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European Banking Authority Validates Salpas Inc. Trust Market and Secure Trust Pool Business Model

July 6, 2014

On Friday the European Banking Authority issued a comprehensive opinion on virtual currencies (VC): (http://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-08+Opinion+on+Virtual+Currencies.pdf). The EBA opinion report highlighted the known risks users of VC are potentially exposed to. The following quote is from the report's executive summary:

> *"More than 70 risks were identified across several categories, including risks to users; risks to non-user market participants; risks to financial integrity, such as money laundering and other financial crime; risks to existing payment systems in conventional FCs, and risks to regulatory authorities.*
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> *Numerous causal drivers for these risks were identified too, as these indicate the regulatory measures that would be required to mitigate the risks. The risks include the fact that a VC scheme can be created, and then its function subsequently changed, by anyone, and in the case of decentralised schemes, such as Bitcoins, by anyone with a sufficient share of computational power; that payer and payee can remain anonymous; that VC schemes do not respect jurisdictional boundaries and may therefore undermine financial sanctions and seizure of assets; and that market participants lack sound corporate governance arrangements.*
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> *A regulatory approach that addresses these drivers comprehensively would require a substantial body of regulation, some components of which are untested. It would need to comprise, amongst other elements, governance requirements for several market participants, the segregation of client accounts, capital requirements and, crucially, the creation of 'scheme governing authorities' that are accountable for the integrity of a VC scheme and its key components, including its protocol and transaction ledger.*
> *However, whilst such a 'long-term' regime is not in place, some of the more pressing risks identified will need to be mitigated in other ways.* ***As an immediate response, the EBA recommends that national supervisory authorities discourage credit institutions, payment institutions and e-money institutions from buying, holding or selling VCs.***

The EBA also recommends that EU legislators consider declaring market participants at the direct interface between conventional and virtual currencies, such as virtual currency exchanges, to become 'obliged entities' under the EU Anti Money Laundering Directive and thus subject to its anti-money laundering and counter terrorist financing requirements.

This immediate response will 'shield' regulated financial services from VC schemes, and will mitigate those risks that arise from the interaction between VC schemes and regulated financial services."

The opinion report continues to detail the primary driver of the 70 risks presented:

"VC schemes can be created (and their functioning subsequently changed) by...anyone, anonymously: Anyone can anonymously create a VC and can...subsequently make changes to the VC protocol or other core components if the required majority of (anonymous) miners agree."

To achieve mainstream commercial adoption of Crypto Ledger technology, especially for non-monetary applications, both the demand and supply sides of Crypto Ledger protocols must be made compliant with recommendations and guidelines issued by the EBA and other regulatory authorities. As a former risk manager, I know there is no way a competent corporate risk manager will allow their company to depend upon a technology that exposes it to these unquantifiable risks for ongoing critical business operations. Needless to say, also making it non-compliant with regulatory guidance. The Bitcoin blockchain and any Bitcoin 2.0 Metacoin protocols built on top of it as they are currently coded simply do not comply. This EBA opinion report is only the beginning. The trend is and will be towards regulatory requirements to reduce or eliminate anonymity of users and miners for corporate use.

The SalpasTrust Market is the solution to eliminate not only the primary driver of risks above, but every driver of risks presented in the EBA opinion report. Only contracted borrowers of Trust in our Trust Market have the ability to make changes to the Crypto Ledger protocols. Lender's of Trust (miners) pass through our Proof of Identity process. They do not know each other's identities eliminating risk of collusion. This is accomplished with Salpas having no knowledge of the legal identity of any of our lenders of Trust eliminating the need to even trust us. Additionally, as our Trust Market is only lending Trust to non-monetary demand it does not meet the definition of a Virtual Currency meaning Salpas is not a Virtual Currency Business. All regulations current and forthcoming directed towards Virtual Currency Businesses simply do not and will not effect Salpas.

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The Salpas Secure Trust Pool in our Trust Market uses Proof of Identity to eliminate pools as well as the risks of a 51% attack and a sybil attack. It eliminates the value leak caused by rapidly depreciating mining equipment (estimated to be as much as $800 million in 2014 alone). It also facilitates a significantly greater distribution of the Crypto Ledger (nodes) at a fraction of the resources required by the Bitcoin protocol's unsecured trust pool, making it environmentally friendly too. The Salpas Secure Trust Pool is superior by almost every measure.

In summary, with the Salpas Trust Market there is no risk of malicious change to Trust demand protocols by anonymous actors, no risk of collusion, no pools, no risk of 51% attack, no risk of sybil attack, no value leak, it is exempt from Virtual Currency Business Activity regulations, has superior security from a greater Crypto Ledger distribution, is environmentally friendly, and is free from all the risk drivers presented in this report. The Salpas Trust Market is the future standard for mainstream global adoption of Crypto Ledger technology.

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