

Starting as Custodians, Traditional Giants Challenge Crypto Leaders

WEEKLY RECAP

- Total market cap. reached \$211bn (a 3.9% increase), and 7 day trading volume slumped 6.1% for top 100 crypto

WEEK AHEAD

- 26 Oct:** The last trade date for CME BTC Futures
- 28 Oct:** Zcash (ZEC) to activate Sapling upgrade

THOUGHTS OF THE WEEK

Wall street giants expedited their entrance into the crypto market this week. Fidelity announced the launch of a new entity called "Fidelity Digital Assets Services", offering custodian and trade execution services for digital assets. The new entity targets institutional investors, including hedge funds, family offices and market intermediaries. Galaxy Digital was announced as the first related customer.

Custodian services are already offered by cryptocurrency exchanges, but the custodian fees charged by these have been significant. This has opened the door for financial institutions able to offer custodian services at more competitive fee levels. Coinbase and Gemini have charged high annual custodian fees of 1.21% and 0.96%, compared to an estimated 0.016% typically charged by traditional custody service providers. Furthermore, while we currently view asset safekeeping as the primary function of crypto custodians, we do expect custodians to play a crucial role in enabling future security token offerings (STOs). In addition to the custody of client digital assets as mandated by securities regulations, this role will likely include responsibilities of fund accounting, and liaising with transfer agents & fund managers.

It is worth noting that current regulations around crypto custody are unclear. Under Regulations from the U.S. Securities and Exchanges Commission (SEC), financial institutions holding customer assets worth more than US\$ 150mn are required to appoint a qualified custodian for asset storage. However, such rules have not been applied to cryptocurrencies since BTC and ETH are not currently classified as funds or securities. The legal protection available to crypto custodian clients is nonexistent, and the protection of custodied assets is solely derived from the terms and conditions written by the crypto custodian.

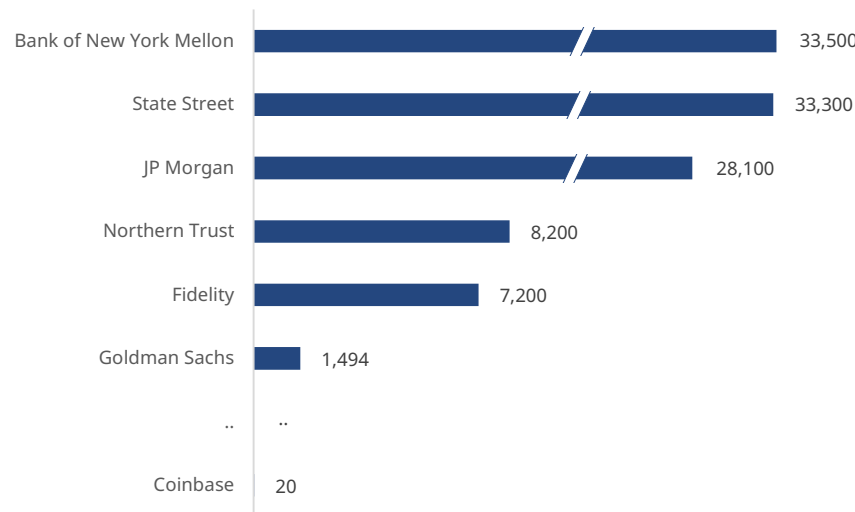
In related news, other wall street giants including Goldman Sachs have invested into crypto custodian BitGo. Traditional security firm G4S' launch of its "vault storage" custodian services further intensifies the space, and service providers such as these may become the go-to custodians for institutional clients looking to enter crypto markets. However, we do not believe the prestige of a custodians' history should be treated as the decisive factor when choosing a custodian for crypto assets. Rather, experience in crypto wallet and private key management are challenges unique to the crypto market, and custodians should be evaluated accordingly.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$6,513.70	3.12%	22.32bn	-0.13%	112.90bn	53.59%
ETH	\$206.93	3.23%	8.02bn	-8.39%	21.25bn	10.09%
XRP	\$0.46	9.69%	2.42bn	-22.40%	18.45bn	8.76%
BCH	\$450.10	0.44%	1.80bn	-9.82%	7.84bn	3.72%
EOS	\$5.45	3.91%	2.43bn	-21.11%	4.94bn	2.35%
XLM	\$0.25	13.36%	0.33bn	15.96%	4.63bn	2.20%
USDT	\$0.98	-0.66%	14.30bn	-5.54%	2.04bn	0.97%
ADA	\$0.08	5.41%	0.15bn	-38.18%	2.00bn	0.95%
XMR	\$104.52	2.13%	0.11bn	-56.19%	1.72bn	0.82%
DASH	\$155.71	-3.53%	0.97bn	-2.03%	1.31bn	0.62%

CHART OF THE WEEK

AUCs by Traditional Financial Institutions Entering Crypto, vs Coinbase, 2018 (US\$bn)



TOP CRYPTO NEWS AT A GLANCE

USDT loses its 1-to-1 peg with USD: Crypto exchanges such as OKEX, Bitpay and Huobi announce the listing of competing stablecoins such as Gemini USD, Circle's USD Coin, Paxos Standard Token, and True USD.

The U.S. Securities and Exchange Commission (SEC) launches a new strategic hub for innovation and financial technology: The hub facilitates the SEC's engagement in fin-tech areas such as DLT and digital assets.

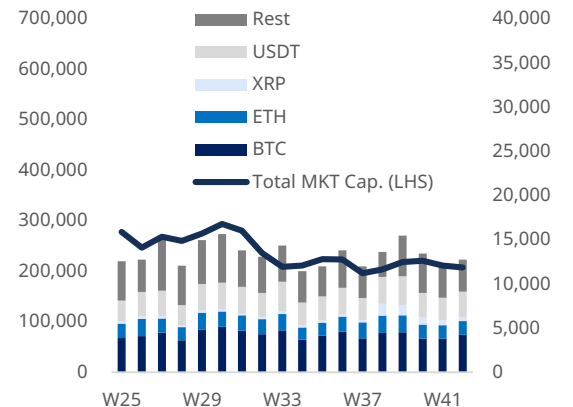
Ethereum announces that the Constantinople hard fork will not be implemented in 2018: Consensus failed to be reached on the Ropsten testnet, and developers are currently investigating the issue further.

The World Payments Report 2018 indicates DLT fails to meet financial market demands: Lack of interoperability and regulatory clarity are main obstacles for DLT adoption.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	51,645,359 TH/s (+2.1%)	251,821 GH/s (-2.0%)
# Wallet Users	29,366,711 (+0.7%)	44,623,747 (+1.1%)
Top 3 Miners	BTC.com (15%) AntPool (14%) ViaBTC (13%)	Ethermine (27%) SparkPool (22%) F2 Pool (13%)

MARKET CAP & TRADING VOL. (US\$ MN)



Please see important disclosure on next page.

STANDARD KEPLER

WEEKLY SUMMARY | 15 – 21 OCTOBER

DISCLAIMER

Abbreviations: ADA: Cardano; AUC: Asset Under Custody; BCH: Bitcoin Cash; bn: billion; BTC: Bitcoin; crypto: cryptocurrencies; DLT: Distributed Ledger Technology; ETH: Ethereum; ICOs: Initial Coin Offerings; L-BTC: Liquid Bitcoin; Market Cap: Market Capitalization; mn: million; Oct.: October; STO: Security Token Offerings; Trading Vol.: Trading Volume; USD: United States Dollars; USDT: USD Tether; U.S. SEC: The U.S. Securities and Exchanges Commission; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple; ZEC: Zcash

Chart of The Week: Sources: 51 percent crypto research, Fidelity, Forbes, Northern Trust, Standard Kepler Research, Statista

Market Cap & Trading Vol.: Sources: Coinmarketcap, Standard Kepler Research
The horizontal axis represents the week number in 2018. For instance, W25 indicates the twenty fifth week in 2018. The primary vertical axis represents total market capitalization; and the secondary vertical axis represents total trading volume.

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

Thought of The Week: Sources: 51 percent crypto research, BCG Henderson Institute, Bitcoinist.com, Blockcast.it, Bloomberg, Coindesk, Cointelegraph, Fidelity, Forbes, G4S, Goldman Sachs, Mckinsey & Company, Perkins Coie LLP, South China Morning Post, Standard Kepler Research, the U.S. Securities and Exchanges Commission

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

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

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

Weekly Recap: Sources: 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 October 21, 2018 or as of most recently available.