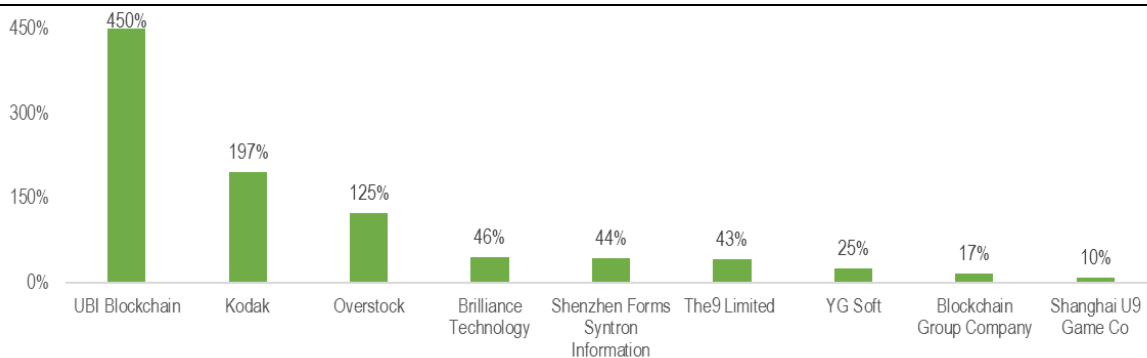




## Chart of the week – The blockchain mania

**Figure 1: Share price performance of companies that announced blockchain initiatives recently**



Source: Bloomberg, company announcements

### The blockchain mania

Amid the cryptocurrency enthusiasm, several companies have announced their initiatives to explore the application of blockchain technology. Some have even added “blockchain” in their company names. This has reminded us of the dotcom mania when adding “.com” to company names would lead to soaring valuations.

While blockchain may not play out the way dotcom bubble did, the signs of irrational investors do worry us. We believe the essence of blockchain technology is that it would change the way people trust each other in business and how value is sent across. However, the technology may be far away from mainstream adoptions due to limitations such as scalability. Just as only a selective few companies survived the dotcom bubble, the number of companies that eventually win out in the blockchain race could be limited. Therefore, it is difficult for investors to pick out the ultimate winners.

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## News of the week

Jan 12, 2018

Online Lending

China

### Lufax is Said to Plan \$60 Billion Hong Kong IPO in April

Internet finance giant Lufax is reportedly planning a Hong Kong initial public offering that could raise about \$60 billion, according to two sources from Wangdaizhijia.

Source: [Wallstreetcn](#)

Jan 12, 2018

JD.com

China

### JD Finance Announces First Profitable Season

Liu Qiangdong, founder and CEO of online retail giant JD.com, said via internal email that JD Finance reports first-ever quarterly profit on Thursday.

Source: [01Caijing](#)

Jan 12, 2018

Online Lending

China

### 2345 Network Unable to Collect over 99% Delinquent Microloans

According to a statement disclosed by Shanghai 2345 Network Holding Group on Friday night, the microloan company was only able to collect 0.68% of its RMB270 million delinquent loans.

Source: [01Caijing](#)

#### Our view

The payday loan lenders in China are experiencing a wave of systemic defaults due to the new regulation introduced last December. The new regulations not only cap interest rates and fees that can be charged, but also limit the lenders' ability to collect their loans.

Jan 9, 2018

Alibaba

China

### Ant Financial Shut Down Payday Loan for Some Users

Alibaba's affiliate Ant Financial quietly shut down payday loan access to a number of users on Tuesday night reportedly due to high leverage concerns. However, according to the payment company, the move is merely dynamic adjustment based on user's credit history and behavior.

Source: [Sohu](#)

#### Our view

This is not surprising given loans sold through ABS are also counted in microloan lenders' leverage ratio, according to the new regulations introduced last December.

Jan 11, 2018

Alibaba

China

### China's Cyber Watchdog Scolds Ant Financial over User Privacy Breach

China's cyber watchdog has scolded Ant Financial, Alibaba's payment affiliate, for compromising user privacy after many users of its Alipay service were automatically enrolled in its credit scoring system. The Cyberspace Administration of China (CAC) said in a statement it had summoned Ant Financial representatives to a meeting last Saturday and told them they had failed to meet the country's personal information security standards.

Source: [Reuters](#)

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Jan 10, 2018

Bitcoin

US

### Road to Bitcoin ETF Paved with Red Tape

Bitcoin's 1,500 percent surge last year has stoked investor demand for any product with exposure to the red-hot asset. A host of companies are jostling to launch exchange-traded funds which would open up the cryptocurrency to a broad retail market. But regulators are asking tough questions, and five fund managers this week shelved plans to launch ETFs based on bitcoin futures, citing concerns from the U.S. Securities and Exchanges Commission.

Source: [Reuters](#)

#### Our view

**Crypto world may see a year of strong law enforcement in 2018.**

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Jan 11, 2018

Cryptocurrency

Asia

### South Korea Plans to Ban Cryptocurrency Trading, Rattles Market

South Korea's government said on Thursday it plans to ban cryptocurrency trading, sending bitcoin prices plummeting and throwing the virtual coin market into turmoil as the nation's police and tax authorities raided local exchanges on alleged tax evasion.

Source: [Reuters](#)

#### Our view

**South Korea's exchange trading volume is the third largest for bitcoin and dominates some leading cryptocurrencies such as XRP and ETH. Prices on South Korea exchanges are still at 30-40% premium over that in other markets. This does indicates more enthusiasm there.**

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Jan 15, 2018

Cryptocurrency

Asia

### South Korea Says Planned Ban on Cryptocurrency Market Not Yet Finalized

South Korea said on Monday that its plans to ban virtual coin exchanges had not yet been finalized as government agencies were still in talks to decide how to regulate the market.

Source: [Reuters](#)

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Jan 9, 2018

Regtech

### The Evolution of Regtech and the Future of Regulatory Compliance

The regulatory landscape has expanded significantly in recent years, creating more opportunity for compliance gaps to emerge across industries — including financial services. Regulators are issuing record levels in non-compliance fines, and pending financial regulations like GDPR, PSD2, and MiFIDII/MIFIR have firms scrambling to build compliant solutions. CB Insights used data to break down the four phases of regtech to better frame how the technology has evolved, and highlighted a few of the software and technology companies working within each phase.

Source: [CB Insights](#)

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Jan 9, 2018

Cryptocurrency

### Kodak Announces ICO, Stock Jumps 44%

Kodak is today announcing a partnership with Wenn Digital to create a “photo-centric cryptocurrency” that will “empower photographers and agencies to take greater control in image rights management.” Because why not. It’s 2018. The company’s stock jumped 44 percent on the news and is currently trading at \$4.30, up 37.60% on the day.

Source: [TechCrunch](#)

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Jan 11, 2018

Ripple

### Ripple and MoneyGram Test XRP Currency Transfers

Ripple, a blockchain company and rival to bitcoin, on Thursday announced a tie-up with Dallas-based money transfer giant MoneyGram. The move is significant because the arrangement involves the use of XRP, Ripple’s digital currency, which has recently soared in value but also faced questions about its practical uses.

Source: [Fortune](#)

#### Our view

**Compared to other cryptocurrencies that were loosely governed by a foundation, Ripple does enjoy the advantage of a centralized management by a company. Ripple’s execution and adoption is running at a faster rate than others.**

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Jan 11, 2018

Bitcoin

US

### Dean of Wall Street Lawyers Sees Sweeping Bitcoin Regulation Coming

H. Rodgin Cohen, the dean of Wall Street lawyers, says it’s just a matter of time until U.S. regulators launch a sweeping response to bitcoin. As global banks increasingly help investors bet on virtual currencies, federal authorities will develop a joint strategy for policing the burgeoning market, Cohen predicted in an interview. It would make sense for the Financial Stability Oversight Council -- a group of regulators led by the Treasury Department -- to take the lead, he said.

Source: [Bloomberg](#)

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Jan 11, 2018

Bitcoin

US

### US Marshals Service to Auction Off \$54 Million in Bitcoin

The U.S. Marshals Service has announced that it will auction off more than 3,800 bitcoins later this month. The auction will take place on Jan. 22, according to a representative from the service. The event marks the first time since 2016 that the U.S. Marshals Service has held a bitcoin auction, after the agency sold off 2,700 bitcoins – an amount worth about \$1.6 million at the time and now valued at about \$51 million – in August of that year.

Source: [CoinDesk](#)

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Jan 11, 2018

Cryptocurrency

### Warren Buffett Says Cryptocurrencies Won't End Well

Weighing in on the current cryptocurrency craze, billionaire investor Warren Buffett said that he believes the future of bitcoin is bleak. "In terms of cryptocurrencies, generally, I can say with almost certainty that they will come to a bad ending," Buffett told CNBC on "Squawk Box" Wednesday.

Source: [CNBC](#)

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Jan 12, 2018

Blockchain

China

### Surging China Stocks Downplay Blockchain Link amid Crackdown

At least a dozen Chinese listed companies have issued statements this week playing down links to blockchain technology amid signs regulators are trying to limit the kind of speculative surges seen in other markets.

Source: [Bloomberg](#)

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Jan 14, 2018

Blockchain

China

### Baidu Launches Blockchain Platform

Based on technology developed by Baidu, the open platform sets out to provide the most "user-friendly" blockchain service. According to the firm's dedicated website, "Baidu Trust" allows the conducting and tracing of transactions, and can be applied in various use cases, including digital currency, digital billing, bank credit management, insurance management financial auditing, and more.

Source: [Sohu](#)

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