



Blockchain Assets

· Cryptoasset Managers · Est. 2017 ·



Dear Investors,

This news bulletin summarizes an historical 2 day conference on the topic of 'Bitcoin for Corporations'. I believe this is a significant event as it shows the pathway for Public Company adoption of Bitcoin as a Treasury Reserve Asset and that this will be a theme for 2021.

The first public company in the US to adopt Bitcoin as it's reserve asset is [Microstrategy](#) (NASDAQ : MSTR). It's Founder and CEO [Michael Saylor](#) (who did not know about Bitcoin before March 2020) has become a Bitcoin supa bull who is sharing his knowledge about it far and wide. To give you an idea of the level of his conviction, Microstrategy has over the past few months purchased 71,079 Bitcoins for USD 1.145bn giving them an average cost of ~ USD 16,109/BTC. Today these coins are valued at ~ USD 2.7bn.

Over 6,000 people registered to attend the on-line event, this led to the conference platform being overloaded for a while. The video recordings of the conference have been downloaded over 30,000 times. Attendees included Fortune 500 companies, insurance companies, hedge funds and asset managers.

What I have tried to do below is provide a very short summary of the content of these two days, but embed within my text links that take readers to more detailed content. I hope you find it of interest.

Day 1 - Why Bitcoin, The Internal Decision Making Process at Microstrategy

Ross Stevens - Founder and Chair of Stone Ridge Capital

Based in New York, [Stone Ridge](#) Capital's focus is on Alternative Investments, they have over USD 20bn under management. In 2015 the founder became interested in Bitcoin and set-up a subsidiary with the view to developing an institutional grade Bitcoin only asset management business. After a slow start they now have over USD 6bn of Bitcoin under management but they are seeing exponential growth and are on target to grow AUM to over USD 25bn by year end.

In this interview Ross, whose background includes working at Goldman Sachs with Nobel laureate Fischer Black (one of the partners who developed the '[Black Scholes](#)' model for option pricing), sets out the macro case for Bitcoin. Over the years I have listened to many people describe the properties of Bitcoin and its significance but this interview is one of the best I have ever heard. If you have time to listen to just one interview from this conference I recommend this one, you can view it [here](#).

There are so many good quotes from the interview but the one below I feel is the most insightful.

'...the single most important decision that every CEO must make in the next 10 years will be whether to adopt the Bitcoin Standard or not...' '...whether they actively make this decision or not...they make it and they make it with high consequences...' Ross Stevens - Founder and Chair of Stone Ridge Capital

(note: the 'Bitcoin Standard' refers to a book by that name that can be found [here](#)).

Regulatory and Compliance Focus

The rest of the day was made up of sessions on [Corporate Strategy](#), [Corporate Bitcoin Playbook](#), [Legal Considerations](#) and [Finance Considerations](#). While these sessions were rather dry they are incredibly important for the audience, which was made up of CFO's and Corporate Treasurers.

In the spirit of open source, Microstrategy has made public a number of important corporate governance and regulatory documents which others can use for their own Bitcoin strategy. The documents can be found [here](#).

Day 2 - Execution of the Bitcoin Strategy

Having decided to adopt the Bitcoin Standard, Microstrategy had to select vendors to execute the strategy. Specifically they needed to find out how to buy and hold Bitcoin at scale and with the same level of trust and confidence that they would have if they were buying any other type of financial asset such as stocks and bonds.

Day 2 involved interviewing the top 10 institutional grade cryptoasset exchanges, custodians and fund managers.

1. *Binance - Vincent Kwok, VP Institutional Business*

Founded in China by Canadian-Chinese '[CZ](#)', Binance is just 3 ½ years old but is already the largest crypto exchange by volume (vol = USD 100bn/day). It is the fastest growing business (of any kind) in the history of humanity, it's first year profit was over USD 1bn. It operates in 50 countries and has 1600 employees.

In [this interview](#), Vincent explains that Binance is more than just a crypto exchange, it provides a whole ecosystem of crypto financial services and products, it is an entire ecosystem itself.

Our fund is a customer of Binance.

2. *Coinbase - Brett Teipaul, Head of Institutional*

Based in the US, Coinbase is one of the older exchanges, being founded in 2012. It is planning to go public sometime early this year with valuations at ~ USD 75bn. In [this interview](#) Brett advises that Coinbase have 43 million customers, USD 90 bn under custody and 1200 employees.

3. *Kraken - Jesse Powell, Founder and CEO*

Founded in 2011 Kraken is a compliant focused crypto exchange with 1300 employees and operations in all major locations throughout the world. [The interview](#) with Founder Jesse focuses on on-boarding processes and Kraken's regulatory licenses. Our fund is a client of Kraken, we use them for staking and for acquisition/sale of assets, we have direct 'white glove' service.

4. NYDIG - Robby Gutmann, Co-Founder and CEO

This company is the Bitcoin asset management subsidiary of Stone Ridge Capital mentioned above. One client of NYDIG is Massachusetts Mutual who [purchased USD 100m of Bitcoin in December 2020](#).

During the interview it is revealed that MM, like many other fiduciaries, are likely to run into difficulties in meeting their liabilities in the current zero or negative interest rate environment. In all its 160 year history MM has never failed to meet its liabilities and the current management team does not want to be the first team to fail their responsibilities. Buying Bitcoin, for such a careful and conservative company, is not a flippant exercise, their level of due diligence and research is as exhaustive as it is long. But eventually, they have dipped their toe in the water with a USD 100m purchase. With assets under management of USD 350bn it is not even a toe they have dipped in on this occasion...more like a little toe nail! It is easy to see that this will not be their only investment in Bitcoin and that they are only the first of many such fiduciaries to go down this path. I definitely recommend listening to [this interview](#).

5. Fidelity - Tom Jessop, President Fidelity Digital Assets

With USD 10 trillion AUM, Fidelity is as big, conservative and as old school as you can get in the business of funds management. I was in the audience in New York at Consensus 2017 when billionaire CEO [Abigail Johnson](#) declared '[we love Bitcoin](#)'. Fidelity have been mining Bitcoin and running nodes for many years, they now have a significant cryptoasset offering to their clients via Fidelity Digital Assets. In [this interview](#) Tom sets out Fidelity's product offerings, compliance approach and regulatory licences.

6. Genesis Global Trading - Mike Morrow, CEO

Genesis is part of the [Digital Currency Group](#) owned by [Barry Silbert](#). DCG is considered the Berkshire Hathaway of the crypto world, it has broad and deep investments throughout the ecosystem. In [this interview](#) Mike takes us through the product offering of Genesis Global Trading which is regulated by [FINRA](#) and the SEC. Our fund is a client of Genesis, we use them for any significant trades.

7. Grayscale Investments - Michael Sonnenschein, CEO

Grayscale is the asset management arm of Digital Currency Group. They have 8 long only coin specific investment funds and 1 multi coin investment fund. They have USD 30bn of assets under management.

[The interview](#) with Michael sets out how the funds work and why they are attractive to a range of institutional and corporate clients, he also sets out some remarkable growth statistics.

8. Gemini - Dave Abner, Global Head of Business Development

In [this interview](#) Gemini holds itself out to be the most compliant and secure crypto exchange and custodian platform in the business. Founded by the Winklevoss Twins in 2014 it has 350 employees and provides services in 50 countries. There is a great book about the Winklevoss twins and their Bitcoin story, it is called [Bitcoin Billionaires](#).



9. Galaxy Digital - Mike Novogratz, CEO and Founder

Everyone in the crypto space knows 'Novo' he was one of the first traditional finance hedge fund billionaires (he founded [Fortress Investment Group](#)) to go loud and proud on Bitcoin a number of years ago, he now even has a tattoo of Bitcoin and over 50% of his assets invested in crypto. The [interview here](#) is well worth a listen. His comments about the recent GameStop market activity are particularly interesting.

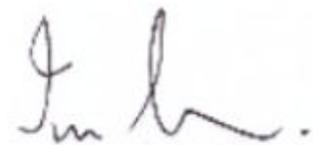
10. Paxos - Charles Cascarilla, CEO and Founder

The most interesting thing about [this interview](#) is the story about the partnership with PayPal. When PayPal decided to offer crypto buy/sell/hold services within its wallet, they needed a digital currency partner to buy and sell the crypto for them and they needed to be integrated with their service. Paxos is essentially the crypto service provider/engine behind the PayPal crypto offering.



It is hard to believe we are only in the first week of February. So much already has happened this year both with crypto and the wider world. The crypto markets have continued strongly and although I am expecting some headwinds from regulatory FUD (Fear Uncertainty and Doubt) I expect the technology and adoption story to continue to be strong. In a world of uncertainty I would be foolish to predict what happens next as far as price is concerned, but I do feel that the corporate and institutional momentum - driven by a very negative macro outlook - is only just starting and that retail on-ramps (PayPal, Facebook etc.) will continue to drive demand for digital assets. This seems to be what all the speakers at this seminar are witnessing from inside their businesses.

Best Regards



Ian Love

To the extent that any of the information which we have supplied to you may be deemed to be “general advice” within the meaning of the Corporations Act, we draw your attention to:- (a) in preparing, supplying or conveying such advice, we did not take into account your investment objectives, financial situation or specific needs; and (b) (before acting on the advice) the need to consider, with or without the assistance of an authorised representative, the appropriateness of the advice having regard to your investment objectives, financial situation or specific needs and any relevant Information Memorandum.