



Forging ahead with Blockchain in 2018: My Focus in 2018 for Blockchain Technology and Transforming Industries, Government and Our Lives

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In this post, I would like to reflect on learning from my engagement experience throughout 2016–2017 and discuss the areas I would like to focus on in 2018. In my observation, we begin with the great divide between the crypto-asset/currency and ICO world and the regulated business led by collective initiatives of banks and financial institutions to assess market potential and operational efficiencies. Regardless of the divide, each side has leveraged the blockchain momentum to advance their cause. The blockchain ecosystem, driven by new business models, promises of disintermediation, and interesting technological innovation, has behaved much like an adolescent by throwing tantrums, challenging the status quo, and defying all odds to make a point. We have seen this behavior on both sides of the device, namely a meteoric rise in the valuation of Bitcoin and other crypto assets, the emergence of ICO defying all the elements of regulatory framework around fundraising, and so on. On the enterprise side, we see industry initiatives around clearing and settlement, innovative ideas around settlement coins to enable faster settlement and interbank transfers, transparency via digitization, and symmetric dissemination of information in supply chains and creating ad-hoc trust between IOT devices. Regardless of competing POVs and conflicts in opinion on both sides of the divide, there is a common theme—blockchain is here to stay, and its continued innovation in industry and technology will help blockchain inch

toward maturity and deliver on the promise of efficiency and efficacy, as well as significant costs savings.

In the past, I have also discussed the divide between the permissionless world, which refuses to adhere to any conventions and forges ahead with many innovations that are bound to disrupt many industries, either with new business design (e.g., ICOs) or conventional industries attempting to adopt the technology to either transform the industry or beat or simply keep up with disruption. In either case, be it transformation or disruption, the business of blockchain networks, underpinned by blockchain technology tenets, needs an economic model to thrive. The disruptive worlds pair technology investments, talent, and market synergy with the lure of incentives economics; for instance, most ICOs (regardless of their distinction of securities versus utility tokens) rely on tokenomics—which essentially describes the economic system of value generation in the network. Essentially a unit of value that the system or the network creates either by creating a platform for providers and consumers or co-creating a value network that is self-governing in its business model and empowers various entities to leverage the network to their advantage by facilitating the creation, distribution, and sharing of rewards, benefits all stakeholders.

The ICO front, which has surpassed early-stage VC funding by raising over 1.2 billion USD and is largely funded by crypto-assets (or cryptocurrencies, which collectively reached a market share of 500 billion USD), is not only reflective of defying current fundraising mechanisms (which were led by crowdfunding and kickstarter projects), but the shift of various ICOs struggling to discern between a security and utility coin (to meet the regulatory litmus tests) is in itself disruptive in principle. These ICOs are creating an economic system based on a model that embarks on principles of decentralization and open governance (self-governance in some cases), transparency, and embracing a system that rewards innovation and roots out disintermediation from its core. Despite initial failures and some success around ICOs, it is a preview of what is to come, and crypto-assets then take center stage as a basic unit of value—valuation and fungibility are defined by the network they originate from, fueling an innovation-based economy.

On the enterprise side of the divide, the focus was on understanding the technology and reimagining the ecosystems, business network, regulatory compliance, confidentiality and privacy, and business models that impact industry networks. The focus was on quick proof points, projects that can show quick results and progress the innovation agenda with blockchain. Industries have embarked on a move to symmetric dissemination of information, with built-in control around transactional data enciphered in blockchain, providing provenance and historical context leading to efficient workflow and business process transformation. Ironically, most projects did not focus on core blockchain tenets, leading to disintermediation, decentralization, and robust self-governance models, and there is a good reason for it. Most industries and conventional businesses are focused on their current business models, business growth, current agendas, and above all, regulatory compliance and adherence; embarking on disruptive

models can not only be invasive but also disruptive to current business operations. There is also a learning curve, as many of us engaged with regulated industries recognize that there are design considerations to address, such as confidentiality, privacy, scalability, and performance, which are becoming not only interesting problems to solve but also have significant cost implications on network design, as well as the business models that govern these business networks. These interesting challenges have had a positive impact on conventional and regulated industries and businesses, and have reenergized the innovation agenda and allow for the best talent to focus on industry and technology challenges. Businesses have recognized that blockchain technology-driven ecosystems and business networks will become critical success factors in a progressive agenda.

The permissioned network, which is the realm for regulated, conventional, and enterprise business networks, may also have to embark on a journey of uncovering the right incentive and economic model for enterprises and organizations to join a platform that leverages the notion of creation, distribution, and sharing of rewards benefitting all stakeholders. While not all conventional business and industries can blindly adopt the economic incentives of tokenomics (either due to product catalogues, legacy systems, or regulation, or simply the will of the participants), it is imperative that industries start the journey to explore the right business model that will not only enable value creation but also elevate the modernization efforts that many industries desperately need to combat disruptive forces.

So, while 2016–2017 was all about disruption, education, understanding, investment, and business models, **2018 should be about maturity** and reaping the benefits and promise of what we as an industry set out to achieve—an efficient system with built-in trust. After all, the genesis of this conversation was around disintermediation, speed, trust, and transparency leading to an efficient marketplace built on efficacy of technology application. I would like to go back to basics and focus on the fundamentals of time and trust and the blockchain tenets of trade, trust, and ownership. After all the engagements, I realize that we still need to focus on fundamentals so as to truly engage in a digital transaction system that includes (but is not limited to) verifiable digital identity, tokenization of assets (into digital assets), and digital fiat (as another digital asset as a settlement vehicle), to ensure that we are covering the bases of societal elements, such as verifiable claims, non-repudiation, defining and verifying ownership, mapping physical assets to digital assets (through tokenization), and ensuring that the governance system is the result of a robust system design that not only prevents wrongdoing and fraud but also ensures instituting confidence in an economic and financial system that is ready for a digital age.

My Focus for 2018

1. **Digital identity** as a foundation technology to ensure the trade and ownership tenets of the blockchain system.

- 2. **Digital fiat** to address the last-mile issue of settlement for every financial transaction and financial service use case.
- 3. **Asset tokenization** to ensure that digital manifestations reflect real-world assets.
- 4. **Security design of the blockchain system** to address non-repudiation, privacy, confidentiality, and verifiability of claims with consent-driven models.
- 5. **Business of blockchain business models** to ensure that regulated and enterprise systems can find a befitting business model to progress the agenda of blockchain-based business networks.
- 6. **Governance model** from self-governance networks to consortium-defined semi-autonomous governance structures. Again, find a befitting governance model to progress the agenda of blockchain-based business networks.

In conclusion, forging ahead with blockchain in 2018, my focus will on blockchain technology and transforming industries, government, and our lives. One way I aspire to achieve this goal is to work with industry experts and business leaders to define designs and standards not only for broader understanding and acceptability, but for adoption. In my work and engagement, I have learned that robust governance structures, digital identity, and digital fiat (assets) are foundational to fulfilling the promise of blockchain, regardless of which side of the divide we are on. And while we see meteoric rises in market capitalization and fundraising efforts, we should not forget the genesis block of an idea to a system that is free of intermediaries, fraud, and inefficiencies, toward a system that is economically inclusive.


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Rodd Mann
Investor and Management Consultant at Rodd Mann Consulting

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Great article, well written and spot on, thank you for this Nitin. The asset side is like the wild, wild west and will take some time to settle into an inevitable single global digital currency (I may be too optimistic but this scenario would solve so many fiat currency problems.)

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Gary Corsale
Specializing in growth of Security Partners: Bulk Acquisitions and Exit Strategies for the Security Industry.

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Many parts of the eco system will become more apparent as drivers. The Blockchain is only successful if people participate. The blockchain is not one entity. You can have a blockchain for bitcoin or lite coin, each ICO is it's own eco system. I think at some point people will need commercial miners like MGT (mgcti.com)

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MGT Capital Investments, Inc
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Nitin Gaur

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