

# 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



Despite the ongoing volatility within the Crypto markets what seems to remain true is that more and more of the institutional traditional players, with markets being squeezed, are recognising that Bitcoin is a long term useful hedge. The ongoing effect of President Trump's comments and the Libra debate refocus attention on the US Dollar, rather than Crypto, as being overwhelmingly the currency of choice for criminal trafficking be it drug, human or arms and of course money laundering. Banks have been fined over US\$320bn since the inception of Bitcoin in 2008, a number that is significantly more than the current Crypto Market Cap. Bitcoin ironically is more and more being seen as a potential safe haven!

Looking at the market, at the time of writing, Bitcoin (BTC) is at US\$9,488.91 ETH is at US\$209.17; Ripple (XRP) is at US\$0.3085; Binance (BNB) is at US\$26.95 and Cardano (ADA) is at US\$0.06060. Overall Market Cap is down circa 8% at US\$263.97bn (data source: [www.CryptoCompare.com](http://www.CryptoCompare.com))

Sticking with the Trump / Libra effect, the Iranian government, as reported by the Mehr News Agency, endorsed crypto mining as an industrial activity and noted that those involved should take required licenses from the Ministry of Industry, Mine and Trade. This is deemed the first step to legalise cryptocurrencies in Iran. Many experts believe that cryptocurrencies can be used as a means to mitigate the effects of US-imposed harsh economic sanctions against Iran. Meanwhile Ren Zhengfei, the CEO of Huawei, has called on the Chinese government to preempt Facebook's Libra. According to an interview given in Italy's L'economia he said "Even China is able to issue such currencies, why wait for Libra? The strength of a state is greater than that of an Internet company," I wonder if he was also referring to the 15th May executive order from Trump effectively banning Huawei from the US communications market?

Back in London, interesting news from Lendingblock was announced yesterday. Lendingblock, the open exchange for institutional borrowing and lending of digital assets launched the first Global Digital Asset Lending Agreement (GDALA) setting a new benchmark and industry standard for crypto lending. Together with legal support from Norton Rose Fulbright, the GDALA adapts the legal frameworks typically seen in ISLA's Global Master Securities Lending Agreements, ICMJ/ SIFMA's Global Master Repurchase Agreements and ISDA's Master Agreements and applied it to crypto. As is the case in other markets, standardisation supports liquidity, and this standard set of terms for the borrowing and lending of crypto-assets should help improve liquidity in crypto markets.

Finally staying in London, I'm excited to be attending the Binance meetup 1st August at Level 39 in Canary Wharf as Binance Founder, Changpeng Zhao (known as 'CZ') will be there - more to follow!

The world of blockchains and 'Crypto' is a labyrinth of jargon, hype, geniuses and conmen. Money makes humans behave in strange ways and as this space is about reinventing money and making it programmable, it's no surprise that it's an almost impossible ecosystem to navigate successfully.

If you're looking from the outside in, you couldn't be blamed for thinking that the entire space is madness and not worth your time and effort. If this is you, think again, as at the heart of this movement lies the potential for truly extraordinary growth.

Before we look under the hood, we need to have a quick recap on the space. Generally speaking you can split the crypto space into two.

Crypto-currencies and Crypto-assets. Bitcoin and a few others like Zcash, Monero and Grin have similar aims, to be either a direct medium of exchange or a store of value. The potential of a 'coin' becoming a major global store of value, while being rare in number, could create the perfect storm of price fluctuations. Take a quick look at a chart of Bitcoin's price movements since its inception and you'll see what I mean.

The second area of crypto-assets is all about smart contracts, decentralised applications and decentralised or trust-less infrastructure, which is where we're most interested at KR1, as it represents the widest range of possible opportunities for an early stage seed investor. Ethereum was the first platform to bring this part of the ecosystem to life with the aim to use the main attributes of a blockchain (permissionless, censorship resistance, borderless transactions and decentralisation) not just to create a store of value, but also to run decentralised applications. Imagine a company like Betfair, and now imagine you can interact with an almost identical application but one with no jurisdiction, no direct employees, no licenses, no fees and available to everyone, everywhere. Scary stuff? It certainly is for the current centralised businesses because they couldn't compete with the decentralised version.

In order to successfully take out central control of an application you have to do



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a number of things. Firstly, you have to replace the work of the centralised entity with code that processes the same logic, and secondly you have to incentivise the participants in the application's network to behave in a way that secures the blockchain and ensures they perform work that the code can't do. This is achieved with utility tokens aka

crypto-assets, which, using the profit motive, programmes the behaviour of the token holder to perform certain work, like voting, putting up collateral and the sourcing and inputting of data etc. A good sized token holding represents a scarce slice of a potentially global network. Why would these have value? Let's dig a little deeper.

The key element, and probably one of the aspects of this space that's least understood, is that all the Ethereum code and indeed the codebase of anything built on top of it, is open source. Why is this so important? Having the code transparently available to all is the bedrock of decentralisation (we all can verify what the code is and what it's attempting to achieve) and decentralisation is the key to knowing that the application isn't under the control of one entity trying to enrich themselves at the expense of others.

Now, keeping this in mind, let's do a quick thought experiment. Imagine a decentralised version of Uber (let's call it =E2=80=9CDuber=E2=80=9D) where the

computational work done behind the scenes isn't proprietary code as it is today, but open source code on a blockchain. This code is available globally and connects anyone looking to travel with a driver. The service takes a 0.01% fee, which pays the cost of the journey's transactions on the blockchain. Now envisage that this decentralised application has gained the network effect globally because of its permissionless technology that anyone can join (as long as they've built up enough reputational credit for people around the world to use the service). Why would you order a taxi through any other service? Why would you drive for any other employer? The driver keeps 99.99% of their fee and as the user pays far, far

less for their journey than with a centralised, rent-seeking company like Uber. Think back to this application being fully open source, and ask yourself, once a system like this has gained traction around the world, how could anything compete with it EVEN IF ANOTHER COMPETITOR IS DECENTRALISED? In a world of open source innovation, the application with the biggest network effects can endlessly take better code from around the ecosystem to upgrade itself. That's why at KR1, we're constantly on the lookout to buy tokens in networks that might one day gain the network effect. This logic does not only apply to end-user applications but also works for decentralised replace-

ments of existing internet infrastructure, general computing, file hosting and many other things. As the above example shows, these applications stand a chance of gaining global dominance and due to the open source nature of the codebase they cannot be competed with. With no middle-man, the fee structure would move to the lowest possible network fee for the system to stay stable. There's nothing to undercut.

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If we continue at the current pace of innovation, this new decentralised world is not far away.

work token would capture the value moving through the system. Remember the network token is fully programmable and could all at once be the method of payment, the method of reputation, the method of network governance and the method of security within the network through collateralisation. If we continue at the current pace of innovation, this new decentralised world is not far away and nor are some extraordinary valuations.

James Bowater was in conversation with George McDonough, CEO and Co-Founder of KR1 plc, the London listed cryptocurrency and blockchain investment company. KR1 is a publicly listed investment company on the London-based NEX exchange. Visit [www.kr1.io](http://www.kr1.io) for more information.

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## CRYPTOCOMPARE MARKET VIEW

### SEC Greenlights Second Ethereum Token

The US SEC last week issued a no-action letter to Pocketful of Quarters (PoQ), a gaming startup looking to issue tokens on the Ethereum network. The letter means that PoQ is now able to legally sell its Quarters tokens to consumers without first registering them as securities. "This proves there's a way forward in the blockchain space, with sensible legal argument for sensible blockchain operations," tweeted blockchain-focused lawyer Chetan Phull. Bitcoin failed to make any serious headway last week, gradually sliding before dropping once again below the \$10,000 mark to trade at the time of writing at \$ 9,552. Ethereum (ETH) had a more eventful week, jumping 7% to trade at \$223 on Wednesday before dropping back down over the weekend towards the \$210 mark at the time of writing.

Controversial Chinese crypto-entrepreneur Justin Sun, founder of the TRON cryptocurrency, last week hit headlines after postponing a lunch

meeting with Warren Buffett, for which he paid \$4.6 million. Allegedly delaying due to kidney stones, Chinese media then speculated that the entrepreneur was in police custody and unable to travel to the US. The reports proved false when Sun live streamed a video later that day from San Francisco, where he has reportedly been living since October of last year. Sun subsequently apologized on Chinese social media for 'over-marketing' the event and his cryptocurrency.

Ripple last week announced that it will start using CryptoCompare's Top Tier (CCTT) list of exchanges for its trading volumes reports. The company will only use exchanges that CryptoCompare's Benchmark ranks above a 'B' - to effectively filter out fake trading volumes. Last month the company shared that its sales of XRP in the second quarter of this year were in fact lower as a percentage of reported volume due to misreported and inflated trading volumes across exchanges.

## CRYPTO A.M. INDUSTRY VOICES

### Building the Crypto AM Community in London

I am privileged to have become a member of the City AM family but one thing that I am not, is a journalist and nor would I ever claim to be, given the fact that my colleagues in Editorial at the newspaper have trained diligently through many channels to become the excellent journalists that they are today. So having spent the last year of my life learning as much as I possibly can about AI, Blockchain and Crypto and sharing that knowledge, with you the reader, one thing has absolutely become clear to me which is that there is still a lot to learn, fears to overcome and support needed to be given. Education and interaction are at the centre of my drive for building the Crypto AM Community.

It is impossible not to acknowledge how lucky we are to be living and breathing the infectiously exciting air of the great City of London - it is no secret that it has become the fintech capital of the world giving birth to more unicorn companies than ever before. My original mission therefore remains which is to bridge the gap between the amazing array of new technological startups and the brilliant minds of the investor community within the City whilst at the same time learning myself. At the cost of repeating myself I believe it makes complete sense. In my role, the most liberating thing is that I am not 'siloe'd' and as such see a very wide range of projects underway and as a consequence can and do join the dots. The gamut of formidable projects is breathtaking.

Many in the City have been put off the space by having 2017/18 etched in their minds which was when the hype was at its peak, Bitcoin's price exploded and nefarious individuals were out in force on the make to steal a quick buck at the expense of both new build companies and naive investors alike. These people have existed in time immemorial giving

rise to the Wild West, the scammers home turf! A lot has changed since and it is impossible to ignore this exciting space.

All of this made it clear to me that building a strong community that, at its heart, is London centric but vitally is also global - the very nature of Blockchain is global. Unsurprisingly technologies such as WhatsApp and Telegram enables growth beyond newspaper but technology cannot always replace the human touch where to me which is that there is still a lot to learn, fears to overcome and support needed to be given. Education and interaction are at the centre of my drive for building the Crypto AM Community.

These events work only because of the relationships built by my direct interaction with these companies. To nurture those relationships as well as introduce them to each other, I host thirty people for the Crypto AM Blockchain Breakfast at Balthazar every three weeks or so. One of the most important takeaways from this is the desire expressed to me from all sides to bridge the gap between project and investor so I will be hosting a series three of "The Crypto AM Supper in the City at 10 Trinity" to do just that. If you are interested in being introduced to up to five projects at each supper please do reach out to me on my email address below.

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## Crypto A.M. shines its Spotlight on Goldfingr

This Goldfingr, a members only investment deal club, is the first digitized deal club and mastermind network that aims to integrate investing, networking, and entertainment. In its simplest form, Goldfingr is a platform where entrepreneurs can meet investors to raise capital and vice versa.

With over 1,000 members, and over \$50 million funded within their mastermind network, the success and impact of Goldfingr are without question.

Rob's entrepreneurial journey started off in 1996 while still in college. He founded his first tech startup based out of Dallas, Texas. Despite being ahead of his time by employing the internet to leverage his first venture, the company fizzled out after two



The first digitized deal club that aims to integrate investing, networking and entertainment.



Rob Charles, Founder & CEO of Goldfingr

years. This led Rob to explore other job opportunities, some roles provided him the opportunity to become more comfortable with technology, while also cultivating his innate ability to sell and to make strong

social connections. Eventually Rob moved to his dream location, New York City, and entered a position that offered him the chance to continue to grow his professional portfolio, and he even took it upon himself

to read materials on his own time about sales strategy and effective marketing to help the company drive revenue and make a name for itself. Rob eventually went on to continue following his passions and utilizing his social engineering skills, as he spent time living in Asia where he explored other business opportunities in different markets, and he even became a WKA light middleweight champion too, upon exploring other endeavors.

Fast forward a few years, and Rob's company founded in NYC has gained a lot of interest and traction that he is now making moves to expand Goldfingr globally. The first global deal club took place last month in London at the exclusive 8 Club in Bank, which was nothing shy of a success. Goldfingr has also already launched a chapter in Puerto Rico, and a Goldfingr chapter in Hong Kong will be taking place in October. The ultimate goal is to create connections in the powerhouse economies of North America, Europe, and Asia, not to mention Goldfingr is racking up inquiries from multiple international cities about when they can host their own Goldfingr chapter.

The investment club that started in New York, is ready to take on the global stage and help entrepreneurs and investors make meaningful and inspiring connections cross culturally.

For further information please visit [www.goldfingr.net](http://www.goldfingr.net)



## WHAT'S IN A BLOCKCHAIN?

Troy Norcross, Co-Founder Blockchain Rookies

Exactly what is stored in a blockchain? In the simplest terms, the information stored on a blockchain provides multiple parties access to information about an asset. Blockchain allows for five key functions related to an asset: Verify: Confirm an asset's existence and authenticity Track: Locate an asset Trace: Follow the history of an asset Transfer: Record the moving of an asset from one party/location to another Transform: Record the transformation of an asset.

We can apply these concepts to assets including cryptocurrencies like bitcoin and extending through to include physical assets like diamonds or barrels of oil as well as intangible assets like stocks

or loyalty points. The value of the blockchain lies in that the information is securely created and reliably accessible to multiple parties without the need for reconciling multiple separate data sources.

Equally important to what information is stored in a blockchain ledger is what information is not stored in a ledger. Blockchain ledgers should not be considered an alternative to shared storage. Don't store large files on the blockchain - instead, store information on where to find the file or license information allowing access to the file.

Blockchain is not designed for storing high volumes of information like records of ad impressions on a website. Instead, store summaries of those records to allow

verification of authenticity. Possibly most important, do not store information in a blockchain that you might want to update or delete. Information written into a blockchain is immutable - you cannot change it. You would never store personal information, healthcare data or other data that requires regular edits or updates on a blockchain. Blockchain is designed for recording key specific data related to the lifecycle of an asset. It's not DropBox and it's not an Oracle database. Blockchain is a secure immutable ledger for tracking assets.

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