



# 5 digital / crypto / blockchain market predictions for 2019 :: June update

## 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.

Recent data analysis by InWara show STOs experienced a 51% increase in H1 2019 compared to H1 2018.

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

Initial Exchange Offerings (IEOs) January to June 2019 have raised \$1.63 billion (InWara). Regulated digital exchange projects are progressing in credible jurisdictions including UK, Switzerland and Canada.

**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.

InWara, with a 3,000+, ICO database reported that the number of ICOs in H1 2019 declined 91% from H1 2018.

## 2 Asset backing takes crypto to the mainstream

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

Facebook has just announced LIBRA, a digital currency backed by a mix of global assets. In February, JPMorgan Chase announced JPM Coin, a Stablecoin pegged to the dollar. With \$63.2 million in fresh funding from 14 banks, Fidelity International is building tokenised versions of five major fiat currencies. Gold backed initiatives are emerging, such as MINDEX tokenised gold in Mauritius.

**Continuation of bear market** for non asset-backed crypto.

Whilst market has picked up during 2019, it still remains to be seen what transpires in H2 2019 given its volatility.

**More fiat money investment** into the sector as a whole.

According to Reuters, major FinTech firms are financing start-ups building technology to develop the crypto market, even though they are not investing in the currencies themselves. VC investments in crypto and blockchain start-ups have raised \$850 million as of April 2019 (PitchBook). Crypto and Blockchain startups have raised \$2.26bn in H1 2019 (InWara).

## 3 New opportunities for Institutional participation

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

The Bank of England has announced that it will allow financial technology companies to deposit funds overnight opening up the payments market. The Central Bank of the Bahamas (CBOB) has entered an official agreement for development of a digital fiat currency system. Russia's central bank also said it was considering launching a digital currency eventually.

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

CMC Markets has announced that it is rolling out three new cryptocurrency indices. CryptoCompare, a provider of cryptocurrency data and indices, has launched the Crypto Exchange Benchmark. Blockchain Credit Partners (BCP) has launched the world's first tokenised High-Yield Private Credit Fund.

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## 3 New opportunities for Institutional participation (cont)

**Emerging Institutional digital custodians** to support digital asset custody.

- Mauritius has gone live with regulations to allow custodians of digital assets to be regulated. Arabian Bourse has announced provisional approval for a crypto custodian regulated by Abu Dhabi Global Market (ADGM).

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

- Bloomberg reported that the first clearinghouse for cryptocurrency derivatives called Liquidity Offset Network is expected to go live by July regulated by the Monetary Authority of Singapore.

- CORA Network a Crypto OTC community of dealers and market makers is also looking to build out a clearing house.

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

- Finality International is introducing a utility settlement coin (USC) backed by 14 banks including UBS, Banco Santander, BNY Mellon, Barclays, CIBC, Commerzbank, and Credit Suisse. 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 welcomed Ethereum Foundation, Microsoft, and others to a consortium. Google also joined start-up token project, Chainlink, as an official Cloud Partner. BitMart, a crypto exchange has partnered with US Broker dealer Genesis Block to enhance capabilities.

**Emergence of credible fiat banking solutions** overlaid on blockchain technology.

- SWIFT has said that it will allow blockchain companies to connect into its global payments innovation (GPI) platform. DAG Global, a forthcoming UK digital merchant bank, has completed its funding round. Visa has entered the \$125 trillion global money transfer market with a new blockchain product.

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

- LINE's crypto exchange BITBOX and Lendingbloc have adopted Chainalysis AML compliance solutions with the G20 group adopting tough FATF KYC/AML rules.

**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.

- Seed CX has won the Profit & Loss award for the best institutional digital asset infrastructure provider. Zero Hash, Seed CX's digital asset and fiat currency custodian and settlement subsidiary, has won the top award for Innovator of the Year. IBM has launched IBM Blockchain Platform 2.0, an upgraded enterprise offering.

**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.

## 5 Blockchain extends and matures

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

- IBM's IBP 2.0 enterprise blockchain will help facilitate business flows with developments expected in H2 2019.

**Emergence of superchain interoperability** to link different blockchains effectively.

- Cosmos, a highly anticipated blockchain designed to improve the interoperability between any number of other blockchains, has released live software.

**Combination of smart AI analytics and blockchain** begins to emerge.

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