

Open vs. Closed Networks

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Bitcoin's price nearly broke \$4,000 yesterday, a level it hasn't seen in six weeks. Some said it was a delayed reaction to news that JPMorgan was rolling out a cryptocurrency, but a late response would be unusual. Still, as we all know, there has never been anything typical about bitcoin markets.

Below, we take a closer look at JPMorgan's big reveal, and whether its cryptocurrency looks more like the future of digital payments than bitcoin does. Plus, we delve into blockchain-based gaming, an area that has been the subject of a lot of hype. The road to a blockbuster crypto game might be longer than many hope.

A Bitcoin Rival?

Last week, when JPMorgan unveiled the blockchain-based payment system it will use to settle transactions between clients, many in the crypto industry had the same reaction: That isn't a real cryptocurrency.

JPMorgan's digital token, called "JPM Coin," can be transferred instantly among its large corporate clients and later redeemed with the bank for traditional currency. The idea is to eliminate delays and fees associated with settling cross-border transactions using international wire transfers.

JPMorgan has said it also could foresee allowing its token to be used for web payments—a market that would include all e-commerce—though it didn't specify whether that offering was meant for everyday consumers.

All this sounds a lot like a cryptocurrency. But JPMorgan's token will run on a private blockchain, inaccessible to anyone who isn't transacting with the bank. That gives JPMorgan total control over the network, meaning its clients will have to trust that it won't mess with the system.

In contrast, major digital currencies like bitcoin operate on networks that can be used by anyone.

Given that distinction, it might be going too far to claim that JPM Coin is a bitcoin killer. But as other companies, like Facebook, explore the use of blockchain-based payments for their own purposes, the question remains: Does the future of digital payments look more like bitcoin or more like JPM Coin?

There is a compelling case for the latter—at least in the near term, according to Diego Zuluaga, an analyst at the libertarian Cato Institute who studies cryptocurrencies. Any company with the scale of JPMorgan can benefit from launching its own currency backed by dollars, which would

lock in users to spending that currency within its network. Consumers may find that the convenience of using a token is worth entering a closed payment system.

(The new JPM token might pose a more immediate threat to Ripple's XRP, which was designed to smooth large transactions across borders. Ripple insists users will prefer its open network to a closed system like JPM Coin.)

In the long run, the innovation that occurs on public networks like the one used by bitcoin will create better alternatives to JPM Coin, Mr. Zuluaga said. Efforts like Lightning Network make bitcoin easier to spend, but its uses remain limited for now.

Blockchain Gaming Gets a Reality Check

While much has been written—including by me—about the benefits of blockchain gaming, one of the most prominent entrants into the sector says there is still a long way to go before mainstream games will use cryptocurrency. According to Nicolas Pouard, who helps run French video game developer Ubisoft's blockchain initiative, it will likely take years to clear the regulatory and technical hurdles keeping the company from integrating blockchain technology into its games.

The maker of games like "Assassin's Creed" has been exploring applications of blockchain in its titles, and will soon have seven employees working on its blockchain initiative. The company has sponsored hackathons for developers to create blockchain-enabled games and even developed its own prototype of a blockchain game called "HashCraft."

In an interview, Mr. Pouard discussed what Ubisoft sees as the potential of blockchain, and outlined some of the ways it could use it to improve its games. For example, the company could tokenize digital rewards and game tools, which could prove the items' scarcity or a record of their previous owners. Using tokens also could allow the game developer to create items that were interoperable across many games, and even allow fans to create new games in which they could use those items, Mr. Pouard said.

Regulation is still a roadblock to carrying out some of those applications, Mr. Pouard said. Countries have vastly different approaches to cryptocurrency rules, which could make it difficult for users to trade token-based items.

Another challenge is finding the right network for the games to use. Ethereum has proven to be the most reliable, Mr. Pouard said, but the company hasn't settled on one. The game would have to run on a public blockchain for the features to work, he added, eliminating the possibility that Ubisoft would choose to roll out its own blockchain, à la J.P. Morgan.

Deals Overview

Coinsquare, a Canadian cryptocurrency exchange, acquired StellarX, a trading app for the Stellar cryptocurrency network.

Coinbase acquired Neutrino, a company that specializes in analyzing data on public blockchains. Neutrino will help Coinbase fight fraud, the exchange said.

Recruit, a Japanese company that provides human resources services, invested an undisclosed amount in Beam, a startup using blockchain technology for data privacy.

Regulatory Watch

A federal court in California issued an injunction against Blockvest and its founder for conducting a fraudulent ICO, in a reversal of a previous decision.

Indian authorities arrested a group of people who had scammed investors out of around \$14 million by promising high returns on a cryptocurrency investment.

From the Blogosphere: Crypto-Rial

An emerging story in crypto has been Iran's intention to roll out a state-backed cryptocurrency, which it could use to get around international sanctions and trade with allies like Russia. In this report, CipherTrace, which specializes in identifying money laundering and other criminal activity on blockchains, analyzes some of the ways Iran could benefit from a cryptocurrency—including “increased surveillance, taxation, access to global financial markets and evasion of sanctions.”

The Jobs Board

Xiangfu Liu, co-founder of the mining hardware firm Canaan, stepped down from the company's leadership.

James Powell, CTO of enterprise blockchain company Digital Asset, left in January, weeks after its CEO, Blythe Masters, stepped down.

Charles D'Haussy joined ConsenSys as director of strategic initiatives to oversee the company's expansion in Hong Kong.