

## LUXEMBOURG

# Cryptocurrency SikobaPay: revolutionizing informal credit

By Alex Kampa



Picture caption:

Max Hilbert (coordinator of the #Beki regional currency), Alex Kampa (Sikoba founder), Geneviève Krol (Fairtrade Luxembourg director) and Jean-Louis Zeien (Fairtrade Luxembourg president) met recently to discuss synergies between SikobaPay and Fairtrade.

Small businesses in developing countries regularly use informal credit, meaning promises of future payment. One of the reasons for this is that money is scarce, and access to bank financing often difficult. However, informal credit does have certain limitations, including a lack of legal recognition, the inability to transact outside of one's trusted network and no verifiable audit trail.

SikobaPay is a blockchain-based system designed to overcome the limitations of informal credit. Because debt is registered on a blockchain, users can obtain legal recognition. Users can also transact beyond their immediate circle of trust, as Sikoba will automatically identify trusted intermediaries. SikobaPay also automatically clears circular debt, thus reducing the need for cash settlement. Finally, SikobaPay produces a verifiable audit trail, which can serve as the basis for a credit history. Esteban de la Peña Padilla, co-founder of Decentralized Technologies S.A. in Guatemala City, thinks that "SikobaPay presents an amazing potential to build blockchain-backed credit scores for the unbanked businesses."

SikobaPay can also be adapted to support many different applications, for example local currencies, mutual credit networks, micro-lending, basic income programs as well as digital cash programs. Using sikobaPay will be very inexpensive, a small business is expected to pay only around one US dollar per month in transaction fees.

### **At the intersection of monetary theory and blockchain**

SikobaPay is being developed by Sikoba, a company based in Luxembourg and London. Sikoba was founded by monetary systems expert Alex Kampa, who has worked on the credit conversion theory of money and is the author of "Money, Credit Conversion and the legacy of Mitchell-Innes". Alex has also worked on blockchain projects since 2015, and is currently advising the European Commission on blockchain governance.

### **SikobaPay: payments based on trust, without money or third parties**

Participants who know and trust each other in real life grant each other credit

lines within the SikobaPay system. Users can then "pay" each other with IOUs (acknowledgements of debt) even in the absence of money. These peer-to-peer credit relationships are governed by contracts with specific conditions, fee structures, and repayment rules. We note that SikobaPay's basic and most important rule is that a user will only ever have credit exposure to those he has expressly chosen to trust.

The SikobaPay system then performs clearing — the same tallying and offsetting of debits and credits that was historically done at trade fairs— but on a more rapid and ongoing basis. The result is that money is only needed to repay residual balances rather than the full financial value of all trade. Therefore, much less money is needed for the same volume of trade.

SikobaPay then expands on this age-old mechanism by allowing credit conversion, a system in which payments between participants who do not know or trust each other become possible. This is done by automatically finding trusted intermediaries.

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## A decentralised platform

SikobaPay is designed as a decentralised system with the goal of eventually becoming independent and self-organising. As a "federated blockchain", SikobaPay will run on its own private network of highly trusted nodes. The Sikoba federation will be self-governing, meaning that members will be chosen by the SikobaPay users themselves.

## A huge target market

Sikoba's main targets are networks of small businesses in developing countries, who mostly use informal credit already. The number of small businesses in Latin America alone is more than 60 million. Once small businesses use SikobaPay, they will have an incentive to encourage their clients to use SikobaPay too. On a global scale, the market for SikobaPay is therefore in the hundreds of millions. Sikoba aims to reach 1 million active SikobaPay users within 12-18 months after launch.

## SikobaPay partners

In Guatemala, Sikoba will work with the country's largest palm oil producer, Grupo MEME. Every day, a fleet of Grupo MEME trucks criss-crosses the country, selling directly to tens of thousands of small shops, which are called tenderos. Some of the drivers' time is wasted as they visit tenderos who do not buy oil because they are short of cash. The solution is simple: Grupo MEME will use sikobaPay to grant credit lines to the tenderos, thus allowing them to buy cooking oil even when they are short of cash. Functions will be added to automatically increase credit lines for tenderos who repay on time, and to reduce or suspend credit lines in case of late payment.

## Luxembourg "center of europe"

Another Sikoba partner is De Kär, a non-profit organization that manages Luxembourg's only local currency, the Beki. To implement an electronic version of the Beki, Sikoba will develop a co-branded version of sikobaPay. The company has also recently signed a letter of intent with a German NGO to use sikobaPay for basic income distribution in Haiti. Basic income recipients will receive credits in sikobaPay which they will be able to use for purchases in local shops, or for withdrawing cash. Local shops will have an incentive to accept sikobaPay, as it will allow them to sell to basic income recipients. Once sikobaPay is thus introduced to the population, it can then also be used for local trade. Pilot testing of the sikobaPay mobile app will start in April 2020 and the full scale launch is planned for September 2020.



European Convention Center,  
Luxembourg Kirchberg

## New 3rd Country Resident Visa for "Quality Investors"

The Luxembourg Chamber of Deputies adopted on 08/02/2017 a law that seeks to attract new 'Quality Investors' from third countries.

According to the new law, the Minister will grant the residence permit in Luxembourg to "investors" from any third-country national:

Who will invest at least 500,000 euros in an existing company, having its registered office in the Grand Duchy of Luxembourg, while committing to maintain the investment for at least five years, or

Who will invest at least 500,000 euros in a company to be created, having its registered Head Office in the Grand Duchy of Luxembourg, and having a commercial or artisanal activity with the commitment to create at least five jobs to be filled in collaboration with ADEM (Unemployment Agency) within three years of the creation of the company, or

Who will invest at least 3 million euros in an existing or to be created investment & management structure with its registered Head Office in the Grand Duchy of Luxembourg and maintaining locally an appropriate structure, or

Who will invest at least EUR 20 million in the form of a deposit in a Luxembourgish financial institution with the commitment to maintain this investment for a minimum period of five years.

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