



## WazirX Faces \$230 Million Security Breach Amid Regulatory Challenges

On 17 July 2024, Indian cryptocurrency exchange WazirX has revealed a major security breach resulting in the theft of over \$230 million from one of its multisig wallets. The incident, involving Liminal's digital asset custody services, has led to the immediate suspension of Indian rupee withdrawals as the company conducts a thorough investigation.

In a statement posted on social media platform X, WazirX described the breach as a "force majeure event beyond our control," while assuring users that efforts are ongoing to recover the stolen funds. The exchange also disclosed that crypto withdrawals had already been halted prior to the incident. WazirX has blocked some deposits and reached out to concerned wallets in an effort to recover the funds. The compromised WazirX wallet address was identified as **0x27fD43BABf8e83a81d14665b1a6fB8030A60C9b4**.

The breach was detected in a multisig wallet that has been utilizing Liminal's custody and wallet infrastructure since February 2023. This wallet required transaction approvals from three out of five WazirX signatories and one from Liminal, with all signatories using Ledger Hardware Wallets for security. Despite these measures, a discrepancy between the data shown on Liminal's interface and the actual transaction contents allowed the attacker to transfer wallet control.

The compromised address has been actively swapping various cryptocurrencies, including PEPE, GALA, and USDT, into ether (ETH). On-chain analysis by Elliptic and ZachXBT points to the involvement of the North Korean Lazarus hacking group, known for similar exploits.

WazirX's response to the breach has drawn criticism for its apparent lack of robust security measures. The invocation of the force majeure clause seems inadequate given the exchange's failure to prevent the attack despite having advanced security protocols in place. This incident underscores the critical need for cryptocurrency exchanges to adhere to stringent security practices and industry standards in key management to safeguard investor interests.

This breach highlights the vulnerability of cryptocurrency exchanges to sophisticated hacking attempts and emphasizes the necessity for comprehensive security frameworks to protect user assets. Proper system safeguards, including multi-layered security measures and continuous monitoring, are essential to prevent such breaches and maintain investor confidence.

Members of the WazirX Telegram group reported that withdrawals of crypto from the exchange had been suspended for over a week prior to the exploit, citing local regulations. This added to the frustration among users, who have limited options for offshore exchanges in India.

As WazirX navigates this crisis, the exchange's token, WRX, has seen a sharp decline, dropping roughly 21% on the same day.

## SEC Awards Over \$37 Million to Whistleblower, Bolstering Regulatory Compliance

On 17 July 2024, The Securities and Exchange Commission (**SEC**) announced an award exceeding \$37 million to a whistleblower whose information significantly contributed to a successful enforcement action. This individual provided previously unknown information to the SEC, met with Enforcement staff, and identified potential witnesses and documents, thereby conserving valuable staff time and resources.

"Today's award illustrates the importance of the SEC's whistleblower program, as the whistleblower's information helped the agency return millions of dollars to harmed investors," said Creola Kelly, Chief of the SEC's Office of the Whistleblower.

Payments to whistleblowers are made from an investor protection fund, established by Congress and financed entirely through monetary sanctions paid to the SEC by securities law violators. Whistleblowers are eligible for awards when they voluntarily provide original, timely, and credible information that leads to successful enforcement actions. Awards can range from 10 to 30 percent of the money collected when monetary sanctions exceed \$1 million.

The Dodd-Frank Act ensures the SEC protects the confidentiality of whistleblowers, safeguarding their identities from disclosure.

The SEC's whistleblower program is a powerful tool for enhancing regulatory compliance and encouraging individuals to report fraudulent activities. By offering substantial financial rewards and protecting the identities of whistleblowers, the SEC fosters an environment where individuals feel safe and motivated to come forward with critical information. This initiative not only helps in uncovering fraud but also plays a crucial role in returning lost funds to investors, thereby reinforcing market integrity and investor trust.

In the rapidly evolving crypto sphere, such measures are particularly impactful. Cryptocurrency markets, often plagued by volatility and fraud, benefit greatly from increased regulatory scrutiny and the active participation of informed individuals willing to expose malpractices. The SEC's proactive approach in awarding whistleblowers demonstrates its commitment to maintaining fair and transparent markets, which is essential for the growth and legitimacy of the crypto industry. This step sets a positive precedent, encouraging future compliance and ensuring that the crypto market evolves in a regulated and secure manner.

For more information about the whistleblower program and how to report a tip, visit [SEC Whistleblower](#).

(Source: <https://www.sec.gov/newsroom/press-releases/2024-85>)

## IRS Enhances Identity Authentication Process for FATCA Registration

On 17 July 2024, the Internal Revenue Service (**IRS**) announced that it will enhance the identity authentication process for financial institutions registering under the Foreign Account Tax Compliance Act (**FATCA**). Effective 14 July 2024, taxpayers must sign in or register with one of the IRS's credential service providers, Login.gov or ID.me, to access the FATCA Registration System. FATCA mandates that most U.S. taxpayers holding financial assets outside the U.S., as well as certain foreign financial institutions, report these assets and accounts to the IRS.

Taxpayers who already have a Login.gov or ID.me profile can sign in to the [FATCA Registration System](#) as long as the email matches that of the responsible officer or point of contact on the FATCA registration. Those without an existing profile will need to create one to access the system. This new authentication requirement complies with the National Institute of Standards and Technology's digital identity guidelines.

Creating a new profile involves verifying an email address, creating a password, and setting up multi-factor authentication to secure their FATCA account. Both ID.me and Login.gov offer help desks to assist taxpayers who encounter difficulties using the systems. For assistance, taxpayers can visit the Login.gov help center or the ID.me Help Site.

This enhancement in the identity authentication process has significant implications. By adopting advanced digital identity verification methods, the IRS is bolstering the security of financial account reporting and protecting sensitive taxpayer information. This move ensures that only authorized individuals can access and manage FATCA-related information, thereby reducing the risk of fraud and unauthorized access.

Furthermore, this initiative safeguards against private cryptocurrency transactions that may otherwise evade regulatory scrutiny. As cryptocurrencies become more prevalent, the IRS's authentication measures help ensure that crypto assets held in foreign accounts are reported accurately, promoting transparency and compliance within the digital asset space. This step by the IRS demonstrates a commitment to leveraging technology to enhance regulatory oversight and secure taxpayer information in an increasingly digital financial landscape.

(Source: <https://www.irs.gov/newsroom/irs-enhances-fatca-registration-website-by-requiring-users-to-establish-multi-factor-authentication>)

## MAS Commits Up to S\$100 Million to Boost Quantum and AI Capabilities in Financial Sector

The Monetary Authority of Singapore (**MAS**) announced on 18 July 2024 a substantial commitment of S\$100 million under the Financial Sector Technology and Innovation Grant Scheme (FSTI 3.0) to enhance quantum and artificial intelligence (**AI**) capabilities within the financial sector. This initiative aims to advance innovation and adoption of quantum and AI technologies, providing significant support to financial institutions.

Quantum technology, a rapidly advancing field with transformative potential, is poised to revolutionize the financial industry. Following the National Quantum Strategy announced by Deputy Prime Minister Heng Swee Keat in May 2024, MAS will establish a dedicated Quantum track under FSTI 3.0. This track will offer various grants to support financial institutions in developing quantum capabilities in Singapore. The Quantum track includes the Technology Centres Grant, providing funding up to 50% for establishing quantum computing and security innovation functions, covering manpower and infrastructure costs for 24 months. The Technology Innovation Grant comprises two sub-tracks, supporting impactful institutional use cases and addressing industry-wide problems with quantum solutions, providing up to 50% co-funding. Additionally, the Security Grant offers up to 30% funding to enhance cybersecurity through Post-quantum Cryptography (**PQC**) and Quantum Key Distribution (**QKD**) pilots, safeguarding critical data. MAS will also collaborate with Institutes of Higher Learning and the Institute of Banking and Finance to develop quantum talent in the financial services sector.

With recent technological advancements making AI tools more accessible, MAS aims to bolster AI development and deployment within the financial sector. Enhancements to the existing AI and data grant scheme under FSTI 3.0 will support financial institutions in establishing AI innovation centers, developing high-impact AI models, and addressing industry-wide issues such as scam and fraud detection. MAS will back projects that promote secure, privacy-protected data exchange frameworks, enabling collaborative solutions for industry-wide AI use cases. Further details on enhanced AI support will be announced in the coming months.

This significant investment by MAS is expected to accelerate technological advancements within Singapore's financial sector, fostering innovation and improving operational efficiencies. The commitment sets a benchmark for global jurisdictions, encouraging them to adopt advanced technologies and enhance their financial systems. The integration of quantum and AI technologies will also benefit the burgeoning cryptocurrency sector. Enhanced cybersecurity measures and advanced data analytics can mitigate risks associated with crypto transactions, fostering a safer and more robust digital asset ecosystem. MAS's initiative underscores Singapore's commitment to staying at the forefront of financial technology, ensuring a secure and innovative environment for both traditional and digital financial services.

(Source: [https://www.mas.gov.sg/news/media-releases/2024/mas-commits-up-to-s\\$100-million-to-support-quantum-and-artificial-intelligence-capabilities](https://www.mas.gov.sg/news/media-releases/2024/mas-commits-up-to-s$100-million-to-support-quantum-and-artificial-intelligence-capabilities))

## MAS Addresses Global IT Outage, Ensures Smooth Financial Operations

The Monetary Authority of Singapore (**MAS**) today, 19 July 2024, acknowledged a global outage impacting IT systems of various organizations worldwide, including those in Singapore. Despite this disruption, the Singapore Dollar (SGD) money market and foreign exchange market operated normally.

In response to the outage, MAS requested major financial institutions to report any impact. These institutions reported minimal or no impact on their customers and key operations. While some experienced disruptions to internal systems used by staff, all critical systems remained unaffected. Notably, access to the Singapore Exchange's (**SGX**) post-trade system was temporarily disrupted, but other essential trading and clearing services continued without interruption.

MAS confirmed that its systems, including the MAS Electronic Payment System (**MEPS+**), which is the real-time gross settlement system for SGD payments, were not affected by the outage. As a precautionary measure, MAS extended the operating hours of MEPS+ by two hours to 9pm to ensure the smooth settlement of SGD payments by MEPS+ participants. The authority continues to monitor the situation closely to maintain financial stability.

This swift and effective response by MAS highlights the robustness of Singapore's financial infrastructure. By ensuring that critical systems remained operational and extending MEPS+ operating hours, MAS demonstrated its commitment to maintaining seamless financial operations even amid global disruptions. This proactive approach mitigates potential risks and reassures stakeholders of the resilience of Singapore's financial ecosystem.

The impact of such robust measures extends to cryptocurrency entities as well. The strong IT infrastructure and vigilant monitoring by MAS ensure that digital asset transactions remain secure and are protected from vulnerabilities arising from global IT outages. This reinforces Singapore's position as a secure and reliable hub for both traditional and digital financial services. By safeguarding both sectors, MAS ensures that financial institutions and crypto entities can operate with confidence, knowing that systemic risks are being effectively managed.

Overall, MAS's prompt action in addressing the global IT outage underscores its dedication to financial stability and operational continuity, providing confidence to both traditional financial markets and the burgeoning crypto industry. This incident serves as a testament to Singapore's preparedness and resilience in the face of unforeseen global challenges.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/mas-statement-on-global-outage-affecting-it-systems>)

## SEC Launches Interagency Securities Council to Bolster Enforcement Coordination Across Federal, State, and Local Agencies

The Securities and Exchange Commission (**SEC**) announced on July 19, 2024, the launch of the Interagency Securities Council (**ISC**) to enhance collaboration and enforcement efforts among federal, state, and local regulatory and law enforcement agencies. The ISC, which will meet quarterly, aims to discuss emerging scams, trends, frauds, and mitigation strategies to protect investors and strengthen regulatory cohesion.

The ISC's primary objective is to foster collaboration between various levels of government, providing a unified front in the fight against financial fraud. By inviting over 100 representatives from federal agencies, state attorneys general offices, state police, local police departments, and sheriff's offices, the ISC seeks to enhance opportunities for case collaboration, share insights and guidance, and create a forum for cohesive action against securities fraud.

"The Interagency Securities Council will help frontline investigators stay abreast of emerging threats and fact patterns to protect their communities from securities fraud, while supporting the efforts of federal, state, and local law enforcement partners across the country," said Gurbir S. Grewal, Chair of the ISC and Director of the

SEC's Division of Enforcement. Cristina Martin Firvida, the SEC's Investor Advocate, added, "As financial frauds become more complex, investors benefit from the government at all levels working together and sharing information to protect and inform the public."

The ISC, open to law enforcement and regulatory agencies, facilitates discussions with experts on emerging threats, showcases innovative approaches to combat financial fraud, and serves as a connection point for the larger law enforcement community, including police and sheriff departments, tribal and military-community law enforcement. The council's efforts will be spearheaded by Adam Anicich and Manuel Vazquez from the SEC.

In the context of several high-profile cryptocurrency-related financial frauds, such as the collapses of exchanges and fraudulent initial coin offerings (ICOs), the establishment of the ISC is timely. For instance, cases like the QuadrigaCX scandal and the more recent issues with FTX highlight the need for robust oversight. The ISC's broader oversight will ensure that fraud is tackled from the grassroots level up to major industry players, creating a more secure environment for investors and stakeholders in the cryptocurrency space.

This initiative is expected to create significant ripples in the financial and cryptocurrency sectors. By enhancing interagency collaboration, the ISC will improve the detection and prevention of fraudulent activities, providing stronger protection for investors. The unified efforts of diverse regulatory bodies will also ensure broader regulatory oversight, contributing to a more secure and transparent financial market.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-86>)

## Japanese Crypto Industry Urges Government for Immediate Tax Reforms

On July 19, 2024, the Japan Blockchain Association (**JBA**), an influential body representing leading Japanese crypto exchanges and blockchain companies, formally petitioned the government to implement significant tax reforms related to cryptocurrencies. The JBA aims for these changes to be in place ahead of the Financial Year 2025.

The JBA emphasized that Japan's high tax rates on cryptocurrency profits are stifling citizens' ability to accumulate valuable digital assets. The association has urged Tokyo to align the tax rates on crypto profits with those applied to conventional financial assets like stock exchange-listed stocks.

The JBA, which includes top blockchain firms and crypto projects such as bitFlyer, highlighted the urgency of reforming the nation's stringent tax laws. The organization has been vocal about the need to introduce new tax measures, pointing out that the current rules for crypto-related transactions are excessively complex and discourage investment. Under existing Japanese law, traders must declare token-derived profits as "other income" on their tax returns, subjecting high earners to a maximum tax rate of 55%. This is significantly higher than the flat-rate capital gains taxes applied in many other developed countries, making Japan less attractive for crypto investors.

The JBA noted that Japan's current tax laws adversely affect companies issuing crypto assets and web3 startups. The association warned that without reform, Japan risks losing its competitive edge in the global web3 sector, with talented individuals and innovative startups likely to relocate to countries with more favorable regulations. To address these issues, the JBA proposed several key reforms, including implementing separate self-assessment tax systems for crypto, eliminating its inclusion in the "other income" section, introducing a flat 20% tax rate on crypto profits, allowing traders to carry forward losses for three years to offset future crypto-related income, abolishing taxes on crypto-to-crypto transactions, creating tax-free or tax-deductible crypto donation systems, and considering future reforms for crypto derivative transaction-related tax rules.

Expressing the urgency of the matter, the JBA wrote on X (formerly Twitter) that tax reform for cryptocurrencies is critical to allowing the web3 sector to thrive and drive future economic growth in Japan. Yuzo Kano, the head of the JBA and CEO of bitFlyer, emphasized the potential of web3 to significantly contribute to Japan's medium- to long-term economic growth and international competitiveness.

Japan has long been recognized for its forward-thinking approach to technology and finance. By addressing the current tax challenges faced by the crypto industry, Japan aims to foster a more conducive environment for innovation and investment. These proposed reforms reflect Japan's commitment to remaining at the forefront of the digital asset revolution, ensuring that it continues to be a leading hub for blockchain and cryptocurrency development. The JBA's proactive stance highlights the importance of regulatory adaptation in maintaining a competitive and vibrant financial ecosystem.

## Ethereum Exchange-Traded Funds Set to Launch Amid Market Optimism and Speculation

The much-anticipated launch of Ethereum exchange-traded funds (**ETFs**) in the United States will take place tomorrow, following the Securities and Exchange Commission's (**SEC**) final approval for trading on July 22, 2024. This event marks the introduction of Ethereum ETFs on major stock exchanges, including Nasdaq, the New York Stock Exchange (**NYSE**), and the Chicago Board Options Exchange (**CBOE**).

Following the success of Bitcoin ETFs since their debut in January, there is significant interest in how Ethereum ETFs will perform. These funds offer a straightforward way for traditional investors to gain exposure to Ethereum through conventional stock exchanges, simplifying the process for those who might find the crypto market complex.

However, experts advise caution in expecting immediate, overwhelming inflows. Greg Magadini, derivatives director at blockchain data provider Amberdata, noted the current lack of enthusiasm for Ethereum futures, suggesting that demand for Ethereum ETFs might be subdued initially. This contrasts with the high pre-launch interest seen with Bitcoin ETFs.

James Butterfill, head of research at CoinShares, pointed out that the launch of Grayscale's primary Ethereum ETF might lead to significant initial outflows as investors cash out, similar to what occurred when Grayscale's Bitcoin trust converted to an ETF. Despite this, Butterfill remains positive about the long-term impact, anticipating enhanced market stability and investor confidence.

The introduction of Grayscale's mini Ethereum ETF, with its attractive fee structure and tax benefits, is expected to drive substantial inflows. Billy Luedtke, CEO and founder of Ethereum-based authentication protocol Intuition, emphasized that this product could positively influence Ethereum's market performance by reducing barriers to entry and increasing awareness.

Patrick Felder, founder and CIO of Prismatic Capital, estimated that market inflows could range from 15-25% of those seen with Bitcoin ETFs. He suggested that stronger-than-expected inflows could lead to significant price increases for Ethereum as market expectations adjust.

On July 22, 2024, the SEC approved the launch of spot Ethereum ETFs by major issuers, including BlackRock, Fidelity, 21Shares, Bitwise, Franklin Templeton, VanEck, and Invesco Galaxy. These ETFs will feature management fees ranging from 0.15% to 0.25%, providing retail investors access through brokerages like Robinhood and Fidelity.

The introduction of these ETFs represents a significant milestone for regulated exposure to Ethereum. This regulatory acceptance could pave the way for additional cryptocurrency-related financial products, with analysts like Bloomberg's Eric Balchunas suggesting the potential for other altcoin ETFs, such as Solana's native token, SOL.

While some analysts predict that Ethereum ETFs could drive ETH prices to unprecedented levels, market dynamics and investor behavior will ultimately determine the impact. The cautious optimism within the financial community reflects the broader sentiment as it navigates the evolving landscape of cryptocurrency investments.

As Ethereum ETFs begin trading, the crypto market will be closely watched to gauge investor sentiment and the potential for significant price movements. The introduction of these products not only enhances investment opportunities but also underscores the growing integration of digital assets into mainstream financial systems.

## Marathon Digital Ordered to Pay \$138 Million for Breach of Contract, Reflecting Challenges in Upholding Ethical Standards in Crypto Industry

According to a judgment dated July 19, 2024, a federal court jury in Los Angeles has awarded Michael Ho \$138 million after finding Marathon Digital Holdings Inc., the largest Bitcoin mining company by market capitalization, guilty of breaching a Non-Disclosure/Non-Circumvention Agreement. Ho, the co-founder of US Bitcoin Corp and Chief Strategy Officer of Hut 8, had shared proprietary information about a large-scale energy supplier with

Marathon, under the agreement that the firm would not bypass him. However, Marathon circumvented Ho and engaged directly with the supplier without compensating him for the proprietary information, leading to this substantial legal verdict.

The lawsuit, initiated by Ho, detailed how Marathon Digital had agreed to utilize his strategy for developing a large-scale Bitcoin mining facility in North America but failed to honor the compensation terms. Despite the breach, Marathon Digital continues to lead the Bitcoin mining industry by market capitalization, valued at approximately \$6.77 billion.

“The unanimous jury verdict for \$138 million vindicates Michael Ho’s efforts and expertise, and it reinforces the importance of honoring contractual obligations and respecting professional relationships,” explained David Affeld from Affeld England & Johnson LLP, who represented Ho. The legal team highlighted that this case sends a strong message about the necessity of ethical business practices within the industry.

This significant financial penalty has had a noticeable impact on Marathon Digital’s market value. During Monday’s trading session, the company’s shares (NASDAQ: MARA) fell by 3% to just under \$24, maintaining levels close to four-month highs. However, before today’s session began, they lost an additional 2% in pre-market trading, testing the level of \$23.46. The market’s reaction reflects investor concerns about the financial and reputational repercussions of the lawsuit.

The ruling also highlights the critical role of judicial oversight in ensuring ethical enforcement of agreements within the crypto industry. By holding Marathon Digital accountable for breaching its contractual obligations, the judiciary reinforces the importance of upholding trust and integrity in business practices. This case sets a precedent that could deter similar breaches in the future and encourages firms to adhere to ethical standards, promoting a more transparent and fair market environment.

While Marathon Digital remains a dominant player in the Bitcoin mining sector, this verdict underscores the importance of maintaining ethical standards and the potential repercussions of failing to do so. The outcome also reflects the growing scrutiny and regulatory challenges that the crypto industry faces, emphasizing the need for transparent and fair business practices.

## Keith E. Cassidy Named Interim Acting Director of SEC’s Division of Examinations

The Securities and Exchange Commission, on 22 July 2024, announced that Richard Best, the Director of the Division of Examinations, will take leave from the agency to focus on his health, effective immediately. In response to this, Keith E. Cassidy, the Division’s Deputy Director, will serve as its interim Acting Director. Cassidy brings a wealth of experience to the role, having previously served as the National Associate Director of the Division’s Technology Controls Program (**TCP**), overseeing technology-focused examinations, the SEC’s CyberWatch program, and the Cybersecurity Program Office. Additionally, Cassidy is an infantry officer in the United States Marine Corps Reserve and has held various significant positions, including Director of the SEC’s Office of Legislative and Intergovernmental Affairs and Chief of Staff and Counsel at the Department of Justice’s Office of Legislative Affairs. “I wish Rich well as he takes time to focus on his health,” said SEC Chair Gary Gensler. “I thank Keith for stepping in again to lead the Division of Examinations.”

In addition to serving as Deputy Director, Mr. Cassidy is the National Associate Director of the Division’s Technology Controls Program (**TCP**) with responsibility for technology-focused examinations and overseeing the SEC’s CyberWatch program and the Cybersecurity Program Office. Mr. Cassidy also is an infantry officer in the United States Marine Corps Reserve, where he is the Commanding Officer of 4th Reconnaissance Battalion. Mr. Cassidy previously served as the Director of the SEC’s Office of Legislative and Intergovernmental Affairs and as Chief of Staff and Counsel at the Department of Justice’s Office of Legislative Affairs. Earlier, he served as a legislative assistant in the United States Senate. Mr. Cassidy received his J.D. from the George Washington University Law School, his LL.M. in Securities and Financial Regulation with distinction from Georgetown Law Center, and a B.A. from the University of Virginia.

Cassidy’s extensive background in cybersecurity and regulatory affairs is expected to enhance investor protection and safeguard against online hacking and frauds, given his expertise in tackling these issues. For instance, his role in the Cybersecurity Program Office has equipped him with the skills to identify and mitigate cyber

threats, which are crucial in the increasingly digital financial landscape. His leadership could potentially improve the SEC's ability to monitor and address threats within the crypto sphere, ensuring a more secure environment for investors.

This strategic appointment signals the SEC's commitment to preparing itself with highly technologically proficient individuals to address and maintain the integrity and security of financial markets, particularly as they intersect with innovative technologies like blockchain and cryptocurrencies. As the crypto market continues to grow and integrate more deeply with traditional financial systems, Cassidy's leadership is expected to play a pivotal role in shaping regulatory frameworks that balance innovation with investor protection, managing and mitigating cybersecurity risks and enhance its regulatory framework capability to oversee and regulate the burgeoning digital asset market effectively.

Cassidy's appointment is anticipated to positively impact the crypto industry by reinforcing ethical standards and regulatory oversight, thereby fostering a safer and more transparent market environment. His experience with the Technology Controls Program and Cybersecurity Program Office positions him to effectively combat financial fraud and enhance investor confidence in the rapidly evolving financial landscape.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-87>)

## Elon Musk Unveils World's Most Powerful AI Training Cluster

Elon Musk's venture, xAI, has commenced training its large language model (LLM), Grok, on what he claims is the world's most powerful AI training cluster. On July 22, 2024, Musk announced that the Memphis Supercluster, located in Memphis, Tennessee, is equipped with 100,000 Nvidia H100 AI chips and has begun its training operations. Musk made this announcement on X (formerly Twitter), his other company.

"Nice work by @xAI team, @X team, @Nvidia & supporting companies getting Memphis Supercluster training started at ~4:20am local time," he posted.

The Memphis Supercluster is designed to develop Grok, an AI system that can understand and respond to human language in highly advanced ways. This project aims to create what Musk calls "the world's most powerful AI" by December 2024. The supercomputer's size and power are unprecedented, boasting more GPUs than some of the world's leading supercomputers, such as the Frontier supercomputer and Microsoft's Eagle.

Musk's company, xAI, is leading this ambitious initiative, leveraging current GPU technology to accelerate progress in the AI field. This decision reflects Musk's commitment to rapid innovation and his strategic vision for AI development.

In addition to AI advancements, Musk's automotive company Tesla plans to deploy humanoid robots in its factories next year. These robots, named Optimus, are designed to perform tasks that are unsafe, monotonous, or repetitive for human workers. Musk envisions mass-producing these robots and making them available to other companies by 2026, with a target price of less than \$20,000 each.

These technological advancements come at a challenging time for Tesla, which recently reported a significant drop in profits, nearly halving compared to the same period last year due to weakening demand for its electric vehicles. To address this, Tesla has implemented cost-cutting measures, reduced car prices, and introduced incentives to attract buyers. Despite the downturn in car sales, Tesla's overall revenue has seen a slight increase, driven by growth in its energy storage business.

The development of the Memphis Supercluster and the deployment of humanoid robots could set new standards for technological innovation and industrial efficiency. These advancements are expected to attract substantial investor interest and drive competition in both the AI and robotics sectors.

Moreover, the involvement of high-tech solutions in these projects highlights the need and importance of regulatory oversight to ensure ethical business practices and safeguard investor interests. Regulatory bodies are adapting to address the complexities and risks associated with advanced technologies like AI and robotics. Elon Musk's latest initiatives emphasize his relentless pursuit of innovation and his vision for transforming industries through technology. While Tesla faces financial challenges, its strategic focus on AI and robotics positions it for future growth and resilience.



## Hong Kong Launches Asia's First Inverse Bitcoin ETF Amidst Volatile Market Conditions

CSOP Asset Management on 22 July 2024 announced the launch of Asia's first inverse Bitcoin exchange-traded fund (**ETF**), the CSOP Bitcoin Futures Daily (-1x) Inverse Product, set to debut on Hong Kong's stock exchange on Tuesday. This innovative financial product allows investors to profit from declines in the value of Bitcoin, offering a new strategic option for those looking to navigate the volatile cryptocurrency market.

Ding Chen, CEO of CSOP Asset Management, highlighted the potential of this product to attract investors seeking to capitalize on Bitcoin's downside movements. "The first futures-based inverse bitcoin product listed in Hong Kong creates opportunities for investors to gain from downside movements in bitcoin," Chen stated.

Bitcoin, known for its significant volatility, experienced a 12% drop in the second quarter following the debut of the first batch of spot crypto ETFs in Hong Kong in April. Despite recent rebounds driven by political developments in the U.S., Bitcoin's price remains subject to extreme fluctuations, with volatility reaching 38.3% in 2023.

The CSOP Bitcoin Futures Daily (-1x) Inverse Product aims to provide a return that closely matches the one-time inverse daily performance of the S&P Bitcoin Futures Index. This move by CSOP Asset Management, which previously launched Asia's first Bitcoin futures ETF in 2022, reinforces Hong Kong's position as an emerging hub for cryptocurrency trading and investment.

The introduction of this inverse Bitcoin ETF is expected to have significant implications for the crypto market. It provides a tool for risk-averse investors to hedge against potential downturns in Bitcoin's value, thereby contributing to market stability. Moreover, it enhances the range of financial products available to investors, fostering greater participation and liquidity in the market.

Looking ahead, the success of the CSOP inverse Bitcoin ETF could pave the way for additional innovative financial products in the cryptocurrency sphere. CSOP is already working on launching an inverse ETH ETF, signaling a broader trend towards more sophisticated investment tools in the digital asset market. These developments are likely to benefit investors by providing more options to manage risk and optimize returns in a highly volatile asset class.

The strategic move by CSOP Asset Management underscores the growing sophistication of Hong Kong's financial markets and their capacity to cater to the evolving needs of global investors. As more institutional and retail investors seek exposure to cryptocurrencies, products like the inverse Bitcoin ETF will play a crucial role in shaping the future of digital asset investment, providing both opportunities and safeguards in an unpredictable market landscape.

## Bank of Ghana and Monetary Authority of Singapore Successfully Demonstrate E-Cedi in Cross-Border Transactions

On 24 July 2024, the Bank of Ghana (**BoG**) and the Monetary Authority of Singapore have completed a groundbreaking proof of concept (**POC**) demonstrating the viability of Ghana's central bank digital currency (**CBDC**), the e-cedi, for cross-border payments. This successful experiment has shown that many intermediaries and associated costs typically involved in international transactions can be eliminated, thus streamlining the process.

Giesecke+Devrient (**G+D**), the technology partner for the Ghanaian central bank, announced that the POC confirmed the effectiveness of utilizing digital credentials for international trade and cross-border payments. The initiative is part of the Project Digital Economy Semi-Fungible Token (**DESFT**) and has proven that the e-cedi can be instrumental not only for domestic transactions but also for transforming cross-border payments.

Earlier this year, in April, the Ghanaian and Singaporean central banks completed their first cross-border transaction using the e-cedi. This milestone underscores the potential of digital currencies to enhance international trade by simplifying processes and reducing costs.

The project also focused on developing a trusted credential system to support the implementation of the e-cedi. Maxwell Opoku-Afari, Deputy Governor of the BoG, highlighted the central bank's commitment to supporting small and medium-sized enterprises (**SMEs**) through this innovative approach.

The POC was a collaborative effort involving Fidelity Bank, a Ghanaian commercial bank, which provided banking and exchange services for the CBDC. This experiment not only demonstrated the utility of the e-cedi in cross-border transactions but also underscored its importance in digitizing international trade for SMEs.

The success of this project marks a significant step forward in the global token economy, showcasing how programmable payments, foreign currency exchange, and interoperability with cross-border payment and credential platforms can be effectively managed using a CBDC. This achievement boasts the potential of the e-cedi to enhance the efficiency and security of the Ghanaian domestic payment system and its applications in global financial transactions.

## Revolut Secures UK Banking License, Poised to Expand Services

Revolut announced on 20 July 2023 that it has received a preliminary banking license from the UK's Prudential Regulation Authority (**PRA**), marking a significant milestone in the fintech firm's journey. This approval, which follows a rigorous three-year application process, represents a crucial step towards Revolut's ambition to become a leading bank in the UK.

"We are incredibly proud to reach this important milestone in the journey of the company and we will ensure we deliver on making Revolut the bank of choice for UK customers," said CEO Nik Storonsky in a statement.

The approval from the PRA comes with certain restrictions during a "mobilization" stage before Revolut can obtain a full banking license. During this period, the fintech firm is limited to a £50,000 (\$64,000) cap on total customer deposits. Revolut informed its UK-based customers, stating, "We are now entering a 'mobilization' period, a common regulatory stage for many new banks. During this period, we will complete the setup of our banking processes before beginning operations as a bank in the UK."

Once fully operational, Revolut will be able to offer a broader range of products such as mortgages and credit cards, in addition to its existing e-money services. This expansion is expected to significantly enhance Revolut's service offerings and market position.

Founded in 2015, Revolut initially launched in the UK, offering money transfer services. The company has since expanded its services to include buying, holding, and exchanging cryptocurrencies, making it one of the UK's largest fintech companies. As of now, Revolut serves around 9 million customers in the UK and more than 45 million globally. The company reported a remarkable financial performance in 2023, recording a £344 million profit, a substantial increase from £6 million the previous year, with revenues nearly doubling to £1.8 billion.

The approval of Revolut's banking license is expected to have a significant impact on the cryptocurrency sphere. By offering banking services alongside its crypto trading platform, Revolut can provide a seamless experience for crypto enthusiasts, integrating traditional banking with digital asset management. This move could attract a broader customer base and foster greater trust in the use of cryptocurrencies, as they will be supported by a regulated banking institution. Moreover, it sets a precedent for other fintech firms looking to bridge the gap between conventional finance and the burgeoning crypto market. Revolut's progress is a proof to the growing acceptance and integration of cryptocurrencies within mainstream financial services.

### **This newsletter is for information purposes only**

This newsletter and the information contained herein is not intended to be a source of advice or credit analysis with respect to the material presented, and the information and/or documents contained in this newsletter do not constitute investment advice.

Cryptocurrency markets are highly volatile and speculative in nature. The value of cryptocurrencies can fluctuate greatly within a short period of time. Investing in cryptocurrencies carries significant risks of loss. You should only invest what you are prepared to lose.

The content on this newsletter is for informational purposes only. You should not construe any such information or other material as legal, tax, investment, financial, or other advice. Nothing contained on our newsletter constitutes a solicitation, recommendation, endorsement, or offer to buy or sell any cryptocurrencies, securities, or other financial instruments.

We do not guarantee or warrant the accuracy, completeness, or usefulness of any information on this site. Any reliance you place on such information is strictly at your own risk. We disclaim all liability and responsibility arising from any reliance placed on such materials by you or any other visitor to this newsletter, or by anyone who may be informed of any of its contents.

Your use of this newsletter and your reliance on any information on the site is solely at your own risk. Under no circumstances shall we have any liability to you for any loss or damage of any kind incurred as a result of the use of the newsletter or reliance on any information provided on the newsletter. Your use of the newsletter and your reliance on any information on the site is governed by this disclaimer and our terms of use.

If you do not wish to receive this newsletter please let us know by emailing us at [unsubscribe@charltonslaw.com](mailto:unsubscribe@charltonslaw.com)

**CHARLTONS  
QUANTUM**



**Hong Kong Office**

Dominion Centre 12th Floor  
43-59 Queen's Road East  
Hong Kong

[enquiries@charltonslaw.com](mailto:enquiries@charltonslaw.com)  
[www.charltonsqquantum.com](http://www.charltonsqquantum.com)  
[www.charltonslaw.com](http://www.charltonslaw.com)  
Tel: + (852) 2905 7888  
Fax: + (852) 2854 9596