



DECEMBER 5, 2019 | 12:00 PM - 12:30 PM ET

DIGITAL ASSETS:
THE MATURATION OF A MARKET

Bank of America



THE BAKKT MISSION

EXPANDING ACCESS TO THE GLOBAL ECONOMY BY
BUILDING TRUST IN AND UNLOCKING THE VALUE
OF DIGITAL ASSETS.



AGENDA

1. TIMELINE: THE EVOLUTION OF DIGITAL ASSETS
2. IMPLICATIONS OF A PAST
3. CURRENT OUTLOOK: CHALLENGES & OPPORTUNITIES
4. DEVELOPING & MATURING THE MARKET



THE EVOLUTION OF DIGITAL ASSETS

B-money (Wei Dal) launches on a distributed electronic cash system

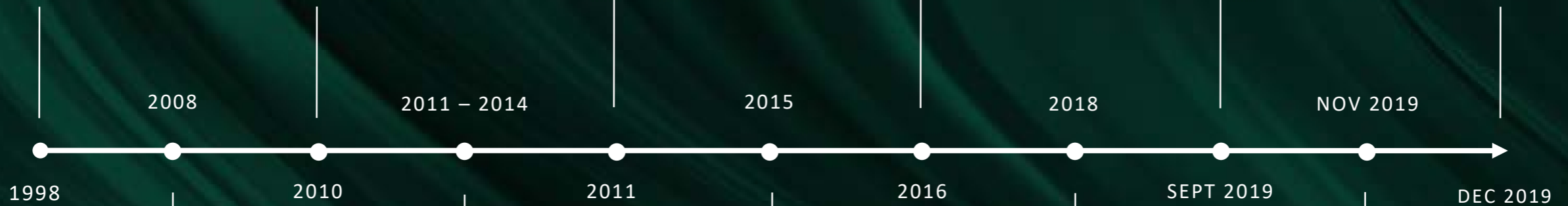
Infamous pizza is purchased for 10,000 BTC, equivalent to \$19.5M at BTC peak

Silk Road (Ross Ulbricht) launches for the purpose of building a free market with an emphasis on anonymity; FBI shuts it down in October 2013

Bitfinex, ranked the largest crypto exchange by volume at the time, is hacked; 120,000 BTC are stolen; BTC price drops 20%

Bakkt launches its first products, the physically settled Bakkt Bitcoin (USD) Daily and Monthly Futures contracts, on September 23 at ICE Futures U.S.

Bakkt announces a December 9 launch of Bakkt Bitcoin (USD) Options at ICE Futures U.S. and Bakkt Bitcoin (USD) Cash-Settled Futures at ICE Futures Singapore



Satoshi Whitepaper released, introducing Bitcoin on Blockchain – eliminates the need for a bank intermediary

Mt. Gox, the first and then-largest crypto exchange (70% volumes) is repeatedly hacked until its collapse; an estimated 850,000 BTC is lost

BitLicense of Virtual Currencies is established by NYDFS as the first major U.S. regulation requiring companies to provide annual balance sheets and asset holdings

Coincheck exchange experiences the largest hack of all time, with \$530M NEM stolen; emphasizes the lack of insurance around cryptocurrencies

Bakkt launches Bitcoin Institutional Custody on November 11, providing enterprise-grade bitcoin custody for institutional customers



IMPLICATIONS OF A PAST HURDLES TO OVERCOME

- **Theft and hacking:** \$1.7B stolen as of Jan 1, 2019, over \$4bn in 2019 according to Cipher Trace, a cybersecurity co.
- **Lack of trust:** rampant market manipulation
- **Fake liquidity:** Bitwise reported that 95% of volume reported on all spot exchanges is fake[†]
- **Excessive Leverage:** Bitmex, Bitfinex & other unregulated offshore trading markets offering offer dangerous 100x leverage for derivative trading
- **Lack of regulatory oversight:** unregulated exchanges can lead to poor business practices, investor risk & distrust

[†]Chart and volumes from [Bitwise SEC report](#) (January 2019) |



CHALLENGES & SOLUTIONS

CHALLENGES

- Product innovation has outpaced the ability to regulate tokens, platforms and practices
- Global scope of products and platforms creates variance across jurisdictions
- High-profile attacks and breaches at unregulated exchanges and wallets
- Broad range of risks; insecure code; unreliable authentication and phishing
- Inconsistent applications and obligations of anti-money laundering practices and protocols
- Need for compliance and enforcement around ALM/KYC and trading practices
- With the spot market manipulation and without a physically delivered futures contract there is no benchmark price for bitcoin

REGULATION



SECURITY



COMPLIANCE



PRICE DISCOVERY



SOLUTIONS

- Bakkt works with regulators to help educate and push the market forward
- Launched an end-to-end regulated ecosystem for trading physically delivered futures
- Leverage ICE and NYSE cybersecurity, technology and data centers
- Bakkt Warehouse utilizes both warm and air-gapped cold storage with \$125mm insurance
- Anti-collusion and insider threat controls, multi-signature transaction signing, segregation of duties
- Bakkt onboarding starts with zero-trust, need-to-know approach with layers of security in attempt to minimize the impact of any risk
- Bakkt utilizes multiple third-party expertise for analyzing asset provenance
- Bakkt Bitcoin Futures are physically delivered serving as a transparent price discovery mechanism for the benchmark price for bitcoin
- Our futures contract prices have zero reliance on the spot markets



DEVELOPING & MATURING THE MARKET CURRENT PRODUCTS

- **Bakkt Bitcoin (USD) Daily and Monthly Futures**
 - Physically settled contracts
 - Trading volume and open interest are increasing
 - The contracts continue to gain traction on regulated broker platforms and with institutional trading participants
- **The Bakkt Warehouse**
 - Continues to onboard clients both for trading participants and non-trading participants to secure their Bitcoin



DEVELOPING & MATURING THE MARKET

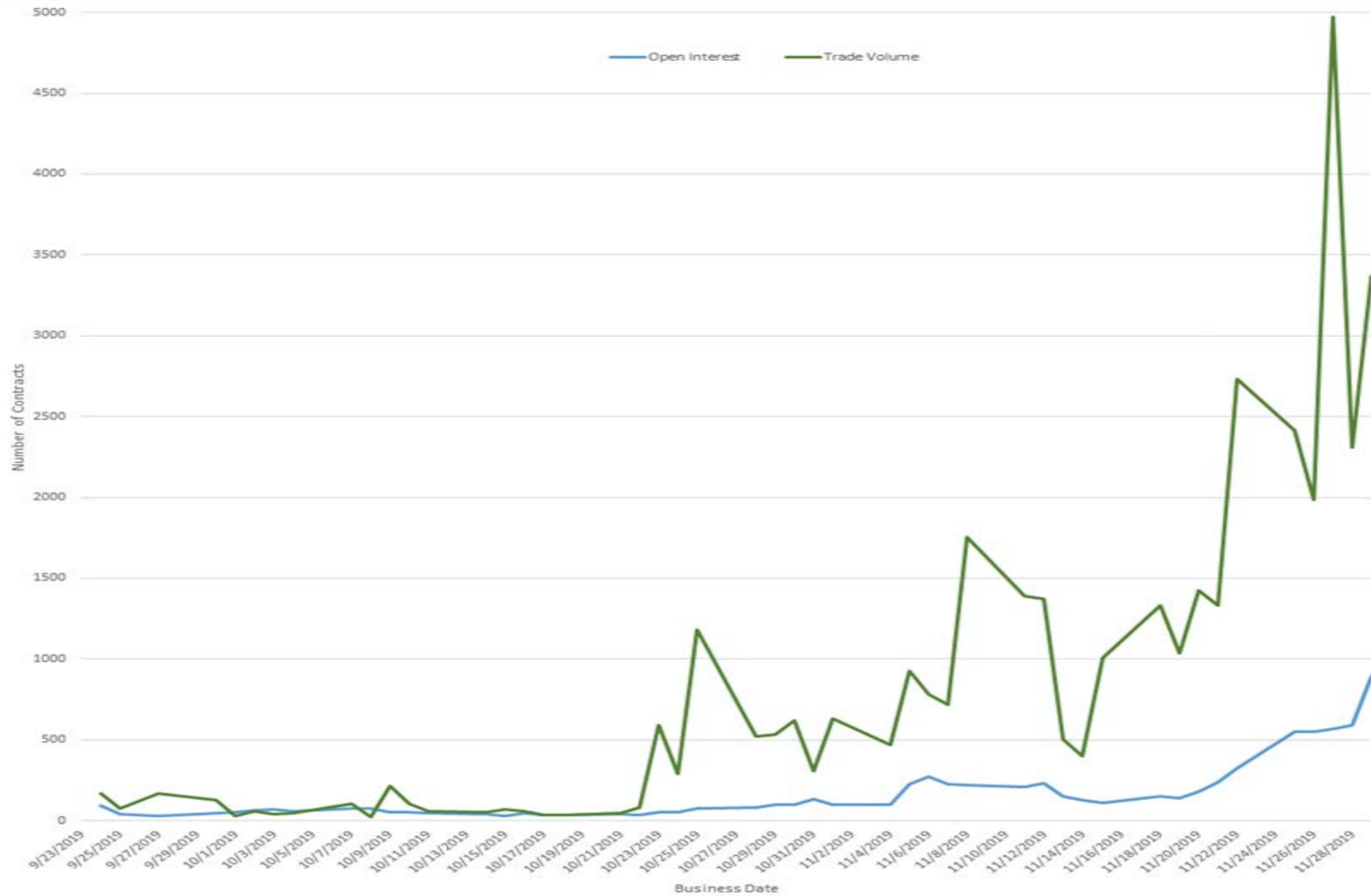


Chart provided by ICE Futures US



DEVELOPING & MATURING THE MARKET
4Q 2019 + BEYOND

- **Bakkt Bitcoin (USD) Options**

- Launch Monday, December 9 at ICE Futures U.S.
- Based upon IFUS Bakkt Bitcoin Monthly Futures
- Expire into the IFUS Bakkt Bitcoin Monthly Futures

- **Bakkt Bitcoin (USD) Cash Settled Futures**

- Launch Monday, December 9 at ICE Futures Singapore
- Derives data and settlement price from the IFUS physically delivered contracts



DEVELOPING & MATURING THE MARKET THE FLYWHEEL EFFECT

INSTITUTIONAL MARKETS

- NYDFS regulated qualified custodian for digital asset safekeeping
- CFTC regulated bitcoin futures contracts traded on ICE Futures U.S. and cleared on ICE Clear US
- Trusted prices formation via transparent markets

TRUSTED PRICING



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TRUSTED PRICING

CONSUMER
UTILITY

- Products that solve real problems for people
- Creating utility of digital assets for consumers and businesses





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TRUSTED PRICING

CONSUMER UTILITY

- Products that solve real problems for people
- Creating utility of digital assets for consumers and businesses

- Unlock value from siloed products and markets
- Innovation at the intersection of digital assets and payments

UNLOCKED VALUE



DEVELOPING & MATURING THE MARKET THE GOOD NEWS

Bloomberg

“ICE has said its ultimate goal is to create an ecosystem that would encourage pension funds, endowments and other institutions to invest more money in cryptocurrencies.....”

THE WALL STREET JOURNAL.

“...Mr. Fitzsimmons said he had brought on more than a dozen clients to trade ICE’s bitcoin futures, including hedge funds and bitcoin miners... they could use ICE’s contract to protect themselves against the risk of bitcoin’s losing value, much as oil producers use futures to hedge crude prices.”



“...is Bakkt, so-called because it's ‘backed’ by majority owner Intercontinental Exchange. ICE is the \$52 billion-market-cap trading colossus that owns the NYSE...”



WANT TO LEARN MORE?

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BAKKT



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