### **CONFERENCE REPORT**

# **TOKEN2049**

Singapore 28-29 September 2022

**BULLISH INSIGHTS TEAM** 



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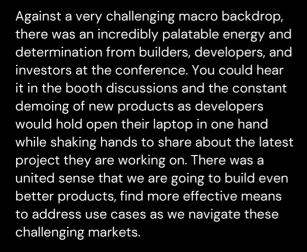
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### Summary

After years of restrictions, TOKEN2O49 was THE reopening event for the Asia crypto community.

Leading up to the event, there was a sense of anticipation from Asia's crypto community coming together for the first time in a long time to discuss, network, and collaborate on all the core elements and frontiers of our industry. What surprised us were the number of participants who also flew in from outside of the region, as curious as we were as to what was going on in Asia for crypto, digital assets, web3, and the metaverse.



With that said, there were some interesting themes that we picked up that speak to the current state, challenges, and opportunities we are seeing today. Some of those major themes are summarised here with more details to follow in the remainder of this conference report.



### Summary

#### Winter is coming

Inflation is raging into double digit figures, geo-political tension in Russia-Ukraine is driving an energy supply constraint through Europe/UK and to top it off, what experts call an "imminent recession" is ahead. This year's edition of TOKEN2O49 features a range of expert opinions on the macro outlook and how we might not be out of the woodworks yet.

"People don't know they're getting fired yet. Demand will fall for company products and there will be lay-offs"

#### Quick take on Asia

Singapore and Hong Kong still seem to be leading in terms of maturity in industry infrastructure. Family offices in this region are said to be more focused on crypto trading than exhibiting a hodl mentality compared to the West. The Korean market seems to still be dominated by retail, with products around fashion and K-pop generating interest in the crypto space. Game-fi remains popular in the Philippines post-Axie infinity's hype with guilds growing. NFTs are big in Thailand and Indonesia appears to still be mainly retailoriented. Vietnam came in at first place in the 2022 Global Crypto Adoption Report by Chainalysis. We have heard quite a few developers are building out of there but more so across the game-fi sector. Overall, Asia's risk appetite appears to be higher than that seen in the west.

#### Wen institutions?

The word "regulation" seems to be inescapable throughout the conference. From VC firms to crypto exchanges, everybody seems to have a similar trail of thought that educating regulators is imperative for institutional adoption to occur. The sentiment is skewed towards "working with" rather than against regulators, taking on the role of it being an educational process.

### Stablecoin adoption

There seems to be an emphasis this year on stablecoin adoption, particularly in the East. The US dollar has gained strength rallying to all-time highs this year, while Asian denominated currencies have seen a diminishing account of value in domestic terms. The accessibility of USD through traditional means has been restrictive causing a shift to USDT/USDC adoption particularly in Asia.

#### Outlook

Bear markets are for building. The majority of centralised and decentralised companies carried the same tone. That is, we build during bear markets, preparing for the next bull market, anticipating what infrastructure is needed for the next cycle. VC's seem to be pivoting investment towards infrastructure deals and the buzz word "utility". As liquidity dries up, the 2020/21 spray and pray strategy is replaced with much more rigorous due diligence across protocols. Exchanges are revisiting product innovation particularly around yield generating offerings.

28 September 2022

# Day 1



# Global Macro Uncertainty: The Crypto Narrative

#### **SPEAKERS:**

Will Peets | Moderator Zaheeer Ebitkar | Portfolio Manager, Ledger Prime Jordi Alexander | CIO, Selini Capital Darius Sit | Managing Partner, QCP Capital

Will

# The bitcoin as an inflation hedge narrative has not played out in light of the recent macro backdrop, why is that?

Jordi

The correlation is high between crypto and risk assets. The use of stablecoins have changed since the last cycle. People will expand into an inflation hedge through stablecoins. The dollar milkshake theory is potentially playing out where there is a lack of dollars around the world now. Instead of people trading Bitcoin they are trading the other side of the pair USD. So people are asking why it is going down but it's actually because of dollar strength.

Darius

Year-to-date assets are down except the USD, natural gas and pockets of real estate for an example. There is no clear inflation hedge, everything is down. It's not fair to say bitcoin isn't an inflation hedge. Assets are reacting to a drain in liquidity. There is still a lot of dollar liquidity. BTC, ETH sold down to dollars and crypto lending deposit rates are lower than treasury yields.

Zaheer

The options skew has been relatively high for ETH and BTC which shows a lot of positioning and funding rates too. Safe vanilla investments, US bonds have been down so it is hard for any asset class let alone crypto to cash any sort of bid in this chaotic market.

Will

### Do we see crypto leading any policy shifts?

Darius

When Russia invaded Ukraine we saw an increase in interest from Russians and the Chinese for obvious reasons. Crypto is still the only non-sovereign capital market. It is becoming an increasingly speculative asset for retail and institutional investors. We expect correlations to remain high especially into the next year.

7aheer

Back in March 2020, when we had the covid crash, crypto bottomed 10–15 days before equity markets bottomed. There's no delay to the margin calls. Most crypto liquidations already occurred, and you don't have LUNA implosions everyday in crypto so we have seen a flush out compared to the equity markets.

Jordi

Crypto crashed first but it will bounce back first too. Crypto is close to already bottoming compared to equities. People look at risk return, and if I'm optimistic, where do I allocate? Crypto has an attractive risk-reward opportunity.

Will

## What do we need to see for a broader decoupling?

#### Darius

We see the same guys trading FX options now trading crypto. Not sure about a decoupling but we are moving to an era where BTC and ETH are starting to be seen as legitimate markets. Last month, a third of ETH trading volume came from one big hedge fund. We are starting to see better infrastructure for the crypto space. Institutionalization of crypto is happening. For the credit market to happen, banks need to come in. Before we had poor foundations in the credit market, uncollateralized loans hence the credit market was imploding.

#### Zaheer

If the only headlines we are seeing is the LUNA implosion, and frauds in the industry then that won't help but if we are able to work with regulators around this then we will see more institutions come in.

#### Jordi

Getting credit back isn't really the necessary thing for crypto importance right now. What's important is the crypto narrative. Questions around the benefit of DeFi and the tech that is coming up. People on the street don't see what we see, so they need to be brought in. When people interact with a FIFA app and are given a NFT they don't even realize they are interacting in the crypto space. We should come up with answers for where this technology is going. Nobody is doing the hard work in giving a clear picture to the outside world. This is the first time we are going through a currency crisis in USD terms and also have access to this currency outside of the regular financial system.

#### Darius

USDT is very important for this space. It actually increases dollar dominance. They (US) are afraid of de-pegging risk but an increase in USDT is actually good for them as it increases dollar dominance and also stabilises a de-pegging risk. When you are in countries with hyperinflation people are trying to buy USD denominated stablecoins.

#### Zaheer

The ability for me to send \$100K without infinite KYC is a blessing. At a bank there is so much paperwork and stablecoins really solve that problem. Stablecoins is huge for the US government and they should be looking at it in a positive way. Stablecoins make up 15–16% of our total market, we're getting more liquidity into the market and people can access dollars through stablecoins. It helps the average retail investor gain access to USD through stablecoins.

#### Jordi

The USD is seeing push-back from other countries, like Russia and China. We don't want to have to beg for the currency where that country can just print away. They want to fight the US on the digital ground rather than on fiat ground. They don't want to be funding dollar strength.

Wil

# How do we see the transition from people going from the dollar to bitcoin?

#### Zaheer

Whatever window of opportunity regulators had to clamp down, is a bit late now. USDT/USDC has grown so large. The proliferation of stablecoins in recent years was mainly because there was double digit yield for people to go after.

7

#### Jordi

Historically gold was used to pass down assets. A lot of people thought gold would do well in this environment but why is gold flat? They say it's because central banks are keeping it down but maybe gold is becoming outdated. New people that are accumulating wealth probably don't want gold, they probably want something digital. Gold is going to dwindle down and something will take its place.

Will

### What is the end of year and next year's outlook?

#### Darius

Seasonality for a year-end rally because lots of cash is sitting on the sideline waiting to be deployed. The space is lacking a narrative though. The problem with volatility traders is we don't see a narrative yet. Next year might be flattish in trading with little upside.

#### Zaheer

The right tail is mispriced to the left tail. As the market constantly positions into shorts overall, crypto is seeing record high skews. Its hard to imagine a perpetual stream of negative skew. The right tail is mispriced because of this. Going into year-end,we're fairly optimistic and getting into the tail end of peak bearishness.

#### Jordi

We are short-term cautious, and long term bullish. Short-term, the Fed will keep pushing until they break stuff. We're not extremely bullish right now. Longer-term bullish because BTC and ETH have a limited supply. Considering there is a new generation that's becoming more interested in these assets, if someone wants to buy Bitcoin in five years time when nobody wants to sell, there could be an explosion in price.

### **Keynote: The Great Unwind**

#### **SPEAKERS:**

Dan Moreheard | CEO, Pantera Capital

Economic policy is having a big impact on the world. I would say it's like the 70's, we even have an oil crisis, and the only thing that's different is the Fed would fight inflation back in the day. They let it rage now and had rates way too low for way too long. Their second policy mistake, they bought so many bonds they drove it to negative real rates.

DeFi is a great example, there are tons of important projects in this space. They were only trading at a \$20bn market cap versus \$3tn in financial markets. Web3 is an obvious trade. Web2 was about extracting value out of you like Facebook, so I'm excited in a future world where people contribute to value and own their own data.

# "Crypto as a risk-asset...I think that's temporary. It is going to break down, which is going to be a great place to hide"

They drove it to \$15tn above fair value. I think we're going to have multi-years of rising rates. We are easily going way higher to actually slow this down. Crypto as a risk-asset...I think that's temporary. It is going to break down, which is going to be a great place to hide. Crypto has no cash flow which could easily rally, unaffected by rising rates. It is in human nature to be procyclical. There are massive inflows in the highs, but times like now is the best time to invest during the lows. When we look at 6-9 months ago valuations were crazy and it was hard to get good deals in that landscape but now it's changing.

We are seeing interesting applications on the blockchain, we are building a new financial infrastructure and we are doing it when valuations are so low.

Google auctions your private data to people where Brave saves data on your own device and they auction your own attention, meaning it's up to you if you want to watch ads to earn crypto.

# The Future of Crypto: Navigating the Decade Ahead

#### **SPEAKERS:**

Emma Cui | CEO, LongHash Ventures (Moderator)
Justin Sun| Founder, Tron
Saurabh Sharma | Head of Investments, Jump Crypto
Constance Wang| COO, FTX

### How do you view crypto in the next decade?

Saurabh

We could see stablecoins surpass \$1tn. The complete payment stack will be revamped. Business models for creators will evolve including users from a data perspective and a scale-up of NFTs. Other than PFPs, the big brands might start involving NFTs in their customer acquisition models.

Constance

What I would like to see for crypto in the next decade is mass adoption. The efforts everyone in this room is putting forward every day. We need to keep educating and building what blockchain and crypto is. If we look at the present day there hasn't been a major advancement in the past decade. P2P will not just be transactions, it could be within the social and gaming side too.

# You have launched or invested in L1's, how will this space evolve?

Saurabh

The trade off within the design space solving for the trilemma is high dimensional and broad. We'll see more rollups in terms of scalability. It could take multiple forms.

For Jump Crypto, we've evolved and take a view we will help build the core web3 infrastructure.

Constance

Due to concerns on cross chain there is still a multi chain world. We are helping L1's build out the foundations. The multi-chain world is like the iOS and android, it would be great if they could crossfunction.

Justin

Blockchain has kind of merged with exchange businesses. It depends on different infrastructure. For Tron our focus has been partnering with stablecoins. We have our own exchange platform and collaborate with other CeFi platforms for users. The crypto space is still small, we can move forward to be a mainstream financial institution.

There's been a pursuit in decentralised stablecoins, where do you think it will go from here? Centralised stablecoins vs decentralized?

Justin

Stablecoins are our priority and focus. Stablecoins are the best store of value for people in Asia.

People in the US don't understand that because they can get a USD-denominated bank account. This has become an infrastructure embedded in their daily life. But in Asia, people have a lack of access to USD. Most of the population can only hold their own domestic currency in Asia so there is no way for them to hold USD. However, blockchain provides a way for them to have their own bank account. You can access any open source blockchain wallet with basically zero cost and store your value there. This is revolutionary compared to the current Asian financial infrastructure. The daily increase in users for Tron rose dramatically despite the bear market because these days lots of people in Asia are getting used to using stablecoins.

FTX seems to be doing the heavy lifting in chatting with regulators, how is FTX thinking of regulation/influencing the direction?

Constance

From our perspective, we are in a working relationship in an open dialogue with regulators. Crypto companies should be proactively talking to regulators and collectively educating them together. A lot of time is spent teaching them basic things about Bitcoin and Ethereum.

# "Stablecoins are the best store of value for people in Asia. People in the US don't understand that because they can get a USD-denominated bank account"

Saurabh

Stablecoins will continue to gain mass adoption. Pegged fiat based stables have already grown, such that USDT and USDC will continue to scale. We will see more chatter on CBDC's, there will be many variations especially as it is driven by nationalist agendas. If you believe the world is going to be increasingly tokenized then there will be continued experimentation and research.

Sam repeats himself constantly from conversations with major banks to the government. Its always the same question. As a whole we've moved way beyond ICO, and shitcoin stages. Even though the market is trending downwards, more people are building. We've seen in The Merge etc. but do regulators know? No, because we're not proactively talking to them enough. What we want to do is educate regulators and help them think and shape the landscape so everyone can grow. The crypto pool is tiny and nowhere near comparable to tradfi, if we want crypto to be a real thing then we have to get bigger. Everyone needs to push it forward.

### Scaling DeFi Towards Mass Adoption

#### **SPEAKERS:**

Tascha Punyaneramitdee | CEO, Alpha Venture DAO (Moderator)
Stani Kulechov | CEO, Aave
Eric Wall | Blockchain Researcher
Evgeny Gaevoy | CEO, Wintermute
Marvin Ammori | Chief Legal Officer, Uniswap Labs

#### What is the next wave for DeFi?

Stani

Markets are different to what they used to be. One of the main drivers was yield. The concept of sustainable yield? If yields are high there is some purpose for capital to come to finance goals but now when yield is low its an interesting situation. In Buenos Aires, the local community were using stablecoins because there was 100% inflation in their local currency. It helps them retain a store of value with the use of stablecoins and it is also accepted as a currency in shops as well. We've been chasing yield in the background but at a philosophical level there's been a big paradigm shift.

Evgeny

One thing that should drive adoption is the ease of use and abstraction away from complexity. Game-fi, that has a focus not just on tokens but on the ownership aspect will be important. It can trickle through to DeFi, lending etc. and be the next wave possibly.

## What's your view on how tradfi will integrate with crypto?

Eric

Tradfi is going to die. In DeFi a 14 year-old kid can just copy an open source and reinvent it. Everything fun and interesting happened on the public internet. DeFi is the future, they are going to have to come to us.

Marvin

The inertia generally takes a long time to transition out. Bank apps you feel like it's Web1.O not Web2.O sometimes. In terms of how they interact, tradfi is a lot easier for a lot of people. They don't have to deal with private keys, they can just reset their password. What we need to improve is the UI for them. Policy and policymakers often think of how tradfi and DeFi overlap because they are concerned about systemic risks and they want it separate because they are worried about contagion. The legal environment may also shape how the two interact. The future depends on the things we build to make sure the average person can easily use it.

Evgeny

Not too optimistic on this. In countries like Thailand, and the UAE, tradfi and DeFi can co-exist as regulators are not that involved. UK and Singapore for example are harder as regulators want to protect retail investors here.

The EU and China are completely anti-crypto, for them the focus is control. In the US there are senators that are pro crypto and ones that are anti. The one that wins will not only define crypto in the US but set an example to the world as well.

#### Stani

If we look at the past tendency on what the internet has done, it provides access to information and commerce. DeFi is still going through the phase of which protocol is safe to use. There's always an educational gap and technical gap we need to build. Finance becomes like DeFi in the infrastructure backend and changes the way people operate in the space as end users have ownership of their keys and are able to move from one protocol to another.

## What are the key tools for yields to be sustainable?

#### Evgeny

Getting yield for your assets is important. The beast is inflation. When you lose value for your work because of inflation, then it is your enemy. Yield on top of inflation is nice to have but building and financing areas where tradfi hasn't been built before is important. There's new ways to work, i.e. movement of people so there's a lot of ways the blockchain can solve for. The liquidity can be used to finance interesting infrastructure projects that we can build on a larger scale.

### The longevity of DeFi?

#### Marvin

We have built innovations the tradfi industry has been unable to build. You can't essentially plan innovation. The fact that you have the ability for people to build on the infrastructure and improve it because its open-source, will open up a lot of new innovation for DeFi.

### Fireside Chat - Mike Novogratz

#### **SPEAKERS:**

Mike Novogratz | CEO, Galaxy Haslinda Amin | Chief international Correspondent, Bloomberg (Moderator)

## Is Bitcoin failing as an inflation hedge?

Bitcoin went up because of an influx in liquidity from the printing press. Powell came in and hiked rates aggressively which is deflationary. Bitcoin is still a young asset and volatility is on its way down. Populism is when we spend more money than we have. In the EU there's been tax cuts and the government is paying for household energy bills, so what did the market do? It crushed the currency. We're seeing a debasement of currencies now. If we look at BTC against a basket of currencies it's done pretty well.

#### How much more downside?

Inflation is always complicated, it comes from supply shocks. The EU relies on Russia for gas and oil with a monster energy squeeze. It's not natural inflation but it creates inflation. It created food inflation too. Somewhat of a supply shock coupled with demand inflation. The price of labor and rent went up, and that has to be unwinded. Now he's in an awkward place where he will have to put the economy into a recession. Bond markets are in complete collapse, this is a 2008 financial crisis. Equity markets are getting killed, really having a breakdown. We will hit a parabolic top, because usually these moves don't last forever.

"People don't know they're getting fired yet. Demand will fall for company products and there will be lay-offs"

## What are the risks as we see crypto falling?

People don't know they're getting fired yet. Demand will fall for company products and there will be lay-offs. Have equity markets fully sold off? It still has some to go. For crypto, why did it go down in the last few weeks? We had a whole huge deleveraging. Crypto had a massive sell-off then it bounced. There's few buyers and sellers where the leverage is out of the system in crypto. The word inevitable keeps coming up, that Bitcoin will have its day. The US, not being able to monetize its debt. Web3 will be a thing, Ethereum's Merge was an unbelievable achievement.

### How are you navigating this crypto winter?

We were smart and lucky we sold a bunch of stuff last year.

If it goes up 10x i take a bit of profit and 100x i take a lot of profit. We hedge our positions so the pain isn't as bad as what it could've been. You have to risk manage. If ETH went from \$1K to \$4K take some chips off the table.

### Are you planning to hire in the next 12 months?

We are trying to build through. Business is slower and we will prime for when the institutions come. When the Fed flinches, Bitcoin will be looked at and pull the rest of crypto up. NFTs are like the Trojan horse of the blockchain.

#### Comments on Do Kwon?

The Terra lesson is a big one for the community. That intelligence and success created cockiness and vulnerability. But it was all public. Anchor offered 18% yield and people wanted that money. We were just early investors, like every token we sold along the way. It was heartbreaking when the whole thing collapsed. I hated that people lost fortunes. It is a great reminder that when trees grow to the sky and you don't take any profit, that's lunacy. You need a risk management methodology or you'll have more of those things.

3AC that seemed more fraudulent or Celsius taking consumer deposits borrowing short and lending long. As an industry we did a horrific job self-regulating. Centralized companies that were run poorly were the ones that blew up.

### What would you say to Jamie Dimon?

To say Bitcoin doesn't perform is just wrong. In 13 years, 150 million people around the globe decided that they would take their savings to place it in the trust of this community. It is stunning that a community can create a brand like that so fast. It's a 13 year old experiment that's become a nation state.

### How will you sell the crypto dream?

Bitcoin, I see as digital gold. NFTs were amazing because you didn't have to be a Bitcoin person to be in NFTs. Nike made \$175mn selling NFTs. K-pop, and Netflix will use this technology. Before Bitcoin there was no private property on the internet. Web3 has an ability to transfer value, every citizen will interact with an NFT and blockchain, it's just inevitable.

### The Institutionalisation of Crypto Markets

#### **SPEAKERS:**

James Ellery | Singapore CEO, Goldman Sachs (Moderator)
Kayvon Pirestant | Head of APAC Institutional Sales, Coinbase
Tim McCourt | Global Head of Equity & FX, CME Group
Alexander Hoptner | CEO, Bitmex
Darius Sit | Managing Partner, QCP Capital

### Comments on the recent market price action?

Darius

If we look at the crisis, it's a global crisis. For crypto it was also a credit crisis which may take a while to recover. Exchanges are doing well, the options market is robust and it's actually becoming interesting for institutions. One hedge fund was responsible for one third of the ETH options on Deribit last month, trading The Merge.

#### Tim

We still see institutional flow even though it doesn't meet the traditional definition of a buy side fund. When we look at banks, asset managers, pension plans these are ones that have looked to step into crypto for years. When they first looked at crypto bitcoin was at \$19K, \$20K and now it's back that level. They are thinking of it as a provision of services rather than a directional bet.

#### Kayvon

With the Luna blow up, there is more realization of mispriced risk. There is also a flight to quality. Looking at the marketcap of Tether vs USDC, we saw billions of dollars flowing from USDT

to USDC happening in real time post the LUNA blow up. Current price levels represent an interesting entry point for larger asset managers, and asset allocators who take a long time to do DD as well as long decision making cycles ask to accelerate the conversations to get into what could be generational entry points to these assets.

### What will cause the decoupling of crypto trading as risk-assets?

Darius

Implied volatility went to 30–40% and we were concerned of low volatility rather than high volatility. But that came back. BTC and ETH are trading very similar to equities.

# Will we see more institutions focus on ETH and BTC or other Layer-1's?

Kayvon

We have seen patterns emerge in terms of institutional adoption trends. Money managers managing external

capital are attuned to credit risk, reputational risk etc. so typically when they make that journey they will allocate to BTC and ETH as an entry point and get comfortable holding that position over time. When they feel comfortable, they quickly move up the risk curve and complexity curve. They look at lending, staking, and other coins. ETH and BTC serve as the gateway drug.

#### Tim

If there were uncertainty questions in the market. The Merge options were used to hedge against that uncertainty. There's been a meaningful conversation with institutions in an educational piece for that. The conversations get nuanced with differences in other technology out there and particularly around how to hedge against it.

## How has volumes on exchanges been impacted?

#### Alex

Trading volumes are not slowing that much but more about whether there is more sideways trading which will be negative for exchanges. A lot of regions are suggesting to add 1–2% crypto exposure to their portfolios and next year will be a big year for that.

#### Kayvon

Retail volumes have dropped off more than institutional. 2020/21 we penetrated the macro hedge fund segment. When the global macro picture turned pro-cyclical they funnelled in and out. Asset managers and asset allocators making that first wave have driven institutional volumes higher than they might have been. Increased regulatory clarity in the US will remove a lot of uncertainty and overhang in this space.

# Corporates holding crypto on their balance sheet, where does Asia sit relative to this?

#### Darius

On the trading side, family office funds are less buy and hold types and more about trading. With the ETH Merge we saw ETH open interest flip BTC open interest for the first time. The next narrative is in 2024 for the Bitcoin halving. In Hong Kong, and Singapore there is less buy and hold but more volatility driven.

"It's all about trading in Asia versus Europe"

#### Alex

It's all about trading in Asia versus Europe. It shifts when you travel around and you can see it.

#### Kayvon

US institutional adoption is in the vanguard, the pool of institutional capital is so much bigger than the rest of the world. They tend to be the most sophisticated. Echoes of that are happening in APAC, but self directed retail investing is happening a lot more in the region. There is less professional managed money in APAC and money managers in the region will have a bunch of regulatory hurdles to overcome to make that happen.

#### Tim

Other assets went from a wholesale level then

packaged down to retail versus crypto where it was bottom up. It started off as retail then banks trying to figure out how to structure these products.

#### Darius

Crypto is taking a playbook out of the tradfi world. The crypto market will quickly pick up, same instrument but different underlying. Clearing settlement, the prime layer is the missing piece. For counterparties to be able to settle with each other is still the missing puzzle. The prime market is still in its infancy.

## How do you see regulation developing here?

#### Tim

We need to provide the institutional community with certainty around products they are trading. Further clarity will increase the speed of innovation and help with the overhang. Generally speaking, the regulatory landscape needs to allow innovation to still happen naturally but also balancing that with giving the institutional community trust is important.

29 September 2022

# Day 2



### Navigating Crypto as a Venture Fund

#### **SPEAKERS:**

Hemant Mohapatra | Partner, Lightspeed India Partners (Moderator)
Daniel Chen | Partner, Sequoia Capital
Lasse Claussen | Founding Partner, 1kx
Paul Veradittakit | Partner, Pantera Capital
Haseeb Qureshi | Managing Partner, Dragonfly Capital

## What are the differences with investing in crypto?

Lasse

There's a difference between trading and investing. Investing in crypto you have a 3+ year investment horizon.

Daniel

A lot of interest in crypto is short-term focused and exacerbated because of liquidity.

Haseeb

People think it's about timing the market in crypto. Crypto is about building things, there's bound to be boom and bust so being patient is key. That's the biggest difference with the people on stage right now to people who were investing in the space six months ago.

Daniel

It's important to not mix fake traction with real traction. The price is going up maybe because the market as a whole is going up. Finding product market fit and real adoption is important to look for as investors. When the market is going up, everything is looked at with rose-coloured glasses, when it turns we lose the idea of why we were excited in crypto in the first place.

Haseeb

In a bull market as an investor you can see what's growing and throw money at it. In a bear market that doesn't work. In a bull market it's easy to raise money for a nothing idea. In a bear market it becomes difficult to raise money and should push you to invest in solving problems. Solana, Opensea, UniSwap etc. were all built during bear markets.

Paul

Go-to-market is important in this space. Start early in building a community and product marketing. Start thinking about the process early on. See the vision of where these companies are going and see the value accrual from it.

### What do you think founders in the East can learn from the West and vice versa?

Haseeb

The interconnectedness of crypto has always been there. When the Bitcoin paper was released a week later it was released in Chinese and traded in China. Operational efficiency and emphasis on margin is prevalent in the east.

Regarding crypto in China there was no external funding and you needed to be profitable immediately. Singapore, and Hong Kong founders have much more efficiency and rigor. Coinbase grew really big and incredibly unprofitable. Binance, and OkEx in the east, was different to Coinbase.

### How does this cycle look different to ones before?

Paul

This is the best time to be building in a bear market. 2014 was very early and took us three years to raise a small amount of seed funding. We went into local infrastructure, brokerages and exchanges all over the world back then. Institutional investors weren't interested in that time. During the 2017/18 bear market, we saw a lot of capital and entrepreneurs come into the space especially around scalability. We looked at a lot of L1's during that bear market. Currently we are seeing much more institutional capital coming in, the endowments and pension funds. We have capital now to fund entrepreneurs. Capital isn't just going into equity, its equity and tokens now. It was a big shift that there's an interest now in both equity and tokens.

### What are you excited about?

Haseeb

We made an investment into Aptos. After all the innovation in L2's there still isn't enough scalability. Facebook put four years of R&D into that tech stack. The team behind Aptos was able to build community, and excitement. But of course, there's always a chance it fails.

### Fireside Chat - Arthur Hayes

#### **SPEAKERS:**

Arthur Hayes | Co-founder, BitMEX
Henri Arslanian | Co-founder, Nine Blocks Capital Management (Moderator)

### What are your views on the macro market right now?

The unfortunate part is that we are still a dollar based world. The Fed has removed dollar liquidity in the world with rate hikes. There's been an impact on other Central Banks like BoE, and pension funds with margin calls. The ripple effects are going into Japan and until the Fed starts giving dollars to the world again equity and crypto will struggle.

### View on The Merge?

The only thing that matters is removing ETH supply. It will take a while until that feeds into the price, it will take time. In addition, the macro environment has taken a toll on crypto. Even if the Fed removes liquidity and we remove the supply of ETH, I will continue to hold a long position in ETH.

### What was the change? You used to be anti-ETH?

At the beginning i was bearish on ETH, then I called it a double digit trash coin\*. After March 2020, I saw a chart that the value of all DAO's is greater than the Ethereum market value. So either ETH is undervalued or DAO's are overvalued.

"The unfortunate part is that we are still a dollar based world...until the Fed starts giving dollars to the world again equity and crypto will struggle"

I went long ETH after that. We have lending protocols, AMM's like Uniswap and people moving into the derivatives space, as well as financial primitives being built on ETH. Not only is it being built there is usage on these protocols. ETH has managed to attract developer talent into the space so I think ETH will continue to do well.

### What's your view on ETHW?

If Metamask has ETHPoS then that's what users will use. If there's no usage or nobody sees ETHW then people won't use it. They will only know that one exists. It might follow a similar path to what we saw with Bitcoin Cash.

## Views on the crypto derivatives space?

I think the next phase will work into the fixed income market. We need something natively crypto for fixed income. I think it will come out of staking. What are the native things and use cases we can build out of this?

<sup>\*</sup>language has been altered

How do we create an ETH-like bond? Similar to strips of mortgage products, an evolution for derivatives, we need to see something like that with ETH.

# You spent many years in tradfi, from a scale of 1-10, where's the entry of institutions?

Tradfi players could manage a centralized protocol best. The volume is there and interest is there. Will they help bring forward primitives in technology? No, they are followers. Less financially mobile places will be the ones creating and driving this.

## LUNA the nail in the coffin for algorithmic stablecoins?

It's like the philosopher's stone, turning lead into gold. Will they continue? Absolutely, there will be another flavor of this thing. We humans don't learn, we will continue doing the same thing over and over again.

## What's been the most impressive innovation?

Uniswap, spot AMM, was one of the most beautiful things I've ever seen. It's fast, easy, and intuitive. That's what's impressed me the most.

Back in the day Asia was massive for crypto, do you think Asia will regain its outsized role in crypto? Asia has cheap energy. It is diverse in development from Singapore to Hong Kong which are hyper developed cities compared to Myanmar which is underdeveloped. Without the privilege like the US, you need to think a bit differently and allow innovation to accelerate.

## What industry would you be in if you weren't in crypto?

Party planner.

### Roundtable: Crypto Exchanges

#### **SPEAKERS:**

David Wachsman | CEO, Wachsman (Moderator)
Ben Zhou | CEO, Bybit
Luuk Strijers | CCO, Deribit
Lennix Lai | Director, OKX
Constance Wang | COO, FTX

### How are you surviving crypto winter?

Luuk

The Merge was a great story for options. We saw the flippening of open interest and volumes in ETH compared to BTC. As long as there is volatility we see volume, if there's not much happening then we don't do that well in low volatility environments.

#### **Decentralised vs Centralised?**

Lennix

Our matching engines are centralized, but we as an industry need to build the economy around a decentralized economy.

Constance

We all want to improve the trading and capital efficiency. Centralised exchanges are able to provide fast speed liquidation engines, compared to order engines on-chain which are extremely slow. We support decentralized ecosystems. FTX VC invests in the technologies to contribute to the efficiency in decentralised ecosystems. Centralised exchanges grow, and we offer a place for people to trade decentralized tokens.

## What's your moat between new competitors?

Constance

Crypto is so small and we should be wanting to see the space grow. Of course we are supporting the newcomers in this space. The focus is for the industry to grow as a whole not by fighting against each other.

### Do tailwinds of the current macro environment scare you?

Constance

I don't think so. When there's an economy, there are cycles and you need to address that. When it's a downturn we build, when it's a boom we harvest. Put the perspective to longer-term to address the needs which have not come up yet and to anticipate that.

### The security token market, do you believe in it?

Lennix

I'm a strong believer of security tokens.

One lot of stock in Hong Kong actually costs a lot of money and you need to split the big lot into small sizes. Tokenizing a stock increases the fungibility of the stock and drives down the settlement stock. It would be a great improvement for transparency and liquidity of the stock market but that requires an upgrade of the whole brokerage system.

### What are the common misconceptions?

Constance

Why do we spend efforts on regulation? We speak to regulators because we believe that in order for the crypto space to gain mass adoption, we need the flows from the traditional market and without the traditional framework they won't be comfortable to come in. We spend time educating regulators so that they can understand what crypto is and steer them to come up with reasonable legal frameworks.

### Insight Across the Asian Crypto Landscape

#### **SPEAKERS:**

Kelvin Koh | CIO, Spartan Capital (Moderator) Ryan Kim | Partner, Hashed Matthew Graham | CEO, Sino Global Capital Gleb Kostarev | Regional Head of Asia, Binance Jason Kam | Founder, Folius Ventures

### How is the market affecting your business?

Jason

We do public and private investments. The macro headwinds have not impacted the influx of Web2 guys coming into this space. We will probably wait until the macro environment stabilizes.

Gleb

We are observing interesting trends in Asia. Within bear markets the strongest projects will survive. Asia will be a key driver of the next bull run. Sri Lanka for an example, the financial system collapsed there, instability will drive crypto adoption. In Turkey, we saw huge inflation and everyone is in crypto there.

Matthew

Fundamentally crypto is a risk-on asset. Crypto is increasingly correlated to macro events, and it is about maturation. Bear markets are where you make your money and bull markets are where you find out how much you make.

# What are you seeing out of Korea and how are you supporting the growth of the ecosystem?

Ryan

We are focused on gaming, metaverse and K-pop. Decentralised K-pop groups for an example. Foreign investors are extremely interested in the concept of a decentralized K-pop group. What does a decentralized BTS mean? We are selling NFTs to fans, they get points and spend the points to vote in decision making. This will be a starting point but other entertainment companies may start to look at this model.

Matthew

K-pop is big in South Korea, and NFTs are huge in Thailand. Each separate market has massive variations, and regulatory challenges, therefore the adoption and speed is different. It is important to keep that in mind.

Gleb

Markets within Asia are different. India to South Korea is different. In the Philippines, game-fi is huge. There is a common misconception within NFTs. It isn't just a picture on a blockchain, the tech behind it, you can do a lot with. Soulbound tokens as an example, this application of NFTs has huge potential. In Asia, the main challenge is regulation. Indonesia and India implements tax that impacts the industry. We need to educate regulators more to help them understand how to shape crypto regulation.

# Views on what happened with Tornado Cash and the regulators stepping in?

Matthew

We went through this discussion about encryption and the code was illegal with court fights about a decade ago. It was ruled that you can't say the code is illegal. The code should be okay, the application of Tornado cash code is where it gets complicated. We don't think you should be able to outlaw Tornado Cash because it has some non compliant usage.

# What are the policies you are seeing coming out of Dubai where Binance has built a presence?

Gleb

In Asia, regulation is quite fragmented. The regulators all have their own views.

Education is important. We collaborate with regulators for an example, in the Philippines, we host workshops, and provide insights into the industry. There will always be demand for privacy, the more regulation, the more demand for privacy there will be. It's about educating them that it's open source that anyone can use that code.

### What areas are you excited about?

Ryan

The fashion industry is interesting because it's like a flex, very similar to a PFP flex. People that buy CryptoPunk's and Bored Apes want to show off and also be part of that community. The metaverse doesn't have much traffic yet and fashion can drive that traffic for the metaverse. We are looking for new trends with prominent art directors.

### Author's Note



Sylvia To Manager, Bullish Insights

We hope you find this special conference report valuable and insightful.

If you would like to learn more about Bullish or get access to our daily Bullish Insights Telegram channel, please contact us at institutions@bullish.com



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