



Minutes of the KICTANet Blockchain Working group meeting held at the iHub on the 20th September 2016

Moderator: Ali Hussein

Attendees:

<u>Name</u>	<u>Organisation</u>
Aerlene Mugambi	Bitclub Network
Thomas Keberi	Optimal Consulting
Hassan Elmi	Arion Systems Ltd
Mwende Njiraini	Diplo Foundation
Collins Ojiambo	Kroll Associates
Mutungu Mutua	USIU-Africa
Rono Kipyegon	@iLabAfrica
Rosemary Koech-Kimwatu	Wayawaya
Dennis Chebon	ROAM
Michael Davis	Dalberg
Stephen Kamau	Techsoft Solutions
Esther Monchari	SOKONECT
Dorcas Owinoh	SOKONECT
Calvin Jousi	Asenty
Mwendwa Kivuva	KICTANET
Kamau Gachigi	Gearbox
Oscar Ahere	Redcloud Technologies
Daudi Were	USHAHIDI
Roy Kinyanjui	Bitclub Network
Josh Kinoti	Ennuka
Robin Owega	Wageni Technologies
Christian Kakoba	Bithub Africa
Kevin Donovan	University of Michigan
Michael Mwangi Kimani	Umati Blockchain Limited
Elvis Bando	Doban
Hayes Njogu	BigDrop.co.ke
Michael Kamau	XRX Technologies
Othaya J. Idriss	Jae Idrizz & Co
Benson Gicheru	X20 Labs
John Karanja	SPACE KENYA
Stephan Muriuki	e-labz
Duncan Gichuru	e-labz



Daniel Nyangaresi	Advisory Consultancy	Business
Brian Muhia	Savanah Informatics	
Kevin Kaburu	Roomtech	
Josiah Mugambi	iHub	
Diana Wanjuhi		
Ndung'u Mbiyu	MaraMoja Limited	Transport
Andrew Meme	IBM	
Vincent Ndonye	Element Blue	
Justus Kimasyu	Belfrics Kenya	
Jackson Macharia	Online Marketer	
Ruth Tole	Bitclub Network	
Kamal Bhattacharya	iHub	

Introduction

The moderator conducted introductions and the attendees introduced themselves. It was stated that the initial meeting was planned in order to get a feel of the Kenyan industry in regards to blockchain technology. Kenya is a trailblazer in the ICT industry and the working group was established in order to have a multi-stakeholder policy directive approach in regards to the blockchain discussion.

Huge Misconception

There has been a huge misconception in regards to blockchain technology especially from a regulatory perspective by most Central Banks in the world, including Kenya. As in all matters ICT it was agreed that the private sector leads while policy follows.

Member's Perspectives

The first to speak were representatives of the Bithub Network. The Bithub Network is a public bitcoin mining caucus comprised of 18 companies worldwide that mine bitcoins. Through the network members are able to send bitcoins to each other. They were happy to be in a forum where most people have an understanding of cryptocurrency.

Thomas Kaberi in the insurance space indicated that traditionally the insurance industry has ran on manual systems to handle their affairs and it is hoped that the use of blockchain ledgers will increase the speed of transactions and enhance security in insurance transactions. Fraud is rampant in the insurance industry and it is estimated that 40% of all claims amounting to 600-700 million shillings is lost through the vice. It is hoped that the introduction of blockchain



technology in the insurance industry will help put an end to this and ultimately benefit all members of the insurance ecosystem and may even result in the reduction of the overall cost of insurance services.

It was agreed that the major drawback in the use of blockchain technology is trust and that if several use cases in diverse industries are adopted then trust in the technology will be created, just like M-Pesa today which is today accepted in the market despite the initial skepticism by industry players in regards to the system.

Michael Kimani from Umati Blockchain Limited gave insight from a financial point of view. The biggest concerns in the financial industry can be solved using blockchain technology. The technology ensures the identity of those engaged in financial systems is secured thereby reducing compliance costs.

Members of the forum agreed that it was important to decouple cryptocurrency and blockchain technology. It was agreed that blockchain the technology that underlies cryptocurrency can have several use cases in various industries and not just in the financial industry alone. It would be better for the ecosystem if various use cases for the technology were adopted and implemented not just in the financial industry. Once the technology is utilized in various industries it will receive much better appreciation from regulators.

Kamal Bhattacharya from I-Hub spoke from a more cautious point of view for the revolutionary technology. He started by saying that the democratization of transaction platforms would require economic consensus if it were to be adopted widely, there are many who would like for things to remain just as they are so not everyone is enthusiastic about blockchain technology in the financial industry. Most bitcoins are mined in China and Russia and it is cheaper in the aforementioned countries because of cheaper energy. The cost of production of cryptocurrency varies in several jurisdictions.

Blockchain technology was defined as an “Alpha” technology that still has a long way to go in regards to testing and acceptance. It would take someone with a PHD in computer science to fully understand how the technology works. The system has not entirely been without any hitches, there was a recent fraud of about 60million dollars in one system operated using blockchain technology, there had to be a reversal of all transactions working backwards until the point where the fraud occurred, this was a challenge in regards to the highly publicised immutability of records.

The CBK can barely manage what it has on its plate and the big question before blockchain technology is even considered will be what impact it will have on technology. There are many



important queries in regards to cryptocurrency that have not yet been adopted for example, what does death on the blockchain mean? In regards to its use in land records, there are at least 17 government agencies involved whenever a land transaction occurs, how does one manage all the records and the stakeholders involved. Kamal concluded by stating that the best way forward would be for the forum to demonstrate how the technology can be useful and then we can state our case to other stakeholders. We should pick five things to be done and lobby for the gazettelement of 20 regulations, basically taking up manageable tasks instead of attempting to bulldoze our way through regulators.

Collins Ojiambo a forensic consultant with Kroll Associates stated that he has had previous experience working for the CBK (Central Bank of Kenya) stated that once consumers have adopted a system then the regulator has no option but to adopt a regulation for the system as was the case of M-Pesa and the National Payment Systems Act where the product formed the basis of the regulation. Banks run on ledgers, security systems and the currency itself and no financial institution would want to be left behind.

There was a query on what exactly it will be that the regulator would be regulating, and it was answered that they basically regulate the players. Rosemary Koech-Kimwatu stated that in the financial industry regulator will mainly be looking out for the implementation of various laws, the following of prudential guidelines KYC (Know Your Customer) Procedures, AML & CFT (Anti Money Laundering and Countering Financial Terrorism) when assessing a system. It would make sense for the cryptocurrency industry to provide solutions to banks who are regulated and once it is proven that the systems can be stable, useful and can fit into regulatory requirements then it will be more accepted by the regulator. The adoption of distributed ledgers can be useful to all players in the financial ecosystems as it may create a scenario where citizens can bank directly with the central bank without having to go through bank intermediaries.

It was reiterated that we must start by first creating basic value by providing solutions in various industries. An example would be creating a solution for a law firm in regards to conveyancing records and then providing a proof of concept to a county government. It was stated that most Scandinavian countries have adopted blockchain technology to handle their lands records.

A good way forward is the development of private blockchains that will develop local solutions. Diana Wanjuhi a developer was interested in knowing how best the forum can support the developers by providing technology that will be used to help push forward the adoption of the technology. How can the forum be useful to the techies to whom we will eventually turn to for



the development of the various use-cases discussed? Hassan Elmi responded to this by stating that there are various frameworks through which developers can create blockchains of their choice for example the Strato Block App and Empark for development of blockchain through Ethereum.

One member asked who the regulator would be, the best answer to this would only come from decoupling blockchain technology from various cryptocurrencies. Ali Hussein the moderator responded by saying the tech community falls under the Ministry for ICT under cabinet secretary Joseph Mucheru. There also was a question on how we can incentivize immutability.

John Karanja from BitHub gave a brief on some key principles of cryptocurrency. The first is tokenization which secures a blockchain. He also stated that blockchain has inherent benefits over databases where transactions need to be secured and where there are high frequency databases. He stated that it would make sense to adopt the lowest hanging fruit and not be confrontational with regulators “lest we throw out the baby with the bathwater”.

Conclusion

The conclusion of this first meeting of the blockchain working group was that the forum must stop thinking Bitcoin and start thinking blockchain. The first key TOR would be to demystify blockchain.

It was also agreed that a core working group of volunteers will be formed to drive this initiative further.