HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

13th October 2024

BITCOIN-RELATED

NYDIG on Oct. 11: Bitcoin fell 2.2% on the week as its rangebound trading continued. We had hoped that the FOMC interest rate cut coupled with China's new stimulus might take it out of the range, but that was not to be the case.

Bitcoin reserves on exchanges have dropped to 2.58 million BTC, a six-year low, according to Glassnode.

Metaplanet, Japan's version of MicroStrategy, purchased an additional 108.786 Bitcoin for 1 billion yen (~$6.7 million). The company now holds 639.503 BTC, with a current market value of ~$40.6 million.

Bitcoin's "Uptober" narrative is regaining momentum, according to QCP Capital analysts, October has historically been a strong month for Bitcoin, the analysts noted, notching up average gains of almost 30% in eight of the last nine years. The analysts said: "With additional rate cuts lined up and Bitcoin's strong correlation to equities, we remain optimistic about a strong October." They added that bullish sentiment continues in the derivatives market, with options flows pointing to a strong Q4.

Michael Saylor, founder and executive chairman of MicroStrategy, told analysts at Bernstein that MicroStrategy's endgame is to be the leading Bitcoin bank – ultimately, growing to become a trillion-dollar company. Rather than lending out funds like traditional banks, MicroStrategy seeks to borrow money at low rates, offer slightly higher rates to lenders, and invest those funds into Bitcoin – with a "base case" estimated average annual return of 29%.

Multichain Layer-2 network Anduro, incubated by mining firm Marathon Digital Holdings, has developed a platform for issuing and investing in real-world assets (RWAs) on Bitcoin. The platform Avant, developed alongside tokenization specialist Vertalo, is planning a pilot project to tokenize whiskey barrels.

HBO documentary filmmaker Cullen Hoback named Peter Todd, a Bitcoin core developer who has been involved with Bitcoin since 2010, as who he believes to be the real-world identity of Satoshi Nakamoto. However, even before the documentary aired on Oct. 8, Todd denied on X that he's Satoshi, telling Coindesk in a statement that Hoback is "grasping at straws." (The "Who will HBO doc identify as Satoshi?" Polymarket contract racked up trading volume of just over $44 million since last week.)

Wrapped Bitcoin (WBTC) moved from a US-based custody model to one that spans three different countries. The new setup includes the same multi-signature technology, but control will be shared by the US, Singapore, and Hong Kong. The shift was completed on Oct. 8 after a 60-day transition period.

Justin Sun, founder of Tron, was elected prime minister of the Bitcoin-backed micronation Liberland, where he vows to promote libertarian values like small government and a laissez-faire crypto economy.

INDUSTRY ADVANCES

Based on current prices and the potential implications of Donald Trump winning the election, Standard Chartered's Geoff Kendrick forecasts that by the end of 2025, Solana's price could increase fivefold, Ether could rise fourfold, and Bitcoin could triple in value. He also said that if Kamala Harris were to become president, he expects Bitcoin to outperform Ether, which, in turn, would outperform Solana. He anticipates Ether reaching the $7,000 level by the end of 2025 in a scenario where Harris wins, and envisions Bitcoin rising to $200,000 by the end of 2025, regardless of the election outcome.

Ripple made a major foray into crypto custody on Oct. 10, launching new services aimed at helping banks and fintech firms to store digital assets on behalf of clients. The San Francisco-based company said it’s debuting a slew of features to enable its banking and fintech clientele to keep and maintain digital tokens – as part of a broader push into custody.

Arkham Intelligence, a blockchain data company backed by investors including OpenAI founder Sam Altman, is reportedly planning to launch a crypto derivatives exchange next month. The startup is relocating its operations from London and New York to Punta Cana in the Dominican Republic, where the company and its new venue will be based.

Stripe reintroduced crypto payment support, allowing businesses to accept USDC stablecoin payments across Ethereum, Solana, and Polygon networks, marking its return to the crypto space after halting Bitcoin payments in 2018 due to volatility concerns.

Google officially integrated ENS, allowing users to search for any .eth name and check associated balances directly within Google Search.

Fan Stake announced the launch of the first blockchain enabled NIL and endorsement funding portal, “www.FanStake.io,” allowing fans to invest in top collegiate athletes’ future earnings.

Colombian neobank Littio is switching from Ethereum to Avalanche to scale its popular Yield Pots, which offer customers access to US Treasury bills, citing Avalanche’s lower transaction fees and consistency as key reasons.

Digital Asset, a leading provider of blockchain solutions, announced that it completed a collaborative initiative to successfully tokenize gilts, Eurobonds, and gold. Euroclear, The World Gold Council, and global law firm Clifford Chance were among a group of pilot participants, which included investors, banks, CCPs, custodians, and a central securities depository. The aim was to demonstrate how tokenized assets on a blockchain can enhance collateral mobility, improve liquidity, and increase transactional efficiency.

Wirtschafts und Infrastrukturbank Hessen (WIBank), the Helaba owned German development bank, issued a registered bond on a public blockchain.

WadzChain Network, a Singapore-based global innovator in blockchain technology, announced the launch of one of the first hybrid blockchains intended to transform global payments for businesses. WadzChain's blockchain is designed to cater to all types of payment needs, including micropayments, high-volume payments, disbursements, benefits, etc.

Wirex Pay launched early access to its app, which provides a non-custodial crypto payment service that improves user security with private keys and multi-signature methods, addressing growing concerns about CeFi platforms.

Messari, a leading crypto market intelligence provider, launched Messari Copilot, an advanced AI assistant built exclusively for the crypto industry.

Samsung Pay added crypto payment option with an Alchemy Pay integration, allowing users to make crypto payments in-store and online at various retailers.

Theta Labs announced a "novel AI-powered chatbot built for The Vegas Golden Knights." The chatbot, powered by Theta EdgeCloud, will be integrated into the VGK website to enhance fan engagement by providing real-time answers to inquiries about game schedules, tickets, merchandise, and more.

Ethereum Layer-2 Scroll unveiled distribution plans for its upcoming governance token, in the zkEVM network's "first step toward decentralization." A total of 1 billion SCR tokens will be distributed, with 15% reserved for community airdrops over the next 18 months, 25% for ecosystem projects, 20% for the Scroll DAO Treasury, and Scroll Foundation and 40% for investors and contributors. The final date to use the Scroll protocol to qualify for the initial SCR airdrop, is set for Oct. 19, with the token launch date and airdrop claims set for Oct. 22.

Ethereum Layer-2 network Optimism rolled out its fifth airdrop on Oct. 10, distributing 10.3 million OP tokens, valued at around $16 million, to 54,700 users. Eligible recipients were required to have interacted with at least 20 contracts on the Superchain network of Layer 2s.

Linea, an Ethereum Layer-2 ZK Rollup solution, backed by the Web3 development firm Consensys, proposed transitioning to a permissionless system for its zkEVM, including decentralized governance. The proposal introduces a proof-of-stake model to replace the network's current Layer-2 finality system for block validation. Linea is yet to go through a token generation event.

CattleProof announced that CattleProof Verified officially become a USDA Process Verified Program (PVP) – marking the first time a USDA PVP integrates blockchain technology into the certification process for live cattle.

MINING

Compass Mining, a leading provider of Bitcoin mining hardware, hosting, and services, announced its teaming up with Mindshift, a South Korea-based Virtual Asset Service Provider (VASP), to extend its Bitcoin mining services to the South Korean market.

North Carolina’s Bitcoin community prepared a convoy of emergency room physicians, volunteers, and retired military personnel to assist the state’s mountain region following Hurricane Helene.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

Nearly half of hedge funds focused on traditional asset classes now have exposure to cryptocurrencies as increased clarity around regulations and the launch of ETFs in the US and Asia draw more investors into the asset class, according to a new survey. Among hedge funds trading in traditional markets, 47% had exposure to digital assets, up from 29% in 2023 and 37% in 2022, according to the Global Crypto Hedge Fund Report published on Oct. 10 by the Alternative Investment Management Association and PwC. The survey also found that among those funds that are already invested, 67% plan to maintain the same level of capital in crypto while the rest plan to invest more by the end of 2024.

Bloomberg Intelligence analyst James Seyffart believes options on Bitcoin ETFs are likely to launch in the US by Q1 2025, He said: “I think before the end of the year is possible for options, but more likely in Q1 2025.”

A newly formed cryptocurrency committee within South Korea’s top financial regulator, the FSC, will review the current ban on spot crypto ETFs.

Canary Capital filed for a spot XRP ETF with the SEC, aiming to provide easier access to XRP through traditional brokerage accounts.

FUNDRAISING & OTHER FUNDING ($5 MILLION OR MORE)

World Liberty Financial – the crypto project linked to Donald Trump and his three sons – plans to raise $300 million at a $1.5 billion valuation through an initial token sale next week. The governance token, WLFI, will be non-transferable for 12 months but can be used for voting on platform decisions immediately. Even if the community decides to vote on the tokens becoming transferable during this time, it will only be implemented after a year.

Aethir, a distributed network to source underutilized GPUs for tasks like AI model training and gaming, launched a $100 million Ecosystem Fund, backed by the Aethir Foundation.

Infinex, a new platform that provides a simple interface for DeFi protocols across multiple chains, raised $65 million, through NFT sales to retail traders and VCs alike at the same terms.

Ethena announced a $46 million investment in tokenized real-world asset products from BlackRock, Mountain, Superstate, and Sky.

Global asset manager VanEck launched a new venture capital unit, VanEck Ventures. The firm is raising $30 million for its first fund to invest in early-stage startups at the intersection of fintech, crypto, and AI.

Paradigm invested $20 million in Ithaca, a spinoff from the VC firm that is building a Layer-2 blockchain called Odyssey. Paradigm's CTO, Georgios Konstantopoulos, said: “Think of Ithaca as the company that is building the full stack of products and tools that developers need to ship faster and that consumers need to have less and less friction.”

SecondLive, an AI&XR Social Metaverse, raised $12 million in a private funding round, led by Crypto.com.

Web3 gaming developer PiP World secured $10 million in seed funding from UAE-based Exinity, months after acquiring a Roblox stock simulator, and is set to launch a blockchain-based mobile game, PiP Trader, later this year.

Bitcoin Layer-2 developer Bitlayer closed $9 million in a Series A extension led by Polychain Capital, as the firm prepares to launch the second version of its Bitcoin scaling network.

Yala, a startup developing a Bitcoin-backed stablecoin called YU, closed $8 million in seed funding – led by Polychain Capital and Ethereal Ventures, aiming to expand decentralized finance on Bitcoin.

Apex Fusion raised $6 million in private funding to push forward its federated multichain blockchain network.

IPOS, M&A, PARTNERSHIPS & DEALS

DeFi Technologies successfully acquired Stillman Digital, a leading digital asset liquidity provider. Stillman Digital has processed over US$20 billion in trade volume since 2021, with US$5 billion occurring in Q2 2024 alone.

LMAX Group, a leading independent operator of institutional execution venues for FX and digital assets trading, announced its acquisition of FX HedgePool, a major institutional swaps matching service.

Worldcoin is teaming up with Dune, a leading data analytics platform, to bring real-time data accessibility and insights to World Chain, a new blockchain “designed for humans.”

The Institute for the Future (IFF) at the University of Nicosia (UNIC) announced the signing of a Memorandum of Understanding (MOU) with Arab Bank (Switzerland) Ltd (ABS). Under this MOU, UNIC will offer all bank employees access to its online MSc in Blockchain and Digital Currency, MSc in Metaverse, and Blockchain Academic Certification programs.

DEFI

The main developer behind Uniswap, the largest decentralized crypto exchange, plans to launch its own blockchain (Unichain) as a Layer-2 network atop Ethereum – part of an effort to make transactions faster and cheaper while also improving liquidity.

European exchange group Boerse Stuttgart announced a major step into Ethereum staking, offering users a secure, insured way to earn passive income through its Bison trading platform. Bison enables staking for as little as 0.005 ETH with weekly rewards. The service, currently only available in Germany, promises annual yields of 2-5%.

Solana's top DeFi platform, Jupiter, launched a mobile app that focuses on swapping tokens and wallet management, aiming to grow its distribution without charging fees while prioritizing best price aggregation for users.

Liquid restaking infrastructure platform Puffer Finance introduced its governance token and announced an upcoming community airdrop, with 75 million tokens allocated for distribution through the first season of its "Crunchy Carrot Quest" campaign starting on Oct. 14.

Nudge.xyz, a crypto project promoting what it describes as a new "Re:allocation primitive," launched the Nudge Points App, a DeFi app that unlocks hidden wallet value by assigning Re:Allocation Points, which serve as proxies for future Nudge incentives.

CBDCS & STABLECOINS

South Korea's Financial Services Commission plans to regulate cross-border stablecoin transactions, including dollar-pegged coins, under foreign exchange rules. The country will consult with Japan, the EU, and other jurisdictions, aiming to ensure stablecoin transaction soundness and establish a legal framework, beginning with won-pegged tokens.

NFTS, BLOCKCHAIN GAMING & METAVERSE

Magic Eden and Ubisoft teamed up to launch an NFT collection on Arbitrum based on Netflix's "Captain Laserhawk: The G.A.M.E" – giving users access to game rewards and governance influence within the multiplayer shooter.

Ubisoft, the gaming giant behind the hugely popular Assassin's Creed franchise, is launching its first crypto video game, "Champions Tactics," on PC from Oct. 23, featuring NFTs as collectible in-game assets. Players can assemble teams of Dungeon & Dragons-style characters to battle others in the game, with a total of 75,000 NFTs available.

Karate Combat, a Web3-enhanced professional contract sports league, is launching UP, a Layer-2 blockchain and crypto-native software licensing platform built on Hedera in Q1 2025.

JOB MOVEMENT

Crypto custody firm Copper is interviewing candidates to replace CEO Dmitry Tokarev, who is stepping aside to assume a founder's role at the company.

MicroStrategy is hiring for a Bitcoin Advocacy Manager.

Antonio Juliano returned to the CEO position at dYdX after a nearly five-month hiatus. The founder acknowledged that dYdX has had a challenging year and cited the need for leadership to come from its founder as reason for his return as CEO.

Prometheum, an end-to-end, blockchain-enabled ecosystem, announced the appointment of Jacek Bugaj as Head of Product.

Kadena, a proof-of-work blockchain, appointed Alana Ackerson, an executive of Thiel Foundation, SoFi, and Digital Currency Group, as a strategic advisor.

Amelia Andersdotter, a former European Parliament member, was appointed as interim director of the Universal Privacy Alliance (UPA). The UPA is a collective of Web3 companies – comprising Nym Technologies, Protocol Labs Network, Filecoin Foundation, Oasis, and Aztec Labs – that aim to create the world's first and largest lobby group for internet privacy rights.

The Blockchain Security Standards Council announced the appointment of its inaugural board of directors: President – Frieder Weichelt (Anchorage Digital)… Vice President – Annalea Ilg (Figment)… Secretary – Adrienne Allen (Coinbase)… Directors – Riyaz Faizullabhoy (Bastion) Shahar Madar (Fireblocks), Ruth Sandescu (Kraken), and Sigal Mandelker (Ribbit Capital).

REGULATIONS, RULINGS & COMMENTARY

SEC Chairman Gary Gensler said he thinks it's unlikely that Bitcoin or other cryptocurrencies will ever be widely used as a form of payment and, instead, will continue to be seen as more of a store of value.

Reported by Politico, Robinhood Chief Legal Officer Dan Gallagher could be tapped to lead the SEC if Trump wins the presidency. Other potential SEC Chair candidates if Trump is elected include former CFTC Chair Chris Giancarlo, former SEC General Counsel Robert Stebbins, and Republican SEC Commissioner Hester Peirce.

Taiwan plans to begin a pilot for crypto custody services through local banks in 2025, with the Financial Supervisory Commission (FSC) beginning to accept apps in Q1.

The UAE made cryptocurrency transactions exempt from paying value-added tax (VAT). It applies retroactively from 2018, aligning digital assets with traditional financial services and further legitimizing the virtual asset sector.

The United Nations Office on Drugs and Crime called on Southeast Asian nations to make operating a money service business or VASP without a license a criminal offense. Some VASPs – including those with links to known criminals – are facilitating transactions for fraud outfits and high-risk gambling sites, the agency said.

Circle announced that it was appointed to an inaugural three-year seat on the board of directors of the new Illicit Virtual Asset Notification partnership. The group, known as IVAN, brings together governments, law enforcement agencies, and industry partners from around the world to identify and counter emerging threats or impending criminal activity in real-time.

Wintermute became a Eurex Exchange member, expanding its derivatives offering and presence in TradFi. Through Eurex, institutions can now execute large blocks across multiple crypto products, including options and futures, while using a familiar setup. In addition, Wintermute can now structure tailored products referencing the Eurex products.

Kraken opened a derivatives trading platform in Bermuda, having received a license from the Bermuda Monetary Authority (BMA). Kraken follows Coinbase International and HashKey Global to the island.

FCX, the Australian platform for unlisted tokenized securities, received a clearing and settlement license from the Reserve Bank of Australia, and a markets license to operate an exchange from securitize regulator ASIC.

BUGS, OUTAGES, HACKS, SCAMS, ALLEGATIONS, INVESTIGATIONS, ENFORCEMENTS & WRONGDOINGS

The SEC charged Cumberland DRW with acting as an unregistered dealer in $2 billion worth of crypto transactions, alleging that the company treated the assets as securities without providing required protections.

A crypto whale lost ~$35 million worth of tokens in a phishing attack on the Blast network. The attacker tricked the victim into unknowingly signing a fraudulent "permit" message, which allowed the funds to be drained from their wallet.

~7,000 ETH linked to the PlusToken Ponzi scheme, worth $16.7 million, was moved to crypto exchanges on Oct. 10, signaling the intent to sell what remains of Ether seized by Chinese police, according to OXT Research analyst ErgoBTC.

Fintech giant Revolut has prevented ~$13.5 million in potential crypto losses over the past three months by implementing advanced fraud detection algorithms, further enhancing customer protection measures.

EigenLayer accidentally sent $5.5 million worth of tokens to an attacker, who promptly sold them, after its recent token launch. Initially, it was suspected that an insider broke EigenLayer's vesting agreement, but in reality, a malicious actor was able to convince the EigenLayer team they should receive an initial allocation.

The US government is attempting to claw back more than $2.67 million stolen by North Korea's Lazarus Group, filing two lawsuits to force the forfeiture of millions in Tether and Bitcoin.

Mango Market DAO failed to pass a $700,000 SEC settlement vote after a major voter withdrew their vote just hours before the deadline, but a similar proposal has already passed the quorum and may allow for payment.

Blockchain investigator ZachXBT helped recover $275,000 for a Coinbase customer targeted by scammers in a growing social engineering scheme.

The FBI created its own crypto token, "NexFundAI," to lure and catch crypto market manipulators. Four crypto entities and 18 individuals now face charges for wash trading and fraud.

Federal prosecutors charged four purported market makers, a handful of crypto projects, and over a dozen individuals with manipulating various crypto markets on Oct. 9, saying they profited from fees and selling manipulated coins at elevated values. Allegedly, Gotbit, CLS Global, MyTrade, and ZM Quant wash-traded various tokens to make it appear they had more legitimate activity than they actually did, selling some of these tokens at "artificially inflated prices" to others, marketing these coins on various platforms and convincing exchanges to let them buy tokens with reduced fees.

Crypto exchange Bitnomial filed suit against the SEC, saying the regulator overextended its jurisdiction in seeking to regulate a proposed XRP futures contract together with the CFTC.

Dubai's Virtual Assets Regulatory Authority issued fines and cease-and-desist orders against seven crypto entities for operating without licenses and violating marketing rules, a rare action as the emirate aims to solidify itself as a global crypto hub.

Ripple plans to file a cross-appeal to preserve its legal arguments in its ongoing case with the SEC, ensuring that the company's defenses remain intact as the regulator's own appeal progresses through the courts.

Coinbase is pushing for an appeal in its legal battle with the SEC, citing the agency's recent appeal in the Ripple case as an example of ongoing confusion in how securities laws apply to digital assets.

Crypto.com said it filed a suit against the SEC after it received a Wells notice earlier this year. The crypto firm said it's trying to "protect the future of the crypto industry in the US, joining a series of our peers who are actively defending themselves and taking action against a misguided federal agency acting beyond its authorization under the law."

The US government said Bitfinex might be the sole victim of its 2016 hack involving Ilya Lichtenstein and Heather Morgan, aka "Razzlekhan," according to a recent court filing. (Prosecutors requested that Razzlekhan be sentenced to just 18 months behind bars for her role in laundering 120,000 Bitcoins stolen from Bitfinex in a 2016 hack.)

Lego's website was hacked to promote a crypto scam – claiming that the "Lego coin" is now officially out and promising "secret rewards" to those who'd buy some. The company said no user accounts were compromised.

IcomTech founder David Carmona was sentenced to nearly 10 years in prison for a crypto Ponzi scheme. The scheme targeted working-class investors by promising false returns through crypto mining.

MISCELLANEOUS

A new Ethereum proposal, EIP-7781, suggests reducing the blockchain's slot time from 12 seconds to 8 seconds to boost transaction throughput by 33%. Shortening the slot time would produce blocks more frequently, improving overall network performance without changing block size. EIP-7781 is currently under preliminary review and discussion, as part of Ethereum's ongoing efforts to improve network scalability.

Ethereum co-founder Vitalik Buterin donated $182,000 worth of Ether, converted from billions of Moo Deng memecoin tokens people had sent him, to the biotech charity Kanro to help fight airborne diseases.

Crypto brokerage FalconX had 1.35 million Solana in its possession since 2021, but didn't know who they belonged to. Now worth ~$190 million, Binance recently laid claim to ownership. (Read more, here.)

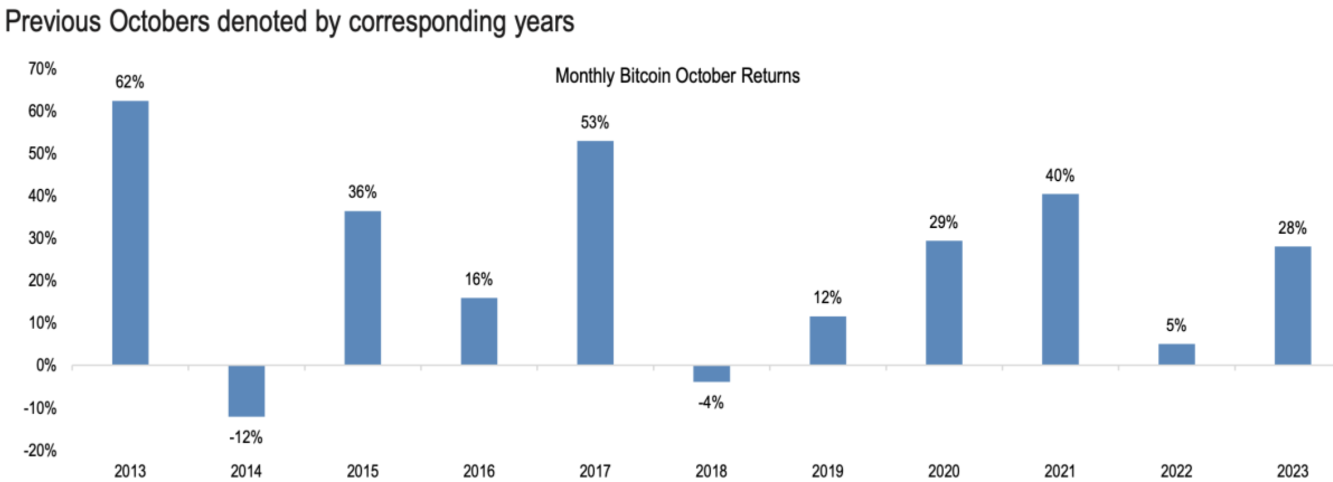
A Solana memecoin developer who set himself on fire to promote his project decided to quit after months of recovery, expressing regret over not profiting from the venture and lamenting the collapse of his team.

Memecoins themed after cryptographer Len Sassaman – whom Polymarket bettors believe to be revealed as Bitcoin's pseudonymous creator Satoshi Nakamoto – have started to populate the Solana, Ethereum, and Bitcoin networks in the past week.

Crypto sleuth ZachXBT exposed Murad Mahmudov's $24 million in memecoin holdings, stirring up controversy in the memecoin community.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

The numbers behind "Uptober." (More than 70% of all Octobers have yielded positive returns for Bitcoin.)



NYDIG: CoinDesk recently shared a snippet from a Goldman Sachs research report comparing asset class returns to their volatility. From what we can see of the report, the piece concluded that even though Bitcoin was up over 40% year to date, its performance was not sufficient to compensate for its volatility and that only two non-fixed income growth sensitive indexes had worse return to volatility ratios. That didn't sound right to us. So, the following table is a more complete comparative analysis of Sharpe ratios of various asset class benchmarks over different holding periods. As the table shows, Bitcoin ranks favorably compared to nearly every asset class on every metric over every time frame. True, gold technically has a higher Sharpe ratio in the past 12 months, but 1.94 vs 1.92 is splitting hairs. There is nothing to support Goldman's claim that Bitcoin's returns aren't sufficient to compensate for volatility. This analysis shows the contrary, that the risks (price volatility) that Bitcoin investors endure are more than made up for in terms of returns. (See a larger image, here.)

Rolling Annualized Sharpe Ratios

Monthly data, 1/31/11 - 9/30/24

1 Year Hold Periods

	Bitcoin	US Equities	DM Equities	EM Equities	Aggregate Bonds	Investment Grade Bonds	High Yield Bonds	ST US Treasuries	LT US Treasuries	Commodities	Gold	REITs
Last	1.92	1.47	0.90	0.73	0.21	0.34	0.34	(8.58)	(0.07)	(1.23)	1.94	0.63
Average	2.32	1.30	0.57	0.30	0.56	0.61	0.61	(0.68)	0.17	(0.13)	0.17	0.61
Median	1.32	1.20	0.27	0.11	0.29	0.42	0.42	0.70	(0.04)	(0.46)	0.06	0.40
Maximum	19.58	5.63	6.18	5.69	3.73	3.32	3.32	3.69	3.68	4.47	2.50	3.25
Minimum	(1.35)	(0.84)	(1.49)	(2.31)	(2.38)	(2.11)	(2.11)	(8.95)	(2.50)	(2.35)	(1.32)	(1.13)

3 Year Hold Periods

	Bitcoin Price	US Equities	DM Equities	EM Equities	Aggregate Bonds	Investment Grade Bonds	High Yield Bonds	ST US Treasuries	LT US Treasuries	Commodities	Gold	REITs
Last	0.06	0.33	(0.01)	(0.32)	(0.71)	(0.53)	(0.53)	(3.87)	(0.83)	0.02	0.62	(0.14)
Average	2.32	1.30	0.57	0.30	0.56	0.61	0.61	(0.68)	0.17	(0.13)	0.17	0.61
Median	1.32	1.20	0.27	0.11	0.29	0.42	0.42	0.70	(0.04)	(0.46)	0.06	0.40
Maximum	19.58	5.63	6.18	5.69	3.73	3.32	3.32	3.69	3.68	4.47	2.50	3.25
Minimum	(1.35)	(0.84)	(1.49)	(2.31)	(2.38)	(2.11)	(2.11)	(8.95)	(2.50)	(2.35)	(1.32)	(1.13)

5 Year Hold Periods

	Bitcoin Price	US Equities	DM Equities	EM Equities	Aggregate Bonds	Investment Grade Bonds	High Yield Bonds	ST US Treasuries	LT US Treasuries	Commodities	Gold	REITs
Last	0.58	0.74	0.33	0.18	(0.37)	(0.17)	(0.17)	(2.02)	(0.51)	0.29	0.57	0.11
Average	0.89	0.94	0.31	0.16	0.50	0.54	0.54	(0.31)	0.23	(0.28)	0.21	0.46
Median	0.88	0.90	0.27	0.11	0.63	0.66	0.66	(0.53)	0.27	(0.53)	0.33	0.51
Maximum	1.94	1.63	0.88	0.77	1.33	1.17	1.17	1.61	0.84	0.67	0.82	1.02
Minimum	0.03	0.40	(0.13)	(0.30)	(0.38)	(0.19)	(0.19)	(2.02)	(0.51)	(1.00)	(0.42)	0.00

Data Sourced from Total Returns for:
US Equities: S&P 500
Developed Market (Ex-US) Equities: iShares MSCI EAFE ETF
Emerging Market Equities: iShares MSCI Emerging Markets ETF
Aggregate Bonds: Bloomberg USAgg Index
Investment Grade Bonds: iBoxx USD Liquid Investment Grade Index
High Yield Bonds: iBoxx USD Liquid High Yield Index
Short Term Treasuries: iShares Short Term Treasury ETF
Long Term Treasuries: iShares Long Term Treasury ETF
Commodities: Bloomberg Commodities Index
Gold: iShares Gold Trust

NYDIG

Source: NYDIG, Bloomberg

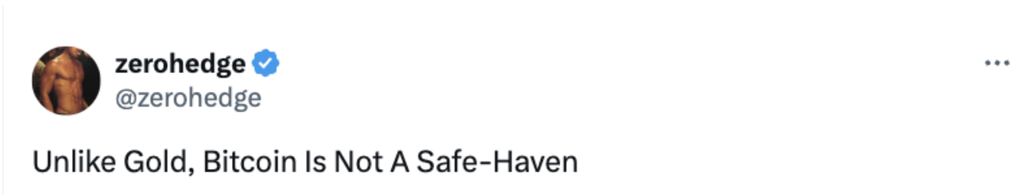
Bitcoin Magazine Pro released the latest edition of "The Bitcoin Report." (View the 21-page report, here.)

Arca: PLEASE Stop With the “Bitcoin Isn’t a Safe Haven” Narrative…

Here we go again – another geopolitical crisis and another foolish narrative that Bitcoin didn’t protect your portfolio during it.

Earlier this week, Iran launched at least 180 ballistic missiles toward Israel, marking the largest missile strike against Israel in history. As is always the case when you have any sort of war or war-like action, risk assets are immediately taken lower, and volatility spikes. Even though wars are generally good for markets in the long run due to increased government spending and stimulus, and investors have largely become numb specifically to Middle East turmoil – the algo-driven markets always respond negatively to a shock headline for a day or two before retracing.

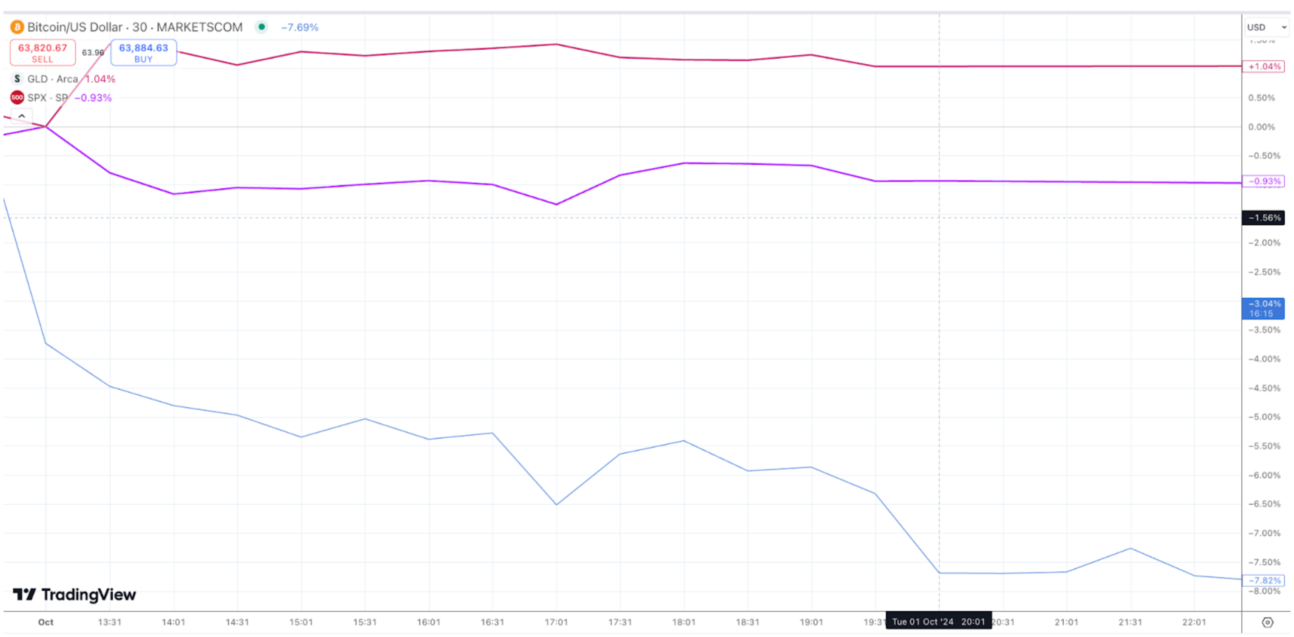
And right on cue, here come the idiotic takes about Bitcoin.



Source: X / Twitter

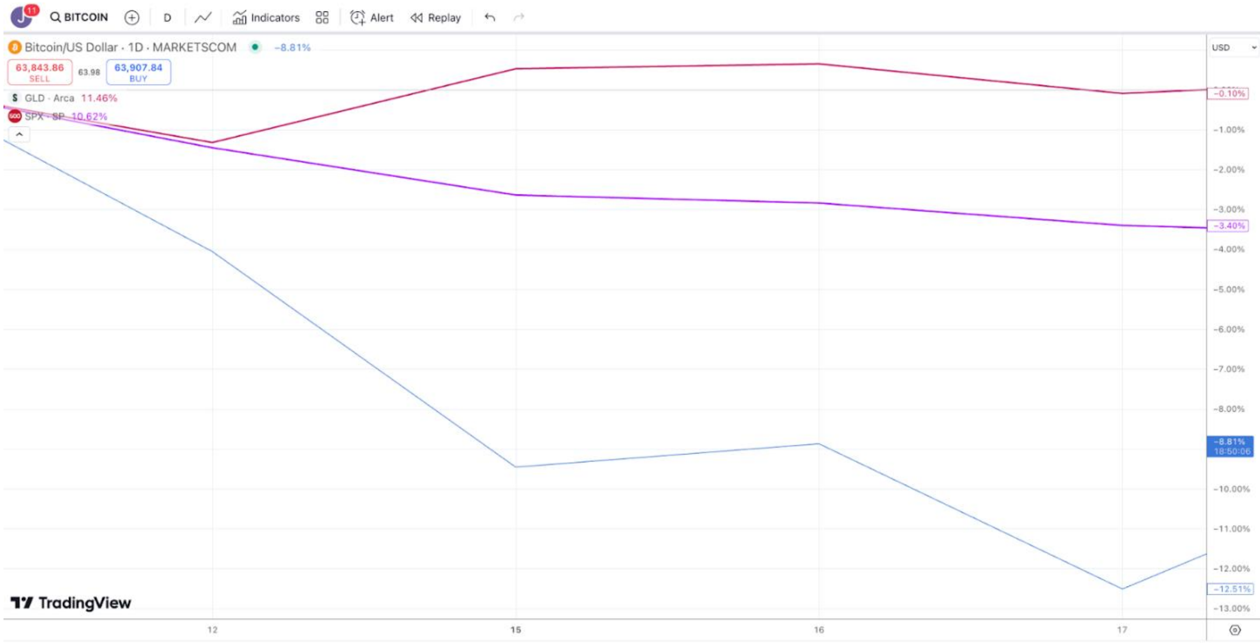
First, yes, it’s true. Bitcoin does not protect your portfolio from geopolitical-driven macro shocks. It never has.

Here is a chart from October 2nd showing how gold and Bitcoin responded in opposite ways following the attack. Gold surged while Bitcoin plummeted, and stocks sold off.



Source: TradingView

The same thing has happened throughout history. Here is a chart from mid-April 2024, when Iran struck Israel. Stocks down, Bitcoin down, gold flat.



Source: TradingView

And another similar chart from October 2023, after another attack on Israel. Stocks down, Bitcoin down, gold up.

Source: TradingView

I know I've written this same thing for five years, but I guess I must write it again. Bitcoin goes up when people lose trust in their local governments or banks, not when markets tank on other risk factors. Bitcoin rose during the March 2023 regional banking crisis, the Canadian trucking standoff, the Cypress banking crisis, the 2019 Chinese tariffs, and every time Argentina or Turkey currencies debase. There is a common theme here – Bitcoin rises like a credit default swap when the risk of governments or banks increases.

But Bitcoin never goes up when there is a market dislocation or geopolitical risk. Bitcoin will not protect your portfolio in a good old-fashioned fear trade.

And I would argue that being a hedge to local banks and governments stealing or harming your assets is a much better story than trying to pretend Bitcoin will protect your portfolio during a market crash.

Many are confused about what a "safe-haven" really is. A safe-haven investment is not an asset that never goes down; a safe-haven is an investment that is expected to retain or increase in value during times of market turbulence. More literally, "safe haven" is defined as "a place of refuge or security." US Treasuries lose substantial value when rates rise, but few argue that US Treasuries aren't a safe haven. Similarly, protecting your assets against macro factors and corrupt, overleveraged governments is a form of safe haven as well.

If you define what we're fleeing, Bitcoin is a flight to quality assets. But as a market hedge, it will not protect your portfolio from market dislocations.

Matt Hougan's (Bitwise) Weekly CIO Memo: "The Q4 Melt-Up: A Playbook to $80K Bitcoin and Beyond – Bitcoin Needs Three Things to Approach All-Time Highs in 2024; One Additional Factor Could Shift Things Into High Gear."

I often get asked for price predictions. Sometimes, I even give them. At the end of last year, for instance, we predicted Bitcoin would nearly double in 2024 and trade above $80,000.

I still think that's true.

But price predictions are conditional. They depend on what happens in the world. With that in mind, here's what I think needs to happen for my $80,000 price prediction to come true by year's end.

The good news: It's not much.

<u>Conditions for $80,000 Bitcoin</u>

<u>1) Election: Anything but a Democratic Sweep</u>

The US election is a big deal for crypto. Most people assume it's a binary outcome: Trump = Good, Harris = Bad.

Undoubtedly, Republican wins portend well for crypto, given the GOP's strong and growing advocacy for the space. I think it's more nuanced on the Democratic side.

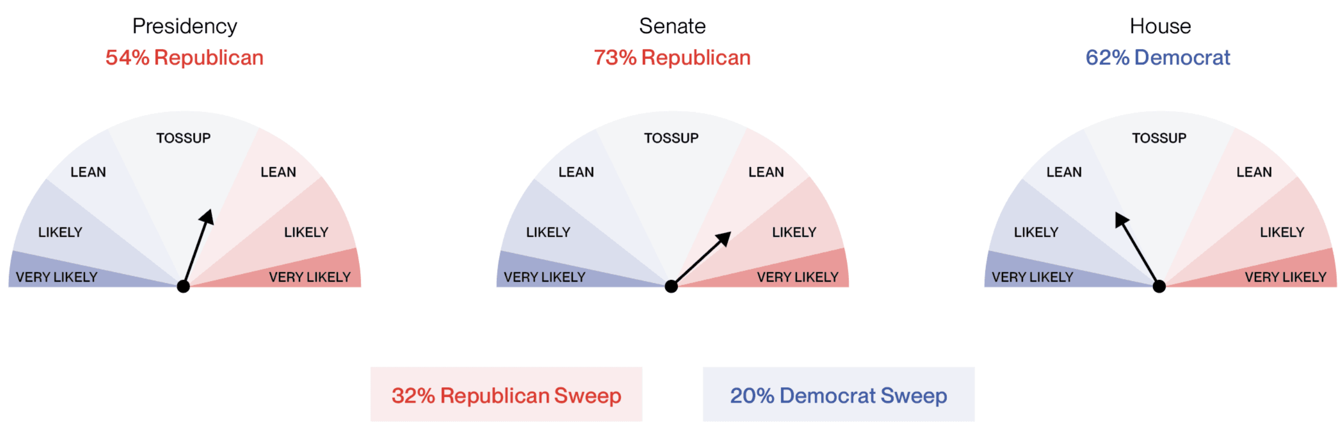
The Democratic Party has disparate views on crypto, from Senator Elizabeth Warren's (D-Mass.) "Anti-Crypto Army" to Representative Ritchie Torres' (D-N.Y.) deep support. The problem of the past four years is that the Warren wing has controlled policy and agency appointments, and that has created a hostile environment for the sector.

To thrive, Bitcoin doesn't need politicians. It just needs them to get out of the way. And barring a Democratic sweep of both houses of Congress and the White House, I suspect they will, with the Democrats taking a more neutral approach to the industry.

You can already see Democrats bending to this reality in comments like this one from Maxine Waters (D-Calif.), the top Democrat on the House Financial Services Committee, who said recently, "crypto is inevitable."

I suspect that kind of attitude will be enough to get us to $80,000. (For what it's worth, Polymarket currently puts the odds of a Democratic sweep at 20%.)

Polymarket Predictions: Balance of Power After 2024 Election



Source: Bitwise Asset Management with data from Polymarket. Data as of October 8, 2024.

2) Economy: Two Rate Cuts + Added Global Stimulus

The number one reason people are attracted to Bitcoin is simple: You can't trust the government with money. That idea helped birth Bitcoin in 2008 and remains a powerful driver of crypto today. It's become so well accepted that even BlackRock is using it in its marketing pitches for Bitcoin.

It's why crypto rallied when the Fed cut rates by 50 basis points despite a growing US economy, and why it surged when China unleashed 2 trillion yuan in economic stimulus in late September.

The market is hungry for more. It currently expects an additional 50 bps in easing from the Federal Reserve by year's end, and additional fiscal stimulus from China as well.

If it gets both, I suspect we will get our Q4 rally. If we don't, I think the disappointment could weigh on the market.

3) Crypto: No Major Negative Surprises

The final thing we need to get our $80,000 rally is a period with no major surprises. No major hacks. No massive new lawsuits. No previously locked coins suddenly coming to market.

Crypto's history is unfortunately beset by countless such surprises. Over the past few quarters, the release of previously locked-up Bitcoin from the failed exchange Mt. Gox and from government coffers has contributed to keeping us range-bound.

If we can make it through the end of the year without similar shocks, I'd expect new all-time highs and beyond.

What Else Could Help? Altcoins

Some Bitcoiners will hate me for saying this, but I think a broader rally in crypto would help seal the deal.

To be clear: Bitcoin doesn't need Ethereum, Solana, or novel altcoins for its long-term success. In fact, it is often hurt by the shenanigans in the altcoin space. But if we're going to get a full-on melt-up in the short-term – say, a rip to $100,000 in just a few months – it would help to have a bit of pro-crypto sentiment sweep the market.

The last long choppy period in Bitcoin I remember stretched from June 2019 to June 2020, when Bitcoin traded in a tight range from $8,000-$10,000 (with the exception of a short dip during the COVID panic). It began turning upward in the late summer of 2020 and proceeded to march straight towards $60,000. Most of that was driven by COVID-era stimulus, but some of it was (for lack of a better word) vibes. Specifically, the "DeFi Summer" of 2020 gave investors a reason to be excited about crypto again, and some of those animal spirits spilled over into Bitcoin.

This year, those animal spirits have been in short supply outside of Bitcoin. But I can almost see them rising in areas like stablecoins, where AUM is tracking to new all-time highs; new high-throughput blockchains, where communities are rallying around projects like Sui, Aptos, and Monad; and innovative projects like Babylon, which is working on ways for Bitcoin investors to generate yield from staking. Strong and sustained momentum in these areas would bolster the melt-up case.

Closing Thought

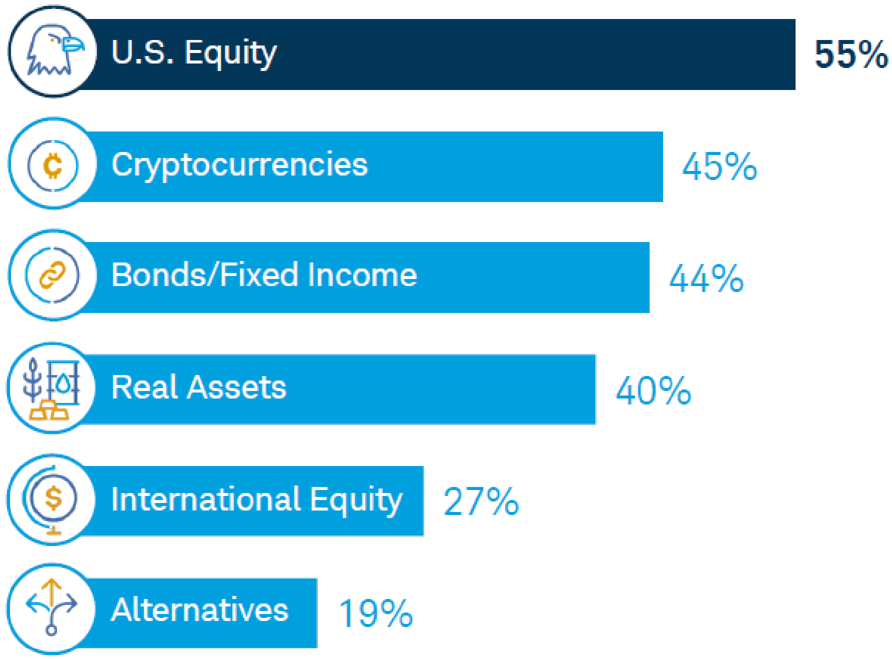
It's worth remembering that Bitcoin has already had a pretty good year. It is one of the best-performing assets in the world, up 49%, and it has had incredibly strong news flow. We've seen Bitcoin ETFs launch and become collectively the best-performing ETF launch of all time. We've seen significant institutional adoption, with 60% of the largest hedge funds now owning Bitcoin. And we've seen Bitcoin enter the mainstream political conversation in a way that would have been hard to imagine just a few years ago. Heck, two years ago FTX was imploding and Sam Bankman-Fried was in the headlines; today, Larry Fink is on TV talking about Bitcoin taking over the world.

All this suggests to me that we'll get to $80,000 (and much more) next year, almost regardless of news developments. But if we want to get there by year's end, the playbook above could help.

Nate Geraci: New Schwab survey is out where they asked ETF investors which asset classes they plan on investing in over next year via ETFs... #1 for Millennials? Crypto. Crypto was #2 for all investors.

Asset classes ETF investors plan to invest in via ETFs

ETF investors



charles SCHWAB Asset Management

Q21: Which asset classes do you plan to invest in over the next year via ETFs? (Base: Total ETF Investors = 1,000)

Blockware Intelligence summarized last week from a mostly on-chain perspective…

BTC to $62,000: BTC has quietly set another 'higher-low.' The drop to $58,000 on Thursday was short-lived and BTC is back up 5% to ~$62,000.

Realized Cap HODL Waves: "Realized Cap HODL Waves" is an underrated on-chain metric. This is a blend of the famous "HODL Waves" and "Realized Price" metrics. It shows us how much of the network's realized market cap is attributable to various cohorts of holding duration. In other words, "Who has the most chips on the table." Right now, long-term holders represent more than 60% of the value in the network -- which bears a strong resemblance to the onset of previous bull markets.

MicroStrategy Breaks Necks: The story of the week in the Bitcoin world has been MicroStrategy. MSTR has been on an absolute tear the past few weeks, eclipsing $200 per share. Year-to-Date returns are now at ~220%, making it the best performing large-cap US equity this year, surpassing even Nvidia.

MicroStrategy NAV Premium/Discount: Many thought MicroStrategy might fall off after the launch of the Bitcoin ETFs back in January as these products might steal market share as BTC proxy vehicles within public markets. However, that has not been the case. The market cap of MSTR is ~$38 billion while the value of its BTC holdings is ~$15 billion. This means MSTR is trading at a 141% premium to the value of its BTC holdings – the highest premium on record since late 2020 when it has just started acquiring BTC. It is clear that there is high demand for MSTR due to their ability to leverage low-interest rate debt and convertible notes to accumulate BTC on behalf of their shareholders. There is healthy debate in the online Bitcoin/finance community about how high this premium can go. Only time will tell, but much stranger, more irrational things have happened in financial markets.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~$58,400 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode's "The Week On-Chain" from 10/8/24. (Read the full report, here.)

Both Short-Term Holder's investment positioning and spending behavior have seen a boost in profitability over the last month as the spot price rebounds above their cost-basis. Given the delicate position of the spot price relative to the cost basis of a large volume of the circulating supply, this may help tip the balance back in favor of the bulls.

However, speculation appears to be increasing in futures markets, with a significant amount of open interest still in open contracts. With the macro market direction still ambiguous, the market remains vulnerable to heightened volatility, which may fuel the next move in either direction due to deleveraging pressures and liquidations.

Conclusion from Coin Metrics' "State of The Network" weekly report from 10/8/24. (Read the full report, here.)

The Q3 2024 Bitcoin mining landscape reflects an industry in transition, grappling with the aftermath of the April halving. Miners face significant challenges, including reduced block rewards and persistently low transaction fees. In response, many are diversifying their operations, exploring alternative revenue streams, and reassessing their hardware strategies.

The phenomenon of empty blocks continues to puzzle analysts, with notable disparities among mining pools. This trend, along with the ongoing debate over optimal mining strategies, underscores the complex dynamics at play in the Bitcoin ecosystem.

As the industry evolves, miners are demonstrating resilience and adaptability. Their pivot towards becoming generalized infrastructure providers and their exploration of novel business models signal a sector that is actively reinventing itself in the face of changing market conditions. The coming quarters will likely see further innovations as miners strive to maintain profitability and relevance in an increasingly competitive landscape.

Blockworks updated key metrics...

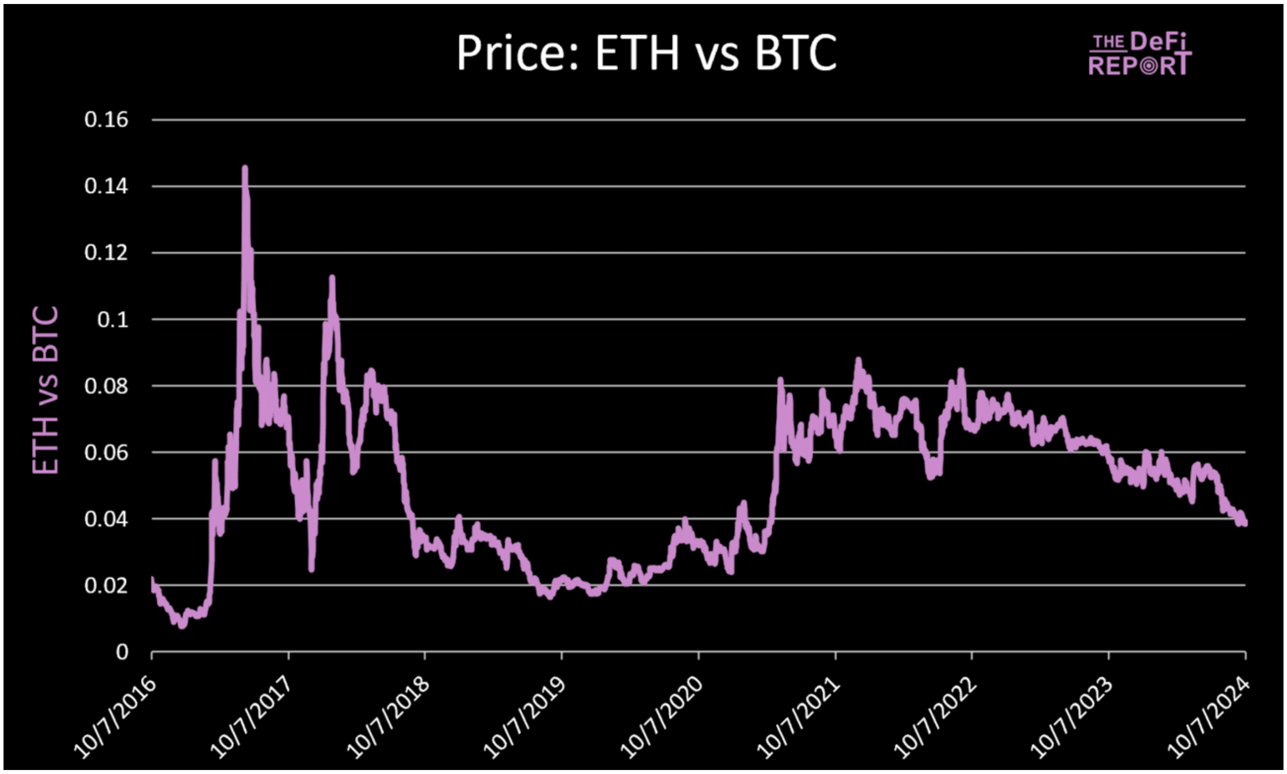
Total Crypto Market Cap	$2.29 T
Bitcoin Market Cap	$1.23 T
Ethereum Market Cap	$296.02 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	9.08 gwei
DeFi TVL	$140.51 B
Fear and Greed Index	50 (Neutral)

Bitwise released its "Q3 2024 Crypto Market Review." (Read the 70-page report, including 70+ charts and tables, here.)

The DeFi Report: Time to be fully allocated?

Let's go.

Has ETH/BTC Bottomed?



Data: Token Terminal

We think the probability points to ETH/BTC having hit its cycle bottom.

6 reasons why:

ETH/BTC has been establishing higher lows since 2016. The ratio bottomed at just under .01 in early 2017. It bottomed at just under .02 late in 2019 and then again during the Covid crash in March 2020. Fast forward to Sept. 2024, and ETH just ticked below .04.

To me, this signals that the market is becoming more convicted on ETH over time. We'll see if it holds at .04.

In prior cycles, when ETH/BTC capitulated, it established a low shortly thereafter. The ratio appears to have capitulated with the move from .057 to .038 over the last few months.

In past cycles, ETH bottomed just after rate cuts. The Fed started cutting a few weeks ago.

Same idea with the Fed balance sheet — as we moved from net tightening to net expansion last cycle, ETH/BTC bottomed. With liquidity conditions rising, we're anticipating a similar dynamic this cycle.

Bitcoin dominance historically drops as liquidity conditions improve. It's currently at 57% (near cycle highs).

From a sentiment perspective, ETH just went through a period of disillusionment we haven't seen in some time (fees down due to EIP4844, "roadmap in shambles."). This is market psychology and the impatience of crypto Twitter. The reality is that Ethereum continues to execute on its roadmap. Kyle Samani's "Why SOL will flip ETH" talk at Token2049 looks like it might mark the bottom for ETH/BTC.

If we are correct that ETH/BTC has bottomed, that means alt-season has officially commenced.

Catalysts

It's been fascinating to observe the sentiment over the last few months on crypto Twitter. It seems that crypto natives tried to front-run the liquidity cycle by jumping to the furthest end of the risk curve (memecoins).

I'm sure many did very well from Oct-March, but most were late, while simultaneously being early to alt season. After all, it's after rate cuts that alt season historically commences. And so my sense is that most of the market round-tripped the gains in Q4-23/Q1-24. As the market chopped down, many capitulated. Others are reallocating as we speak.

"Retail is never coming back."

This is exactly what we need to see from a sentiment perspective. And now that the Fed has commenced its cutting cycle, there are several catalysts that point to another blow-off top for the market:

Permission to ease. When the Fed cut, they essentially gave permission to every other central bank in the world to cut. And we are already seeing the knock-on effects in China — which is now aggressively stimulating its economy. It appears they were waiting for the Fed's green light. To be clear, when the Fed cuts rates, it weakens the US dollar which reduces the risk of capital outflows from China to the US dollar — giving China more flexibility to cut rates itself while maintaining stability in its own currency. This dynamic can be applied to all Central Banks across the globe.

This is a big deal. The 4-year, global liquidity cycle has now commenced.

Politics. I hate talking about politics. But we have to address it because it just flat-out matters. At least in the short run. The key point here is that I believe it's become obvious to the Democrats that crypto is not going anywhere. Just look at what happened in '23. The year commenced with Operation Choke Point — which was an unconstitutional attempt by the Biden administration to sever crypto businesses from access to banking. It failed. And Bitcoin went up 187% on the year.

Now. What happens if we get a crypto-friendly president? What happens if the banks are allowed to custody crypto? What happens if we get a stablecoin bill? What happens if the CFTC becomes the primary regulator of crypto assets as digital commodities?

Has the market priced this in? Probably not. And even if Trump loses, we expect to see progress on these fronts.

ETFs. Is this the cycle that your normie TradFi friends capitulate and buy some BTC/ETH? We think it's possible. I remember having a conversation with my buddies back in 2020, who were adamantly opposed to Bitcoin. I recall telling them to stay open-minded, adding that I thought it was possible that it could actually become risky not to own any in the not-to-distant future.

It seemed like a preposterous statement at the time. But here's my question: how many coping cycles does one have to observe before capitulating? If you consider yourself a serious investor, you've now watched BTC/crypto rally in '13, '17, '21, and now '24 (into '25?). How many times can one sit there and watch this before getting in the damn water?

Innovation. While crypto natives fight over whether Solana "extensions" are L2s, and whether we should be including L2s in Ethereum comps to Solana, if you zoom out, there is a lot of cool stuff happening.

Bitcoin is starting to look more like Ethereum, with DeFi and L2 ecosystems showing some promise.

Ethereum is scaling and executing on its roadmap. Blackrock has a money market fund on-chain and Visa just announced a tokenization platform on Ethereum.

Solana's Firedancer is now in testnet. Citigroup and Franklin Templeton announced plans to tokenize assets on Solana at Breakpoint. Paypal and Societe Generale have launched stablecoins on Solana.

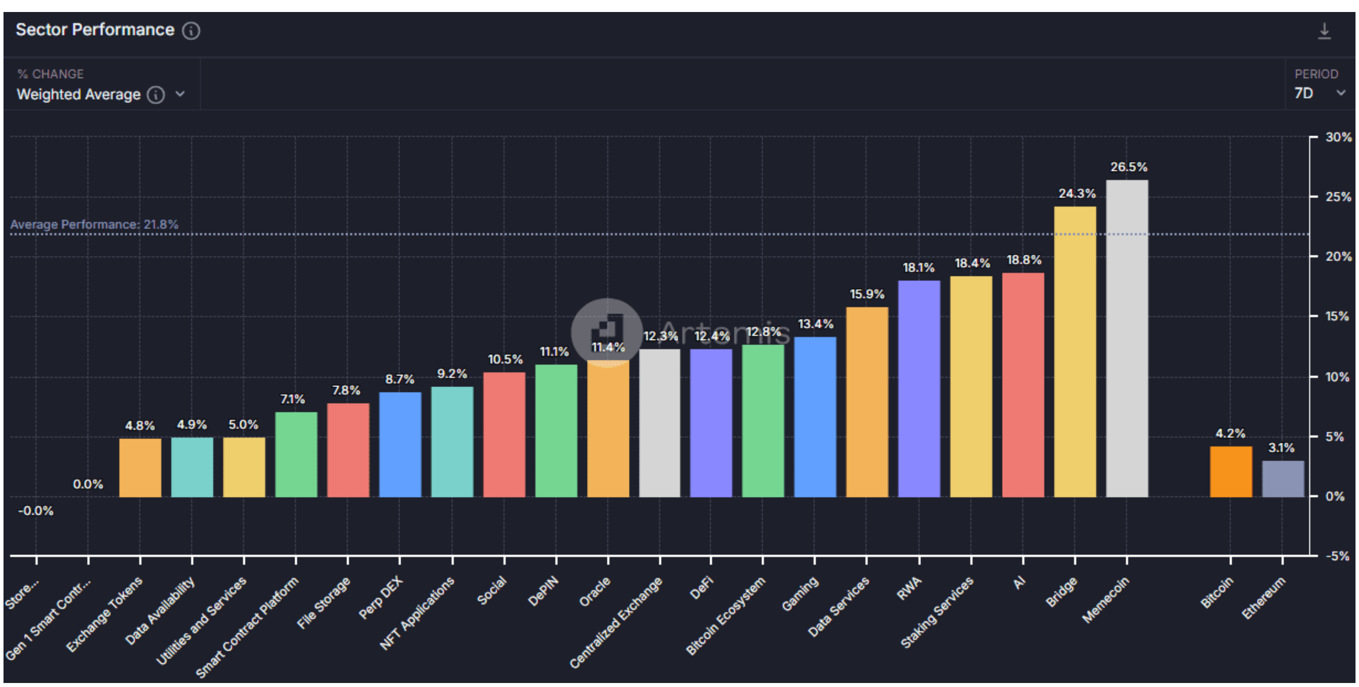
Speaking of stablecoins — issuers are now the 16th largest holder of US treasuries. We now have permissionless, yield-bearing stablecoins.

Sentiment. Sentiment flipped to extreme fear in early August. That's exactly what we needed to see before the next big move, which we think is now underway.

Alt Season?

As noted, we think probabilities point to ETH/BTC having bottomed. That means alt-season may have officially commenced — when longer tail risk assets outperform the majors.

The market is already showing its hand. Below is the 7-day sector performance courtesy of Artemis, with memecoins leading the charge.



Data: Artemis

A few thoughts and/or predictions on how the cycle could play out from here:

ETH significantly outperforms BTC, with BTC dominance dropping well below 50%.

SOL significantly outperforms ETH with SOL infrastructure outperforming ETH infrastructure + Solana memecoins outperforming Ethereum memecoins.

TIA and SUI become the top-performing “new L1s” currently on the market (keep an eye on Berrachain and Monad — which are expected to launch later this year).

More than 10 memecoins will reach a $10b + valuation (there are 2 today). In fact, we may see a $100b + memecoin this cycle. *I’ll be sharing a full deep dive with my thoughts on memecoins in November.

AI Coins and DePIN could perform like NFTs last cycle.

Stablecoins grow to $500b of supply ($160b today).

It goes without saying, but I’ll say it anyway: I don’t have a crystal ball. I’m just using pattern recognition as someone who’s been observing these markets for a while. Risk on = central banks easing = $ into risk assets. If that happens, outperformance should be at the furthest end of the risk curve (crypto). Everything else is instinct on identifying sectors, teams, communities, cycle dynamics, risks, etc.

<u>Conclusion</u>

Is it possible the market is offside to the idea that we get another frenzy similar to ‘21?

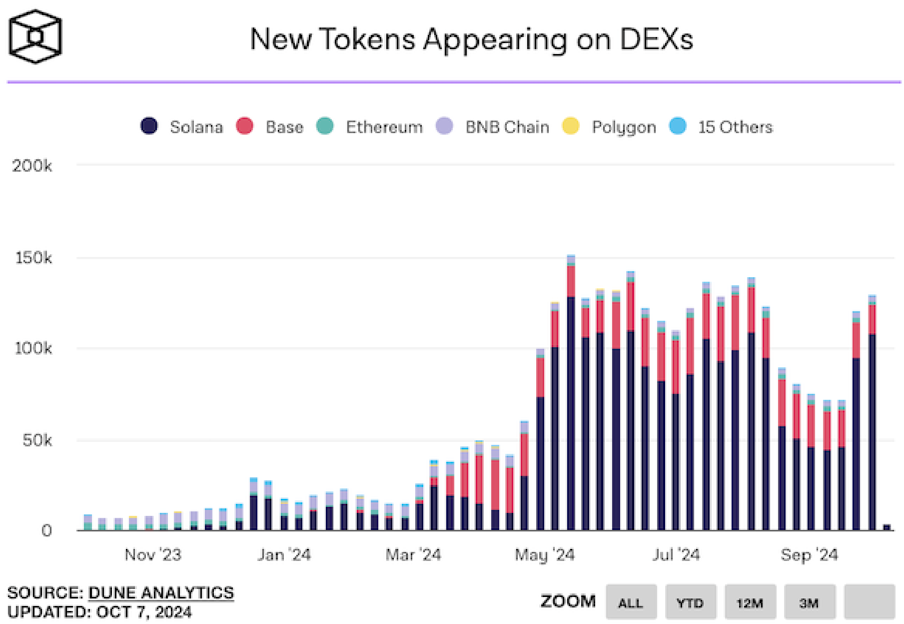
That’s the question I keep asking myself right now. Why? Because crypto is truly a unique asset class in that bull markets can be just as volatile as nasty drawdowns.

The nasty bear markets tend to leave market participants scarred. And so it’s easy to forget how volatile a potential bull run could be.

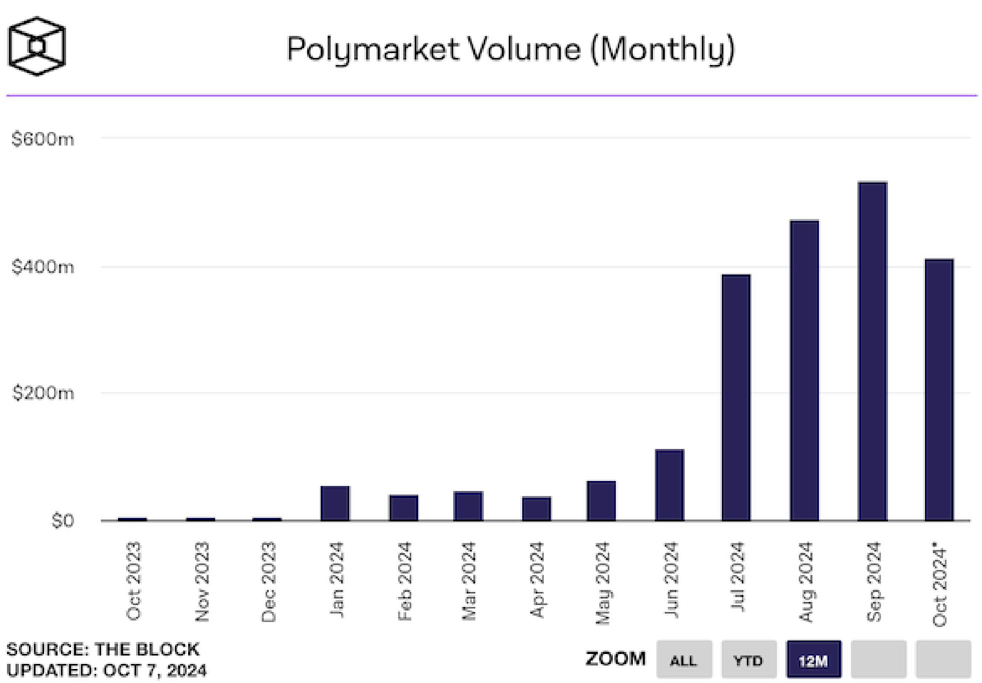
Of course, there are many bears out there as well. They’re calling for a recession. But we just don’t see it in the data. Credit spreads are low. Banks are lending. Central banks are easing. Inflation is dropping. The Treasury is spending. And unemployment dropped last month.

Nobody has a crystal ball. So please do your own research.

The Block Pro Research: As of September 30, 2024, Solana accounted for 96,010 new tokens out of a total 110,180 launched across all tracked chains. This represents over 87% of all new tokens appearing on DEXs, a testament to Solana's growing dominance in the space. The chart illustrates Solana's rise, with the number of new tokens skyrocketing from near-zero levels in early 2024 to consistently topping 100,000 per month by mid-year.



The Block Pro Research: Polymarket has continued to experience record numbers across all its key metrics. September saw over 90,000 active traders on the platform contributing to over $533 million worth of volume for the month. This represents a MoM increase of over 41% and 12%, respectively, for these metrics. Open interest on Polymarket has blitzed past $140 million, up over 38% compared to this time last month. The surge in activity is largely driven by the upcoming US presidential election. The main question on everybody's mind is whether this heightened activity is sustainable post-election.



Blockforce Capital: Silvergate died of murder, not suicide…

In March of last year, the two major crypto-friendly banks, Signature and Silvergate, were forced to close under controversial circumstances. As we covered at the time, the New York State Department of Financial Services (NYDFS) cited its decision to shut down Signature and place the Federal Deposit Insurance Corporation (FDIC) as the receiver as a measure to "protect depositors" and prevent "systemic risk." However, as widely reported at the time, this reasoning did not hold up to scrutiny. According to Barney Frank, a board member of Signature Bank and co-author of the Dodd-Frank Act – the 2010 legislation designed to reform banking practices after the 2008 financial crisis – Signature was financially solvent when it was forcibly taken over. Frank publicly asserted that the bank's closure was politically motivated, not based on any real financial threat. Further evidence of this emerged when Signature was sold to Flagstar Bank, but only under the condition that no crypto-related deposits would be included in the sale.

This situation highlights a troubling reality: regulatory agencies appeared to have taken control of a stable, private, and regulated company under the guise of protecting the financial system, when in fact, their actions likely were driven by political motives. If you're wondering whether such actions are illegal, the answer is yes. Washington, DC law firm Cooper & Kirk, which had successfully sued the FDIC, Federal Reserve, and Office of the Comptroller of the Currency (OCC) over the original Operation Choke Point, released a white paper detailing how federal regulators once again overstepped their statutory authority. The firm accused these agencies of issuing enforcement actions without due process, in violation of the Administrative Procedures Act.

While the unlawful closure of Signature Bank was widely reported as a result of its involvement with the crypto industry, the narrative surrounding Silvergate Bank was initially different. It was commonly believed that Silvergate collapsed due to insolvency, following the broader downturn in the crypto market in 2022. However, recent developments suggest that this explanation is also false.

We chronicled Silvergate's rise and fall in March of last year but apparently, we didn't have all the facts at that time. With the bankruptcy proceedings finally underway, Silvergate executives are now allowed to speak publicly for the first time. In a 132-page sworn statement, Elaine Hetrick, the Chief Administrative Officer of Silvergate Bank, provided crucial evidence that directly contradicts the official narrative. According to Hetrick, "Following the rapid contraction of Silvergate Bank's business, Silvergate Bank had stabilized, was able to meet regulatory capital requirements, and had the capability to continue to serve its customers that had kept their deposits with Silvergate Bank." This testimony, supported by regulatory filings, reveals that Silvergate was not insolvent, as federal agencies had claimed. In fact, the bank voluntarily liquidated its business and returned all capital making every last customer whole without requiring government assistance—an action only possible if the bank had remained financially sound.

This testimony directly challenges the claims made by many, including Senator Elizabeth Warren, who asserted that Silvergate collapsed due to poor risk management and that banking for the crypto industry posed a systemic risk to the financial system. Contrary to this narrative, the real reason behind Silvergate's closure appears to be much more alarming. The San Francisco Federal Reserve had ordered Silvergate to reduce its exposure to crypto clients to only 15% of its overall portfolio. Given that the vast majority of Silvergate's deposits came from the crypto industry, this directive was effectively a death sentence for the bank. According to sources familiar with the matter, "If the 15 percent limit hadn't been imposed, Silvergate would be thriving right now." It is also important to note that such a mandate from the Fed is unconstitutional.

Hetrick further testified that the increased regulatory pressure on Silvergate and other banks servicing crypto businesses forced the institution into an untenable position. Silvergate was left with three options: radically reshape its business model away from crypto, seek to sell the bank under the looming threat of regulatory overreach, or wind down its operations to preserve value for its stakeholders. According to Hetrick, by early 2023, it was clear that “Federal Bank Regulatory Agencies would not tolerate banks with significant concentrations of digital asset customers, ultimately preventing Silvergate Bank from continuing its digital asset focused business model."

The regulatory pressure on Silvergate did not end there. Nic Carter, who initially broke the story on "Operation Choke Point 2.0," published an in-depth report drawing on recent evidence and commentary from sources close to the bank. According to these sources, the Federal Home Loan Banks (FHLB) declined to renew Silvergate's monthly loan agreement due to political pressure from Senator Elizabeth Warren, worsening the bank’s financial situation. Warren also accused Silvergate of facilitating FTX’s illegal activities, which created an atmosphere of fear and uncertainty. This, in turn, fueled concerns and led to customers withdrawing funds. However, no criminal charges have ever been filed against Silvergate, and allegations of wrongdoing related to its connection with FTX remain unproven. In response to these allegations, the Federal Reserve, FDIC (Federal Deposit Insurance Corporation), and OCC (Office of the Comptroller of Currency) issued a joint statement warning banks they faced significant risks if they served the crypto space. Another joint statement from federal bank regulators, again on the risk crypto posed to banks, soon followed.

In short, Silvergate was systematically and unjustly cut off by banking regulators. The bank’s leadership, recognizing that their crypto business had been targeted, chose the most ethical course of action: they returned all customer deposits and voluntarily shut down the business.

Nic Carter also underscored the importance of Hetrick’s testimony. “Hetrick’s testimony is crucial because it provides direct, on-the-record evidence – under penalty of perjury – that confirms what we’ve long suspected. Silvergate wasn’t brought down by mismanagement or risky trades; they were forced out of business because the Federal Reserve decided they could no longer serve crypto clients.”

This testimony is crucial because it exposes a disturbing truth: both Signature and Silvergate, two financially sound banks, were deliberately targeted and shut down by regulators due to their involvement with the crypto industry. This is particularly important because many regulators and lawmakers have used the closures of these banks as "proof" that crypto is too risky for the banking system. These same closures have been leveraged to justify new rules and regulations designed to make it nearly impossible for banks to serve the crypto industry.

And regulators have acted on this justification. Customers Bank and Cross River Bank, which stepped in to replace Silvergate and Signature, have both faced regulatory punishment. In May 2023, the FDIC issued a consent order against Cross River, severely limiting its crypto activities. Similarly, in August 2024, the Federal Reserve Bank of Philadelphia took enforcement action against Customers Bank, citing deficiencies in the bank's “risk management practices” and compliance with anti-money laundering laws related to its digital assets business.

It is deeply troubling that federal agencies took illegal actions to force the closure of two financially stable banks, and then used these closures as a pretext for imposing even stricter regulations on an industry they appear intent on eliminating from the banking system. While it seems unlikely that anyone will be held accountable for what happened to Signature or Silvergate, at least the truth has now surfaced. The evidence shows that cryptocurrency is not the threat to the banking system some have claimed it to be.

Continued fallout from the various crypto liquidity issues, regulatory problems, and 2022 'crypto winter' in the space...

- A US bankruptcy court approved the reorganization plan of bankrupt crypto exchange FTX on Monday, meaning that between $14.7 billion and $16.5 billion in recovered assets are set to be distributed to FTX creditors. The approval of the reorganization plan by US Bankruptcy Judge John Dorsey doesn't immediately turn on the spigot of distributions, as the court has to set a date for when the plan will be implemented, which is currently estimated to be Oct. 31. (Read more, here.)

- Caroline Ellison, former CEO of Alameda Research, agreed to transfer nearly all of her remaining assets to the FTX bankruptcy estate as part of a lawsuit settlement, while cooperating in ongoing investigations to recover more funds.

- Former FTX executive Ryan Salame requested a delay in his prison sentence to Dec. 7 for continued medical treatment, after sustaining injuries from a dog attack this past summer, marking his second postponement request. The judge rebuffed his attempt.

- Sol Strategies, formerly Cypherpunk Holdings, plans to reinvest capital recovered from FTX into the Solana ecosystem, further expanding its SOL holdings.

- Tigran Gambaryan, a Binance executive detained in Nigeria since February, was denied bail by a Nigerian judge despite serious medical conditions, as his family and lawyers continue to appeal for his release.