

The world according to Lykke - natural capital and blockchain

Swiss company Lykke is a key advocate of cryptocurrencies, blockchain technology and tokenisation. Why? Because, as Lykke director Seamus Donoghue explained to the audience at the Hubbis Digital Wealth Asia event on November 9, blockchain is where wealth management collides with the digital world to create a new transactional universe.

[Link to Slides](#)
[Link to Article](#)
[Link to Event Homepage](#)
[Link to Content Summary page](#)
[Link to Photos](#)
[Link to Video Highlights](#)

LYKKE'S MISSION IN LIFE is to digitise and tokenise all assets onto blockchain. Not just some assets. All assets, Donoghue explains: "Blockchain is a single global record that is free and accessible to everybody for all transactions. As such it is unfalsifiable, undeletable and there is no intermediary required."

Trust? Who needs it?!

Donoghue observes that financial markets are designed around building trust because you cannot trade with those you do not know or trust. "But suddenly with blockchain it is easy for peer



[SEAMUS DONOGHUE](#)
Lykke

to peer transfer of value. This is revolutionary in the financial markets.”

Bitcoin is not blockchain, he explained, it is what he describes as the first ‘killer app’ in this space. Valuation aside, he said it has interest for the roughly 175 countries in the world that do not have fully functioning banking and payment systems. The top 20 countries in the world do not necessarily need bitcoin, but it has risen to a point where it proves that value can be created via blockchain technology.

Blockchain threatens to make obsolete the entire ‘trust’ infrastructure built in the past century or more. “Many of these trust elements become redundant as you can have instantaneous peer to peer settlement between two strangers, full confidence that an asset is transferred directly and immediately through settlement of the blockchain,” he clarified.

Public and immutable

“It is a public ledger, allowing everybody to access it. As such, central counterparties, clearing members and other elements can disappear, dramatically reducing the cost of transacting and the universe it can cover is literally that, everything.” Moreover, it is accessible via a mobile phone or other mobile device, there is no need for vast computing power or enormous user sophistication. “The implications for global banking are huge,” he believes.

Donoghue also turned his attention to Ethereum, the second most visible cryptocurrency. “A

different approach in this case,” he explained. “It is effectively a world computer, an open innovation platform built on the internet.”

ICOs beat down the gates

The arrival of such a decentralised autonomous organisation with fully automated governance and global stakeholders gave birth, Donoghue extrapolates, to another ‘killer app’, namely the initial coin offering (ICO) market, now giving birth to what Donoghue estimates might be up to 500 ICOs a week.

“The takeaway here is that the traditional gatekeepers of early stage finance and venture capitalists can, and have, been disintermediated,” he explained.

“Now, the innovators are able to raise money directly without the traditional dilution and loss of control you have with the VC market. Conversely, VC can now get instant liquidity as soon as the fund raising happens, as the tokens are tradable on digital markets.”

Donoghue also stepped into the debate of what defines a currency. “If you digitise things you can achieve a digital barter economy, where everything can be digitised and traded instantly in a tokenised form, so this has vast implications for markets.”

As natural as the air we breathe

And he also touched on the digital wallet. “There are an estimated 20 million wallets today and the volume is growing exponentially, especially with the recent arrival of bitcoin futures.”

This led Donoghue to explain

what Lykke means by ‘natural capital’. “It is kind of utilising crypto-economics to incentivise correct behaviour in our environment. So natural capital is like the air we breathe.”

Roots for a better future

He illuminated this view by reference to Lykke’s work with a group called the Worldview International Foundation to create a TREE Token. “This is a currency, it can be listed in a digital wallet, traded against any other asset, think of a TREE backed coin, bitcoin backed by blue mangroves. So, we have created a token which effectively will collateralise those blue carbon credits.”

This might all sound extraordinarily complex and fantastical. But it has a simple application. “Tokens,” Donoghue adds, “convert to trees and carbon credits that are shared with the farmers.”

Lykke has helped plant over 3.5 million and plans to expand this to Sri Lanka and other countries, especially where there has been enormous degradation of mangroves, which are hugely efficient at producing oxygen and thereby reducing carbon.

Lykke is also working on Solar-Coin, an idea to fund and incentivise solar energy production for the decades ahead. “The possibilities seem vast, as an individual with the click of a button can impact climate change instead of waiting for governments to do something.”

Donoghue concluded with a reiteration of the Lykke creed - the blockchain is here to stay and the world is changing for the better. ■



DEMYSTIFYING THE DIGITAL CORPORATION – WHO, OR WHAT, IS LYKKE?

Lykke is a FinTech company, effectively a movement to build a single global marketplace with equal access for all. They start with a foreign exchange and expand to equities, fixed income, commodities, and other asset classes. Lykke Corp, incorporated in Switzerland, issues its shares in the form of Lykke Coins on the blockchain.

Lykke has subsidiaries in Vanuatu, Cyprus, and London. It develops a trading platform and the company's subsidiaries, licensed as financial companies, provide broker and trading services for clients. The firm reports that all possible asset pair types are tradable: fiat fx to fiat fx, fiat fx to crypto, and crypto to crypto.

Lykke claims that it bridges conventional finance with digital assets on the public blockchain. To ensure this, it plans to be fully compliant with the regulatory regimes in all jurisdictions where Lykke operates. Company literature explains that 'In the grand scheme, banks may act like digital assets issuers, liquidity providers, and payments facilities'.

Lykke reports that it is much more than a traditional securities business. They believe that, in the future, many assets will be digitised, from real estate to freelance time, to music IP rights, to rent, to private equity, project financing, bonds, community coins, and many others. Their users will be able to trade them all.

Lykke makes its 'money' by providing liquidity, issuance services, and consulting. The commissions and fees for Lykke Wallet, its mobile wallet application, are essentially zero.

Lykke chose the United Kingdom for a multilateral trading facility license because it believes the UK provides the best-in-class regulatory environment for this kind of trading facility for institutional clients. The compliance is onerous, but the firm says it enables us to streamline the processes and operations to provide a high-end service to clients.

Lykke operates as a crowd-based company, reporting that the corporate organisation is inspired by the mechanisms of nature and its unmatched efficiency. The crowd-based approach opens the organisation to contributors from around the world and provides Lykke with speed and versatility.

The company also uses open source, maintaining that the software nurtures transparency, enables people from around the world to contribute, and makes it easy to integrate their services with other applications. While this opens the door to anyone using the software and competing, Lykke believes the space needs to be competitive and states that the software code is only one of the ingredients that makes Lykke special.

Lykke aims to make its revenues not through commissions, which are zero, but from value-add services such as liquidity provision, issuance services, white-labeling, and B2B consulting. Its goal is to become profitable first by its focus on FX, where the daily volume is US\$4 trillion, stating that Lykke will be a profitable company with a market share of just 0.025%.

The firm's unique selling proposition as expounded in their literature is that its marketplace is highly efficient and seamless. The firm states: "We provide immediate delivery and settlement; there is no secondary risk as is typical for the traditional banking system."



Natural Capital, Blockchain, and the Future of Wealth Management