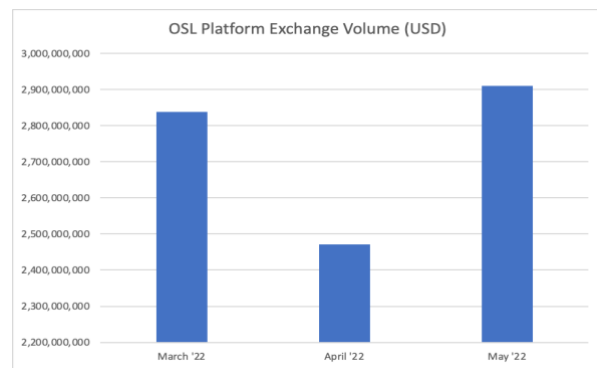
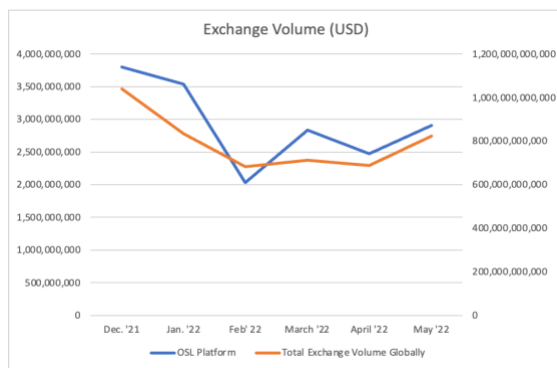




Dear Investors,

May 2022 saw significant movements in the traditional and digital asset markets, with both moving into a bearish cycle, while BC Group and OSL continued to see developments across its business units.

The prior months of trading volumes for the OSL platform can be viewed below¹:



During the month, financial markets fell dramatically following the [Jerome Powell announcement on 4 May that the Federal Reserve would raise interest rates by 0.5%](#), the first of several expected rate increases for 2022.

In the following days and weeks, crypto markets moved rapidly downward mostly at the same time and pace as equities and major indices. This was exacerbated [by a 'bank run' on the Terra \(UST\) stablecoin, which resulted in the token dropping below its intended USD1 peg](#), leading to panic in the market. Investors then dumped Terra's sister coin, Luna, wiping out nearly USD60 billion in market capitalization over the course of several hours. [This bearish environment resulted in nearly USD600 billion coming out of the crypto market](#) in the past month. A detailed explainer of stablecoins and the Terra / Luna incident can be found [here](#).

Immediately following the UST incident, there was a notable shift in the perception and stated approach to regulation of digital assets. On 10 May, [Treasury Secretary Janet Yellen pushed for regulation during an annual testimony in front of the Senate Banking Committee, stating it would be "highly appropriate" for stablecoin regulation](#) to occur by the end of 2022. Her stance was met with [rare bipartisan endorsement by members of Congress](#). Nine days later, [G7 finance ministers and central bankers called for swift and comprehensive regulation of cryptocurrencies, "In light of recent turmoil in the crypto-asset market" in a draft communique](#) seen by Reuters.

Regulation of stablecoins and other crypto assets by the US and other G7 members would represent a sea change in terms of global regulatory clarity for digital assets, a situation that OSL and BC Group have long predicted and supported. [OSL CEO Wayne Trench penned a market insight on the topic on May 20](#), and an excerpt from the piece is below:

"Despite recent market events, we're more confident than ever that digital assets are here to stay. Talent and infrastructure investment into the sector continues to accelerate in tandem with technological innovation. In addition, regulation continues to evolve, and while there's more work to do, the landscape is more robust and more clear than ever before. This regulatory evolution, combined with the digital asset industry's innovation and infrastructure

¹ **Disclaimer:** 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 31 May 2022



improvements, provides a long-term tailwind that will create significant step changes and efficiencies in the market going forward.

Put simply, beyond the clouds, the future is bright.”

With respect to Luna and UST specifically, OSL had no exposure to these assets and its risk management and trading infrastructure again operated as expected during the periods of market turbulence, allowing OSL to service clients without interruption throughout.

Business updates

On 17 May, [OSL and leading connectivity provider BSO announced that BSO was named the low-latency connectivity provider of choice for OSL's institutional-grade exchange](#), enabling significant latency reductions, enhanced security and faster time to market for partners.

Also in May, OSL SaaS won the award for the top company in the [Cryptocurrency - Financial Technology](#) category at the Singapore Business Review's 2022 Technology Excellence Awards.

The annual awards program highlights technological innovations, recognising exceptional companies in Singapore that are riding the digital disruption wave and leading the technological revolution and digital journeys of their respective industries.

OSL received the award because it recorded a 400% increase in trading volumes for SaaS across the OSL platform in the three months ended 31 October 2021, it won two top-tier clients in the first quarter of 2022, and because OSL SaaS Exchange volumes ranked in the top 25 of global spot exchanges on multiple days in fourth quarter of 2021.

On the capital markets front, Dave Chapman and Davin Wu, Executive Director and CFO of BC Group respectively, hosted an office-visit for Carlton Lai from Daiwa Securities. After the visit, Carlton reiterated Daiwa's positive views towards BC Group. Furthermore, Macquarie analyst, Dexter Hsu, updated his research report on BC Group and reiterated a “Buy” rating. Lastly, UOB Kay Hian Analyst Jason Wong expressed his positive view on BC Group's the stock and the sector in a research note:

“BC Technology is the only SFC-licensed digital-asset broker in Hong Kong. The company rides on the trend of rising adoption of digital assets by institutional investors, which will lift the trading volume on its OSL platform as well as the demand for trading platform technology infrastructure.”

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

- On 4 May [OSL North America Head of Institutional Sales and Business Development Jeff Howard was interviewed by Blockworks](#) following the US Fed's interest rate increase
- BC Group Managing Director and Head of Regulatory Affairs Gary Tiu spoke at an InvestHK webinar on Digital Assets on 11 May
- On 19 May, [Jeff was interviewed on CoinDesk TV's "All About Bitcoin" show, where he shared his views on BTC dominance, as well as the stablecoin market](#) (from 0:08:00)
- [OSL Head of Distribution and Prime Matt Long was featured in an article by Asia Private Banker](#) on 25 May on HNWI participation in crypto and the UST incident
- OSL Digital Securities Head of Trading Kevin Lee was featured on Viu TV twice during the month, and discussed the latest developments in the crypto markets (Chinese only: first segment [here](#), second segment [here](#))



- I shared my thoughts on digital asset market developments at a Goldman Sachs event on 26 May
- OSL Head of Digital Asset Wealth Sales Shaun Lin spoke at a Caproasia virtual roundtable on digital assets on 31 May

Digital asset market developments

There were a number of additional developments in the digital asset space during the month, including on 9 May when [Instagram said it would start testing NFTs with select creators](#), and on 10 May when its parent company [Meta announced that it would partner with Polygon on Web3 technology projects](#).

On 12 May, [the first spot bitcoin and ether ETF in Australia launched amid widespread crypto market sell-offs](#). Brazil's largest digital bank, [Nubank, launched bitcoin and ether trading and custody services on 11 May](#), while on [17 May, Singapore's Temasek said that it was prepping for tokenized assets](#).

Robinhood made crypto news twice during the month: on 12 May, [it was announced that FTX's Sam Bankman-Fried took a 7.6% stake in the company](#), causing shares to rise as much as 28%, and on [17 May when the company announced it will launch a DeFi wallet to rival Metamask](#).

In an interview with The Block, [Hedge fund manager Alan Howard explained why he's more bullish than ever on crypto](#) and why he's doubling down and investing across the ecosystem.

On 24 May, crypto got closer to the moon in a literal sense, when [crypto-satellite company Cryptosat announced that it will launch a small Web3-enabled module into low-Earth orbit using a SpaceX rocket](#).

Meanwhile, on 25 May, crypto's number-one frenemy [JP Morgan predicted bitcoin's fair price at 28% higher than the current level](#), that it had "significant upside from here," and that crypto had overtaken real estate as one of the bank's preferred "alternative assets."

Not to be outdone, [OG crypto investor Andreessen Horowitz announced a new USD4.5 billion fund for backing crypto and blockchain companies, with fund partners comparing the long-term opportunity in crypto to "next major computing cycle" after PCs in the 1980's, the internet in the 1990s, and mobile computing in the early 2000s](#).

As always, the team at BC 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)