

10 Years Later – BTC Has Failed to Achieve Its Original Goal

WEEKLY RECAP

- Total market cap. reached \$207bn (a 0.9% decrease), and 7 day trading volume surged 22.9% for top 100 crypto

WEEK AHEAD

- 8 Nov:** Biztranex exchange to list ADA, EOS, IOTA
- 10 Nov:** EOS hosts Global Hackathon in SF

THOUGHTS OF THE WEEK

The financial crisis of 2008 left a deep dent in the public's trust towards financial institutions. Bitcoin (BTC), designed as a trustless decentralized peer-to-peer electronic cash system, was seen as an option to lessen the dependence on financial and governmental institutions. Yet 10 years later we can state that BTC has thus far failed to achieve its original goal.

BTC's inability to transform itself into a scalable electronic cash system is a primary contributing factor. While Visa supports 24,000 transactions (tx) per second (TPS), BTC only processes 7 TPS. This leads to high tx fees, and makes large scale adoption unviable. Difficulties in governing a decentralized system have made it nearly impossible for BTC to reach its full potential, and several proposed scalability updates have been abandoned with BTC remaining largely unchanged since its launch. Factors external to BTC such as the public perception of BTC as an unregulated high risk financial instrument, with a reputation still tainted by illegal use cases and high profile crypto wallet hacks, have certainly contributed to BTC's failure.

Assuming BTC is scalable, regulations would still be the first step towards promoting real adoption. Yet there is currently little consensus on the nature of BTC. We believe that BTC exhibits features of a commodity, as indicated by its "safe storage of value" role in the crypto market. However, global opinions differ as shown in the Chart of the Week. While HKMA chairman Norman Chan recently stated that BTC does not qualify as a currency, the US SEC claims BTC is not a security, and the CFTC claims BTC is a commodity.

Having failed as an electronic cash system, BTC has instead found use as an alternative investment class. In particular, BTC futures serve as gateways for traditional investors tapping into crypto. We further expect that a launch of BTC ETFs could bring massive capital inflow from financial institutions. It is worth noting that BTC has recently been less volatile than the bearish equity market, with a ten day price volatility of 15.7 for BTC in late October (S&P 500 volatility at 27).

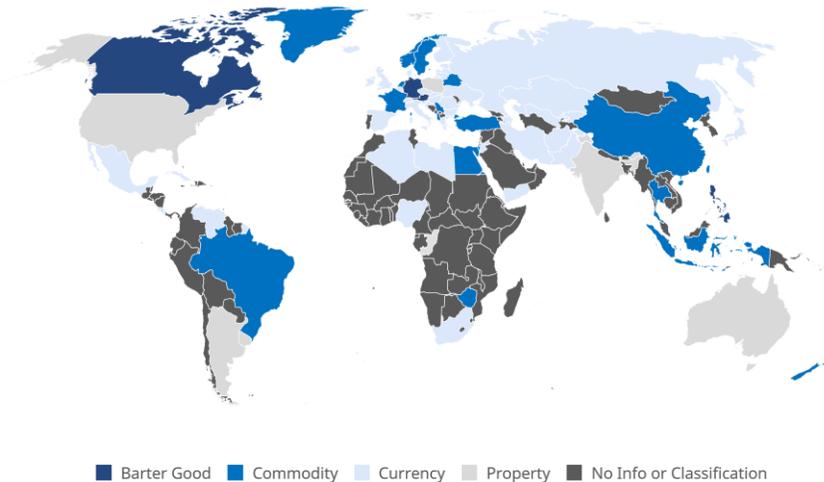
Looking to the future, a crucial challenge to adoption of BTC as a currency is expected in central bank issued digital currencies (CBDC) which could make BTC irrelevant to the vast majority of users. India, the world's 5th largest economy, has proposed a ban on crypto trading and the possible launch of a rupee-backed CBDC. As we reflect on BTC's past 10 years we may find its inability to truly break the public's reliance on institutions to be its greatest failure.

TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$6,367.24	-1.70%	24.02bn	17.59%	110.53bn	53.36%
ETH	\$199.95	-2.11%	8.78bn	29.13%	20.59bn	9.94%
XRP	\$0.45	-0.74%	2.07bn	18.95%	18.24bn	8.81%
BCH	\$493.42	12.64%	3.35bn	128.15%	8.60bn	4.15%
EOS	\$5.31	-1.62%	3.84bn	85.81%	4.81bn	2.32%
XLM	\$0.24	3.23%	0.28bn	23.19%	4.47bn	2.16%
ADA	\$0.07	-1.65%	0.13bn	57.71%	1.86bn	0.90%
USDT	\$1.00	0.41%	13.81bn	27.77%	1.77bn	0.86%
XMR	\$106.69	3.43%	0.08bn	-19.83%	1.76bn	0.85%
DASH	\$154.32	0.21%	0.99bn	4.30%	1.30bn	0.63%

CHART OF THE WEEK

Global Classifications of BTC



TOP CRYPTO NEWS AT A GLANCE

Hong Kong SFC publishes guidelines for funds dealing with crypto: Investment funds with a holding of more than 10% in virtual assets are required to register and obtain licenses under the SFC. A sandbox scheme is available for trading platforms that serve professional investors.

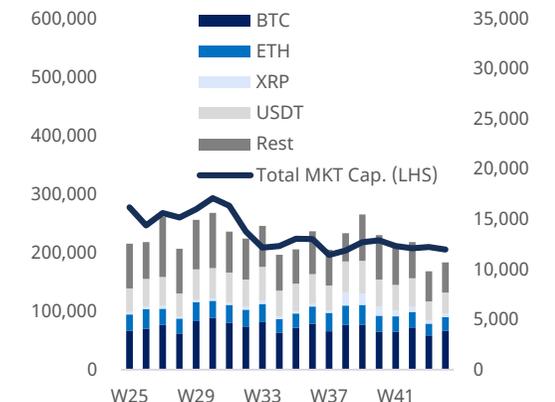
The Department of Federal Revenue of Brazil (RFB) publishes draft rules on crypto taxation: Brazil-based crypto exchanges are now obliged to send detailed monthly reports to the RFB on all crypto-related operations.

HKEx partners with Digital Asset to accelerate post-trade processing: Both parties are planning to launch a full service platform that aims to solve the problem of discrepancies in time zones and other settlement and operational issues for northbound traders via Stock Connect. The platform has completed a functional prototype and will enable the real-time synchronization of post-trade status between asset managers, brokers and custodians.

NETWORK FUNDAMENTALS

	BTC	ETH
Hashrate	53,259,582 TH/s (+6.8%)	239,173 GH/s (-2.1%)
# Wallet Users	29,791,005 (+0.7%)	45,904,268 (+1.5%)
Top 3 Miners	BTC.com (17%) AntPool (13%) BTC.TOP (12%)	Ethermine (27%) SparkPool (23%) F2 Pool (13%)

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



STANDARD KEPLER

WEEKLY SUMMARY | 29 OCTOBER – 4 NOVEMBER

DISCLAIMER

Abbreviations: ADA: Cardano; BCH: Bitcoin Cash; bn: billion; BTC: Bitcoin; CBDC: Central bank issued digital currencies; CFTC: Commodity Futures Trading Commission; crypto: cryptocurrencies; ETF: Exchange-traded fund; ETH: Ethereum; HKEX: Hong Kong Stock Exchange; HKMA: Hong Kong Monetary Authority; HKSF: Hong Kong Securities and Futures Commission; Market Cap: Market Capitalization; mn: million; Nov: November; Oct.: October; RFB: The Department of Federal Revenue of Brazil; SF: San Francisco; TPS: Transaction per second; Trading Vol.: Trading Volume; Tx: Transaction; US\$: United States Dollars; USDT: USD Tether; U.S. SEC: The U.S. Securities and Exchanges Commission; XLM: Stellar Lumens; XMR: Monero; XRP: Ripple

Chart of The Week: Sources: Coindance, Standard Kepler Research
*The Internal Revenue Service of the United States stresses that virtual currencies including BTC are treated as properties for U.S. federal tax purposes.

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: Bitcoin whitepaper, Bitcoinist.com, Blockcast.it, Bloomberg, CCN, Coindance, Coindesk, Cointelegraph, Commodity Futures Trading Commission, Government of India, Hong Kong Monetary Authority, Standard Kepler Research, The U.S. Securities and Exchanges Commission

Top Crypto News At a Glance: Sources: Blockcast.it, Coindesk, Cointelegraph, Hong Kong Stock Exchange, Hong Kong Securities and Futures Commission, 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 November 4, 2018 or as of most recently available.

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