



Dear Investors,

November 2022 will undoubtedly be remembered as one of the most impactful months in the history of digital assets, with the scandalous collapse of FTX and its sister company Alameda Research kicking off a chain reaction that impacted many participants throughout the industry, - in addition to a number of institutions in the traditional financial sector.

The epic downfall of the supposed wunderkind CEO boy genius-cum-Crypto Winter 2.0 white knight Sam Bankman-Fried (aka SBF) [began with a series of Tweets from Binance's Changpeng Zhao \(aka CZ\) on 8 November](#). The dominos fell fast and furious after that, when it was revealed that SBF and FTX had committed a number of grievous mistakes and deceptions, [not the least of which was funding Alameda's massive debt with its FTT token - robbing Peter to pay Paul - and sparking serious comparisons between SBF and Bernie Madoff](#).

As of the date of this newsletter's publication, the saga remains ongoing. The full ramifications of the scandal may not be known for months, even years. Many commentators are calling it, amongst other colorful names, ["the most complex bankruptcy in American history."](#)

As the crisis unfolded, OSL published a number of statements from CEO Wayne Trench. The first, [issued as the initial news broke](#), stated, "OSL has zero exposure to FTX or Alameda" and that OSL was also experiencing significant uptake and increased volumes from institutional investors."

The second statement, [penned by Trench as a note to customers and partners, came the following week](#), when the FTX collapse had become a certainty. An excerpt of the note is below:

[OSL's history] has enhanced our instincts and has added to our risk management, trading, compliance and security know-how honed throughout decades of experience leading large teams in highly regulated traditional financial firms.

We've combined these skills with a world-class technology capability to deliver one of the safest and most trusted crypto platforms in the world. We believe our continued growth and asset inflows over the last few years is testament to that.

OSL also employs the same governance controls that are commonplace in large, regulated businesses, including segregation of duties, first, second and third lines of defense, conservative risk management practices, stringent AML and KYC procedures, rigorous counterparty due diligence assessments and regular reviews of trading and settlement limits. Furthermore, we consolidate the list of counterparties we interact with to a small number of high-quality participants.

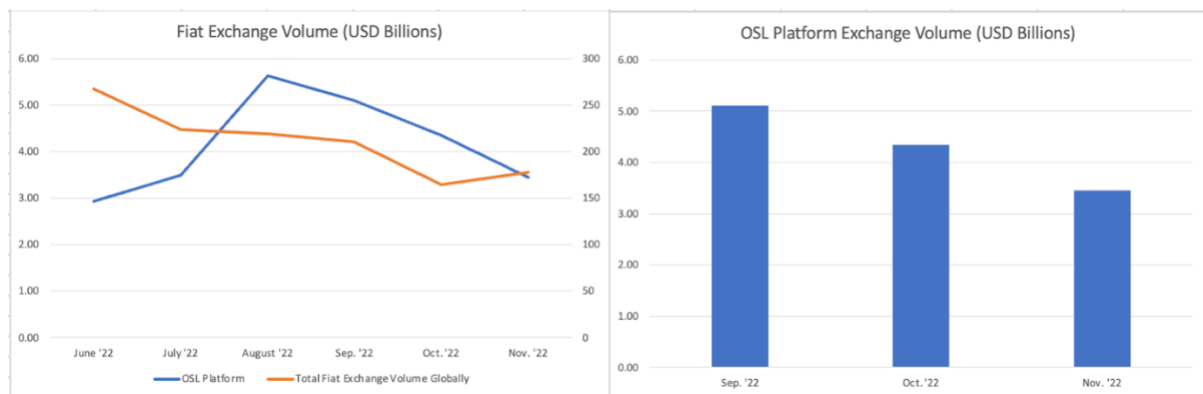
Almost every major digital asset also reacted to the ongoing news around SBF, FTT, CZ and Alameda with downward action. With FTT down over 90% as the story unfolded, and other major coins such as BTC and ETH, experiencing two year lows before recovering slightly at the end of the month.

Though the FTX meltdown has sparked a sense of crisis throughout the crypto industry, prospects for the broader macroeconomic environment appear to be improving. The predicted "red wave" of Republican wins in the US House of Representatives, the US

Senate and in key positions in the States, never materialized. Instead, Democrats retained control of the Senate, narrowly lost the House and won nearly every race in which a Donald Trump-supported candidate ran in key state races.

Furthermore, inflation appears to be moderating in the United States, while the Fed has indicated that it won't continue to increase interest rates at the same aggressive rate and US unemployment rates are increasing. There are even some signs that China will ease its COVID restrictions in the medium term.

Prior months of trading volume for OSL* can be viewed below:



Business updates

In November, despite market turmoil, OSL continued to build its platform technologies and expand its service offerings. OSL underwent a major exchange upgrade and successfully migrated its exchange matching engine to the cloud from "bare metal" physical server infrastructure. This will enable the platform to provide additional features and functionality while increasing its robustness and scalability.

In the news

OSL executives and BC Group senior leadership appeared in well-known media and market events in November:

- OSL Head of North America Business Development and Institutional Sales Jeffery Howard was quoted in the [Wall Street Journal on the impact of crypto regulation ahead of the US midterm elections](#)
- Also at the beginning of the month, [Jeff was quoted in a CoinTelegraph story about US voter's views on crypto regulation in the midterms](#)
- BC Group Executive Director and Head of Regulatory Affairs Gary Tiu was [featured in a CoinDesk article on Hong Kong's potential updates to its regulatory framework](#)
- On 7 November [Gary was featured in an article in the Financial Times on Hong Kong's 'active' exploration of authorizing crypto ETFs](#)



- Also on 7 November, [Gary was featured in an article in the Hong Kong Economic Journal about the regulatory changes in Hong Kong](#)
- I featured on [CNBC World on 9 November to discuss the impact of the FTX situation](#), noting the need for further transparency and regulation in this space
- The [OSL statement on the FTX crisis was featured in the South China Morning Post](#) on 11 November
- On 21 November, [OSL CEO Wayne Trench and OSL Global Head of SaaS Distribution Mark Hiriart were profiled in the Australian Financial Review](#) - the article highlights OSL's Australia entry and regulatory compliant strategy
- On 22 November, [BC Group CEO Hugh Madden was featured on TVB Pearl](#). The segment focused on regulatory clarity announced at HK FinTech Week in addition to consequences of the recent FTX collapse. Hugh mentions some of the weaknesses with the current global regulatory framework around digital assets
- On 22 November, Gary joined a panel hosted by HKDAS and OSL. The panel was broken into two parts and the discussion surrounded the direction of HK's digital asset regulations and opportunities and what can we learn from the collapse of FTX. Other notable panelist included Hong Kong's Under Secretary for Financial Services and the Treasury Joseph Chan and Hong Kong Legislator Duncan Chiu
- On 23 November, I joined a panel hosted by Antalpha and Altive to discuss the ["Digital Asset Opportunities in an Inflationary Environment"](#)
- [On 29 November, Jeffrey Howard, OSL Head of N/A Biz Dev & Institutional Sales, spoke on a panel at the MiamiWeb3 Summit. The panel was titled, "Picking up The Pieces" in Crypto](#)

Additional digital asset market developments

[FTX, FTX US, and Alameda research filed for Chapter 11](#). Following the collapse, FTX.com experienced [a "hack" and potentially hundreds of millions of funds were moved by what is considered an inside job. A "backdoor" in FTX.com's internal accounting systems was later discovered, allowing Alameda members including SBF to move from customer accounts without alerting auditors.](#)

The contagion from its collapse did not stop there. [BlockFi has halt withdrawals and filed for Chapter 11 while Genesis also halted withdrawals after publicity stating they were fine](#). As a result, [Gemini Earn halted withdrawals due to its Genesis exposure](#). Lastly, [AAX has halted its withdrawal due to its "pressure on cash position", and the Former Head of Research resigned a week later.](#)

On a more opportunistic side, the pace of adoption continues, and more mainstream traders are getting in on the action. According to [KPMG survey released on 9 November, 92% of Hong Kong and Singapore's rich elites are interested in digital assets and about four in ten alternative investment managers currently has some exposure to digital assets.](#)



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[Furthermore, Fidelity has announced it will open commission-free crypto trading to retail investors](#) earlier in November.

[Lastly, Binance announced that it is targeting \\$1 billion or more for a recovery fund to buy distressed crypto assets, and is inviting all industry players to contribute as well.](#)

Should you have any questions about recent BC Group and OSL business developments, the FTX situation, or any of the points discussed in the monthly update, please feel free to reach out to us directly. The team at BC Technology Group and OSL are always available to discuss November's updates or answer any questions.

Thank you again for your continued support.

Sincerely,

Dave Chapman
Executive Director
BC Group (863 HK)

* Total platform volume data are an estimated aggregate total of all trading activities on the OSL platforms over the stated period. Such data are unaudited, based on various assumptions and methodologies that are subject to change, and may be subject to subsequent adjustments and corrections which we may later publish. Source: TheBlockCrypto as of 1 December 2022