

Why Blockchain Stock Listings Are Set to Explode in Canada

By **Doug Alexander** and **Michael Bellusci**

December 6, 2017, 11:00 PM CST

Updated on December 7, 2017, 7:45 AM CST

-
- Fricker sees 50 firms getting listings within 12 months
 - Reverse takeovers -- not IPOs -- is the preferred structure
-

A least 50 firms tied to blockchain and cryptocurrencies are set to list on Canadian stock exchanges in the next year, thanks in part to a junior market that's more comfortable with risk than other parts of the world, the head of securities firm [GMP Capital Inc.](#) said.

"The level of activity in this market of quality plays, quality teams is as high as I've seen since the internet age," Harris Fricker, chief executive officer of the Toronto-based firm said in an interview at Bloomberg's offices. "Canada's place in this is dramatically more important than what it was in the first phase of the internet."

Canada is emerging as a hub for bitcoin and cryptocurrency stocks amid "a virtuous circle" of expertise and business, backed by a capital markets ecosystem that supports small companies, particularly on the TSX Venture Exchange, Fricker said. While that system has been geared toward miners and oil and gas companies in the past, the marijuana industry has surged to a market value of more than C\$17 billion (\$13 billion) ahead of recreational legalization in July, and at least eight cryptocurrency-related stocks are now trading in Canada.

Reverse Takeover

The University of Waterloo and University of Toronto are "hotbeds" for the crypto industry, Fricker said. Russian-Canadian Vitalik Buterin introduced the world <https://www.bloomberg.com/news/articles/2017-11-08/ethereum-creator-wonders-whether-his-currency-should-be-scarcer> to his ethereum blockchain in 2013, not long after dropping out of the University of Waterloo, near Toronto. It all makes Canada "nicely positioned" to be a leading hub for these technology companies, said Fricker.

Bitcoin surged above \$15,000 on Thursday, extending its advance this month to more than 50 percent, sparking worries over a bubble in the digital currency. Fricker said that while there's bound to be volatility in the market he's not concerned about its long-term viability. "I believe that bitcoin is a rapidly emerging new asset class," he said. "All bitcoin does is it makes mathematics the central bank governor."

Closely held firms will likely go public by acquiring existing listed companies rather than initial public offerings, Fricker said. The so-called reverse takeover structure has been used for years in Canada's resource sector as it allows a public listing without having to file a prospectus with regulators or to woo investors through a stock sale.

Alan Turing


"You have a viable system for listing and getting capital for companies, you are involving accredited investors -- there's no pitching of this to the retired people of Canada -- and there's a proper weighting of risk and opportunity," said Fricker, a Rhodes scholar who counts Alan Turing, the English mathematician who broke the enigma code during World War II, as one of his heroes.

A reverse takeover was how crypto miner Hive Blockchain Technologies Inc. listed on the TSX Venture Exchange. The Vancouver-based firm, which is backed by Canadian mining maverick Frank Giustra and counts GMP as one of its investment banks, has soared more than 200 percent since it began trading Sept. 18. Hive has a market value of about C\$824 million, making it the nation's largest blockchain company.

“The reverse takeover structure will prevail for now, until the regulators provide full instruction on where they live on clearing of prospectuses,” Fricker said.

Refocusing Company

GMP is also helping Hut 8 Mining Corp., a Toronto-based bitcoin miner to join the public markets in January through an RTO. Hut 8, named after the facility where Turing worked to break the enigma code and help defeat the Nazis, has an exclusive partnership with Bitfury Group to acquire and operate bitcoin mining data centers in North America.

GMP Capital has refocused its firm to capitalize on the emerging industry. In September  it created a dedicated blockchain team, which comprises eight investment bankers -- about a quarter of its current contingent -- and two research analysts. The group is led by Fricker, who became attracted to blockchain through his interest in cryptography and Turing. GMP is hosting a blockchain conference  in Toronto Thursday.

Fricker said he “easily” sees the industry becoming more than 25 percent of its investment-banking revenue, though he doesn’t see it eclipsing mining and energy. He draws parallels to the medical pot industry, which started <https://www.bloomberg.com/news/articles/2014-01-28/marijuana-company-tweed-seeking-tsx-listing-for-canada> in 2014 with its first public listing of a licensed producer, now known as Canopy Growth.

"The junior exchange, typically, and the independent broker dealers have funded the marijuana space and we now have 10 world-class companies in that space," he said. "I think Blockchain will be 10 times the size of the medical marijuana space."

