



coinsilium

AQSE:COIN  
Q3 2020

## ENTERING THE EXTREMELY LUCRATIVE DeFi MARKET

A Special Report by

ValueTheMarkets



# DECENTRALISED FINANCE - THE FASTEST GROWING BLOCKCHAIN TREND

DeFi, or **D**ecentralised **F**inance, is the biggest trend in blockchain today.

It is a fast-growing use of the technology, which enables holders of digital assets to lend and borrow crypto coins or tokens.

This incredibly innovative form of finance is rapidly gaining momentum. Coin and token owners are now offering up many billions of dollars of their crypto assets, like Bitcoin and Ethereum, as collateral for DeFi transactions.

The potential of this new market is enormous.

For the myriad of smaller token projects that exist out there, following the Crypto Boom in 2017/18, this represents a huge opportunity to reinvigorate what were otherwise failing models.

Since the overwhelming majority of these crypto currencies are derivatives of Bitcoin and Ethereum, plugging into the DeFi distributed architecture is relatively straightforward.

The pace of expansion is now staggering, with the DeFi market cap rising almost [a billion dollars a day in value](#).

However, investor opportunities to profit from this great wave have so far been extremely limited, as you'd expect for something that is so new.

One London-listed firm is seeking to fill this gap, through the development of a pioneering business model and a strategy to set up substantial revenue generating DeFi projects: **Coinsilium** ([AQSE:COIN](#)).

News flow is [now coming thick and fast for this company](#), as this blockchain investor and venture operator seeks to capitalise on the rocketing growth in this space.

The Company believes there is now material upside potential in its stock, as **Coinsilium** expands on its established track record of partnering with ground-breaking crypto projects.

A key focus area will be the lucrative market of advising token projects on how to revive their offerings to incorporate DeFi.

On 17 August 2020 **Coinsilium** announced its first revenue generating [service agreement](#) on this front, with many more expected to follow.

This bold strategy represents a significant opportunity to create transformational value for **Coinsilium** and its shareholders, as a first mover in such an early-stage, high-growth market.





# WHAT IS DeFi?

To understand how large an opportunity DeFi presents for **Coinsilium** ([AQSE:COIN](#)), it would pay to understand a little more about how the technology works.

DeFi takes the best parts of blockchain – *improved transparency, speed and immutability* – and uses them to improve financial services.

While major banks and stock exchanges have been using blockchain to improve their institutional settlement and clearing processes, there has not as yet been a way for retail investors to profit from these technological shifts.

With DeFi, that all changes.

The first breakout star in this new industry is in digital asset lending. Users put forward or 'stake' their Bitcoin, Ethereum or other crypto assets as collateral for loans and receive a yield in return.

All transactions are recorded on the blockchain and processes are completed programmatically using "*smart contracts*".

***Smart contracts are rapidly gaining in popularity and are becoming part of the legal fabric of some of the world's largest economies.***

Judges in the UK, for example, made a [landmark decision](#) in November 2019 that smart contracts met the definition of standard business contracts under English law, and were thus enforceable by its court system.

As the DeFi market grows, it is gaining ever-greater coverage in mainstream news outlets.

The Financial Times explained the DeFi movement in a December 2019 piece, [writing](#):



*To date, digital currencies and their underlying blockchain technologies have largely been used for speculative trading. But DeFi start-ups are trying to build an interlocking financial system denominated in cryptocurrencies, offering a wide array of lending and derivatives products available globally, peer-to-peer and without any middlemen.*



Digital asset lending is just one portion of the total market, which is [nearing a \\$15bn market cap](#).



ethereum





# WHY DeFi IS GROWING SO FAST

We now live in an era of extreme low interest rates, leaving investors searching ever harder for yield. Central banks are holding interest rates at historically low, [near-zero levels](#).

The Bank of England says it [will not raise rates until 2022](#) at the earliest and even then only to 0.5%.

One accusation previously levelled at cryptocurrencies as an investment was that they are non-yielding assets.

Almost 100% of FTSE 100 companies and more than 80% of S&P 500 companies pay a dividend to investors. However, as with gold, digital assets traditionally had no yield nor a dividend: investors only gained when the price of the underlying digital asset went up.

DeFi transforms this model.

The major by-product of DeFi is that crypto investors can now earn yield through staking the crypto they hold. The addition of high yields, sometimes as great as 8.6% a year, to

Bitcoin accounts, [adds compound interest](#) to a previously zero-yield financial instrument.

Even for low-risk, USD-pegged digital assets like USDC or USDT the annual yield can reach more than 15% on established crypto finance platforms.

Old-style loans in fiat currency — US dollars, British pounds or South Korean won, for example — require an intermediary like a bank or credit union to take on the counterparty risk of default. There are forms to fill in and the process is tortuously slow.

However, digital asset loans using DeFi protocols can be made quickly and easily using peer-to-peer technology. The potential for this revolutionary method of lending is almost boundless, removing at a stroke much of the inherent inefficiencies in the current system.

Eddy Travia, CEO of **Coinsilium** ([AQSE:COIN](#)), describes the opportunity best:

“

*We see the convergence of negative interest rates, the aftermath of economic crises, the emergence of central bank digital currencies and the overall political instability as a catalyst for institutional and individual investors' interest in crypto finance, given the significant returns achievable and the fluidity of these financial products. Coinsilium is ready to take full advantage of this inflow of funds and interest in this new wave of financial products. To create value for our shareholders we will be an active builder in this specific sector of the cryptocurrency space.*

”



# HOW FAST IS DeFi GROWING?

It is simple to demonstrate the sharp month-on-month growth of DeFi.

The sector started to gain early traction in 2018, but significant funds did not start flowing into the space until 2019.

In the 12 months from January to December 2019 the amount invested in DeFi products rocketed 200% to \$700m.

By early July 2020 the market had **more than doubled again** to \$1.72bn.

In just 12 days from 3 July 2020 to 15 July 2020, \$700m more flooded into DeFi products, increasing the market size by 47% to \$2.42bn.

By 21 July 2020 the amount of allocated collateral in DeFi **surpassed \$3bn for the first time**.

6 days later, investors had ploughed a further \$673m into DeFi products.

In the 30 days to 11 August 2020, the value locked in DeFi almost doubled from \$2.45bn to \$4.74bn. As it stands, on 28 August the total value in DeFi products is more than \$7.38bn.

This kind of growth is beyond exponential. For the right company in the right position, the potential is massive.

**Coinsilium** ([AQSE:COIN](#)) is right there, right now.

Throughout 2020 DeFi continues to be the fastest-growing practical application for retail-level digital assets.

Thanks to its [strategic partnership with IOV Labs](#), **Coinsilium** is poised to be among the first to profit from this move immensely.

## 12 month inflow of funds into the DeFi space



Source: DeFiPulse.com



# EXPANDING INTO ASIA – THE IOV LABS PARTNERSHIPS & RSK SMART-CONTRACT PLATFORM

On [8 July 2020](#) **Coinsilium** ([AQSE:COIN](#)) completed a deal that will see it open a new 50/50 Joint Venture company in Singapore: IOV Asia.

**The JV gives Coinsilium direct access to the Bitcoin-based smart contract platform being developed by IOV Labs, called RSK.**

Gibraltar-based [IOV Labs](#) developed the [RSK blockchain](#) as an enterprise-grade platform aiming for wide adoption in this, probably the most blockchain-savvy jurisdiction in the world.

**Coinsilium's** home in Gibraltar, too, is key to its continued success. In 2014 the British overseas territory began discussions on how to lead the world with a defined cryptocurrency and blockchain regulatory structure, agreeing one of the [first full-service financial frameworks](#) in January 2018.

This regulatory clarity has attracted numerous blue-chip crypto asset service providers to Gibraltar, including Singapore's Huobi, the fourth-largest crypto exchange in the world and one that processes \$3bn in transactions per day.

The terms of the JV included a £250,000 investment in **Coinsilium** from IOV Labs for a 6.94% stake, with Eddy Travia becoming a director of IOV Asia.

Encouragingly, IOV Asia has already signed its first technical and commercial agreement.

Reported on 18 August 2020, the JV [signed an MOU](#) with Vietnam-based blockchain venture builder RedFOX to build fast-scaling Internet businesses on the RSK platform.

*"We see this partnership as a perfect fit for Coinsilium's new DeFi and crypto finance strategy,"* said Eddy Travia, adding that the partnership is just the earliest sign of potential for the commercial development of IOV Asia.

It's understood RedFOX will be a showcase for IOV Asia's work in the region. The MOU is expected to lead to formal agreements for RedFOX to migrate its applications to the RSK blockchain.

RedFOX is focused on the fastest-growing digital economy markets in highest consumer demand, including the exploding trend of e-sports and online gaming in South East Asia. This move gives **Coinsilium** direct exposure to the e-commerce growth market of Vietnam, which according to [research by Google](#) is expected to surge to \$23bn by 2025.





# SOUTH EAST ASIA BECOMING A BLOCKCHAIN POWERHOUSE

South East Asia is also home to some of the world's largest digital asset and blockchain companies, powered by fundamental shifts in consumer behaviour, as its Internet economy continues to grow at record pace.

Market regulators and governments too have taken a keen interest opening up their vast markets to innovative digital asset companies.

Singapore, Malaysia, Thailand, the Philippines and Indonesia have all moved to [institute clear regulations](#) covering everything from cryptocurrency spot and futures trading, token-based private fundraising through Initial Coin Offerings (ICOs), and asset management and broking activities.

Pan-Asian financial services law firm CNP Law LLP describes how financial watchdogs

are ensuring the rapid growth of this industry, putting the onus on companies to *"implement adequate security protocols to safeguard their clients' digital assets, comply with AML (anti-money laundering) and CFT (counter-terrorism financing) obligations and ensure greater transparency of these businesses through regular reporting and disclosure requirements."*

**Coinsilium's** ([AQSE:COIN](#)) long-term vision is for international organisations, multinational companies and governments to use the RSK blockchain to improve their services.

At the same time, **Coinsilium** is also aiming to grow its revenues by using its digital asset reserves as collateral in the fast-growing DeFi lending space.

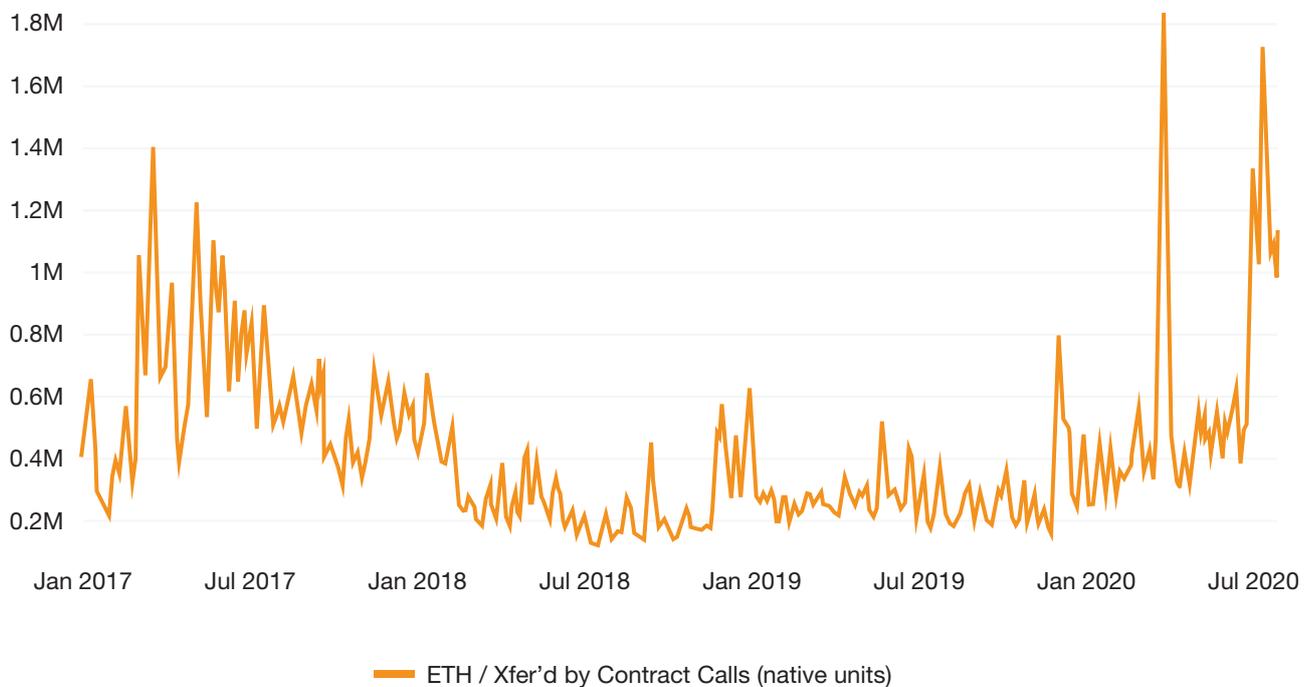




# THE IMMENSE DeFi OPPORTUNITY OPENING UP FOR RSK IN BITCOIN

One clear sign of the potential for DeFi is in the surging levels of Ethereum (ETH) transferred by smart contracts. Ethereum is the original base for DeFi smart contracts. On average over 1 million ETH was transferred into DeFi throughout July 2020 — nearing new all-time highs.

**Amount of ETH Transferred By Smart Contracts 2017-2020**

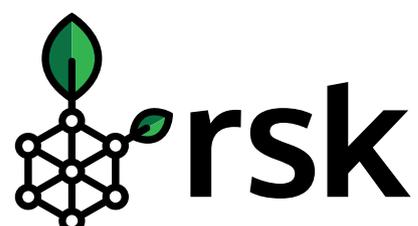


Source: COINMETRICS

But there is an even greater market opportunity available for anyone who can open up smart contracts using the Bitcoin blockchain. This is precisely what IOV Labs' RSK blockchain has been built for. Bitcoin DeFi is in its infancy compared to Ethereum but the switch is just a matter of time.

Why is this?

Ethereum is the traditional home for smart contracts but the network has long been plagued by congestion issues.



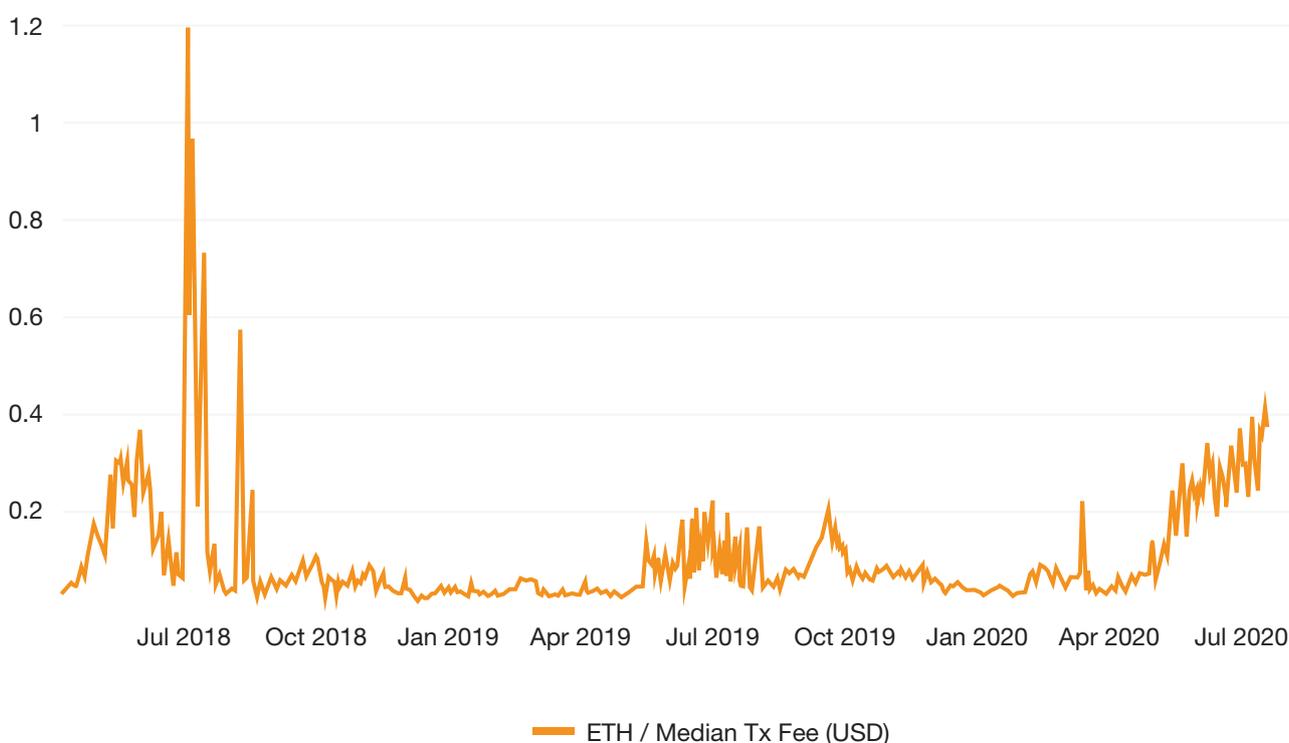


The more popular Ethereum becomes, the slower it is at processing transactions, and the higher fee people have to pay for each transaction. Industry website Coindesk reported in July 2020 how transactions fees had [increased tenfold](#), with creator Vitalik Buterin complaining the blockchain had become "a victim of its own success".

CoinMetrics 21 July 2020 [State of the Network Report](#) notes: "DeFi continues to push ETH fees higher. ETH median fees are approaching \$0.40, which is the highest they've been since mid-2018."

Average per-transaction fees have now shot up from \$0.10 in January 2020 to [more than \\$3.40 in August](#), presenting significant headwinds for Ethereum's near-term DeFi prospects.

### ETH Median Transaction Fees 2018-2020



Source: COINMETRICS

Bitcoin, by contrast, is currently under-utilised in DeFi, yet has the market-leading dominant position in crypto assets, representing 56.7% of the entire industry's \$336bn market cap. Adding an extra layer of value and utility to the Bitcoin blockchain through IOV's RSK platform gives **Coinsilium** ([AQSE:COIN](#)) access to a huge growth area.

On 17 August 2020 industry website Coindesk described Bitcoin DeFi as an "unstoppable" trend, because adding smart contracts "turn[s] the asset itself into programmable money capable of a wider variety of functions."

One of **Coinsilium's** main revenue generators going forward is expected to be as a platform provider: with plans to launch commercial solutions either independently or through its extensive partner network in 2021.



# COINSILIUM – A ‘PICKS AND SHOVELS’ BUSINESS IN THE DeFi GOLD RUSH

It was Mark Twain who said, “*during a gold rush, it’s a good time to be in the picks and shovels business.*”

The picks and shovels play in the gold rush of DeFi is to invest in the companies that are commercialising smart contracts: this is the infrastructure that underpins the whole system.

For **Coinsilium** ([AQSE:COIN](#)) one of the huge advantages of working with RSK is that its developers have produced an interoperability bridge between the Bitcoin and Ethereum blockchains.

Effectively, this means Bitcoiners can use their BTC holdings in RSK to interact with Ethereum-based smart contracts.

Innovating in this way opens up a vast potential new market and user base.

**Coinsilium** is committed to capturing the rapid growth of this new sector and enhancing revenues using internal resources to produce the best return for shareholders.

It is now starting to generate income through actively managing its crypto treasury which also includes the staking of its digital asset reserves – in the form of Bitcoin (BTC), Ethereum (ETH) and RIF tokens – as DeFi allocated collateral.

In its 13 July market update, the company announced: “*Staking activities are expected to increase over the coming months as the company looks to develop further in-house expertise to expand its operational capabilities.*”

However, the real exciting upside is in the various DeFi models **Coinsilium** is working on, with the aim of launching commercial solutions either independently or through its partner network.

Given the current pace of growth in the sector the company believes that such solutions have the potential to create meaningful revenue streams over the coming years.



*Interoperability has been a cornerstone of the RSK vision from the start. We believe being able to offer Bitcoin’s benefits to Ethereum users and to connect these respective developer communities is a crucial step for the blockchain ecosystem as a whole.*



**Adrian Eidelman,**  
RSK Strategist, IOV Labs





# THE 'MASS PIVOT' DRIVING THE DeFi REVENUE BOOM

Where 'bombed-out' tokens have been repurposed for use in DeFi products, it has proven transformational as new investors offer a flood of new liquidity.

When staking occurs — a crucial part of the DeFi process — the total available supply of tokens reduces, increasing scarcity and driving the token price upwards.

So, as soon as a token becomes available for staking on DeFi platforms, it attracts a surge in volume.

Both volume and prices can surge many hundreds of per cent in just weeks. Identifying early the tokens making a new pivot into DeFi has proven to represent a major opportunity for investors.

There are thousands of tokens that raised billions of dollars in Bitcoin's 2017-2018 ICO fundraising boom, but many of them struggled to create an effective utility for the token within their business model.

These projects still have an obligation to deliver on their original promises, and **Coinsilium** ([AQSE:COIN](https://www.aqse.com/stocks/AQSE:COIN)) sees huge potential in revitalising moribund token projects by helping them switch to a DeFi model.

With the numbers of turnaround projects available there is a large market opportunity here.

Industry data aggregator [CoinmarketCap.com](https://www.coinmarketcap.com) shows more than 6,440 token projects in circulation. While Bitcoin and Ethereum top the charts with a combined market cap of \$234bn, more than 3,200 command a market

cap of less than \$100,000. And liquidity at the lower levels is thin on the ground or non-existent for most.

**Coinsilium's** 17 August 2020 [announcement](#) of its first DeFi pivot service agreement relates to Singaporean portfolio company [Indorse.io](#) (IND). Through its early investments **Coinsilium** holds a 10% equity stake in Indorse and over 15% of the IND outstanding token supply, and the IND token market cap is currently under \$300,000. Clearly any success the two companies have in boosting liquidity through introducing DeFi has material upside potential.





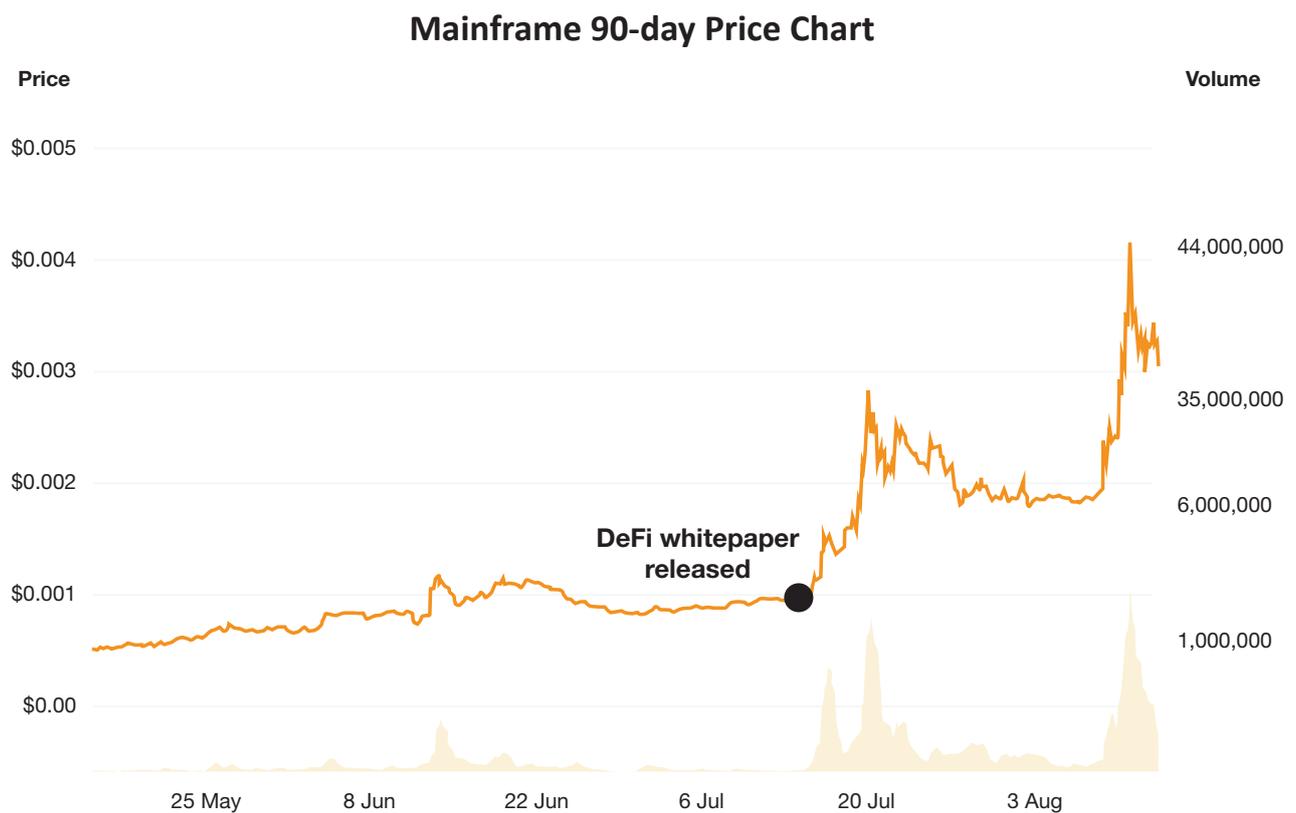
# THE TRANSFORMATION OF MAINFRAME INTO A DeFi PLAY

One obvious example of how fast these projects can turnaround is **Mainframe** (MFT). Its original 2018 token sale was to build an encrypted social media platform in the mode of WhatsApp, that was compatible with cryptocurrency payments.

The token price gradually bottomed out on sinking volume as the original project fell through and investor liquidity exited. But on [15 July 2020](#) Mainframe put out a whitepaper announcing its intention to pivot into fixed-rate DeFi crypto lending.

Within five days, volume soared by *34 times*.

***The MFT price trebled, too.***



Source: [coingecko.com](#)



# MAJOR REVENUE GENERATORS FOR COINSILIUM

Alongside building Bitcoin DeFi products, expanding into the lucrative South Asia market, and helping to repurpose tokens, **Coinsilium** ([AQSE:COIN](#)) investors can look ahead to a further two potential major revenue generators.

## 1) Advisory for DeFi project pivots

More investors are inevitably drawn to the DeFi crypto finance sector as the value of the world's largest cryptocurrency explodes in 2020.

In recent weeks the Bitcoin price set new 2020 highs, surging past the psychologically important \$10,000 level and breaching a multi-year resistance ceiling at \$10,500. As of 4 September 1 Bitcoin is worth over \$10,300.

As CEO of **Coinsilium**, Eddy Travia has been a pioneering crypto investor and ICO advisor, building large client networks, giving the company a clear edge in advisory projects. But with the number of token projects now seeking to re-enter the space under a DeFi model, this area is a great potential long-term revenue builder for **Coinsilium**.

With the price of Bitcoin soaring to new heights, and DeFi capturing new investor attention, advisory for DeFi project pivots is expected to command a high price.

## 2) Non-fungible tokens

**Coinsilium** is also exploring opportunities in Non-Fungible Tokens (NFTs).

The main excitement over the use of NFTs is to break up into investable parts classically illiquid assets, like art, real estate or even gold. Each of these ownership parts is represented by a digital token, which can then be held or traded. Research suggests there are [\\$300trn of financial assets worldwide](#) which could be 'tokenised' in this way.

By [2027](#), as much as \$24trn of this figure could be converted into digital assets.

This represents a massive liquidity boom for investors in these items.

The traditional market analogue here is where investors buy fractional shares in traditional equities – the likes of which have been spearheaded by [Robinhood](#) in the United States and [Freetrade](#) in the UK.

One of the largest tokenised securities to hit the market recently was \$2.2bn in North American commercial real estate across in Texas, New York, California and Ontario. These Class A properties were [tokenised](#) through security token platform Polymath with \$780m available to investors in pre-sale.

**Coinsilium's** position with its new Singapore JV with IOV Labs is hugely promising for this kind of market access.

A November 2019 [report](#) from the Asia Securities Industry and Financial Markets Association (ASIFMA) suggests non-fungible tokens could tap into deep, liquid capital markets in the Asia Pacific region. And **Coinsilium's** RedFOX MOU gives them the technical capability to expand this portion of the business, beginning in RedFOX's home market of Vietnam.



# WHAT NEXT FOR COINSILIUM?

DeFi, and especially Bitcoin DeFi, is the most bullish part of a crypto asset industry experiencing a 2020 full bull revival.

In order to best access everything that the RSK Bitcoin smart contract platform and the IOV Labs JV has to offer, **Coinsilium** ([AQSE:COIN](#)) is proposing to dispose of its portfolio of equity investments acquired during its time as a leading global blockchain accelerator which was valued at £1.78m at the end of December 2019.

The company's 10% stake in Indorse, is estimated to be worth at least \$1.5m on the basis of the Times of India investment into that opportunity. This valued Indorse at \$15m.

Indorse is an extremely innovative skills verification platform, which uses a global network of experts to assess the coding abilities of job seekers.

Meanwhile, [Blox.io](#) is the market-leading enterprise cryptocurrency accounting and management service dubbed the 'Quickbooks of Crypto'. Aside from **Coinsilium** its other

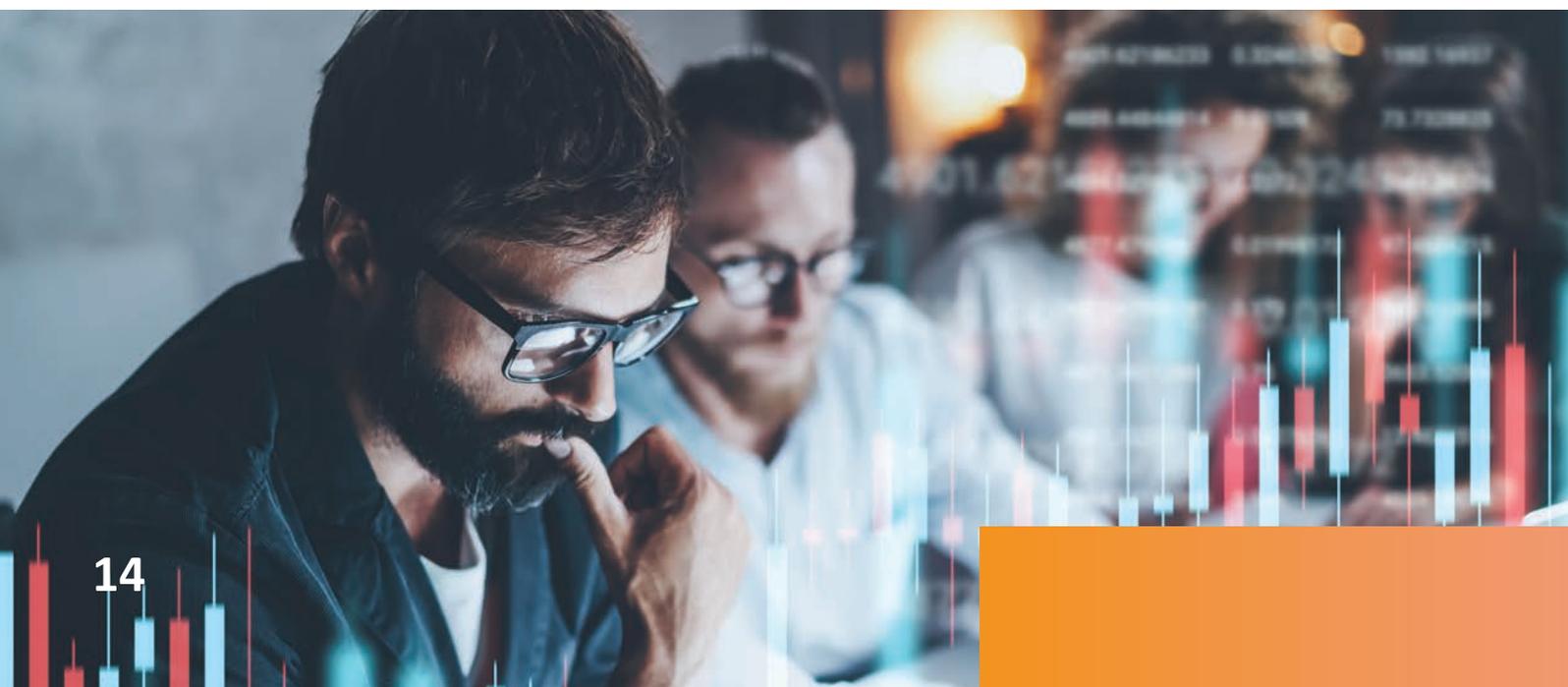
major investor is the \$800m market cap multi-asset brokerage eToro.

**Coinsilium** [participated](#) in the earliest funding round for Blox with a \$75,000 investment, before Blox went on to raise \$30 million in its 2017 ICO. Blox also features alongside privately held internet giants like Wix and Fiverr as one of the highest-rated fast-growth tech startups in Israel, with value north of \$30 million.

With these potential additional funds, its moves into Bitcoin DeFi through RSK, the IOV Labs JV and new revenue coming in through token revival and advisory, **Coinsilium** could be poised for transformational growth.

This situation could bode extremely well for investors. The London-listed stock appears to be in the right market, with the right partners, in the right place, at the right time.

In our opinion, the potential for a many multiple return over the coming 12 months is clear.



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