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PRECIOUS METALS

Should the Bullion Industry Embrace or Dismiss Blockchain Technology and Cryptocurrencies?

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Why are we having this discussion?

For the last 2 years I've witnessed the growth of crypto markets and the spread of the blockchain technology that underlies them.

I've also seen how the bullion industry developed a suspicious outlook of both, and that led me to wonder

WHY?



What is Blockchain?

- Blockchain is a technology for digitised, distributed and decentralised public ledgers.
- A blockchain is a single, shared, tamper-evident ledger - once recorded, transactions can't be altered.
- All parties must give consensus for new transaction to be added to the ledger network.





What are Smart Contracts?

- Smart contract are computer protocols - CODE.
- They facilitate, verify, and enforce terms, negotiations or performance of a contract via execution of code.
- Smart contracts allow the performance of credible transactions without third parties.
- Transactions are made on a blockchain, and are therefore trackable, verifiable, and irreversible.

With smart contacts, clauses may be made partially or fully self-executing, self-enforcing, or both. Unless certain conditions can be verified digitally as being met, the contract cannot be executed.



What are this technology's benefits?

1. Transparency
2. Security
3. Traceability
4. Speed and efficiency
5. Reduced costs



Benefits for Supply Chain Management

1. Fraud elimination
2. Error reduction
3. Inventory management improvements

A background image showing several gold bars and a large Bitcoin coin. The Bitcoin coin is in the foreground, partially overlapping the gold bars. The text is overlaid on this image.

Bullion Applications: Mining to Refining

#1 Traceability

Congo's cobalt mining

- Addresses political and economical issues.
- Helps enforce cobalt mining industry compliance with regulations preventing child labor.

TrustChain - A platform that tracks and authenticates diamonds, precious metals and jewelry at all stages of the global supply chain, from the mine to the retailer.

A background image showing a large Bitcoin coin in the foreground, partially overlapping several gold bars. The Bitcoin coin features the 'B' symbol with two vertical bars and the word 'BITCOIN' around the perimeter. The gold bars are stacked and have a textured surface.

Bullion Applications: Transportation

#2 Documentation Efficiency

Easy coordination of documents on a distributed ledger, make physical paperwork largely unnecessary.

TradeLens



#3 Gold Bar Integrity, Security and Authenticity

Bullion Applications: Production

The LBMA has issued an RFP to further strengthen gold supply chain integrity:

- Builds on the LBMA's Responsible Sourcing programme.
- Proposes use of a blockchain to secure supply chain provenance.
- Aims to minimise fraud and security breach risks.

Phase 1 will focus on kilobars & large bars.

Blockchain backed Supply Chain Technology will mitigate risks faced throughout the life cycle of a bar, and will securely record bar specific data (i.e. brand, origin, custody, location) on an inviolable platform.

A large Bitcoin coin is the central focus, resting on a surface of rough, light-colored stone and dark, textured wood. The coin's design, including the 'B' symbol and the words 'BITCOIN' and 'DISTRIBUTED', is clearly visible. The background is dark, making the coin and the natural textures of the wood and stone stand out.

Bullion Applications: Trading

#4 Speed

Financial settlements in cryptocurrencies

The background of the slide features a close-up of a gold Bitcoin coin with a circuit-like pattern, resting on several pieces of raw gold bullion bars. The text is overlaid on this image.

Bullion Applications: Retail

#5 Accessibility

The holy grail is a gold backed token:

- Makes the gold market accessible.
- Easy and safe purchase of bullion.
- A Stable cryptocurrency.

Over 20 projects are currently in development.



The Precious Metals Industry and Blockchain: A Conclusion

- The industry is very traditional, but perceptions are in flux, and we're at a point where key players are taking active steps towards adoption.
- The promised benefits for reduction of fraud, errors and misinterpretations, are too great for the opportunity to be ignored.
- The result of adoption may be unprecedented boosts in trust, credibility and efficiency.
- Many aspects of bullion supply chains will benefit (bar tracking, inventory management etc.), others will by necessity, remain "old school"

There's still a way to go - We need a unified set of rules and an entity to enforce. Perhaps the LBMA?...



Thank You

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