



EMERALD ADVISERS, LLC "ON DA BLOCK"

WEEKLY RECAP OF THE HAPPENINGS IN DEFI, DIGITAL ASSETS AND BLOCKCHAIN

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The Market



Regulation

1. The Senate has confirmed former Ripple advisor Michael Barr as a top banking watchdog at the US Federal Reserve after he received bipartisan support on Tuesday. President Joe Biden nominated Barr to the role of vice chair for supervision of the Federal Reserve in April owing to his career in consumer protection and his role in shaping the 2010 Dodd-Frank Act following the 2008 financial crisis.
2. The Financial Stability Board (FSB) called for new global rules for cryptocurrencies on Monday and will submit a report to the G20 Finance Ministers and Central Bank Governors in October on regulatory and supervisory approaches to stablecoins and other crypto assets.
3. The International Organization of Securities Commissions (IOSCO) published a roadmap for developing policy recommendations for crypto. IOSCO is an associate of securities regulators worldwide with jurisdiction in over 130 securities markets and established a fintech task force to prioritize policy work related to cryptoassets. The fintech task force is divided into two working groups: one headed by the US Securities and Exchange Commission (SEC) and the other by the UK Financial Conduct Authority (FCA). Both working groups will publish reports with recommendations for DeFi and crypto assets by the end of 2023.
4. In a Thursday announcement, the CFTC said it had expanded its list of firms that it requires to register with the CFTC for providing services including trading binary options, foreign currency or other products such as cryptocurrencies. The additions to the Registration Deficient List, or RED list, include B.O TradeFinancials, CryptoBO, Bitpay Options, CryptoSphereFX, Direct Cryptos and Prime Crypto FX. Since 2015, the CFTC has placed 202 companies on the RED List, warning U.S.-based investors to be cautious “when participating in products or markets that historically have seen a large number of fraud complaints.” Some of the websites linked to the crypto firms added on Thursday were not live at the time of publication.

Network and/or Platform Upgrades

1. Ethereum’s ninth shadow fork went live as the network continues to test its imminent transition from a proof-of-work to a proof-of-stake consensus model. In preparation for Ethereum’s merge with the proof-of-stake Beacon Chain to complete the transition, it has been undergoing a series of test forks that copy the data from the main network to a test environment network (testnet). Unlike a full testnet merge hard fork, like the Sepolia hard fork, a shadow fork is a smaller test fork that focuses on one or two small changes that need to happen when the Ethereum Merge eventually occurs on the main protocol. During this ninth shadow fork, developers focused primarily on testing updates and the releases used in the recent Sepolia hard fork “but on a more intensive network,” said Parithosh, DevOps engineer at the Ethereum Foundation.

Stablecoins

1. Circle Internet Financial released a detailed – though unaudited – breakdown of its reserve assets for the firm’s USD coin (USDC) that showed \$42.1 billion in short-term U.S. government bonds and \$13.6 billion in cash. The asset breakdown, published in a blog post by the company Thursday, shows that as of June 30, Circle held \$42.1 billion of U.S. Treasury bonds with an average maturity of 44 days, with the latest expiry date being September 29. A bond is considered short-term when its maturity is less than three months. The document also listed the bonds’ individual identifier, the so-called CUSIP number. Circle also held \$13.6 billion in cash at U.S.-regulated financial institutions.
2. A sandbox test of a retail full-reserve digital currency (FRDC) has been completed in the United Kingdom, distributed ledger fintech company Millicent Labs announced on Thursday. The test was a demonstration for Innovate UK, a branch of the government’s U.K. Research and Innovation, which co-funded the company. An FRDC is a privately issued digital currency pegged to a fiat currency, Millicent said in a statement. It is introducing a suite of FRDCs that are fully collateralized by cash deposits in a central bank account safeguarded by a regulated third party.

General News

1. Sberbank, the largest bank in Russia and majority-owned by the government, has conducted the first digital financial asset transaction on its own blockchain-based platform. Announcing the news over the weekend, Sberbank said it had launched the smart contract-based blockchain platform and carried out the first transaction with its subsidiary, SberFactoring, executing a 1 billion rouble (about \$15 million) issue with a three-month maturity.
2. Agrotoken, a global tokenization platform focused on agrocommodities, has teamed up with Pomelo and Algorand as strategic allies for the implementation and development of a card designed for the agricultural sector, according to a Monday (July 11) press release. Last month, Agrotoken announced a partnership with Visa to create a payment method allowing agricultural producers to use their grains as a form of payment through a card. Agrotoken is incorporating Pomelo as the infrastructure to issue, distribute and process payments made with the card, which, according to the release, will soon be supported in any store that accepts Visa.
3. As nonfungible tokens (NFTs) continue to garner interest, the United States Patent and Trademark Office and U.S. Copyright Office are set to launch a study into their impact on intellectual property rights. The examination of NFTs comes after a request from Senators Patrick Leahy and Thom Tillis in June for a deep dive into the potential ramifications the burgeoning asset class could have in regard to intellectual property rights.
4. For the first time since 2020, venture funding in the blockchain sector took a dive this quarter – declining roughly 22% from \$12.5 billion to \$9.8 billion. After seven consecutive quarters of growth, the impact of crypto’s recent downturn is beginning to

show up in private funding.

5. Itaú Unibanco, Brazil's largest private bank, plans to launch an asset tokenization platform that transforms traditional finance products into tokens and offers crypto custody services for its customers, the company announced Thursday.

6. United States data transfer network Plaid has added four major cryptocurrency exchanges to its platform, giving users the ability to connect their digital asset portfolios to other applications more easily. Crypto platforms Binance.US, Gemini, Robinhood and SoFi are now supported by the Plaid network, the company announced Thursday. Support for additional platforms, such as Blockchain.com and BitGo, is scheduled to commence later this year.

NFTs

1. NFT (non-fungible token) marketplace OpenSea has laid off about 20% of its staff, CEO Devin Finzer announced in a tweet on Thursday. "The reality is that we have entered an unprecedented combination of crypto winter and broad macroeconomic instability, and we need to prepare the company for the possibility of a prolonged downturn," Finzer wrote in a note to staff.

Hacks/Exploits

1. NFT protocol OMNI suffered a hack where 1,300 ETH in internal testing funds were stolen. OMNI did not lose any customer funds in the reentrancy attack as it took place on the beta version of the protocol.

Central Bank Digital Currencies (CBDCs)

1. According to data obtained from local news outlet Sohu.com, the Shenzhen Chamber of Commerce has recorded over 2.6 million signups for its latest digital yuan, or e-CNY, airdrop. Two months prior, the City of Shenzhen announced that it would be airdropping 30 million of the e-CNY central bank digital currency, or CBDC, to local residents to stimulate consumer spending as a recovery measure to the country's strict coronavirus lockdown. Users who received the airdrops through a randomized lottery selection could then spend the e-CNY vouchers at various participating merchants' terminals on Meituan, one of China's leading e-commerce platforms. The event, which ran from May 30 to June 19, attracted more than 67,000 merchants. Similarly, on Wednesday, the City of Fuzhou announced that it would be airdropping 20 million e-CNY to local residents. Users who passed through Know Your Customer identification and have a local number could then log in to the "e-Fuzhou" city app and enter a lottery draw for 100 e-CNY per airdrop. The airdropped digital yuan is dispensable at over 9,000 merchants around the city.

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