



# EMERALD ADVISERS, LLC "ON DA BLOCK"

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

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### Mining

1. The Bitcoin Mining Council (BMC), a voluntarily global forum of Bitcoin mining companies that represent about 50% of worldwide mining hashing power, announced their Q2 survey findings that look at Bitcoin's energy consumption. The survey found that nearly 60% of the electricity used to power Bitcoin mining machines comes from sustainable energy. This figure is up 6% from Q2 2021 and 2% from Q1 2022. Bitcoin mining hash rate is up 137% year-on-year, while energy consumption is up 63%, showcasing increased efficiency by 46%. The survey further highlighted that Bitcoin mining energy consumption accounts for only 0.15% of the global energy supply.
2. Following a request from the Electric Reliability Council of Texas (ERCOT) on July 10, Bitcoin miners in Texas began turning off mining machines to preserve state energy.
3. The Senate of Paraguay approved a bill geared towards cryptocurrency miners and is awaiting approval from the president, Mario Abdo Benítez. The bill enables cryptocurrency miners to use the excess energy generated from Paraguay's local two dams. Companies looking to tap into Paraguay's dams' excess capacity must submit a consumption plan to the national power administration. The bill also exempts cryptocurrency miners from paying value-added tax (VAT) but not from other taxes such as income tax. Approval of the bill aims to attract crypto mining companies to set up operations in Paraguay due to the favorable mining conditions.

### Regulation

1. SEC claims Coinbase currently lists nine crypto assets that are securities. The SEC revealed which assets on Coinbase it considers unregistered securities in a complaint against a former Coinbase employee who is accused of insider trading.
2. Coinbase has obtained a license to operate in Italy as a crypto asset service provider as the exchange expands in the region.

3. US Senators, Cynthia Lummis (Republican) and Kirsten Gillibrand (Democrat), stated that their bipartisan crypto bill is being pushed to next year. Lummis noted that "it's still new to many US Senators and so it's a lot for them to digest."

4. The South African Reserve Bank is set to introduce regulations next year that will see cryptocurrencies classed and treated as financial assets to balance investor protection and innovation. With more than six million people in the country having cryptocurrency exposure, regulation of the space has long been a talking point – it will allow the sector to be monitored for money laundering, tax evasion and terrorism financing. In addition, of course, to comply with global guidelines set out by the Financial Action Task Force (FATF).

### **Network and/or Platform Upgrades**

1. Popular Ethereum scaling solution Polygon announced the launch of Polygon zkEVM. This new technology is the "first Ethereum-equivalent scaling solution that works seamlessly with all existing smart contracts, developer tools, and wallets, harnessing advanced cryptography called zero-knowledge proofs."

2. HQLA<sup>x</sup>, the distributed ledger-based tokenization platform, has executed its first agency securities lending transaction between BNY Mellon and Goldman Sachs, both investors in the company. The 35-day term transaction was for hundreds of millions of dollars. The primary purpose of HQLA<sup>x</sup> is to save money for big banks that have to keep high-quality liquid assets (HQLA) for Basel III balance sheet compliance. To date, the platform has allowed banks to swap HQLA between each other to get the right mix of assets on a delivery versus delivery basis. Wednesday's news is that it is also enabling agency securities lending.

### **Stablecoins**

1. A U.S. House committee could pass down proposed rules regulating stablecoins as soon as next week, including regulations on whether commercial companies could issue the coins. The current draft of the bill would make it so stablecoin issuers would have to keep 100% reserves, and it would stop them from lending the coins to customers, Bloomberg reported Wednesday (July 20). Under the legislation, their names would also change to "payment stablecoins."

2. UK's Treasury released a new bill called the Financial Services and Markets Bill that aims to regulate stablecoins as a form of payment. This bill puts stablecoins in line with the country's existing regulations on financial services. UK is taking a similar approach to the EU, which also proposed stablecoin regulation via the Markets in Crypto Assets (MiCA) bill last month. Both bills aim to limit the perceived threat of stablecoin usage often articulated by regulators worldwide.

### **General News**

1. Tech giant Samsung said it is currently working on new 3-nanometer (nm) mining chips that will be 45% more energy efficient. The new chips are estimated to have 23% higher performance and are expected to significantly reduce carbon emissions in the mining industry. The company started working on the chips in late 2021, with help from its various subsidiaries, including Ansys, Cadence,

Siemens, and Synopsys. Samsung also said that 2nm chips will be released by 2025 while announcing the 3nm one.

2. Instagram users can now buy products from small businesses using Meta Pay within the app's chat function.

3. Gemini has made another round of layoffs, affecting seven percent of its staff, according to TechCrunch. In better news, the cryptocurrency exchange has received the first Virtual Asset Service Provider (VASP) registration from the Central Bank of Ireland.

4. Tesla CEO Elon Musk explained on Tesla's earnings call that the company had sold 75% of its bitcoin holdings, worth about \$936M. Tesla purchased \$1.2B worth of bitcoin last year at an average price of about \$30,000 and recently sold it for about \$29,000, taking a slight loss. Musk explained on the call, "The reason we sold a bunch of our Bitcoin holdings was that we were uncertain when the COVID lockdowns in China would alleviate."

5. Finnish customs authorities have announced that they recently sold confiscated Bitcoin worth €46.5 million (\$47.35 million) and will donate proceeds to Ukraine.

6. Digital asset mining and staking firm Foundry has started the Foundry Academy, a program to train and prepare technicians for the bitcoin mining industry. Foundry is a subsidiary of Digital Currency Group (DCG), which is the parent company of CoinDesk.

7. French Bank BNP Paribas (BNP) is entering the cryptocurrency custody space via partnerships with Swiss digital asset safekeeping firm Metaco, according to three people with knowledge of the deal. Crypto custody firm Fireblocks is also involved in the bank's digital asset infrastructure, according to a press release on Wednesday.

8. The renowned British art and luxury business, Christie's, has launched a venture-capital fund called Christie's Ventures that aims to support web3 innovation, financial technology related to art, and other solutions enabling seamless art consumption.

9. Global asset manager Schroders has acquired a minority share in Forteus, an asset manager focused on blockchain and digital assets.

10. Crypto infrastructure provider Blockdaemon has acquired Danish startup Sepior, a digital asset security company providing key management services for institutional clients, for an undisclosed price. The deal marks the startup's fourth acquisition in two years, the latest of which was Blockdaemon's purchase of fiat-to-crypto onramp Gem.com in March of this year.

## **NFTs**

1. The United States Office of Government Ethics (OGE) issued a legal advisory recommending various instances when senior government officials are required to disclose their investments in nonfungible tokens (NFT). The advisory primarily targets reporting of NFTs investments that represent "property," such as real estate.

2. Keith Grossman, president of Time, has spent the past year building the 99-year-old media brand's NFT business, TIMEPieces, and

the publisher now accepts 33 cryptocurrencies for digital subscriptions. Since September, the media giant has created, or “dropped” as it is known in the space, more than 20,000 TIMEPieces NFTs, generating a \$10 million profit and \$600,000 for charities.

### **Hacks/Exploits**

1. The FBI and U.S. Justice Department last year thwarted attempts by North Korean state-sponsored hackers to cripple an American hospital—seizing \$500,000 in cryptocurrency and ransom payments in the process. U.S. authorities used the same tactics they did when they recovered the Bitcoin stolen during the 2021 Colonial Pipeline attack.

2. On Sunday, hackers infiltrated popular NFT registration platform Premint and made away with 320 stolen NFTs and more than \$400,000 in profit in one of the biggest such hacks this year. According to analysis by blockchain security firm CertiK, the hackers compromised the Premint website on Sunday with malicious JavaScript code. They then created a pop-up within the site that prompted users to verify their wallet ownership, ostensibly as an additional security measure.

### **Central Bank Digital Currencies (CBDCs)**

1. The Bank of Korea is progressing to the next phase of its central bank digital currency (CBDC) development which is real world testing. In this phase, the central bank intends to onboard commercial banks to test interoperability between the CBDC and their IT systems. According to a report by Ajo Economy News, the Bank of Korea has invited at least ten commercial banks, including Shinhan Bank and NH Nonghyup Bank, to take part in the testing. The commercial banks will test the CBDC for making remittances and payments between individual users.

### **Metaverse**

1. Dubai’s crown prince has announced an ambitious strategy for expanding the region into the virtual metaverse, including the creation of 40,000 virtual jobs and adding \$4 billion to its economy over the next five years. “We launched the Dubai metaverse strategy today, which aims to foster innovation in new technology,” crown prince Hamdan bin Mohammed bin Rashid Al Maktoum posted to Twitter. “Dubai is home to over 1,000 companies operating in the metaverse and blockchain sector, which contributes \$500 million to our national economy.” Dubai is positioning itself as a crypto hub, attracting the regional headquarters of exchanges including OKX, Crypto.com, FTX and Binance in recent months.

2. Otherside, the much-anticipated metaverse gaming platform from the creators of the Bored Ape Yacht Club, is open for business. Almost. On Saturday, the Yuga Labs-developed game invited 4,300 players—so-called “Voyagers”—for a first-look tech demo and tour of the immersive, ape avatar-navigated online platform. All Otherside players will be required to embark on or view one of these “First Trips” to be able to participate in the game, which has still not yet fully debuted.

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