

# Tightened Regulatory Environment Drives Development of STOs

## WEEKLY RECAP

- Total market cap. reached \$201.44bn (a 4.1% increase), and 7 day trading volume slumped 13.4% for top 100 crypto

## WEEK AHEAD

- 19 Sep:** The Cboe XBT expiration date for BTC
- 22 Sep:** EOS hosts Global Hackathon in London

## THOUGHTS OF THE WEEK

The crypto market slumped early this week following a series of regulatory announcements in the US. A New York federal judge ruled that ICO frauds are to be prosecuted under the US securities law. With 95% of ICO tokens being built on Ethereum (ETH), it comes as no surprise that the price of ETH dropped to a new 2018 low of USD 170.26 following the news.

ICO regulations has also been a hot topic in Europe. In particular, the French government has accepted the article of the Business Growth and Transformation bill (PACTE) on ICO regulation. This article enhances investors' protection by requiring ICO conducting companies to apply for a license from the Autorité des Marchés Financiers (AMF), disclosing the details of the offer and the issuer. As the first G7 country to legalize ICOs, we expect French regulations to provide a firm point of reference for other G7 and EU nations to follow.

Tightened regulations have led to an increasing interest in security token offerings (STO) as an alternative method for crypto fundraising. STOs present a bigger market potential than ICOs, with the potential of the tokenization of current financial securities instruments (e.g. equities, bonds, options). We believe that STOs provide an edge over ICOs with regards to exchange regulations, which can more effectively guard against unethical trading practices such as front running and wash trades. In comparison with IPOs in traditional finance, investors' risk can be better diversified as tokenized securities can be divided into smaller units without restrictions, which enhances the transferability of tokens in secondary markets.

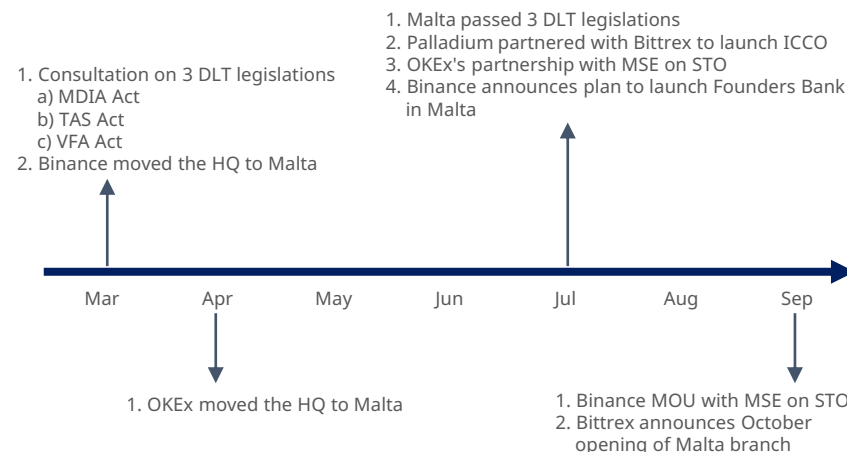
The interest for STOs is also growing among crypto exchanges. Following the partnership with OKEx in July, Malta's stock exchange (MSE) recently signed a Memorandum of Understanding (MOU) with Binance to launch a security token trading platform. Despite Malta's early effort towards STOs, we believe that its success will depend on the regulatory stance towards STOs from major nations. As noted by Rudolf Medvedev (CEO of Ternion), if Maltese crypto regulations are not widely recognized among nations, then the advantage of performing a Maltese STO over an ICO will be limited. We expect that major nations like the US will publish guidelines on classifying the nature of crypto tokens in the near future, thereby paving the way for the massive adoption of STOs.

## TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$6,499.92	3.87%	22.70bn	-17.29%	112.26bn	55.73%
ETH	\$217.50	11.69%	11.19bn	3.07%	22.18bn	11.05%
XRP	\$0.28	-0.01%	1.49bn	1.00%	11.11bn	5.51%
BCH	\$440.23	-7.05%	1.95bn	-16.90%	7.64bn	3.79%
EOS	\$5.34	11.38%	3.62bn	-18.00%	4.84bn	2.40%
XLM	\$0.20	3.43%	0.35bn	-1.89%	3.79bn	1.88%
USDT	\$1.00	-0.11%	14.93bn	-17.15%	2.76bn	1.37%
XMR	\$116.45	11.85%	0.23bn	-10.18%	1.91bn	0.95%
ADA	\$0.07	-11.43%	0.36bn	1.86%	1.77bn	0.88%
DASH	\$188.37	1.77%	1.24bn	-5.39%	1.57bn	0.78%

## CHART OF THE WEEK

Timeline of Malta's Crypto Development since Mar 2018



## TOP CRYPTO NEWS AT A GLANCE

**Winklevoss Brothers launch fiat-backed stablecoin GUSD after NYDFS approval:** The GUSD is eligible for FDIC "pass-through" deposit insurance.

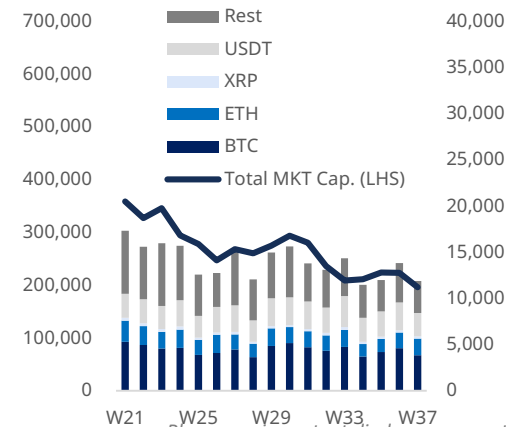
**OKEx founder Star Xu denies fraud allegations:** The company claims that Star Xu has no equity relationship with WFEF.

**IMF warns Marshall Islands of risk in adopting a digital currency as 2<sup>nd</sup> legal tender:** The loss of relationship with US banks can severely harm the country's economy.

## NETWORK FUNDAMENTALS

	BTC	ETH
<b>Hashrate</b>	49,996,152 TH/s (+0.9%)	248,197 GH/s (-7.8%)
<b># Wallet Users</b>	28,426,485 (+0.6%)	42,586,892 (+0.8%)
<b>Top 3 Miners</b>	BTC.com (18%) ViaBTC (12%) AntPool (12%)	Ethermine (27%) SparkPool (16%) F2 Pool (14%)

## MARKET CAP & TRADING VOL. (US\$ mn)



Please see important disclosure on next page.

## DISCLAIMER

Abbreviations: ADA: Cardano; AMF: The Autorité des marchés financiers; BCH: Bitcoin Cash; BTC: Bitcoin; crypto: cryptocurrencies; CEO: Chief Executive Officer; DLT: Distributed Ledger Technology; ETH: Ethereum; G7: Group of Seven; GUSD: the Gemini dollar; HQ: headquarter; ICCO: Initial Convertible Coin Offerings; ICOS: Initial Coin Offerings; IMF: The International Monetary Fund; IPO: Initial Public Offerings; Market Cap: Market Capitalization; MDIA Act: the Malta Digital Innovation Authority Act; mn: million; MOU: Memorandum of Understanding; MSE: The Malta Stock Exchange; NYDFS: The New York Department of Financial Services; PACTE: the article of the Business Growth and Transformation bill; STO: Security Token Offerings; TAS Act: the Innovative Technological Arrangement and Services Act; Trading Vol.: Trading Volume; USD: United States Dollars; USDT: USD Tether; VFA Act: the Virtual Financial Asset Act; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

Chart of The Week: Source: Blockcast.it, Cointelegraph, Coindesk, Standard Kepler Research

Market Cap & Trading Vol.: Source: Coinmarketcap, Standard Kepler Research

The horizontal axis represents the week number in 2018. For instance, W21 indicates the twenty first week in 2018.

The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

Network Fundamentals: Source: Blockchain.info, Blocktrail, Etherchain.org, Etherscan.io, Standard Kepler Research

Thought of The Week: Source: Binance, Blockcast.it, Coindesk, Coinmarketcap, Cointelegraph, LesEchos.fr, OKEx, Standard Kepler Research, Ternion, The Autorité des marchés financiers, The Malta Stock Exchange

Top Crypto News At a Glance: Source: Blockcast.it, Coindesk, Cointelegraph, Jinse, Standard Kepler Research

Top Crypto Performance Summary: Source: Coinmarketcap, Standard Kepler Research

Week Ahead: Source: Cryptocalendar.pro, Standard Kepler Research

Weekly Recap: Source: Coinmarketcap, Standard Kepler Research

Past performance does not guarantee future results.

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The price of Bitcoin and other cryptocurrencies are highly volatile in nature. It is suggested that clients should perform their own due diligence and consult a fully qualified independent professional financial adviser before making any investments in cryptocurrencies.

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Unless otherwise stated, all data is as of September 16, 2018 or as of most recently available.