

Dear Investors,

The past 30 days saw some of the most dramatic price swings in the history of digital assets, with total market capitalization falling from over USD2.5 trillion to under USD1.5 trillion from 17-23 May.

The price action was triggered by a tweet from Elon Musk on Bitcoin's energy consumption and further exacerbated by comments from the [PRC](#) and [US](#) governments on digital asset regulation.

We are proud to report that OSL traded significant volumes throughout the period, and our platform operated seamlessly. In times of volatility, the world's top brokers have the opportunity to excel to meet the needs of a fast-moving market, and the OSL team did just that.

The price movements caused much consternation throughout crypto circles, however, our position is that volatility swings in digital assets can still be viewed as growing pains as the asset class moves towards widespread adoption and regulation. Because the digital asset class is new, unique and *born digital*, it behaves differently and has contrasting fundamentals when compared to traditional assets.

As the sell-off occurred at a time of rising US treasury yields and growing inflationary fears, some voices in the market point out that Bitcoin and digital assets may be entering a new era, one in which they are increasingly correlated to macroeconomic factors.

It's also worth noting that Bitcoin is still delivering returns on a year-on-year basis - BTC price in March last year was as low as USD4,100, and at the time of writing the price is approximately USD35,000, an increase of over 750%.

At OSL we continue to see first-time investors moving into digital assets with both institutions and professional investors looking at perceived market weakness as an opportunity to enter - a trend that has been consistent over the last six to eight months.

On 20 May, the Hong Kong government [ended its consultation period and announced that it plans to introduce mandatory licensing for virtual asset service providers](#), a development we anticipated when we first applied for the Types 1 & 7 licenses in 2019.

Also during May, and partially as a result of Musk's comments, there was an increased focus on Bitcoin and digital assets' relationship to carbon neutrality and energy consumption.

## Business updates

At BC Group and OSL, we are steadfastly committed to being a sustainable business through ESG programs. We've announced several ESG-related initiatives over the past weeks and months, and these were explained along with our strategic ESG outlook in a blog post on 26 May by Group CEO Hugh Madden entitled [Our Commitment to Carbon Neutrality, Sustainability and ESG](#).

During the month, [DBS became the first major Asian bank to officially launch digital asset trading and custody services](#), an effort that is underpinned by [OSL's leading technology and services](#).

On 11 May, MSCI Inc announced changes to its global small cap indexes, and [BC Technology Group was added to the MSCI China All Shares Small Cap Index beginning 27 May.](#)

OSL executives and BC Group senior leadership also continued to appear in well-known media and market events throughout the month:

- OSL Head of Institutional Sales Ryan Miller spoke at a [DBS webinar entitled Key Trends to Watch in Digital Assets](#) on 5 May about digital asset investment, AML and licensing
- OSL CEO Wayne Trench spoke to the Harvard Business School Association of Hong Kong on the [Evolution of Digital Assets](#) on 12 May
- On 13 May Wayne appeared live on Channel News Asia to discuss the outlook for cryptocurrencies and the Bitcoin sell-off following Elon Musk's comments
- BC Group Executive Director Gary Tiu was quoted in the [Hong Kong Economic Times](#) and the [Ming Pao Daily](#) on the Hong Kong SAR government's recent comments on increasing digital asset regulation in Hong Kong (Chinese only)
- Ryan Miller also spoke at an Asia Bankers Club "Cryptocurrency 101 Webinar" on 18 May
- On 20 May OSL VP of Sales Chris Wai presented "An Introduction to Digital Assets" to the Hong Kong Rotary Club
- I was a panelist at Goldman Sachs's TechNet Conference Asia Pacific 2021 on 25 May
- OSL General Counsel Melody Ma joined a panel at the [Asia Pacific Advanced Conference on Economic Sanctions Compliance and Enforcement](#) on the topic of "Cyber and Crypto Risk: Special Considerations for Minimizing Heightened Risk" on 27 May
- BC Group CEO Hugh Madden spoke at a [Virtual FinTech Forum](#) panel on "how blockchain can enable sustainable development goals in finance" on 27 May

## Digital asset market developments

While digital asset price fluctuations dominated the news cycle during the month, there were several other significant developments, with USD100 billion asset manager Bridgewater Associates' founder [Ray Dalio stated that he owns Bitcoin and that he prefers it to bonds](#) and Goldman Sachs reversing course to state ["Bitcoin is now an investable asset"](#) and an asset class nearly a year after taking the opposing position.

Fidelity also made headlines this month, when it was revealed that the [Fidelity backed Wise Origin Bitcoin Index Fund I that went public in August 2020 had raised over USD100 million from investors.](#)

Following the example of MicroStrategy, leading Silicon Valley tech firm [Palantir said it is considering adding Bitcoin to its balance sheet](#); it already accepts BTC as payment.

MicroStrategy CEO Michael Saylor was also in the news this week as [he brokered a meeting between newly minted Bitcoin bear Elon Musk and a group of Bitcoin mining company executives](#) on how to make digital asset mining greener, while [Ethereum announced that it is closing in on its shift to the Proof-of-Stake protocol, which could reduce its gigawatt usage by 10,000%](#).

While May provided some anxious moments for digital assets, we are still bullish long term on the potential of the market to grow exponentially as more institutional players and regulators participate.

As always, the team at BC Technology Group and OSL are available to discuss May's updates or answer any questions.

Thank you again for your continued support.

Sincerely,

Dave Chapman  
Executive Director  
BC Group (863 HK)