

— Chanticleer

Mike Tilley backs cryptocurrency exchange Independent Reserve



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Cryptocurrencies such as [bitcoin](http://www.afr.com/technology/bitcoin-is-just-another-currency-failure-20180117-h0jj2m) and [ethereum](http://www.afr.com/technology/bitcoin-ethereum-to-be-sold-in-1200-newsagencies-across-australia-20180301-h0wvs5) are classified by many as either speculative or dangerous [but that has not stopped](http://www.afr.com/technology/rba-governor-philip-lowe-says-bitcoin-is-a-speculative-mania-20171212-h02zf0) the smart money in Australia and overseas from backing the exchanges which trade them.

As trading in digital currencies has exploded on specialist international exchanges [such as ANX, Bitfinex, Bitstamp, Coinbase, Kraken and Poloniex](http://www.afr.com/technology/cryptocurrency-exchanges-alive-with-chaos-and-hackers-20171001-gys80h) investors have increasingly tried to get a slice of the platforms that handle the trading flows.

In Australia, one of the wise heads of Australian finance, Mike Tilley [is the latest person to throw his considerable influence and personal financial wealth behind a local cryptoexchange, Independent Reserve.](http://www.afr.com/brand/chanticleer/the-pros-and-cons-of-the-years-biggest-ipo-latitude-financial-20180305-h0x1ke)



Mike Tilley, chairman of consumer finance group Latitude Financial. **David Rowe**

"At the end of the day cryptocurrencies are going to fundamentally change the way value is stored and transferred," Tilley says in an exclusive interview.

"That will break the intermediary role of the banks and in turn that will threaten the role of regulators."

Tilley says the banks would no longer be able to charge usurious rents for the transfer of money internationally once cryptocurrencies become mainstream.

He predicts large global corporations will eventually issue their own cryptocoins as a way of protecting their intellectual property and bypassing banking systems.

Tilley, who is chairman of consumer finance group Latitude Financial, spoke to Chanticleer in between meeting investors attending the Australian end of the pre-deal roadshow for Latitude's possible \$5 billion initial public offering

[<http://www.afr.com/brand/chanticleer/the-pros-and-cons-of-the-years-biggest-ipo-latitude-financial-20180305-h0x1ke>].

"There's a lot of misinformation about cryptocurrencies," he says.



One of the wise heads of Australian finance, Mike Tilley, is the latest person to throw his considerable influence and personal financial wealth behind a local crypto exchange **Ben Rushton**

"Only idiots would use them for illegal activity"

[<http://www.afr.com/markets/currencies/criminals-are-dropping-bitcoin-for-another-currency-monero-20180102-h0con>] because the details of every transaction by every owner of the currency is recorded on the blockchain."

Tilley said he was attracted to the idea of investing in blockchain-based technologies [<http://www.afr.com/opinion/columnists/awaking-from-the-blockchain-pipe-dream-its-overhyped-20180305-h0x2ld>] after his success in investing in a company called Identitii [[http://www.afr.com/brand/chanticleer/kyckr-identitii.com-enlist-blockchain-in-terrorism-fight-20160718-gq7ygr](http://www.afr.com/brand/chanticleer/kyckr-identitii-com-enlist-blockchain-in-terrorism-fight-20160718-gq7ygr)] through the KTM Ventures Innovation Fund.

Identitii implemented a blockchain solution to help international banks meet their anti-money laundering obligations. The Identitii tokens utilise the SWIFT network for international money transfers. The first customer was HSBC in Hong Kong.

Tilley says he and Martin Rogers from KTM did extensive due diligence on a number of cryptocurrency exchanges in Australia before deciding to back Independent Reserve.



"There's a lot of misinformation about cryptocurrencies," Tilley says. **LUKE MACGREGOR**

Tilley co-invested alongside KTM Ventures and jointly purchased 25 per cent of Independent Reserve. The balance of the equity is held by the founders, Adrian

Przelozny and Lasanka Perera, and staff.

Rogers and one of the KTM Ventures investors, Steve James, will go on the board of Independent Reserve.

Tilley says blockchain-based technologies are of great interest to regulators and police because of their utility in potentially killing the black economy based on cash.

He says he brought to Independent Reserve the same risk management skills he brought to the Latitude Financial and during his period as chief executive of Challenger.



Tilley says the banks would no longer be able to charge usurious rents for the transfer of money internationally once cryptocurrencies become mainstream. **Chris Ratcliffe**

Tilley was called in by James Packer in 2004 to stabilise what was then called Challenger Financial Services [<http://www.afr.com/news/packer-keeps-challenger-options-open-20100221-j65il>]. In his first year as CEO he wrote off about \$280 million in goodwill, sold about \$828 million in overseas properties and tightened the group's risk management.

At the time Tilley told the Financial Review that the founder of the company, Bill Ireland, had left the company in a situation where it was in danger of losing its licence to operate.

The fear and loathing in some quarters toward cryptocurrencies has not worried Tilley. Also, it has not worried sophisticated investors in other countries.

Earlier this year, the leading digital currency exchange in Canada, Coinsquare, raised \$C30 million at a valuation of about \$C400 million. Late last year, Square, the mobile payments company founded by Jack Dorsey and Jim McElvey, said it would allow Square Cash app users to buy and sell bitcoin.



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Last month, a Goldman Sachs backed investment fund called Circle Internet Financial paid \$US400 million for control of Poloniex, which describes itself as the world's largest digital asset exchange.

Circle's move into the cryptocurrency exchange space was significant because it only occurred after the company had briefed the United States Securities and Exchange Commission.

It told the SEC it planned to register the entity with the SEC and the Financial Industry Regulatory Authority as a broker/dealer and, in turn, as a licensed electronic trading place.

Chanticleer understands the SEC was very favourable to this approach and indicated it would not pursue enforcement action for prior activity. The SEC indicated Circle was the first firm to approach the SEC about becoming the first regulated cryptocurrency exchange in the US.

It is against this background of high level regulatory involvement in giving cryptocurrencies legitimacy as "securities" that Australians are being given more choices about trading bitcoin and other blockchain based digital currencies.

In Australia, there are a number of open order book digital currency exchanges like Independent Reserve. These include Coinbase and BTC.

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Tilley (far left) was called in by James Packer (second from right) in 2004 to stabilise what was then called Challenger Financial Services. **Paul Jones**

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