



CFA Society
Malaysia

FinTech Forum Series 2021

Part 3:

Cryptocurrency – At A Point of Inflection?

Webinar Recap

Cryptocurrency: Technical or reputational concern?

Cryptocurrencies have been linked with negative connotations – words like scam and bubble often come to mind. This is because of the **lack of knowledge and education** of how and why cryptocurrencies exist.

Many are concerned of Bitcoin having an impact on the environment as sceptics and environmentalists have raised concerns about the energy consumption and carbon footprint which has resulted in a reputational crisis in the Crypto space.

Whilst the debate of Cryptocurrency and energy consumption is hotly debated, crypto currency like Bitcoin consumes less energy than other entertainment platforms like YouTube and just like any other maturing industry, **the early infrastructure stage is particularly intensive.**



Is Crypto ready for Institutional Investors?

Institutional investors have expressed interests in cryptocurrency and are **slowly embracing** digital coins as an asset class in the country. However, institutional investors have raised concerns with the digital asset class as crypto prices remain **volatile** and are seen as a **highly speculative** investment. With **guidelines, regulations and licenses** in placed, Bitcoin could further grow as an investment instrument for portfolio diversification.



Webinar Recap

Alternative new coins being introduced in Malaysia

Securities Commission Malaysia has approved four digital assets for trading, which are Bitcoin, Ethereum, Litecoin and Ripple. All digital assets need to be reviewed by Securities Commission to **protect the interest of retail investors**. To-date, Bitcoin has the track record as the most dominant digital asset and is often viewed as the "reserve currency" of the digital asset world.



How do you value something that is totally intangible with no central authority?

Just like gold, Bitcoin has desirable properties that are rare and limited in supply (scarcity) and derive consumer satisfaction (utility). Its price is dependent on its supply and the market's demand for it. **The greater the demand, the more interest** it would generate as an alternative investment. Some of the metrics that determines the value of a crypto network would include the number of active users, sign-up rate as well as the number of miners connected.



Webinar Recap

Adoption of IEO platforms in Malaysia

Securities Commission Malaysia has produced a **set of guidelines for Digital Assets Token Offerings** to operate via the initial exchange offering (IEO) platforms. IEO operators **play a similar role to investment banks**, in that they will act as the adviser, book runner and underwriter. In IEO, crypto exchanges must complete a Due Diligence procedure as they are to disclose every detail about their project, such as the project members, information about the company, etc. IEO is more secured than ICOs as it makes it difficult for fraudsters to take advantage of fundraising methods.



Is Cryptocurrency a threat to banks?

Cryptocurrencies will **complement Banks** instead of replacing and competing with them and central bank digital currencies (CBDCs) are structurally no different than fiat. There will be *some level* of disruption and competition happening. Although the roles of banks may evolve, a world where traditional finance (e.g. banks and central banks) can co-exist with decentralized tech like Bitcoin, Ether and DeFi.

