



Property in a digital era

PART 3

> Challenges and efforts in using bitcoin, including the effects of regulating it

BY BRIAN CHUNG

NOT too long ago, bitcoin entrepreneur Andreas Antonopoulos visited our shores and delivered a talk on a subject he is most familiar, renowned and informed about – bitcoin. The industry expert who has written and spoken far and wide on the subject shared about the application of bitcoin in the property industry.

Having attended his talk on how bitcoin can hugely impact players in the finance and property industries (like how Uber impacted the transport industry), we have explored and laid out a number of pointers that could be of interest to sceptics who feel that this growing technology may not be feasible for certain reasons. Below are some issues in question.

UNREGULATED/ NO CENTRALISED CONTROL

Although the bitcoin decentralised system is good for participants within the bitcoin network, that itself is seen as a problem with certain authorities, including the banking institution, mainly because bitcoin is an open system of payment, which is borderless, neutral and censorship resistant (refer article in part 1). With the likes and characteristics, and similar to the internet and Uber, the government is expected to have a hard time regulating it.

Moreover, bitcoin technology does not fit into the mould of anti-money laundering – reason being every participant is identified by codes and digital signatures, making it difficult. The bitcoin community regulates itself based on bitcoin protocol.

ELIMINATES INTERMEDIARIES

With bitcoin's attributes designed to conduct direct transactions, intermediary services from lawyers, brokers and escrow agents (in property matters) could be rendered obsolete when employing bitcoin. This is because land titles and contracts are permanently recorded and immutable, hence, the process for buyers and sellers of property transactions becomes faster, straightforward and transparent.

In all, with no local governing body in "control" it would not be surprising for the legal and brokering industries to be apprehensive in employing bitcoin technology in our country.

LACK OF EDUCATION

Like any new technology, a lot of exposure and education is required before the "new kid on the block" is fully accepted and employed. Bitcoin is still a relatively new technology here in Malaysia and the Southeast Asia, despite the fact it was established in 2009.

Many are still apprehensive in



From left: MIGHT president and CEO Datuk Dr Mohd Yusoff Sulaiman, Antonopoulos and BLOKTEX CFO Ahmad Samsudin

created with.

"The reason you need regulation in escrow and real estate is because the escrow agent can make off with the money. The reason you don't need regulation for escrow in bitcoin is because the escrow in bitcoin is programmatically secure and no one can steal the money. So if you can solve the problem with software, then regulation is unnecessary.

"Before we start discussing about how to regulate bitcoin, we should ask if it is really necessary to regulate it, why and what we are regulating. These technologies offer new ways for people to deliver services to each other without the need for too much government oversight, making governance easier," said Antonopoulos.

While traditionally, there are still many countries and governments which feel there must be some form of regulation in applying bitcoin technology, Antonopoulos shared possible consequences in trying to regulate it.

"The problem is bitcoin can be regulated, but just at the edges where it touches traditional banking systems. However, there is a risk. If the government tries to regulate bitcoin too rigidly according to traditional banking models, it will stifle innovation, and ultimately drive jobs and growth out of the country.

"It may also cause some slowdown in commercial application but it is not going to make bitcoin obsolete, instead more avert to government control. Bitcoin itself cannot be regulated because it is mathematics and you cannot regulate mathematics. It is a branch of applied mathematics. Once it is understood by people, anyone can recreate it. One does not have to call it bitcoin, instead a cryptocurrency creation of their own and release it on the internet. It is difficult to control the proliferation of technology," he said.

Based on Antonopoulos' word, it could simply mean that any government's efforts in regulating bitcoin by employing a centralised control system not only defeats the purpose of bitcoin's decentralised nature, but it will bring down the barrier for hackers to attack the system where all bitcoin is stored in (a centralised area). With regulation, it simply means that the institutions will be the major target hackers will concentrate their efforts on, rather than computers under the bitcoin system, which bitcoin was in the first place, designed for.

Follow our final article on bitcoin next week to find out how secure this modern method of transaction really is.



DID YOU KNOW?
The current exchange rate for bitcoin to ringgit Malaysia is 1 bitcoin = RM5,300

confidence among public members, who are apprehensive in using it without much knowledge on it.

CONSTANT INNOVATIVE NATURE

Like the internet, bitcoin goes through changes and developments constantly. With its nature as such, regulating the bitcoin is a difficult task for political and financial institutions.

"The fundamental issue with regulation versus innovation is that innovation

moves at a speed that is 10 times greater.

Right now, while the regulators are regulating the bitcoin of 2010, the bitcoin has already moved ahead. By the time they get to regulate the current version, there will be another 1,000 more cryptocurrencies," Antonopoulos said.

IS THERE A NEED TO REGULATE BITCOIN?

While currencies across the globe are regulated, many are apprehensive about unregulated modern day cryptocurrencies. Antonopoulos enlightens: "The question that must be asked is 'What level of regulation is necessary, if any? If the problem we are trying to solve is fraud or consumer protection, then these technologies could solve them with the very attributes they were

adopting the technology, especially with the big number of modern day online scams being reported. If people are not educated, they can be vulnerable to various monetary con games and such.

It is best to do research and gain knowledge about this new technology before using it.

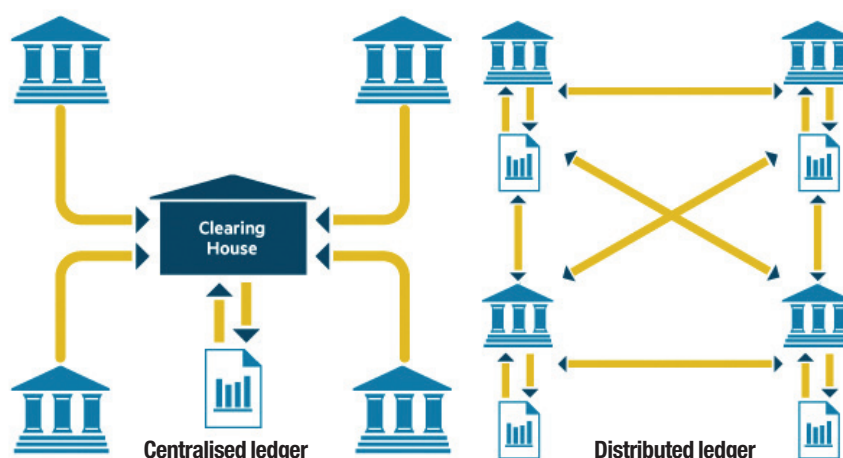
VOLATILE EXCHANGE RATE

Due to the limited application of bitcoin in current business climates, the exchange rate from normal currency to bitcoin is volatile. Hence, the market size for bitcoin is relatively small as it is still a new technology in most countries, more so within Southeast Asia.

The volatility of bitcoin could also be the result of the lack of

Embedding distributed ledger technology.

A distributed ledger is a network that records ownership through a shared registry.



In contrast to today's network, distributed ledgers eliminate the need for central authorities to certify ownership and clear transactions. They can be open, verifying anonymous actors in the network, or they can be closed and require actors in the network to be already identified. The best known existing use for the distributed ledgers is the cryptocurrency Bitcoin.

FT graphics. Source: Santander InnoVentures, Oliver Wyman & Anthemis Partners.

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