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BITFINEX

## Nearly \$185 million in bitcoin and ether was withdrawn from Bitfinex's cold wallets

APRIL 26, 2019, 8:22AM EDT

About [17,250 BTC](#) (~\$89 million) was withdrawn from Bitfinex's bitcoin cold wallet at 6:35am GMT. [The bitcoin cold wallet](#) still has a balance of 102,285 BTC (~\$525.5 million) at the time of writing. About 633,300 ETH (~\$96 million) was withdrawn from Bitfinex's ether cold wallet today, [according to TokenAnalyst](#). The ether cold wallets still have a balance of 1.62 million ETH (~\$245.6 million) at the time of writing. In total, about 20% of Bitfinex's holdings of ETH and BTC was withdrawn today.

It's not immediately clear whether the wallets where funds were transferred to is also owned by Bitfinex or whether it was triggered by Bitfinex's customers withdrawing their cryptocurrency to their private wallets. But based on the activity of [some of the wallets](#), they appear to be processing withdrawals.

The withdrawal follows the [news about New York State Attorney General \(NYSAG\) suing Bitfinex and the affiliated firm Tether](#). NYSAG claims that \$850 million is still inaccessible to Bitfinex and that the firm has failed to publicly disclose the loss of funds. Tether [posted an official response](#) claiming that both Bitfinex and Tether are "financially strong" and that the "court filings were written in bad faith and are riddled with false

assertions." Moreover, Tether said that the amounts "are not lost but have been, in fact, seized and safeguarded."



## THE LATEST



CONTRIBUTOR NETWORK

### Bitcoin TM application abandoned

APRIL 27, 2019, 12:17PM EDT

Disclaimer: These summaries are provided for educational purposes only by Nelson Rosario and Stephen Palley. They are not legal advice.

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BITFINEX

**Bitfinex CEO tells customers the NYAG lawsuit is "filled with inaccuracies and false**

## assertions”

APRIL 27, 2019, 12:04PM EDT

Bitfinex CEO Jean Louis van der Velde e-mailed the cryptocurrency exchange's traders today to update them on [the lawsuit filed](#) against Bitfinex and Tether by the New York State Attorney General's office on Thursday, April 25, 2019. According to van der Velde, the filing is "filled with inaccuracies and false assertions."

He claims that Bitfinex and Tether were "co-operating fully with New York authorities" in the inquiry and that the lawsuit and related materials were "filed without notice to [Bitfinex and Tether] or a chance to respond to them." van der Velde continues with an assurance to traders that the allegation of a loss of \$850 million is "categorically false." He claims Bitfinex and Tether were "advised that these amounts – whether in whole or in substantial part – are, in fact, seized and safeguarded in several jurisdictions, including Poland, Portugal, the United Kingdom, and the United States." The firms are actively working on the release of those funds using "clear, coherent, and convincing arguments."

van der Velde closes with a note of thanks to "our customers and wider community," saying that Bitfinex and Tether "have been humbled and encouraged by the support we have seen." He claims that the firms are "as strong as ever" and "good actors in the digital token space" who "always act with you, the customer, as our first priority."

He defiantly states that Bitfinex and Tether "are not going anywhere" as they continue to cooperate with regulators worldwide. They "have always taken our legal obligations very seriously, and will continue to do so," says van der Velde. The firms "will not allow that spirit of co-operation and goodwill to be used to threaten our customers."



TETHER

## Bitfinex CFO assures shareholders the \$851 million in missing funds will be released in a “few weeks”

APRIL 26, 2019, 7:01PM EDT

The CFO of Bitfinex assured key shareholders that the \$851 million in missing funds revealed by the NYSAG lawsuit are in fact safe and will be

accessible in a few weeks, per reporting by [CoinDesk](#), which spoke with large Bitfinex shareholder Zhao Dong.

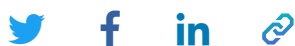
According to Dong, Bitfinex CFO Giancarlo Devasini personally assured him that the exchange only needs a few weeks to unfreeze the funds.

Earlier today Bitfinex issued an [official response](#) saying the “court filings were written in bad faith and are riddled with false assertions.” The company further denied the loss of \$851 million from Crypto Capital and instead claimed the funds have been “seized and safeguarded.”

Another shareholder, Tian Jia, told CoinDesk that the exchange's executives have continued to communicate with shareholders, noting that they are working on resolving the issue.

“Because it is customers’ money, it’s not stolen cryptocurrency, it’s fiat. It can’t be stolen. It’s only frozen by the [regulators], and [Bitfinex is] trying to get it back by approaching Panama and the [U.S. Attorney General.] They have been communicating all along,” Jia told CoinDesk.

Details from the suit paint a very different picture, with Bitfinex and Tether engaging in “undisclosed, conflicted transactions to cover Bitfinex’s losses by transferring money out of tether reserve funds.” According to the Attorney General’s office (OAG) at least \$700 million was drained from Tether’s reserves to cover the funds that went missing.



## TRADING

# ETrade is looking to unleash crypto onto its 5M retail clientele

APRIL 26, 2019, 4:28PM EDT

ETrade, the massive retail brokerage firm, is looking to unleash crypto trading onto its 5 million person retail base, according to prominent New York Times crypto journalist Nathaniel Popper. In a tweet, Popper said the firm is preparing to offer ether and bitcoin trading.

“In the wake of TD Ameritrade quietly opening Bitcoin trading for some of its customers, I was just told that eTrade is preparing to begin offering both Bitcoin and Ether trading to its 5 million or so customers and is just finalizing a third party to actually hold the coins,” Popper said.

Rival TD Ameritrade, meanwhile, is looking to dive into retail crypto trading, as The Block [reported](#) earlier this week.



#### CRYPTOCURRENCY

## India's government drafts cryptocurrency ban

APRIL 26, 2019, 4:00PM EDT

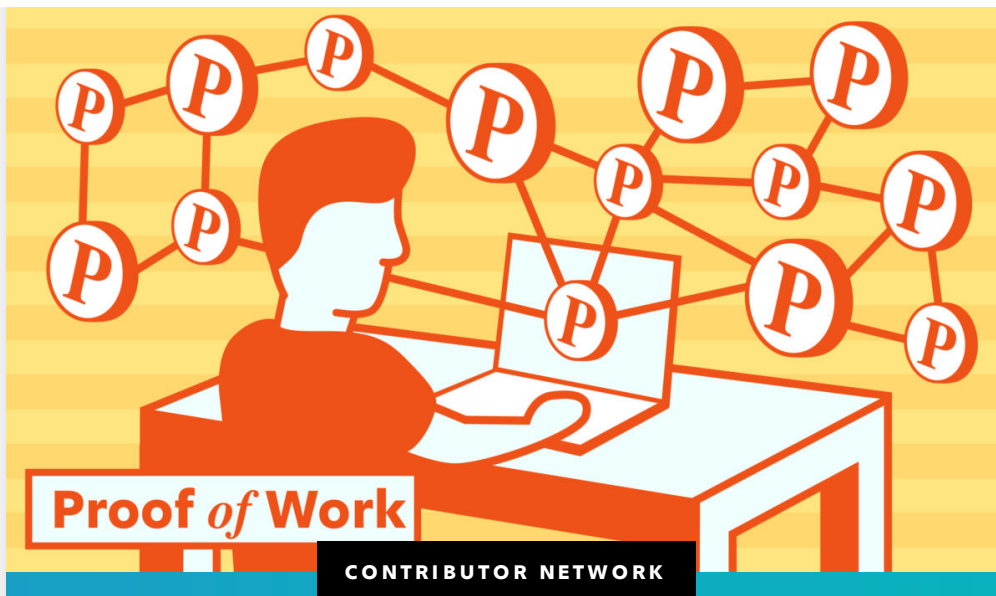
India government has been working on a cryptocurrency ban, [ET writes](#). The "Banning of Cryptocurrencies and Regulation of Official Digital Currencies Bill 2019" has been drafted by a panel led by finance secretary Subhash Chandra Garg and has now been distributed to relevant government departments for consultations, according to ET's sources.

After the new government takes over following next month's elections, it will be presented with the proposed law.

Some ministers have already expressed support for introducing a complete ban on cryptocurrency trading and issuance, including the Department of Economic Affairs and the Investor Education and Protection Fund Authority. According to a committee where the departments' representatives sit, "There is an urgent need to ban sale purchase and issuance of cryptocurrency."

The committee also pointed to the fact that a cryptocurrency ban could already be imposed under the Prevention of Money Laundering Act since cryptocurrencies may be used for money laundering.





## Proof of Work

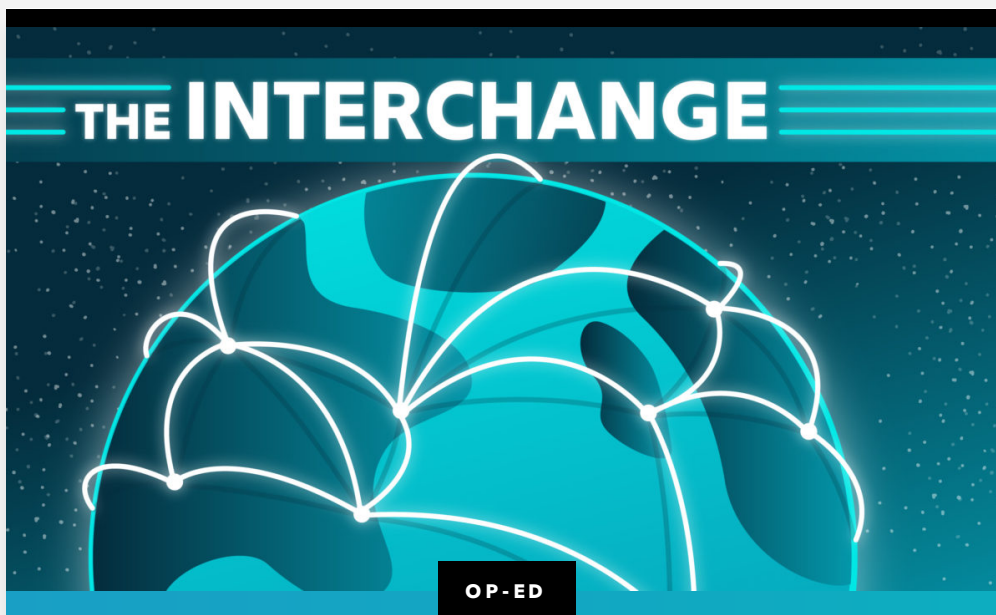
CONTRIBUTOR NETWORK

### Proof of Work: Back to building

APRIL 26, 2019, 1:57PM EDT

The following newsletter is republished with permission from Eric Meltzer of Primitive Ventures, a global venture investment firm with a focus on blockchain and related technologies.

[Read Now](#) — 18 min read



### The Interchange: Forget MMT and the Fed,

## what about China?

APRIL 26, 2019, 1:51PM EDT

Given the relative strength of the US economy and the dollar to the rest of the world, and recent historical precedent of Chinese precious stone imports as a hedge against devaluation, it might be worth spending some time developing a China thesis if you're long a macro-driven "store of value" flight into bitcoin.

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# SEC



CONTRIBUTOR NETWORK

## FinCEN makes public statement on Silk Road transactor

APRIL 26, 2019, 1:34PM EDT

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## EXCHANGES

# Monex to launch U.S. crypto exchange in July despite weak track record in the space

APRIL 26, 2019, 12:00PM EDT

Japanese online brokerage Monex Group is set to launch a U.S. cryptocurrency exchange in July, [Cointelegraph writes](#). Earlier this month, the company announced [it had been planning to add cryptocurrencies to its list of products](#) to attract more clients.

The company has previously seen losses on its cryptocurrency operations. Coincheck, the crypto exchange Monex acquired last year, lost more than \$15 million over the last 12 months. While Coincheck underwent restructuring and obtained an exchange license from the Japanese Financial Services Agency, it did not note gains. Monex annual revenue from 2018 shows a small fall when compared to the previous year's report, from \$440 million to \$420 million.



## HACK

# RChain cooperative hit by scam; tokens bought using counterfeit money

APRIL 26, 2019, 10:39AM EDT

Blockchain firm RChain informed its members this week that it had suffered an attack in which it lost an undisclosed number of RHOC tokens, according to leaked Discord messages.

The announcement explained how scammers had "put counterfeit money into escrow while we sent them RHOC," with the OTC trade seemingly conducted through KuCoin exchange. [A reddit thread](#) further suggested that CEO Greg Meredith had overseen the trade and told members himself in a community briefing Wednesday that "somewhere along this process someone dropped the ball."

Management say they have alerted the U.S. authorities and the hacker's wallet has been blocked, meaning the stolen funds cannot be moved. This is the latest in a series of issues to have plagued the Cooperative,



following The Block's report in December 2018 that its treasury was "[functionally bankrupt](#)."



#### COMPANIES

## Circle's SeedInvest receives approval to operate as an ATS

APRIL 26, 2019, 10:00AM EDT

Equity crowdfunding platform SeedInvest can now operate as an Alternative Trading System (ATS) after getting approval from FINRA, the company announced in a press release. It will serve as a "secondary market trading of equities launched through its primary markets platform," allowing investors to buy and sell startup shares following their initial purchase.

Circle [closed the acquisition of SeedInvest in March](#) when it received regulatory approval from FINRA.

"This milestone also underscores both Circle and SeedInvest's long-term commitment to working closely with regulators in building new products and innovating the financial system while also meeting the rigorous standards needed to protect consumers, investors and market integrity," the announcement reads.





RESEARCH

## It's time to bring an end to the rumours about Ripple's anonymous co-founder

APRIL 26, 2019, 9:56AM EDT

Perhaps in a world of self-promotion and glory-seeking, it's hard to understand why a prominent inventor chooses to take extreme measures to remain obscure.

[➤ Read Now — 3 min read](#)



RESEARCH

# MakerDAO Governance & Risk Call: Alarms ringing as stability remains out of sight

APRIL 26, 2019, 7:43AM EDT

45 members tuned in to today's MakerDAO's Governance & Risk call, a weekly, live, open forum for focused discussion around governance proceedings, the imbalance between Dai supply and demand, and possible countermeasures.



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## Money 2.0 Stuff: This newsletter needs 2-of-3 multi-sig to publish

APRIL 26, 2019, 7:30AM EDT

MakerDAO is de-stabilizing This week, The Block's Frank Chaparro uncovered a major story outlining a number of ongoing governance issues with MakerDAO: Maker DAO, a non-custodial lending protocol that produces decentralized stablecoin Dai, has witnessed a faction break out in recent months to prevent the consolidation of power around its original founder Rune Christensen, those [...]



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## STABLECOIN

# Paxos CEO responds to Tether allegations: 'We knew this was coming'

APRIL 26, 2019, 6:00AM EDT

Following the [news that NY State Attorney General is suing](#) cryptocurrency exchange Bitfinex and its affiliated stablecoin company Tether, other stablecoin issuers have rushed to distance themselves from the turmoil.

Among these companies is Paxos, whose CEO Charles Cascarilla told The Block that he was not surprised by the news.

"The industry is trading billions of dollars worth of cryptocurrencies daily, and relying on these exchanges and stablecoins that have no licensing, no registration, no oversight. It's bad for business and reckless in the long term," said Cascarilla. "We knew this was coming - and we've been expecting the tide to turn. That's why we built Paxos within the framework of regulation and oversight for both our PAX stablecoin and itBit exchange."

PAX is [one of the two](#) U.S. dollar-pegged stablecoins approved by the New York Department of Financial Services (NYDFS).

Cascarilla also stressed the importance of government oversight of the cryptocurrency market.

"The news today reinforces our belief that regulation and oversight create confidence and stability for the industry and Paxos is proud of its NYDFS-granted Trust charter, the highest form of regulation in the space," said Cascarilla.



## TETHER

## Stablecoins are trading at a premium of 2.5% against Tether following the lawsuit

APRIL 26, 2019, 3:03AM EDT

Around 8pm UTC non-Tether stablecoin pairs saw a sudden uptick in price, which led to Paxos, TrueUSD, USDC and StableUSD to trade at as much as 4% premium. The spike happened right after the [news about New York State Attorney General \(NYSAG\) suing Bitfinex and the affiliated firm Tether](#) came out. NYSAG claims that \$850 million is still inaccessible to Bitfinex and that the firm has failed to publicly disclose the loss of funds.

Tether [posted an official response](#) claiming that both Bitfinex and Tether are "financially strong" and that the "court filings were written in bad faith and are riddled with false assertions." Moreover, Tether said that the amounts "are not lost but have been, in fact, seized and safeguarded." At press time, [PAX/USDT](#), [TUSD/USDT](#), [USDC/USDT](#) and [USDS/USDT](#) is trading at at an average premium of 2.49%.

Pair	Price (USDT)	Premium
Paxos	1.024	2.37%
TrueUSD	1.028	2.73%
USDC	1.025	2.44%
USDS	1.025	2.44%
<b>Average</b>	<b>1.026</b>	<b>2.49%</b>



BITFINEX

## Bitfinex misled public: Execs feared \$BTC drop to \$1,000 as Tether hit \$0.86 in October 2018

APRIL 25, 2019, 6:55PM EDT

As speculation of major problems at Bitfinex and Tether [ran rampant last October](#) amidst rumors of customer withdrawal issues, Bitfinex published a notice to the market stating that there were no issues with the exchange. As customers and the public questioned the solvency of the related entities and the price of the stablecoin Tether dropped to \$0.86, the company's official stance was that all was well.

However, according to [the lawsuit filed today](#) by the NY State Attorney General, Bitfinex was not forthcoming. On October 15, 2018, Bitfinex stated that "it is important for us to clarify that: All cryptocurrency and fiat withdrawals are and have been processing as usual without the slightest interference... All fiat withdrawals are processing and have been as usual," per the lawsuit.

At the same time as the positive public statement, Bitfinex was having severe problems meeting customer withdrawal demands. In response to the troubles, a senior Bitfinex executive bluntly wrote to his external payments partner, "Please understand all this could be extremely dangerous for everybody, the entire crypto community. BTC could tank to below 1k if we don't act quickly."

Unfortunately, the alleged solution was to co-mingle customer and company funds, including those from Tether, to support Bitfinex redemptions. This activity, which wasn't disclosed by Bitfinex, is now being pursued as "fraud" by one of the top lawyers in the State of New York.



A graphic featuring a dark, textured background with a map of New York on the left. In the center are the Bitfinex and Tether logos. Below the logos is a black box with the text "BREAKING NEWS".

**NY Attorney General sues Bitfinex and Tether to unearth "fraud being carried out" by the firms**

APRIL 25, 2019, 5:05PM EDT

The New York State Attorney General (NYSAG) is suing Bitfinex, the cryptocurrency exchange, and affiliated firm Tether, the company behind the stablecoin of the same name.

> **Read Now** — 2 min read



#### COMPANIES

## Galaxy Digital CTO leaves company

APRIL 25, 2019, 4:45PM EDT

Mike Novogratz's crypto merchant bank, Galaxy Digital has lost its chief technology officer, [CoinDesk reports](#). Mike McMahon stepped down from his position and has left the company.

"I have already left Galaxy Digital and looking for my next opportunity," said McMahon.

The company hasn't found a replacement yet and has posted [a job listing on LinkedIn](#). The new CTO will be responsible for building, coaching and providing hands-on leadership to the technology team. They should also "own the technology strategy and roadmap" and "build a strong partnership with the business to ensure technology is supporting revenue-generating, client-facing business initiatives."

In recent months, [five other execs have left the company](#). Galaxy Digital explained previous changes were caused by the shift in the company's interests from small ICOs to larger institutions.



#### LENDING

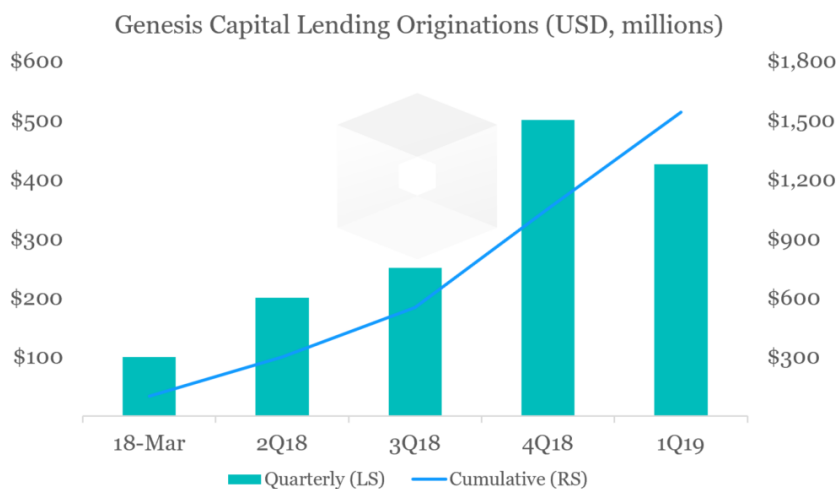
## Genesis Capital originated over \$400 million in crypto loans in 1Q, pushing cumulative volumes to more than \$1.5 billion in a year

APRIL 25, 2019, 4:20PM EDT



Genesis Capital, an institutional lending business within Genesis Trading and the broader Digital Currency Group umbrella, announced in its [1Q lending snapshot](#) that it originated \$425 million worth of loans to clients in the first quarter of 2019. Total cumulative origination volumes are now more than \$1.5 billion over the prior 12-months.

Since 3Q18, cumulative origination volumes have now almost tripled, with total outstanding loans growing by over 40% and ending the quarter at over \$180 million. Genesis said it saw market-makers and high frequency trading firms enter the market and drive "consistent BTC borrowing demand" in 1Q, and highlighted they expect this trend to continue in 2019.



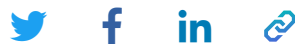
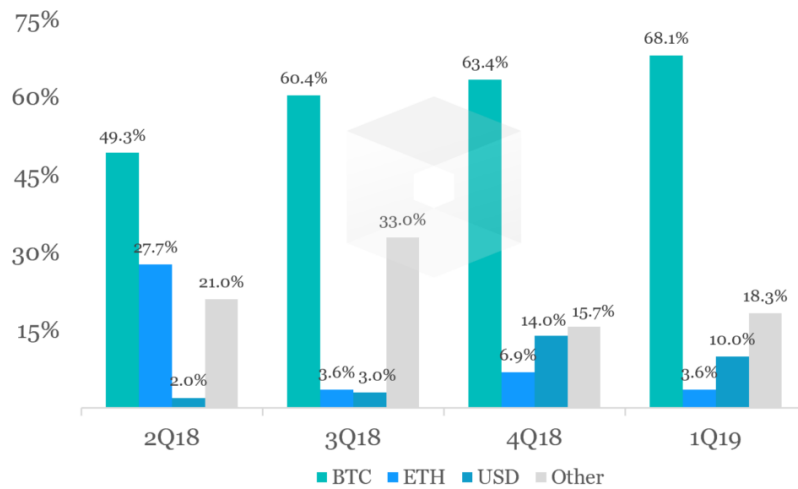
Source: Genesis Capital 1Q19 Lending Snapshot, The Block  
Originations include introduction of cash lending which is ~10% of the active book post 1Q19

In terms of loans outstanding, bitcoin loans continue to grow relative to the rest of loan book; now making up over 68%. In contrast, ether loans finished the quarter under 4% of the total portfolio, down from 27.7% highs set in 2Q18.

Meanwhile, its new cash lending business launched in 4Q now already makes up 10% of active loans. Genesis added that it expects this cash lending business can reach "significant growth" in the market this year.

The report also highlighted short dynamics its lending desk has seen in both ETH and LTC over 1Q, and provided color on the likelihood of rate compression and the potential for competition to lead to lower risk-adjusted returns, among other items.

Genesis Capital Loan Book Composition



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## ETHEREUM

### Unknown cybercriminal targeted weak private keys, taking off with at least \$7m in ether

APRIL 25, 2019, 4:00PM EDT

A "blockchain bandit" targeted easily guessable private keys to steal cryptocurrency, [Wired writes](#). Security consultancy Independent Security Evaluators [found](#) that out of 34 billion blockchain addresses, at least 732 guessable keys that once held ether had been emptied some time ago. Twelve of them were attacked by the same person; their account now holds 45,000 ether (approximately worth \$7.7 million now; valued at \$54 million pre-crash), although its funds haven't moved in the last three years.

A key is usually a 78-digit string of numbers but there have been instances where they have values of just 1 or 2. Shorter, easier keys can result from a coding error, an inexperienced user choosing their own key, or malicious code that would corrupt the key-making process. A chance of guessing an Ethereum private key is 1 in 2256 - practically impossible.

The thief seemed to have a vast, pre-generated list of keys and was scanning them at automated speed. According to ISE, those are likely "automated ethercombing thefts," meaning when funds were transferred to the keys, the money disappeared in a matter of seconds automatically.

ISE has been unable to identify the blockchain bandit or the faulty or corrupted wallets that produce weak keys.



## BLOCKCHAIN

### **Startup incubator R/GA Ventures to encourage enterprise blockchain startups**

APRIL 25, 2019, 2:56PM EDT

Startup incubator R/GA Ventures is going to open an office in Portland, OR whose purpose will be to encourage enterprise blockchain projects, [TechCrunch writes](#). The company is set on fostering interest in innovations; the new project has been created to connect startups with corporate clients from sectors like insurance, healthcare and sports. The first batch of startups will join R/GA Ventures by the end of July.

R/GA global chief technology officer Nick Coronges said the company is promoting real-world application of blockchain; it understands, however, that there are many ways in which the distributed ledger technology can be used.

"I think one of the assumptions that we make going into this is that blockchain, as we currently understand it, is probably going to go through a lot of iterations. And it may be bigger in the next few years... we may talk about it as a kind of ecosystem or a set of adjacent technologies that are related to blockchain, and this idea of decentralized data processing systems," he said.

R/GA Ventures has teamed up with institutions, such as Moda, Umpqua Bank, Portland State University, Oregon Health & Science University,

Business Oregon, ConsenSys as well as blockchain research firm Smith and Crown, on this project.

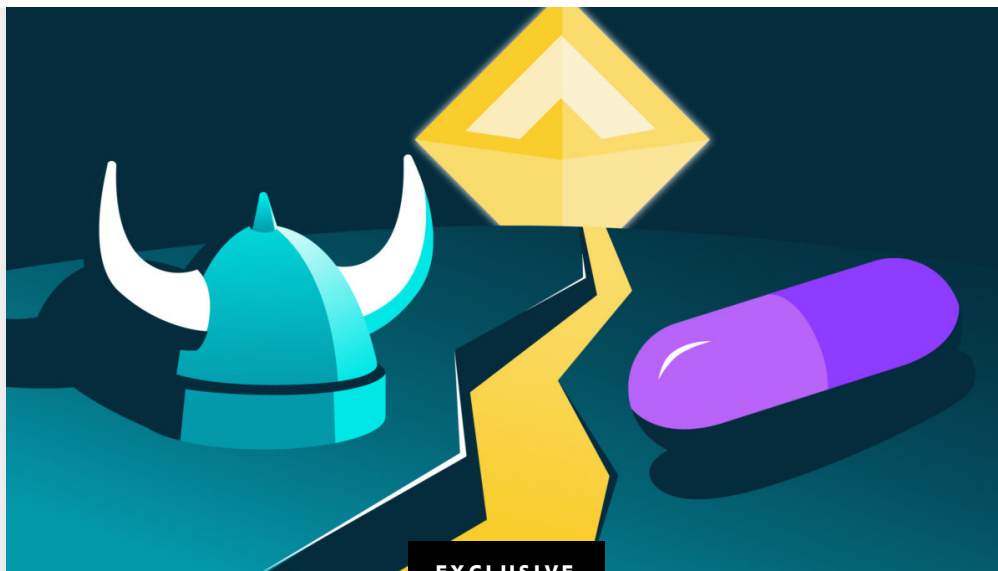


## Mapping out Medici Ventures' portfolio

APRIL 25, 2019, 11:37AM EDT

Medici Ventures was launched in 2014 as a subsidiary of e-commerce platform Overstock. The firm is dedicated to investing in startups leveraging blockchain technology in their business models.

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EXCLUSIVE

## Inside Maker DAO: leadership conflict over direction fuels multiple departures

APRIL 25, 2019, 10:11AM EDT

It hasn't been a stable couple of months for stablecoin project Maker, as insiders squabble over the future of the Ethereum project, sources close to project tell The Block.

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### INSTITUTIONS

## Over 20 crypto heavyweights put heads together to plan institutional uptake; clearinghouse initiative set for July

APRIL 25, 2019, 9:41AM EDT

Two dozen key players from the likes of Circle, Coinbase and Galaxy Digital came together for a major brainstorming effort on how to make crypto “part of the world’s financial architecture” in mid-January, [Bloomberg reports](#).

Those present at the Singapore Sofitel resort meeting say the framework designed to get crypto accepted institutionally could pave the way for its eventual adoption. Most importantly, the roundtable is believed to have