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Capital Advisor

FinTech Revolution – What's ahead?

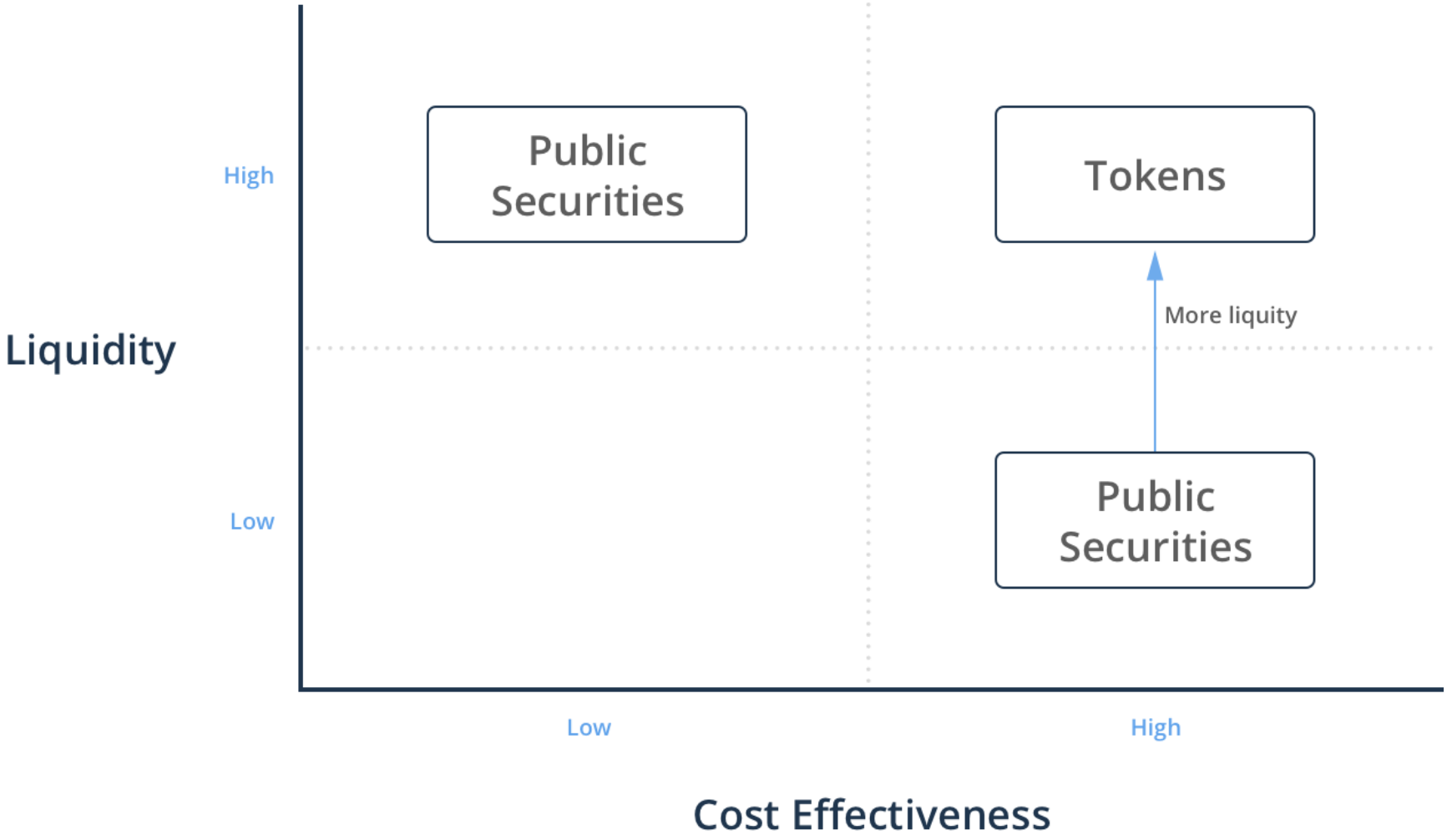
Reasons for Bear Market

1. Compliance Concerns
2. Lack of tangible applications / mainstream adoption

David Sacks

Entrepreneur, crypto capitalist. Previously: Created two unicorns, invested in a dozen more. Occasional movie producer.

"The next 12 months will be defined by the emergence of securities tokens and institutional participation in the token economy. While irrational exuberance surrounding ICOs may be waning, a growing hunger for compliant tokenized securities has taken its place."


Public Securities
Tokens
More liquity
Public Securities
High
Low
Liquidity
Low
High
Cost Effectiveness

Why tokenize securities

Programable equity

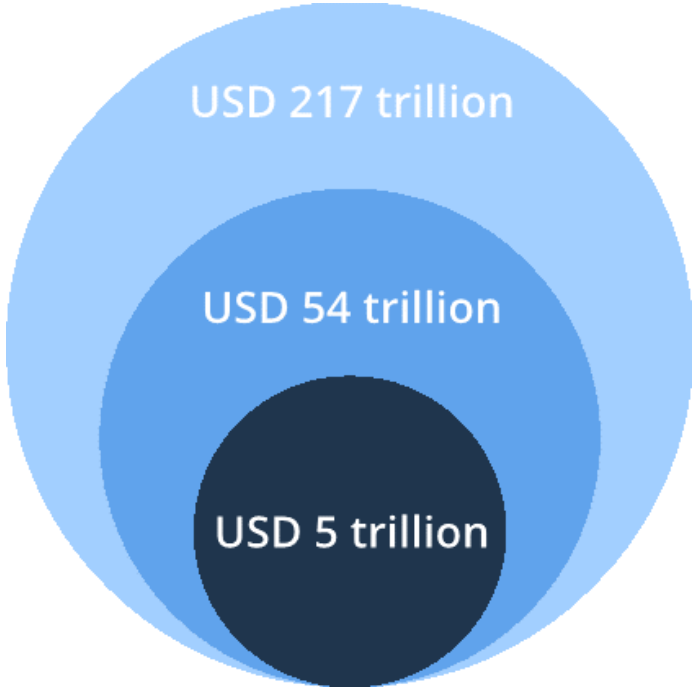
Faster deal execution

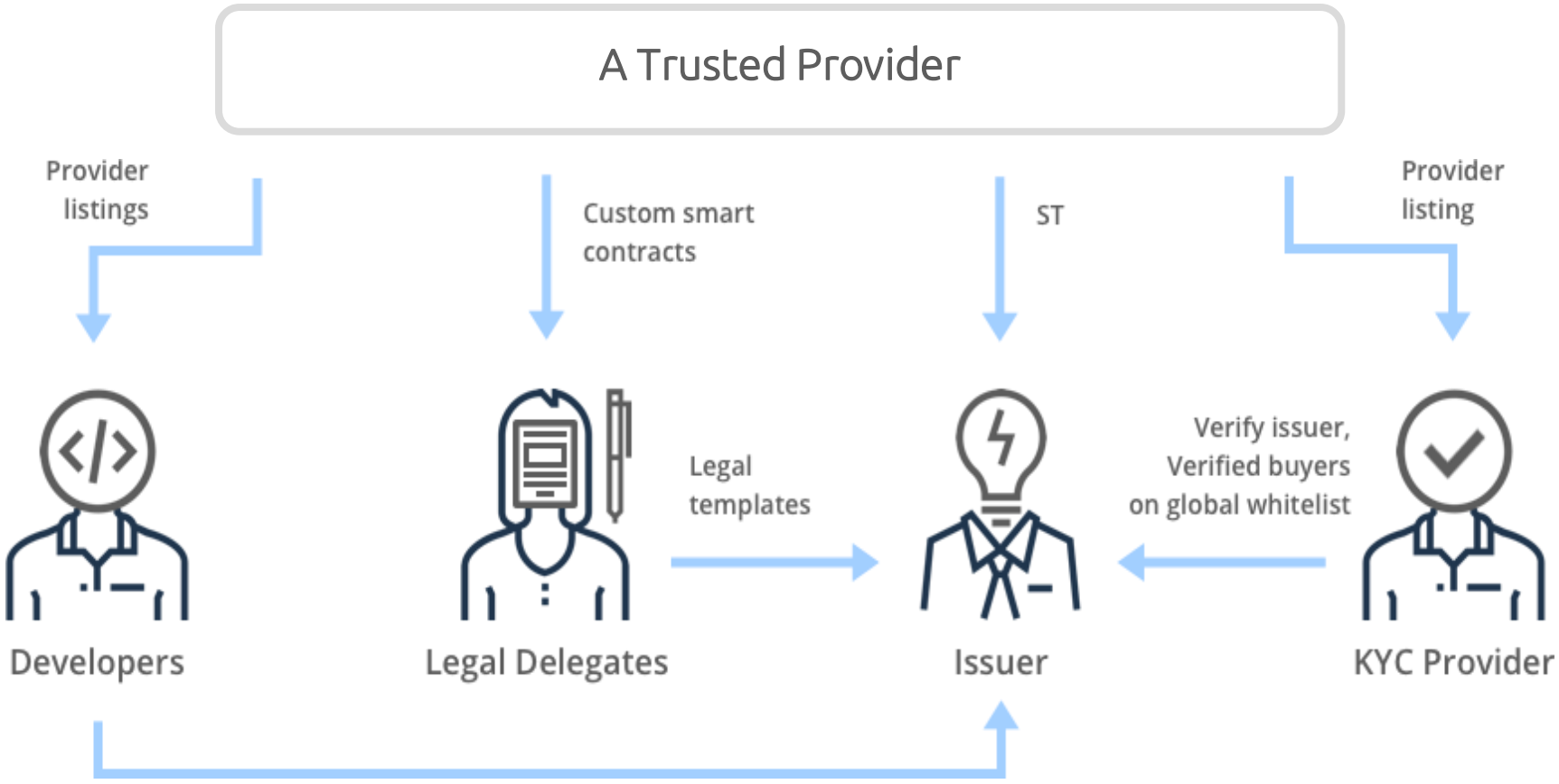
Global access to markets 24/7

No middlemen / lower fees

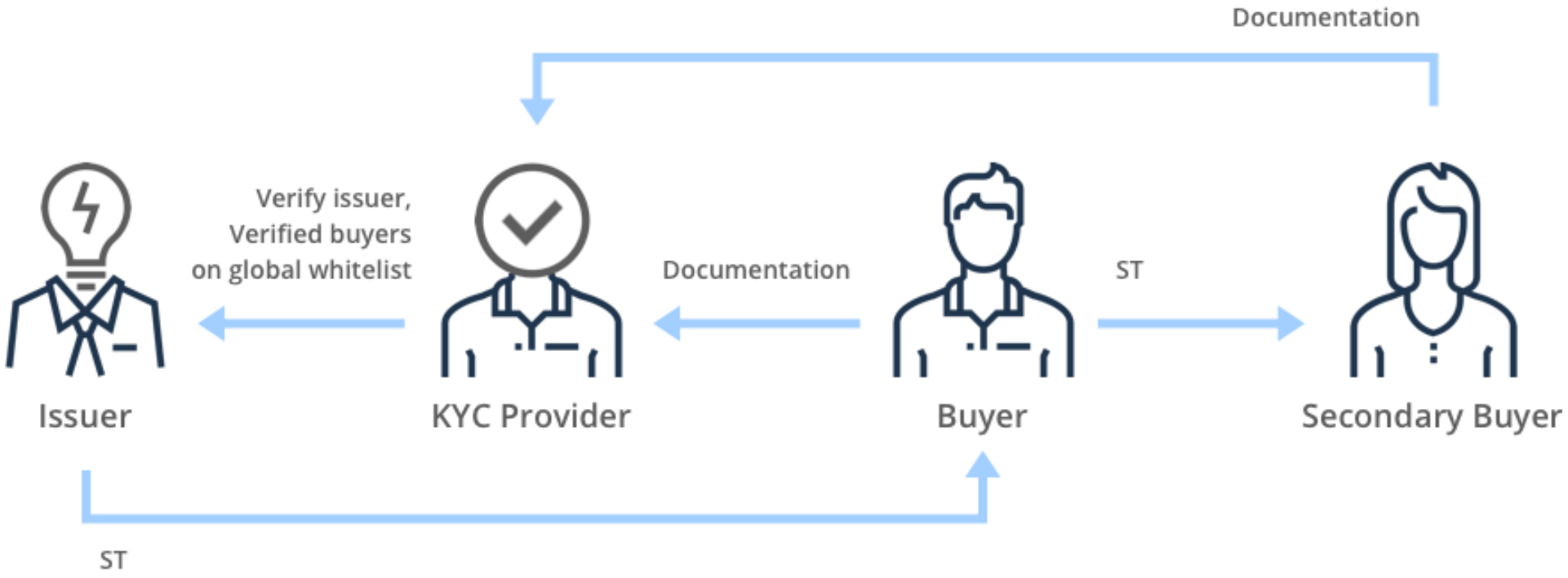
Larger investor base

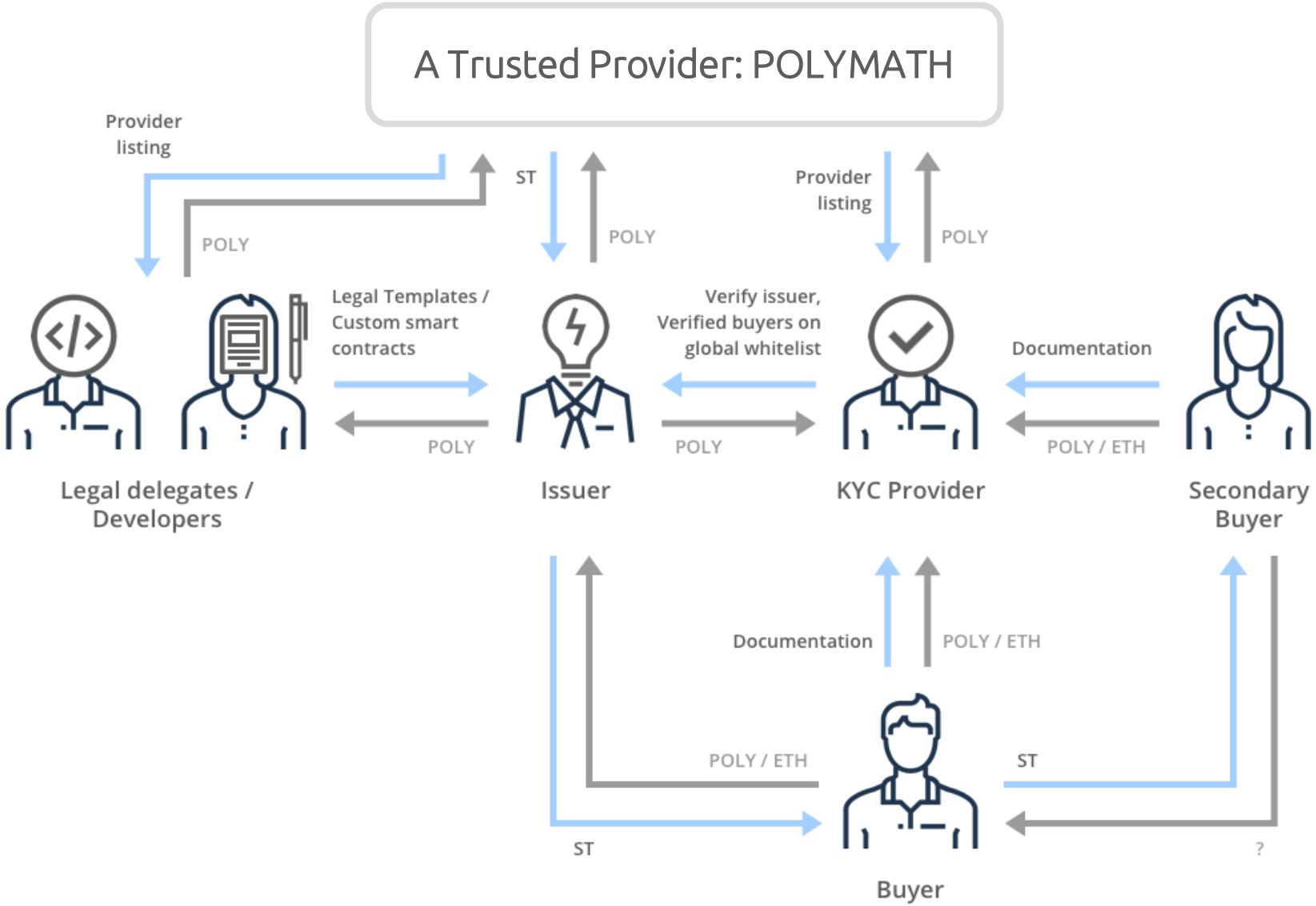
- Global real estate market estimated at $217 trillion
- Global commercial real estate market estimated at $54 trillion
- Liquidity discount generally estimated at 20-30%
- Tokenization and frictionless trading could be worth > $5 trillion




A Trusted Provider
Provider listings
Custom smart contracts
ST
Provider listing
Developers
Legal Delegates
Legal templates
Issuer
Verify issuer, Verified buyers on global whitelist
KYC Provider

Asset token: issuance




A Trusted Provider: POLYMATH
Provider listing
POLY
ST
POLY
Provider listing
POLY
Legal Templates / Custom smart contracts
POLY
Verify issuer, Verified buyers on global whitelist
POLY
Documentation
POLY / ETH
Legal delegates / Developers
Issuer
KYC Provider
Secondary Buyer
Documentation
POLY / ETH
POLY / ETH
ST
ST
?
Buyer

HARBOR

- Founded by David Sacks to address compliance for crypto-securities
- Solves compliance requirements – securities regulations, tax laws, etc.
  - Know Your Customer (KYC)
  - Anti-Money Laundering (AML)
  - US Securities Laws
  - Real Property Tax Act of 1980
- Interface that embeds compliance at the token level with custom logic
- Applicable across trading platforms and jurisdictions

–tZero: https://www.tzero.com/

- A subsidiary of overstock
- The first SEC and FINRA regulated alternative trading system

–Poloniex: https://poloniex.com/

- Acquired by Circle
- Preparing distributed marketplace that can host tokens which represent everything of value: physical goods, fundraising and equity, real estate, creative productions such as works of art, music and literature, service leases and time-based rentals, credit, futures, and more

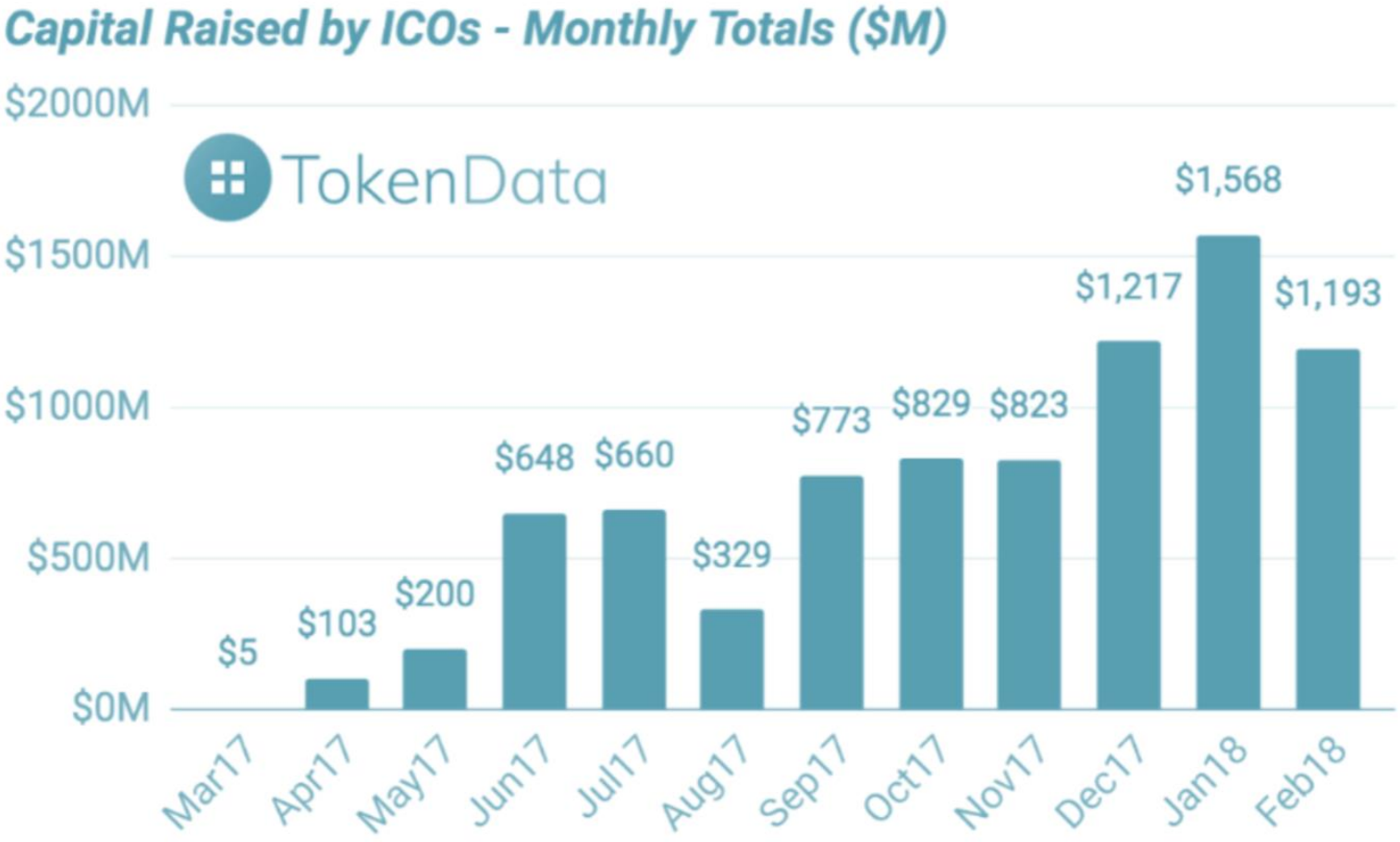
–And many more:

- https://www.bancor.network
- https://bnktothefuture.com/
- https://gbx.gi/

Appendix

- Index Resources ASA, Oslo, Norway – Iron ore and nickel ore backed
- Petro, the Venezuelan State – Oil backed
- Royal Mint Gold, Royal Mint, UK – Gold backed
- TrustToken – Asset token platform
  - TrueUSD – USD backed
  - Planning to add many different assets ranging from Euros, Books, Movies, Timeshares, Patents, and etc.
- Real estate backed
  - Propy – focus on cross-border property purchases
  - SmartRE – liquidity on properties that you already own
  - Estate Coin, Real, Caviar and many more.

1. Transparency
2. Disclosure
3. Regulatory compliance
4. Liquidity



"I believe every ICO I've seen is a security" - SEC

- List of records - or blocks - linked and secured using cryptography

- Decentralized ledgers that record transactions efficiently and permanently

- Enables smart contracts that automatically execute based on prior conditions

- Immutable ledger
- Relatively fast settlement time (10 minutes or less)
  - Newer scalable technologies such as Zero Knowledge Proof and Lightning Network making instant settlement possible
- Reduced security risks associated with centralization
- Easy to audit
- Reduced need for trust

How does a block chain work?

01.

Alice installs a wallet app to create a new wallet. A wallet app is like a mobile banking app and a wallet is like a bank account. Allice visits an exchange to buy x-coins.

02.

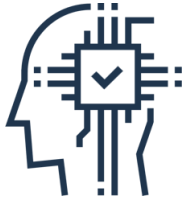
Alice send 10 x-coins to Bob using her wallet app. The wallet app signs the transaction with her digital signature. The signed transaction is now pending verification.

03.

Many transactions occur in the network at any time. All the pending transactions in a given time frame are grouped (in a block) for verification. Each block has a unique identifying number, creation time, and a reference to the previous block.

04.

The new block is put on the network to verify if its transactions are legitimate. People on network ('miners') compete to verify the block.



05.

Miners provide transaction verification services. Verification is accomplished by completing complex cryptographic computations.

06.

Once verified, the new block is added to the front of the blockchain. Each block joins the prior block so a chain is made - the blockchain.

07.

All the transactions in the block are now fulfilled and Bob gets paid. The miner who verified the block first gets some x-coins as prize; the network provides it as payment for work.

Asset registry example

01.

Tokens or coins on blockchain can be used to represent an asset's value digitally. Their value is tied to a real-world promise by the asset issuer. Such tokens are mostly used with digital assets; in this example, a digital image.

02.

The image is not stored on the blockchain. The image's token that contains a reference to the image's ownership deed is stored on blockchain. Once put on the blockchain, everyone in the network agrees on who the asset belongs to.

03.

Alice has digital picture that she wants to sell using a token. This token permanently stores Alice's ownership of the picture. This token can now be freely traded by sending it to someone else. Bob buys the picture and Alice sends Bob the token. Bob now owns the picture

How it works: Bitcoin example

01.
You want to send money to a friend.

02.
Your transaction is broadcast to every party in the network.

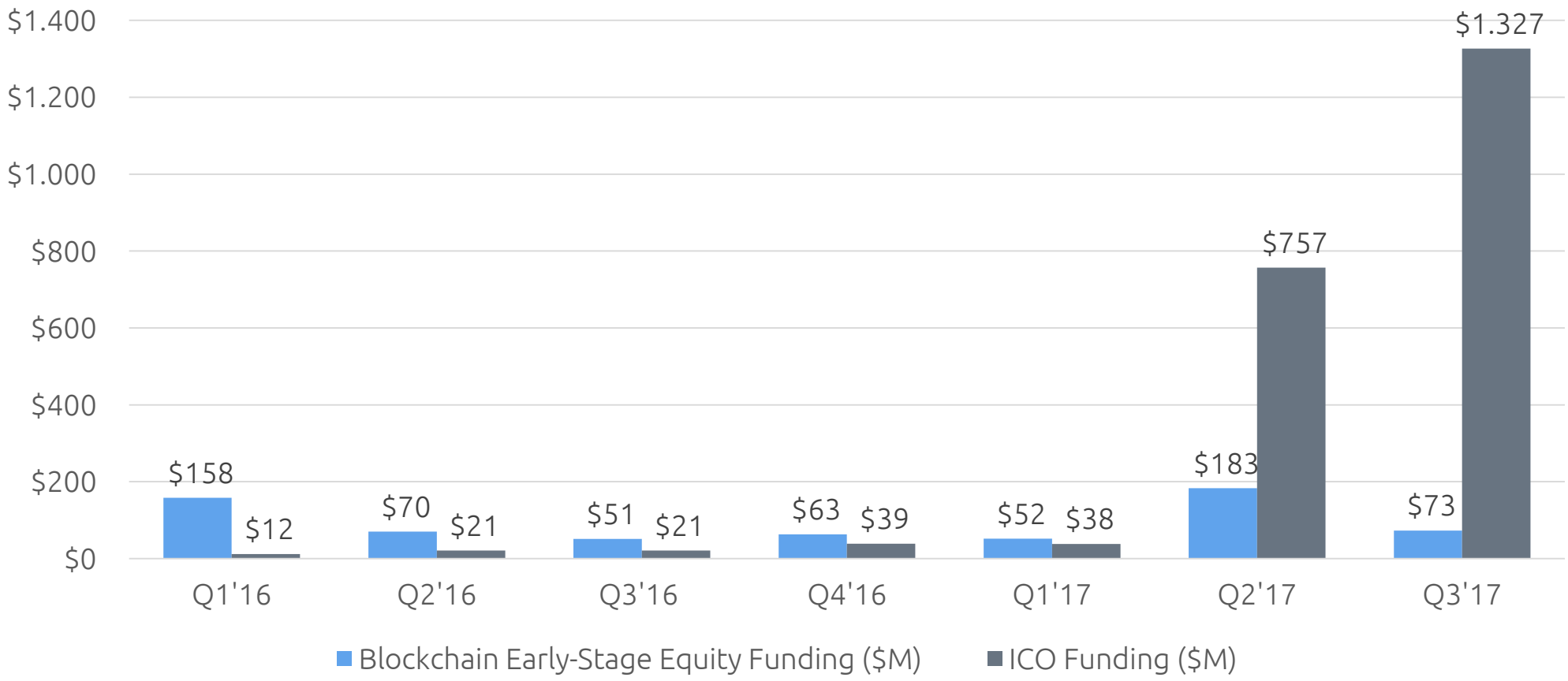
03.
Your transaction is broadcast to every party in the network.

04.
The Block is added to the Chain, which provides a indelible and transparent record of transaction.

05.
The winning node in the network receives a reward.

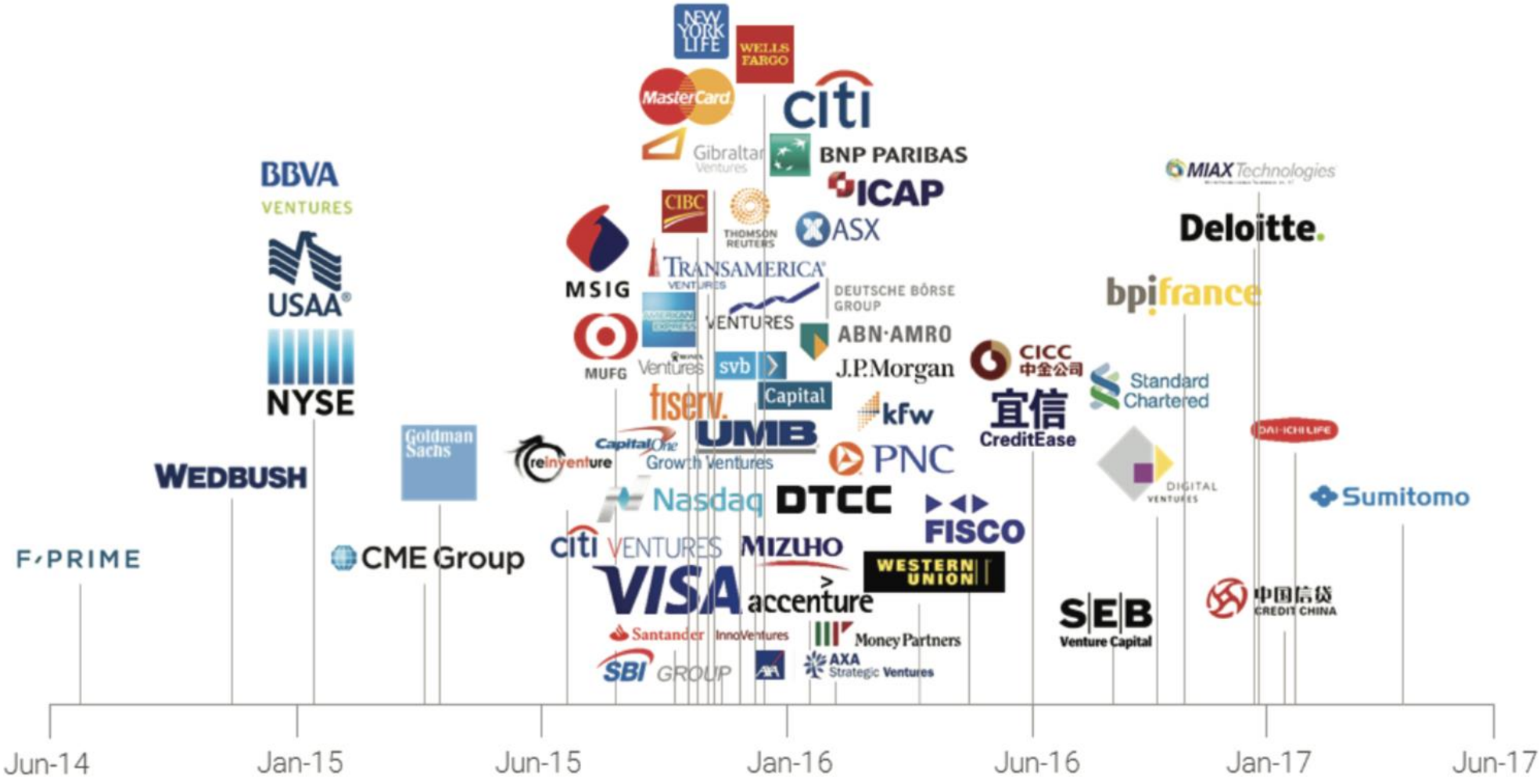
06.
Your friend receives money.

Early stage equity funding vs ICO's



Sources: CB Insights, TokenData, CoinSchedule.

Blockchain investments by financial services firms



By date of first investment.

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