

## July 2022 Investor Update

### ProChain in the News

[The Fed making a 'big mistake' by not hiking rates fast enough](#); *Fox Business News*; Aug 4

[Block by block: Blockchain technology is transforming the real estate market](#); *Cointelegraph*; July 22

[Suns Out, Guns Out, Crypto Rising](#); *OETV*; Aug 12

[Digging into Crypto: Greed is leaving the system](#); *OETV*; July 26

### 1. Adoption

#### a. *Investment.*

- Despite Larry Fink’s skeptical pronouncements regarding cryptocurrency made five years ago, **BlackRock**, the world’s largest asset-manager, has recently made two important moves into cryptocurrency.
  - First, in partnership with **Coinbase**, **BlackRock** will be [offering institutional users of its Aladdin research database, which rivals Bloomberg, access to crypto data, research and analysis](#).
    - This is **important** because, through Aladdin, thousands of institutional investors, who might not have previously explored digital assets, will immediately be brought into the crypto fold.
  - Second, **BlackRock** is [directly offering its first crypto product](#), a trust with Bitcoin exposure (GBTC-light).
- **Steven Cohen**, founder of **Point72** (fka **SAC**), is [setting up a firm exclusively focused on crypto assets](#).
- The correlation between stocks (considered a relatively “risk” asset) and Bitcoin is at [the lowest levels of the year](#).
  - As digital assets decouple from other asset classes, it will be a justifiable asset class of its own without an easily identifiable proxy, necessitating independent focus and investment by investors, retail and institutional alike.
- **Mercado Libre (MELI)**, the Amazon of Latin America (the largest e-commerce company in the region), is [expanding its crypto trading services](#) that it offers to customers/users, through its Mercado Pago digital wallet, to all Latin America. Until now, it has been limited to Brazil.

- *ProChain* believes that crypto developments in countries and regions of the world that are plagued with instability (political, social, economic) are going to be the leading indicators for crypto adoption for the developed world.
  - *New York Magazine* published a [detailed and exciting account of the buildup and downfall of Three Arrows Capital \(3AC\)](#), the hedge fund at the center of the recent tumult in digital assets.
- b. *Currency and Use.*
- As we've discussed in a few recent updates, the recent collapse of the Luna stablecoin, has led to increased focus and scrutiny of **stablecoins** overall.
    - **Circle**, the issuer of **USDC**, recently committed to [providing greater transparency and detail on its reserve assets](#).
    - As we previously predicted, investors were going to "test" the stability of stablecoins generally. One of the most anticipated and public tests surrounded **Tether**. After a few weeks of testing and Tether de-pegging, [Tether has regained its peg](#). In general, it's good to see assets tested through long and short investors and emerge stable.
  - A detailed [backstory](#) of **Solana's** scorching run last year has found its way into the public press.
    - Solana's gains in 2021 were certainly outstanding, however, some of it seems to have been manufactured by inflating volume values.
      - We are mindful that crypto remains a nascent industry and due diligence must include careful evaluation of management and developers.
  - A [recent analysis of USDC, DAI \(MakerDAO\) and Tornado Cash](#) emphasizes that it will be a long time, if ever, before cryptocurrency serves to undermine the **US Dollar as the world's reserve currency**.

## 2. **Regulation and Legal**

- Despite the recent tumult in connection with stablecoins and the relative ease with which stablecoins could be regulated, it seems that [negotiations have slowed the bipartisan bill](#), but draft language may be publicized soon.
- A new bill sponsored on a **bipartisan** basis by the leadership of the Senate Agricultural Committee [gives the CFTC the power to regulate Bitcoin and Ether](#).
  - This is **important** because the current SEC, under the leadership of Gary Gensler, has antagonized the crypto industry with a litany of negative comments and lawsuits (see below), and has failed to provide any written guidance to the industry regarding its status and the legal obligations for crypto offerings and disclosure, among other things.
- Recently, **Coinbase (COIN)**, the publicly traded crypto exchange, has been walloped by the SEC, with actions revolving around whether the company has been illegally trading cryptocurrencies that qualify as securities.
  - First, [Coinbase is being investigated generally for its trading of digital assets](#).
  - Second, and more poignantly, [the SEC has sued an ex-Coinbase manager for "insider trading" on some Coinbase-listed cryptocurrencies](#); the allegations assume that the cryptocurrencies at issue are "securities" under the jurisdiction of the SEC.
    - In quick response to the SEC's activities, the Coinbase chief legal officer tweeted "Coinbase doesn't list securities. Period." The company also filed a petition with the SEC asking for more specific rules around how to regulate digital assets, and more specific criteria to identify which tokens are considered securities.
- Acting with a very broad brush, the **US Department of Treasury**, [sanctioned a crypto "mixer" protocol \(allows for crypto anonymity\), Tornado Cash](#), blacklisting the protocol and its smart

contracts, based on concern that a North Korean hacker group had used the service to launder stolen crypto.

- As a result of the sanctions, many US citizens/entities have been caught in the snarl, unable to transact in their own crypto due to the broad banning of any addresses associated with Tornado Cash.
- Developments in this case will be important for indication on the breadth and depth of the US Treasury's sanctions powers.

### 3. **Public Companies**

- The drop in the price of Bitcoin has served as a liquidity squeeze to already capital-constrained Bitcoin miners.
  - As a result, many Bitcoin miners have been forced to sell Bitcoin held in treasury to fund growth and ongoing operations.
  - In the case of **Stronghold Digital Mining (SDIG)**, the company has had to resort to [returning some of its mining equipment/rigs](#) to continue operations and preserve value.
    - **ProChain** has been actively analyzing how to take advantage of the current forced selling of crypto and crypto-related assets, and has selectively been making targeted investments.
- **Michael Saylor**, Bitcoin evangelist, [has stepped down as CEO of MicroStrategy \(MSTR\)](#), to become Executive Chairman and focus less on the operations of the company and focus more on the company's Bitcoin investment strategy.

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