

Dear Investors:

The past month was punctuated by Bitcoin's (BTC) resilience and additional regulatory clarity, paving the way for rapid acceleration in mainstream corporate and institutional adoption of the digital asset class. Interestingly, the correlation between major digital assets and traditional financial markets also continued to diverge over the month.

On 31 October (the 12th anniversary of the release of Bitcoin's whitepaper), [BTC hit a near 3-year high, peaking at USD14,093 and hitting levels not seen since January 2018](#). This marked a record 96 consecutive days above the important psychological level of USD10,000. With a YTD gain of nearly 91%, BTC has now surpassed the 2020 gains of Apple, Amazon, Google and Facebook, while Ethereum (ETH) is up over 200% over the same period.

With the US election rapidly approaching, digital asset-focused Arca Fund [CIO, Jeff Dorman commented that BTC will rise in value regardless of the outcome, and added that a Biden win will likely be better for Bitcoin and gold over the long term](#).

Recent upside price movement of Bitcoin was also in part due to news that [Paypal has entered the digital asset market](#) when the company announced that its 305 million customers in 202 markets will soon be able to buy and sell Bitcoin and other virtual currencies using PayPal accounts. The company is also [rumored to be in talks to buy digital asset trust and security company BitGo](#).

At the same time, digital assets are increasingly being used as holdings by major companies. [Jack Dorsey-founded digital payments company Square converted USD50 million to Bitcoin earlier this month](#); in two separate purchases over the past few months, [Nasdaq-listed MicroStrategy Inc. has invested USD425 million of its treasury in Bitcoin](#) and stated they are interested in acquiring more.

This year, [Square and PayPal stocks have gained approximately 142% and 76%, respectively](#) - significant outperformance compared to competitors in the payments space.

US regulators also continued to warm to digital asset products during the month. On 19 October, [the US Securities and Exchange Commission \(SEC\) stated that it is open to facilitate tokenized exchange-traded funds \(ETFs\)](#), according to chairman Jay Clayton. The agency is collaborating with other US regulators to determine how to regulate different digital asset products.

Furthermore, [the European Central Bank published a report on the digital Euro](#) during the month, stating ["we need to be ready"](#) to issue a digital currency. Meanwhile [ECB President Christine Lagarde is seeking public opinion on the digital Euro, implying a broad retail offering is on the table](#).

## **Business updates**

We continued to make significant strides as a business in October, signing another major financial company as a SaaS client.

In addition, the OSL platform continues to aggressively acquire clients across the product suite, and OSL Exchange again achieved record trading volumes in the month of October as a result.

Pursuant to our acquisition of IP from Enuma Technologies in August, [Enuma CEO and 12-year Microsoft veteran Antoine Cote was appointed as BC Group Chief Technology Officer on 19 October](#). We are excited to have an entrepreneur and technologist of his caliber on our team and look forward to the future as he supports the Group's growth and our ambitious technology development strategy.

News of enforcement actions against high-profile retail platforms (namely, [OKEx](#) and [Bitmex](#)) in October has further validated our choice to take the road less travelled by seeking regulation and ensuring high levels of compliance with CTF / AML protocols.

We continue to progress towards our goal of securing full licensing before the end of the year, in-line with expectations, putting OSL in a position to onboard and transact with major institutions and professional investors once formal licenses are granted.

The BC Group and OSL team continue to be sought after in media and thought leadership market commentary and events:

- OSL Head of Institutional Sales [Ryan Miller spoke at Wholesale Investor's Virtual Investor Showcase on the status of the digital asset industry](#) on 2 October
- [BC Group CEO Hugh Madden was interviewed by CoinDesk on the Group and OSL's participation in the Fidelity and Standard Chartered-backed FATF Travel Rule Protocol Working Group](#), which released version 1.1.0 of its standard FATF-compliant API for VASP transaction communications on 8 October
- On 13 and 27 October, [Matt Long discussed The Digital Future of Funds on a OSL-hosted Webinar](#) in partnership with representatives from law firm Sidley Austin and digital asset fund MaiCapital
- On 19 October, OSL Head of Distribution and Prime [Matt Long presented on the Global Online Investor Roadshow on The Future of Capital Markets in the Digital Age](#)
- OSL CEO Wayne Trench participated on a panel entitled, *Inside Hong Kong's First Regulated Crypto Fund*, at the [18th Annual Trading Summit sponsored by FIX](#) in Hong Kong on 20 October
- Ryan Miller also participated in a panel session on digital assets at the [APAC Family Office Investment Summit](#) on 21 October
- [OSL General Counsel Melody Ma spoke on 29 October on a Webinar sponsored by Ethereum Bangkok](#) on the topics of blockchain and digital asset regulation in Thailand

[OSL is the Diamond Sponsor of Hong Kong Fintech Week commencing today through 6 November](#) and will have a significant presence at the conference with presentations on a variety of topics, including the institutional investment in digital assets, regulation, and the impact of digital securities and security tokens on traditional financial markets.

### **Digital asset market developments**

BTC hit 33-month highs and accelerated its gains over the weekend, briefly breaching USD14,000 levels in contrast to the recent sell-off in equities, as institutional interest in digital assets continues to grow and the global regulatory landscape becomes increasingly transparent. Correlation of major digital assets to traditional financial assets continued to diverge over the month.

As mentioned earlier, Nasdaq-listed software firm Microstrategy recently indicated that it is seeking to add even more Bitcoin as its primary reserve treasury asset. This comes on the heels of the company nearly doubling down on the largest digital asset by market capitalization

as part of a strategy to help the stock price with the company citing that their bitcoin reserves are assisting with branding, marketing, and recruitment. MicroStrategy currently has over USD 520 million worth of Bitcoin in its treasury reserves.

In addition, Square and [Stoneridge Capital](#) have announced increasing or significant holdings in BTC, whether as part of business strategy (in the case of the former) or as a primary treasury reserve asset.

[Grayscale CEO Barry Silbert on 23 October tweeted that the trust added USD300 million in digital assets to its portfolio on the day](#), bringing its total AUM to USD7.3 billion, or 2.14% of Bitcoin available on the market.

Other notable market news from October:

- [UK-listed firm Mode stated its intention to put up to 10% of its cash reserves into Bitcoin](#)
- PwC released two digital asset-related reports in October:
  - [Its annual Crypto Tax Index](#), which ranks countries based on the clarity of digital asset taxation rules, with Liechtenstein topping the Index for the first year, followed by Malta, Australia, Switzerland, Singapore and Hong Kong
  - [A global report on digital asset M&A and fundraising](#), highlighting an increase in the value of transactions in 1H 2020 on a yearly basis
- Digital Currency Group released the results of its “State of Crypto 2020” industry survey, which showed that [roughly three-quarters of survey respondents believe the value of their business has increased in 2020, and four in five rated their company’s performance against expectations as “outperformed” or “neutral”](#)
- [Executives at JP Morgan said that the famed ‘JPM Coin’ went live on 27 October, while the company’s Global Markets Strategy division issued a bullish report on BTC’s “long-term upside” on 24 October](#)
- Bloomberg commodities analyst [Mike McGlone issued a bullish report on the the future of Bitcoin with the header “Bitcoin Keeps Adding Zeros”](#)
- Billionaire investor Paul Tudor-Jones further bolstered his status as a Bitcoin bull, [likening BTC’s upside to major tech stocks such as Google](#)

As the above developments demonstrate, greater corporate and institutional adoption, and regulatory acceptance and clarity in the digital asset space, has accelerated tremendously in 2020 to date. There is good reason to be optimistic that this trend will continue through the end of the year and beyond.

Thank you again for your ongoing support. As always, the team at BC Group and OSL are available to discuss October’s updates or to answer any questions you may have.

Sincerely,

Dave Chapman  
Executive Director  
BC Group (863 HK)