

March 2022 Investor Update

ProChain in the News

[Sen Warren Living in a 'fictitious land'; No Possibility of a US CBDC; Mornings with Maria; Fox Business;](#) Apr. 8

[The Future of Russian Gas in Europe + A Recession in the US?;](#) Apr. 4

[Bitcoin and Ether Plunge as Fed Moves To Shrink Balance Sheet by \\$95B a Month; Blockworks;](#) Apr. 6

[Practical uses for the Metaverse in our everyday life; LATOKEN;](#) Mar. 9

[Bitcoin passes \\$48K, turning green for first time in 2022; NY Post;](#) Mar. 29

1. **Adoption** Cryptocurrency adoption, as an investment and as a currency, is growing quickly and widely
 - a. *Investment.*
 - **Credit Suisse** has issued a [report](#), concluding that “money will never be the same again” and that [the Russia-Ukraine conflict has created a new monetary world order, which will be a boon for Bitcoin](#).
 - **Russia** has offered countries friendly to Russia to [pay for natural gas in Bitcoin](#).
 - In a similar vein, **Larry Fink**, the CEO of **BlackRock**, has done an [about-face on his views about the value and power of cryptocurrency](#), in the wake of the Russia-Ukraine conflict.
 - Fink cited increasing interest from clients around digital currencies.
 - Fink also wrote that the Russia-Ukraine conflict will push countries to reassess currency dependencies and look to means of payments that can bring down the costs of cross-border transactions.
 - "A global digital payment system, thoughtfully designed, can enhance the settlement of international transactions while reducing the risk of money laundering and corruption."
 - "Digital currencies can also help bring down costs of cross-border payments, for example when expatriate workers send earnings back to their families."
 - **Binance**, the world's largest cryptocurrency exchange, has announced that it will use its almost-unlimited war chest of capital on an acquisition spree for ["1 or 2 \[acquisition\] targets in every economic sector and try to bring them into crypto."](#)

- This is an important development because Binance has endless access to capital and, through this initiative, Binance will control enterprises in other industries to exhibit the benefits of crypto adoption, forcing others to take notice and adopt more quickly.
- The WSJ has taken notice of the [hedge fund behemoths entering crypto investment](#).
 - **Bain Capital**, the private-equity firm founded in part by Mitt Romney, has [launched a \\$560mm crypto fund](#), focused on infrastructure of DeFi and Web3
 - **GoldenTree** has made a [key hire in growing its crypto fund strategy](#).

b. *Currency and Use.*

- ProChain continues to view **Bitcoin** as an absolutely unique asset, which has the [power to reform financial markets worldwide](#).
 - The organization behind **LUNA** and the **UST** stablecoin (**Terra**), the largest algorithmic stablecoin on the blockchain, is [purchasing \\$3B in Bitcoin in the short term to serve as the reserve for UST](#); the Company has a longer-term goal of holding \$10B in Bitcoin in its treasury.
 - In contrast to other stablecoins, like USDT (Tether) and USDC (Circle), which are pegged to the dollar via holding cash and cash-equivalents in reserve, algorithmic stablecoins, which are generally uncollateralized, are more fragile. This move by LUNA/UST can solidify the stablecoin's stability during massive market selloffs; by maintaining a large Bitcoin reserve, users will be able to redeem UST for Bitcoin, which should work to instill confidence among UST holders.
 - Already, the organization [has purchased \\$1.45B of Bitcoin](#).
 - [More than 90% of the Bitcoin that are scheduled to ever exist have already been issued](#) (19mm of 21mm). It took 13 years to issue the current amount; the last Bitcoin should be issued around 2140.
- In a similar structural shift, [the Ethereum network's impending "merge"](#) is getting close and driving ETH prices higher.
 - In this long-awaited change, Ethereum is moving from a Proof-of-Work chain (PoW; like Bitcoin) to a Proof-of-Stake chain (PoS). Most observers are expecting an effective date of the end of June.
 - For a refresh on the difference between PoW and PoS, see [here](#).
 - The "merge" is likely to make ETH a deflationary (due to limited supply), or store-of-value asset, which is a narrative primarily tied to Bitcoin. Following the merge, the amount of ETH issued is projected to drop by 90%. Ether's pace of supply expansion has already slowed. The Ethereum Improvement Proposal (EIP)-1559 implemented in August introduced a mechanism to burn a portion of fees paid to miners. Since then, [more than 2 million ETH – worth over \\$5.78 billion – have been destroyed](#), leading to a net supply reduction of 65.2%.
- **Florida Gov DeSantis** wants the State to [accept Bitcoin for taxes](#).
- There is discussion in **Malaysia** regarding [making Bitcoin legal tender](#), like **El Salvador**.

2. Regulation and Legal

- **Ukraine's Deputy Minister of Digital Transformation** [gave full-throated support for cryptocurrency](#), saying that it's been essential in aiding the Ukrainian army during the invasion by Russia.

- As widely anticipated, **President Biden**, issued an *Executive Order* to various administrative agencies (Treas Dept, Commerce Dept, FSO, Fed Reserve) [to study and issue policy recommendation for digital assets and cryptocurrencies](#).
 - The Fact Sheet is available [here](#).
 - The Executive Order is not particularly positive; rather than focus on the positive effects that cryptocurrency can have on business and the economy, the Order is inclined toward risk mitigating.
 - Unlike other Governments and leaders worldwide that see cryptocurrency as an opportunity, the current US leadership seems to see it as a threat.
 - Also, the Executive Order gives the agencies months, just to come back with recommendations. The US will continue to keep slow the development of crypto law and regulation.
 - The **US Treasury** has launched an [initiative to educate the public on cryptocurrency](#). Again, with a focus on the risks.
- The cryptocurrency industry has continued its [DC hiring blitz](#).
 - More than **200 former DC staffers** of federal agencies, congressional offices and national political campaigns who have worked in crypto have been hired by companies such as **Coinbase**, **Circle** and **FTX**, venture-capital funds such as **Andreessen Horowitz**, law firms representing cryptocurrency clients, and crypto-focused trade associations.
- **Senator Ted Cruz** (R-Texas) has [introduced legislation prohibiting the US from issuing a Central Bank Digital Currency \(CBDC\)](#), like the Digital Yuan.
 - We, at ProChain, agree with this sentiment, considering the attack against personal liberty and freedom that could come from a CBDC.
 - Despite Pres Biden's recent executive order relating to cryptocurrency, we think that it is unlikely that the US will ever issue a CBDC that can obtain or track personal savings and spending information.
- **SEC Chair Gensler** continues to talk a lot about the crypto regulation agenda
 - Recently, Gensler highlighted the [currently intertwined activity of exchange, broker, custody and investment](#).

3. **Public Companies**

As a multi-strategy crypto-focused fund, **ProChain Capital**, *invests in securities* (equity and debt) of publicly traded companies that have exposure to cryptoassets and other forms of digital payments.

- In what we think is the first in a long line of forthcoming announcements from energy companies, **ExxonMobil (XOM)** announced that it has launched a pilot program in North Dakota to [use would-be flared natural-gas to power Bitcoin mining equipment](#).
 - Exxon's bitcoin project really isn't about making money from the cryptocurrency. Rather, the company has pledged to reduce emissions as part of an industrywide effort to meet higher environmental demands.
- **Meta (FB)** has continued its explicit activities surrounding cryptocurrency. Most recently, it [filed trademark applications](#) for its logo to cover cryptocurrency tokens, wallets, and exchanges.
 - As an original social media powerhouse, Facebook is going to mobilize all its resources to ensure that it succeeds in the next iteration of media in the metaverse.
- **MicroStrategy (MSTR)** has [purchased 4,000+ additional Bitcoin for ~\\$190mm](#), bringing its total holdings to >\$6B (>129k Bitcoin).

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