

# SEC Makes First Move Against Crypto Exchanges

## WEEKLY RECAP

- Total market cap. reached \$213bn (a 2.8% increase), and 7 day trading volume surged 17.2% for top 100 crypto

## WEEK AHEAD

- 12 Nov:** IOTA at SZ Economic Summit in Berlin
- 14 Nov:** Cboe XBT expiration date for BTC

## THOUGHTS OF THE WEEK

The U.S. SEC has made its first move against crypto-currency exchanges. On 8 Nov, the SEC charged decentralized exchange (DEX) EtherDelta's co-founder Zachary Coburn with operating an unregistered national securities exchange between 12 Jul 2016 to 15 Dec 2017. Coburn agreed to pay a total of US\$ 388,000 under the settlement.

The decision is based on the preceding DAO token ruling of July 2017. In the DAO ruling, the U.S. SEC advised that a platform must register as a national securities exchange if it offers trading of digital assets that are securities, and is operated as an "exchange" as defined under section 3(a)(1) of the Exchange Act.

EtherDelta met the definition of an exchange under Coburn's ownership, as it facilitated the trading of more than 3.6mn ERC20 tokens, including tokens considered securities by the SEC. EtherDelta further exhibited characteristics of an exchange by charging parties accepting trades a 0.3% transaction fee. Coburn wrote the EtherDelta smart contract, yet failed to include trading restrictions on particular ERC20 tokens deemed securities by the SEC. His subsequent failure to register EtherDelta as a national securities exchange, or apply for exemption, thus constituted a knowing breach of section 5 of the Exchange Act.

We speculate that the trading pattern after the SEC decision corresponds to customers moving tokens out of DEXs, as seen in the Chart of the Week. "It does not matter to what degree your exchange is decentralized, the SEC will seek to regulate crypto exchanges servicing U.S. citizens. Crypto exchanges should comply with the jurisdictions of both the exchange itself and its customers", Standard Kepler CEO David Tang said on the ruling. It is worth noting that DEXs have recently been tightening their KYC procedures. IDEX recently announced that traders with New York IP addresses will be blocked, and traders must perform identity verification like centralized exchanges.

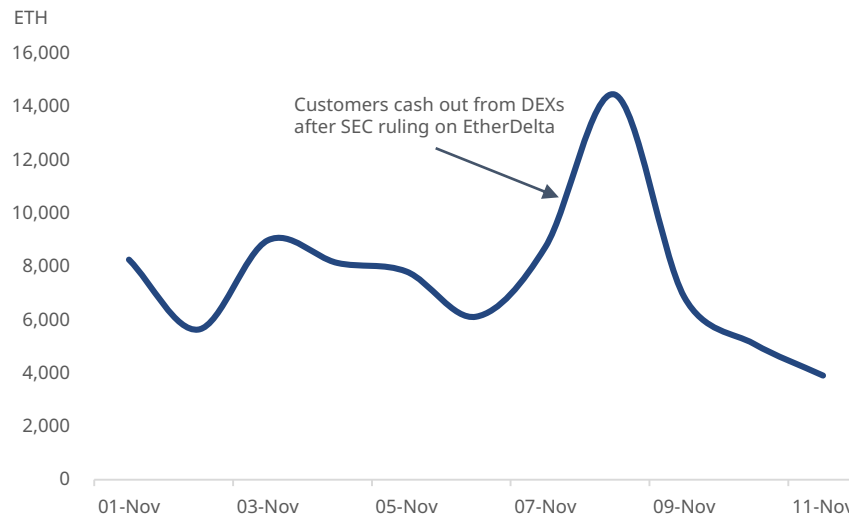
This ruling is of particular interest as it hints at which party the SEC may hold liable for the operating of decentralized technologies, and exchanges as well as smart contract designers ought to pay careful attention. We expect this to be the SEC's first move of many against crypto exchanges, and that exchanges may choose to sacrifice decentralization when faced with regulations. We predict that reputable custodians will be of growing importance as exchanges seek to achieve regulatory compliance.

## TOP CRYPTO PERFORMANCE SUMMARY

Name	Price	7D%	Vol.	7D%	Mkt Cap.	% Total Mkt
BTC	\$6,402.62	0.52%	26.18bn	9.02%	111.21bn	52.24%
ETH	\$211.88	5.81%	9.95bn	13.34%	21.85bn	10.26%
XRP	\$0.51	11.17%	3.66bn	76.33%	20.31bn	9.54%
BCH	\$547.36	6.28%	4.89bn	45.96%	9.55bn	4.49%
XLM	\$0.27	11.24%	0.50bn	77.12%	5.03bn	2.36%
EOS	\$5.39	0.50%	4.20bn	9.39%	4.88bn	2.29%
ADA	\$0.08	3.46%	0.18bn	37.72%	1.96bn	0.92%
USDT	\$0.99	0.01%	17.04bn	23.39%	1.77bn	0.83%
XMR	\$104.06	-2.30%	0.09bn	15.96%	1.72bn	0.81%
DASH	\$161.24	4.12%	1.35bn	37.09%	1.36bn	0.64%

## CHART OF THE WEEK

Daily Volume of Decentralized Crypto Exchanges in November 2018



## TOP CRYPTO NEWS AT A GLANCE

**Venezuela presents Petro to Intergovernmental Group OPEC as unit of account for oil starting from 2019:** The Venezuela government also announces a Petro savings plan accessible to 18 million citizens with an identity card.

**U.S. CFTC chairman Christopher Giancarlo stresses that DLT can help regulators better oversee trading markets:** He highlights that the use of DLT facilitates cost savings and improves trade matching, clearing and settlement.

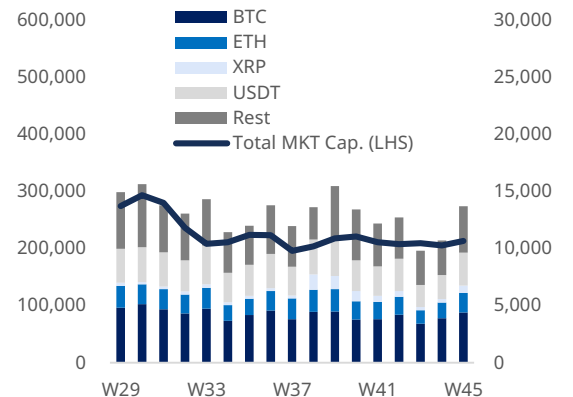
**The Finance Committee of the National Assembly in France adopts amendment to ease taxes on cryptocurrency sales:** The crypto income tax rate will be reduced from 36.2% to 30% starting 1 Jan 2019, if the amended tax bill is accepted.

**BTCC mining pool will be closed after November 2018:** The company states that all mining servers will close on 15 Nov and operations will cease indefinitely starting 30 Nov.

## NETWORK FUNDAMENTALS

	BTC	ETH
<b>Hashrate</b>	47,295,369 TH/s (-11.2%)	237,633 GH/s (-0.6%)
<b># Wallet Users</b>	30,074,450 (+1.0%)	46,445,932 (+1.2%)
<b>Top 3 Miners</b>	BTC.com (18%) AntPool (13%) ViaBTC (12%)	Ethermine (27%) SparkPool (22%) F2 Pool (13%)

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



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WEEKLY SUMMARY | 5 – 11 NOVEMBER

## DISCLAIMER

**Abbreviations:** ADA: Cardano; BCH: Bitcoin Cash; bn: billion; BTC: Bitcoin; Cboe: Cboe Global Markets, Inc.; CFTC: Commodity Futures Trading Commission; crypto: cryptocurrencies; DAO: Decentralized Autonomous Organization; Dec: December; DEX: Decentralized exchange; DLT: Distributed ledger technology; ETH: Ethereum; IP: Internet protocol; Jul: July; Market Cap: Market Capitalization; mn: million; Nov: November; Oct.: October; OPEC: The Organization of the Petroleum Exporting Countries; Trading Vol.: Trading Volume; 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: DappRadar, Standard Kepler Research

**Market Cap & Trading Vol.:** Sources: Coinmarketcap, Standard Kepler Research  
The horizontal axis represents the week number in 2018. For instance, W29 indicates the twenty ninth 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: Bitcoinist.com, Blockcast.it, Bloomberg, CCN, Coindesk, Cointelegraph, DappRadar, IDEX, Securities Exchange Act of 1934, Standard Kepler Research, The U.S. Securities and Exchanges Commission

**Top Crypto News At a Glance:** Sources: Blockcast.it, BTCC, CCN, Coindesk, Cointelegraph, Commodity Futures Trading 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 11, 2018 or as of most recently available.

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