



# EMERALD ADVISERS, LLC "ON DA BLOCK"

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

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### The Market

1. Ethereum-based oracle network Chainlink and leading crypto index provider CF Benchmarks, a Kraken subsidiary, are collaborating to launch a first-of-its-kind product in the Web3 economy: the CF Bitcoin Interest Rate Curve (CF BIRC). The announcement states, "CF BIRC is a replicable, market-representative, and manipulation-resistant benchmark providing a standard market gauge of current and forecasted Bitcoin interest rates over a set of maturities: 1-day, 1-week, 2-week, 3-week, 1-month, 2-month, 3-month, 4-month, and 5-month, with future versions to cover longer maturities as debt markets start to price longer future risks."

### Mining

1. A Cambridge Centre for Alternative Finance (CCAF) report recently found that bitcoin mining accounted for roughly 48.35 million tons of carbon dioxide annually (0.1% of global greenhouse gas emissions), -14.1% lower than its estimates in 2021.
2. Compute North, one of the largest data center service providers for crypto miners, filed for bankruptcy last Thursday (9/22) and announced the resignation of its CEO earlier in the month. The company began self-mining BTC in November 2017 before shifting its focus to providing mining infrastructure and hosting services to other miners. Compute North has four mining facilities operational across the U.S. in Texas, South Dakota and Nebraska and has partnerships with large BTC miners that rely on Compute North's facilities to host their mining equipment. While the company has stated that it will continue operating while it works out payments with creditors, miners that use Compute North could ultimately be adversely impacted as it relates to timely deployment and upkeep of mining rigs hosted at the company's data centers.

## Stablecoins

1. Two new reports by the International Monetary Fund (IMF) on regulating stablecoins and unbacked cryptoassets called on the Financial Stability Board (FSB) to set and lead global efforts on crypto regulation. The FSB said it would report to G20 officials in October on recommendations for regulating and supervising stablecoins and other cryptoassets.
2. Speaking at the Opportunities and Challenges of the Tokenisation of Finance conference in Paris on Tuesday, central bank and financial regulatory titans joined up to discuss the role of central banks in an ever-growing crypto economy. During the almost five-hour long discussion, the group consisting of Federal Reserve Chair Jerome Powell, European Central Bank President Christine Lagarde, Managing Director of the Monetary Authority of Singapore, Ravi Menon and Bank of International Settlements General Manager Agustin Carstens touched upon topics ranging from DeFi, stablecoins and central bank digital currencies (CBDCs).
3. Transfero, an international fintech company with a blockchain focus, brought a new stablecoin to the ecosystem. \$BRZ is pegged to the Brazilian Real—Brazil's official currency. Brazilian users now have an easier on-ramp into Avalanche DeFi, while exchanges and dApps built on Avalanche have more direct connectivity with the Brazilian market.
4. Stablecoin issuer Circle Internet Financial will expand USD coin (USDC) to five new blockchains to strengthen its market position and bolster access across multiple chains.

## Regulation

1. California, New York and six other states are suing cryptocurrency lending platform Nexo for offering unregistered securities in the form of accounts that pay interest for cryptocurrency deposits, the states said in statements on Monday.
2. California's governor has vetoed a bill — born out of an executive order he issued in May — that sought to establish a licensing and regulatory framework for digital assets. The bill would have tasked crypto companies with seeking a license to offer their services or digital assets to the state's residents. It would have also formally adopted new rules governing stablecoins, including requirements that licensed companies only engage with bank-issued stablecoins, which must remain 100% backed by reserves. Governor Gavin Newsom said his reasoning was due to the bill's "premature" nature to lock in a licensing regime under Assembly Bill 2269 without first considering prior research and forthcoming federal actions.
3. Three congressional Republicans introduced legislation that aims to broaden the type of investments managers of 401(k)s and other defined contribution plans can make, including digital assets. The proposed legislation, dubbed the Retirement Savings Modernization Act, would also allow fiduciaries to recommend crypto, or other TradFi investments, such as hedge funds or private equity, without legal liability.

4. A series of amendments drafted for the EU Parliament's opinion on anti-money laundering (AML) regulation seems to eliminate rules on transferring funds to "unhosted" wallets. If adopted, the amendments push for including decentralized finance (DeFi), decentralized autonomous organizations (DAO), and NFTs into AML provisions.
5. President Kassym-Jomart Tokayev said Kazakhstan is ready to legalize a mechanism for converting crypto to cash if there is demand.
6. Commodity Futures Trading Commission (CFTC) chairman Rostin Behnam said that bitcoin might "double in price" if traded in a CFTC-regulated market.
7. The Japanese government plans to introduce new remittance rules to stem criminals from using crypto exchanges to launder money. When transferring crypto between platforms, the rules require exchanges to share customer information, including customers' names and addresses.

### **General News**

1. BlackRock, the world's largest asset manager, launched an ETF with exposure to blockchain and crypto companies for its European customers.
2. TBD, the bitcoin-focused subsidiary of Twitter co-founder Jack Dorsey's Block (SQ), is teaming up with Circle Internet Finance, issuer of the USDC stablecoin, to bring cross-border dollar-linked stablecoin transfers and savings to investors globally.
3. After resuming its Bitcoin support earlier this year, Stripe is expanding its crypto offerings to enable USDC payments for freelancers. The move should be a big win for freelancers in countries with large unbanked populations, and those who struggle to get paid remotely. Stripe estimates that around 4.4 billion people in more than 110 countries can now receive funds through the platform, in either local currencies or crypto.
4. Gemini, the cryptocurrency platform founded by the Winklevoss twins, is partnering with financial advisory firm Betterment. Through the partnership Gemini will act as the crypto custodian for Betterment, enabling the financial advisory firm to open up crypto access to its customer base, which is a little over 730,000 users. Betterment customers will have access to crypto portfolios from October.
5. Robinhood is finally rolling out a beta version of its non-custodial crypto wallet to 10,000 customers on its waitlist after announcing the product in May, its CTO and general manager of crypto, Johann Kerbrat, told TechCrunch. The product is called Robinhood Wallet and will be the company's first internationally available app, Kerbrat said.
6. The Walt Disney Company posted a job listing for a principal counsel specializing in non-fungible tokens (NFTs) and decentralized finance (DeFi).

7. The South Korean team behind the Klaytn blockchain said it would provide rebates on gas fee payments to gaming companies building on its network. Under the new gas fee rebate program, selected game companies will be eligible for a 100% offset of their gas fees incurred from Jan. 2022 onwards for up to \$100,000 worth of KLAY per month.
8. Flowdesk, the market-maker that also builds trading infrastructure, will partner with the Jump-backed Pyth network to provide investors with real-time institutional market data about crypto trading pairs. The company hopes the partnership will help "DeFi users and developers access and build upon reliable institutional-quality market data."
9. Ethereum-based oracle network Chainlink announced that its long-awaited staking rewards are set to go live in December 2022. Four crypto projects, Avalanche, Metis, Moonbeam, and Moonriver, will be early participants in Chainlink's new SCALE program, reducing the costs of putting oracle data and reports on-chain by further boosting development and splitting costs among a greater number of participants.
10. Interbank messaging system SWIFT is working with Ethereum-based oracle network Chainlink on a cross-chain interoperability protocol (CCIP) in an initial proof-of-concept (PoC). CCIP will enable SWIFT messages to instruct on-chain token transfers, helping the interbank network communicate across all blockchain environments.
11. In a recent blog post, Meta announced that it added more digital asset functionality between two of its top social media platforms. The company stated, "Today we're announcing everyone on Facebook and Instagram in the U.S. can now connect their wallets [like Rainbow, MetaMask, Trust Wallet, Coinbase Wallet and Dapper Wallet] and share their digital collectibles [...] This includes the ability for people to cross-post digital collectibles that they own across both Facebook and Instagram. Additionally, everyone in the 100 countries where digital collectibles are available on Instagram can now access the feature."

## **NFTs**

1. Cryptocurrency and fiat exchange hi has launched a debit card that users can customize with their own NFT avatars. The cards are powered by Mastercard, the financial services provider announced Monday.
2. Tech giant Apple now allows NFTs to be bought and sold through applications listed on its App Store. This enables developers of current apps to sell non-fungible tokens in-app and new apps to install NFTs within them. The first catch, however, is that Apple applies its existing Web2 monetization structure, taking a 30% cut from app developers who make over \$1 million through the App Store on an annual basis, and 15% making less than that.

## **DeFi**

1. Ethereum-based digital asset management platform Safe (formerly Gnosis Safe) announced the launch of its SafeDAO and Safe Token on September 28.

2. WisdomTree plans to launch a fund that digitizes its fund share ownership record on the Ethereum or Stellar blockchains as the \$75 billion asset manager seeks to move more TradFi assets onto digital rails.
3. Thanks to a tie-up with fixed-rate lender Notional, Phuture now offers investors up to a 3.25% yield on their USDC holdings.

## **Metaverse**

1. Retail giant Walmart is allowing consumers to experience the metaverse by launching two new experiences in the gaming platform Roblox.
2. The United Arab Emirates (UAE) Ministry of Economy announced a new headquarters in the Metaverse. UAE Minister of Economy Abdulla bin Touq Al Marri stated that "this is not a proof of concept, this is our third address" before giving a live tour of the virtual headquarters.

## **CBDCs**

1. The Reserve Bank of Australia (RBA) has announced plans to identify business models and uses for a central bank digital currency, or eAUD, and is likely to conduct a pilot early in 2023. The project, which began in July 2022, will help understanding of some of the technological, legal, and regulatory considerations associated with a CBDC, the RBA and the Digital Finance Cooperative Research Centre said in a White Paper. The findings will be published at the conclusion of the project in around mid-2023. However, the research implies no commitment from the RBA to issue a CBDC.
2. The Banque de France announced new projects to achieve the benefits banks and financial markets receive from using CBDCs wholesale. One venture will look to improve CBDCs' liquidity management in DeFi, such as via automated market makers (AMM), which would play a role equivalent to that of investment banks that seek to sustain trading in a particular security. Another project will focus on issuing and distributing tokenized bonds on a blockchain, building on previous findings about CBDC's usage in settling Web3 securities, such as the French central bank's Project Jura.
3. Russia is in the pilot phase of its central bank digital currency development (CBDC), and new reports indicate that the country could use its national digital currency to settle international trade. According to a report published in Reuters, Russia is reportedly planning to use the digital rouble for mutual settlements with China by next year. The digital rouble is currently being tested for settling with the banks and is expected to be completed by early next year.
4. The Bank for International Settlements (BIS), a grouping of the world's central banks based in Basel, Switzerland, said a project involving multiple Asian central bank digital currencies (CBDC) concluded successfully on September 23. The trial was the first of its kind ever. It saw central banks from China, Hong Kong, Thailand, and the United Arab Emirates (UAE) facilitate over \$22 million in foreign-exchange transactions via a custom-built distributed-ledger technology (DLT) platform. A statement issued in November

2021 said that Goldman Sachs, HSBC, Societe Generale, and China's six biggest state-owned lenders are among the 20 commercial banks involved in the project, known as mBridge. The BIS will release a detailed report on the project results in Oct. 2022.

5. The central banks of Israel, Norway and Sweden are working with the Bank for International Settlements to explore how CBDCs can be used for international retail and remittance payments.

6. To date, the European Central Bank's (ECBs) work on central bank digital currency (CBDC) has focused on a retail or consumer-facing CBDC. In a speech Monday, ECB board member Fabio Panetta confirmed the central bank is starting to evaluate whether or not to enable a wholesale CBDC for the settlement of DLT-based securities transactions amongst institutions. Sources previously told Ledger Insights that banks have been canvassed on the topic by the ECB in the last few months.

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