



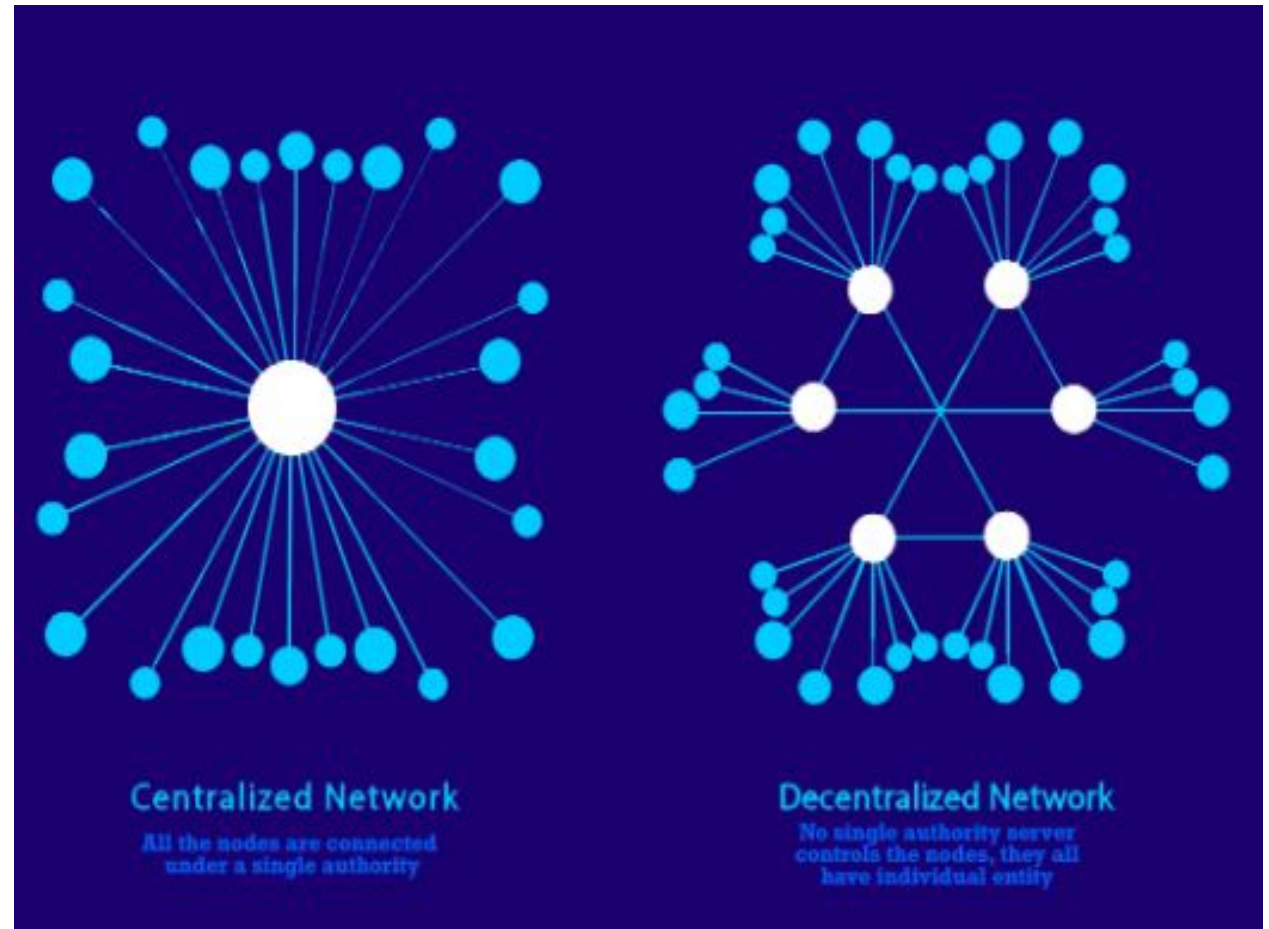
CRYPTO CONTAGION! IS FTX THE TIP OF THE ICEBERG?

Agenda : Crypto Contagion! Is FTX the tip of the iceberg?

- Technology Overview
- What is Money
- Recap of recent developments
 - FTX, Alameda bankruptcy
 - Structural Issues with FTX
 - Contagion effect on other exchanges
 - Contagion through banks and hedge funds
 - Contagion effect through wealth effect
- Investment implications

Technology Overview:

- External verification of transfers
- Central/distributed permanent record of every transaction



Technology Overview: Storytelling par excellence

- anonymous?
- transactional?
- financial asset?
- hedge against inflation?
- disintermediating traditional finance?
- low interest rate asset / Gold 2.0?
- institutional involvement?

What is Money: Background

- a medium of exchange;
- a unit of account;
- a store of value;
- sometimes, a standard of deferred payment

What is Money: Fiat

- Fiat money needs trust
- Central banks created (in part) to manage trust
- Cryptocurrencies are fiat money – trust is required
- Convertibility to real money is now critical
- Exchanges need your money

What is Money: Private Money is not new

- Disney Dollars, frequent flyer points
- In the 1800s individual banks created US dollars
- Four challenges for any currency:
 - belief and confidence
 - distribution
 - volatility
 - capitalisation and sovereign backing

Crypto: What we said last time

- Don't get hung up on individual flaws in cryptocurrencies - technology works and is good
- Don't confuse private money with crypto
- Will central banks & governments allow private money
- This time is not different
- They are worth whatever the greater fool is prepared to pay
- Exchanges not regulated: Don't be the last one to sell
- 10x bigger and central banks will have to act. Could be earlier.

Recent Events: Background

- **Stablecoins:** Terra/Luna, Iron Finance, BitUSD, Acala USD, ~20 others
- **Lenders:** Hodlnaut, Babel Finance, Celsius, BlockFi
- **Hedge Funds:** Three Arrows, Alameda
- **Exchanges:** FTX, Zipmex, Voyager Digital, Genesis/DCG

Recent Events: Structural issues

- Centralised transactions
- Trading against clients
- How do exchanges pay interest
- Using client capital as collateral
- Using client capital
- Using crypto “as intended” vs using crypto in exchanges
- Massive donations to political parties
- Does Crypto need regulation?

Recent Events: Contagion

- Contagion effect on other exchanges
- Contagion through banks and hedge funds
- Contagion effect through wealth effect

Viewer question of the week:

Will crypto emerge stronger from the problems?

Drop your answers in the comments

Investment Implications:

- Crypto probably not big enough to cause major issues
- Contagion likely through entire crypto infrastructure. If you want to keep holding, you should consider being off an exchange
- Contagion possible through traditional financial institutions, but unlikely

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