

09:46:18 Global_Markets_Forum Spriha Srivastava thomsonreuters.com

LiveChat with Anatoliy Knyazev, Managing Partner, Exante

0900 GMT

Topic - Bitcoin

10:00:59 Global_Markets_Forum Spriha Srivastava thomsonreuters.com And to take our questions this morning, we have Anatoliy Knyazev, Managing Partner at Exante Hedge Fund. Welcome to the forum Anatoliy.

10:01:04 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Hi!

10:01:22 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Let me start by saying that Bitcoins seem to be very popular in the last few months. Why have they suddenly captured people's imagination?

10:01:50 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com It's a positive feedback loop The price appreciation gets media coverage, and so on

10:02:09 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com It's a thin market still, so a couple of large buyers in Feb 2013 managed to get media attention.

10:02:20 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com That's the explanation I have for myself, at least.

10:02:57 Global_Markets_Forum Spriha Srivastava thomsonreuters.com I have also seen the rapid rise in value of Bitcoins being attributed to the worldwide financial crisis, problems in Cyprus or as you said just plain media attention. Do you think Bitcoins could go on to become the new safe-haven?

10:03:13 Global_Markets_Forum Timothy Nhamo icap.co.za Does your fund have a position in bitcoin?

10:03:23 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Mm safe haven as safe from the governments or safe from inflation?

10:03:30 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Possible the latter, yes.

10:03:51 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com As to the former, I'm not sure.

10:04:04 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Yes Timothy, this fund is a 100% long only BTC fund.

10:04:30 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com We give just the exposure and don't do any mgmt, hence no performance fee - Vanguard style.

10:04:48 Global_Markets_Forum Timothy Nhamo icap.co.za ah... I like your conviction

10:04:51 Global_Markets_Forum Timothy Nhamo icap.co.za

10:05:13 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Safe from inflation, yes. But with so much attention focused towards Bitcoins lately along with their relatively widespread supply, do you envisage government regulation coming in?

10:05:32 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Well, regulation is not always a bad thing.

10:06:12 Global_Markets_Forum Timothy Nhamo icap.co.za what are your thoughts vs a vis security/theft/ hacking of bitcoins?

If I bought some where are they kept? My hard drive?

10:06:14 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com If anything, most people I know were happy to have at least some input from the FINCENA agency in the US, basically allowing usage of BTCs in the US.

10:07:02 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Any given coin in existence is attributed to an address (can be called a wallet).

10:07:22 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com All the wallets (and balances) are stored in a p2p network.

10:07:31 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com In order to spend the coins, though, one needs a private key.

10:07:42 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com You get one when you create a wallet.

10:07:46 Global_Markets_Forum Thomas Wilkes thomsonreuters.com What do you say to those who argue that Bitcoin is a bit of a bubble, and a lot of people will get burnt?

10:08:00 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com After that you can store the key on hdd, flash drive, paper or just memorize it.

10:08:41 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Might be, I really welcomed yesterdays correction (260 - 130 - 160 now).

10:09:03 Global_Markets_Forum Daniele Provenzale juliusbaer.com wow nice volatility

10:09:06 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com It was around 100 just over a week ago, growing over 100% in a week is not very comforting.

10:09:23 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com If anything, BTC is the most volatile asset I've seen

10:09:38 Global_Markets_Forum Spriha Srivastava thomsonreuters.com On yesterday's massive price-drop, Mt. Gox says it was due to spike in interest. Your views?

10:09:40 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Also nice repo rates, though

the market is miniscule, but it's over 200% p.a.

10:10:04 Global_Markets_Forum Timothy Nhamo icap.co.za Thanks Anatoliy.... any thoughts on the emergence of a derivatives market in bitcoin?

10:10:23 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com I actually speak with MtGox daily, we are working together as volatility doesn't benefit either of us.

10:10:47 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Unfortunatel, MtGox's matching engine is a bit slow, so when volume rises it starts to lag, and people panic.

10:10:58 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com It happened a couple of times already.

10:11:05 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Derivs in BTC - yes!

10:11:17 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com There's at least one exchange alreday, very small also

10:11:38 Global_Markets_Forum Filipe Garcia imf.pt the right to issue money is one of the oldest and more important powers a country or a set of leaders can have. Also there is a lot of taxes issues on bitcoins. Do you think governments will simply let go that power? dont you fear that it simple takes (e.g.) a federal laws forbidding ownership and transactions onf bitcoins which would make them worthless?

10:11:40 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com And we're launching forwards on our BTC ETF, we have a couple of MMs with inventory already.

10:12:16 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Govt is maybe the largest threat to any alt crypto currency, such as BTC.

10:12:33 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com So far, however, the US are fine with it's existence.

10:12:59 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com To ban would be technically as feasible as trying to ban other P2P networks, such a torrents.

10:13:20 Global_Markets_Forum Filipe Garcia imf.pt because they dont acknowledge its existence, imho

10:13:33 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com So if they issue a ban, BTC will still remain in a gray area.

10:13:34 Global_Markets_Forum Daniele Provenzale juliusbaer.com what about hackers? if they get into a NASA computer how secure can bitcoins be?

10:14:00 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com But personally I think as long as taxes are payed in USD and payed on all the BTC sales and cap gains, the US govt will be fine.

10:14:09 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com And there are other countries in the world

10:14:25 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com No one is going to ban gold.

10:14:32 Global_Markets_Forum Filipe Garcia imf.pt I mentioned USA as a merely example

10:14:52 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Yep, I understand, but most people fear the US intervention the most wrt BTCs.

10:15:00 Global_Markets_Forum Timothy Nhamo icap.co.za As far as i can tell one of the benefits of BTC is that it doesn't need to be banked and therefore there are less likely to have the same BTC hypothecated multiple times. Also there is less counterfiet credit (short tenor depo, longer tenor lending) which makes it a very "real" asset. Wouldnt BTC derivatives undermine this?

10:15:04 Global_Markets_Forum Owen Lloyd westernunion.com do you have to report your BTC earnings?

10:15:09 Global_Markets_Forum Filipe Garcia imf.pt gold exists, but I might reming you that in the 30's roosevelt forbid every american citizen from owning gold

10:15:15 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Anatoliy, would you like to take Daniele's question on hackers first?

10:15:40 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Daniele, hackers with access to an NASA/NSA supercomputers might exist, however I don't think so.

10:16:09 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com True, that a technically savvy "evil guy" with enormous computing resources could, theoretically, interfere with the network.

10:16:22 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com That's the second threat BTC has, besides govt intervention.

10:16:55 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com And this is preventable, as more and more people contribute their computing resources towards the network's strength.

10:16:58 Global_Markets_Forum Owen Lloyd westernunion.com how would you contain such a breach, realistically they would be looting the central bank.

10:17:26 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Owen, I believe you have to report them when you exchange them for fiat, e.g. euro.

10:17:39 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Or when I buy/sell, there could be a sales tax.

10:17:47 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com I mean, but/sell smth with bitcoins.

10:18:23 Global_Markets_Forum Owen Lloyd westernunion.com yes but would you only realise the profit once you convert back to a fiat currency as you would have gains and losses for the exchange

10:18:33 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com If such a party emerges, it would of no use for them to loot the BTC network.

10:18:47 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com First, they still won't be able

to get any of the coins already mined.

10:19:04 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com The computing resources to do that won't fit into our universe.

10:19:28 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Second, everyone on the network will immediately realise there's a gorilla in the room, and mitigation could be done.

10:19:45 Global_Markets_Forum Filipe Garcia imf.pt actually I know bitcoins for a couple of years now; my take on this is that BTC are a symptom, but hardly the solution as they lack official recognizing and support (and I really believe they will never have). Still they show as fiat money is being scrutinized

10:19:58 Global_Markets_Forum Daniele Provenzale juliusbaer.com can a bitcoin wallet be falsified, copied?

10:20:13 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com A private key for a wallet should be treated as cash.

10:20:31 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com If someone steals your unencrypted HDD with a wallet, he has full control of the funds.

10:20:35 Global_Markets_Forum Daniele Provenzale juliusbaer.com like a password you mean?

10:20:55 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com But one can not make counterfeit coins - that's a major strength.

10:21:02 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com yes, like a password.

10:21:12 Global_Markets_Forum Spriha Srivastava thomsonreuters.com We also have a question from Steven Sloak, one of GMF's US-based members - "The total supply and current value of said supply is fairly low - In this case, wouldn't it be very easy for one or a handful of investors to scoop up enough of the supply to artificially inflate the value of the bitcoins and corner the market?"

10:21:55 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com There are 11M BTC in existence so far

10:22:16 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com At 170 USD per one that's 1.87bn "market cap"

10:22:34 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Sure, not all of them are available to be bought immediately.

10:22:58 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com So yes, a guy with \$50-100MM could drive the price high - but what would be the point?

10:23:17 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com You wouldn't be able to sell it back, probably, at that inflated price.

10:23:33 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com And there no shorts in BTC at the moment, so no short squeeze will happen.

10:24:04 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com And after his actions, people might lose faith in BTC and he'll just lose all his worth.

10:24:05 Global_Markets_Forum Owen Lloyd westernunion.com If you continue to see the vol in the currency won't you see people exit from using the currency due to the movements, a 100% move could reduce all profits and cause companies to make large losses.

10:24:49 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Currently, most of the business transactions in BTC are tied to a USD or EUR cross rate.

10:25:02 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com So BTC is used just a media of wealth transfer.

10:25:40 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com There are payment providers competing with Pay Pal, allowing any business to accept coins from customers and receive USD transparently (or BTC, if so they wish).

10:26:29 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Anatoliy, we also have a question from Timothy in the queue - As far as I can tell one of the benefits of BTC is that it doesn't need to be banked and therefore there are less likely to have the same BTC hypothecated multiple times. Also there is less counterfeit credit (short tenor depo, longer tenor lending) which makes it a very "real" asset. Wouldn't BTC derivatives undermine this?

10:26:32 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com So as a means to transfer wealth, BTC is already successful. Transaction worth several millions USD happen daily, take 5-10 minutes and no fees.

10:26:59 Global_Markets_Forum Owen Lloyd westernunion.com What is the growth plan to get businesses onboard?

10:27:00 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Timothy, correct, no BTC credit exist now.

10:27:46 Global_Markets_Forum Filipe Garcia imf.pt no formal credit, but I can ask for a loan to my friend

10:27:59 Global_Markets_Forum Filipe Garcia imf.pt and have on contract on that

10:28:01 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com However, I think if BTC get adopted more, some institutions might start to issue their own IOUs in lieu of BTC. So for the ones willing to accept them, history might repeat itself

10:28:15 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Yes Filipe, absolutely.

10:28:15 Global_Markets_Forum Filipe Garcia imf.pt and I would be already short of it

10:28:33 Global_Markets_Forum Filipe Garcia imf.pt so it's disputable to say there are no shorts

10:29:23 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Filipe, there might be some, you're absolutely right. I'm sure their amount is really small, and there isn't a single reliable clearer who would

settle the loan between you and your friend.

10:29:27 Global_Markets_Forum Filipe Garcia imf.pt for this sstart to be an important issue, BTN must be accepted by a large player like google play, apple store, amazon... something like that.

10:30:07 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com I agree, I really hope it happens this year. Hope Bezos will realise it's potential, or Elon Musk

10:30:25 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Owen, BTC as a protocol, so it can't have a plan.

10:30:28 Global_Markets_Forum Owen Lloyd westernunion.com any competitors?

10:30:38 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Different members of community are trying there best, capitalism at it's best...

10:30:46 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Interesting point there Antoliy. Now you mentioned that there already are 11m BTC in circulation and from what I know the limit is 21m. What happens when we exhaust it?

10:31:28 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com There are other cryptocurrencies besides BTC, like litecoin, namecoin, colourcoins etc. I think it's a good thing to have competition, they have their own strength and weaknesses, evolution etc etc

10:31:45 Global_Markets_Forum Timothy Nhamo icap.co.za Thanks Anatoliy

10:32:10 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Spriha, well, new coins won't appear any more, deflation probably will start. We'll reach 21M in 2040.

10:32:11 Global_Markets_Forum Nwabueze Okonne ubagroup.com hello all...

10:32:51 Global_Markets_Forum Nwabueze Okonne ubagroup.com just joining this room now....heard so much abt Bitcom.....any idea where I can get more understanding of it?

10:32:57 Global_Markets_Forum Owen Lloyd westernunion.com And who gets the funds received from miniting the other 10 million considering no central bank?

10:33:26 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Owen, the guys who mine - the more computing power your contribute to the network, the more you get.

10:33:48 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com I'd estimate active miners around the world at least in tenths of thousands.

10:33:49 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Thanks Nwabueze and Owen. Let's make these the last questions for Anatoliy

10:34:09 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Nwabueze, you can check the weusecoins.com website

10:34:52 Global_Markets_Forum Nwabueze Okonne ubagroup.com Thks Anatoliy

10:34:59 Global_Markets_Forum Owen Lloyd westernunion.com Very interesting Anatoliy, it will be one to watch.

10:35:12 Global_Markets_Forum Spriha Srivastava thomsonreuters.com Anatoliy thanks very much for joining us this morning and for sharing such interesting insights with us. We on GMF have been discussing BTC at length and will continue to keep an eye on it.

10:35:25 Global_Markets_Forum Filipe Garcia imf.pt thank you, good luck

10:35:25 Global_Markets_Forum Anatoliy Knyazev Exante thomsonreuters.com Thanks everybody!