

Cryptoassets as a new asset class

Opportunities and Challenges
for Investors, Asset Managers and Regulators



Cryptoassets are a new Asset Class

- Fundamentally different from all existing asset classes
- First asset class created digitally
- Unique economic content

Opportunities...

2017 Year-to-Date Returns

Digital assets staggeringly outperformed traditional ones.



Data through June 30th

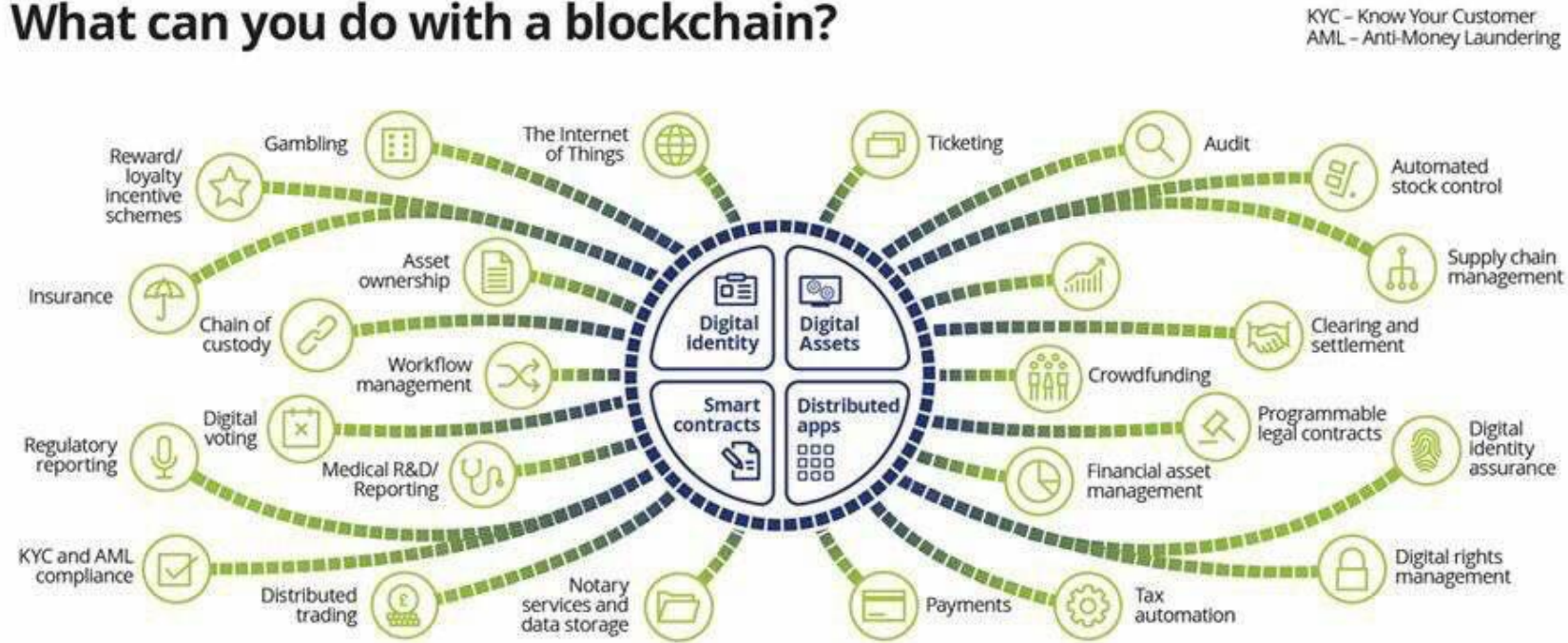
SOURCE: [Coindesk](#)

FORTUNE

More Opportunities...

Blockchain Tech can be the next BIG THING after the Internet

What can you do with a blockchain?



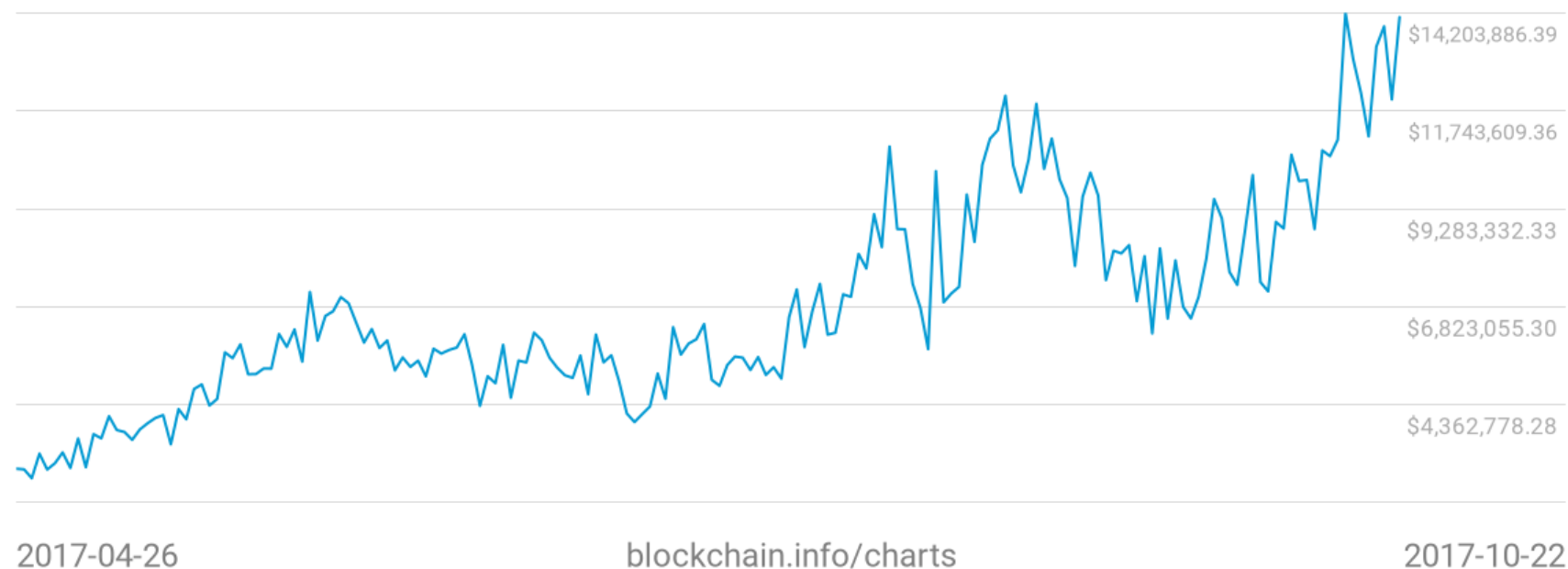
Deloitte.

www.deloitte.co.uk/blockchain

Even More Opportunities

Bitcoin Mining

Доход от добычи
\$14,108,349.16

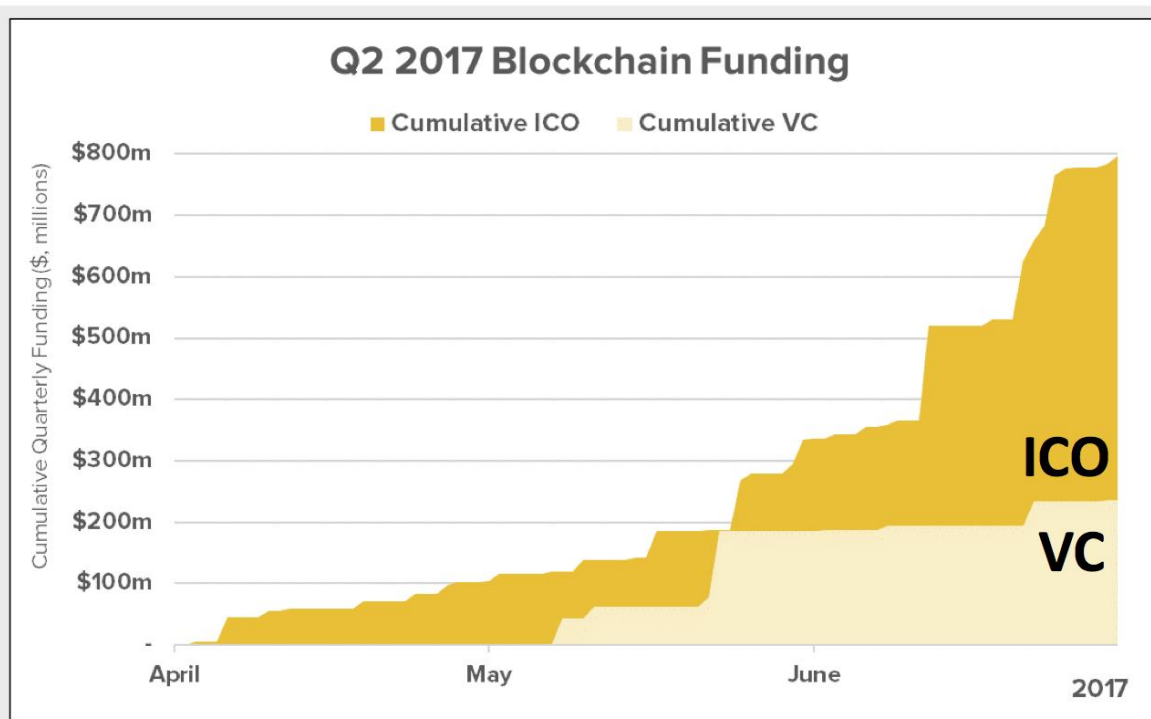


Total daily miners revenue exceeded \$14m on of October 22, 2017

Access to previously closed markets

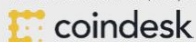


Blockchain Funding Grew Dramatically in Q2, ICOs Exceeded VC by Over 3x



Data Sources: [CoinDesk venture capital database](#), [CoinDesk ICO Tracker](#)

Notes: Deals under \$100,000 excluded, \$ amount at time raised, including only fundraisers ending in 'Q2 2017' (4/1/17 – 6/30/17)



ICO
\$797m

VC
\$235m

Top ICO Deals:

Bancor - \$153m
Status - \$95m
TenX - \$83.1m
MobileGo - \$53.1m

Top VC Deals:

R3 - \$107m
Canaan - \$43.6m
Blockchain - \$40m
Axoni - \$20m

Q1

ICO
\$36m

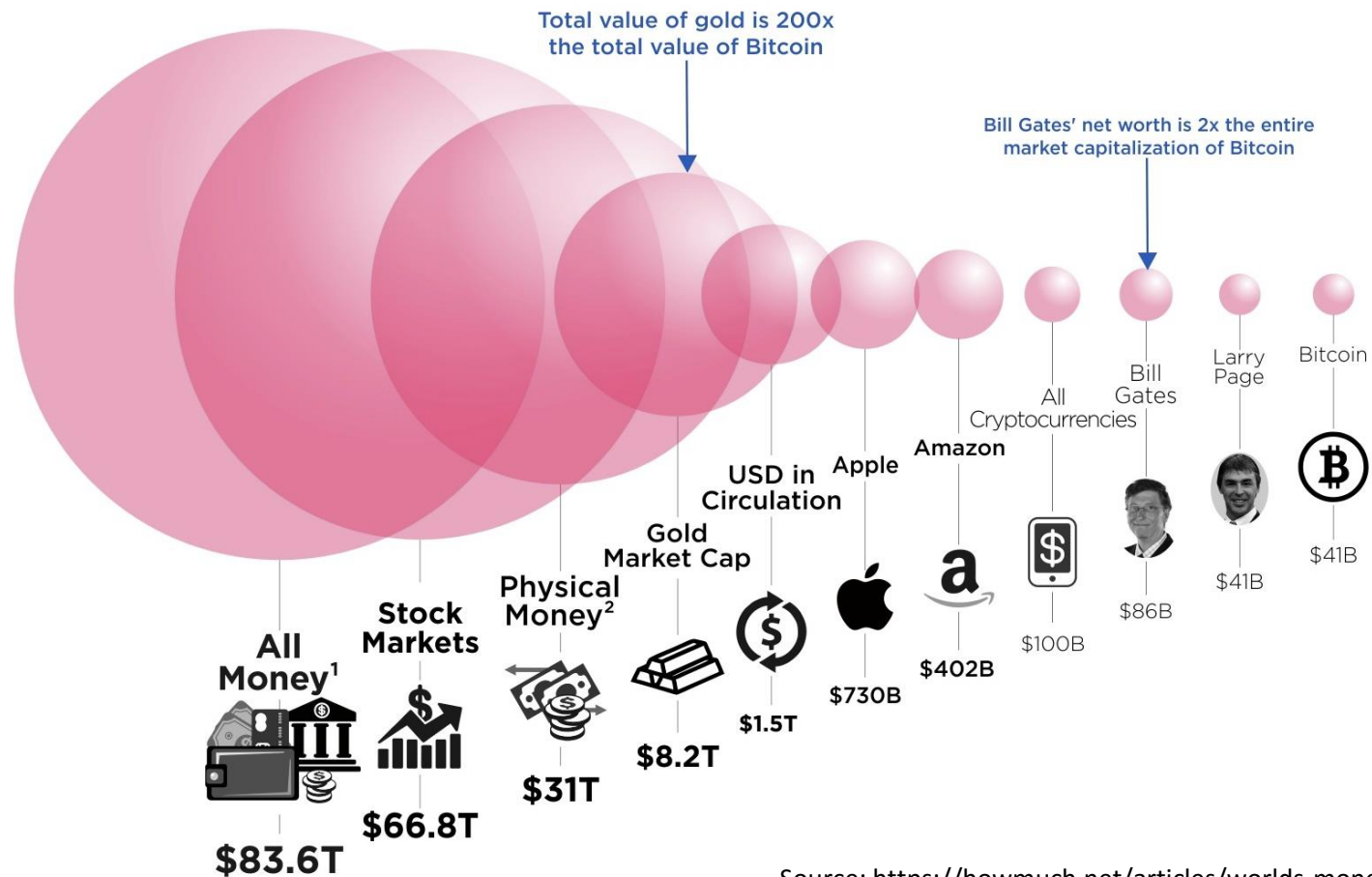
VC
\$107m

Meta-challenge: is it all hype and a bubble?



We don't know but...

Putting the World's Money into Perspective



Source: <https://howmuch.net/articles/worlds-money-in-perspective>

The graph is as of June, 2017.

Now Bitcoin market cap is \$102B and Stock Markets cap is more than \$85T

Bitcoin penetration

How many people in the world own bitcoin?

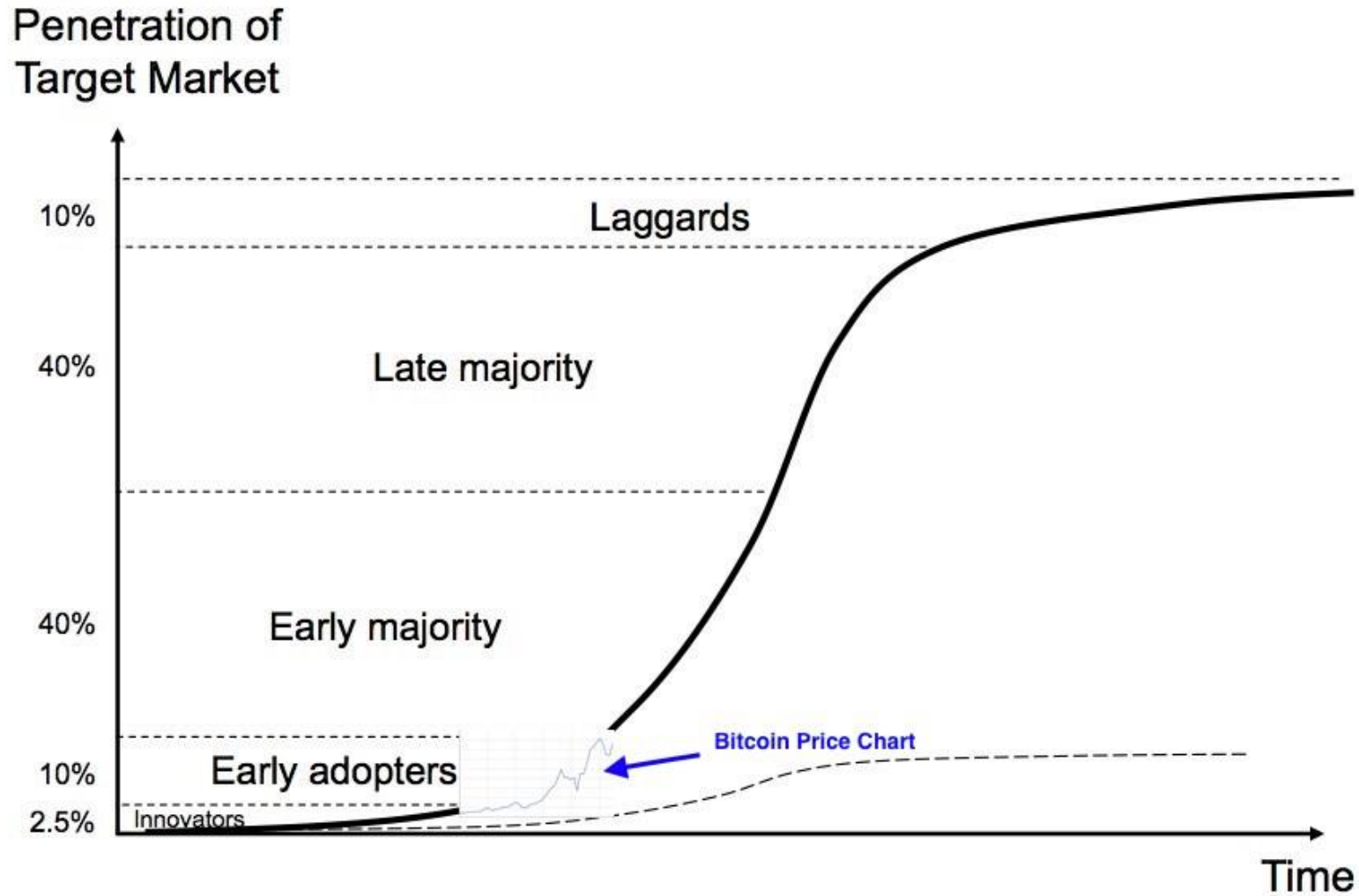
Percentile	Minimum Wealth (BTC)	Number of Bitcoin Owners (cum.)	Number of BTC owned (cum)	Percentage of BTC owned (cum)
10%	1,28000	2 500 000	14 665 058	88,33%
35%	0,10400	8 750 000	16 389 534	98,72%
100%	0,00001	25 000 000	16 577 371	100,00%

Data as of October 1, 2017. Source: Blocklinkinfo.com

- Only 25 mln. people own bitcoin (BTC) – it is less than 0,33% of the world's population
- Out of them only 35% or 8,75 mln. people own more than 0,1BTC (\$430) and only 10% - 2,5 mln. people own 1,28BTC (\$5500) or more

We believe that bitcoin is following an S-Curve and the *massive exponential increase* of the majority adoption is ahead

Probable bitcoin adoption curve



Investors: Opportunities

- Return! - Check the Sharpe ratio
- Diversification out of traditional asset classes
- Less fees – can trade directly (so far)
- Transferability

Investors: Challenges

#1: Security !!!



nik @daytradernik · 10.10.17



Oh my god. They've somehow got into my bittrex account and sold my coins there too. Everything is gone guys. I'm done.

 158

 67

 113



nik @daytradernik · 10.10.17



I recently downloaded the wallets for HighPOS, Champion and PhantomX. So likelihood is the Trojan is in one of those.

 25

 84

 93



Investors: Challenges

- Technology - Understanding

Investors: Challenges

- **Technology – Understanding**
Where should you (ideally) go to learn about crypto?

Investors: Challenges

- **Technology – Understanding**
Where should you (ideally) go to learn about crypto?

University of Nicosia!

Investors: Challenges

- **Technology – Understanding**
And where do they go?



Investors: Challenges

- Technology – Understanding

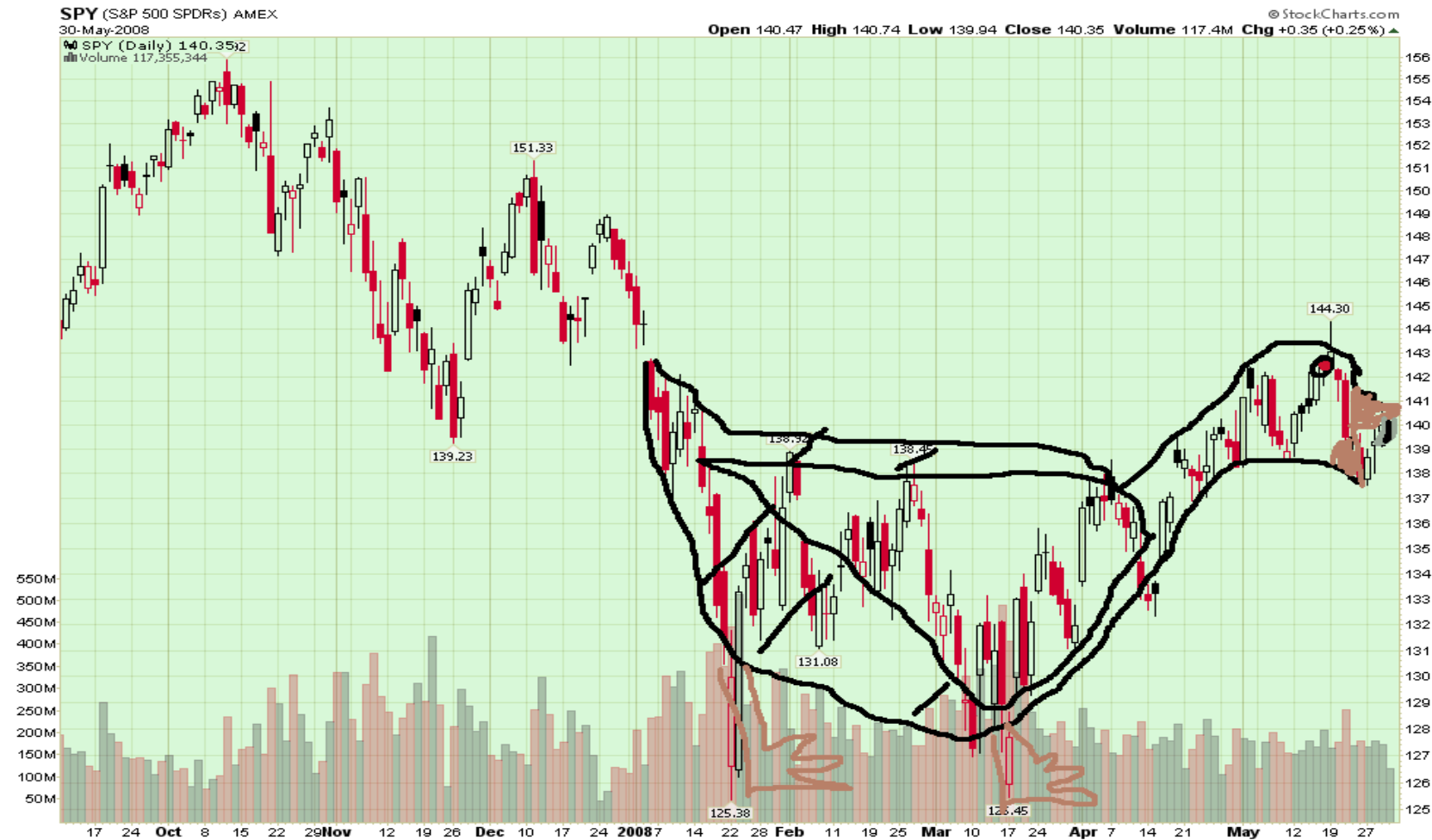
Twitter, Telegram, Slack

Paid channels and groups

Quit your job and become a cryptotrader
fulltime!

Investors: Challenges

Use TA!



Investors: Challenges

- Pricing – can they get a fair price? Fees up to 8%!
- FOMO vs FOBL
- FUD

Regulators: Opportunities

- New instruments: built-in immutability & transparency
- Move the jurisdiction up in the global investment centres ranking
- What else?

Regulators: Challenges

- How do you regulate something which was not meant to be regulated from the start?
- How can these things be even described legally:
 - commodities (Commodities Futures Trading Commission - USA), property (IRS - USA), private currencies (Germany) or securities (New Zealand)?

Things they regulate have mostly been around for a hundred years - it is like driving forward looking in the rear mirror

Country	Achievements in cryptomarket development and regulation
Cyprus	CySEC released a circular on cryptocurrencies trading by CIFs, allowing limited trading
Australia	Introduced legislation for virtual currency exchanges regulation.
Gibraltar	Developed a new regulatory framework for firms offering blockchain services and as a part of it introduced regulations for Initial Coin Offering (ICOs).
Japan	Recognized Bitcoin as a currency and allowed its use as a form of payment. Approved 11 companies to operate cryptocurrency exchanges in the country.
Jersey	Introduced regulations for cryptocurrencies. World's first regulated crypto-denominated fund was established.
Malta	Introduced cryptocurrency within a “controlled framework” to enable regulators to test possible controls and legislation for the technology. Published a consultation paper on cryptocurrency funds.
Singapore	Introduced regulation allowed to proceed with Initial Coin Offerings (ICOs). Drafted new regulatory framework to address AML concerns relating to cryptocurrencies.
Switzerland	Created The Crypto Valley – a hub for crypto startups. Supported a newly launched trade group that aims to promote the use of blockchain technology in the assets management industry.

Regulators: Challenges

- Investor risks: security and volatility
- KYC & AML
- Taxation, Capital and FX controls
- Overregulation?

Asset Managers: Opportunities

- New Market Opened: New clients -> More fees!!!
- Returns are crazy! (as well as volatility but see Sharpe ratio)
- More Fintech with Blockchain

Asset Managers: Challenges

- Competition from the unregulated crowd

The Whales!

WhalePanda



Anbessa



Ant



Asset Managers: Challenges

- Regulation
 - CySEC / EU
 - Counterparties and service providers
- Prediction markets
- Tokenization of Assets -> migration to Cryptoassets Universe

Asset Managers: Challenges

- Decentralization – evolution of service: from managed to self-managed accounts (by AI)
- Blockchain Tech will wipe obsolete intermediaries

Remember Nokia?



What can we offer now?

Our role now:

Helping investors to adapt to the environment - to protect and guide
Investment firms' governance and regulatory framework built for the
financial markets allows them to provide the necessary service to the
investor under substantial supervision of the regulators

For now!

We can save the investors from many unnecessary mistakes and help
them to avoid unnecessary losses

How can we do more?

- By working together with investors, regulators, academia, industry professionals and enthusiasts to create a new environment to support and develop the new asset class
- We believe that financial intermediaries in the future will have to gradually reduce their involvement – a reduction to a function of merely enabling peer-to-peer investor interaction
- Or...

Remember Nokia?



Thank you!

