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TRENDS & FORECASTING

The Video Game Revolution Has Only Just Begun

By Nicholas West

As you might have gathered, the above image is not a concert or traditional sporting event. The video screen in the center displays the 9th annual 2019 League of Legends World Championships held across Europe this past year from October 2 - November 10th.

The final round sold out the 15,000-seat arena in Paris; but more impressive was the milestone of cracking 100 million viewers who tuned in online during the multi-round course of the event.

According to *Business Insider*'s report, the winning team took home close to $1 million. These numbers are set to trend even higher as "The world's most watched esport event" is heading to Shanghai in 2020 where a 55,000-seat stadium is set to be filled.

These are Super Bowl numbers – and yet, it's merely the tip of the iceberg for the video game industry. In fact, while the Super Bowl can still compete with League of Legends' final event (also drawing an estimated 100 million viewers) video game revenue has surpassed the *combined revenue* of the NFL, NBA and MLB. E-sports, similar to "real sports," has become further legitimized through dozens of university scholarships now available.

Furthermore, a shift has taken place from video games being a geeky activity normally enjoyed alone or with maybe a few friends into mega communities of gamers who now can connect through faster internet speeds and their attendant streaming services. All of this is helping the industry to now crush the numbers produced by Hollywood and the music industry. However, like any economic, technological and cultural revolution there is bound to be upheaval.

Caveat

First, the elephant in the room: coronavirus COVID-19. The video game industry consists of a diverse group of technologies reliant upon human resources, manufacturing and distribution, all of which are already being impacted greatly by this outbreak. Moreover, Asia is by far the leader of the industry with China and Japan at numbers one and two representing double the revenue of the next leading market, North America. *Statista* just issued a

report in January detailing the amazing growth in Asia over the last 10 years.

> In 2018, the Chinese video game industry revenue reached 214.44 billion yuan (approximately 31.42 billion U.S. dollars), which represented a staggering growth of 195.9 billion yuan (about 28.71 billion U.S. dollars) since 2008. Japan, which is home to gaming giants such as Nintendo and Namco Bandai, is in fact the second largest gaming market in Asia Pacific. As of January 2019 the country's gaming revenue amounted to 17.715 billion U.S. dollars. South Korea has also confirmed its place amongst the leaders in the Asian region, with its game industry revenue valued at nearly 5.8 billion U.S. dollar as of 2019.

This year is set to be the rollout of the next generation of console gaming from Microsoft (Xbox Series X) and Sony (PlayStation 5). The target had been holiday season 2020, but there are already rumblings of delays. Microsoft has indicated that it intends to shift production of several devices out of China to Vietnam and Thailand, without naming the new Xbox directly. Sony has flat-out stated that the outbreak is already affecting worldwide operations and has chosen to back out of several upcoming gaming conferences. Nintendo has cautioned that distribution of its Switch device will experience delays. Facebook’s Oculus Rift VR division similarly stated that it will not be participating in upcoming events.

As explained in a recent post from the Jefferies Group, Asia is integral to the entire gaming industry:

The post noted that "*30-50% of art creation in western games is done in China,*" and that nearly 100% of the hardware manufacturing also takes place in China.

Another Jefferies analyst wrote:

> "*If key supply chain participants in the PS5 or Xbox Series X were significantly disrupted, limited inventory for the launch window would be a bigger problem if it led to some games being delayed by a quarter. Given marketing, competition, and synchronized game release all scheduled for the next console generations, this bears watching.*" – *Source*

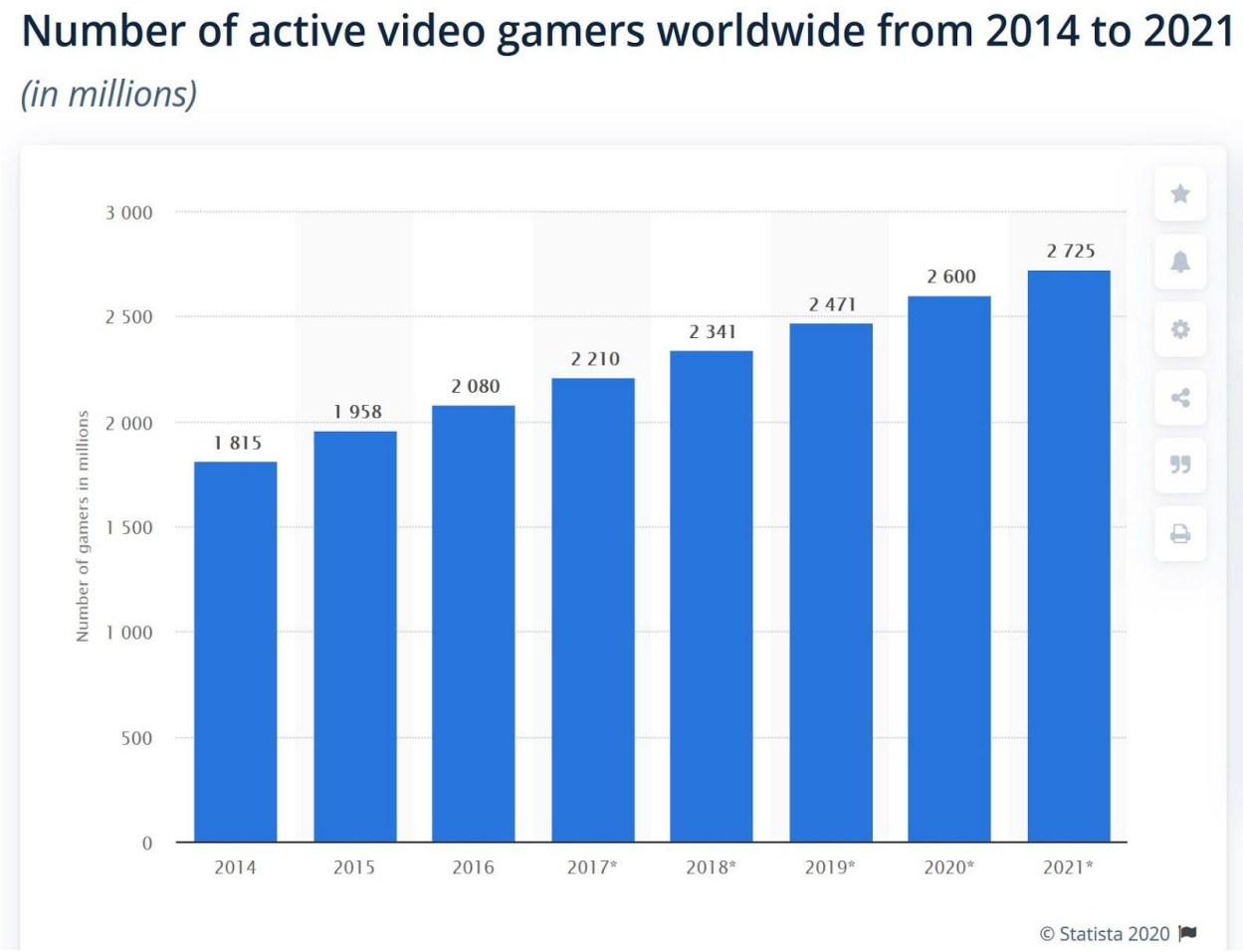
This highlights the cascading effect that we are likely to see as untold thousands of companies and their employees remain at the mercy of Asia restarting its operations so that not only can production and distribution resume, but also all of the public events and face-to-face marketing that is so essential to the industry. Just as I was finishing this section, in fact, I received notice that the Game Developers Conference in San Francisco has been canceled. It's also safe to assume that June's E3 fan expo in Los Angeles is in jeopardy.

All of that said, we have to hope for a swift resolution. The following overview of where the industry stood before this disruption indicates undeniably high demand and continued growth as much more development is on the way with new and creative offerings.

Overview of Mainstream Acceptance

Once seen as the very embodiment of idleness, the popularity of video games has made it an undeniable juggernaut in the wider field of entertainment.

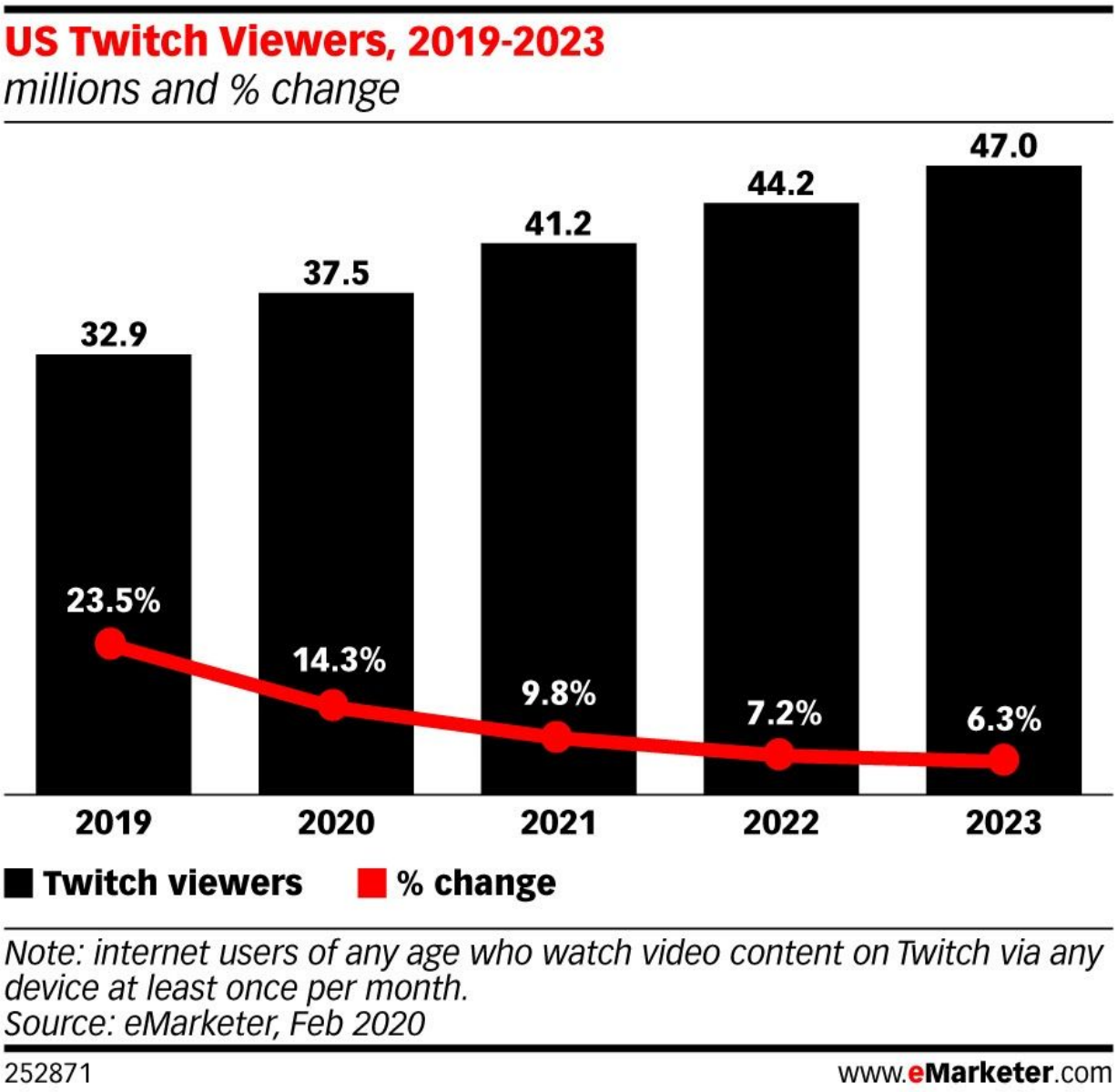
Any form of entertainment would love to see the following 7-year chart of global participation:



That is roughly 30% of the entire global population. Not bad.

As I referred to earlier, increased connectivity speeds have enabled global communities to form where this was once a very atomized industry. This was likely the impetus behind Amazon purchasing Twitch in August 2014 for $970 million dollars. Given the reality of the chart above, that seems to have been a very

good call. It has certainly been good times for many Twitch streamers – the most popular among them have been reported to earn upwards of half a million dollars per month. While the latest reports indicate that growth is slowing as more options come to market and vie for top talent, Twitch is still projected to remain the leader for some time, as noted by *TechCrunch*:



Discord is another platform hitting milestones, emerging as a leader several years ago and now commanding a community of more than 250 million registered users.

While video gaming has surpassed Hollywood economically, it is also directly invading its creative space. Shows and movies based on video games have historically been a miss. But, again, better technology and new ways of reaching viewers, like Netflix, have shown recent success. None is a better example of a successful merger than *The Witcher*. Not only did the show largely meet with critical acclaim and high viewership with 76 million households watching; the video game upon which it was largely based, *Witcher 3*, saw sales jump 554%, according to its developer CD Projekt Red. Season 2 of the show has been approved. I would suspect that other games which lend themselves to this format might forego standalone movies and opt for a longer episodic presentation – *Assassin's Creed* and *Tomb Raider* come to mind as previous failures at the box office which could turn things around with this type of crossover packaging.

Another sign of mass acceptance that I took note of recently was gaming pioneer Atari opening a chain of gaming hotels that was featured by *The New York Times*. The first hotel is set to open in Phoenix:

> In a move that underlines the popularity of e-sports, the demands of its growing audience and how video games are escaping the bounds of their consoles, Atari announced on Monday that it would begin construction on its first-ever video-game themed hotel.

> The company, which was created in 1972, promises a lodging experience that combines a one-of-a-kind video-game themed destination with immersive virtual and augmented reality experiences, according to its statement.

Atari also went on to highlight how they intend to uniquely position themselves to capitalize on the trend:

> More than 2.5 billion gamers across the world spent more than $152.1 billion (US) on games in 2019 alone; an increase of +9.6% year on year. One of the most distinctive trends in gaming is gamers gravitating toward recognizable intellectual property. Atari Hotels will offer consumers exactly that, marrying the origins of gaming and the future of the booming industry into a fun and unique travel destination.
>
> "When creating this brand-new hotel concept, we knew that Atari would be the perfect way to give guests the 'nostalgic and retro meets modern' look and feel we were going for. Let's face it, how cool will it be to stay inside an Atari?!" said Napoleon Smith III.
>
> "Atari Hotels will be the first of their kind in the U.S., offering gamers of all ages the ultimate in immersive entertainment and in every aspect of gaming. We're excited to be working on this project with such great partners and to bring a big win to Arizona," added Shelly Murphy.
>
> The first of the Atari Hotels is planned to break ground in 2020 in Phoenix, AZ with initial additional hotels planned in Las Vegas, Denver, Chicago, Austin, Seattle, San Francisco,

and San Jose. For more information about Atari Hotels, please visit www.atarihotels.com.

Amid all of this positive news, however, it is worth also highlighting the minefield that the gaming industry has become, as new attempts to extract as much money as possible from this growing community have not always gone over well with gamers.

Some of the bellwethers of the industry such as Electronic Arts/BioWare, Activision Blizzard, Rockstar, and Ubisoft have come under fire for introducing new mechanics such as loot boxes, which have been likened to gambling by both gamers and legislators.

Microtransactions – the worst of which have resulted in pay-to-win scenarios – have also received massive pushback against many of the top AAA gaming companies. These companies have been further criticized for marketing and up-sell strategies with staggered launch dates and incentives that equally have rankled gamers who are paying full price for many of the tactics used by free-to-play mobile games.

The temptation to mimic mobile gaming is a strong one, as that segment is projected by *Statista* to become the largest proportion of global gaming revenue by 2021. It is worth noting, however, that aforementioned CD Projekt Red has not engaged in these widely criticized tactics, which is perhaps another reason why they are beginning to surge to the top of the AAA gaming pack, and should remain firmly on the radar of anyone looking to dip their toes into video game company investment.

But you really know you have become part of a serious industry when the IRS takes note of in-game “virtual currency,” as they did recently with *Fortnite* and *Roblox.* The IRS has been looking for new ways to classify and tax crypto income, and their vague wording raised red flags among players. It turned out to be a major misunderstanding of what the in-game currency actually is, and the IRS later retracted its call to tax kids on their imaginary currency holdings.

Lastly, as with many of the largest tech companies today, there is a struggle to be as nimble and adaptive as their smaller counterparts during a time when technology enables participants easier entry and potentially faster growth. Even a company as large as Google has had an extremely rocky start with its Stadia project which has attempted to offer its own take on streaming games through a fee-based system, as *Forbes* just reported.

Let’s look at some of the other ways gaming is being approached off the beaten path.

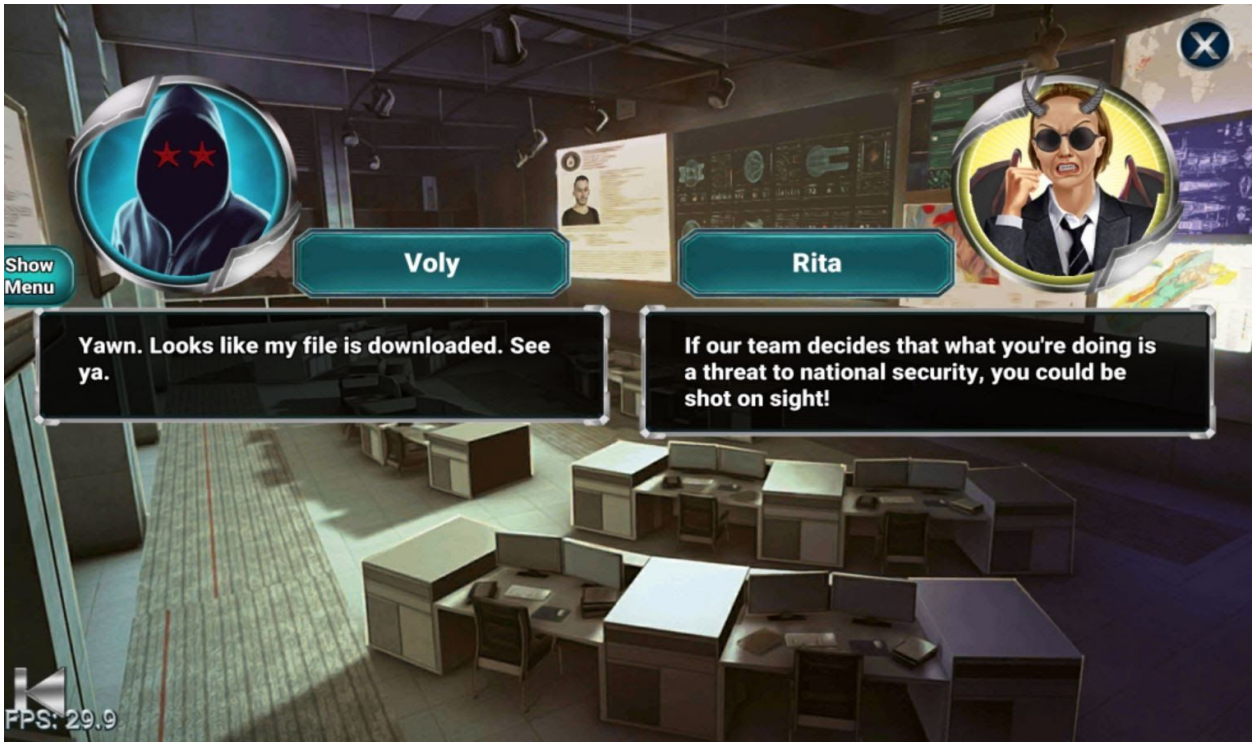
Opportunities Outside the Mainstream, and the Rise of Crypto Gaming

It's never been easier or cheaper to be a creator, marketer and distributor … of anything, but especially gaming. Many indie games and smaller studios have in fact been receiving the lion's share of critical acclaim recently despite often having only a few dozen employees compared to the hundreds or thousands paid by AAA studios. I even stumbled across a 1-man game developer who, based on the comment section, has stunned gamers at how such quality is even possible.

Perhaps it also shouldn't be surprising that an industry filled with geeks and outsiders would be drawn to the latest tech that also becomes a means to directly challenge the establishment.

Well-known writer and activist John Vibes recently threw his hat into the ring with a new mobile game specifically designed to be a narrative journey in anti-establishment thought. Seizing upon the upward trend of mobile gaming, but utilizing storytelling that "breaks the barriers in the industry," John joined forces with 25 other activists and developers around the world to create *Mission: Control*.

> You and your partner are US Air Force pilots, selected by Mission: Intelligence to serve in a highly experimental, highly classified research program known only as "Mission: Control." A secret Justice Department memo released by Wikileaks has convinced the public that they're recruiting drone operators, but behind closed doors, you know it's much more than that…



Check out the trailer HERE.

But when it comes to completely upending the paradigm, we once again have to shift our focus to the blockchain and the rise of crypto gaming.

Even though many in the traditional gaming community have been vocal about their anger with crypto for having driven up the price of graphics cards due to crypto mining, there has been intense interest in the blockchain as a means for new creative options, and also to help offset some of the previously mentioned negative practices by large video game publishers. It is also a natural fit for gamers to immediately understand the concept of “imaginary currency,” as they have already been educated with that mechanic.

Microtransactions have probably been the most controversial. As I alluded to earlier, the extreme forms of this have resulted in

government bans and a range of legislation that aims to “protect the children” from predatory practices and online gambling. A terrific article in *CoinTelegraph* argues that the blockchain can solve a host of concerns in one fell swoop, while also permitting a bit of nuance to the debate:

> [With] crypto entering this space, the cost of individual transactions can be reduced quite substantially, thereby allowing developers to subsidize the overall price of their peripheral content (such as downloadable content, skins, etc.). Additionally, crypto assets like Bitcoin can be scaled down quite easily, thereby making it more efficient for gaming companies to process even the tiniest of transactions.
>
> When it comes to individual privacy and security, cryptocurrencies blow traditional credit/debit card-based payment systems out of the water. To provide more context, it is worth remembering that the Equifax data breach, which took place a few years back, resulted in the credit card details of more than 143 million Mastercard and Visa users being leaked online and sold on the darknet.

I also encourage readers to specifically look at the leading platforms they mention in the article for further research.

In “The Rise of Crypto Gaming,” the appealing nature of the wider decentralized crypto economy can introduce familiar concepts of ownership into the virtual space:

> The emergent wave of crypto-enabled gaming solves the problem of item ownership by granting players

> unprecedented control of their in-game inventory. It nearly endows digital games with physical characteristics: when you buy a chess set from a store, the board and pieces are *yours* to do with what you like, and no one can take them away from you. Similarly, the currency or items you acquire in a crypto-enabled game are distinctly your own. You can even sell them for cryptocurrency that's worth real money. In the same way that blockchain technology ensures your bitcoin holdings remain your own, the rise of crypto gaming ushers in a new generation of games that feature their own decentralized economic systems.

Perhaps seeing the writing on the wall, AAA developer Ubisoft has announced that it is looking for blockchain startups to support. It already has been dabbling in its first game *HashCraft*.

From Bitcoin.com

> Video gaming giant Ubisoft has announced that its Entrepreneurs Lab is now recruiting new startups for its fifth season of the incubator program. Starting in May 2020, the next season of the Ubisoft Entrepreneurs Lab will last until November 2020 and will focus on two main fields: Blockchain and Social Entertainment….
>
> "Blockchain technology is entering every single industry, including the Entertainment industry," explained the Ubisoft Entrepreneurs Lab. "We can see a nascent ecosystem flourishing in many different directions exploring new possibilities to envision the relationships with the gamers, and between them, virtual assets ownership and exchanges,

transaction security, and all what a crypto currency can allow.”

Crypto gaming already has come a very long way in a short amount of time since early successes of games such as CryptoKitties, but it still has quite a distance to go if it is going rival the top traditional offerings.

There is much to explore within all of the micro segments of gaming; its complexities – just like gaming itself – could offer big rewards for those with vision, skill and a healthy dose of patience.

Additional resources:

The Top 50 Video Game Design Companies

Here’s How Gamers Make Money - CNBC

A Beginner’s Guide to Crypto Gaming

Gaming On The Blockchain: Best Virtual Currencies And Crypto Assets For Gamers

Most Anticipated Blockchain Games for 2020

ENTREPRENEURSHIP

How to Analyze Crypto Laws

By Vin Armani

In our July 2017 issue, I did an audit of existing state and federal cryptocurrency laws in the United States. Since then, there have been significant developments, and this month seemed an appropriate time to revisit the issue.

Most of the actual legislative movement has been at the state level. Almost no legislation has been done at the US federal level

specifically regarding what is now referred to as “virtual currency.” The US Treasury department has given guidance on how virtual currency should be treated within the current regime. This includes the newly added virtual currency sections on the IRS 1040 for the 2019 tax year. However, the US government has not passed any substantive new laws regarding blockchain technology and cryptocurrency.

At the state level, the major changes have come from Nevada, Wyoming, and a group of states considering the Uniform Law Commission’s “Regulation of Virtual-Currency Businesses Act.” These three approaches, while similar in many ways, have some distinct differences that clearly express the legislative ends the proponents are seeking to achieve.

In this article I’ll examine the frameworks used and give some insight as to what we might expect from these approaches moving forward.

Nevada

Nevada has been unique among all states both in the scope and intent of its regulatory path regarding blockchain technology and cryptocurrency. In 2017, I was invited to a symposium in Reno with major stakeholders in the process, including Senator Ben Kieckhefer, who has been spearheading the effort. Nevada’s state revenue comes primarily from the gambling and mining industries. The legislature and governor are creative and business-focused. Northern Nevada is seeing massive growth in the technology manufacturing sector. Tesla’s gigafactory is just outside of Reno, as is Google’s Waymo testing and manufacturing facility. The state sees yearly influx of top tech companies due to Vegas being

the nation's convention capital. Nevada has also been a Bitcoin hotbed since the early days.

The first Nevada blockchain law, SB 398, was passed in March of 2017. This law defined "blockchain," made a record on the blockchain a legal record, and, most interestingly, exempted "the use of a blockchain" from any regulation at the county or municipal (local) level. The act goes so far as to say that county and city governments:

> *...shall not:*
>
> > *(a) Impose any tax or fee on the use of a blockchain by any person or entity;*
> >
> > *(b) Require any person or entity to obtain from the board of county commissioners any certificate, license or permit to use a blockchain;*
> >
> > *18 (c) Impose any other requirement*

This statute is curious as it is still untested in the courts. The transferring of cryptocurrency certainly constitutes "use of a blockchain," so the implications of this law may be quite broad. Since that time, additional blockchain-related laws have been passed in Nevada. They all were part of the 2019 legislative session and include:

SB161 – Creates a regulatory sandbox for emerging technologies companies through a program in the Department of Business and Industry.

SB162 – Creates a definition for "public blockchain" within Nevada Revised Statutes and requires government agencies to

accept electronically certified documents, including those on a blockchain.

SB163 – Authorizes businesses to store and maintain corporate records on a blockchain.

SB164 – Defines virtual currencies as intangible personal property and therefore exempts them from personal property taxation.

SB164 is worth spending some additional time on since it provides a definition of virtual currency. All statutes flow from and hinge on the definitions of the terms used in the law. Here is Nevada's definition of virtual currency:

(d) "Virtual currency" means a digital representation of value that:

(1) Is created, issued and maintained on a public blockchain;

(2) Is not attached to any tangible asset or fiat currency;

(3) Is accepted as a means of payment; and

(4) May only be transferred, stored or traded electronically.

The term "public blockchain" is also defined in the statute.

(a) "Public blockchain" means an electronic record of transactions or other data which:

(1) Is uniformly ordered;

(2) Is processed using a decentralized method by which two or more unaffiliated computers or machines verify the recorded transactions or other data;

(3) Is redundantly maintained by two or more unaffiliated computers or machines to guarantee the consistency or nonrepudiation of the recorded transactions or other data;

(4) Is validated by the use of cryptography; and

(5) Does not restrict the ability of any computer or machine to:

(I) View the network on which the record is maintained; or

(II) Maintain or validate the state of the public blockchain.

These are excellent definitions. They show a high level of competence with both the technical and economic aspects of cryptocurrency. However, where I take issue with SB164 is in the classification of virtual currency as “intangible personal property,” regardless of the fact that this is done in the context of exempting virtual currencies from taxation.

361.2281.All intangible personal property is exempt from taxation, including, without limitation:

*(a) Shares of stock, bonds, mortgages, notes, bank deposits, **virtual currencies**, book accounts such as an*

acquisition adjustment and credits, and securities and choses in action of like character; and

(b) *Goodwill, customer lists, contracts and contract rights, patents, trademarks, trade names, custom computer programs, copyrights, trade secrets, franchises and licenses.*

I have done quite a bit of work to lay out the rational proof for why "you can't own bitcoins." I understand why there would be a desire to classify virtual currency as intangible property, but even a cursory glance at the other assets in the list makes clear that "one of these is not like the other." This pattern is repeated in the Wyoming and ULC framework. I predict that this lack of foresight and economic rigor is going to prove to be a huge problem in the future.

Overall, I see Nevada's legal framework as overall pro-crypto and the state is clearly setting itself up to woo businesses and be a blockchain powerhouse in the years to come.

Wyoming

The legislative effort in Wyoming has been spearheaded by Caitlin Long, a Wall Street veteran and Wyoming native who, just a few short months after successfully closing out her lobbying efforts, has announced that she, in partnership with Blockstream, is building the first ever "crypto bank" in Wyoming. The Wyoming initiative must be seen in the broader context of the regional banking movement of the last four decades.

Neighboring South Dakota, a state with a population under one million, holds more banking assets than any other state. The super rich have started moving their assets from out of established havens like Switzerland, and into South Dakota trusts (and other instruments). Caitlin sold the dream (or perhaps the reality) of Wyoming being the "Crypto South Dakota." The legislature bought the vision. That a technology explicitly built to circumvent banks would be the soil in which Wyoming would seek to build a banking industry is odd to say the least. The laws do reflect some of this cognitive dissonance. Caitlin Long, herself, summarizes the impact of the 13 Wyoming laws in this way:

- Recognizes direct property rights for individual owners of digital assets of all types (virtual currencies, digital securities and utility tokens) and applies the super-negotiability rules of commercial law to virtual currencies—which foster their liquidity—by applying the very same rules that apply to money. Wyoming's commercial law reflects the true nature of digital assets (directly owned, peer-to-peer assets), and I strongly encourage other states to adopt Wyoming's same commercial law protections;
- Creates a fintech sandbox to provide regulatory relief to financial innovators from existing laws for up to 3 years. It's broadly reciprocal with fintech sandboxes both in the US and globally;
- Authorizes a new type of state-chartered depository institution to provide basic banking services to blockchain and other businesses. The bank is required to have 100% reserves, cannot lend, is for business depositors only, and

FDIC insurance is optional. Such banks could be operating as soon as March 31, 2020;

- Authorizes the first true "qualified custodian" for digital assets which is a bank. Wyoming banks can start such operations as soon as September 1, 2019. Wyoming's digital asset custodians will stand out above all others because they will respect the DIRECT ownership nature of digital assets! These new custodians won't be like traditional securities custodians, because for a Wyoming-based custodian investors will still DIRECTLY own their digital assets under custody as a BAILMENT, which means they retain direct ownership while merely giving up control (much like valet parking). Today, institutional investors are forced to be de facto creditors of their securities custodians, since all publicly-traded securities are owned indirectly. Custody under bailment is possible in securities custody today, but it's neutered by the fact that all securities are owned indirectly—investors can't directly own the real security, and therefore they're really just counterparties to the custodian. So, what Wyoming has done is truly revolutionary — BAILMENT + DIRECT ownership! It doesn't exist in securities custody today! Customers of Wyoming custodians can still choose indirect ownership, but it's on much more investor-friendly terms than exist in securities custody today. In sum, Wyoming will become known as the home of SOLVENT, investor-friendly digital asset custodians to which investment fiduciaries are likely to migrate over time.

Again, we see the shortsightedness of simply assuming that you can own bitcoins. In Wyoming SF0125 the term "virtual currency"

is defined and virtual currency is classified not only as “intangible personal property,” but as “money.”

34-29-101. *Definitions.*

(a) As used in this chapter:

(i) "Digital asset" means a representation of economic, proprietary or access rights that is stored in a computer readable format, and includes digital consumer assets, digital securities and virtual currency;

(ii) "Digital consumer asset" means a digital asset that is used or bought primarily for consumptive, personal or household purposes and includes:

(A) An open blockchain token constituting intangible personal property as otherwise provided by law;

(B) Any other digital asset which does not fall within paragraphs (iii) and (iv) of this subsection.

(iii) "Digital security" means a digital asset which constitutes a security, as defined in W.S. 17-4-102 (a) (xxviii), but shall exclude digital consumer assets and virtual currency;

(iv) ***"Virtual currency"*** *means a digital asset that is:*

(A) Used as a medium of exchange, unit of account or store of value; and

(B) Not recognized as legal tender by the United States government.

(b) The terms in paragraphs (a)(ii) through (iv) of this section are mutually exclusive.

34-29-102. *Classification of digital assets as property; applicability to Uniform Commercial Code.*

(iii) ***Virtual currency*** *is intangible personal property and shall be considered money, notwithstanding W.S. 34.1-1-201(b)(xxiv), only for the purposes of article 9 of the Uniform Commercial Code, title 34.1, Wyoming statutes.*

Since the summer of last year, I have had two mantras. The first is that “you can’t own bitcoins.” The second is that “bitcoin is not money.” But Caitlin wanted her bank and she is going to get it. Best of luck to her but my prediction is that she is in for a rude awakening and perhaps even a scandal in her home state.

Uniform Law Commission

The Uniform Law Commission describes itself as:

> The Uniform Law Commission (ULC, also known as the National Conference of Commissioners on Uniform State Laws), established in 1892, provides states with non-partisan, well-conceived and well-drafted legislation that brings clarity and stability to critical areas of state statutory law.

Their *raison d'être* is to get states to adopt uniform laws in areas where the US federal government does not have jurisdiction. The idea is that a uniform law across all 50 states represents a *de facto* federal law.

The ULC, along with the lobbying group Coin Center, have drafted a model act, The Uniform Regulation of Virtual-Currency Businesses Act (URVCBA), which primarily seeks to set up a regulatory framework for businesses that exchange or transfer cryptocurrency. The act has been introduced in California, Hawaii (by Tulsi Gabbard), and Oklahoma. It was adopted by Rhode Island last year. In the ULC's own words, the URVCBA

> ...provides a statutory framework for the regulation of companies engaging in 'virtual-currency business activity,' such as exchanging, transferring, or storing virtual currency; holding electronic precious metals or certificates of electronic precious metals; or exchanging digital representations of value within online games for virtual currency or legal tender. The URVCBA's unique, three-tiered structure clarifies whether an individual or company engaging in virtual currency business activity is (1) exempt from the act; (2) must register; or (3) must obtain a license. The URVCBA also contains numerous consumer protections.

The act defines virtual currency:

> *(23) "Virtual currency":*
>
> *(A) means a digital representation of value that:*
>
> *(i) is used as a medium of exchange, unit of account, or store of value; and*
>
> *(ii) is not legal tender, whether or not denominated in legal tender; and*

(B) does not include:

(i) a transaction in which a merchant grants, as part of an affinity or

rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank credit, or virtual currency; or

(ii) a digital representation of value issued by or on behalf of a publisher

and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.

This definition is in line with Wyoming's, although it is considerably more specific. To the author's credit, the act uses the much more accurate term "control" as opposed to "ownership." We do not see virtual currency explicitly classified as "property."

(3) "Control" means:

(A) when used in reference to a transaction or relationship involving virtual currency, power to execute unilaterally or prevent indefinitely a virtual-currency transaction; and

(B) when used in reference to a person, the direct or indirect power to direct the management, operations, or policies of the person through legal or beneficial

ownership of voting power in the person or under a contract, arrangement, or understanding.

Unlike the Nevada statute, we do not see a differentiation between tokens on a public blockchain (i.e. Bitcoin) and other forms of virtual currency. This act is a catch-all. The catch-all nature of the act is nowhere more apparent than in who is subject to its provisions. The scope of this act is not so much about "who must get licensed," as it is about the exceptions to a broad blanket of licensing and regulatory requirements. So, who doesn't need to get a license to use Bitcoin, according to this act? (I have placed the most important exemptions in bold.)

This [act] does not apply to activity by:

(1) the United States, a state, political subdivision of a state, agency or instrumentality of federal, state, or local government, or a foreign government or a subdivision, department, agency or instrumentality of a foreign government;

(2) a bank;

(3) a person engaged in money transmission that:

(A) holds a license under [insert citation to money-services or money transmission statute of this state];

(B) is authorized by the department to engage in virtual-currency business activity; and

(C) complies with [Articles] 2, 3, 5, and 6;

(4) a person whose participation in a payment system is limited to providing processing, clearing, or performing settlement services solely for transactions between or among persons that are exempt from the licensing or registration requirements of this [act];

(5) a person engaged in the business of dealing in foreign exchange to the extent the person's activity meets the definition in 31 C.F.R. Section 1010.605(f)(1)(iv) [, as amended];

(6) a person that:

> ***(A) contributes only connectivity software or computing power to a decentralized virtual currency, or to a protocol governing transfer of the digital representation of value;***
>
> ***(B) provides only data storage or security services for a business engaged in virtual-currency business activity and does not otherwise engage in virtual-currency business activity on behalf of another person; or***
>
> ***(C) provides only to a person otherwise exempt from this [act] virtual currency as one or more enterprise solutions used solely among each other and has no agreement or relationship with a resident that is an end-user of virtual currency;***

(7) a person using virtual currency, including creating, investing, buying or selling, or obtaining virtual currency as payment for the purchase or sale of goods or services, solely:

(A) on its own behalf;

(B) for personal, family, or household purposes; or

(C) for academic purposes;

(8) a person whose virtual-currency business activity with or on behalf of residents is reasonably expected to be valued, in the aggregate, on an annual basis at $5,000 or less, measured by the U.S. Dollar equivalent of virtual currency;

(9) an attorney to the extent of providing escrow services to a resident;

(10) a title insurance company to the extent of providing escrow services to a resident;

(11) a securities intermediary, as defined in [insert citation to U.C.C. Section 8-102 of this state], or a commodity intermediary, as defined in [insert citation to U.C.C. 9-102 of this state], that:

(A) does not engage in the ordinary course of business in virtual-currency business activity with or on behalf of a resident in addition to maintaining securities accounts or commodities accounts and

is regulated as a securities intermediary or commodity intermediary under federal law, law of this state other than this [act], or law of another state; and

(B) affords a resident protections comparable to those set forth in Section 502;

(12) a secured creditor under [insert citation to U.C.C. Article 9 of any state] or creditor with a judicial lien or lien arising by operation of law on collateral that is virtual currency, if the virtual-currency business activity of the creditor is limited to enforcement of the security interest in compliance with [insert citation to U.C.C. Article 9 of any state] or lien in compliance with the law applicable to the lien;

(13) a virtual-currency control-services vendor; or

(14) a person that:

(A) does not receive compensation from a resident for:

(i) providing virtual-currency products or services; or

(ii) conducting virtual-currency business activity; or

(B) is engaged in testing products or services with the person's own funds.

(c) The department may determine that a person or class of persons, given facts particular to the person or class, should be exempt from this [act], whether the person or class is covered by requirements imposed under federal law on a money-service business.

The act appears to exempt most development, personal investment, and academic uses. It also appears to exempt merchants accepting cryptocurrency. Most payment processing services that do not include a currency conversion appear to be exempted by clause (4). Even “small-time” exchange activity, under $5,000 a year, appears to be exempt.

At first glance, the act appears relatively innocuous. Unfortunately, the licensing regime is extensive and onerous. The trade-off for the reasonable exemptions is the inability of all but established players (the current financial institutions) to ever gain a foothold is the crucial fiat on-ramps and off-ramps for cryptocurrency. The act, in my opinion, is a Trojan horse.

Summary

As an agorist, my outlook on new legislation is simple. The only legislation that I can ever support is legislation which repeals existing law, striking the verbiage completely from the books, and the rare statutes (such as The Bill Of Rights) which enshrine the rights of the people, taking power from the government.

Although it is imperfect, of the frameworks we have looked at in this article, only the Nevada statutes rise to this level. Nevada has taken regulatory power from the county and municipal governments in the context of blockchain technology. Nevada has

also explicitly exempted Bitcoin and other public blockchain tokens from taxation. Nevada doesn't have a personal income tax, so this is, in some ways, a formality, but it was done nonetheless. As a proponent of the use of cryptocurrency to provide a more free market, Nevada's regulatory environment seems the most friendly to that end.

WEALTH

How To Survive and Thrive During Coronavirus Pandemic

By Jeff Paul

The first six coronavirus deaths in the United States were clustered around a long-term care facility near Seattle, one hour from my home. The reaction caused our local Costco to run out of key staples like toilet paper, rice, dried beans and canned goods. The nursing facility where my wife is the Director of Nursing is

now prohibiting visitors. Around the world, businesses are increasingly encouraging staff to work from home, schools are closing, and events are being canceled. It seems the cascading fear of coronavirus is changing the world around us. How can we protect ourselves and potentially benefit from these changes?

As bad as things appear from the news screens, I went out to eat this weekend and we had to wait 30 minutes to get a table. The brick oven pizza place was packed. No one wore a mask or seemed concerned about getting sick by being in crowds. For the most part, people are just going about their normal lives except for those who have caught the fear virus.

Whether the actual virus is as dangerous as reported or not, fear is causing a reaction that is going to affect everyone. When supply chains are disrupted and businesses and individuals reduce their activity and travel, an economic downturn is all but certain. The Federal Reserve and other central banks are already taking “emergency” actions to bolster the economy against the fallout.

Some analysts believe this is just the beginning, and that coronavirus will have far reaching implications for the economy and beyond.

Here’s a predictive tweet from financial advisor and Bitcoin pioneer Bruce Fenton:

The longer that supply chains and travel remain limited, the further will the markets and economy slide. The economic consequences are potentially more dangerous than the virus itself. And the government's tyrannical response to this pandemic is most definitely more dangerous.

It's critical to prepare for all four dangers: 1) the virus, 2) supply chain disruption, 3) economic downturn, and 4) government tyranny.

The Virus

It's damn near impossible to get reliable information about the novel coronavirus COVID-19. It certainly appears to be a more lethal version of the common cold or flu. It's said to survive on surfaces for nine days, incubate for weeks without symptoms and

then hit hard and fast. If official WHO figures are correct (I have my doubts), the mortality rate is now around 3.4%. That's enough of a threat to take precautions to avoid getting the virus and boost your immune system in the event you encounter it.

Bugging In

"Bugging In" is a prepper phrase for riding out disasters at home. Like the flu and common cold, the spread of COVID-19 will likely slow down as warmer weather approaches because coronaviruses live longer on surfaces in cold temperatures. However, it seems this pandemic has yet to peak. Therefore, it may be best to "bug in" at home and limit your exposure to public places in the coming weeks.

Fully bugging in for weeks or months requires supplies (more on this below) and the ability to work from home. This scenario perfectly illustrates our emphasis on creating independent incomes in every single issue of *Counter Markets*. It's hard to be "free" when we depend on someone else for basic survival.

Luckily, many companies are suggesting that employees work from home as much as possible to reduce the spread of the virus. If that's not possible for your occupation, let this be a wake-up call to develop valuable skills that enable you to make an income remotely.

Health Protocol

Alarmist vaccine-profiteer Bill Gates said that COVID-19 is a “once-in-a-century” pandemic. I’m skeptical that it will be that bad. The infamous Spanish Flu of 1918 infected an estimated 500 million (27% of the world’s population) people with an estimated death rate ranging from 3.4% to 10% (17M-50M people). Dramatic and tragic figures to be sure. However, people in 1918 lacked indoor plumbing, clean drinking water, hand soap, year-round diverse nutrition, anti-diarrhea meds, IV fluids, respirators, and knowledge of boosting immune systems. Frankly, I’m not surprised by the elevated death rate during that period.

Today, however, I do not believe that even a perfectly engineered bioweapon could kill in high numbers because of our better understanding of immune systems and ability to combat symptoms with modern medicine.

The number one cause of death involving nearly any sudden illness is dehydration. Fevers (from flus, pneumonia, measles, malaria, infections, etc.) cause the body to dramatically expel fluids through perspiration, vomiting and diarrhea. When the body is dehydrated, organs begin to shut down resulting in death. The medical industry then assigns the death to the illness that originally caused the fever.

Nonprofits working in Africa estimate that millions of malaria and dengue deaths can be prevented with a cheap dose of anti-diarrhea medicine and clean water. I think a heavy dose of Vitamin C would be useful as well. Yet, it seems the establishment medical response to every single threat is an expensive and untested vaccine. No thanks.

I'll take my chances combatting coronavirus with the following health protocol:

1. Drink plenty of fluids.
2. Take vitamins C, D, B12 and zinc and magnesium.
3. Exercise daily.
4. Wash hands often.
5. Use hand sanitizer during public outings and wear masks if the contagion progresses.
6. Clean my phone every other day (seriously, it's gross).
7. Wipe down surfaces with white vinegar or cleaning spray twice as much as normal.
8. If cold symptoms hit, double up on vitamins and drink more fluids.
9. If fever strikes, take Immodium immediately and Advil or Tylenol to reduce symptoms. Drink more fluids. Take baths with Epsom salts.
10. Get plenty of sleep.
11. We also have an in-home IV kit with fluids in our first aid kit for extreme circumstances.

Supply Chain Disruption

The just-in-time supply chain is a brilliantly efficient system but it depends on stable conditions and is highly susceptible to disruption. Manufacturing in China supplies much of the world's consumer products. Factory and shipping delays in China will ripple through the supply chain in unpredictable ways. And although the US still manufactures many goods, the factories

often rely on China for parts and materials. Considering COVID-19 is now spreading in the US, domestic factories are also likely to experience their own disruptions.

Panic buying has already wiped out certain essentials in countries hit by the coronavirus. Images of empty store shelves are proliferating on social media. Yet shortages are currently very isolated to specific stores in specific areas. This could change as the contagion of fear spreads.

Empty shelves in Italy

Prepping Supplies

During periods of relative calm, preppers are viewed as crazy hoarders. However, whenever disasters strike, prepping is viewed as responsible behavior. The fact is disasters happen. If your goal is to protect, provide and prosper for your family, prepping is just

common sense. It's physical insurance for survival during uncertain times. Clearly, the future is growing more uncertain by the minute. So get prepped!

The prepping supplies useful for riding out the coronavirus storm are the same items that should be stored for any emergency; food, water, medicine, hygiene products, fuel, cash, and security gear.

Food

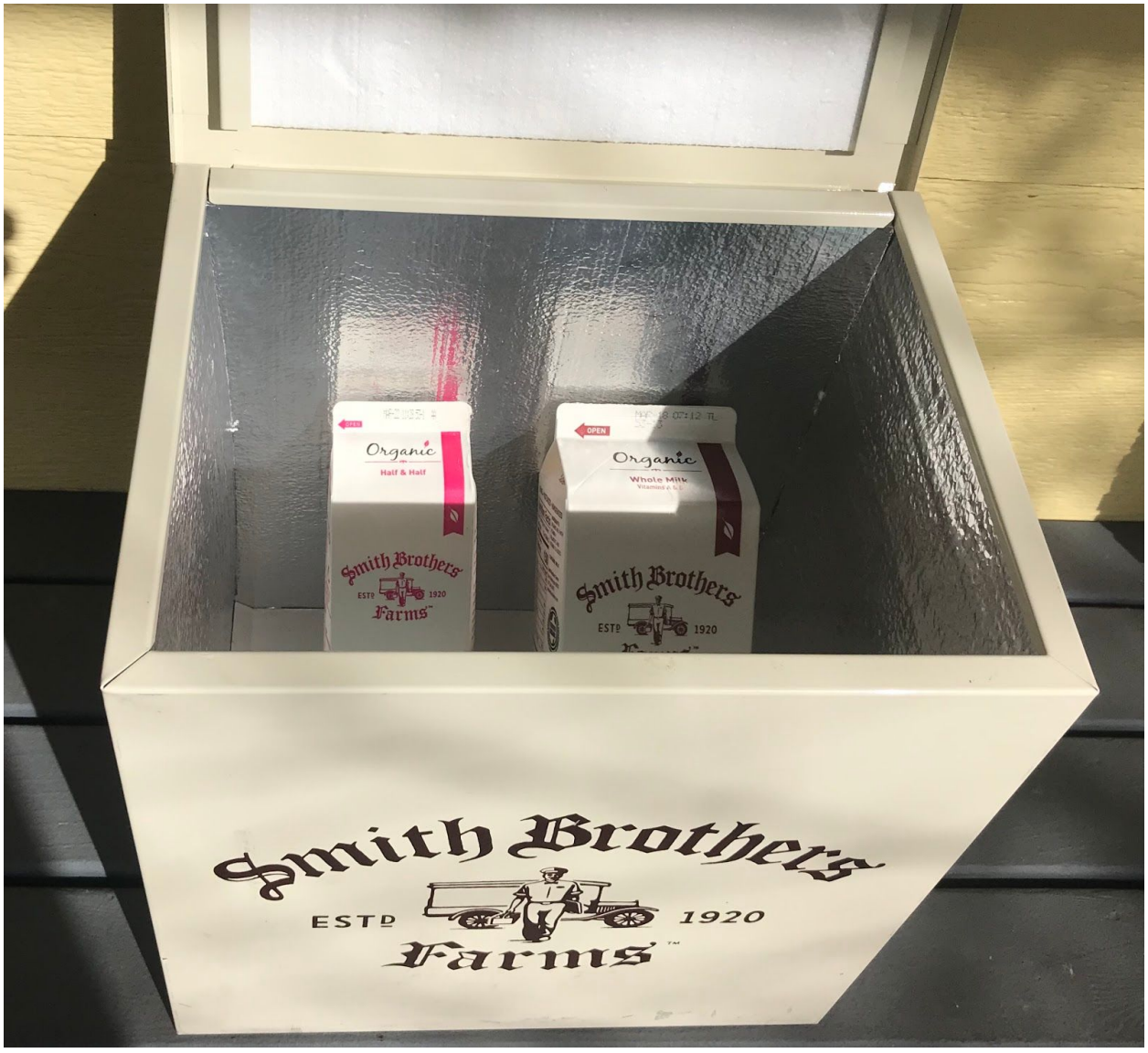
Food with a long shelf life is better than money in the bank, especially during emergencies. I always try to keep 3 months worth of food in my pantry and a couple of months of meat and other goods in my freezers. It also may be a good idea to have a back-up reserve of 3-6 months of long-term storable foods beyond your daily pantry. These could be freeze-dried emergency foods or MREs that last for 20 years, or simply more bags of rice, pasta, and canned goods.

I adhere to Jack Spirko's rule for prepping foods: "Store what you eat and eat what you store." In other words, if you normally don't eat processed freeze-dried meals, probably not best to stockpile them. Instead, build up your pantry with foods that you already eat frequently.

Here are just a few food items that I keep in bulk in my pantry: rice, pasta, flour, sugar, beans, canned meats and vegetables, tomato sauce, soups, cereals, crackers, nuts, dried fruits, peanut butter, pickles, potatoes, onions, and garlic. I also store extra salt,

spices, oils, vinegar, bouillon broth, condiments, honey, coffee and tea.

These are items that my family eats every day. We also consume a lot of fresh fruit, vegetables, eggs, and dairy. Fortunately, we have our own chickens, a local farm service that delivers our dairy products like the old timey milkmen, and we grow a lot of our own fresh veggies.



Dairy delivery cooler on my front porch

Water

Remember, dehydration is the number one cause of death in the world. Stockpiling water and other drinks is just as important as food, especially if you don't have an independent water source. In addition to storing bottled water, it may be useful to also have water purification gear like a Berkey water filter.

Drinks like Gatorade and coconut water are excellent for combating dehydration during illnesses. To quote the movie *Idiocracy*, "They've got electrolytes!" So they're worth having even if you don't consume them regularly. Also fruit juice, V8, soda, and flavored drink mixes are luxuries that store well for over a year.

Finally, don't forget the booze! We are not big drinkers, but I enjoy a couple of glasses of wine now and then. So we store a few cases of wine that will last months and we have a supply of vodka and grain alcohol that also has medical uses in addition to happy uses. And we have some Fireball and Kahlua just for fun.

Meds and Hygiene

> A recent study determined that 84% of the world's supply of acetaminophen comes from China and India, with China accounting for nearly two-thirds of the total. The United States is the world's single largest market for generic acetaminophen. (Source: *LA Times*)

Many generic over-the-counter medications are produced in China. The supply of Acetaminophen (Tylenol) and Ibuprofen (Advil) is susceptible to supply-chain disruptions, so it's worth storing extra in your medicine cabinet. A back-up supply of prescription meds, anti-diarrhea, antacids, and antihistamines is also a good idea. Alternative medicines like essential oils, CBD, and cannabis may be useful as well.

Extra hygiene supplies should include soap, shampoo, toothpaste, toilet paper, feminine products, wet wipes, Q-tips, razors, saline solution, deodorant, and hand sanitizer.

Rubber gloves and face masks are already facing shortages, but worth getting your hands on if you can.

Economic Downturn

It's difficult to predict how the coronavirus will affect the economy. The economy is already held together by duct tape and bubblegum. Any loss of productivity could have dramatic effects. International Monetary Fund Managing Director Kristalina Georgieva said the global economic outlook has shifted to "more dire scenarios" as the coronavirus has spread undetected, though she added that it's still difficult to predict the impacts.

"In terms of our projections, we unfortunately over the last week have seen a shift to a more adverse scenario for the global economy," Georgieva told reporters.

That which mathematically cannot continue will not continue. Yet it seems like the Federal Reserve is going to do whatever it takes to maintain the current system. Whether it's lowering interest rates or directly buying Treasuries, the Fed's attempt to prop things up will likely speed up its eventual demise.

On Tuesday March 3rd, the Fed announced an emergency interest rate cut of .5%.

"We saw a risk to the outlook for the economy and chose to act," Fed Chair Powell says after the emergency rate cut decision.

The only other times the Fed took this drastic action was after the 9-11 attacks in 2001 and the Lehman Brothers collapse during the 2008 financial crisis.

The US stock market dropped over 700 points shortly after the announcement and was down over another 700 points on Friday. In total, the US stock market is off more than 10% since the coronavirus outbreak.

Additionally, The Fed's balance sheet of US Treasuries increased by $28.564 billion last week. Total holdings are now above $2.5 trillion for the first time in history.

Buy The Dip?

Right now there is blood in the streets, which many savvy investors say is the right time to buy. However, it is still very

uncertain how long the consequences of the pandemic will persist.

Considering the contagion will likely diminish by the summer, the crisis may peak around May. By then, markets may have already priced in the effects of coronavirus, so the end of March or early April may be the right time to buy the stock market dip.

Certain stocks may perform better than others if the fear continues. Pharmaceuticals and medical services will obviously experience an uptick in activity. Amazon, Costco, and pharmacies could see stronger earnings. And gold mining stocks may also be attractive.

Investment Opportunities

The best investment you can make during times like this is to get your preps in order. Once you have 3-6 months of food, medicine, cash and other supplies built up, then consider additional investments.

Since the “emergency” stimulus from the Fed is likely to continue, Gold may be the best safe haven asset.

Research analyst Jan Nieuwenhuijs writes on *Seeking Alpha*:

> When economies contract, stock markets plummet, and banks fail, gold offers the best protection, as it's the only financial asset that is no one's liability. Gold has no counterparty risk and can't be printed.

Other traditional safe havens are sovereign bonds. In the past years, the gold price in U.S. dollars has been correlated with long-term real interest rates. Whenever real interest rates decline, the gold price rises.

Liberty and Safety

“You never let a serious crisis go to waste. And what I mean by that is it's an opportunity to do things you think you could not do before.” – Obama Chief of Staff and Chicago Mayor Rahm Emanuel.

The tyrants are licking their chops at the opportunity coronavirus presents for their agenda to gain total control of the population.

A shortlist of threats to liberty already being proposed include: criminalizing “misinformation,” mandatory vaccination, travel restrictions, quarantines, and the removal of cash.

Unfortunately, there is not much that could be done to fight these agendas other than opting out individually.

To combat propaganda, share what you believe to be the truth before it’s illegal. Although bugging in is “opting out” and recommended, if you’re planning to travel, flights are super cheap right now. If you don’t fear the virus, book your trips now while you still can. Homeschooling your kids is perhaps the best way to opt out of mandatory vaccines and other state control.

“Banknotes may be spreading the new coronavirus so people should try to use contactless payments instead,” the World Health Organization has said.

The ramifications of governments removing physical cash from the economy require an entire article to fully explain, but suffice to say a purely digital financial system is the ultimate control mechanism. Watch this video by independent researcher Spiro Skouras to better understand the potential “End Game.”

If the push for going cashless intensifies, cryptocurrencies will likely get more media attention, potentially resulting in higher prices. As we have always said, cryptocurrencies are the ultimate tool for opting out of the legacy system whether the price increases or not. However, as the central banks fire up their digital printing presses, scarce digital assets could be an attractive hedge.

Stay safe and healthy!

BITCOIN & SILVER REPORTS

Bitcoin managed to break the $10,000 level last month, but the time above that mark was short lived. Prices started off around $9200 at the beginning of February, and by mid-month they were over $10,300. Prices then fell sharply to about $8500, and have since bounced off that level to the $9000 range we're at today.

As we mentioned last month, the $10,000 point is an important psychological barrier for Bitcoin. Traders, investors, speculators, etc. all watch it and subsequently trade around it. Bitcoin will likely make several more runs at the $10,000 level, and have several more pullbacks before it breaks out convincingly, and sets a new support floor well above $10,000.

The news cycle regarding crypto was pretty quiet again last month. We did hear that the reserve bank of India overturned their ban on cryptocurrency, as the court found it unconstitutional. Not long ago this news alone could have sent the entire cryptocurrency market up 15% or more, but it seemed to have no impact last month.

Most news surrounding Bitcoin has been around the upcoming halving event which takes place in May of this year. There's also the renewed interest from investors with the recent spike above $10k. There is one publicly traded Bitcoin trust under the symbol GBTC, and its premium shot up to 40% last month as Bitcoin broke through $10,000. Everyday investors want a simple way to buy and sell Bitcoin as if it were a stock, and apparently they're willing to pay this much extra to do it.

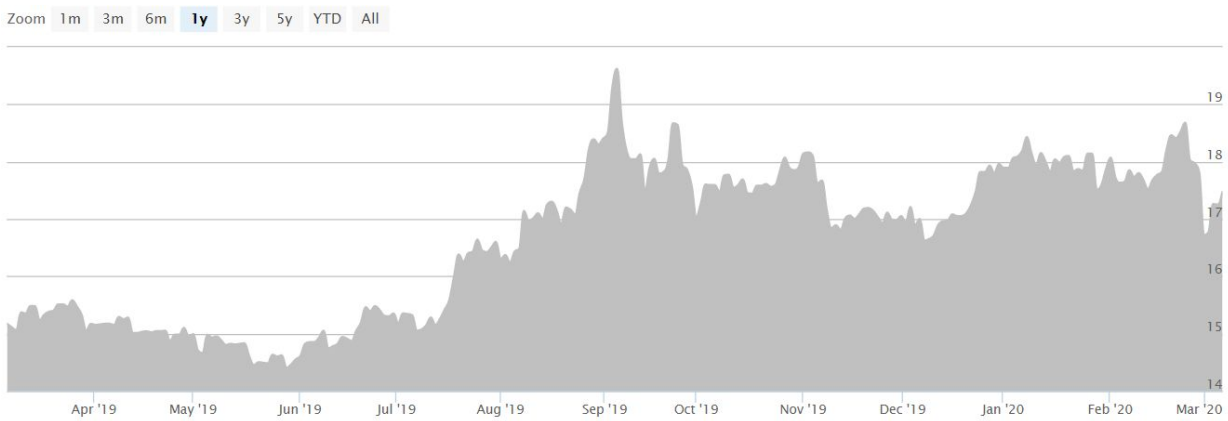
There are about 500 million people in the world who own stocks, and about 35 million in the world who own cryptocurrency, so clearly there's still a massive opportunity to bring bitcoin forward as a simple investment vehicle. On the institutional side, the Bakkt futures contract continues to crank, with anywhere from $10 million to $20 million per day in trading taking place.

The effect of the coronavirus on bitcoin remains to be seen. China is responsible for more bitcoin mining and trading than any other country, by far. Given that not much public interaction is required to keep the machines going, there could be an argument made for prices being largely unaffected. However, there is also the general slowdown in commerce in China, which could result in decreased demand for Bitcoin. Either way, the effect is likely to be

temporary, and it shouldn't have any effect on Bitcoin's big picture.

For those of you who don't own any Bitcoin, we suggest using Coinbase to take your first position. Be careful with your position sizing; don't invest more than you're comfortable losing. Also expect major volatility, with possible price swings of 50% or more in a matter of days.

Silver Update



Silver had a pretty volatile month in February, largely due to the selloff in worldwide equities markets. First we saw the price spike as the markets tanked, which is what we'd expect given that money managers shift to silver and gold for safety. We saw the price move from about $17.50 to above $18.60 mid-month. Then as the markets bounced, silver sold off to a near 6-month low at $16.75. So, overall, silver ended up losing a good amount last month despite it being regarded as a typical safe haven. Gold on the other hand cranked and ended the month significantly higher.

The reason for the sell-off in silver can likely be attributed to its use in the production of a variety of products. Gold has very little

utility, it's a store of value and nothing more. Other than being held in a vault, its use is practically non-existent. Silver on the other hand is used in so many things. And with a worldwide economic slowdown on the horizon, traders are thinking that demand for items like solar panels, water filters, mirrors, catalytic converters, etc. will likely decline. Early reports out of China have already shown that vehicle sales and real estate transactions are down over 90% compared to last year. Of course this has a lot to do with the massive forced quarantine, but it shows a massive slowdown in economic activity nonetheless. So in this scenario gold is king of the safe bets, as silver prices could drop based on lack of industrial demand.

While the world could definitely slip into a full-blown recession, it seems the Federal Reserve will do whatever it can to try and prevent it. With the emergency rate cut of 0.5%, cheap money is once again available to juice the markets. If further rate cuts are on the way, we'll be looking at rates under the 1% mark in the US, and potentially negative if the trend needs to continue. In this environment, gold and silver should do amazingly well.

We also have the election coming up in November, and if Bernie gets the democratic nomination, markets will likely roll over and sell off even more. If Biden gets it, the threat of socialism is gone, and we'll likely see a significant surge in the markets. Either way, it's going to be a time of heightened volatility for precious metals prices.

Our advice remains the same as it always has with regards to silver. Sit tight, ignore the day-to-day news that's affecting prices, and accumulate silver when it's cheap. The gold-to-silver ratio

currently is at 96, up from 88. We're right near the all-time highs on this one, meaning silver has hardly ever been this cheap relative to gold. Right now prices are at a 6-month low, and we have many potential catalysts for higher prices in the coming months.

For those of you who have been waiting to take a position in silver, this is one of the best opportunities we've had in a while to pick up silver at a real bargain price. You can find great prices from a trusted supplier at Money Metals Exchange.

COUNTERMARKETS
Trends & Strategies for Maximum Freedom

SNEAK PEEK at next issue (April 2020)

TRENDS & FORECASTING

Central Banking Goes Green: The Climate Change Death Spiral Has Nothing To Do With The Weather, Part 2

ENTREPRENEURSHIP

Why P2P Transactions Are Valuable for Freedom and Profit

WEALTH

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