

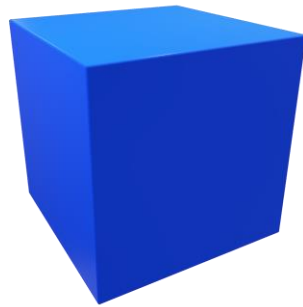


Gil Figueira  
& Devillet Lima  
Advogados

# Cryptocurrencies A new asset class?

Offshore Wealth Online Summit  
November 2021

[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>

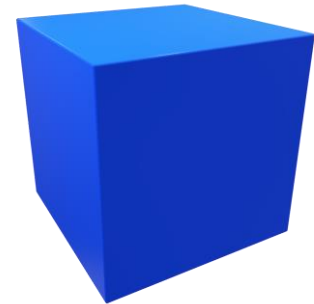
Wikipedia print screen





# 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



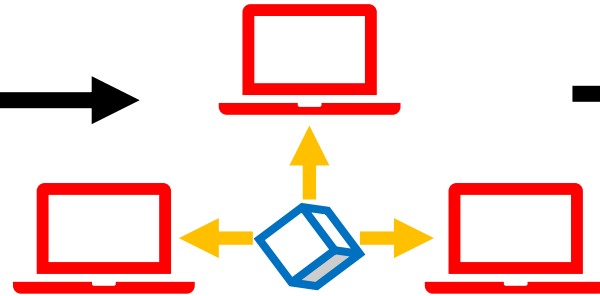
# Blockchain diagram



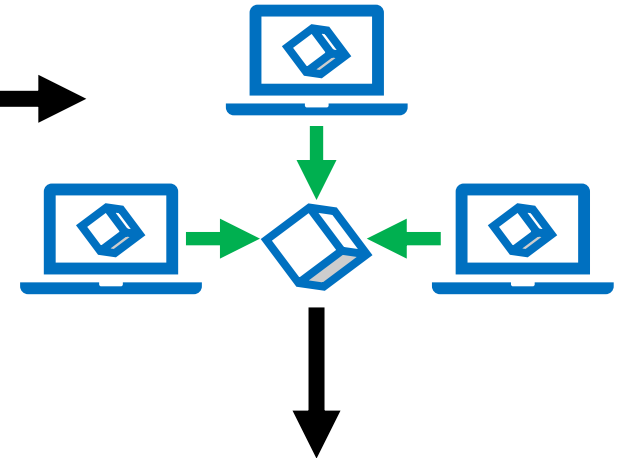
A transaction is initiated  
Data is packaged in a block



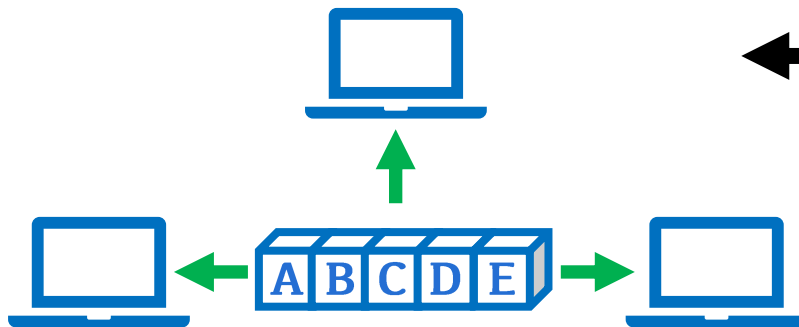
A block is sent to members



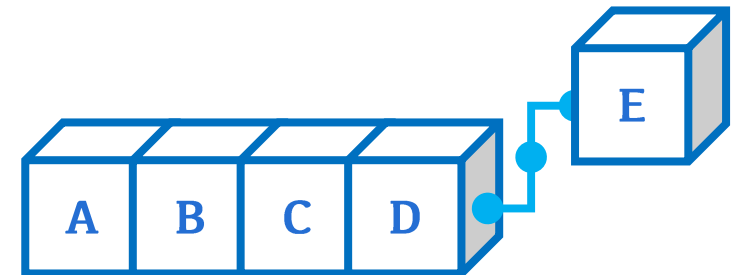
Consensus & Approval by the network



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









# 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/protocol.



# 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 (tentative)

## 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 | Staking
- Trading – Direct/Exchanges
- Initial Coin Offerings - ICO
- Initial Decentralized Exchange (“DEX”) Offerings - IDO
- DeFi - Decentralized Finance
- Exposure to Blockchain enterprises



# Mining

- Proof of work
- Dual purpose
  - Creating coins
  - Confirming transactions
- Hardware vs Cloud Mining
- Electricity price vs asset price
- Staking & Proof of Stake













# Exchanges - Crypto/Fiat frontier

- Online Marketplace
- Trading Platforms
- Direct Trading
- Brokers / OTCs





# Exchanges' Policies

- Reputation + Regulatory compliance
- Fees & Payment methods
- KYC/AML requirements
- Geographic restrictions
- Exchange rates and market caps



# Initial Coin Offerings

- 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





# Replacing of the ICO

- Regulatory evolution and market trends
- SEC continuous surveillance + New restrictions
- Less hype
- Further decentralization?





# The IDO

- Decentralized funding using smart contracts
- Immediate liquidity and instantaneous trading
- Non-custodial transactions
- Use of “liquidity pools” in a DEX
- Rise of DeFi – IDOs, loans, complex financial services



Elon Musk ✓  
@elonmusk

Don't defy DeFi

10:25 AM · Mar 25, 2021 · Twitter for iPhone



# 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

# Overall concerns

- Volatility / pricing
- Market manipulation
- Lack of underlying assets
- Is the activity regulated?
- Is blockchain the solution for a problem?
- Taxes?



Dogecoin is the people's crypto

8:15 AM · Feb 4, 2021 · Twitter Web App



You can now buy a Tesla with Bitcoin

7:02 AM · Mar 24, 2021 · Twitter for iPhone

# Volatility



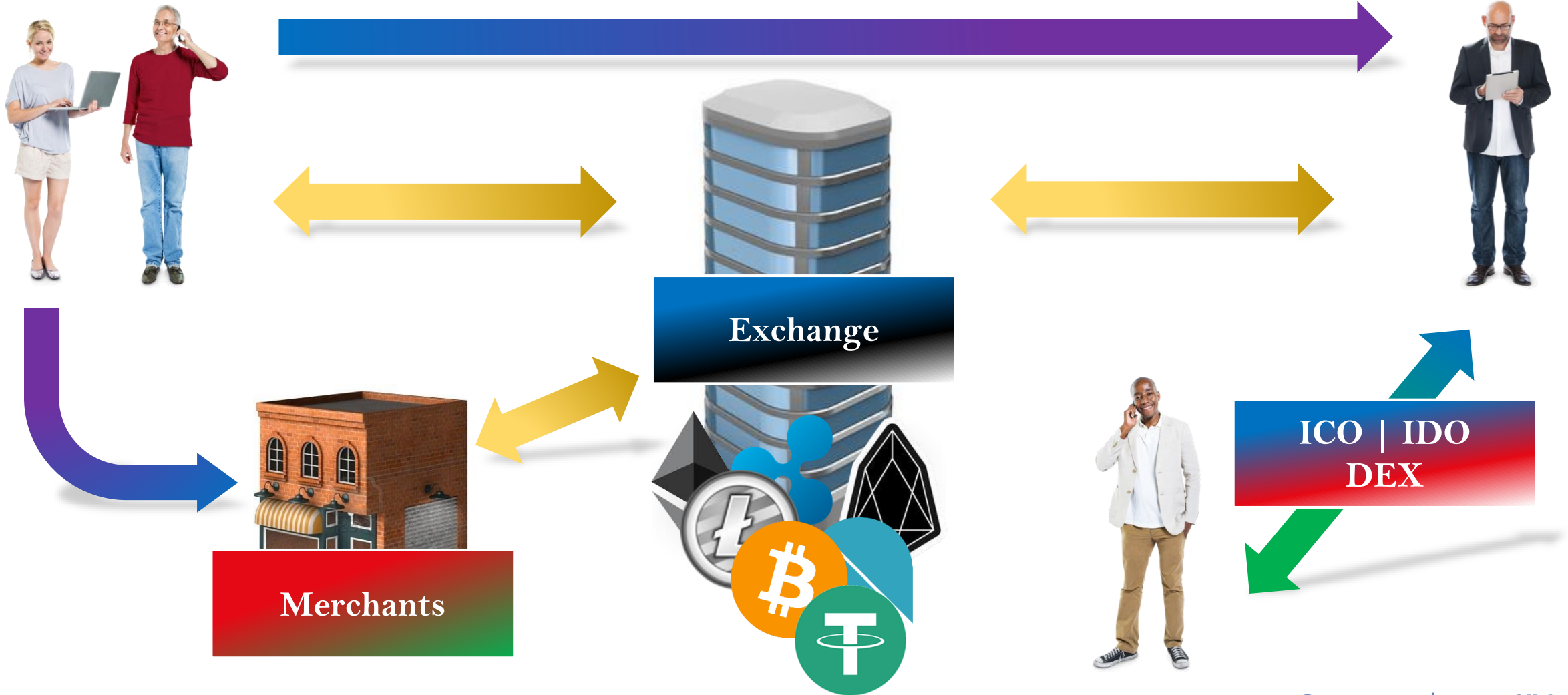
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Table provided by [www.tradingview.com](http://www.tradingview.com)  
BTCUSD Crypto Chart  
Accessed 18/11/2021



# Ecosystem of crypto





# Reasons for licensing

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



# The Portuguese case







# Cryptocurrency license

- Bank of Portugal license for Virtual Asset Service Providers
- Anti-Money Laundering Regulations
- VASPs include:
  - exchange services between virtual assets and fiat currencies;
  - exchange services between one or more forms of virtual assets;
  - transfer of virtual assets services;
  - custodian wallet service providers.



# Takeaways

- Traditional investment strategies need adaptation
- Take time to educate yourself
- Price volatility
- 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**

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**Private Client & Asset Protection**

**Private Equity**

**Global Talent Advisory**

**Manufacturing & Retail**

**Hospitality & Leisure**

