

# UNLOCK OPPORTUNITIES IN THE EVOLVING CRYPTO LANDSCAPE

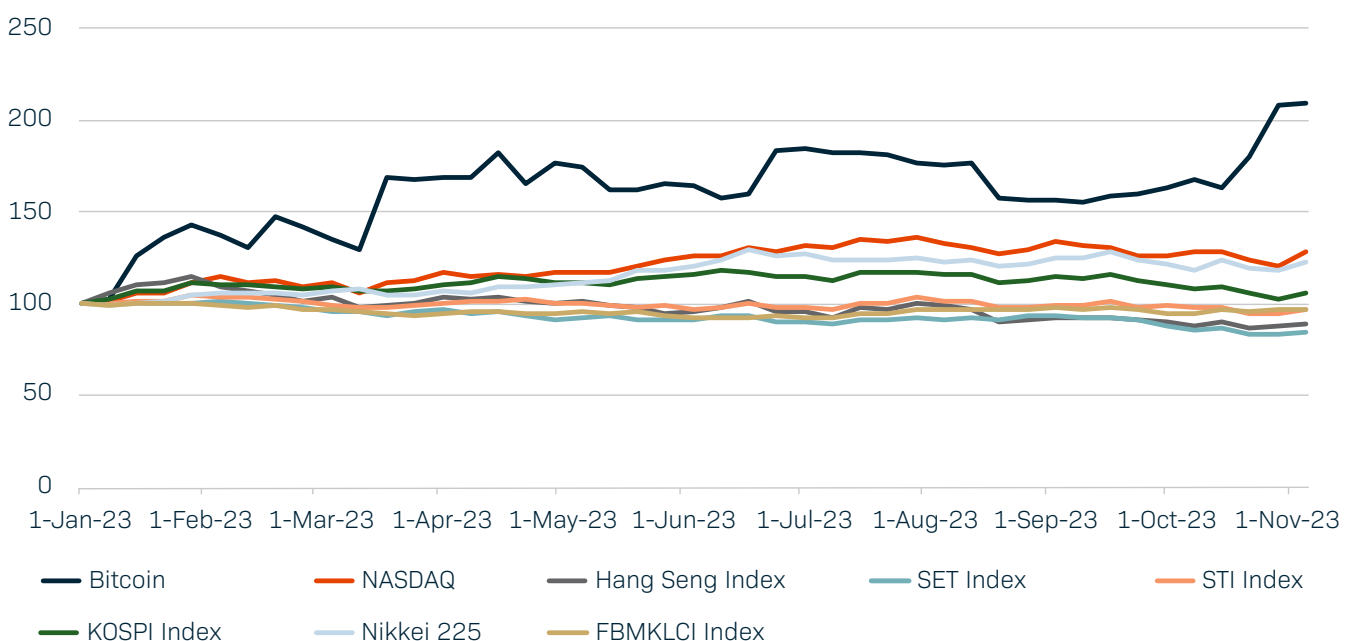
In the ever-evolving landscape of cryptocurrency (crypto), regulatory clarity and innovative financial products have long been anticipated as key drivers of growth and acceptance. Speculation is high about the United States potentially approving Bitcoin exchange-traded funds (ETFs), the potential for mainstream investment avenues for digital assets appears to be on the horizon.

This edition of FIRSTNEWS delves into the latest developments in crypto regulations and the implications of Bitcoin ETFs on institutional and retail investors. We also compare the regulatory landscapes of Hong Kong and Singapore and how these are shaping the crypto ecosystem. Moreover, we shed light on EquitiesFirst's unique position in providing crypto-backed borrowing services.

The potential approval of a US Bitcoin ETF has garnered significant attention, considered by many as a pivotal moment for the crypto industry. As of November 7, 2023, speculation is mounting that renowned asset management firms such as BlackRock or Fidelity may secure approval for Bitcoin ETFs in the coming months. BlackRock has a particularly remarkable track record of filing 576 ETF applications and boasting an approval rate exceeding 99%. In addition, BlackRock has recently taken a significant step in the crypto space by filing for the listing of an Ethereum ETF on the Nasdaq. This move represents a notable expansion of BlackRock's potential crypto offerings and reflects the growing institutional interest in crypto.

Currently, US institutional investors primarily access Bitcoin through derivatives. The approval of Bitcoin ETFs could potentially heighten institutional investors' interest, as owning and trading ETFs often aligns with their compliance requirements more effectively than derivatives. It is worth noting that Bitcoin ETFs are already available in several developed countries, with Canada having approved them for several years and Europe launching its first Bitcoin ETF in August.

**BITCOIN HAS OUTPERFORMED MAJOR EQUITY MARKETS IN ASIA PACIFIC AND GLOBALLY IN 2023 YTD (REBASED)**



In response to these developments, Bitcoin's price has surged to USD 37,000 on November 10, 2023, marking a 17-month high. Year-to-date, Bitcoin has recorded a 124% return, outperforming other traditional equity assets.

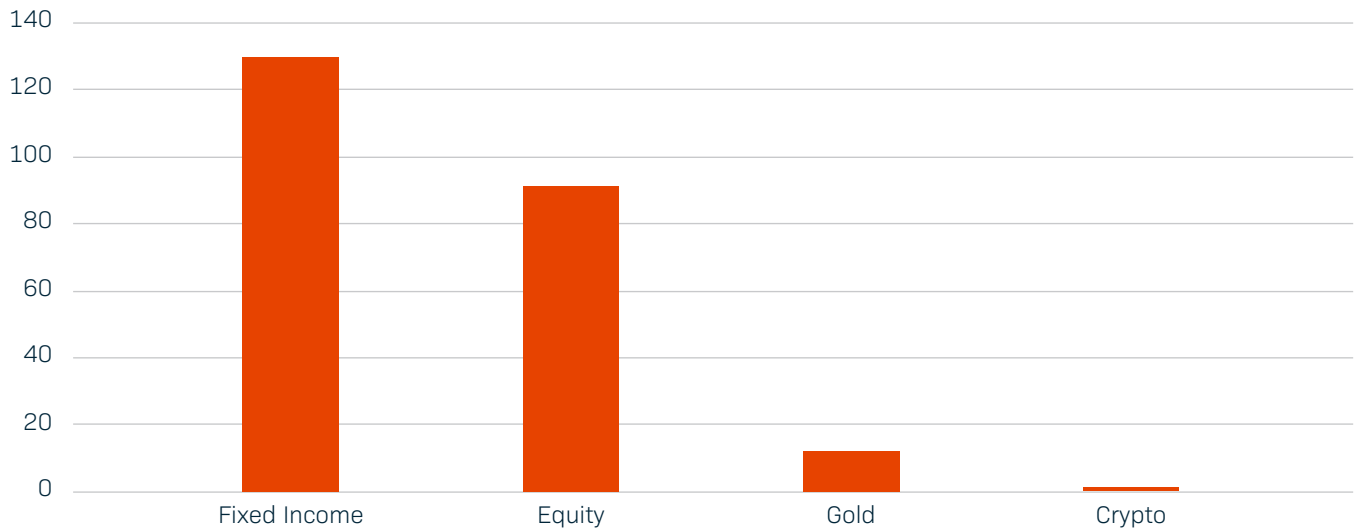
## BITCOIN HISTORICAL PRICE (USD)



Another key catalyst that the market is expecting for Bitcoin is the next “halving” anticipated in April 2024. Historical data indicates significant rallies after each Bitcoin halving event. The past two halvings in July 2016 and May 2020 and have shown that buying Bitcoin at the time of halving and holding for the subsequent 12 months resulted in returns of around 283% and 559% respectively. This historical performance is compelling, encouraging investors to buy and accumulate Bitcoin ahead of the estimated 2024 halving date.

Despite Bitcoin's impressive performance, the overall market cap of the entire crypto market remains relatively small compared to traditional assets such as gold, equities and fixed income. The market perceives Bitcoin as digital gold, with the total crypto market cap standing at approximately USD 1.3 trillion, representing only 11% of the market cap of gold (around USD 12 trillion) as of the latest disclosed information.

TOTAL MARKET CAP (USD TRILLION)



(the market cap for fixed income is reported as of 2022 according to the SIFMA)

## HONG KONG CRYPTO REGULATION

Recent regulatory developments in Hong Kong have seen the Securities and Futures Commission issue the “Guidelines for Virtual Asset Trading Platform Operators,” outlining requirements for operating such platforms. Retail investors can now participate in crypto trading, albeit with initial restrictions on crypto exchanges serving retail investors. These exchanges can provide trading services, but proprietary trading, market-making activities, lending, borrowing and dealing with derivatives are all prohibited. Retail investors are limited to trading non-security crypto only with high liquidity. The temporary exclusion of stablecoin trading for retail investors is another notable aspect.

As of November 7, 2023, only two operators have obtained virtual asset licenses: OSL Exchange and HashKey Exchange. Meanwhile, five other exchanges have pending license applications, namely BGE, HKbitEX, HKVAX, VDX and Meex. The low number of applications and absence of prominent names may indicate limitations in the potential growth of crypto exchange businesses in Hong Kong.

## SINGAPORE CRYPTO REGULATION

The Monetary Authority of Singapore (MAS) has introduced the “Payment Services Act” to regulate digital payment tokens. Companies involved in digital payment token services are required to apply for a license as well as comply with anti-money laundering and counter-terrorism financing regulations. Digital payment token service refers to any service dealing in digital payment tokens or facilitating the exchange of digital payment tokens.

Unlike Hong Kong, Singapore has not imposed explicit restrictions to ban retail investors from trading small-cap crypto tokens, derivatives or margin trading. The Singapore government acknowledges the high-risk nature of crypto trading and advises against it for the general public. However, specific regulations differentiating between retail and professional investors in crypto trading are not in place.

According to the Monetary Authority of Singapore, 15 companies have received licenses to offer crypto-related services, including well-known names like Coinbase, Circle, DBS Vickers Securities and Blockchain.com. It seems Singapore has adopted a more flexible approach for the crypto companies to operate with fewer constraints on retail investors, so it is not surprising to observe the number in Singapore exceeding the number of licenses granted in Hong Kong.

## THE GROWING DEMAND FOR CRYPTO BORROWING SERVICES

EquitiesFirst is well-positioned to provide crypto borrowing services catering to the growing demand with the following advantages:

- **Industry leading terms:** 65-70% LTV, low to mid-single digit and fixed interest rate
- 18-month loan term
- **Borrower-friendly margin call mechanism:** Margin call when the price of Bitcoin drops more than 30% on a 3-day average basis. When this occurs, the borrower will have 5 days to top up either with Bitcoin or cash. This compares with the automatic liquidation mechanism implemented by other crypto lenders when the coin price drops by 10-20%
- Offer the option to fund in fiat currency instead of stablecoin
- **Non-Recourse:** The borrower's liability is limited to the Bitcoin used for the transaction. EquitiesFirst forgoes the right to pursue repayment if the borrower opts to default on the loan obligation
- **Non-Purpose:** The borrower can use the loan proceeds from EquitiesFirst for any purpose
- EquitiesFirst is one of the few non 100% crypto-concentrated lenders who can lend against major cryptocurrencies on a large scale. This eliminates the systemic risk to emerging and pure crypto lending platforms. Compared to other emerging crypto lenders, EquitiesFirst also has a 20-year track record in lending and is regulated across multiple jurisdictions.

In summary, the speculated approval of a US Bitcoin ETF marks a watershed moment for the crypto industry, expanding accessibility to Bitcoin and paving the way for increased institutional involvement. The strong performance of Bitcoin, combined with the anticipated 2024 halving, fuels optimism and investment in the digital asset. However, it is crucial to recognize that the overall market cap of the crypto space, while promising, still lags behind traditional assets such as gold, equities and fixed income. This highlights the considerable growth potential within the crypto market. As the regulatory landscape for crypto evolves, the diverse approaches taken by regions such as Hong Kong and Singapore reflect the complexity of this sector. In this ever-changing environment, EquitiesFirst stands out as an alternative platform, catering to the rising demand for crypto borrowing.

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