

CRYPTOCURRENCY and the Current Investment Landscape

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Cryptocurrencies, and Bitcoin in particular, have morphed into a love-hate relationship with the investing community and with the mostly uninformed public. Second only to Donald Trump and his daily antics, these discussions dominate mornings at the water cooler and evenings at the bar.

Many of the world's most famous and knowledgeable investors have weighed in:

Warren Buffet - **"Bitcoin is a mirage, stay away from it. The end will be bad."**

Jamie Dimon - **"Bitcoin is a fraud and it won't end well."**

Al-Waleed Bin Talal - **"I think this is Enron in the making."**

Janet Yellen - **"It is a highly speculative asset."**

Gov't of India - **"Consumers need to be alert and avoid this Ponzi scheme."**

Paul Krugman - **"Bitcoin is evil. It's the most obvious bubble."**

Wells Fargo - **"Bitcoin is a pyramid scheme."**

To be fair, I could just as easily have compiled a list of quotes from Bitcoin bulls; many of whom have made an absolute fortune I might add. Full disclosure - I do not claim to understand blockchain technologies, how to value cryptocurrencies and I have no opinion as to whether Bitcoin rises to \$100,000 or falls to \$1,000. I also have nothing but envy for those who have figured out how to cash in on this mania.

The issue I have is with those whose mandate it is to protect the unknowing and often uninformed public. This sometimes means protecting us from ourselves, from our greed. The mandate of the Ontario Securities Commission is "to provide protection to investors from unfair, improper and fraudulent practices, and foster fair and efficient capital markets".

Ask anyone in the capital markets who has taken a meeting in the past two months, blockchain is on everyone's lips. If Kodak (+200%) and Long Island Ice Tea (+220%) can embrace blockchain, then why not "weed" companies, mining companies or any company looking for a Hail Mary? Have we not seen this movie before? Do the regulators not remember how badly it ended? A quick survey of "blockchain" companies listed on the CSE

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shows an average 60-day return of -48%. It feels a lot like the inmates are running the asylum. Are these efficient capital markets or is this the Wild West? How exactly are the regulators “working to protect investors” by maintaining “high-quality standards and market integrity”?

The recent sell-off in the price of most cryptocurrencies is a direct result of regulation fears from Russia and China and South Korea’s threat to ban all cryptocurrency trading. Ironically, in October the OSC declared that it was “keen to support” crypto-offerings (ICOs). It appears as if Canada is not just the “weed capital” of the world, but the “home to crypto” as well.

According to GMP Capital, at least 50 firms tied to blockchain and cryptocurrencies are set to list on Canadian stock exchanges in 2018. Canada is emerging as a hub for Bitcoin and cryptocurrency stocks. Harris Fricker, CEO and President of GMP Capital, states “while there’s bound to be volatility in the market, I am not concerned about its long-term viability. Fricker concedes “the RTO structure will prevail until the regulators provide full instruction on where they live on clearing of prospectuses.” In essence, he is acknowledging that his firm will continue to push as much product as it can until someone, presumably a regulator, demands better, more accurate and more informed disclosure.

The purpose of this article is not to provide any kind of an investment recommendation, or warning, I’ll leave that to pundits a lot smarter than me. What I am asking is how it is possible for this to be taking place in a regulated market under the supervision of those with the responsibility to preserve the integrity of our capital markets and to protect those who participate in them.

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