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

Welcome to the last edition of Crypto AM for 2019. Last night I hosted the London Blockchain Forum Christmas Keynote Supper at Smith & Wollensky which was attended by 160 members of the AI, Blockchain and DLT community with several guests flying in from overseas. The general mood about 2019 is that it was the year of great expectations for the industry which failed to materialise. This sentiment was echoed at the SwissBorg (see Spotlight) wealth app launch announcement event in London, also yesterday, where there was overall agreement that regulation is vital.

Even the crypto market was feeling depressed since last week's edition with Bitcoin (BTC) at the time of writing was trading at US$7,118.86 / GB£5,431.27; Ethereum (ETH) is at US$141.43 / GB£106.23; Ripple (XRP) is at US$0.2129 / GB£0.1594; Binance (BNB) is at US$14.24 / GB£10.68 and Cardano (ADA) is at US$0.03602 / GB£0.02703. Overall Market Cap is at US$194.78bn / GB£145.81bn (data source: www.CryptoCompare.com)

My general feeling is that there is still a hangover from the damaging impact of the space attracting scammers taking advantage of an unregulated environment. The good news is that the vast majority of these bad actors have now either exposed and those that haven't been are now retreating or realising that there is now way too much scrutiny to take jail term risk. Certainly in the UK the distraction and uncertainty from the polarising topic of Brexit took its toll making it doubly difficult for those in financial raise mode. The lack of clear regulation from the financial authorities for much of the year meant that the much anticipated wave of STO (security token offerings) didn't really materialise. The net effect being that only the strongest and careful of projects survived Crypto Winter.

Despite this damp squib the outlook for 2020 looks and feels a lot stronger. The Libra Effect which is the knock on effect of Facebook's announcement of its global cryptocurrency has played a major in moving things forward from a regulatory. The central banks were shaken to the core by the announcement with a knee jerk reaction by many calling for an outright ban at worst and at best strict regulatory control. Since the announcement, China, Germany, Ukraine, Dubai and Abu Dhabi are in the process of or have delivered usable legislative frameworks for the use of Crypto and / or Digital Assets. It certainly feels to me that 2020 will be a positive year where institutional adoption can legitimately take place.

To sign off, I would now like to take the opportunity to wish all Crypto AM readers a very Merry Christmas, Happy Holidays and a Happy New Year. I would also like to say a massive thank you too for the continuing support of Lawson, Jens and Harry at City AM Media Group. Finally, last but not least, thank you to Bridie Wilson, Taylor Campbell and Phill Snelling without whom this double page spread could not happen!

BITCOIN GETS THE BANKING NOD OF APPROVAL

Designed by Phill Snelling, Bowater Media

As the European commission pushes out its fourth AML directive, it appears that banking conglomerates will soon have full regulatory approval to offer Bitcoin and cryptocurrency custodial services to their clients.

The recent report posted by regional financial news publication Handelsblatt, revealed that in 2020, German banking institutions will be able to manage cryptocurrencies for their clientele. The newly enacted legislation will effectively allow banks to receive, store and sell digital assets like bitcoin, Ethereum and other digital assets which pass European regulatory scrutiny. Among other things, this fourth EU money laundering directive highlights the fact that "electronic money products are increasingly considered to be a substitute for bank accounts." As per the report, the removal of the "separation bid", will allow banks to directly handle cryptocurrencies without using a third-party custodian, which is to say that German banks will be able to offer cryptocurrency solutions alongside bonds, equities and traditional stocks.

A PUSH FOR ADOPTION

Taking a bird's eye view, it would seem that while custodian solutions are in direct conflict with the spirit of cryptocurrencies and Bitcoin in particular, the partial merging of cryptocurrencies with conventional banking and traditional finance could arguably be good for the nascent industry. Irrespective of one's personal opinions, it comes as no surprise that age-old calls for "institutional adoption" are finally coming to fruition, with custodial services giving the go-ahead for traditional money to come flooding into the space. To this end, thought leaders and market analysts have long touted the financial 'transitionary period' where "old meets new" and where two worlds mingle in a more profound and tangible manner. This inevitable meeting is also set to take place amidst stubborn reports of a looming generational wealth transfer the likes of which the West has never seen. Indeed, the clock is ticking and the game is on.

CRITICS HAVE THEIR SAY

That being said, it's not all sunshine and roses in the crypto-verse, as some experts remain unconvinced about the merits of this alleged pro-crypto move by the German central bank. In fact, critics are arguing that it is a bad idea to allow banks to directly sell crypto services to customers. According to Niels Nauhauser, banks are too aggressive in targeting new customers and cryptocurrency offerings may result in a significant downside. He stated: "Basically, banks sell a variety of financial products if the commission is right. If they are allowed to sell cryptocurrencies and keep them for a fee, they run the risk of returning a total loss to their clients, without them knowing what they are getting into." Put simply, this speaks to the likelihood of banks selling a product or services without necessarily divulging the full risks associated with it.

DEUTSCHE BANK AND OTHER EUROPEAN WOES

It's no secret that the German prized jewel has been struggling ever since its peak back in 2007, from which its stock has plummeted 94%. While there's plenty of blame to go around the German boardroom for its dismal performance, the former investment banking giant is hardly alone in its most recent rout. Whether it's Spain's Bankia SA, Banco de Sabadell SA or Italy's UniCredit SpA, lenders across Europe are trading at historic lows. Commerzbank AG hit a new low just recently, showing immense challenges CEO Martin Zielke faces in his fourth year leading the embattled German lender.

Their financial plights highlight the impact of the recent reversal in expectations for interest rates, which threatened to prolong European lenders' lost decade indefinitely. Indeed, even 10 years after markets bottomed out during the financial crisis, bank shares in the region haven't had any significant performance run as opposed to their US peers which saw shares soar near sevenfold. Then again, the $22 trillion debt-fuelled US economy has problems of its own to deal with.

Of course, there are a whole slew of reasons aside from interest rates which speak to Euro-region underperformance, such as the tens of billions in misconduct charges and Europe's snail's pace response to the 2008 financial crisis, which left banks struggling away with toxic good-for-nothing assets.

On top of that, the unfinished project for a European banking and capital markets union is so far away as to magnify headwinds for the entire bloc. Now that the ECB is dead set on lowering already negative interest rates even further instead of raising them as markets had anticipated, banks are now the worst-performing sector in all of Europe, with Deutsche Bank at the helm of this race to the bottom.

AN UNSETTLING TRUST-FACTOR

Having arisen as a consequence of the 2008 financial crash, bitcoin will have to periodically re-instantiate its commitment to the original goal of financial freedom and peer-to-peer electronic cash. Indeed, the question of whether bitcoin is sufficiently decentralised will always loom over our shoulders, and while it's inevitable for traditional finance to board this train, entrusting the same institutions who delivered the 2008 financial crash with your hard-earned money doesn't sound all-too-attractive a proposition. In fact, this further embeds reservations about true decentralisation and by extension, bitcoin's antifragile properties. That said, the need for custodial solutions will always exist, especially within an ecosystem that has barely scratched the surface in terms of user-experience, basic functionality, ease of access, next-of-kin services and plethora of other facilities which currently aren't offered without third party involvement. The question is: will this benefit Bitcoin and cryptocurrency more broadly in the long run? Only time will tell.

Chris Attard, Head of Media Operations for the AIBC Malta Summit, in conversation with James Bowater.

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CRYPTOCOMPARE MARKET VIEW

Bitcoin Development is Getting Funded

This week the price of Bitcoin dropped from $7,500 to less than $7,100 as it continues on a downward trend since July, when it was trading close to the $13,000 mark. The largest altcoin Ethereum dropped from $150 to little over $140, as it follows BTC in a downtrend from $300 in July.

Despite the lackluster price performance, bitcoin development is gaining support. The payments firm behind the popular Cash app, Square, has funded a pseudonymous Bitcoin developer going by 'ZmnSCPxj', who's known for his work on scaling Bitcoin.

The VeChain Foundation, a non-profit organization supporting the VET cryptocurrency, saw a wallet that was set to be used to buyback tokens get compromised, with the hacker stealing 1.1 billion VET tokens (worth $6.5 million). The breach is being investigated, but it's believed a team member didn't follow proper security procedures.

VeChain's price had been rising this month as it was announced that Microsoft was looking to use its blockchain to develop a card game called "Arena of Death." Its blockchain allows players to actually own their own cards, without dealing with private keys or cryptocurrency exchanges, as on VeChain there's no need to own crypto to own collectibles.

Finally, Ethereum has seen its Google search interest hit a near three-year low. Google Trends data shows that on a scale of 0 to 100 it's currently at a 6, down from a 30 registered in July 2019 when it was at $300, and from a 100 registered in December 2017 when it was at its all-time high close to $1,400. While searches for Ethereum are down, searches for the Brave browser and other projects that run on the Ethereum blockchain have risen.

CRYPTO A.M. INDUSTRY VOICES

What if the future bank is nothing more than a digital wallet?

Back in the day, when I ran innovation teams in banks, we always talked about the dawn of a 'digital bank'. It always looked like a traditional bank but with fewer people and no paper. Now at the helm of Trustology, immersed in the world of blockchain and securing cryptoassets, I see an entirely different future.

What if tomorrow's digital bank is not a bank at all? Instead, it is an unbundled set of services accessed via an aggregator platform such as a wallet where users secure their keys in their wallets, and then use them to manage their assets. Hence, what the browser is to the Internet and what the bank is to traditional finance is what the wallet then becomes to the blockchain, and to the future of finance.

Blockchain, cryptoassets and wallets have come a long way in less than a decade. We've weathered scandals, hacks and swings of extreme volatility to usher in better, smarter user interfaces, increased security, speed and regulatory measures, and smart contracts. Now there is the rise in decentralised finance (DeFi) applications set to gain more traction in 2020.

If you want to borrow, then CDP your ETH with MakerDAO to mint DAI stable coin. If you want to lend money, use Compound Finance. If you want to hedge, use UMA project. If you want a simple way to go long on an asset and lend it, let your wallet mint and lend DAI with a single action. Anything is possible with the applications available today.

The world needs more blockchain and decentralisation in the future. We are big believers in DeFi, which is evolving quickly as many start to recognise the potential role cryptoassets will play in global trade. Now that new crypto innovation is stemming from open source software that essentially extends the function of the internet by allowing peer-to-peer value transfer, more and more members of the private sector are also realising its potential in trading, borrowing and lending.

The combination of DeFi and blockchains provides resiliency and independence for the issuer of an asset, which is important, especially in a world of electronic payments, where centralised services can go down. More and more decentralisation on the other hand means more resilience. Decentralised systems are therefore better, as they offer exponential improvement. For example, when an electronic transaction cannot be completed due to a system error, you cannot pay for things, and this could lead to people not being able to buy food and other key necessities. This wouldn't be possible in a decentralised ecosystem.

DeFi also becomes interesting for global liquidity. The Euro tried to become Pan European, but it still doesn't work, and remains very national and regional. DeFi applications, on the other hand, are genuinely global and international from the outset.

When people gain confidence in the new products, and see that they don't fail, there will be a slow ramp up. After this we can have more liquidity and things become interesting because global liquidity could be much larger than traditional liquidity pools. As it goes global and becomes trustworthy, more liquidity will flow there, and attract more liquidity. All of this will be enabled by decentralisation.

To enable mass adoption of DeFi we must continue focusing on building an ecosystem that is safer, faster, and easier to use. Until then, the industry can only address enthusiasts. We believe that the best way to offer this is through a custodial wallet. We see wallets somewhat like the internet browser for the blockchain. It holds the key to our crypto future.

Alex Batlin, CEO and Founder of Trustology
For further information visit https://trustology.io/

Crypto A.M. shines its Spotlight on SwissBorg

Similar to the Dot.com bubble, 99% of ICOs will fail and eventually go to zero according to the majority of global analysts. Having said that, the "blockchain brothers" from SwissBorg including Cyrus Fazel, Anthony LeSoismier and Alex Fazel are proud and confident stressing that SwissBorg is "very close to defying the odds…"

SwissBorg's objective is to enable the creation of a community-centric financial ecosystem that ultimately allows individuals to control their own wealth. Founded on the fundamental values of Blockchain: fairness, accessibility and trust, SwissBorg is building a crypto wealth management platform made in Switzerland but owned by the world.

Coming from a background in the traditional world of finance and banking we created SwissBorg to disrupt an industry that we saw as elitist and unfair. We created SwissBorg because we believe in an investment world that eliminates individualism, greed, exclusiveness, and fears while raising trust, fulfilment, inclusiveness, and freedom.

The old world of finance is a members-only club we want to open it to the public. We believe in a world where technology and finance merge to allow all individuals to collaborate towards realizing their dreams. Swissborg is looking to achieve this by offering access to its institutional grade technology called the "Smart engine".

> "We have more than 65k community of active players and growing, who've made more than 1Million forecasts

Left - Alain Schibl, Advisor of SwissBorg
Right - Alex Fazel, CMO of SwissBorg

The Smart Engine provides best execution by successfully syncing with 4 of the top crypto exchanges: Binance, Kraken, LMAX, HitBTC. Best execution would allow the exchange of cryptos at the best price and liquidity in milliseconds). Another outstanding feature will be the ability to create new fiat-to-crypto trading pairs that do not exist in the market as of today. These new fiat pairs allow the user to save precious time and money in one simple click.

The SwissBorg Wealth App is coming soon which as a native mobile app , users can also buy, sell and exchange digital assets using fiat currencies. The app has been built with the least tech-savvy user in mind, to make diversified and automatically re-balanced crypto portfolios accessible to all.

We decided to pre-launch our feature product with a mobile app (available on both iOS and Android) SwissBorg Community app. A fun, easy to use, educational game that lets you predict the price of Bitcoin, and earn it, without taking any risks. The more points you earn, the higher your rank and chance to win Bitcoin and CHSB tokens. The app provides the players with a Daily Bitcoin Analysis, educational articles and videos as well as free machine learning sets to help players make smarter decisions.

We have more than 65k community of active players and growing, who've made more than 1Million forecasts. Continuing with the community theme, Alex Fazel, SwissBorg's Head of Communications, has created and hosts 'Cryptonites' a Youtube based series designed to educate and entertain those interested or vested in the crypto and Blockchain space. It has so far run for two seasons with a dream team line-up of interviews that included some of the most passionate and colourful figures in the field.

For further information please visit https://swissborg.com

BLOCKCHAIN THEATRE

Troy Norcross, Co-Founder Blockchain Rookies

When enough shareholders, customers or senior leadership team ask the question, "What are we doing with blockchain?" there are numerous possible responses. One of those is to call the Innovation Department and ask them to do some Blockchain Theatre.

Blockchain Theatre projects are those where there is no genuine need for blockchain and where the primary objective is to generate communications internally or externally that the company is actively doing something with blockchain.

While helping the internal teams to get up to speed on the technology, unfortunately, blockchain theatre projects can do more harm than good.

Companies actively working on projects where blockchain adds real value understand the difference between a real blockchain project and one where there is no underlying need. The biggest give away for blockchain theatre projects is that there is only a single enterprise involved. The real value comes when there are multiple companies, agencies or organisations working together and agreeing on a single source of truth for shared data. When companies make fake blockchain projects suitable for press releases, it can detract from not only the company but also from blockchain technology.

Even those who are not enterprise blockchain professionals can sense when a project is contrived. Armed with a couple of basic questions, anyone can tell quickly if the project is real, an experiment in learning, or just blockchain theatre:

1.) Who are the different companies who will be working together on this project? And have you started working on a model for governance, standards for information and distribution of the data?

2.) How do you describe the key business benefits for implementing this solution using blockchain?

If there is only one enterprise or institution, they don't need governance or standards - and they don't need blockchain. If there is no business benefit defined, it is just blockchain.

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