Finance at a Crossroads - Outcomes from Liquidity ~ The Summit On New Finance

Hub Culture and Bloomberg just teamed up to present Liquidity ~ The Summit on New Finance, drawing over $2 billion of investable capital, 100+ participating companies and 30 incredible panelists to talk about the evolution of finance.

What did we learn from Man GLG, Blockchain, Qoin, Mirror, DATA, Bitnet, LMAX, CAPCO, Hogan Lovells, Goodwin Procter, Midpoint, Ethereum, Qualcomm, Balderton, Ariadne Capital, Entropia Universe and others?

Across all sectors and segments of finance, the Internet is driving unprecedented change and opportunity to enhance efficiency, but the legacy infrastructure won't be easy to usurp.

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Evolution of Money

Jordan MacLeod, author New Currency: How Money Changes the World As We Know It, outlined the idea that China's RMB joining SDR status could undermine the US dollar as a reserve currency by giving financial traders a truly global diversified asset, not unlike the Ven.

MacLeod outlined GDP to debt ratios that exceed 211% with social security liabilities factored in, surmising this could have a negative impact over time on dollar trust, especially in a black swan scenario event.

Joe Lubin covered the use case for Ethereum in smart contracts and how their scripting technology can unlock new financial models. Ethereum revealed that the first release of the Ethereum protocol is slated for late May or June, setting the first public timetable for disruption to Bitcoin as a primary crypto-asset.
New Rails for Big Finance

In a session chaired by Jesse McWaters of the World Economic Forum, the difficulties of at-scale change in finance were made apparent. Jason Mitchell manages funds in one of the world's largest fund managers, Man GLG. He presented the difficulties larger institutions have in adopting new rails for financial transactions and outlined desire for efficiencies in firms that trade assets, with views on the macro-affects of recent central bank policies.

Blockchain co-founder Nicolas Cary called bitcoin's blockchain technology fundamentally transformative for finance and outlined how his company is poised to reduce cost and improve efficiency at all levels by removing banks and other institutions from the value trading process all together.

There were gaps in these two perspectives, with skepticism on how easy it will be for legacy banks and traders to adapt to new technologies countered by optimism that new companies would lead the charge to efficiency, distributed systems and lower costs.

Exchanges: New Horizons

Here we have three types of exchange businesses - with Midpoint focused on P2P transfers for SMEs, NSX building a brand new technology stack for equity trading in the US market, and LMAX partially reinventing the forex business. A focus on two aspects of an exchange emerged - matching engines, which are getting better by the minute, and trading interfaces, which are being recreated to become more user friendly. In all cases, the interfaces are being reinvented to focus on core audiences, but its the matching engine that is driving down costs for trading.

LMAX, which trades Ven, revealed their total daily trading volume has grown to US$10 Billion, making them the clear global leader in regulated MTF exchange, with new branches for clearing being setup in Tokyo and New York. When New York opens this fall, trading volume is expected to grow by a factor of 3X.

NSX is meanwhile completely rebuilding their technology stack and is at least 18-24 months away from being able to add digital assets like Ven to their trading platform. Their possession of a medallion for trading in the US market is highly valuable, vaulting them to the ranks of Nasdaq and the NYSE when they begin operations at the end of 2015.

Authorities and the Digital Currency Ecosystem
Ven Authorities are institutions that have gained trading and distribution privileges, enabling the creation of vertical business lines in digital currency. CAPCO and Bold Rocket are focusing on rewards and trading capabilities between rewards that will utilize Ven.

In this scenario, consumers will have the ability to trade reward currencies into a base exchange currency linked to Ven, and to cash out to credit cards and other spending mechanism via Ven.

SDKA International is a Dubai-based commodity trading company working on asset trades for gold and diamonds denominated in Ven. SDKA International CEO Chris Kelly predicted that “by 2018 daily commodity trading priced in virtual currencies like Ven could be in the hundreds of millions of USD”. SDKA outlined joint gold/ven and diamond/ven products in development via their emerging trading platform.

Meanwhile, Validsoft is working on security and authentication technologies that involve micro-payments using Ven. In all three businesses, the ability for digital value stores to enable monetization are of interest, and the creation of digital assets to mirror physical assets are a priority.

**Stability, Reliability and Service in the Crypto World**

Mirror. Bitnet. Elliptic. Eris Industries. These Bitcoin 2.0 companies discussed the importance of blockchain technologies in the evolution on Bitcoin, with a expert views on mining, the price, new stack technologies, processing times, smart contracts and more. Smart contracts and the ability to write information to the blockchain dominated, with a look at what each company does uniquely.

Led by Digital Asset Transfer Authority board member Patrick Murck, the panelists all agreed a size increase in the block chain is necessary, and championed emerging standards sets from groups like C4.

For Bitnet this means insitutional merchant acceptance and B2B trading of bitcoin, for Mirror its about building authentication and smart contract services on the blockchain, for Elliptic vaulting assets and for Eris Industries evolving the bitcoin protocol into a set of tools others can plug into their technology stack.

**Legal Implications**

The global impact of regulation on digital currencies was the main topic of this conversation, with Grant...
Fondo of Goodwin Procter focusing on the impending New York and California rules, Roger Tym of Hogan Lovells focusing on the UK, as Sian Jones outlined the European perspective for the UK Digital Currency Association.

General conclusions determined that a 'race toward the efficient' is in play for jurisdictions, with the UK currently in the lead for creating an environment suitable for distributed fintech innovation.

The New York rules, especially the 10% ownership disclosure terms outlined in the pending BitLicense, do not bode well for digital currency companies that wish to operate in the New York market, because these rules can and will stifle VC related investment.

Luxembourg and Singapore were cited as locations where regulation is developing positively, but the embedded advantages of talent and deep liquidity pools work against emerging markets as true homes for scaled digital currency services.

**Funding Growth At All Levels of the Pyramid**

A stimulating conversation on Unicorns vs. Pixies - the billion dollar exits vs. the smaller plays - resulted in the shattering of a number of stereotypes about European vs. Silicon Valley startup leadership. "In 2014", Miles Kirby of Qualcomm Ventures pointed out, "there were 30 European unicorns compared to 40 in the US." Harry Briggs of Balderton Capital and Amit Pau of Ariadne Capital then laid out success after success in the European space.

Asos, Inditex, Skype, Ocado, Rovio, Net-a-Porter and many others showed that Europe has a leadership edge in more areas than are commonly acknowledged. In the UK, fintech money is rushing in to position London as the fintech and startup capital of the world.

**Sovereign Currencies in the New Age**

Looping back to sovereign currency - a discussion emerged about the rapidly evolving world of community currencies - digital or not, with Hull Coin as an example of how governments are embracing new finance to create radically awesome models of engagement.

David Simmonds of Mindark and Entropia Universe outlined the virtual world economies of Entropia - generating over 1 billion micro-transactions a month, and providing wealth and livelyhood for gamers around the planet.

Today the Entropia Universe economy is worth over $500 million USD, and their currency the PED (Project Entropia Dollar) is linked and backed by the US dollar in valuation terms. Entropia was the first virtual currency platform to obtain a banking license in their home market of Sweden.

Edgar Kampers creates community currencies with Qoin - an agency that collaborates with local stakeholders. With over 23 currencies in Europe now circulating on their advice and consultation, he
discussed how national governments and the EU are encouraging the growth of local currencies to foster financial diversity in local economies and to embed social values into transactions. Could this be a solution to the "Grexit"?

Dave Shepherdson of Hull Coin outlined how their proposed benefits reward currency will incentivize community involvement and local business spending, funded by discount gaps provided by merchants.

Over 100 companies, including UBS, Deloitte, Innovate Finance, Fernbach, Barclays, Paypal and over 20 hedge funds rounded out the conversation at Bloomberg. To connect with the community on Hub Culture, visit the Liquidity Hub.

The event was presented in association with Bloomberg, the Digital Asset Transfer Authority, Bitcoin Foundation Devcore and Ven.