

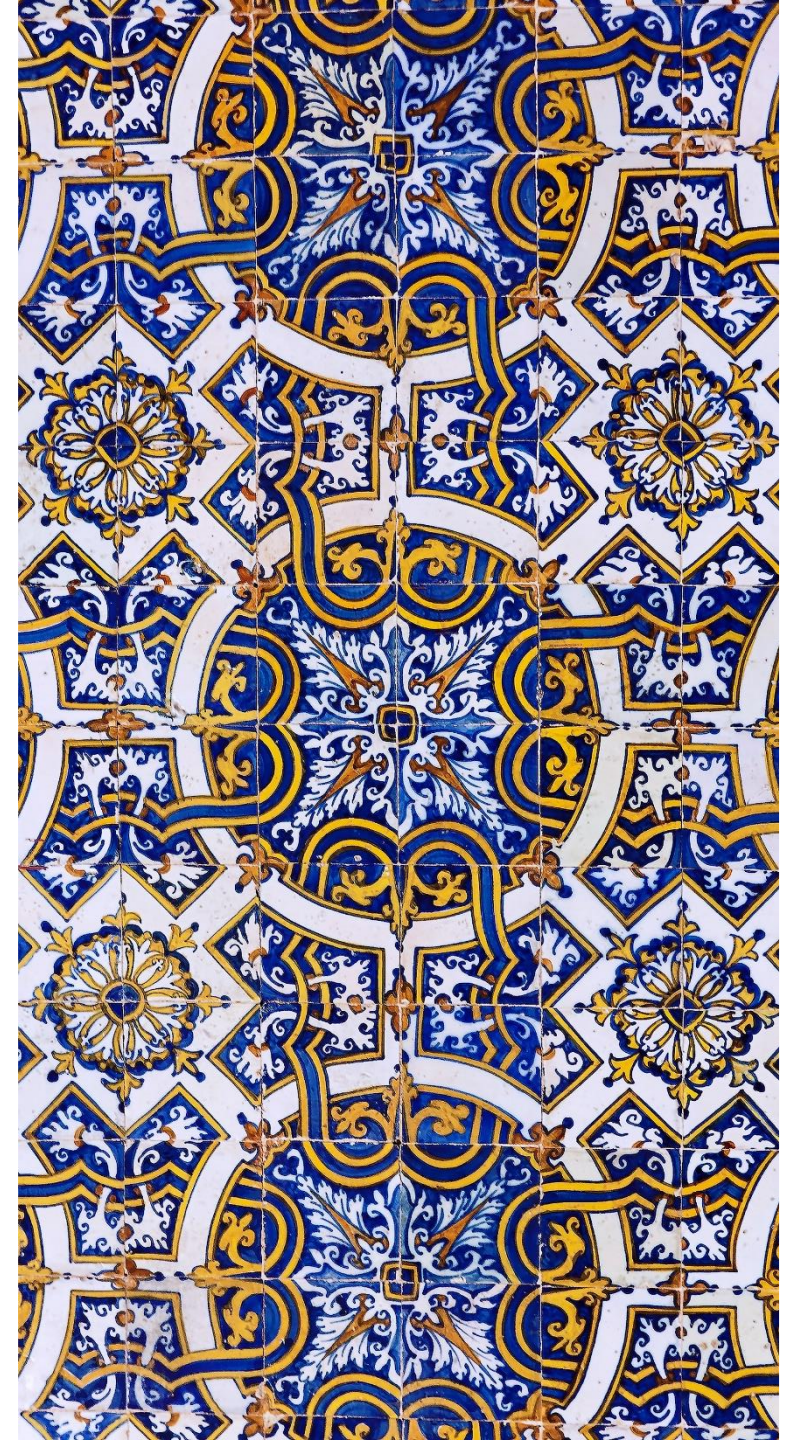


Gil Figueira  
& Devillet Lima  
Advogados

# Cryptocurrencies A new asset class?

Offshore Wealth Online Summit  
November 2020

[www.gfdl.legal](http://www.gfdl.legal)





# What is covered?

- Blockchain basics
- Cryptocurrencies 101
- Investing in cryptocurrencies
- The Portuguese case





# Blockchain basics





# The origin of Bitcoin – 2008/2009

- “Satoshi Nakamoto” whitepaper
- Bitcoin: A Peer-to-Peer Electronic Cash System
- Unknown identity
- Bitcoin (BTC) was a by-product of a propose decentralized payment system.

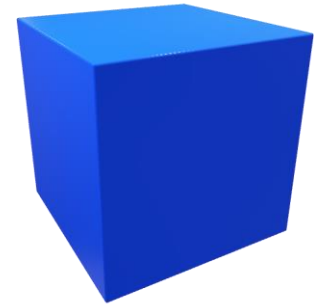
<b>Satoshi Nakamoto</b>	
<b>Born</b>	5 April 1975 (age 43) (claimed) Japan (claimed)
<b>Nationality</b>	Japanese (claimed)
<b>Known for</b>	Inventing <a href="#">bitcoin</a> , implementing the first <a href="#">blockchain</a> , deploying the first decentralized <a href="#">digital currency</a>
<b>Scientific career</b>	
<b>Fields</b>	<a href="#">Digital currencies</a> , <a href="#">computer science</a> , <a href="#">cryptography</a>

*Wikipedia print screen*



# Concept of Blockchain

- Blockchain is a digital record of transactions
- Named after its type of structure:
  - An individual record is a **block**
  - Blocks are linked by a list, a **chain**
- Distributed Ledger Technology



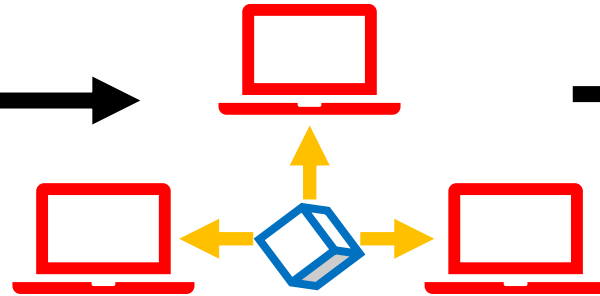
# Blockchain diagram



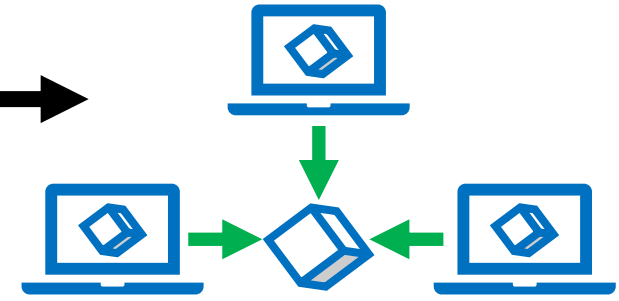
A transaction is initiated  
Data is packaged in a block



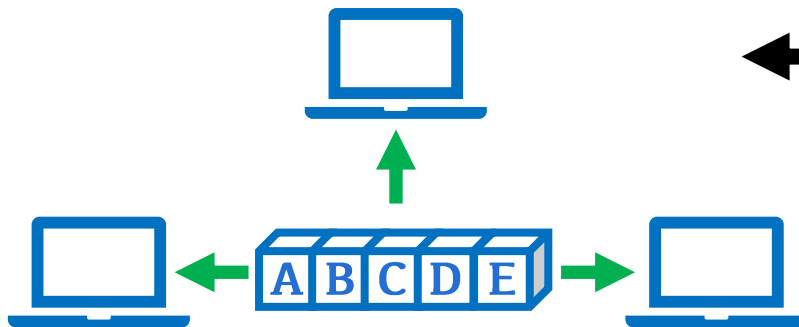
A block is sent to members



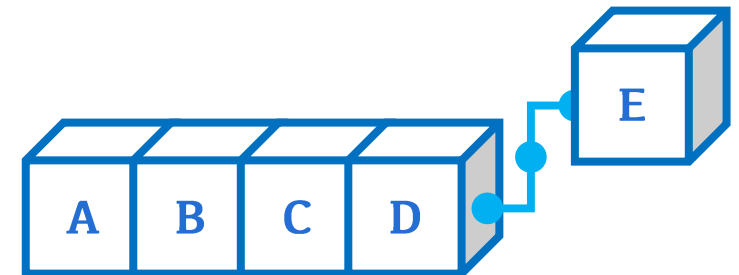
Consensus & Approval by the network



The updated chain is distributed



Block is added to the existing chain



# Distributed Ledger Technology



- Based on:
  - Constant duplication and validation
  - Security by decentralization
  - Publicity for control, transparency
- List of records – “blocks” linked and secured through cryptography.
- Managed by a network of inter-validating nodes using a protocol.
- The ledger is public – all transactions are validated chronologically.

# Distributed Ledger Technology



- Any information in any given block cannot be altered retroactively without the alteration of all subsequent blocks – the *chain of blocks*.
- Decentralization avoids collusion of the network.
- Consensus is required.



# Blockchain in the world



- Secure ledgers for digital transactions
- Finance - accelerates a transaction
- Crowd funding – The ICO
- Elections and transparency
- Transportation & Tracking
- Healthcare
- File storage & Data Management
- Contracts and Land/Commercial Registries
- Identity Management
- Oil & Gas



# Issues

- Lack of (direct) regulation + Uncertainty
- *Establishment* is (usually) against it
- Full transparency can be an issue
- Crime and Money Laundering



# Three forms

- Cryptocurrencies
- Tokens
- Enterprise Solutions





# Cryptocurrencies 101





# Concept

- Encrypted digital currency
- Limited entries in a database, which cannot be changed except by fulfilling specific conditions
- In this regard, the concept does not differ much from a bank deposit
- Key aspects - accounts, balances and transactions



# Traits of cryptocurrencies

- Transactional properties
  - Irreversible
  - Pseudonymous
  - Fast and global
  - Secure
  - Permissionless
- Monetary properties
  - Controlled supply
  - No debt but bearer



# Coins & Tokens

## Coins

- Protocols
- BTC/ETH/NEO
- Exhibit the same properties as Bitcoin
- Altcoins
- Stablecoins

## Tokens

- Secondary assets
- Part of an ecosystem
- Market value + Function
- Representation of a particular asset or utility
- Resides on top of a blockchain.





# Smart contracts

- Enforces a relationship with cryptographic code
- No third parties
- No risk of downtime, censorship, fraud or third-party interference
- Creation of markets, store registries, transactions, redemptions, liquidation of tokens, triggering of other smart contracts
- Tokens



# Types of tokens

## Utility Token

Access  
Products Services  
Platform based

## Payment Token

Currency function

## Security Token

Represents asset,  
stake or equity  
Appreciation

- Regulatory concerns differ
- Payment – KYC/AML + Banking
- Security – Securities Law



# Investing in Cryptocurrencies





# Investment alternatives

- Mining – DIY
- Trading – Direct/Exchanges
- OLD: Initial Coin Offerings
- NEW: Exposure to Blockchain enterprises



# Mining

- Investment – no lucky trades
- Dual purpose
  - Creating coins
  - Confirming transactions
- Hardware vs Cloud Mining
- Electricity price vs market price







# Exchanges - Crypto/Fiat frontier

- Online Marketplace
- Trading Platforms
- Direct Trading
- Brokers



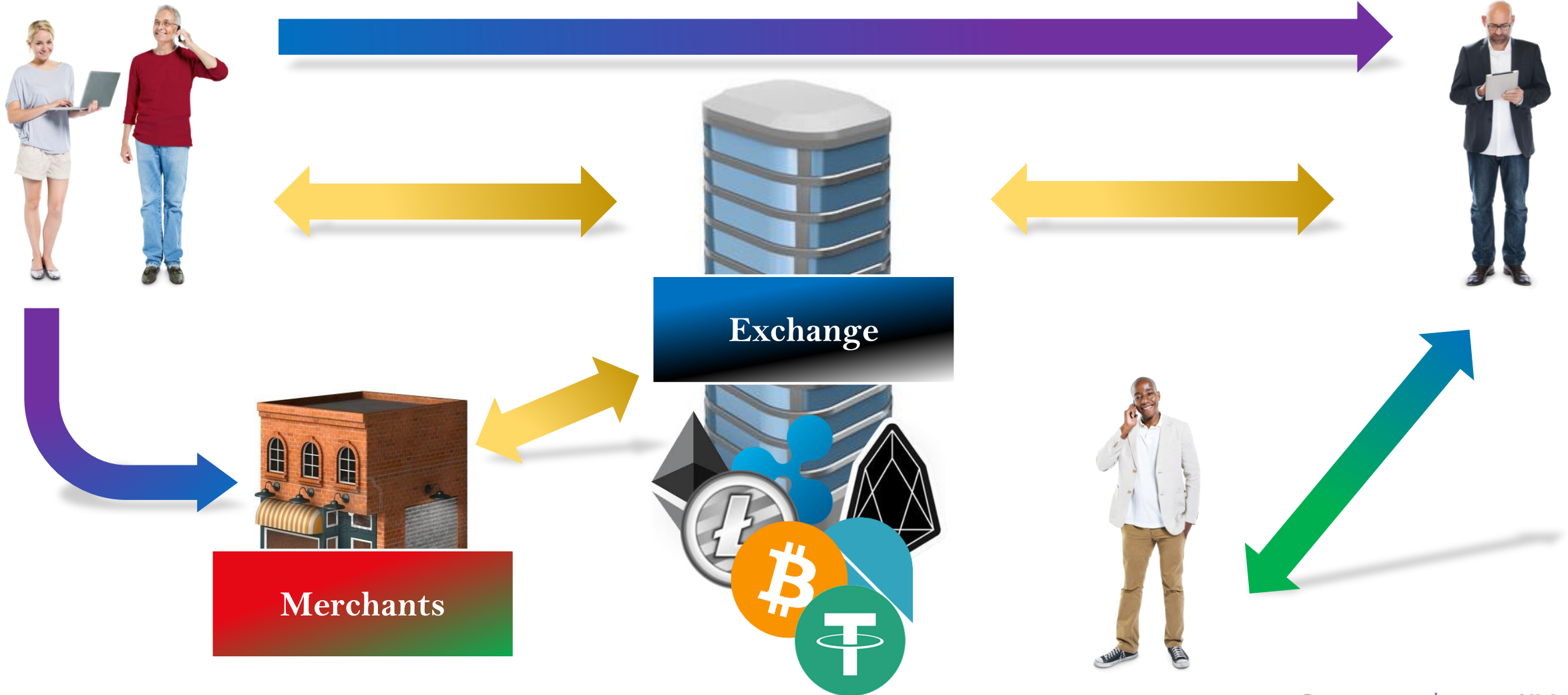




# Exchange Policies

- Reputation + Regulatory compliance
- Fees & Payment methods
- Verification (KYC/AML) requirements
- Geographic restrictions
- Exchange rates and Market cap

# Ecosystem Acquisition, sale and conversion





# Initial Coin Offering

- A (old) new fundraising model – ICO
- Token sale, token generating event or initial token offering
- Facilitated by smart contracts
- Idea or Product + Marketing + Whitepaper
- Usually project oriented



# The issuer

- Blockchain-based start-ups
- Tech companies
- Venture Capital funds or Crypto Funds
- Traditional Finance & Real Estate



# Benefits

## Issuer

- Financing
- Community creation
- Positive network effect
- Non-discrimination
- Global marketing
- Speed
- Settlements over the blockchain

## Participant

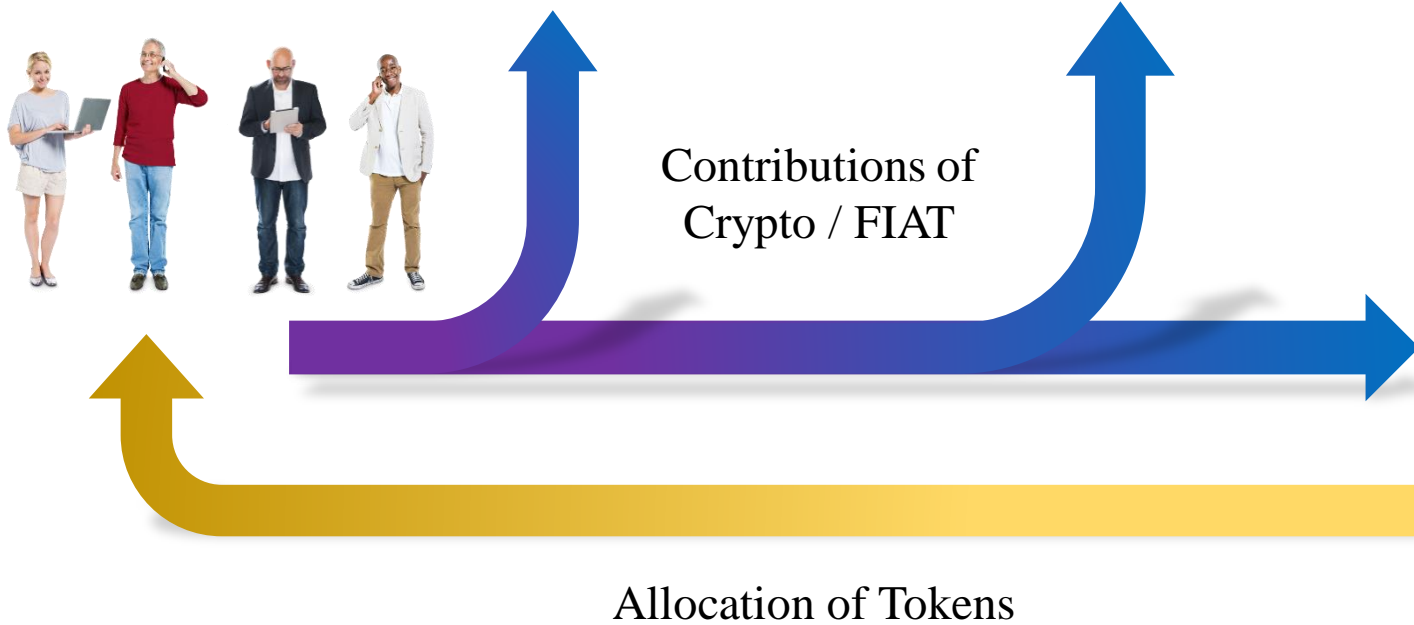
- Quick gains
- Liquidity
- Easily transferable
- The network effect of value creation
- Democratizing investment



**Private Sale**  
Big investors  
Insiders  
Seed capital  
Discounts apply

**Pre-sale**  
Reduced % of  
tokens to sell  
Discounts apply

**ICO**  
Contributions  
are collected  
KYC / AML  
Allocation





**Project is viable**  
**BTC ETH**  
**USD EURO**



**Financing of the project**

**Platform is created / Investment**  
**Token Listed?**



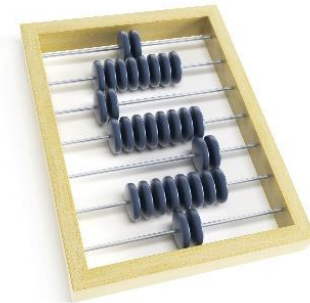
**Use of the token**





# Past investment cycle

- Price volatility
- Market manipulation
- Sales attributed to ICO cash outs
- Long crypto winter







# The end of the ICO mainstream

- Evolution of Regulation
- SEC crackdown + New restrictions
- Less hype
- Less funding
- Safety?





# Investing in the use of blockchain

- Companies using blockchain in traditional sectors
- Companies operating only in the blockchain ecosystem
- Payments | Supply chain | Tracking | Storage
- Blockchain as technological convenience



# Concerns

- Is the activity regulated?
- Is blockchain the solution for a problem?
- Is the pricing correct?
- Dependent on the sale of crypto?

# The Portuguese case





# The Portuguese “license”?

- Anti-Money Laundering
- AML 5 Directive is transversal in the EU
- Registration with the Bank of Portugal
- *“Entitles operating with virtual assets”*
- First step to accountability



# Reasons for licensing

- Protecting consumers and enforcing accountability
- Protecting the financial sector
- Avoiding criminal behaviour
- Recognizing the underlying reality



# Takeaways

- Traditional world strategies for investment need to be adapted
- Take time to educate yourself
- Volatility & Legal issues
- Regulation is increasing / has increased
- Consider an advisor when investing large sums in crypto



# Questions & Answers







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## Industries

**Media & Performing Arts**

**FinTech & Blockchain**

**Real Estate & Construction**

**Private Client & Asset Protection**

**Private Equity**

**Global Talent Advisory**

**Manufacturing & Retail**

**Hospitality & Leisure**

