## Bitcoin and Stock Markets



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## Is Bitcoin:

- A currency [like euro]?
- A commodity [like gold]?
- There is yet another very surprising application for bitcoin...





# Hidden Connection







## Holding Bitcoins as Investment

Crypto currencies: self-clearing financial asset.

Still "hard" to own, and NOT so widely owned by investors.

\*\*\*\*Barriers to bitcoin adoption for "Wall Street" guys:

- consolidation in exchanged business,
- more liquidity (15,000 BTC/day=Bitstamp not enough),
- some regulation,
- more maturity,





#### Bitcoin vs. US Stock Market

Important remark: US stock market is DECENTRALIZED (!).

## One Wall Street lawyer writes:

- "the bitcoin network is actually reminiscent of a network which was initially created to implement NMS [National Market Structure] regulations".
- "bitcoin technology is brilliant" and maybe
- a "kind of value transfer network that you could dream about creating" for the stock markets
  - "if existing businesses had the luxury of a fresh start"

Source: Vivian A. Maese: Divining the Regulatory Future of Illegitimate Cryptocurrencies, In Wall Street Lawyer, Vol. 18 Issue 5, May 2014.





## De Bono Connection

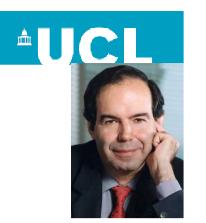




#### **Crypto Currencies**

## Corporate Currencies Replacing the Stock Market?

Edward De Bono: in 1994 he wrote a pamphlet called "The IBM Dollar"



Dr. de Bono wrote that he looked forward to a time when "the successors to Bill Gates will have put the successors to Alan Greenspan out of business", arguing in essence that it would be more efficient for companies to issue money than equity.

Edward de Bono argued that companies could raise money just as governments now do - by printing it.





## Concept of Private Currency Based on Future Production

For Dr. de Bono: it was about "The IBM Dollar" issued by IBM instead of raising money from the stock market.

## WALL ST. IN PANIC AS STOCKS CRASH

His concept of "private currency":

- IBM dollar would be redeemable for IBM equipment,
  - NOT at all like modern fiat, redeemable for nothing!





## Private Currency – Startup Scenario

- A start-up XX launches. Instead of issuing shares, it issues XX-coin redeemable for future products/services.
- E.g. a power plant start-up offers future kilowatt hours.
  - In the early days, they are sold and trade at a significant discount to take into account the risks.
  - Later this "private currency" goes up if company does well.





#### Circumvent SEC?

Washington D.C., June 3, 2014: The SEC charged Voorhees a co-owner of two Bitcoin-related websites for publicly offering shares in two bitcoin ventures without registering them.

- FeedZeBirds: pay bitcoins to Twitter users who forward sponsored text messages
- SatoshiDice a famous bitcoin lottery web site
- investors paid for their shares in bitcoins.
- the profits earned by Voorhees himself were only \$15,000.

### Voorhees agreed to

- pay \$50,000 penalty (more than he earned)
- that he will not participate in any issuance of any security in an unregistered transaction in exchange for any virtual currency including Bitcoin for a period of five years.

http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370541972520#.U49Df\_IdV8G





## More Than IBM Money

Who could issue currencies:

- possibly everybody (utopia) easy in practice but not likely to be great success
- large corporations (so yes, IBM dollar, replace IBM by Apple)
- rich people (private money).

We can imagine virtual currencies as cooperatives between firms, territories with real estate and some security/policing, or military-industrial empires.

but with less central command and control than with current industrial empires.

Something like US Apple Coin competing with Chinese Huawei Coin etc for global (rather than local) acceptance, which rewards early adopters of various industrial empires by a dividend from their growth which manifests itself by appreciation of the currency and which circumvents stock markets!

What???





## Can [Programmable] Money Circumvent Stock Markets?

#### Stock markets

- are NOT YET completely global, they are rooted in major jurisdictions,
  - Major Russians or Chinese companies might not like it.
- they <u>do NOT have</u> the same ease of trading and global scope as a crypto currency and possibly there is space for alternatives

Even though locally for example in the US it would be simply <u>illegal</u> to sell coins AS an equity investment, yet:

 it simply isn't exactly an equity investment (with one well-defined company with directors who control it),

and therefore people would get away with it easily!





## Programmable Money Can [For Example]

DAO = Distributed Autonomous Organizations allow to:

- Serve as an account with a complex access policy
- Manage a relationship (or a one-time contract) between a set of users.
  - Insurance
  - Escrow
  - More complex financial contracts: e.g. bonds paying regular dividends.
- Provide complex cloud-hosted services

Actions are implemented through series of "Ether transactions"/calling/"Ether messages" which are programmable money transactions with extra functionalities.

In the same way as a bitcoin transaction returns some change to the sender, Ether transaction can return data to the sender[s], so it is like calling a JAVA/C function.





### UK

Very different:

crowdfunding has been legalized and there are HUGE tax exemptions.

It is all about how small businesses raise money... cannot afford an IPO.

Cf. Simon Dixon

Cf. StartCoin - raise money for startups [Max Keiser]





## Internet and Software

(Old Dog – New Tricks?)







## New World Order?

Bitcoin removes central authorities (or intermediaries) from payment and banking:

 "Now we have a small piece of pure, incorruptible mathematics enshrined in computer code that will allow people to solve the thorniest problems without reference to "the authorities".

#### CAN THIS ALSO WORK FOR THE INTERNET (and software)?

There is a growing mood that nobody can be trusted with our money or our data.

http://www.telegraph.co.uk/technology/news/10881213/The-coming-digital-anarchy.html

Now what? The author writes:

"the very same people ['hackers' or 'coders'] who helped create these mega-corporations are now working on 'disruptive technologies' to replace them."

HOW?????

See part 8

