



5 digital / crypto / blockchain market predictions for 2019 **Jan 2020 update**

In January 2019, GMEX Group made its Top 5 predictions for the year. We look back on 2019 and see how these played out.

1 Game changing Security Token Offerings

Proliferation of STOs with the acceleration of the adoption, backed by physical assets including commodities such as gold and securities.

Data analysis by InWara shows STOs experienced a 51% increase in H1 2019 compared to H1 2018 and the full year 2019 numbers are likely to further support this.

Emergence of Regulated STO exchanges where STOs could provide a better alternative for some PE/VC ventures and even IPOs.

CoinSchedule statistics show Initial Exchange Offerings (IEOs) attracting investments that amounted to 79% of all funds raised from ICOs, IEOs and STOs during 2019.

Decline of Initial Coin Offerings – reduction of ICOs as a defacto funding method, but proven good utility ICOs will still be an effective funding route.

Statistics from ICODATA show 1253 ICOs in 2018 with US\$7.8bn raised compared with 106 in 2019 with US\$371mn in 2019, which is a substantial decline.

2 Asset backing takes crypto to the mainstream

Stable coin winners emerging especially those that are asset backed in part by gold.

Some interesting StableCoin initiatives have emerged in 2019 including JP Coin from JP Morgan, LIBRA from Facebook and the Universal Settlement Coin from Fidelity. Gold backed initiatives are emerging, such as MINDEX tokenised gold in Mauritius.

Continuation of bear market for non asset-backed crypto.

Whilst there was a recovery in the first part of the year until mid July, there has been a downward trend since.

More fiat money investment into the sector as whole.

According to the Global Fintech report by CBLinsights, between 2013 and 2018, the global private investment in blockchain and cryptocurrency multiplied by 22.5 times, with 715% growth in the number of deals. As for 2019, there are more than 1,130 blockchain-based companies across 74 countries. The total amount of funding in blockchain reached \$16.9B, across 12 subcategories.

3 New opportunities for Institutional participation

Central banking signalling a move towards digital currencies aligned to reserve, trade and potentially part-backed by assets.

Both the European Central Bank and the People's Republic of China have been exploring their own versions of a Central Bank Digital Currency (CBDC). The Bank of England has announced that it will allow financial technology companies to deposit funds overnight opening up the payments market.

Institutional investment products and benchmarks to include improved exchange traded products such as tokenised funds with a well thought out methodology for NAV.

Digital Investment Fund PCC launched in November as the world's first fully regulated tokenised hybrid fund focused on Fintech and Green Finance with the ability to list on digital exchanges.

SEBA, an integrated bank focused on digital assets, launched its investment solutions service with the introduction of a new index for crypto assets in November.

3 New opportunities for Institutional participation (cont)

Emerging Institutional digital custodians to support digital asset custody.

Arabian Bourse (ABX) got provisional approval from the FSRA at Abu Dhabi Global Market (ADGM) to operate a crypto asset exchange and custodian with double digit million dollar Investment in December from HBK-GoChain. Zero Hash, US CFTC regulated Seed CX's digital asset and fiat currency custodian and settlement subsidiary, has won the top award for Innovator of the Year.

CCP and clearing guarantee funds that allow for more margin based trading.

Bloomberg in January reported that the first clearinghouse for cryptocurrency derivatives called Liquidity Offset Network was expected to go live by July regulated by the Monetary Authority of Singapore. Whilst it appears the project is not yet live, ICE's Bakkt is supported by a CCP to clear physically deliverable Bitcoin derivatives.

Large brokers and banks to participate and to back syndicated regulated crypto/ digital exchange plays.

In September Intercontinental Exchange (ICE) went live with Bakkt for Bitcoin derivatives trading backed by 21 professional investors.

TP ICAP has entered the crypto business to trade bitcoin derivatives.

4 Market evolves and matures

Blockchain and fintech vendor consolidation, this will also include collaboration, such as IBM and Ethereum and in some cases closure.

Hyperledger in June welcomed Ethereum Foundation, Microsoft, and others to a consortium.

The GMEX Fusion Digital Capital Markets Technology Suite powered live transactions for DAG Global across two leading cryptocurrency exchanges enabled in collaboration with IBM Blockchain in September.

Emergence of credible fiat banking solutions overlaid on blockchain technology.

Two blockchain banks, Sygnum and SEBA, were awarded full banking and securities dealer licenses in August by FINMA in Switzerland.

Blockchain-based payments firm Ripple raised \$200 million in a Series-C funding round in December led by alternative asset investment firm Tetragon.

Delivery of new compliance solutions which combine Know your Customer (KYC) as well as Know your transaction (KYT).

In December, Bitfury invested in the Shyft Network FATF compliance platform.

A greater number of use cases to go beyond pilot to minimum viable product and into production. Applications will include full lifecycle trading, clearing and settlement.

BNP Paribas, Natixis and Société Générale in May signed up to Fusion LenderComm, a live blockchain-powered platform for the syndicated loan market.

In October Banco Santander issued a \$20m blockchain-based bond with a quarterly coupon of 1.98% on the Ethereum network.

Blockchain Board of Derivatives (BBOD), a state of the art crypto derivatives exchange enabled by GMEX Technologies went live in December.

Increased adoption beyond fintech with additional use cases in sectors such as pharmaceuticals and gaming with links to the finance / market infrastructure.

Walmart and Pfizer have joined the blockchain pharmaceutical project MediLedger. IBM, Orbs and ConsenSys are working together on a global telecoms blockchain settlement platform supported by 11 carriers. AMD in December joined the Blockchain Gaming Alliance, the first hardware manufacturer to do so.

5 Blockchain extends and matures

Capital markets democratisation with banking, custody and exchange nodes interconnecting across jurisdictions.

RippleNet is available in 40 countries with 200+ financial institutions on net.

Emergence of superchain interoperability to link different blockchains effectively.

In November, Accenture quietly open-sourced its

Blockchain Integration Framework (BIF) via Hyperledger. The project is an interoperability solution that currently supports Hyperledger Fabric, Quorum and R3's Corda.

Combination of smart AI analytics and blockchain begins to emerge.

In June Microsoft announced that Artificial Intelligence (AI) and blockchain tools will be included in the PowerApps custom application builder and PowerBI business intelligence tools.