



EMERALD ADVISERS, LLC "ON DA BLOCK"

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

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Networks

1. The Ethereum blockchain reached a new censorship milestone on Friday, October 14, when 51% of the blocks produced followed the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) compliance recommendations over 24 hours.
2. Polkadot recognized more than 500 contributions daily in September 2022, an all-time high for the multichain protocol. Simultaneously, data from Polkadot's cross-consensus interoperability standard XCM show that users sent a record 26,258 messages between its parachains. In total, developers made 14,930 contributions on Polkadot's GitHub in the month of August 2022. About 66 blockchains are live on Polkadot and its parachain startup network Kusama. Since its inception, users have exchanged over 140,000 messages between chains via 135 messaging channels. Together, the Polkadot and Kusama treasuries have cumulatively paid out 9.6 million DOT and 346,700 KSM (\$72.8 million total) to fund spending proposals in the ecosystem.
3. Ripple is testing a way for developers to seamlessly deploy smart contracts made for Ethereum on its XRP Ledger (XRPL) blockchain.
4. Ethereum scaling protocols Arbitrum and Optimism have steadily increased their transaction counts since the beginning of 2022. Both protocols set new all-time highs on transaction counts in September 2022. Arbitrum and Optimism are the two largest Ethereum Layer-2 protocols, with 50% and 30% market share, respectively.



Stablecoins

1. Stablecoin issuer Tether has reduced its commercial paper holdings to zero, replacing those holdings with U.S. Treasury bills, the company announced in a blog post. As of September 30, the company's U.S. Treasury holdings stood at 58.1% of its total portfolio, up from 43.5% at the end of June, Tether Chief Technology Officer Paolo Ardoino tweeted earlier this month.

Regulation

1. U.S. Securities and Exchange Commission (SEC) Chairman Gary Gensler said stablecoins are similar to money-market markets and that the Commodity Futures Trading Commission (CFTC) should regulate them.

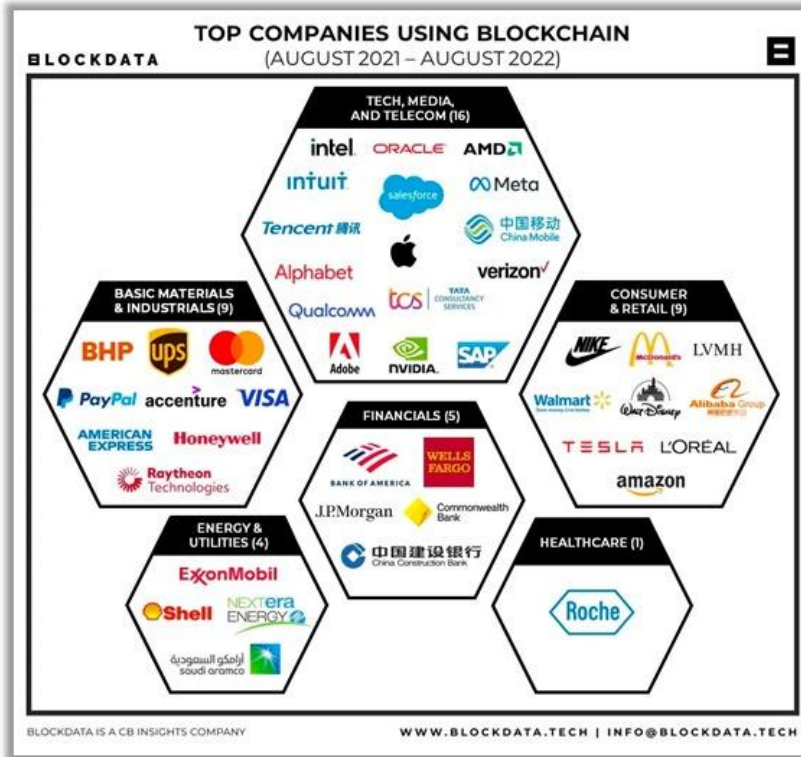
2. As per the recent IRS' 2022 tax year guide, the tax collection agency will tax all "digital assets," including stablecoins, non-fungible tokens (NFTs), and cryptocurrencies, under the same rules. These guidelines differed from the 2021 guide, which used the more limited term "virtual currencies" and solely defined the rules governing crypto and stablecoins. Taxpayers who have "disposed of any digital asset in 2022" through a sale, exchange, gift, or transfer will now have to report and pay a capital gains tax on the action. In addition, anyone who received NFTs as compensation for services or disposed of any digital asset held for sale will have to declare this as income. The IRS also seems to have carefully worded the document, allowing for the taxing of any new digital asset class in the future. The agency said if "a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal income tax purposes." Notably, the IRS decided not to classify NFTs as "collectibles" alongside assets like collectible art, antiques, or gems, which they tax at a higher rate than stocks or bonds.

3. France finance minister Bruno Le Maire said the country would review its crypto tax rules next year.

4. Japan's government approved a cabinet decision to amend existing laws to curb money laundering using crypto. The new amendments order crypto exchanges to share information like customers' names and addresses when transfers are made between platforms and could introduce penalties for entities that violate those rules. The National Diet, Japan's legislature, is scheduled to submit the revisions.

5. The Japan Virtual and Crypto assets Exchange Association (JVCEA) plans to ease token listing for exchanges, meaning they would list tokens without the lengthy screening process. This change would cut this process down to two weeks.

General News



1. 44 out of the top 100 public firms are actively using blockchains for business applications per BLOCKDATA per above.
2. FASB released their fair value accounting ruling on crypto assets, allowing companies to recognize losses and gains immediately. The method would allow companies to recognize losses and gains immediately. The Board unanimously voted to require companies to account for crypto assets at their fair value. This new guidance is in contrast to the current accounting guidance requiring companies to account for their crypto holdings as an impairment. This is a significant positive change for industry stakeholders. The change will likely go into effect within the next six months or so.
3. Bitcoin services company NYDIG has laid off around 100 people, according to four people familiar with the matter. The firm has cut approximately 30% of staff in the past several weeks, according to three people familiar with the matter.
4. "Crypto will become an important part of how customers transact," says Suresh Kumar, the CTO of Walmart. The chief technology officer of the world's largest retailer thinks crypto lies abreast three areas of technological disruption: product discovery, payment and delivery. In comments to the Yahoo Finance All Markets Summit on October 17, Walmart CTO Suresh Kumar said that Walmart is keenly aware of the technological trends in the retail sector, and the potential ways in which Web3 may impact how customers shop in the future.

5. Israel's Ministry of Finance and the Tel Aviv Stock Exchange (TASE) are preparing to issue a blockchain-based digital state bond. The Israeli government and TASE are partnering with digital asset infrastructure firms Fireblocks and VMWare to perform live testing of a new platform using smart contracts and tokenization for the trading and clearing of digital bonds. The live test will see units of the digital bond issued to e-wallets of the acquiring participants, paid for in digital currency that will be transferred to the Israeli government's e-wallet.

6. Layer 1 (L1) blockchain Aptos announced a 20 million APT token airdrop Tuesday, which a little over 110,000 people are eligible to receive, the so-called "Solana killer" saw its token plunge over -40% on its first day of trading.

NFTs

1. Major League Baseball (MLB), an American professional baseball association composed of 30 teams, is hiring someone to spearhead digital gaming, NFT, and metaverse licensing projects.

2. The Tezos blockchain partnered with Web3 automation platform Taco to allow Shopify users to access Tezos NFTs via Taco's NFT loyalty program.

DeFi

1. Liquid staking protocol pSTAKE partnered with crypto custodial firm Anchorage Digital to allow Anchorage's institutional clients to hold the PSTAKE governance token. pSTAKE is a product of Persistence, an L1 blockchain network that focuses on DeFi applications that unlock the liquidity of staked assets.

Metaverse

1. The crypto-powered music platform Audius aims to become the go-to metaverse concert platform via its latest acquisition of the virtual music experience platform SoundStage.

Hacks/Exploits

1. The infamous North Korean hacker group Lazarus reportedly attacked several Japanese crypto funds through phishing and social engineering.

2. The attacker behind last week's exploit of DeFi protocol TempleDAO moved the entirety of the illicitly gained proceeds, some \$2.5 million in crypto, to privacy mixer Tornado Cash.

3. NFT platform LiveArtX saw several NFTs of its Meta-morphic: Seven Treasures Collection stolen Monday. The exploiter gained access to the platform's treasury wallet, transferred 197 NFTs to their wallet, and started selling the NFTs at prices much lower than their previously listed values, breaking the floor price of the collection.

4. South Korea plans to leverage blockchain for digital identity cards as the country pivots towards a post-COVID era of remote work and online verification processes. The country's government will allow citizens to verify their identity via digital IDs embedded into their smartphones, replacing Korea's resident registration cards by 2024.

CBDCs

1. The creation of a central bank digital currency (CBDC) in America is probably not that crucial to ensuring the supremacy of the U.S. dollar, Federal Reserve Governor Christopher Waller said in a speech Friday (October 14).

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