



CryptoQuestion

Your cryptocurrency companion

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An Overview

2020 was one hell of a year for cryptocurrency, but there was one stand out cryptocurrency that increased its dominance over all others, bitcoin. Not only did bitcoin smash all previous highs, a feat few thought possible at the beginning of the year, but bitcoin's market dominance is up to 70% at the time of writing. Combined with Ethereum, both coins represent over 80% of the total market cap of all listed cryptocurrencies.

In 2020 bitcoin finally achieved mainstream investment status gaining respectability among blue chip companies and institutions. The biggest news was PayPal entering the market. They recently announced that some 20% of the limited number of customers who have been offered the service have bought. Their crypto platform was opened to all its US customers in November. Considering the 350 million PayPal users there could be some huge pent up demand waiting to hit the market. According to a recent survey there are now over 101 million owners of cryptocurrency. With this unfulfilled demand and bitcoin's legitimate status as a challenger to gold the market rally isn't over just yet.



READ THE ARTICLE — [SOLVING THE BITCOIN DILEMMA](#) HERE — SHOULD INVESTORS BE BORROWING TO BUY BITCOIN?

One worrying observation was that some investors were borrowing money to buy bitcoin. We must all remember that bitcoin is no different to the many investments that have gone before. Never borrow to buy a risky asset. Only invest what you can afford to lose and restrict your ownership to less than 5% of

your overall investment portfolio. Remember the words of Sir John Templeton "The four most costly words in the annals of investing are 'This time is different.'"

The SEC Strikes Ripple (XRP)

The Securities Exchange Commission, the US financial regulator, has lodged a complaint against Ripple. The SEC alleges that Ripple's cryptocurrency XRP is a security and the \$1.3B raised through an 'ongoing ICO' was an unregistered sale of securities. This isn't a surprise to anyone. The industry knew this was coming. What is a surprise is the fact that XRP's price hasn't taken a bigger hit yet. At the time of writing the price dropped from around \$0.51 before the SEC's announcement to \$0.230 but with a market cap of around \$10B there is further to go. If you hold XRP as a long term investment we would say that the odds are not in your favor! With potentially \$1.3B in restitution and a fine which could be a similar amount this cryptocurrency is likely to end up a shadow of its former self. The fact that the founders have liquidated some \$600m of their own holdings also suggests that they are in this for the fast buck. Coinbase have already announced that they will halt trading in XRP, others have followed. When buying any tokens/coins first check to see what their rating is with the Crypto Ratings Council (www.cryptoratingcouncil.com). Amazingly XRP had been rated as a 4 out of a possible 5 which meant it was considered to be highly likely a security.



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Stable Coin Action



In January 2020 Tether had a market cap of \$4bn. That figure now stands at \$21B commanding 76% of the stable coin market. Facebook announced in November 2020 that it was changing the name of its own stablecoin project from Libra to Diem. It plans

to launch this year subject to gaining approval from the Swiss financial regulator as the organisation behind the coin is based in Switzerland. This however is only the first step, they will still have to obtain all the necessary licences in the US before they can allow US customers to buy. It does appear that the government is taking an extra interest in stable coins with a new bill presented to congress which would require stable coin issuers to secure bank charters. Legislation is a few years away yet. Investors should ensure they are not holding Tether when that time comes because with their current problems and history it is highly unlikely the US or any other developed world regulator would grant them a stick of candy not alone a licence! It is interesting to note the regulated exchange Coinbase do not offer a market in Tether although they did offer a market in XRP which was a big mistake.

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DeFi News

Last year the crypto DeFi sector exploded. The value locked, which is the amount of money held in all the DeFi protocols or platforms, has increased by 2,000%, from \$0.67B to \$14B. Uniswap emerged as by far the largest decentralized exchange controlling 95% of all DEX trades. Maker, Compound and Aave are the leading lending platforms. The DeFi sector may well be exploding however it is far from mainstream. That scenario is a few years away yet. Take for example Uniswap they have 38,000 daily users that number is dwarfed by the 100m people who own bitcoin. But there is room for growth and as these platforms become more user friendly adoption will improve. The sales pitch is a powerful one. Why leave your coins with PayPal when they could be earning a return? Currently PayPal, Square et al do not allow you to take advantage of the many DeFi platforms. They will be forced to relook at this as users become more sophisticated. However there is a big question mark over the DeFi space in terms of regulation as currently all of the top platforms collect zero customer data. They are clearly breaching the US know your client and anti money laundering regulation.

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Cryptocurrency Regulation and Enforcement

2020 saw the release by the US Justice department of its Cryptocurrency Enforcement Framework. The CFTC charged BitMex with illegally operating a cryptocurrency derivatives trading platform and anti-money laundering violations. BitMex is still operating although its founder is on the lamb. With Bitmex and the recent complaint against XRP it is a good bet that there will be other exchanges and



cryptocurrencies targeted by US law enforcement this year. As an investor it is advisable to only invest in regulated firms regulated in your jurisdiction. If you are investing through unregulated platforms or those regulated in second rate jurisdictions such as Malta, Cyprus or Estonia you are asking for trouble. Make 2021 the year we start doing things properly. As mentioned above the DeFi space is prime for enforcement action. The US government does not like it when US citizens are permitted to lend/borrow without a money transmitters licence and where operators fail to collect customer data. Unfortunately it will be the government who will make the first move as the sector seems to have their heads in the clouds. That will change when the Feds come knocking.

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Cryptocurrency Micro Caps - Searching for Hidden Value?



There are over 6,000 listed cryptocurrencies. However most of the action is in the top 6 (Bitcoin, Ether, XRP, Tether, Litecoin and Bitcoin Cash). From our own indepth research it is obvious there are huge rewards waiting for those who find the hidden gems among the many long forgotten and overlooked micro cap cryptocurrencies. These are the coins with a market cap of under \$3m, representing over 80% of all cryptocurrencies.

High Reward — High Risk

Investing in micro cryptocurrencies is probably one of the most lucrative opportunities out there right now although it is not without risk. Whilst offering the greatest potential of most investment opportunities it also represents the highest risk. Don't enter this market unless you understand the risks and most importantly you are able to withstand any losses.

A Few Facts

Here are a few interesting facts about the cryptocurrency market:

- There are over 6,000 listed cryptocurrencies
- There are 30 coins with a market cap of over \$1bn
- There are 114 coins with a market cap of over \$100m
- 5,000 coins have a market cap of under \$1m
- 3,900 coins have a market cap of under \$500
- Over 60% of listed cryptocurrencies have a market cap of under \$1

The Micro Cap Watch List

We have recently launched the Micro Cap Watch List. This is a list of around twenty micro cap cryptocurrencies that we believe are worth closer attention.

The Search

To narrow the search for that hidden treasure we focused on cryptocurrencies with a market cap below \$3m with a cut off of \$2,000, that provided around 1,100 cryptocurrencies to sift through, no small task.

We were looking for cryptocurrencies that had built a reasonably sized community, where the currency was listed on at least two exchanges, and where the project demonstrated potential. Let's describe what they considered the word potential to mean in this context.

The Selection Criteria

A project with potential is one where the project is live and has an established user base. In many cases projects have been overshadowed by the bigger brother in the market who have enjoyed all

the publicity leaving the potentially promising projects marginalized and languishing at the bottom of the cryptocurrency heap.

The Potential Rewards

The prices of the cryptocurrencies selected in the first list are in many cases a fraction of a cent with market caps ranging from \$1.6 million to \$2,000. The potential if one of these projects is revalued is huge. Daily increases of 100% plus in the micro cap market are commonplace. But the reverse is also true.

Updates

We will update this list every Friday adding and taking out cryptocurrencies depending on developments and feedback which will be published on our social media platforms.

DYOR

Always do your own research. This list does not represent financial advice or a recommendation to buy. It is purely a watch list of cryptocurrencies with potential.

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