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Dear Investors:

May was eventful for BC Group as well as the global digital assets market, with several significant developments occurring during the month. As Hong Kong seemingly continues to bring COVID-19 under control, the majority of our staff resumed physical working arrangements at our headquarters. While we remain vigilant, we are full steam ahead in our commitment to driving growth. Below is a summary of our key business updates, key digital asset market developments and news highlights from May 2020.

### **Key business updates**

Our OSL digital asset business achieved its largest-ever 1-month platform volumes, and observed a record number of monthly active clients in otherwise benign market conditions.

OSL was also selected to provide digital asset safekeeping services to SFC-licensed blockchain and crypto-related asset manager MaiCapital's crypto-themed quantitative hedge fund, the Bitcoin+ Investment Fund [[link](#)].

An existing counterpart agreed in May to a new two-year contract for managed services to implement a SaaS platform to scale OSL's capabilities to its clients, including customized white label branding, streamlined operations and settlement enhancements.

On 26 May, I hosted a Webinar to an audience of 100 financial and business professionals on the Future of Capital Markets in the Digital Age, covering topics such as institutional adoption of digital assets, the maturation of regulation in the sector, and security tokens ([Please click here to access the webinar slides](#)).

President Donald Trump on 29 May said that his administration would "begin the process" of ending the American government's special relationship with Hong Kong, including on trade and law enforcement. While the long-term impact of this announcement remains to be seen, we believe there will not be an immediate adverse impact to our business or operations and that our positioning and strategy remain sound.

Our efforts in obtaining digital asset licensing in Hong Kong and Singapore also continue, and we remain optimistic on the progress of these activities.

### **Digital asset market developments**

In the broader digital asset space, May saw the Bitcoin "halvening" (also called halving), an acceleration of institutional adoption of the asset class, and more regulatory clarity from China regarding its digital version of the RMB, the Digital Currency Electronic Payment (DCEP) [[link](#)].

The halvening is a once-every-four-year event that reduces the number of new Bitcoin entering circulation every 10 minutes by half. While this was largely a non-event in terms of price movement (previous halvings were marked by price jumps), it coincided with significant validation of digital assets by traditional finance players, showing the resilience of Bitcoin and its impact establishing digital assets in the mainstream.

Most notably, Jefferies' head of equity strategy Chris Wood endorsed Bitcoin in the famous "Greed and Fear" memo [[link](#)], legendary investor Paul Tudor Jones [[link](#)] called Bitcoin a hedge to fiat, and JP Morgan announced it had accepted digital asset innovators Coinbase and Gemini as banking clients [[link](#)]. The latter marked a startling about-face for JP Morgan,



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which until recently, had been known for a negative outlook on Bitcoin and digital assets. I also shared my views on the impact of the halvening event, and Bitcoin's status as the best performing asset of the past decade, in an interview with Bloomberg news [\[link\]](#).

In other news, China in May moved forward with advanced testing [\[link\]](#) for deploying the DCEP, which could potentially undermine the use of the US dollar, and will certainly extend the ability of the Chinese government to control capital flows, track illicit transactions, and collect taxes.

#### **Additional news highlights**

- CoinTelegraph discussed how [The Big Four Are Gearing Up to Become Crypto and Blockchain Auditors](#) with BC Group CEO Hugh Madden and Henri Arslanian, PwC's global crypto leader
- [Andreesen Horowitz announced a new US\\$515 million fund that will be used to invest in crypto networks and businesses](#)
- [Telegram's 'TON' initiative shuttered](#), finally capitulated in its battle with the SEC, in which the SEC maintained the project's affiliated 'GRAM' tokens were securities (Telegram had raised USD\$1.7bln via its 2018 ICO and was subsequently blocked from distributing its tokens in 2019)
- In a potential game-changer for the payments and remittances space, [Facebook rebranded its Libra wallet from Calibra to Novi, and confirmed its first integrations will include WhatsApp and Facebook messenger apps](#)

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

Sincerely,

Dave Chapman  
Executive Director  
BC Group (863 HK)