

RIVEMONT

Rivemont - Week 292

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Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont Crypto Fund.

The theme of the week couldn't be clearer: Ripple's victory in its legal battle against the SEC. A recent federal ruling determined that Ripple's XRP sales were not considered securities, except when sold to institutions. Federal District Judge Analisa Torres stated that scheduled sales to public buyers and XRP distributions to Ripple Labs employees were not considered unregistered securities sales. However, she didn't comment on secondary market sales of XRP on cryptocurrency exchanges. Conversely, Judge Torres concluded that institutional sales contracts worth \$728 million were unregistered securities sales, as these investors would have purchased XRP anticipating to benefit from Ripple's efforts. This two-part ruling has nonetheless been seen as a victory for

Ripple.

SEC Chairman Gary Gensler expressed disappointment over the recent judge's decision in the ongoing litigation with Ripple. Following last week's ruling stating that programmatic XRP sales to the public did not constitute unregistered securities sales, Gensler expressed disappointment and hinted that the SEC may consider appealing this decision. However, Gensler was pleased that the judge ruled that institutional XRP sales represented unregistered securities sales. He reiterated his stance on the cryptocurrency market, stating that the SEC often expresses its position through regulatory actions.

New York Democrat Ritchie Torres has ramped up his criticism of the SEC for its failure to provide clear guidance to the cryptocurrency industry following its legal defeat against Ripple Labs on multiple fronts. In an open letter to SEC Chairman Gary Gensler, Torres stated that "regulation by enforcement had a disastrous day in court." He echoed long-standing criticisms of the SEC's approach to cryptocurrencies, from both industry leaders and members of Congress. Torres hailed the judge's reasoning as a "rigorous application" of the Howey test, a legal standard for identifying securities, which he believes the SEC has applied "negligently." He asserted that the precedent set by the judge will prevail.

Ripple Labs hopes that American banks will start using XRP and its other products again following this legal decision. In an interview with CNBC, Ripple's legal counsel, Stu Alderoty, said he expects American banks to resume using the company's On-Demand Liquidity (ODL) product. Alderoty expressed hope that this decision would give current or potential financial institution clients the confidence to begin discussions on the issues they encounter in their operations, especially in terms of transferring value across borders without incurring exorbitant fees. He added that Ripple hopes to have many conversations with US-based clients this quarter following the judge's decision.

Although it has lost some of its gains from last Thursday, XRP has increased by about 60% since the decision.

Although cryptocurrency exchange platform Coinbase benefited from a respite following Ripple's partial court victory last week, Berenberg Capital Markets analysts warn that Coinbase is still under strong regulatory pressure. They state that this situation could hinder the rally of its stock. Despite the favorable judgment for Ripple, Coinbase faces significant challenges from regulators. Coinbase suspended its staking service in four US states following allegations that this service would constitute a securities offering. Although the company disputes this claim, it instituted the freeze to allow legal proceedings to take place. Berenberg analysts note that this service is particularly vulnerable to being considered a securities offering. Other experts, such as Jeffrey Blockinger, chief legal advisor of Vertex Protocol, believe that the judgment in favor of Ripple does not necessarily mean a big win for Coinbase, emphasizing that the SEC is unlikely to drop its other ongoing cases against exchange platforms.

Binance, the largest cryptocurrency exchange in terms of trading volume, announced that it has finalized the integration of the Lightning Network, a popular scaling solution operating on the Bitcoin blockchain. Binance users can now use this layer-2 scaling solution for Bitcoin withdrawals and deposits. To take advantage of this new feature, users must choose "BTC-Lightning" as their network when depositing or withdrawing Bitcoin from the platform. This integration follows a period of high congestion on the Bitcoin network that had led Binance to temporarily suspend BTC withdrawals. Other major cryptocurrency exchange platforms that have integrated support for the Lightning Network include Kraken, OKX, and Bitfinex, as well as mobile payment platform Cash App.

BlackRock's request to offer a spot Bitcoin ETF has been added to the SEC's official register as part of its proposed rule change process. This advancement, recorded last Thursday, propels the most followed Bitcoin-related proposal to date before the SEC. When the SEC signaled last month that BlackRock's application was incomplete, the company filed a revised application, adding a "surveillance sharing" clause that would imply that cryptocurrency exchange Coinbase monitors and reports possible illegal activities. Shortly afterwards,

Valkyrie updated its application with the same provision, as did Fidelity and ARK Invest.

Alex Mashinsky, ex-CEO of Celsius, was arrested following accusations of fraud from several US agencies, including the Department of Justice and the SEC. Mashinsky and other executives are accused of manipulating the price of Celsius's CEL token. The SEC is also suing Mashinsky for securities fraud, accusing him of misrepresenting Celsius's business model. The commission is requesting that he be barred from buying, offering, or selling cryptocurrencies and that he be divested of all ill-gotten gains. The CFTC also filed a complaint, asserting that Mashinsky and Celsius misled investors. Mashinsky faces seven criminal charges from the U.S. Department of Justice, including securities fraud; commodities fraud; two counts of wire fraud; conspiracy to manipulate the price of Celsius's native CEL token; fraudulent scheme to manipulate the price of CEL; and market manipulation of CEL.

Larry Fink, CEO of BlackRock, has bolstered his bullish stance on cryptocurrencies as an investment, asserting that they "will transcend any currency." Although he could not specifically discuss Bitcoin due to BlackRock's application to the SEC for a spot Bitcoin ETF, Fink highlighted that cryptocurrency "has a differentiating value compared to other asset classes." He also emphasized the international nature of cryptocurrency, asserting that it can transcend the problem of dollar devaluation.

On its part, despite a slight weekly decrease in prices, Bitcoin's volatility remains one of the lowest in terms of historical context. Technically speaking, the picture is identical to what it was last week. However, it is important to underline that following the rise of XRP, the Bitcoin dominance index has just slipped back under the 50% mark.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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