



The Aftermath of FTX Collapse on the Crypto Ecosystem

16 November 2022

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FTX Aftermath: Winter Extended

By **Ryan Shea**
Crypto Economist

Ryan discovered Bitcoin in 2012 and wrote one of the first research papers seeking to value it.

Intrigued by crypto ever since, and drawing on decades of experience working as an economist at large buy/sell-side financial institutions, his macro-themed crypto reports are frequently quoted in top-tier and trade publications.





FTX Aftermath: Winter Extended

Risk Aversion Surges



TradingView

- Crypto prices slumped after the Sam Bankman-Fried revelations resulting in the failure of Alameda Research (the trading firm he co-founded) and the bankruptcy of FTX (the exchange he co-founded).
- The crypto winter just got extended.

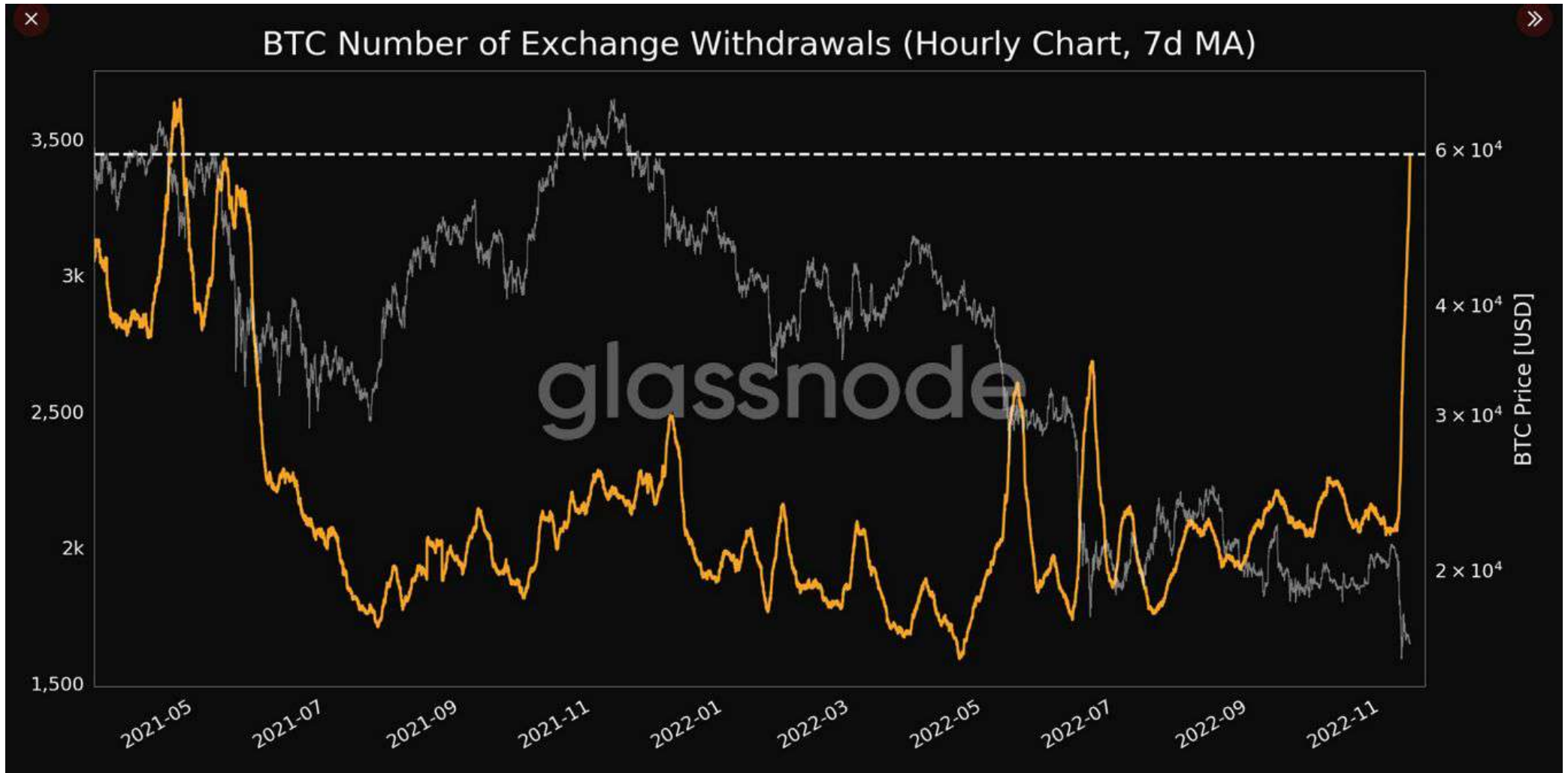


Crypto Contagion



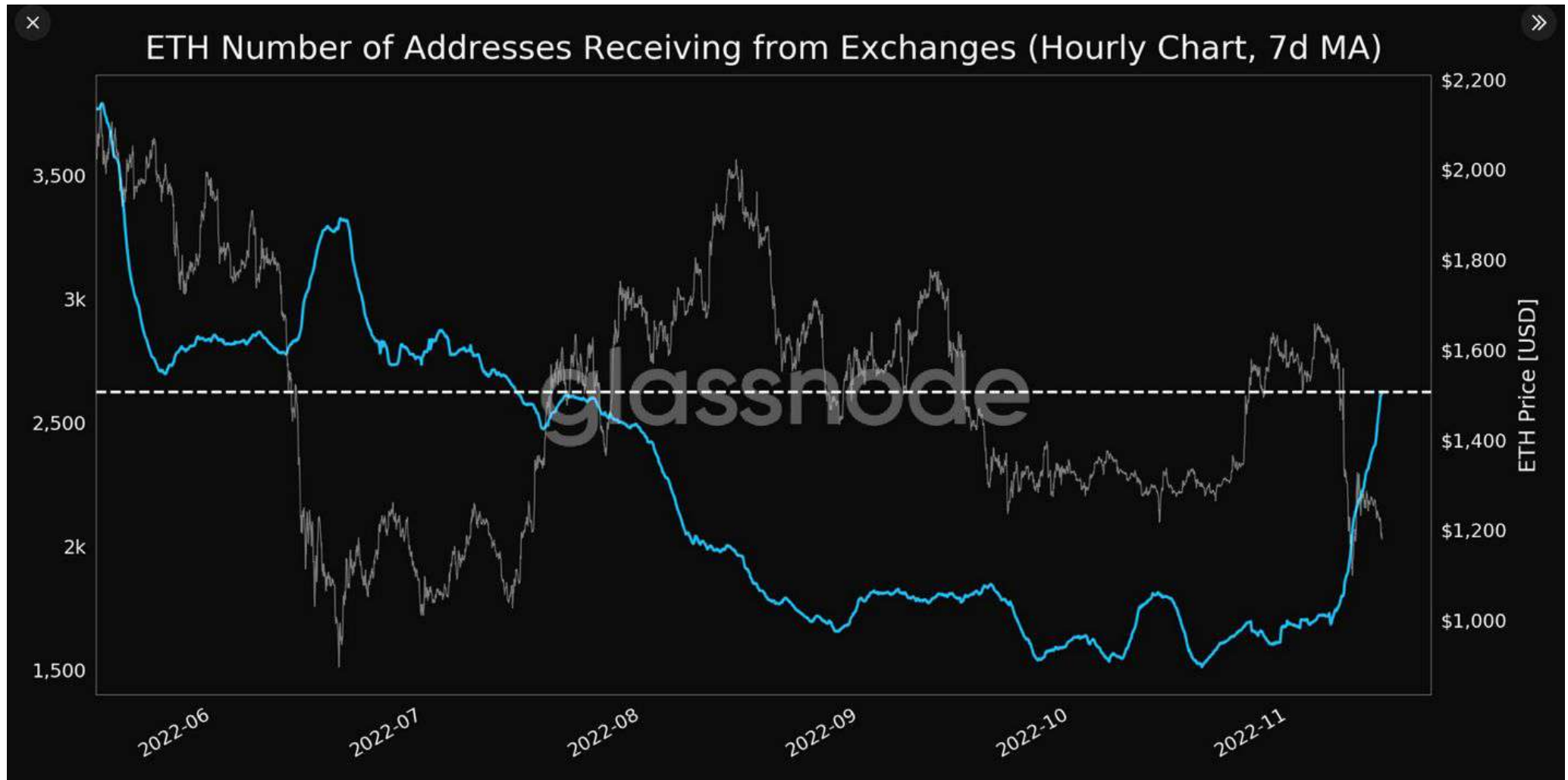
- FTX was the fourth largest trading platform globally with \$599bn trading volume (year-to-November 11, 2022).
- Uncertainty as to where the bodies are buried - ie exposures to FTX either direct or indirect - will ensure contagion given the size of FTX within the crypto-sphere.

Self-Custody in Demand



- Evidence of investor risk aversion is not only apparent in crypto prices.
- Surge in BTC coming off exchange wallets suggests users are increasing self-custody of their crypto (“not your keys, not your coins”)

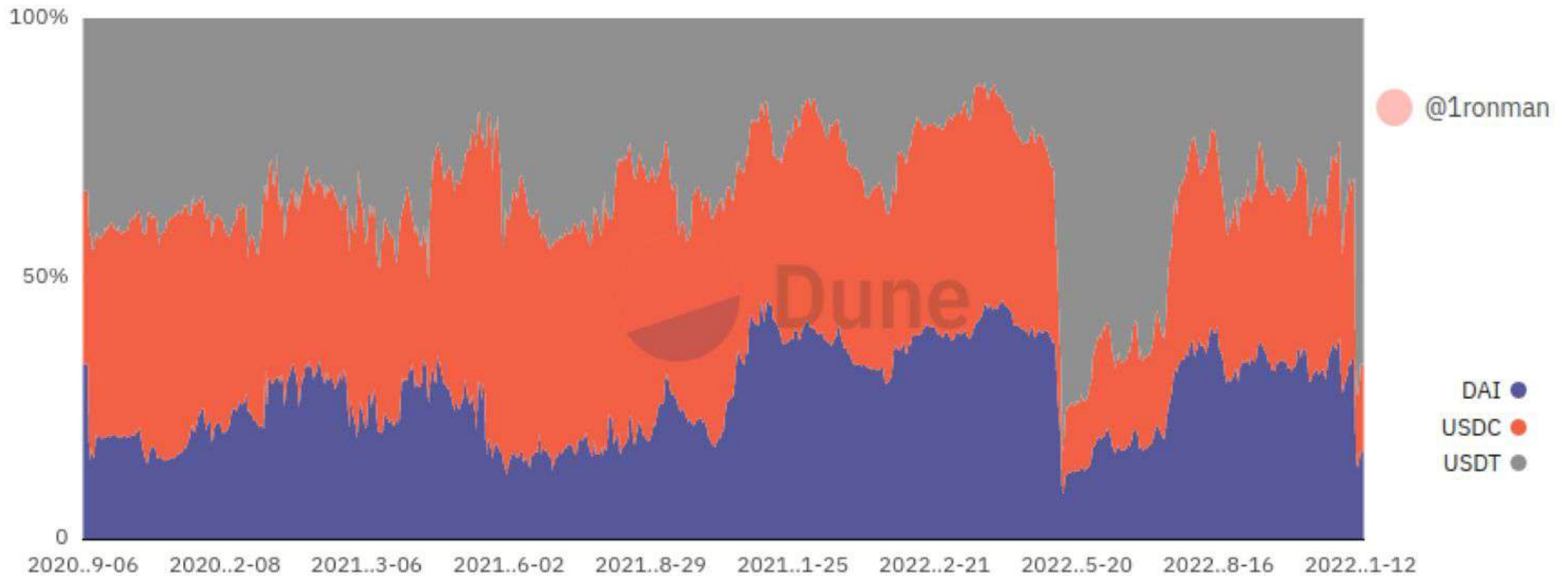
Not Just in Bitcoin



- The number of ETH addresses receiving funds from exchanges has also increased sharply over recent weeks.
- Again, consistent with crypto users shifting to self-custody to protect themselves from contagion risk.

Tether In The Spotlight (Again)

Curve.fi 3pool Total Value Locked (TVL)

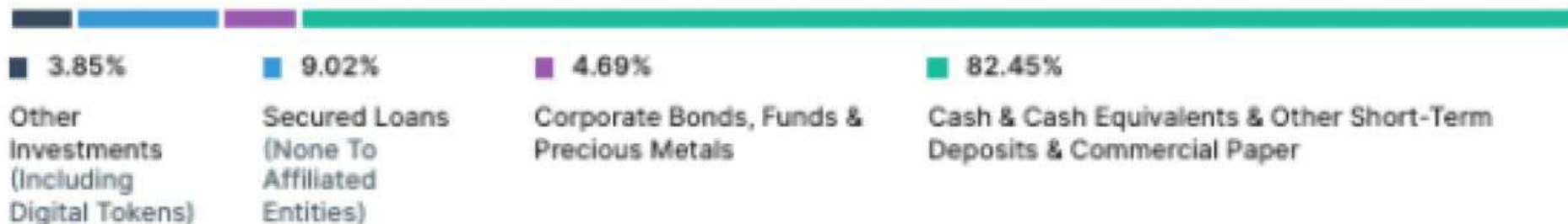


Source: <https://dune.com/1ronman/Curve.fi-3pool>

- Curve.fi – a decentralized stablecoin exchange – shows users preferring DAI and USDC over Tether.
- Probably reflecting long standing concerns about the assets backing Tether.

P-o-R: The Next Big Thing

Reserves Breakdown

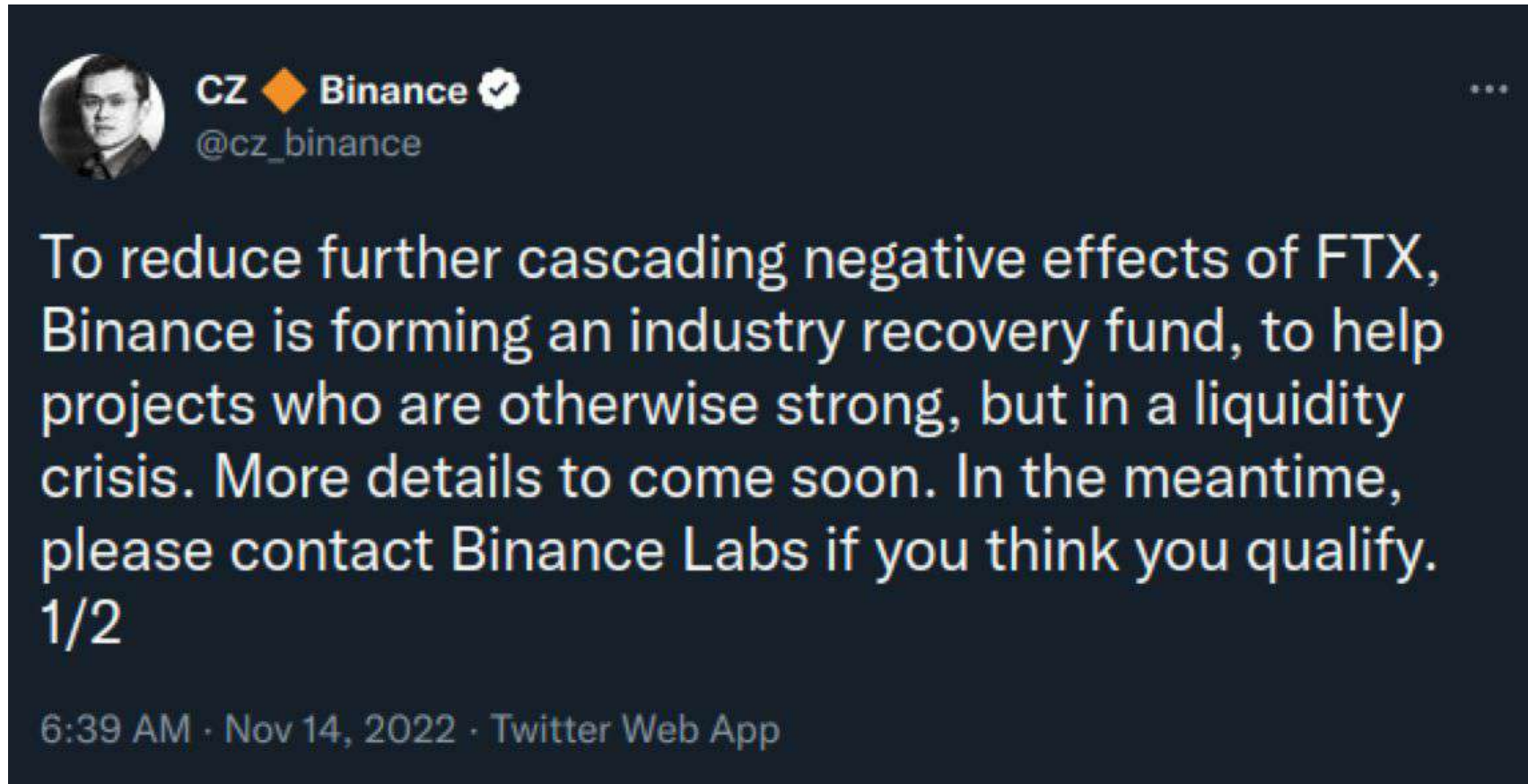


Cash & Cash Equivalents & Other Short-Term Deposits & Commercial Paper



- To defend against what Tether considers FUD, the company issues attestations showing the breakdown of its reserves.
- Proof-of-Reserves is the crypto industry’s attempt to mitigate contagion risk. It is not as straight forward as people suggest.

Central Banking for Crypto



- Binance CEO CZ recently announced the formation of a recovery fund to help during “liquidity crises”. Sounds a lot like a central bank’s lender-of-last-resort.
- Crypto is copying past mistakes of tradfi.... just at warp speed.

Regulation Ramp up



- All too-predictably government regulators will use the latest crypto crisis to justify more and speedier implementation of crypto regulation.
- This removes one of the key impediments for institutional adoption of crypto because they are used to operating in a regulated environment.

Crypto Road Map



- The tough times we are seeing in crypto today are due to the dubious practices of individuals not the technology
- What we are witnessing is a cathartic cleansing of the sector. Crypto as an industry is not going away.



Spring Always Follows Winter



Trakx: Safe and Sound

by **Lionel Rebibo**
Co-founder and CEO

Passionate about digital assets and narrowing the gap between traditional and digital finance.

Lionel brings his experience as a former analyst and trader in hedge funds to make crypto investing more accessible to traditional investors.



Trakx Crypto Tradable Indices are Safe

Key takeaway: very little direct exposure to FTX/FTT

We've always been very conservative - boring is good!

- Trakx offers only "Delta 1" products.. ie long-only, fully asset-backed
=> \$1 of CTI held -> \$1 of underlying assets bought on different trading venues, then moved to custody
- Non-levered products
- No use of derivatives -only spot cryptos
- No lending / rehypothecation of client assets

Diversified products

- Trakx CTIs built with diversification in mind:
 - robust constituent selection process
 - high number of constituents
 - 15%-30% cap per constituent to avoid overconcentration on top names
- Few CTIs impacted by FTT: CEX + ESG.



Direct impact of the change in FTT px on those 2 CTIs only ~12%



Custody

- Most assets are custodied at reputable custodians (e.g. Fireblocks) => substantially reduced counterparty risks
- Strict governance to move assets
- Only non-custodial tokens left on exchanges, and for small amounts (~2% of total assets)
 - These tokens have small weights in just 2 of our CTIs
 - ~ Half of those non-custodial assets => **1% of total assets were on FTX**
 - Trakx will made clients whole on these exposures
 - Going fwd our index methodology will exclude non-custodial coins
- Segregation of assets



Tier one regulation jurisdiction

- Clear focus on regulation since day 1
- Registered 4 times with the AMF under the DASP regime
- Working on other licences for 2023, to anticipate the transition to MiCA

Registered for 4 licences
with the French AMF



Supervised by the French Prudential
Authority - ACPR



Sound Situation

Reputation/governance

- Team of 'fit and proper' seasoned professionals with decades of experience in TradFi, who understand the importance of regulation
- Trustworthy and reputable board with renowned TradFi veterans



Other considerations

- Recently fundraised => well capitalised
- Trakx doesn't use a native token as reserve collateral
- USDc is our base currency -not USDT

Q&A

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