

# Blockchain, Tokens, and Bitcoin

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Beti Cung,  
CORPORATE STRATEGY, MICROSOFT





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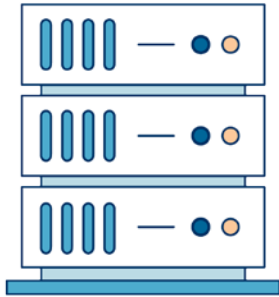
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# What We're Going to Cover

1



Blockchain as corporate infrastructure

2



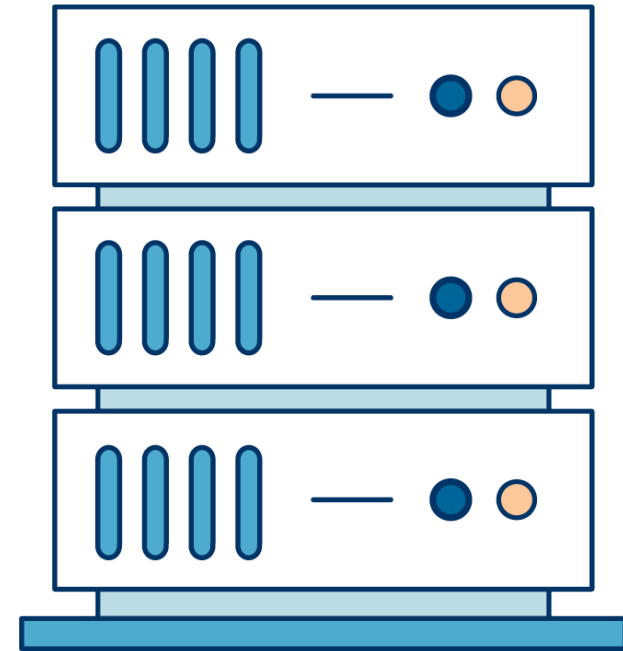
Tokens and a decentralized web

3



Building a new financial world

# Blockchain as corporate infrastructure



# In the beginning, there was Bitcoin



Bitcoin is an **online currency** that can be sent and received **peer-to-peer** by anyone in the world. With Bitcoin, **computers** – not humans – control the transfer and creation of money.

# Bitcoin got involved with the wrong crowd



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Customs Enforcement



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United States District Court for the Southern District of New York



**Silk  
Road**

*anonymous marketplace*

## BLOCKCHAIN, NOT BITCOIN

“We really want to distinguish **the blockchain**, which is an area of huge emphasis and investments across our industry and across many industries, from **a particular application of blockchain** which tends to get all the news cycles; which is **cryptocurrencies**.”



















Martin Chavez  
CFO, Goldman Sachs  
Q1'18 Earnings Call

## DOMESTICATING BITCOIN

**A blockchain** is a database where **untrusted parties** come to agreement on the state of the database, **without using a middleman.**

# Banks have been looking at blockchain for years

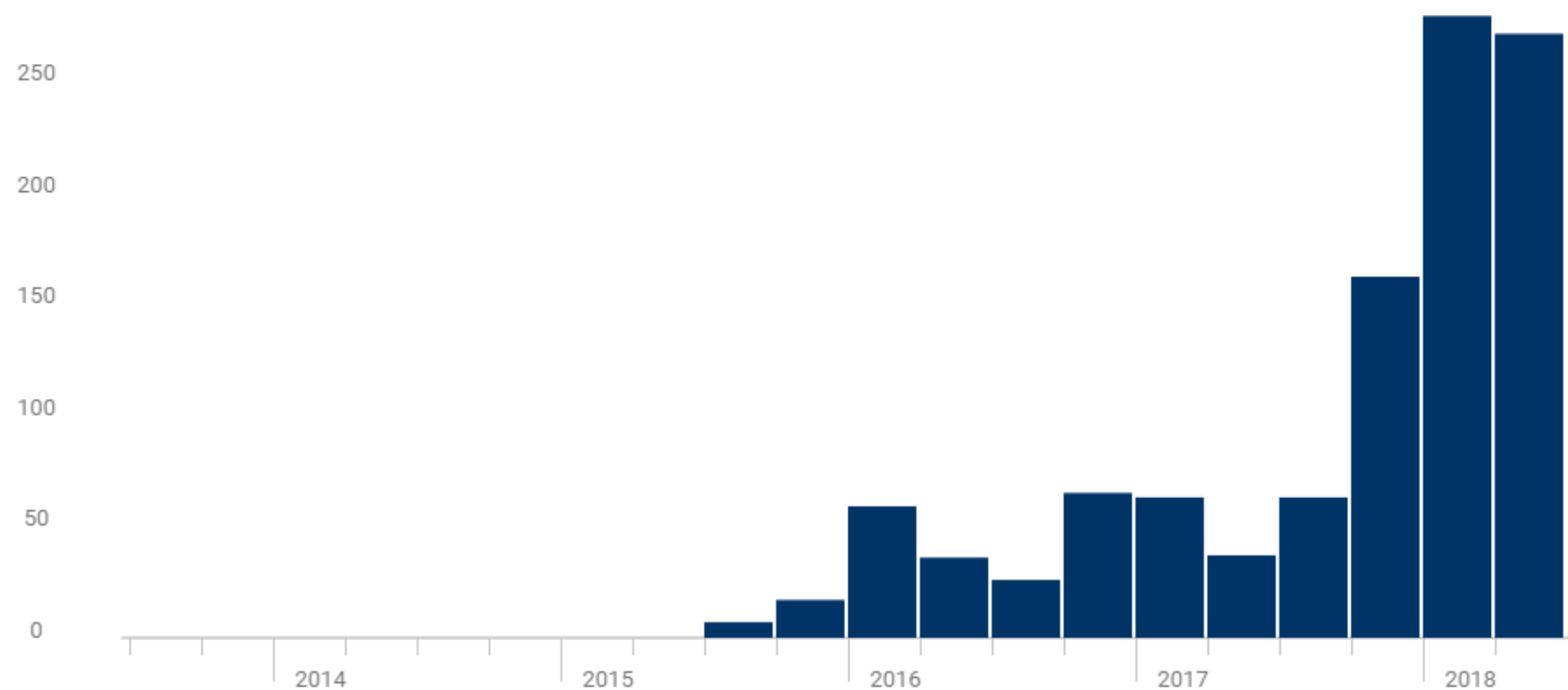
Equity investments and current consortia involvement. Q1'12 – Q1'18

|                    |    |    |    |
|--------------------|---|---|---|
| <b>INVESTMENTS</b> | <br>Digital Asset<br> AXONI<br> Cobalt<br> SETL<br> Chain | <br>Digital Asset<br> AXONI<br> CIRCLE | <br>Digital Asset<br> AXONI                             |
| <b>CONSORTIA</b>   |    |   |  HYPERLEDGER<br> ENTERPRISE<br>ETHEREUM<br>ALLIANCE |

# Everyone's jumping on the hype cycle

Mentions of "blockchain" on earnings calls. Q3'13 – Q2'18

Number of mentions



# But lots of pilots have stalled, while the jury is still out on some high-profile projects

## STALLED



## TO BE DETERMINED



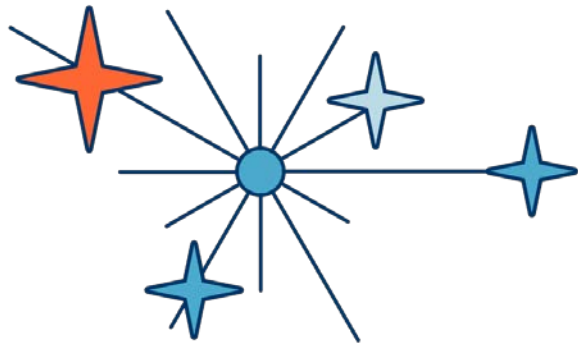
## BLOCKCHAIN FOR BUSINESS

“Basically, it became a solution in search of a problem.”



Murray Pozmanter  
Head of Clearing Agency Services, DTCC

# Why a blockchain might not be the best fit



**Consensus** isn't easy



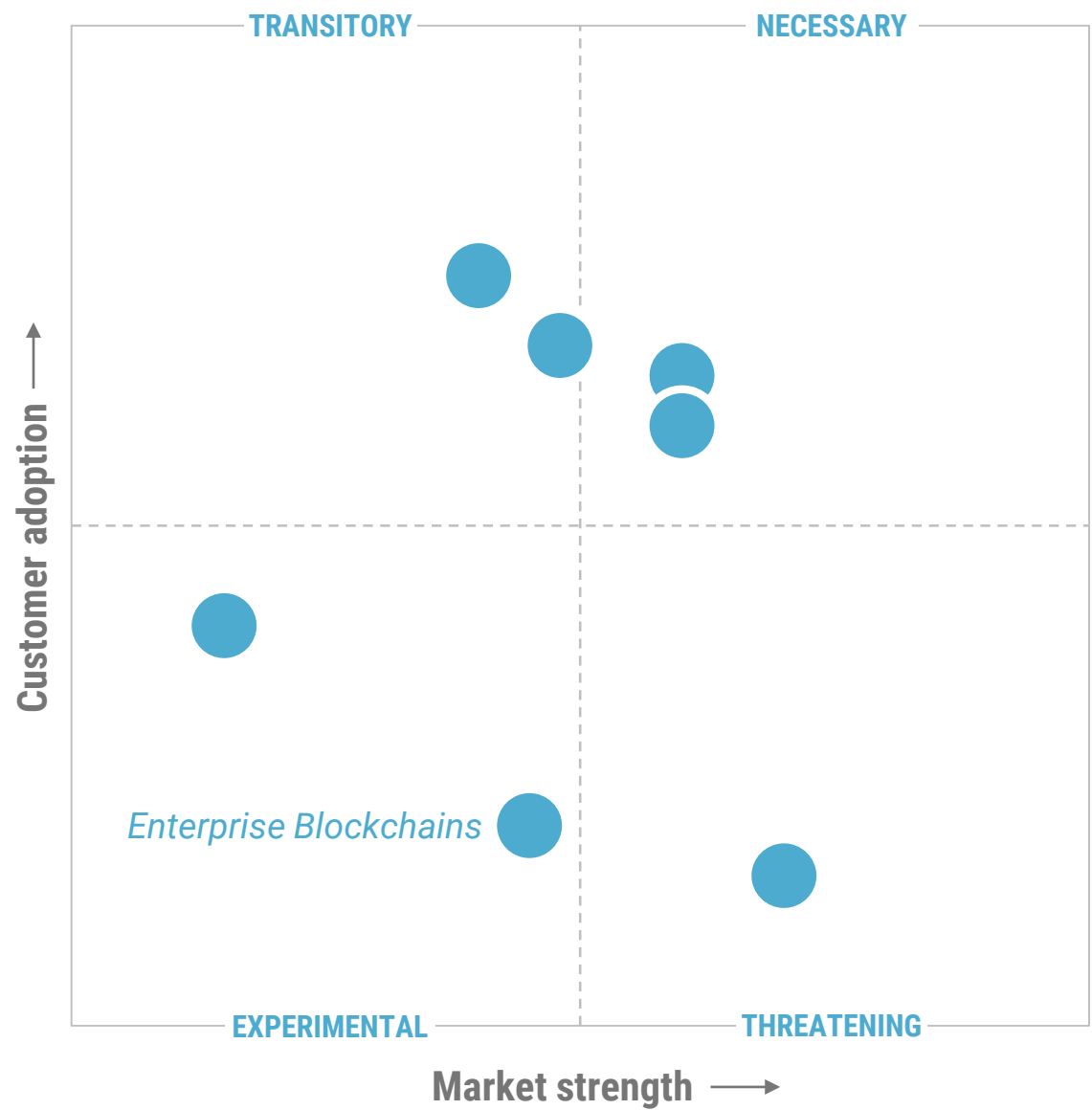
Users are **sovereign**



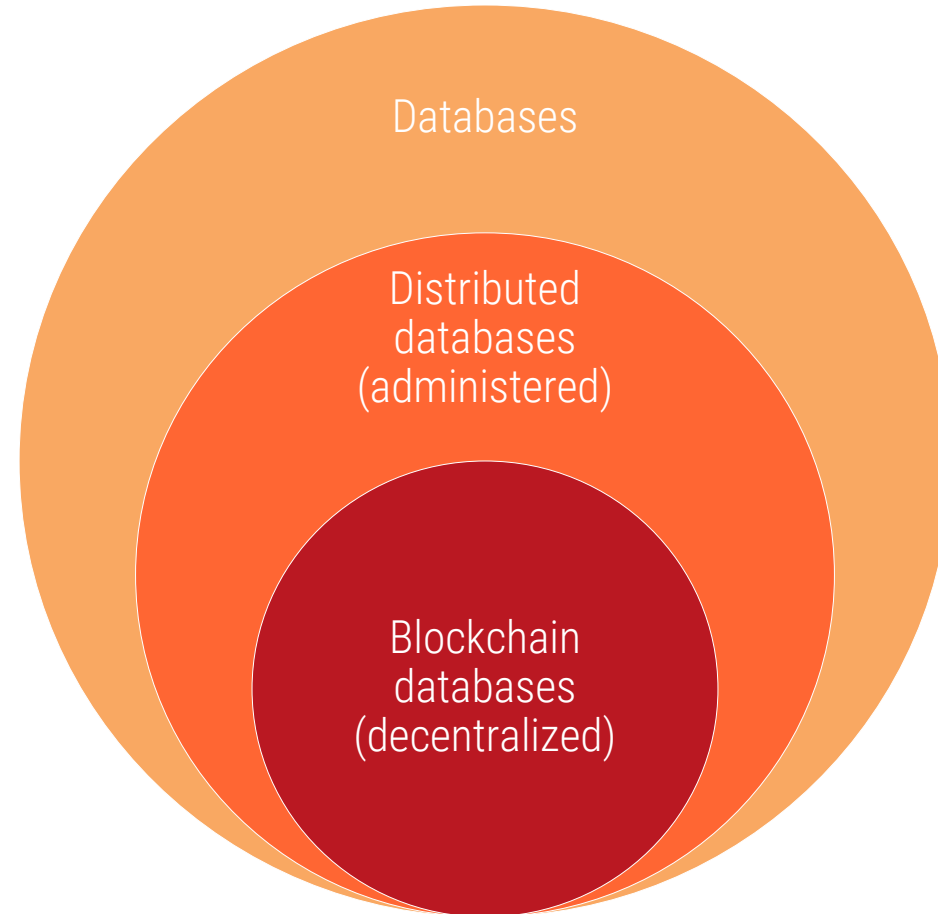
**Centralization** is faster

Enterprise blockchain solutions are still largely experimental

According to the CB Insights NEXTT framework, enterprise solutions have yet to gain serious traction.



# Blockchain is part of a broader conversation around collaborative data



# Tokens and a decentralized web



## DECENTRALIZE EVERYTHING

“The **real promise** of these new technologies, many of their evangelists believe, lies not in displacing our currencies but in replacing much of what we now think of as the internet, while at the same time **returning the online world to a more decentralized and egalitarian system.**”



Steven Johnson  
Author, *Beyond the Bitcoin Bubble*

# The centralized web has lots of problems

How Trump Consultants Exploited the Facebook Data of Millions

March 17, 2018 | *The New York Times*

Forget Facebook, Google Hoards Even More of Your Personal Data

April 23, 2018 | **BGR**



Cambridge  
Analytica

**facebook**

**We find your voters and move them to action.**

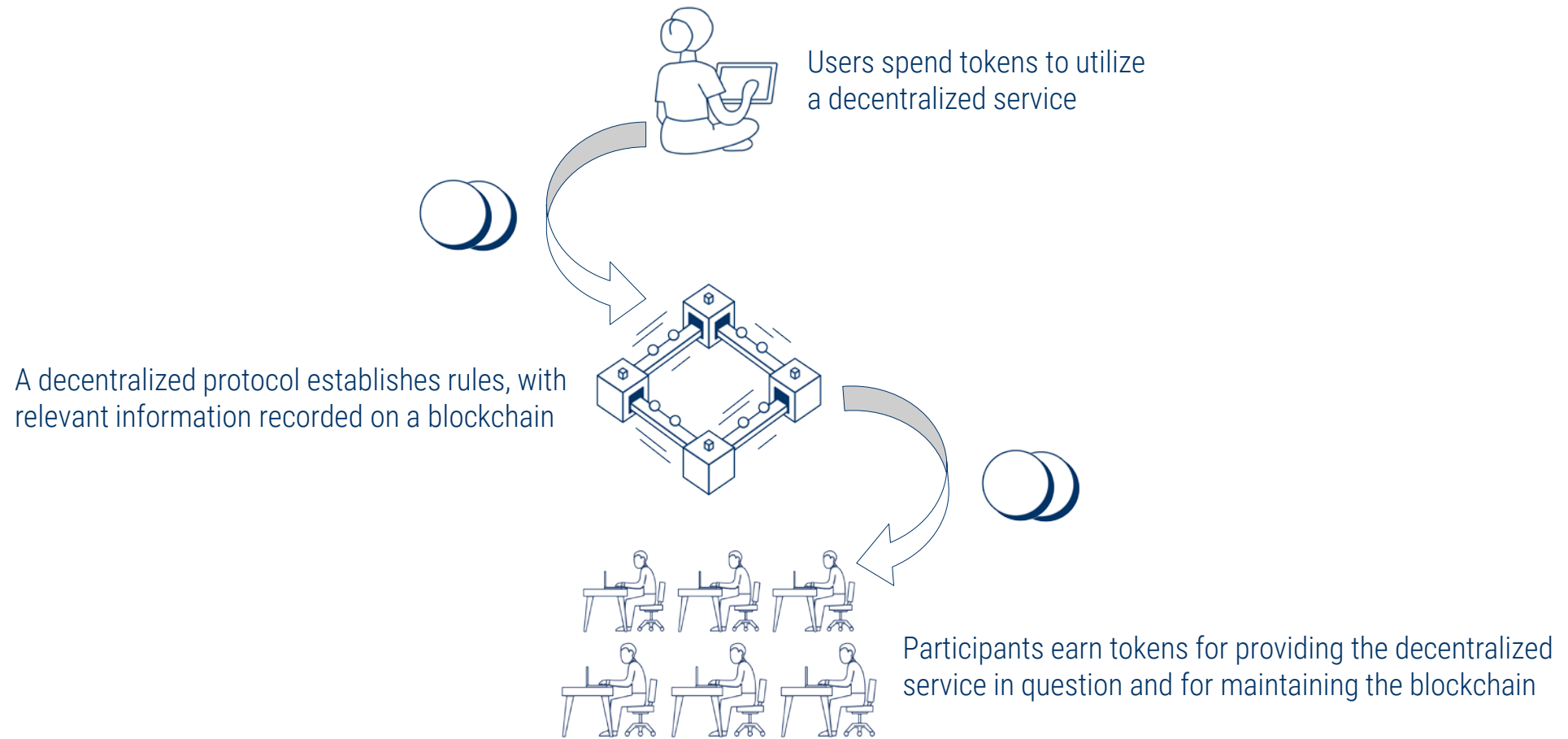
CA Political has redefined the relationship between data and campaigns. By knowing your electorate better, you can achieve greater influence while lowering overall costs.

**“There are no longer any experts except Cambridge Analytica.”**

- Frank Luntz, Political Pollster

# Could tokens reorganize the web?

Native tokens incentivize various stakeholders in decentralized networks and applications.



# Initial coin offerings fund teams building a new internet

ICOs provide initial funding for these decentralized token networks.

## 115 blockchain startups that have held big ICOs

Completed ICOs greater than or equal to \$24M. Q2'17 – Q1'18

### EXCHANGES & WALLETS



### TRADING & INVESTMENT



### CROWDFUNDING & LENDING



### PAYMENTS & BANKING



### INFRASTRUCTURE & DEVELOPMENT



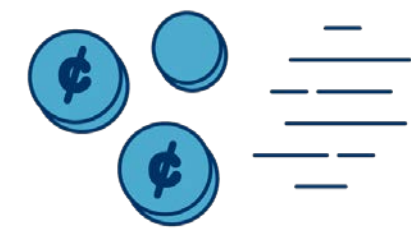
### Computing & Storage



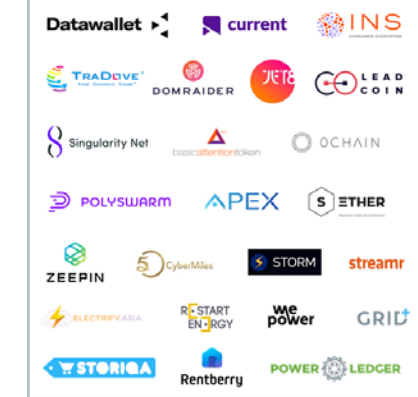
### DAO & Token Creation



### Browsers & Social



### MARKETPLACES



### GAMBLING & GAMING



### SUPPLY CHAIN



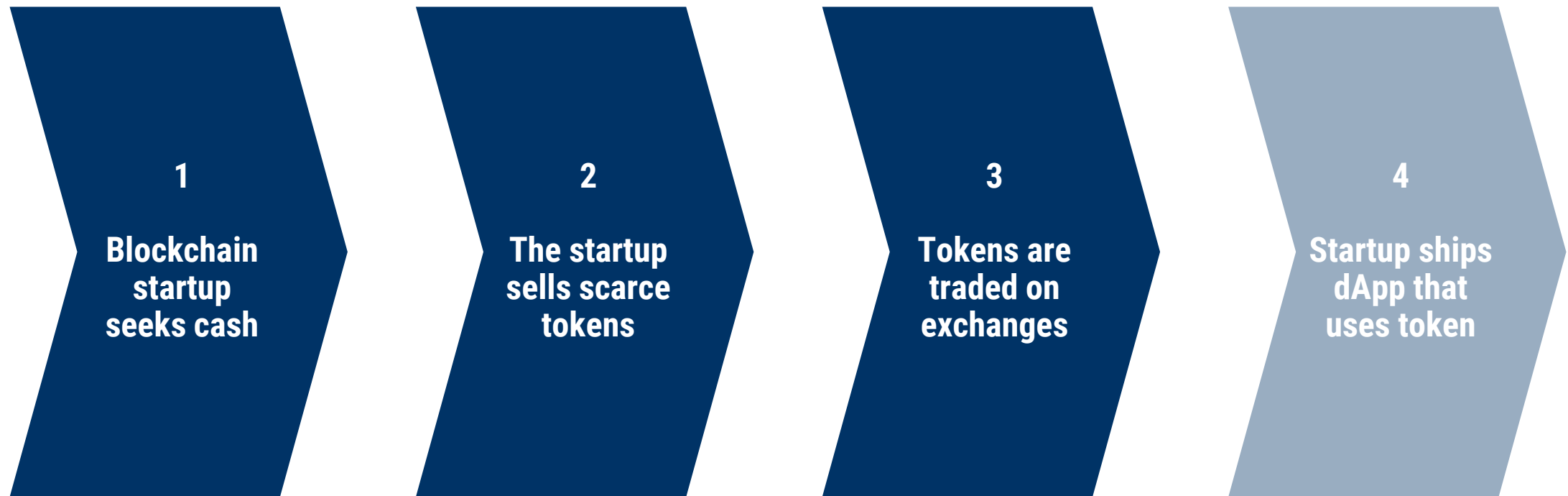
### IDENTITY & INTERNET OF THINGS



### OTHER

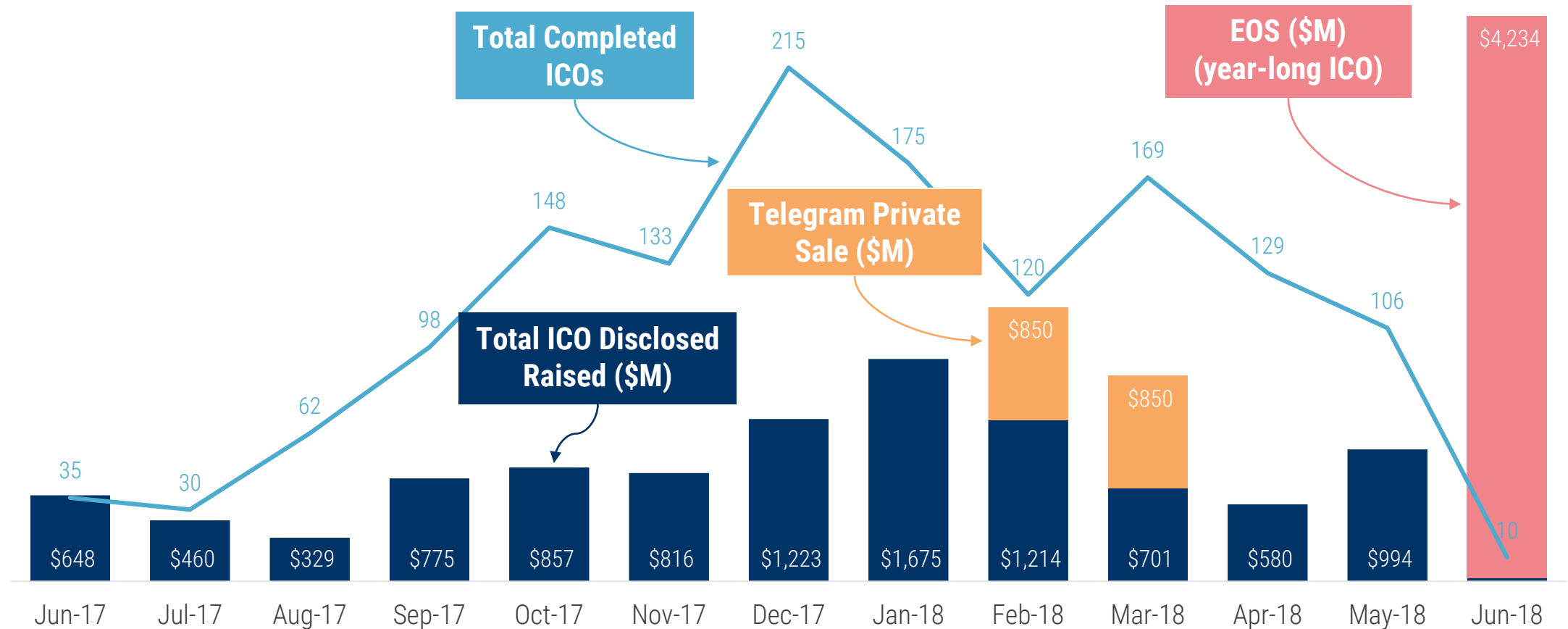


# What we've seen so far: overcapitalization and 'regulatory arbitrage'



# Completed ICOs raised about \$18B in one year

Disclosed funding of completed ICOs (and Telegram's private sale). June 2017 – June 2018 (YTD)



REGULATORS ARE WAKING UP

“**Tokens** [...] are used to finance projects. I’ve been on the record saying there are very few – **there’s no tokens that I’ve seen – that aren’t securities.**”

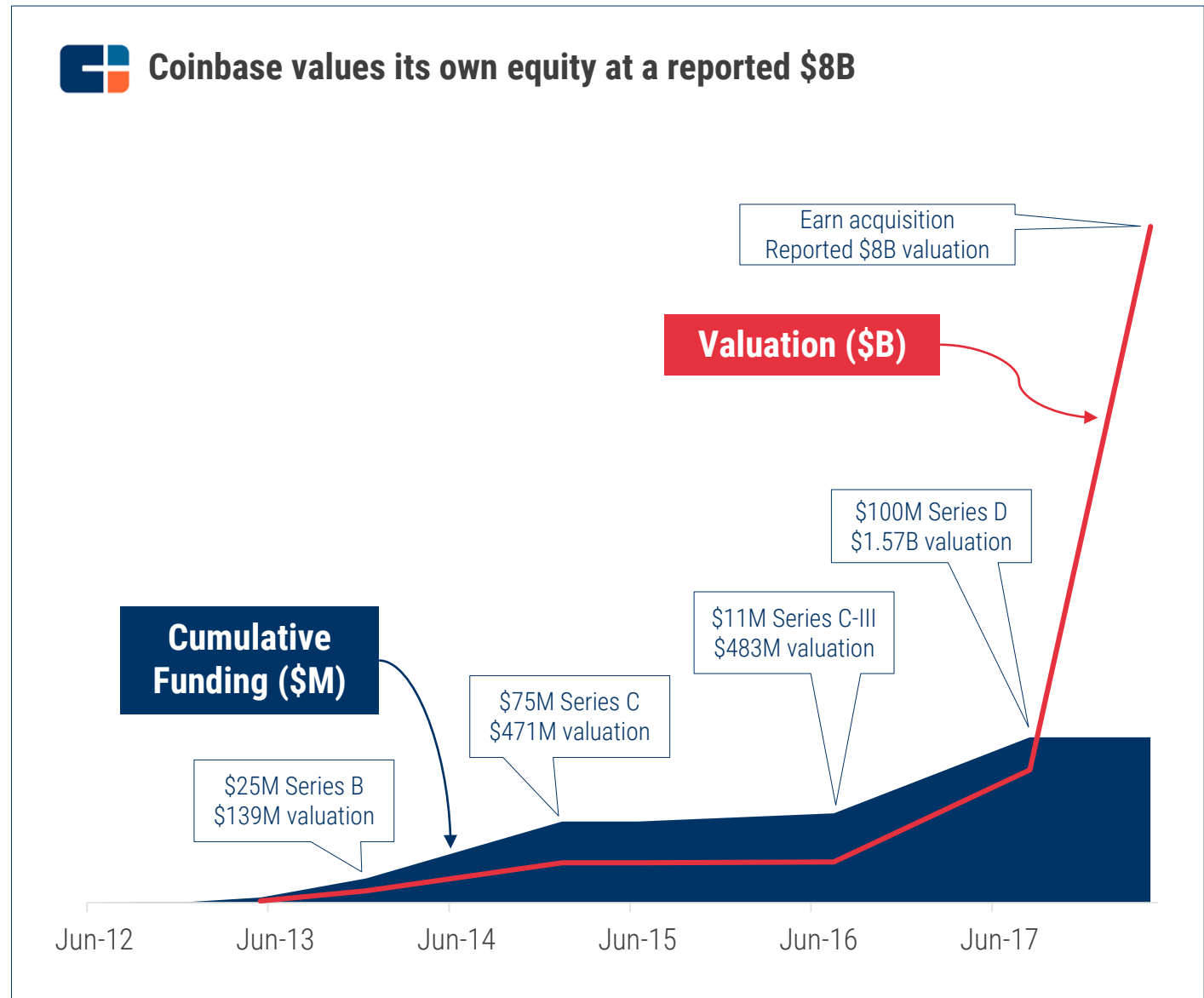


Jay Clayton  
Chairman, SEC

Enablers of speculation are the real winners so far

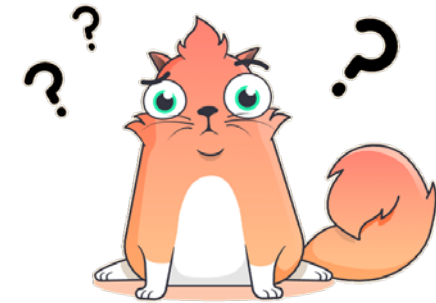
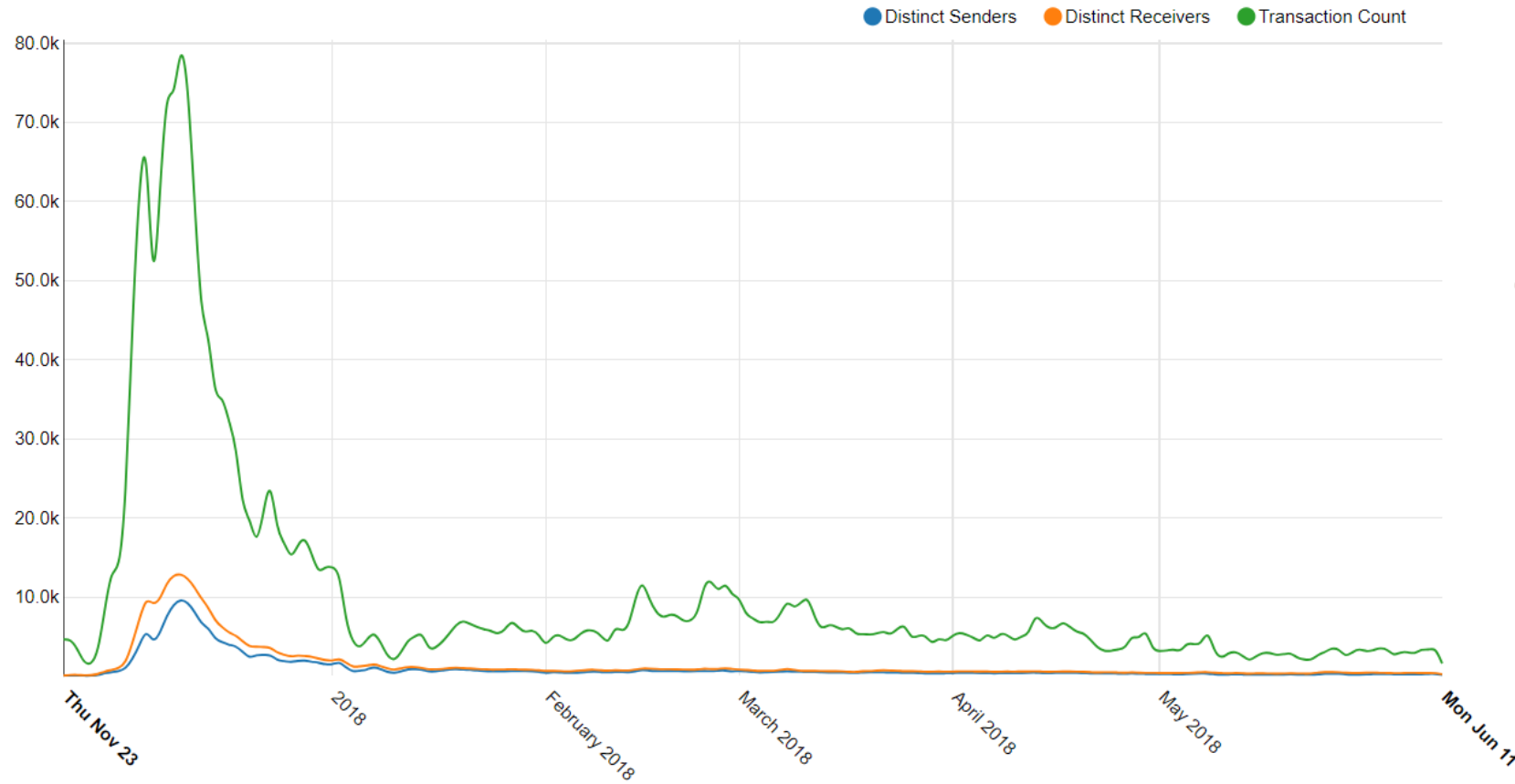
According to reports, Coinbase most recently valued itself at close to \$8B.

The company is hiring and ramping up its exchange infrastructure in anticipation of long-awaited “institutional money.”



# CryptoKitties sees usage drop off a cliff

Token transactions/senders/receivers over time



# Exchanges are still looking for token use cases



KIK RAISED ABOUT \$100M IN ITS ICO

**“Almost nobody should be looking at blockchain.** Unless you’re trying to build one of the most-used cryptocurrencies in the world, it’s very low odds that blockchain is going to create value for you.”



Ted Livingston  
CEO, Kik/ Kin Foundation

# Building a new financial world



# Room for optimism? Areas we're watching



**Bitcoin** as a fiat  
alternative



**Public decentralization** of  
the financial stack



**Bitcoin** as a fiat  
alternative



**Public decentralization** of  
the financial stack

## LET'S REVISIT BITCOIN

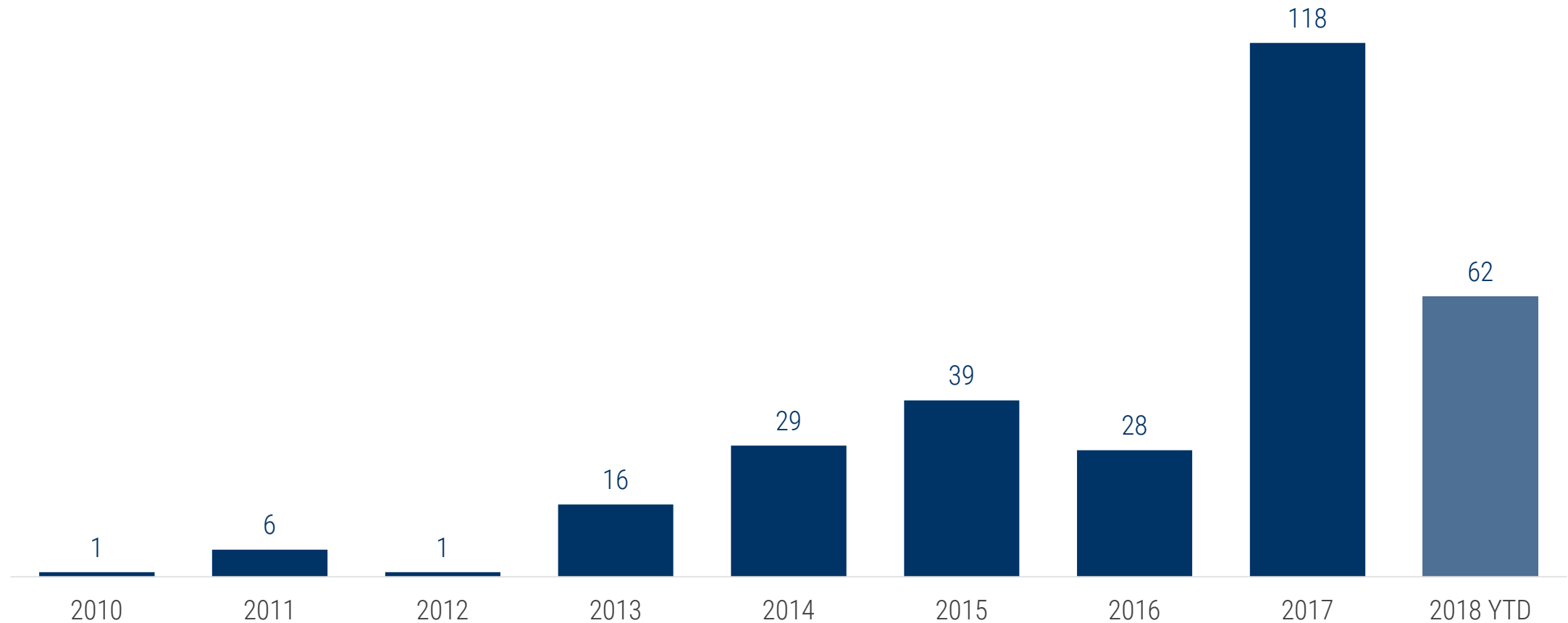
“[Cryptocurrencies] may one day serve as alternative means of payment and, possibly, units of account, which would **reduce the demand for fiat currencies or central bank money**. It’s time to revisit the question, will monetary policy remain effective in a world without central bank money?”



Dong He  
Deputy Director, IMF, Monetary and Capital Markets Dept.

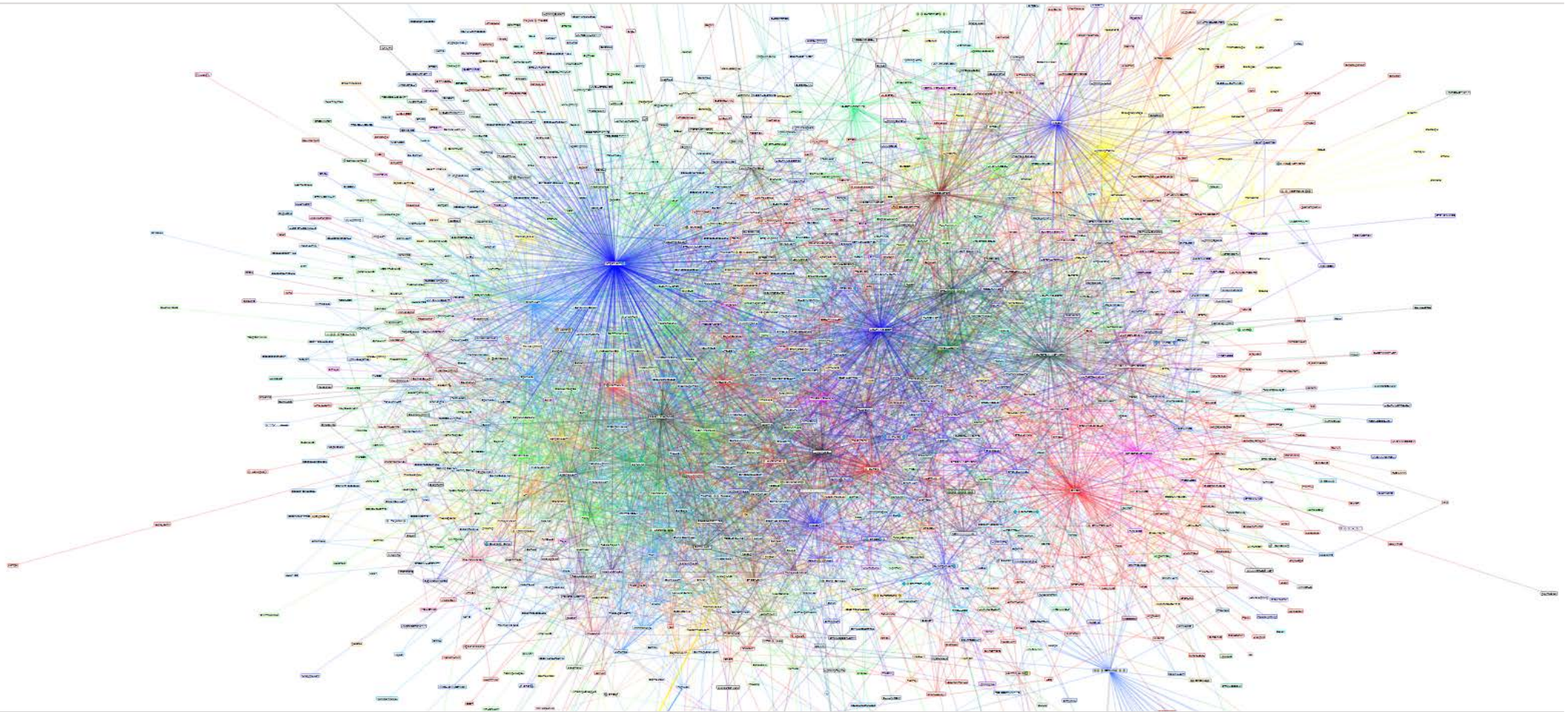
# Bitcoin hasn't died yet – not even close

Bitcoin “obituaries” by year. 2010 – 2018 YTD



# Scaling solutions are rolling out in force

Bitcoin's Lightning network, which hopes to improve transaction speed, is growing fast and finding users.





**Bitcoin** as a fiat  
alternative



**Public decentralization** of  
the financial stack

## TOKENIZE THE WORLD

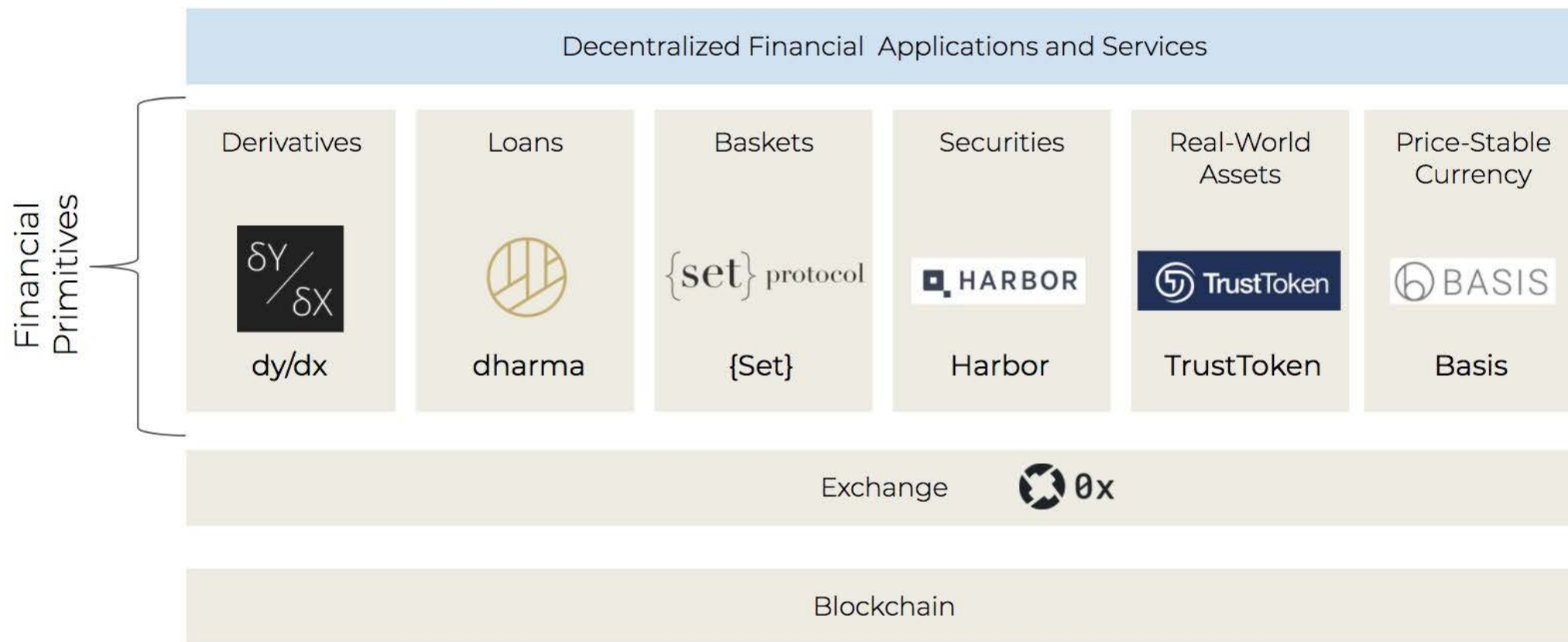
“We envision a world in which **all forms of value are tokenized on public blockchains**. Combined with a set of open financial primitives, we can build a global financial system that is more **efficient, transparent, and equitable** than any system that has existed in the past.”



Will Warren  
CEO, 0x

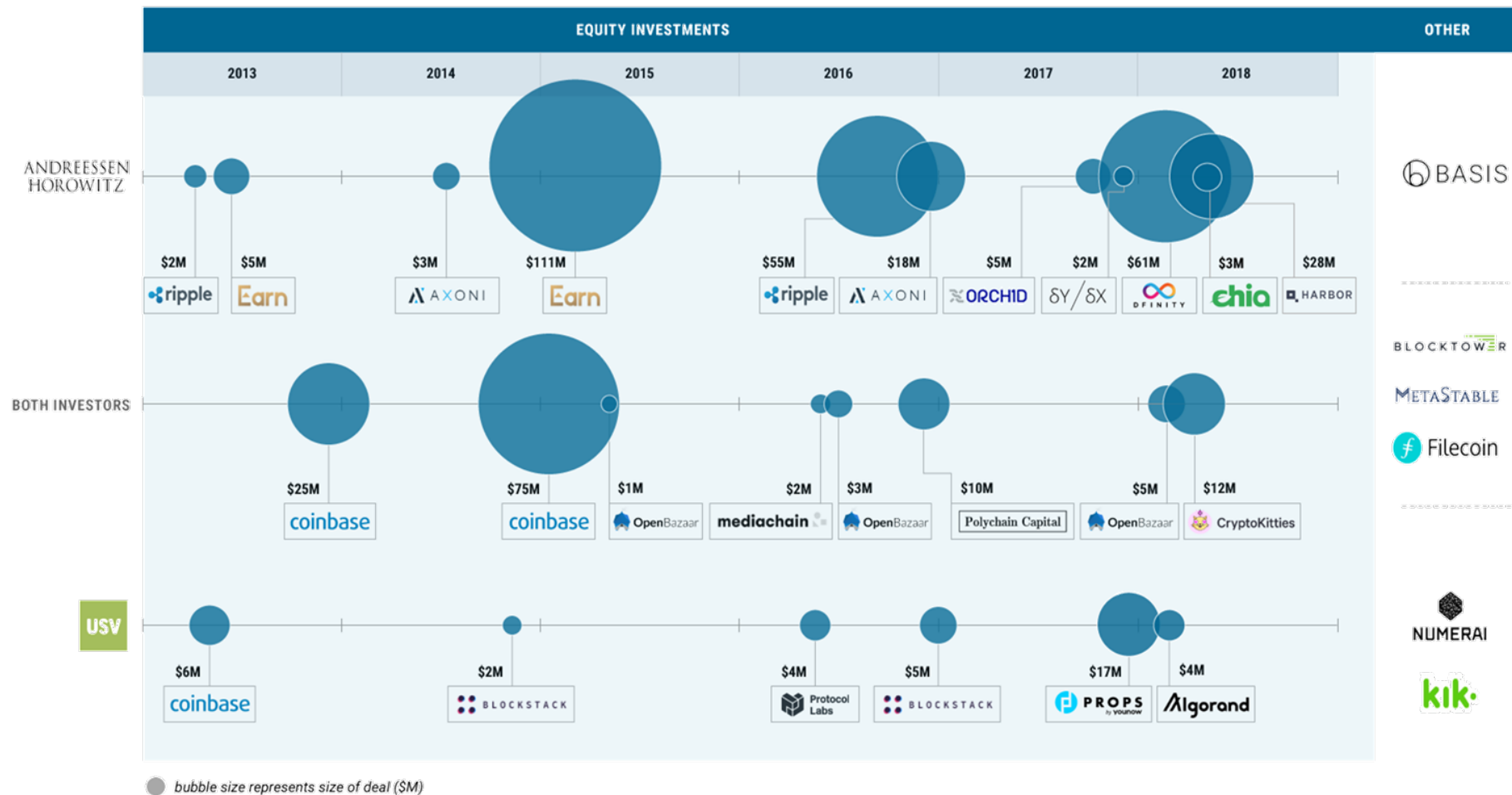
# Building a new financial system with blockchain

Finance-focused, blockchain-based building blocks are receiving lots of VC money and attracting talent.



# Top VCs are betting on decentralized finance

Blockchain investments of Andreessen Horowitz and Union Square Ventures. Q1'13 – Q1'18



## THE STABLECOIN THESIS

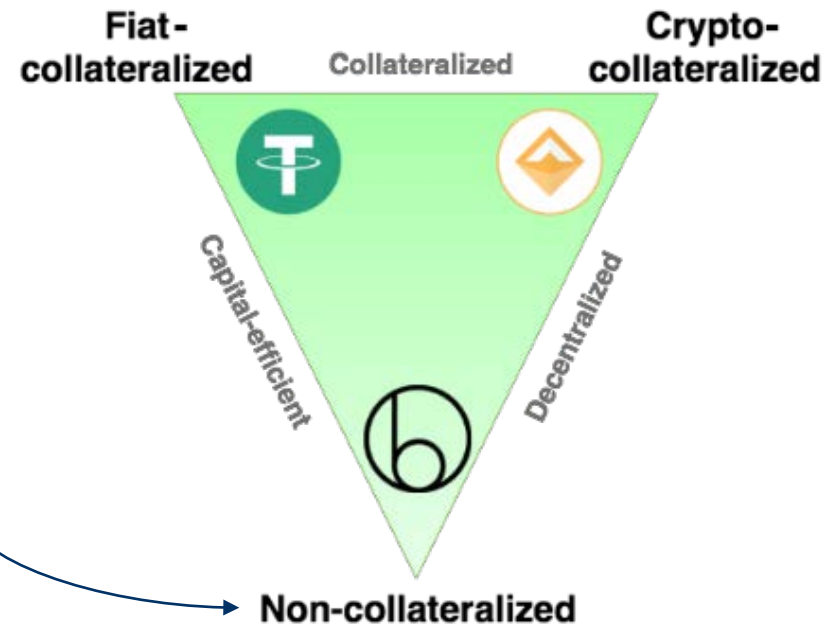


### Funding

\$125M

Basis is building a “stablecoin,” that hopes to be less volatile than other cryptocurrencies.

Creating an “algorithmic central bank,” Basis’s blockchain will automatically sell “bond tokens” to peg the price of a single Basis token at a dollar.



## SELECT INVESTORS

Andreessen Horowitz, Bain Capital Ventures, Lightspeed, Google Ventures, Polychain Capital

## THE TOKENIZATION THESIS

# HARBOR

### Funding

\$40M

Harbor offers a compliant platform tokenizing securities, like real estate, equity, debt, fine art, etc.

This could have broad implications for the interoperability of illiquid assets.

### SELECT INVESTORS

Andreessen Horowitz, Founders Fund, Fifth Wall Ventures, Valor Equity Partners

## Reengineering Private Securities with Blockchains

Harbor is the compliance platform for tokenizing private securities such as real estate, company equity, investment funds, fine art, etc.

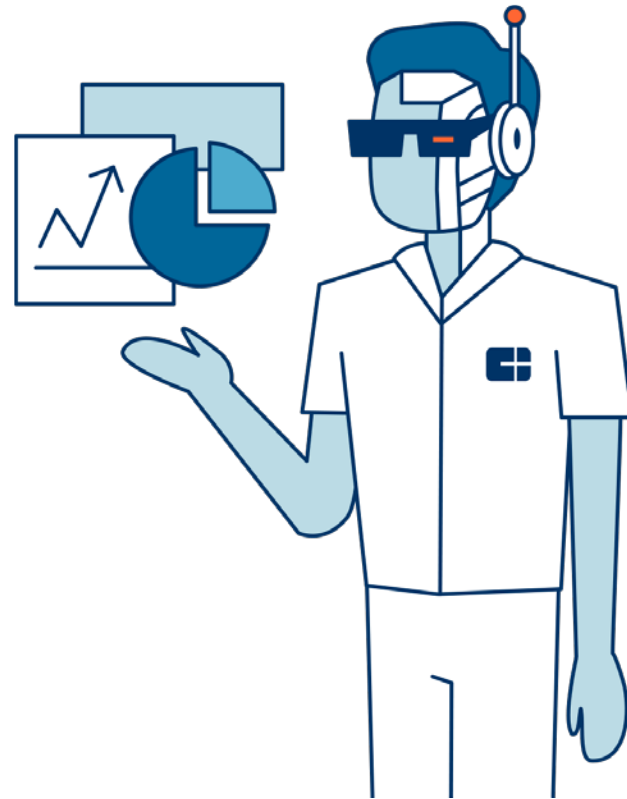
Contact Us

Broker-Dealers

| Issuers

| Partners

# To recap



1

The “blockchain technology as infrastructure” thesis still has to prove itself

2

Tokens haven't rebuilt the web yet,  
but teams have lots of runway  
ahead of them

3

Bitcoin hasn't gone anywhere, and  
– in the same vein – a new set of  
teams is “decentralizing” finance

# Thank You!

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#FutureFintech

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