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Digital GOLD

TODAY TANYA OF UNBOUND IS SPEAKING WITH *J. Bradley Hall*

FOUNDER,CHAIRMAN & CEO OF ICON CAPITAL RESERVE SA.

GOLD BACKED DIGITAL CURRENCY

Tanya: Hi Brad it is great to reconnect with you after seeing you when spoke at the Citizenship Summit event in St Kitts.

Brad: My Pleasure Tanya, I know both John (Gainor ICON-COO) and I really enjoyed St Kitts and Nevis.

Tanya: I recall from your presentation you were talking about digital currencies and gold, topics that are important to our readers, so let's start there. What is all the fuss about Bitcoin?

Brad: Tanya that is great place to start. Bitcoin is certainly the most well known of about 500 digital currencies that have been recently launched. Admittedly most of these are a bit of a joke (pun intended) but Bitcoin is being taken seriously as there are now about US$5 billion of the tokens circulating.

Tanya: Brad, so Bitcoins are tokens that circulate on the web. Is that correct?

Brad: Well sort of. Bitcoins are actually a catch all that refer to the tokens but also the protocol or block-chain that the tokens are registered on. Now stick with me here. The block-chain acts like a distributed ledger system or a global financial database where you can digitally make ledger entries and the tokens represent those ledger entries and can be exchanged between parties in a transaction.

Tanya: And these tokens have traded for as much as US$1100 right?

Brad: That's correct and now they have dropped about 70% year over year, so they are currently trading at US$325.

Tanya: Ouch. That must sting. So let's say I had my tokens last year and they have gone off a proverbial cliff. What can I exchange them for?

Brad: I'm glad you asked that. Perhaps you can find someone who will give you US$325 for them. Or you can exchange them for an asset that someone wants to sell.

Tanya: So the coins themselves have no real or what do they call it? Intrinsic value?

Brad: Correct. We can talk about the difference between price and value all day.

Tanya: But what about those guys, I think they call one of them Bitcoin Jesus, who claim that Bitcoins are going to a million dollars?

Brad: (laughing) Ah yes, you're referring to Roger Ver. And I actually bumped into him in the Islands after the conference. He is a bright guy and has been involved since early on and I would place him in the category of those who think there is more upside than downside with the tokens.

Tanya: That seems a little crazy to me.

Brad: We agree on that point. In fact the federal reserve was quoted as describing BTC tokens as "an electronic token without reference to any underlying commodity or sovereign currency, and is not a liability on any balance sheet. Owning bitcoins amounts to nothing more than having the ability to move these bitcoins in the Bitcoin ecosystem. As such, a bitcoin has no intrinsic value." We at ICON agree and see the tokens as a claim check with nothing to claim.

Tanya: So what will happen to all these tokens if they crash?

Brad: Well I suppose that is why there are two sides to every trade. Those going long and those going short. Keep in mind the tokens themselves have proved that the blockchain works but they have no intrinsic value. I'll dip into my book of metaphors for a moment. Imagine that the block chain is a giant virtual safety deposit box. The keys to the box are the tokens and in the case of Bitcoin tokens the box is empty.

Tanya: Presumably you can put something in that box though?

Bead: Exactly! And that is where this gets interesting. What we at ICON do is take those tokens and redefine them. We turn them into DIGITAL BEARER BONDS™ (DBB's) and use applied mathematics to create a description of what the bonds can be redeemed for. For example we have created DBB's called AUREALS™ that are defined as a 1 gram weight and measure of gold. Now you have tokens that have universal value and we actually vault gold in free zones around the world that you can exchange the AUREALS™ for.

Imagine that the block chain is a giant virtual safety deposit box

Tanya: This sounds like modern day alchemy.

Brad: (laughing) In a sense it is. We can take any set of cash flows or real assets and create a description for them using applied mathematics. Again using math and encryption we register these assets in the block chain and then issue digital tokens we call DIGITAL BEARER BONDS™ that are like your keys to that virtual safety deposit box I described earlier. Once you have registered the assets and have the keys, you can trade them securely and discretely anywhere in the world, in seconds.

Tanya: So If someone in Russia or China for example wants to transfer funds from their country, they can use your DIGITAL BEARER BONDS™ called AUREALS™?

Brad: Exactly! We utilize the most cutting edge cryptography to create a secure and discrete way to exchange value and we marry it to gold, the worlds most trusted store of value.

Tanya: I just had a light bulb go off. AUREALS™ could actually be an alternative to SWIFT?

Brad: A quicker and much more cost effective alternative I might add.

Tanya: So why would anyone use the bitcoin tokens when you appear to offer all the function and utility of the tokens and the added value of gold?

Brad: The short answer is they wouldn't and in fact we are offering existing bitcoin token owners the ability to seamlessly convert to AUREALS™, which with fungibility with gold, offer a real store of value.

Tanya: Very cool. What else can I use AUREALS™ for?

Brad: Well we are working with a group in Switzerland to convert every financial instrument currently traded into an algorithm that we can register on the block chain and trade. Think about that for a second.

Tanya: Ok now I'm having visions of JP Morgan and Goldman Sachs. Are there use cases for AUREALS™ for our readers interested in Second Passports?

Brad: Yes there certainly are and this is a dialogue we have just opened with a number of Caribbean government officials. You may agree we have 3 key constituents in the world you operate in.
First, are your customers, who can purchase AUREALS™ using RMb, Roubles, USD$ or any currency they use in their home country. So let's say they purchase US$400k of AUREALS™ in Shanghai using RMb. This is now secure and discrete and can be transmitted anywhere in the world in seconds.
The holder has been issued two encrypted keys to the AUREALS™ (US$400k worth) sitting in the virtual safety deposit box. The same amount of gold is sitting in a non bank vault in the free zone in Shanghai, Singapore or Hong Kong.
Second are the developers who are marketing the passport-approved projects. A buyer can deliver one of the two keys to the developer who can verify (again in seconds) that the AUREALS™ (US$400k worth) have been registered in the block chain or distributed ledger system. Once registered they are what is referred to as atomic and that means no charge backs.
Third are the governments who process the applications. We could even register the applications, id, police checks, everything in the block chain which is encrypted and can only be viewed by the holder of the keys which could be sent to the government in seconds. When the applicant is approved, they send the 2nd key to the developer who now controls the AUREALS™. They can be used to pay suppliers, buy land, distribute dividends or converted to gold or USD$ or EC (or any other currency) on the island.

Tanya: It sounds like you remove the friction in a process that can get complicated.

Brad: Indeed we do. Seamless exchange of value, securely and discretely.

Tanya: The gold also offers insurance if things get choppy in the world economy as many expect.

Brad: Indeed. Gold is unique as a store of value. Holding gold and AUREALS™ is fatca compliant which is increasingly important and of course, think about the implications for local governments to accept AUREALS™ in their donation programs.

Gold is a tier 1 reserve asset. Think of local island governments issuing AUREAL™ denominated bonds. The gold fungibility would probably drop yields from 15 or 16% to 4 or 5%. But I digress.

Tanya: I really had no idea how powerful the implications of AUREALS™ are. Will you come back and speak with us again in our next issue?

Brad: It is my absolute pleasure. We at ICON are changing the way that people can think about creating, trading and storing value and hopefully this was a thought provoking introduction into some of the possibilities.

Tanya: It was. Thanks again Brad!

J. Bradley Hall. Brad is the architect behind the launch of a number of successful companies and enjoys a reputation as a focused, energetic entrepreneur with 28 years of finance, M&A, operational, gold trading and fund management experience. Brad is a thought leader who has deployed disruptive new business models that challenge out dated and often vulnerable incumbents across cultures and geographies including: the Americas, Brasil, Western/Eastern Europe, the CIS and Asia. Brad's extensive experience includes various successful start ups and hedge funds with investments in digital currency and physical gold trading, as well as pre-IPO software fund and a pioneering automated software factory. He is currently the Founder, Chairman and CEO of ICON Capital, which is launching a new digital currency based upon physical gold assets. Brad graduated from Seneca College in Toronto where he focused on International Business, Finance and Economics.

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Currency Wars

IS ANYONE WINNING?

BY BITB

It was the strangest of times, it was the… Oh well, I'm not sure I can complete that using any statement that might have you believing that there is any "normalcy" left in the markets these days.

Keynes would be downright proud of the current central bankers' attempts to inflate, devalue, quantitative ease, etc. each country's or union's economy into near oblivion. Keynes envisioned a world currency that he named the Bancor which would be controlled by one world central bank. He felt that with such an instrument in place the world would be able to inflate and borrow as needed to "smooth out" the highs and lows of a world economy.

Currently, the central bankers seem to be attempting to do this in unison with their various currencies. We see attempts to devalue the dollar, the euro, the yen, the yuan and other currencies in an attempt to do what exactly nobody seems quite certain. Those in power in the various countries and unions will say that they are attempting to make their currency weaker in order to boost exports. (The logic being that if your currency is weaker it takes less of the other's currency to purchase your widgets.) But in reality does that make sense?

I will give Keynes credit for one thing though—Keynes always wanted a balance—with the governments and central banks going into debt during hard times and then catching back up during times of surplus and plenty. Modern so called

"Keynesians" operate under no such restrictions—they are happy to print and borrow in the good times as well as in the bad.

I recently sat on a plane from Montreal to Toronto next to a Mr. Brown. We struck up a conversation and I asked him what he did for a living. He explained that he sold Japanese equities. When I asked how business was, he said that with the new central bank policy "things are booming! We haven't had this kind of interest in Japan for two decades."

So, what can we draw from that brief exchange? Yes, the leaders of the countries and unions are correct when they say that by weakening their currency they hope to boost exports. But that is only half the truth. By weakening the yen the Japanese are attracting strong new investments. Because you can get so much more now for your dollar, euro or pound than you could before when the yen was stronger.

Currency and War

Central bankers understand this all very clearly. Every major country and union is attempting to manipulate their currency and "out-manipulate" the others. New economic unions such as BRIC are coming of age and attempting trade without using the US dollar for settlement. China and Russia have reached agreements (both with each other and with other countries) to settle in their own currencies and not use the U.S. Dollar.

What will the end result of this all be? Honestly I am no prophet. But looking back in history we can see times when countries devalued their currencies and it never ended well for them. What we have never seen is a time when all major currencies are attempting to devalue at the same time. I do not think that this bodes well for the 99 percent of us who are not the super wealthy regardless of where we might live. As currencies devalue and banks offer no interest to depositors, those on fixed incomes or living off savings will end up on the short end of the rope with little buying power.

I would not be surprised to see the world wake up one day and see a major equity market bubble burst in connection with a commodity scramble causing virtually all goods to rapidly increase in price. That or those in power might just be hoping to solve it all the old fashioned way—a real war.

Modern so called 'Keynesians' operate under no such restrictions—they are happy to print and borrow in the good times as well as in the bad.

Each central banker knows and understands this. These funds flow into the equity markets—boosting virtually all indexes to all time highs. But are these real highs? No, it is money finding the path of least resistance. Like water, money will always flow to the deepest, lowest pool—given the right path. It is this path of devaluation that the central bankers are digging each time they quantitatively ease or lower the central bank lending rates.

Sadly it is mostly a paper game that is being played. While equity indexes hit all time highs on lower earnings and record low employment in many countries such as the US and many European Union members we are also seeing the commodity markets ravaged. Not only ravaged, but decouple from reality as gold trades for $400 to $500 per ounce higher than the spot prices in countries like India and China. How long can that continue?

BULWARK IN THE BREACH holds a degree in finance from Brigham Young University, an MBA from Pepperdine University and has 25-plus years of experience as a financial analyst, CFO and COO for domestic and international companies.