

Looking Ahead: Virtual Currencies and the digital market, where are we now.

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Peer to Peer Marketplaces

- Peer to Peer (P2P) Marketplaces enabled by improvements in digital connectivity
- P2P Marketplaces expected to be worth \$355 billion by 2025 (PricewaterhouseCooper)
- Cutting out the middle man
- Lower barriers to entry for suppliers to access customers
- Offering new sources of income for individuals with convenience and flexibility

Well known
P2P
marketplaces

Etsy

Uber

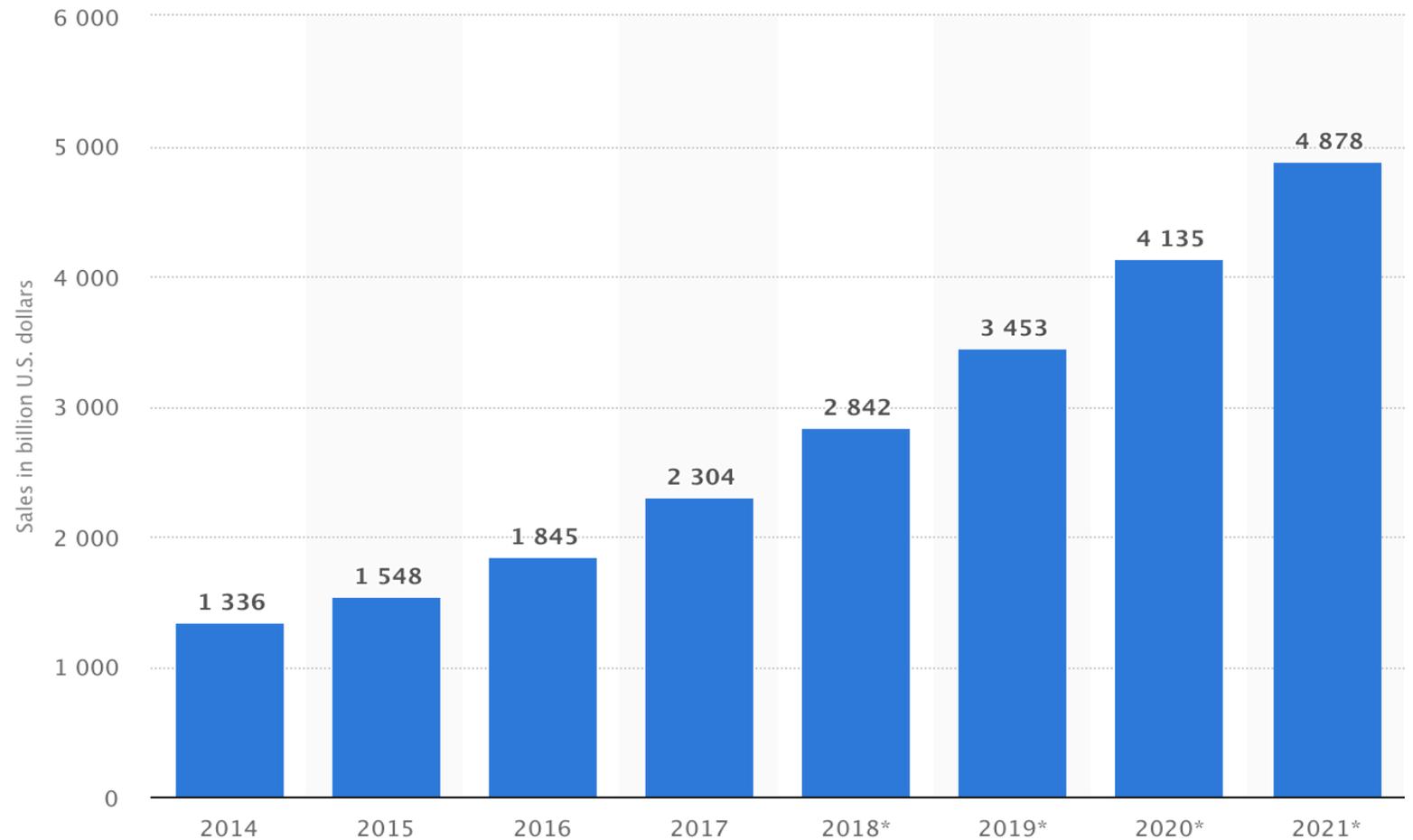


Airtasker

ebay

 zoomin

Retail e-commerce sales worldwide



Data visualized by  tableau

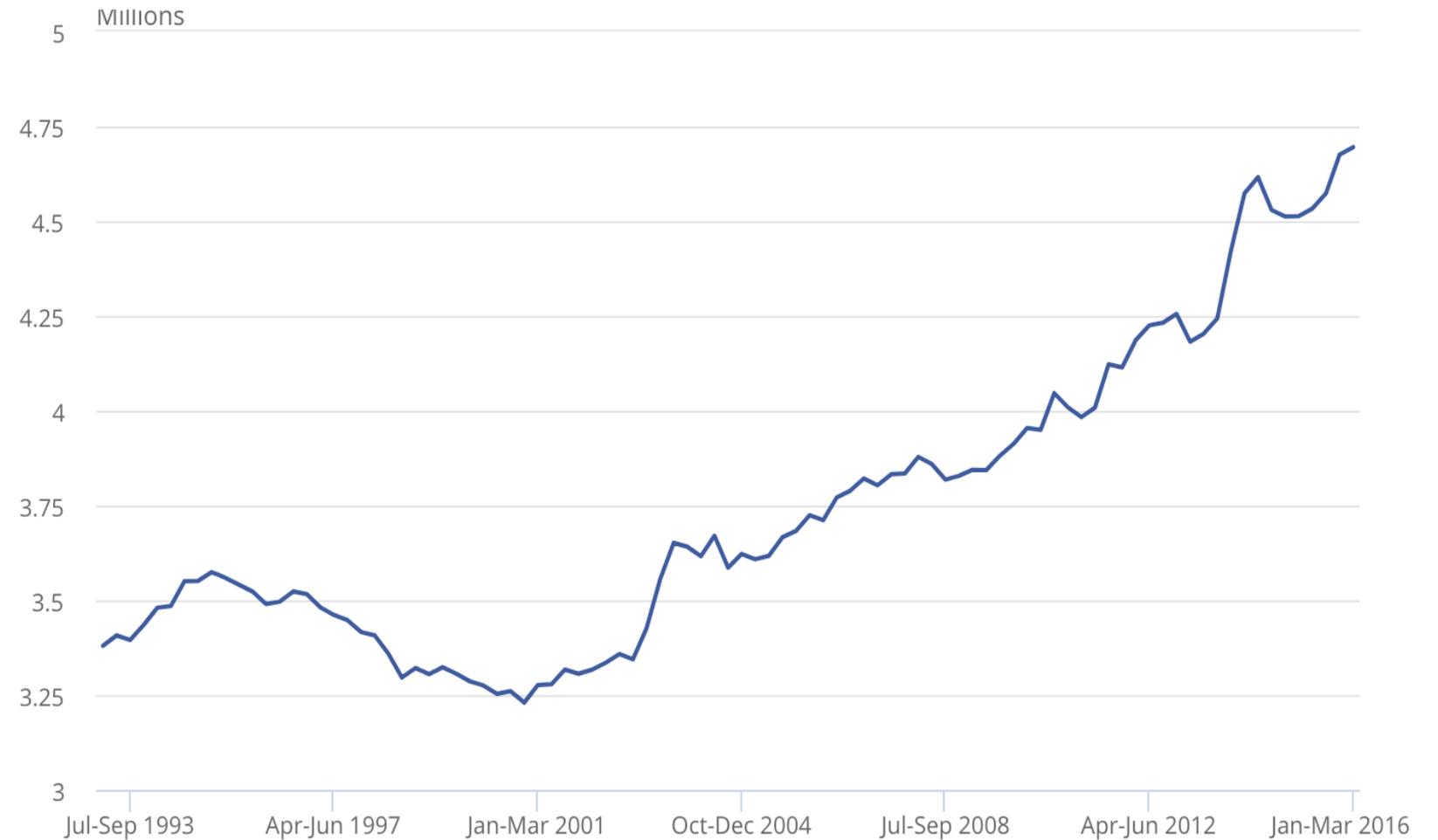
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Number of startups launched (UK)



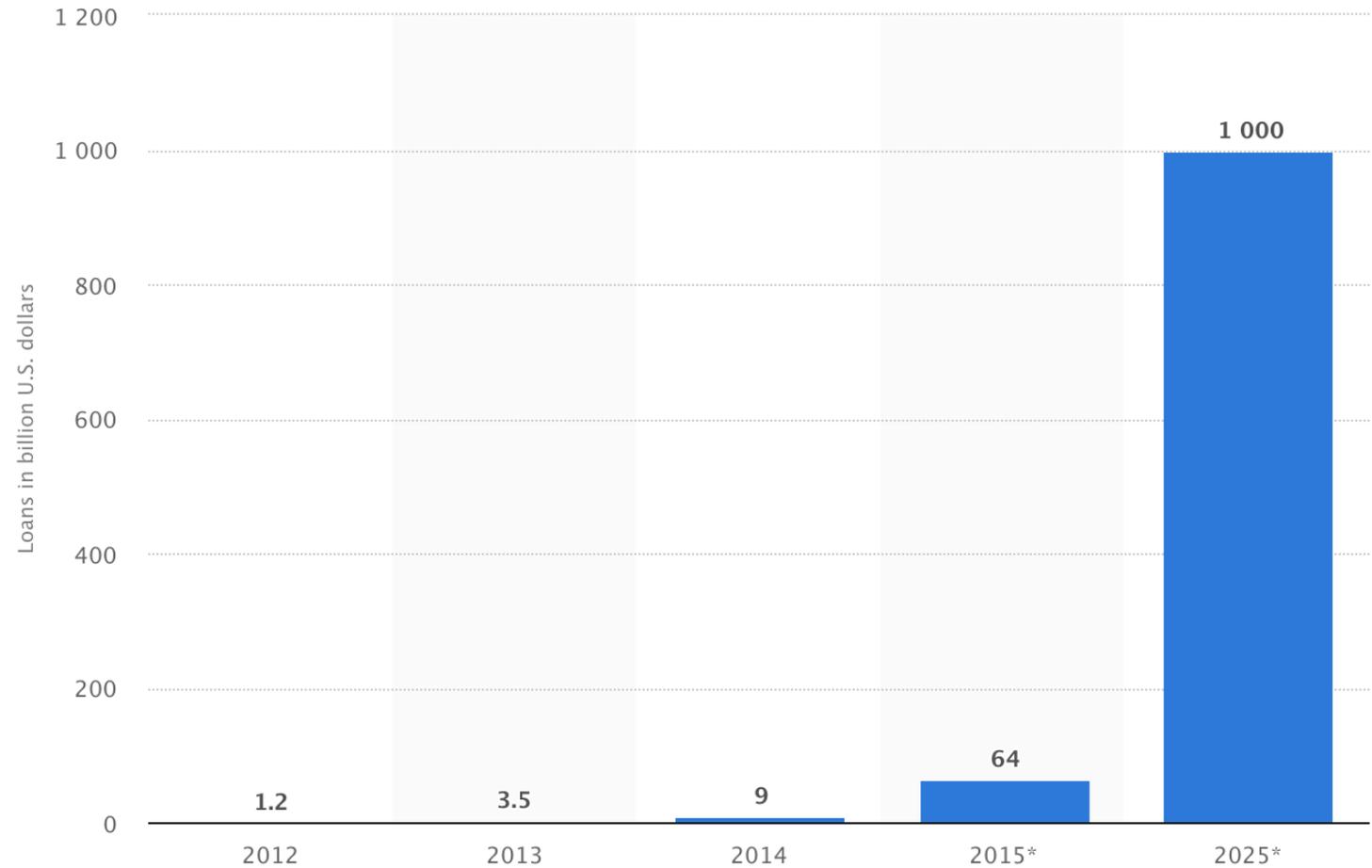
Source: StartupBritain.org

Number of self-employed workers (UK)



Source: Office for National Statistics, Labour Force Survey

Peer to Peer loans worldwide



Data visualized by  tableau

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Well known
P2P lenders



Growing pains

- Concerns and risks related to new marketplaces
- Lack of direct regulation for P2P platforms
- Transfers from low to high risk geographies
- Lack of enforcement of regulations leading to minimal due diligence
- Below reporting thresholds
- False representation in identification process
- Traditional financial institutions lack clarity on new business model

- But there is progress!

Moving Forward

- 27th July 2018: FCA published a set of proposals to clampdown on the P2P lending market.
- Kuflink became the first FCA regulated P2P Lender in the UK, also being ISO27001 certified, meeting internationally recognized information security standards.
- P2P Lending community strongly encourage further regulation to protect business operations

Virtual Currencies³

- A subset of digital currency
- No public authority involved in issuance
- Issued by it's developers for the use within a virtual community
- Does not have legal tender
- Grown massively in the gaming community and sold for fiat
- Difficult to regulate

Issues with Virtual ₃ Currency

- How to apply regulation to Virtual Currencies
- User – A person that obtains virtual currency to purchase goods or services
- Exchanger – A person engaged as a business in the exchange of virtual currency for real currency, funds or other virtual currency; and
- Administrator – A person engaged as a business in issuing (putting in circulation) a virtual currency who has the authority to redeem such virtual currency.

Virtual Currencies with Real Value

ENTROPIA
UNIVERSE



Diablo 3 In-game Real Auction House



ECHOING FURY
Legendary Mace 1-Hand Requires level 60

344.7–355.7
Damage Per Second
(202–208)–(373–385) Damage
1.20 Attacks per Second

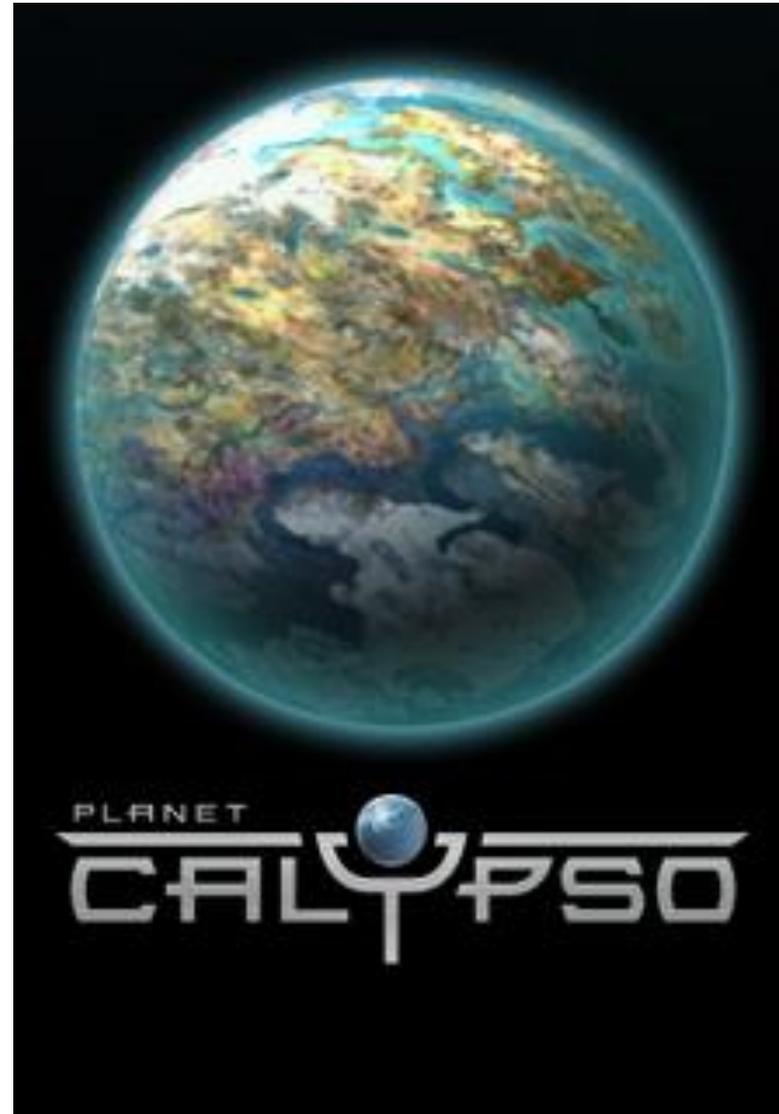
Primary
+26–30% Damage

Secondary
10.0–20.0% Chance to Fear on Hit

- One of 2 Magic Properties (varies)
 - Increases Attack Speed by 5%
 - Increases Attack Speed by 4–5%
- One of 3 Magic Properties (varies)
 - +330–524 Dexterity
 - +330–524 Strength
 - +330–524 Intelligence
- One of 2 Magic Properties (varies)
 - +(610–745)–(731–926) Damage
 - +66–316 Minimum Damage
 - +88–411 Maximum Damage
- +1 Random Magic Properties

Unique Equipped

Entropia
Universe:
Planet Calypso



Virtual Currencies with Real Value



Impact on Digital Trading

- Early form of storage of value that could be traded between individuals across borders without trace
- Represents an actual gain in value that is not recognized by traditional financial institutions as a direct asset
- Precedent for popularity of cryptocurrency and other digital currencies

Blockchain

- A decentralized ledger of transactions verified by consensus of all participants, protected with strong cryptography
- Transactions are decentralized across all active parties
- New blocks are added as transactions are verified by miners
- Miners have to complete complicated mathematical problems to increase their chances to be allowed to add the next block
- Miners are compensated in cryptocurrency

Cryptocurrency

- Cryptocurrency solves double-spending and are mathematically provable
- Protected by strong cryptography, normally SHA 256
- Bitcoin transaction consists of a file containing the sender and receivers public address (wallet address) and the amount transferred
- Reduced fees for transferring value across borders, secure and pseudonymous in a permissionless network
- Directly interactable into online platforms
- Bitcoin Market Cap 113 Billion*
- Total Cryptocurrency Market Cap 210 Billion*

Bitcoin

- Circle (Goldman Sach)
- Legal Tender in Japan
- OverStock.com
- Microsoft
- Intuit
- Paypal

Ripple

- Real-time gross settlement system
- Secure and instant global financial transactions
- Cryptographically signed transactions
- Based on a system of trust
- Since has implemented user verification protocols for banking services
- Working with 70+ leading financial institutions

Petro

- Launched by the Venezuelan government as a digital currency
- Backed by the country's oil and mineral reserves
- National fiat currency (Bolivar Soberano) pegged to Petro
- First national backed cryptocurrency

Notable Scams

- Centra
- Turcoin
- PlexCoin
- Bitconnect
- PonziCoin

CentraTech ICO

- \$32 Million USD raised in ICO
- False statements regarding partnerships with Mastercard and Visa
- Funds spent within a year
- Executives arrested by the SEC while trying to flee the country, investigation related to wire fraud, a first by the SEC

Turcoin

- Touted as the national alternative digital currency for Turkey
- Claiming to provide approximately \$7.6 USD for an investment of \$310 USD on a monthly basis
- Revealed to be a ponzi scheme four months after launch as interests stopped
- Founder currently on the run

PlexCoin

- Promising 1300% return on investment per month
- \$15 million USD raised during the PlexCoin ICO
- Funds frozen by SEC

Bitconnect

- Hugely popularized by the large events hosted by the founders
- Exchanging Bitcoin for Bitconnect Coin (BCC) promising astronomical returns on investment
- Secondary product, P2P lending service

Immediate Prevention

- Jumio – Offering immediate KYC tools for identity verification online on the mobile
- Elliptic – Consultancy aimed at helping identifying risks in cryptocurrency companies and meet standards for compliance
- IdentityMind – offering automated checking of funds received through bitcoin
- Chainalysis – Help prevent, detect and investigate cryptocurrency money laundering

Future Importance: Adoption of Blockchain and cryptocurrency

- Legislation by Government, most notably: Estonia, UK (Gibraltar), Malta, Singapore, Japan and US (Texas, Kansas, Montana)
- Payment method preferred by a number of native online platforms
- Calls for regulation by community as FCA regulated P2P markets.

Takeaways

- Digital currencies are here to stay, and will play an increasingly important role in the global economy
- Cryptocurrencies, just like P2P platforms and P2P Lending, is in it's infancy, however will become mainstream over the next decade
- It's not the platforms that allows for money laundering, but the lack of control and identity verification at entry points
- There are currently leaders in both P2P and Blockchain that are seeking to be regulated