

 LedgerX

Series B

Confidential

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# Bitcoin's Needs: Regulation and Volatility Management

Bitcoin is a fundamentally new asset class that requires no middlemen or third-party to process transactions.

- Bitcoin peer-to-peer network: New universal settlement layer and global open-access financial network
- Bitcoin currency: A more efficient collateral asset

Wall Street banks are scrambling to get into Bitcoin and the blockchain. But they need **regulation** and a way to **manage volatility**.

LedgerX's regulated options exchange will let institutions manage volatility. Our clearinghouse has built a bridge between Bitcoin and the traditional financial system, and **regulatory approval will activate this bridge**.

# The Future of Money

## Old Money

M0: Cash in circulation



M1-M2-M3: Commercial bank money lent via traditional ledgers



Financial institutions manage cash volatility risk via CFTC-regulated FX trading

## New Money

M0: Bitcoin blockchain as a settlement layer



M1-M2-M3: Commercial bank obligations on top of the blockchain (via sidechains, smart contracts, etc)



Financial institutions manage bitcoin volatility risk by trading on LedgerX's CFTC-regulated options exchange



"R3Cev [...] convened the April meeting at Bank of America, which was attended by more than 75 people from 15 financial institutions" – NYT article on blockchain tech



U.S. COMMODITY FUTURES TRADING COMMISSION  
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

CME Group  
How the world advances

ICE

LedgerX

# Professional Investors and Speculators Want Bitcoin

"We see investing and trading bitcoin as one of the first major applications of crypto currency..." – Wedbush Equity Research

**PANTERA**

 **secondmarket**

**Goldman Sachs**

**Morgan Stanley**

**JPMorgan Chase**

**TIGER**

 **TUDOR**

**SOROS**

Soros Fund Management

- Investment Banks
- Bitcoin-specific Prop Traders
- Macro Funds
- Multi-strategy Hedge Funds
- Family Offices

- Buying Ability
- Shorting Ability
- Liquidity
- Market-Making
- Arbitrage

- No Oversight
- Unexperienced Professionals
- Complex Banking Arrangements

- U.S. Federal Regulation
- U.S. Banking
- Trusted Clearing
- Safe Collateral Storage
- Easy API Access
- Experienced Governance

# Hedgers Need Bitcoin Options

Consumers



Consumer Businesses  
CIRCLE **coinbase**

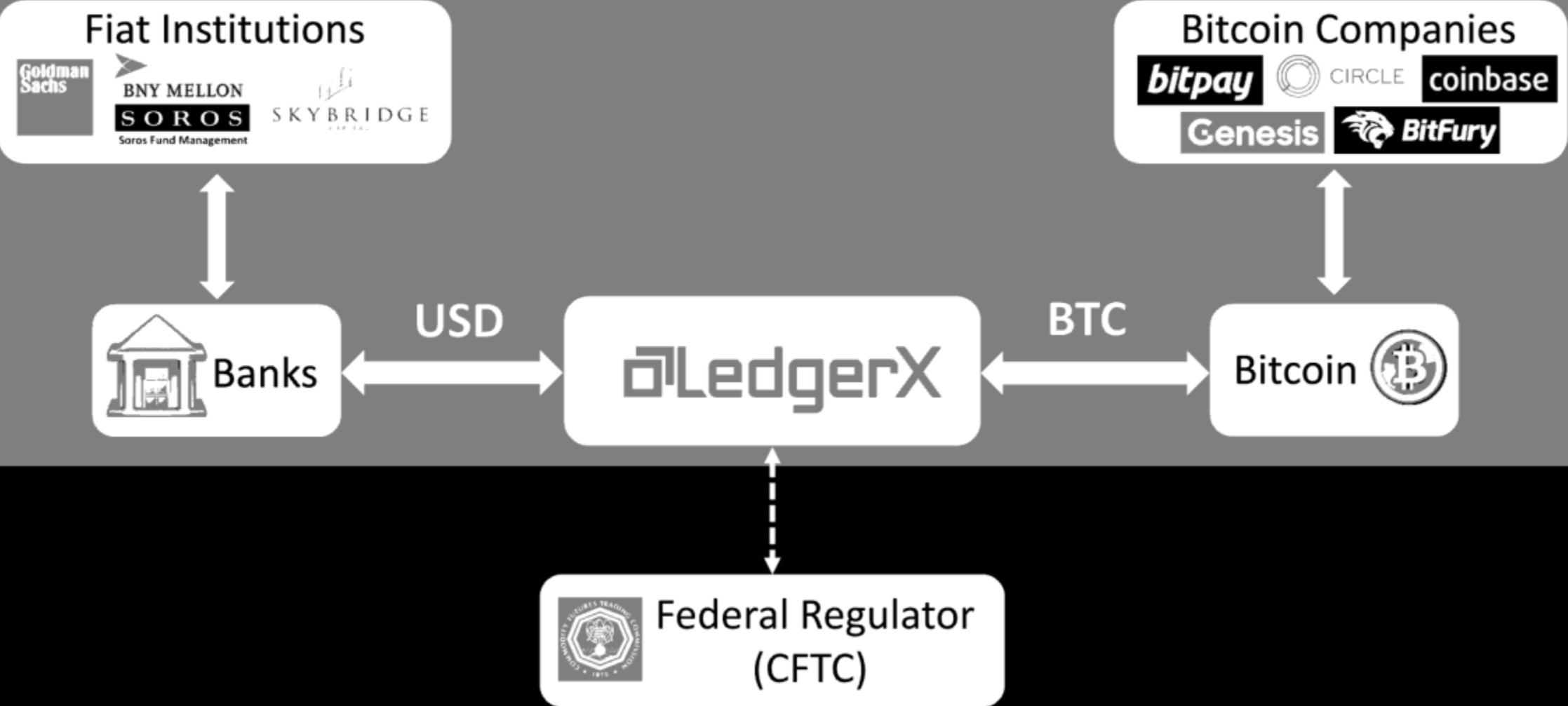
Merchants  
**Expedia**  
overstock.com **dish**

Payment Processors  
**bitpay** **Bitnet**

Merchants convert BTC to fiat



# LedgerX Approach



# Existing “Options”

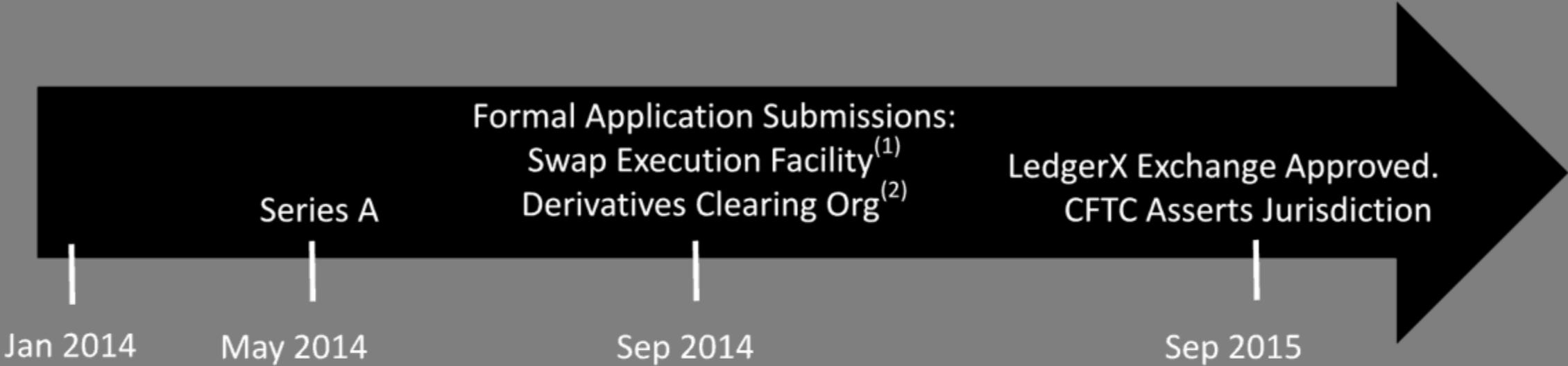
Mostly inferior products like binary options, cash-settled forwards, or other less-efficient hedges.

Coinut	X	X	X	X		Singapore
Bitstamp	X	X	X	X		Slovenia
Bitfinex	X	X	X	X		Hong Kong
Over-the-counter options	X	X		X		New York
CME	✓	✓	✓	✓	X	Chicago
Tera	✓	✓	X	X	X	New York
LedgerX						New York

# LedgerX: The Trusted Solution

U.S. Based	
U.S. Banked	
U.S. Regulated	
Experienced Operators	
Derivatives Trading	
Bitcoin Specialization	

# Milestones



currencies are properly defined as commodities...

## – CFTC Enforcement Action against Derivabit, Sep 17, 2015

(1) A Swap Execution Facility (“SEF”) is a derivatives trading platform designation under the CFTC. A SEF license enables a company to list for trading swaps and options on currencies and / or commodities.  
(2) A Derivatives Clearing Organization (“DCO”) is a clearing designation under the CFTC. A DCO license is the only regulated way that a company may hold customer funds and collateral in order to effect settlement and delivery for derivatives on currencies and / or commodities.

# Highly Experienced Team



**Mark Wetjen**

DTCC  
Fmr. CFTC Acting  
Chairman

Paul Chou, CEO

Juthica Chou, President  
& Chief Risk Officer



Series A Lead



**Jim Newsome**

Fmr. CFTC Chairman  
NYMEX CEO  
CME Board Member

Zach Dexter, CTO

Shabana Paul, CFO &  
COO



Seed Investors



**Tom Lewis**

Ameritrade CEO  
Green Exchange CEO

Kari Larsen, General  
Counsel & Chief  
Regulatory Officer

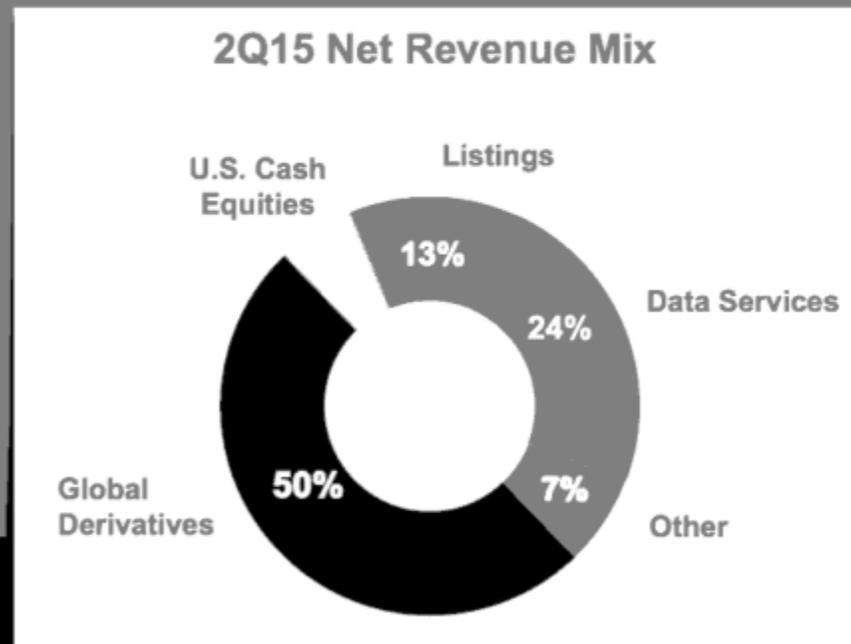
Maria Minguez, Chief  
Compliance Officer



# The Real Margins are in Derivatives Clearing

The biggest clearinghouses in the world are in derivatives

  
Mkt Cap: \$31B  
2014 Rev: \$3.1B



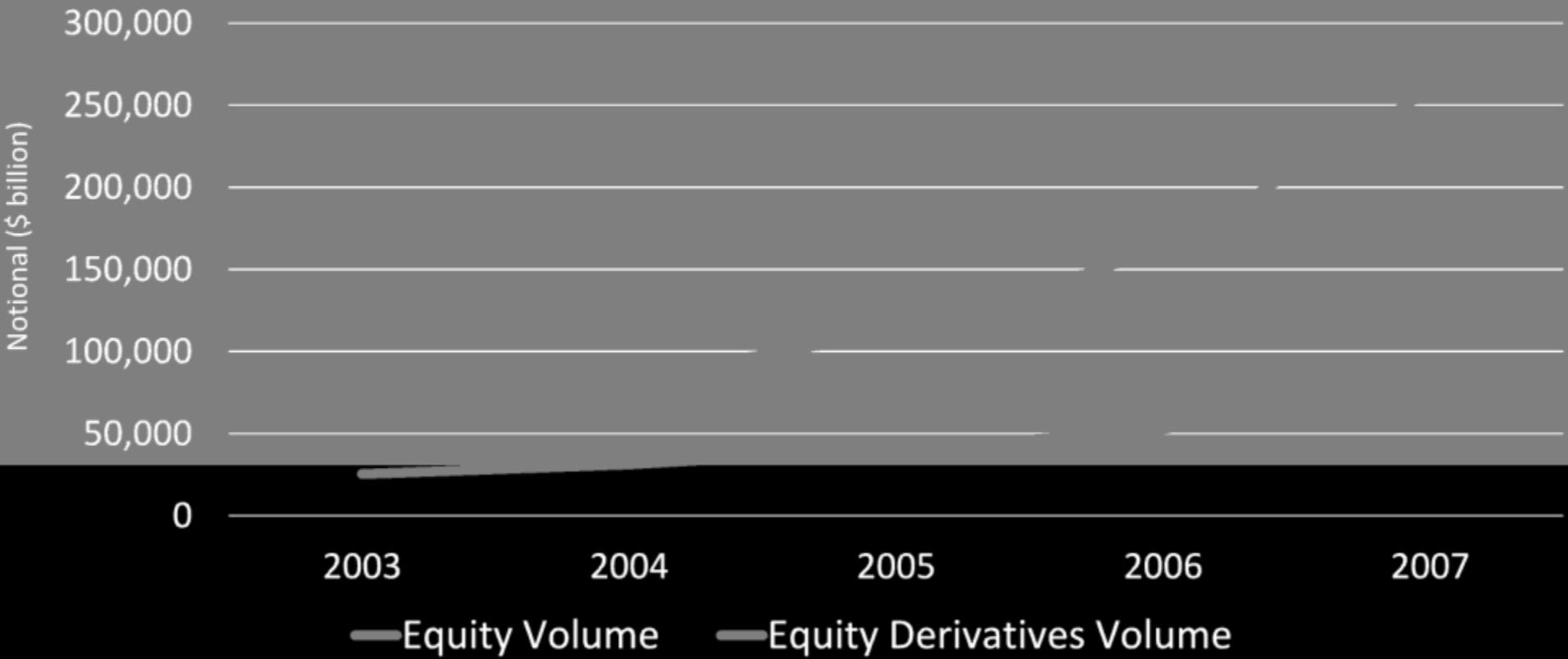
  
Mkt Cap: \$25B  
2014 Rev: \$3.1B

ICE 2Q15 Revenue Mix\*

\*ICE acquired NYSE in 2012 for \$11B, yet NYSE trading revenue (Cash / Spot Trading) is still only 11% of ICE's total transaction revenue. The remaining 89% is from derivatives.

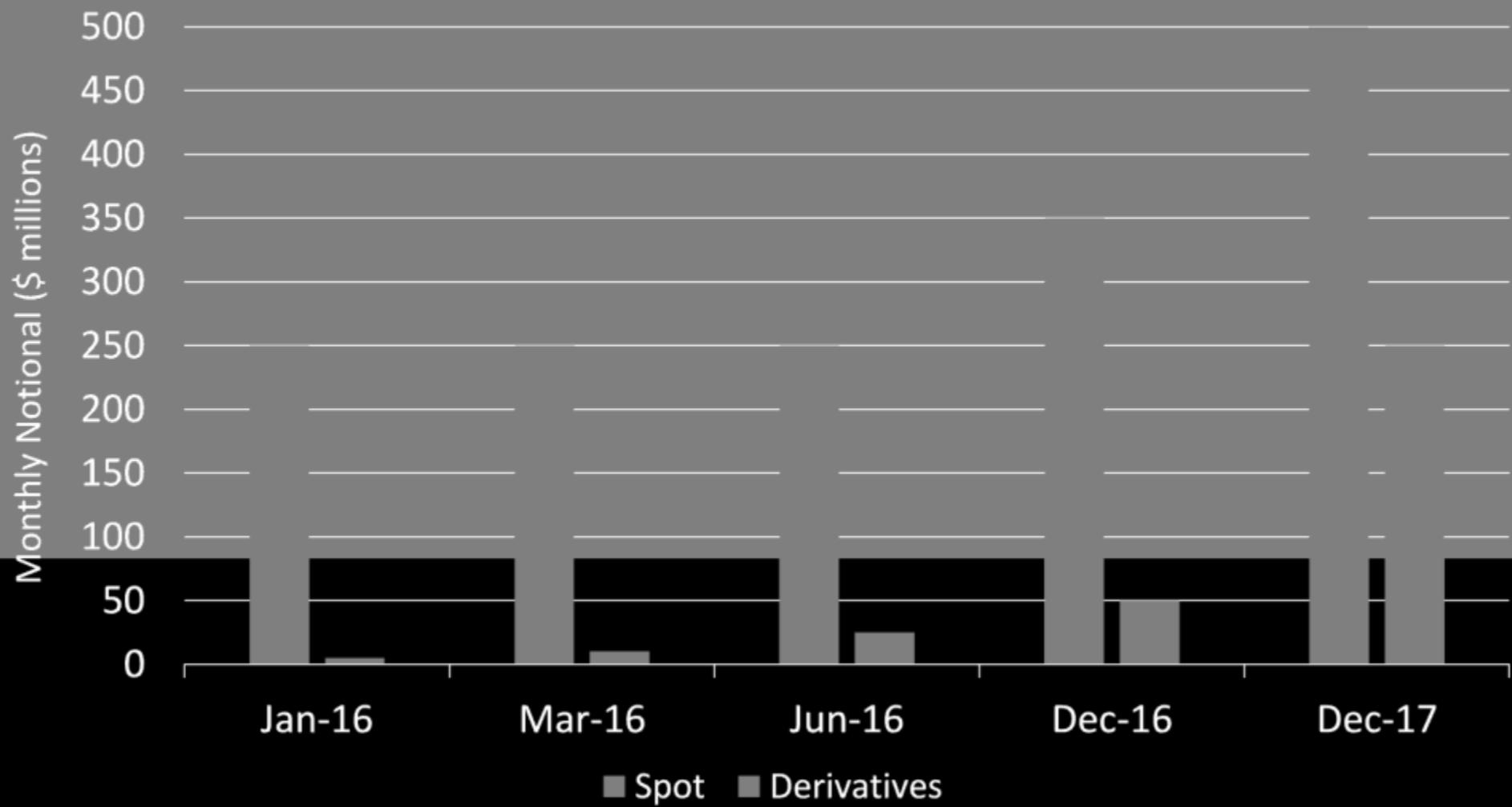
# Derivatives: Finance's Rocket Fuel

## Co-Evolution of Spot and Derivatives Markets: A Case Study



Source: World Federation of Exchanges (October 2015)

# Bitcoin Volume Projections



# Fundraising

<p><b>History</b></p>	<p>Seed: Early 2014 Series A: Mid 2014</p> <p>Total Raised: ~\$6M</p>			
<p><b>Current Status</b></p>	<p>Raising Series B. Targeting \$5M lead check: \$30M pre-money, up to \$40M post-money</p>			
<p><b>Use of Funds (\$10M Total)</b></p>	<p>\$4M</p> <p>Federally-Regulated Clearinghouse</p>	<p>\$2M</p> <p>Liquidity Provider</p>	<p>\$2M</p> <p>Cash Flow Positive</p>	<p>\$2M</p> <p>Retail License</p>

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