

October 2022 Investor Update

ProChain in the News

[Does the IMF have a vendetta against cryptocurrencies?](#); *Cointelegraph*, Oct 28

[Crypto Rising - Talking all things in the crypto universe](#); *OETV*, Oct 31

[Is Crypto to Blame for Tech Companies' Woes?](#); *Blockworks*, Nov 7

1. **Adoption**

a. *Investment.*

- Crypto took another big punch to the gut this week.
 - Crypto-exchange, **FTX**, is insolvent and [received a contingent bailout from the world's largest crypto-exchange, **Binance**](#). Although, [that bailout is now dead](#).
 - **Sam Bankman-Fried (SBF)**, and his **FTX** (crypto exchange)/**Alameda** (investment firm) empire, seem to have been taken down by Changpeng Zhao (**CZ**), the CEO of **Binance**, the world's largest crypto exchange (the same firm that offered the bailout; it's unlikely that all the drama is just business, it's likely personal too).
 - FTT, an "exchange token" created by FTX to provide access to the FTX platform's services, [was used by Alameda to collateralize loans that it received](#) (some from FTX). In short, FTT is worth more if FTX is growing and generating more profit, and if FTX suffers, the value of FTT drops.
 - In the wake of a recent scuttlebutt over regulation with SBF, CZ, announced that Binance would liquidate \$2.1B of FTT, which is way too much for the market to handle. The value of FTT precipitously dropped and destroyed Alameda's liquidity and, in turn, FTX's liquidity.
 - We are in the early stages of unraveling all that has happened so quickly.
 - These are some of the "**what's next**" questions that we have:
 - Is this the end of centralized exchanges as we know them? Centralized exchanges will be heavily overseen/regulated (*e.g.* Coinbase) and decentralized exchanges will be preferred forum for transacting?
 - Case in point, ["proof-of-reserves" are already being rushed out](#) by the centralized exchanges that remain.
 - How much retail capital will be destroyed due to the FTX liquidation?
 - Considering SBF's prominence in D.C. to-date (speaking on Capitol Hill, political donations, lobbying), how will the President (SBF was Biden's 2nd largest donor), Congress and regulators react?

- **Remember**, although this episode involves one of the largest exchanges in the sector and its leadership miscalculating risk (and possibly committing fraud), it has NOTHING to do with the underlying technology or utility of digital assets. Furthermore, it's solid proof that, ideally, all transactions should be decentralized and transparent, obviating the need for and the potential corruption from human intervention. It will take time to recover from the reputational damage spread over the entire sector, but that's just time.
 - According to a **Charles Schwab** study, [most younger people want the opportunity to invest in crypto in their 401\(k\) plans](#).
- b. *Currency and Use.*
- **UBS** launched [the first digital bond to be publicly traded on blockchain-based and on traditional exchanges](#).
 - **JPMorgan** and **DBS** [executed the first public blockchain trades](#) (Forex and Govis) under the **Singapore Monetary Authority's** pilot project for exploring the potential of DeFi for financial institutions.
2. **Regulation and Legal**
- **SEC** Commissioner, **Hester Peirce**, [continues to be critical of the SEC's posture toward the crypto sector](#).
 - In an unexpected ruling, a federal judge in New Hampshire has [classified LBRY as a "security"](#), to be regulated by the SEC. Particularly surprising was the judge's broad language used to define the nature of LBRY.
3. **Public Companies**
- Numerous payment-focused public companies, including **Visa (V)** **PayPal (PYPL)** and **Western Union (WU)**, have recently [filed trademark applications involving crypto and Web3 products](#) including crypto wallets.
 - Some public Bitcoin miners have recently succumbed to the lower price to Bitcoin that has persisted for most of 2022.
 - **Argo Blockchain (ARBK)** had to [cancel a secondary stock offering](#), due to lack of interest.
 - **Core Scientific (CORZ)**, which is caught in the Celsius bankruptcy, [issued a bankruptcy warning](#).

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