

## **WE HAVE BEEN AT THE LONDON FINTECH WEEK AND THIS IS WHAT WE LEARNT**

On 8-9 July 2019, a major fintech event was held in Central London, whereby multi-nationals, innovation firms, disruptive start-ups, governments, regulatory authorities, media and investors gathered to discuss the latest trends and opportunities as well as the challenges and future for fintech.

Studio Legale Carbonetti e Associati was there and here are the key themes we found interesting.

### **BLOCKCHAIN IS HERE TO STAY**

- it certainly represents the “hottest” fintech topic at the moment and will certainly remain so in the medium-long term
- from banking to digital payments, from agriculture to real estate transactions, blockchain is thriving and being used by innovation firms and investors in the most disparate areas with very successful and promising results
- while blockchain offers numerous benefits to business like decentralization of transaction validation, transparency and trust, immutability, quicker deals and cost savings, it also raises a wide-range of new legal issues to be fully considered by investors and entrepreneurs when deciding to invest in it or other related business
- the recent enactment in Italy of a legislation specifically tailored to govern blockchain has been signaled as a key positive factor when considering to invest in Italy

### **ASSET TOKENIZATION: ON THE VERGE OF A NEW FINANCIAL REVOLUTION?**

- tokenization of assets refers to the innovative process of issuing a token that digitally represents a real tradable asset thus transforming illiquid goods in liquid ones, in many ways echoing the traditional process of securitization but with a modern twist
- just to name a few: buildings, arts or luxury cars (and even beer) markets are expected to be hit by tokenization; this promises to enable owners and investors to instantly transfer the ownership of goods while benefitting of blockchain’s transactions security

- at the end of June, a building in Paris made history by becoming the first ever European property to be sold entirely via blockchain transaction
- London-based 20 | 30 Ltd has become the first UK company to successfully complete the tokenization and issuance of their equity as part of an FCA sandbox
- lawyers and regulators are expected to find innovative solutions able to assure the legal enforceability of tokens ownership and rights

### **REGULATION: A SANDBOX IS BETTER THAN NONE**

- innovations are many and laws and regulations shall play a significant role in shaping the industry and attracting the talents
- industry players have expressed a strong preference for markets whereby the setting-up of start-ups is fostered through a phased application of the regulatory and legal framework
- in several cases, the existence of a “sandbox” has been named among the determining factors for start-ups when choosing the country to start a business in
- “sandboxes” have been launched by the FCA and recently the same has been made in Italy, where this innovative legal tool was introduced by statute and is expected to be in force soon
- due to a business-friendly legal framework, a vibrant fintech environment has been developing in Italy (1000+ fintech start-ups just in Milan). Italy is firmly considered by developers and investors as one of the main European fintech hubs

### **CRYPTOCURRENCIES, THE (SO FAR) DARK SIDE OF THE FINTECH MARKET**

- pleasure and pain of many of the cryptocurrency traders, bitcoin remains one of the most discussed fintech-related topics
- despite the recent strong volatility, analysts have observed a positive and significant increase in use of bitcoin in lawful activities – although illegal users still control around one-quarter of all bitcoin addresses and one-half of bitcoin transactions are still associated with illegal activity

- it thus comes with no surprise that many of the regulatory concerns spanning across the globe are focused on their use in illegal trade (drugs, hacks and thefts, even murder-for-hire), potential to fund terrorism, launder money, and avoid capital controls
- the expected issuance of Lybra raises several concerns among the investors, particularly in relation to data breach issues and the centralized form through which the underlying distributed ledger technology shall be managed
- China has recently banned residents from trading cryptocurrencies and made initial coin offerings illegal whilst central bank heads have publicly expressed concerns about cryptocurrencies
- the challenge ahead consists in creating a financial and legal ecosystem whereby the dark sides of cryptocurrencies shall be outnumbered by the positive ones

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