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# Blockchain has grabbed the attention of investors

- Blockchain's transparency, tamper-proof record and decentralized nature make the cryptocurrency vehicle more secure than any repository under the control of one entity.
- Blockchain can be used to secure everything from financial transactions to voting and medical records.

## COMMENTARY

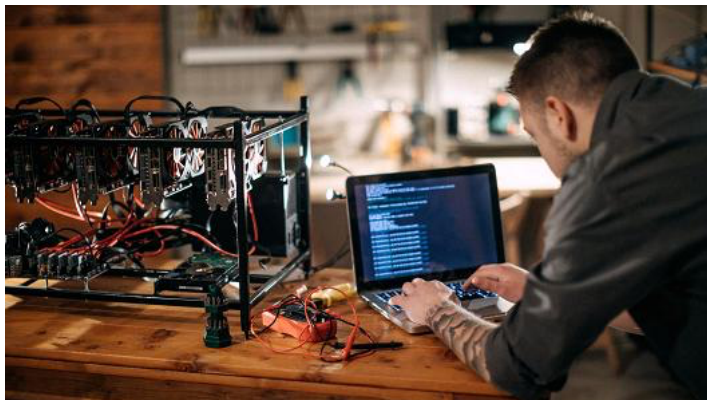
Eric C. Jansen, founder of AspenCross Wealth Management

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Blockchain, the vehicle of cryptocurrency, is a technology that no one can own or control but anyone can use. It has potential applications for just about any enterprise involved in record-keeping, documentation, registrations and transactions.

Although the cryptocurrency bitcoin was created in 2009, the idea behind the blockchain technology it was built on dates back to the 1990s. Since bitcoin's launch, blockchain has gained increasing broad recognition in the tech investment world. With venture funding aplenty, numerous blockchain applications have been developed and many more are in the works.



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With venture funding aplenty, numerous blockchain applications have been developed and many more are in the works. Here, a computer programmer sets up a mining rig to mine for bitcoin.

Even in its early stages, blockchain is acquiring such renown for potential that any business associating itself with the term can attract

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new investment overnight, prompting some to use "the B word" so casually that they've also attracted attention from regulators.

Core blockchain software lives on the internet, available to anyone with a modem, just as Linux operating software is available free as an open-source item. It enables the creation of decentralized, publicly accessible digital ledgers — sequential chains of blocks of data. Blockchain is like a digital safe-deposit box, yet its security comes not from secrecy or exclusive access but from being tamper-proof.

With blockchain, no one's in charge, because everyone's in charge. Everyone knows what's going on, and no one can change the record. Blocks of data are immutable, so blockchains are permanent audit trails.

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Proponents argue that blockchain's role as a transparent, tamper-proof record and its decentralized nature make it more secure than any repository under the control of one entity, because central sources are far easier to hack. With blockchain there's no custody or control by a central source, such as a financial institution.

Cutting out the middleman was a key founding principle of bitcoin, which cuts out banks, and it's the premise for many evolving or anticipated uses of blockchain. Consequently, some blockchain applications might prove disruptive, posing an existential threat to companies whose business model is based on being a central source.

Though many individual investors find blockchain an inscrutable technical conundrum, as vexing to understand as bitcoin, potential applications in many fields are attracting a brisk flow of venture capital and corporate development. Aside from uses in cryptocurrency, embryonic and envisioned applications of blockchain include:

- **Securities.** Nasdaq has partnered with Chain, a bitcoin infrastructure firm, for a pilot program to test the use of blockchain for trading shares of private companies.
- **Financial markets systems.** An 80-plus member consortium of banks, regulators and technology partners — led by blockchain tech start-up R3 CEV — are developing a blockchain-platformed operating system called Corda.
- **Payment platforms.** JPMorgan Chase has launched a new interbank payments platform based on a private blockchain for Ethereum, a form of cryptocurrency.
- **Bank operations.** UBS and Barclays are both experimenting with blockchain as a means of expediting back-office functions.
- **Private blockchain.** These are secure private networks of blockchains developed by IT providers. IBM is developing new shipment-tracking tools for shipping giant Maersk and Walmart Stores.
- **Digital rights management.** Spotify acquired start-up Mediachain Labs last year to use blockchain technology for music copyright-attribution protocols. And Eastman Kodak is seeking to develop

philosophies but the term means different things to different people.



#### Investors see gold in blockchain technology

Blockchain, the vehicle of cryptocurrency, is so renowned, any business using the term attracts investment overnight.



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#### Investors see gold in blockchain technology

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- **Decentralizing the sharing economy.** Arranging P2P lodging and ride-sharing — without paying middlemen, i.e., Airbnb, Uber and Lyft.
- **Medical records (private blockchain).** Might blockchain finally enable long-predicted secure lifetime medical record-sharing across providers?
- **Digital public registries.** Projects are under way in Rwanda and other African nations to build blockchain-based real estate-titling systems.
- **Law enforcement.** Potential uses include evidence management and tools to flag suspicious transactions.
- **Voting.** Proponents say an immutable record of votes cast could have the certainty of paper with the convenience of digital access and storage.
- **Securing Internet of things (IoT) devices.** There are more than 8.4 billion internet-enabled devices, from refrigerators and doorbells to wearable fitness monitors and prototypical self-driving cars. Proponents argue that blockchain technology could be used to reduce the risk of many IoT devices being compromised by a single point of failure, such as a server.
- **P2P e-commerce.** Peer-to-peer of all sorts, potentially threatening eBay.

Not surprisingly, much of the venture funding for blockchain thus far — from notables including Sequoia Capital, Founders Fund (Peter Thiel) and Andreessen Horowitz — has been concentrated in bitcoin-related enterprises. But some of this money is for other applications, including ecommerce, media, identification and private blockchain.

Venture investment in blockchain start-ups began in 2012 and grew apace in 2016 and 2017. According to a report by CB Insights, a tech-funding research firm, Google and Goldman Sachs are among the most active corporate investors. Other investors include Visa, PNC, Deloitte, Transamerica, Wells Fargo, Capital One and U.S. Bancorp.

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Investing in blockchain requires a grasp of the types of entities now profiting in the technology's evolving uses. Individuals seeking to get this exposure for their portfolios can do so currently by investing in funds or individual stocks of companies involved in:

- **Cryptocurrency.** Names include Japanese company SBI holdings and Overstock.com, with its newly created digital currency



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- **Manufacturing.** Manufacturers develop products for the cryptocurrency industry, including specialized, powerful computer-processing chips and other hardware used by "miners"—independent operators who collectively validate and thus enable transactions. Nvidia, Advanced Micro Devices and Taiwan Semiconductors are a few examples.
- **Software services and solutions.** A number of companies offer software services and solutions to blockchain- and private blockchain-related entities. Candidates would include publicly held IT/computer services firms making inroads, including IBM, Google, Accenture and Cisco.

As applications evolve, a broader range of blockchain-related investment opportunities among public companies are expected to emerge.

Today blockchain is a tech market buzzword. Tomorrow it could be a household word.

— By Eric C. Jansen, founder, president and CIO of AspenCross Wealth Management



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