this year, Ethereum rising 45% year-to-date, and Bitcoin Cash and Bitcoin SV rising 87% and 190% respectively.

Ethereum was closely watched by traders this week as new data showed that miners are hoarding the ETH they receive for securing its blockchain. Other news possibly contributing to its price rise include comments from Chairman of the U.S. Commodities Futures Trading Commission (CFTC), Rath Tarbert, who last week reaffirmed that Ethereum futures may launch soon.

Global use of cryptocurrencies is also on the rise. In Venezuela, active users of the Dash cryptocurrency's wallet reportedly grew by 562% since May 2019, while the Swiss municipality of Zermatt has announced that it is accepting

Bitcoin as a means of payment for "local taxes and official transactions." The move sees Zermatt become the second Swiss municipality to accept Bitcoin, joining the town of Zug.

Growing cryptocurrency usage has also seen illegitimate profits rise. A report published by blockchain analytics firm Chainalysis has revealed that bad actors duped victims out of \$4.3 billion worth of cryptocurrency last year, with Ponzi schemes among the most profitable operations in use. Similarly, the share of cryptocurrency flowing in and out of darknet markets increased, although it remains below 1% of all cryptoasset transactions.

Regulators have not been idle however, and Ukraine's financial watchdog has now begun to enforce the Financial Action Task Force's recommendations on crypto transactions, with checks in place for transactions over 30,000 Ukrainian hryvnia (UAH), worth roughly £920.

CRYPTO A.M. INDUSTRY VOICES

THE EVOLUTION OF REGULATORY STANDARDS

Most people involved in the blockchain and virtual assets industry are extremely aware of regulatory developments that continue to evolve in different ways around the world. There are also evolving discussions around the question of what the 'correct approach' for developing relevant regulatory frameworks or standards for this industry should actually be. Arguably from a jurisdictional perspective this has now accelerated following the final recommendations and guidelines issued by the Financial Action Task Force (FATF) in June 2019. These of course include the recommendation for FATF members to introduce a licensing or registration regime for 'Virtual Asset Service Providers.' From my perspective it is incredibly interesting to see how different jurisdictions are approaching these recommendations for the first time, and comparing this to how other jurisdictions, like Gibraltar, implemented these regimes years ago. It also raises a number of interesting questions and considerations.

Firstly, how are definitions of what a Virtual Asset Service Provider actually is, being interpreted in different jurisdictions? One of the buzzwords in the industry at the moment is decentralised finance or 'DeFi'. Of course, DeFi platforms introduce fascinating concepts but no regulatory authority has determined a 'test' for decentralisation, or formed a clear view on when such platforms which can arguably be described in certain cases as technology infrastructures will trigger regulatory implications or not?

This raises interesting questions. How can legislators, policy makers and even regulators evolve at the same speed as such a rapidly developing and evolving industry? Some jurisdictions only capture certain crypto related activity within the scope of licensing or registration, while others form self-regulatory frameworks, or even industry set standards within which they expect operators to function. Some introduce controlled environments such as sandboxes, and some choose to do nothing at all leaving these platforms in a grey area for an indefinite period.

As a separate question, why are standards of regulation for a significant industry so often focused on pure

AML/KYC/CTF. What about systems of control relating to cybercrime and IT vulnerabilities, custody standards, segregation requirements and client asset protection, suitable governance standards or purpose built risk disclosures, customer protection mechanisms and market integrity standards for the industry? What duties exist for developers of different blockchain protocols, to the underlying users, whether from a governance or fiduciary perspective and how are these duties going to be defined? Why are the businesses captured within the FATF definition of a VASP not captured by 5AMLD? Is the newly transposed directive already out of date?

Again, defining the right regulatory standards that meet the fine balance between aiming to protect consumers, without stifling innovation in the application of new technology creates its own challenges and different jurisdictions approach this in different ways. From my perspective, Gibraltar is an excellent working example of a jurisdiction which has seen the opportunity to develop and implement a principles based framework for the regulation of businesses using distributed ledger technology for a transfer or storage of value. This significantly raises the standards of those operators and clearly distinguishes them from unregulated businesses while also providing legal and regulatory certainty.

What is quite clear is that initiatives such as Libra have also accelerated the way that many jurisdictions now feel the requirement to consider how to deal with and approach the developing use and application of the technology, especially when they aim to deal with the inefficiencies that exist in legacy frameworks. In my view the development and acceleration of the right approaches, with the right level of Government support opens a significant number of opportunities and this is something that Gibraltar is quite clearly aiming to achieve.

Joey Garcia, Partner ISOLAS LLP Chambers top 12 lawyers in the world, Band 1 Fintech Gibraltar. For further information visit <https://www.gibraltarlayers.com>

Crypto A.M. shines its Spotlight on Coinsilium

Eddy Travia, Coinsilium's Chief Executive has been in the blockchain technology industry since 2013, where Coinsilium's roots can be traced back to as one of the world's first digital currency start-up incubators.

In 2014 Eddy co-founded Coinsilium which listed on the NEX Exchange in London the following year. Coinsilium's shares (NEX: COIN) can be traded through most stockbrokers.

"Unlike the internet boom of the nineties, there are few options offering retail investors exposure to the booming blockchain technology space," said Eddy. "Coinsilium holds a portfolio of blockchain investments and our experience, understanding and network have allowed us to make some big leaps from a number of relatively small initial investments."

An example of this is RSK, now IOV Labs, which has built a smart contract capability through a 2-way peg or "Side-Chain" secured by the Bitcoin blockchain.

IOV Labs has grown significantly since its private token sale in November 2018 and now employs 100 staff globally. "Although our initial investment in RSK in 2016 was quite modest, it came at a crucial time and triggered follow-up investments from some well-known industry players such as Digital Currency Group."

Another liquidity event occurred in 2017 when Coinsilium sold its 14.5% stake in SatoshiPay Ltd at an uplift of 362.6%.

“

In 2014 Eddy co-founded Coinsilium which listed on the NEX Exchange in London the following year.



Eddy Travia, Chief Executive of Coinsilium

Coinsilium also invested in Blox, a leading enterprise crypto-accounting platform and Indorse, a skills validation platform using blockchain to create

efficiencies within the burgeoning recruitment technology sector. Indorse has offices in Singapore and London and now has its sights on expansion into the

US market. In 2019 Indorse completed an investment from Times Group, India's largest media house, valuing the business at US\$15m. This was another leap for Coinsilium representing an uplift of 350% on its initial investment just two years earlier. Indorse was recently recognised by global research outfit Tracxn as a "Minicorn" or potential Unicorn. Both Blox and Indorse are now generating meaningful revenues.

"The Blockchain industry is expanding rapidly and we have to remain agile. Our proven track record is mainly attributable to our position at the vanguard of the technology, but there is also significant value in our network and experience". Eddy continues, "In 2020, investors should expect to see us further leveraging our network and creating joint ventures with major players such as the partnership we recently announced with IOV Labs for the Asian markets."

Coinsilium is also strengthening its ties with Gibraltar where Chairman Malcolm Pallé is now based and spearheading Coinsilium's latest venture, TerraStream, a blockchain technology development studio in partnership with Demmons in Gibraltar. Commercial operations are targeted for Q1 this year.

For more information on Coinsilium please visit their website at [Coinsilium.com](https://www.coinsilium.com) For market information visit [nexexchange.com](https://www.nexexchange.com) search "COIN".



TICKETING EVOLVED

Troy Norcross, Co-Founder Blockchain Rookies

We've come a long way from when ticketing was only available with printed paper. Today you can receive tickets in your email or present them for redemption using your mobile phone.

Tickets can contain a wealth of information including details about what, when and where the ticket will grant you entry, as well as information related to the terms, conditions, pricing and restrictions on the ticket. The ticket may also contain personal data related to you, and in today's privacy-centric world, holding too much customer data can become a liability.

We are just beginning to see the evolution of ticketing and a shared layer of data and automation

(blockchain) plays an important role.

Using blockchain, tickets contain the information describing what, where, when and how the ticket can be redeemed, and in exchange for what. Utilising smart-contracts on the blockchain the sale, return, transfer or 3rd party sale can be automated without the need for expensive brokers, dealers and intermediaries.

As is often the case, not all stakeholders in the digital ticketing ecosystem are so keen on this idea. Yes - with better control over ticketing performers can ensure that their fans get a fair deal by reducing or eliminating scalpers and third party brokers. But the brokers won't give up quite so quickly, and venues are more focused on selling

the house than they are ensuring a fair and open marketplace.

Even today, tickets can be sold and transferred on the blockchain, including payments. Yet so long as cash exists, there will be bad actors working on getting around the system.

Ticketing will evolve when there is an overwhelming demand for transparency and when the majority of stakeholders can adapt the business models by finding additional sources of revenue or offering new and improved services - possibly through tickets on the blockchain...

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



The Premier Series on DIGITISING CAPITAL MARKETS

OPPORTUNITIES TO BE INVOLVED IN
SAN FRANCISCO, SINGAPORE, DUBAI, SAN PAULO, NEW YORK
www.securitytokensrealised.com