

THE FINANCIAL FRONTIERS

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CRYPTOFINANCE

Where from, where to?

The genesis & the role of Ether

Cryptofinance is a young discipline. It was borne in Spring 2010, when the first real-world bitcoin transaction and the first exchange into fiat occurred. It remained embryonic for a few years.

At the end of 2013 there were 67 cryptocurrencies for an aggregated market cap of USD 10bn. By contrast, at the end of August 2019, there were 900 cryptocurrencies and 1450 cryptotokens in circulation for a total market cap of USD 250bn (source: www.coinmarketcap.com). And there were over 250 cryptoexchanges.

The distinction between cryptocurrencies and cryptotokens developed from 2015 onwards,

when the introduction of the cryptocurrency Ether triggered a quantum leap in cryptofinance. Due to its design as programmable cryptocurrency, Ether has allowed the creation of cryptotokens carrying new properties such as utility functionalities and financial securities features.

New corporate financing processes such as Initial Coin Offerings (ICOs) and Securities Tokens Offerings (STOs) have flourished to support the issuance of such tokens. 1'000 ICOs took place to date for a cumulative funding value of USD 22.5bn by end of 2018 (source www.coindesk.com).

Fundraising through STOs (the offering

The new investment frontiers



Dr Mattia L Rattaggi is managing partner at METI Advisory AG, a boutique committed to provide effective solutions for sustainable crypto / blockchain businesses.

He is also a board member of the Crypto Valley Association, Co-founder of the project SEBA Crypto AG, board member at Thaler Real Estate Consulting AG and a seasoned leader in the crypto, financial regulatory and risk spaces.

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of a blockchain-based financial securities token) began in 2017, and, according to PWC, collected approximately USD 442mn as of end 2018. Analysts converge in expecting this figure to skyrocket in the years to come.

The Crypto Valley (Zug & Switzerland)

The town of Zug, in Switzerland, has been home to the Ethereum foundation since 2014 and of a few early cryptocurrencies since 2013. It has created the conditions and set the pace for the evolution of cryptofinance. Against this backdrop, Zug is known as the epicenter of the "Crypto Valley", and 'Crypto Nation' Switzerland represents the most developed and seasoned ecosystem world-wide for cryptofinance and blockchain technologies.

Zug is also home of the leading Crypto Valley Association (CVA) – www.cryptovalley.swiss - established at the beginning of 2017 to take full advantage of Switzerland's strengths and committed to build the world's leading blockchain and cryptographic technologies ecosystem.

Regulatory as enabler

'Regulatory' has been a pivotal enabler for cryptofinance in Switzerland and, incrementally, globally.

The involvement of regulators focusing on investors and consumers protection during the ICO hype (2017) has

(i) materially contributed to trigger the professionalisation of cryptofinance practices (self-regulation by CVA with the first ICO code of conduct in December 2017; Swiss Bankers

Association's guidance for guidance for the opening of bank accounts for blockchain firms in 2018 and 2019),

(ii) initiated the delivery of a comprehensive regulatory framework (from FINMA ICO guidances in 2018 to the all-encompassing Federal Council project on improving the framework conditions for blockchain / DLT – being finalised) and

(iii) favoured initiatives designed to achieve rapidly a better integration of cryptofinance into traditional finance. As a telling case in point, at the end of August 2019 FINMA granted for the first time banking and securities dealers licenses to two cryptobanks (SEBA and Sygnum).

Since the ICO hype, cryptoregulation has mushroomed exponentially, with material pronouncements in about 90 countries and by international governmental organisations such as FSB, BIS, FATF. Crypto has become a standing agenda item at G7-G20.

The crypto crystal ball

Cryptofinance and blockchain technologies are here to stay. Cryptocurrencies are consolidating their status of alternative asset class, and STOs of alternative financing processes, while crypto custodians and brokers cement their presence and roles.

Different crypto financial products such as indexes and funds are coming to market. Stablecoins projects are beginning to be ubiquitous. The licensing in Switzerland of two regulated cryptobanks and securities dealers is a game

changer for the crypto and the broader financial ecosystem. The door for institutional and professional money to diversify into crypto is wide open now.

What to expect?

Traditional banks will ride the wave and develop focused offerings. The crypto adoption rate by mainstreet remains difficult to anticipate, but because this is ultimately a technologically driven evolution, it is only a matter of time until there won't be a (sharp) distinction anymore between traditional and crypto finance.

'Regulatory' could prove instrumental again in shaping such evolution, particularly if the idea to replace the historical role of the USD as global hedge currency by a global digital currency highlighted at the central banks Economic Policy Symposium ((Jackson Hole, August 2019) recently – gained momentum.



PIONEERING THE NEXT GENERATION

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"Time to adopt the change"