

 LedgerX

Series B

Confidential

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Bitcoin's Needs: Regulation and Volatility Management

Bitcoin is a fundamentally new asset class that requires no middlemen or third-party to process transactions.

- Bitcoin peer-to-peer network: New universal settlement layer and global open-access financial network
- Bitcoin currency: A more efficient collateral asset

Wall Street banks are scrambling to get into Bitcoin and the blockchain. But they need **regulation** and a way to **manage volatility**.

LedgerX's regulated options exchange will let institutions manage volatility. Our clearinghouse has built a bridge between Bitcoin and the traditional financial system, and regulatory approval will activate this bridge.



The Future of Money

Old Money

M0: Cash in circulation



M1-M2-M3: Commercial bank money lent via traditional ledgers



Financial institutions manage cash volatility risk via CFTC-regulated FX trading

 CME Group
How the world advances

 ICE Intercontinental Exchange

New Money

M0: Bitcoin blockchain as a settlement layer



M1-M2-M3: Commercial bank obligations on top of the blockchain (via sidechains, smart contracts, etc)



Financial institutions manage bitcoin volatility risk by trading on LedgerX's CFTC-regulated options exchange





"R3Cev [...] convened the April meeting at Bank of America, which was attended by more than 75 people from 15 financial institutions" – NYT article on blockchain tech





Professional Investors and Speculators Want Bitcoin

"We see investing and trading bitcoin as one of the first major applications of crypto currency..." – Wedbush Equity Research

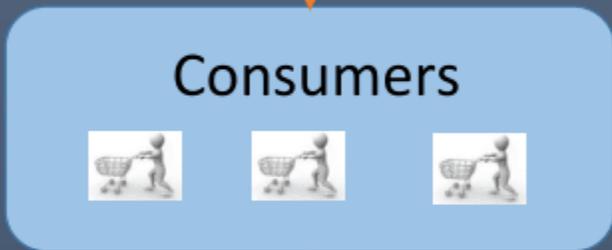
Who they are	What they want	What they <i>don't</i> want	The LedgerX Solution
<ul style="list-style-type: none"> Investment Banks Bitcoin-specific Prop Traders Macro Funds Multi-strategy Hedge Funds Family Offices 	<ul style="list-style-type: none"> Buying Ability Shorting Ability Liquidity Market-Making Arbitrage 	<ul style="list-style-type: none"> No Oversight Unexperienced Professionals Complex Banking Arrangements 	<ul style="list-style-type: none"> U.S. Federal Regulation U.S. Banking Trusted Clearing Safe Collateral Storage Easy API Access Experienced Governance

PANTERA



Hedgers Need Bitcoin Options

Consumers purchase BTC using fiat



BTC



Merchants convert BTC to fiat

Consumer Businesses

CIRCLE coinbase



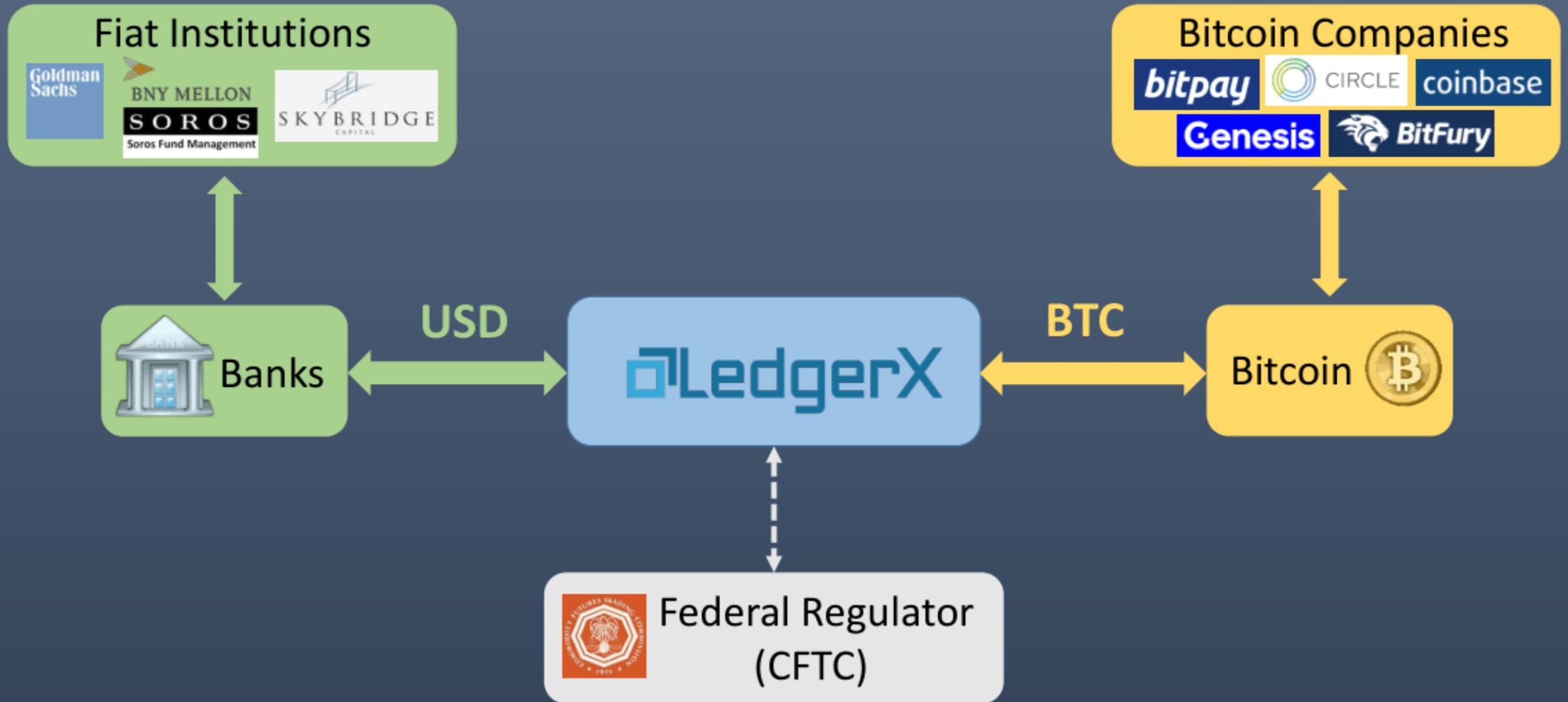
BTC Price Volatility Risk

Payment Processors

bitpay Bitnet



LedgerX Approach





Existing “Options”

Mostly inferior products like binary options, cash-settled forwards, or other less-efficient hedges.

	Regulatory Status	Institutional Access	Options Expertise	Clearing Expertise	Bitcoin Expertise	Location
Coinut	X	X	X	X	✓	Singapore
Bitstamp	X	X	X	X	✓	Slovenia
Bitfinex	X	X	X	X	✓	Hong Kong
Over-the-counter options	X	X	✓	X	✓	New York
CME	✓	✓	✓	✓	X	Chicago
Tera	✓	✓	X	X	X	New York
LedgerX	✓	✓	✓	✓	✓	New York

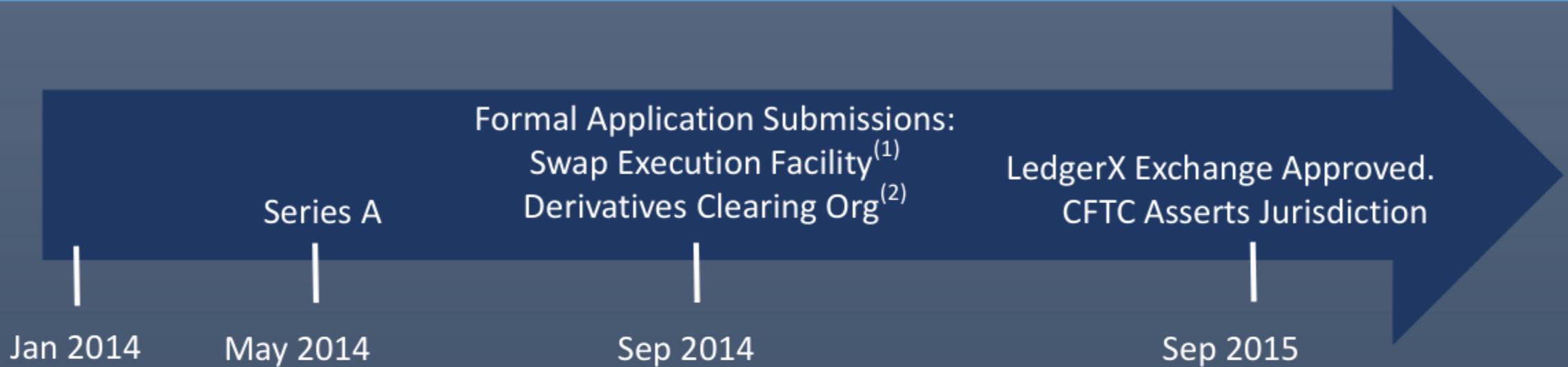


LedgerX: The Trusted Solution

U.S. Based	✓
U.S. Banked	✓
U.S. Regulated	✓
Experienced Operators	✓
Derivatives Trading	✓
Bitcoin Specialization	✓



Milestones



“...the CFTC for the first time finds that Bitcoin and other virtual currencies are properly defined as commodities...”
– CFTC Enforcement Action against Derivabit, Sep 17, 2015

(1) A Swap Execution Facility (“SEF”) is a derivatives trading platform designation under the CFTC. A SEF license enables a company to list for trading swaps and options on currencies and / or commodities.
(2) A Derivatives Clearing Organization (“DCO”) is a clearing designation under the CFTC. A DCO license is the only regulated way that a company may hold customer funds and collateral in order to effect settlement and delivery for derivatives on currencies and / or commodities.



Highly Experienced Team

Board of Directors



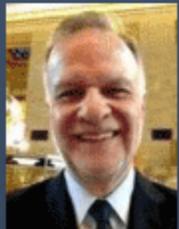
Mark Wetjen

DTCC
Fmr. CFTC Acting
Chairman



Jim Newsome

Fmr. CFTC Chairman
NYMEX CEO
CME Board Member



Tom Lewis

Ameritrade CEO
Green Exchange CEO

Management Team

Paul Chou, CEO



Juthica Chou, President
& Chief Risk Officer



Zach Dexter, CTO



Shabana Paul, CFO &
COO



Kari Larsen, General
Counsel & Chief
Regulatory Officer



Maria Miguez, Chief
Compliance Officer



Investors

Series A Lead



Seed Investors





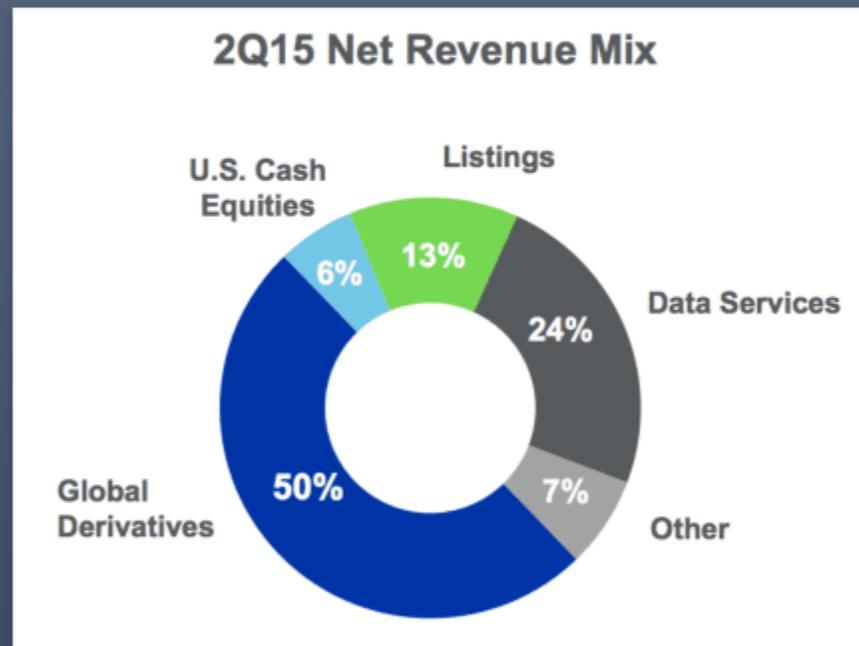
The Real Margins are in Derivatives Clearing

The biggest clearinghouses in the world are in derivatives



CME

Mkt Cap: \$31B
2014 Rev: \$3.1B





ICE

Mkt Cap: \$25B
2014 Rev: \$3.1B

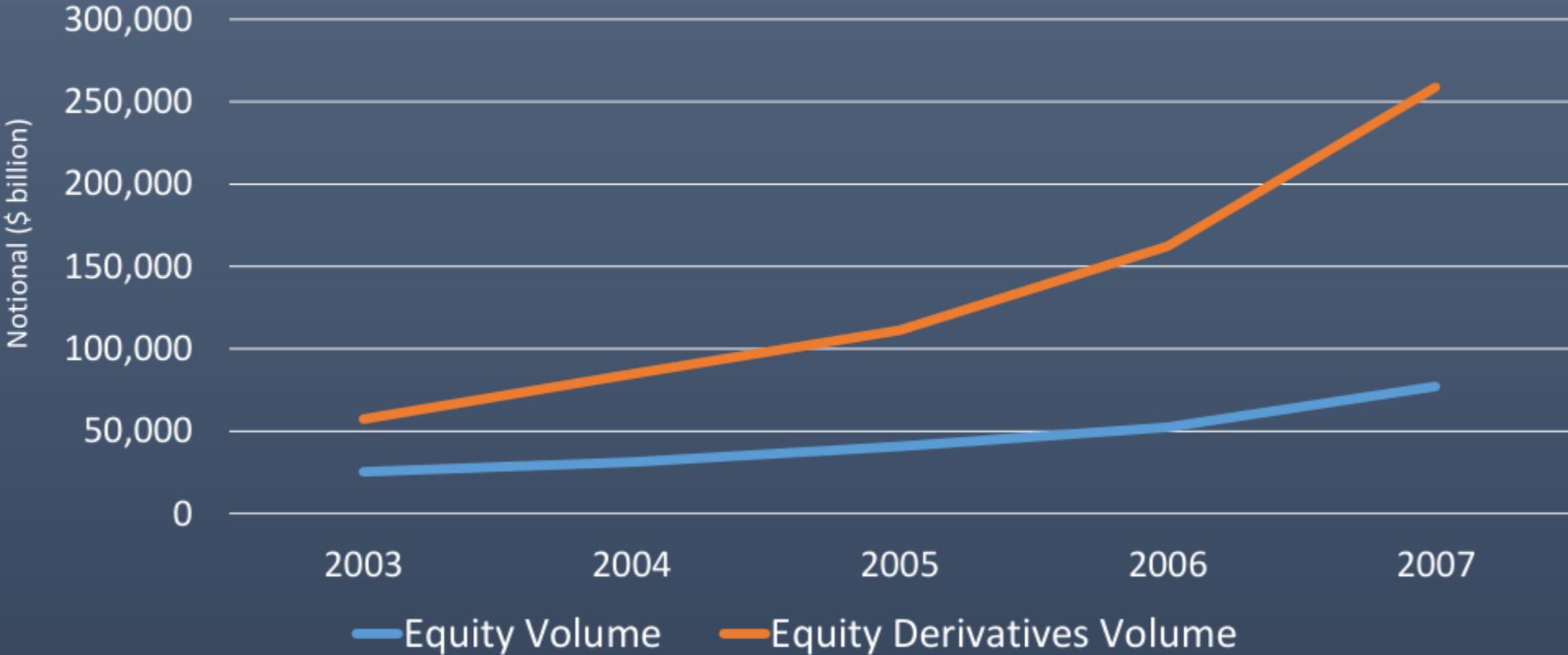
ICE 2Q15 Revenue Mix*

*ICE acquired NYSE in 2012 for \$11B, yet NYSE trading revenue (Cash / Spot Trading) is still only 11% of ICE's total transaction revenue. The remaining 89% is from derivatives.



Derivatives: Finance's Rocket Fuel

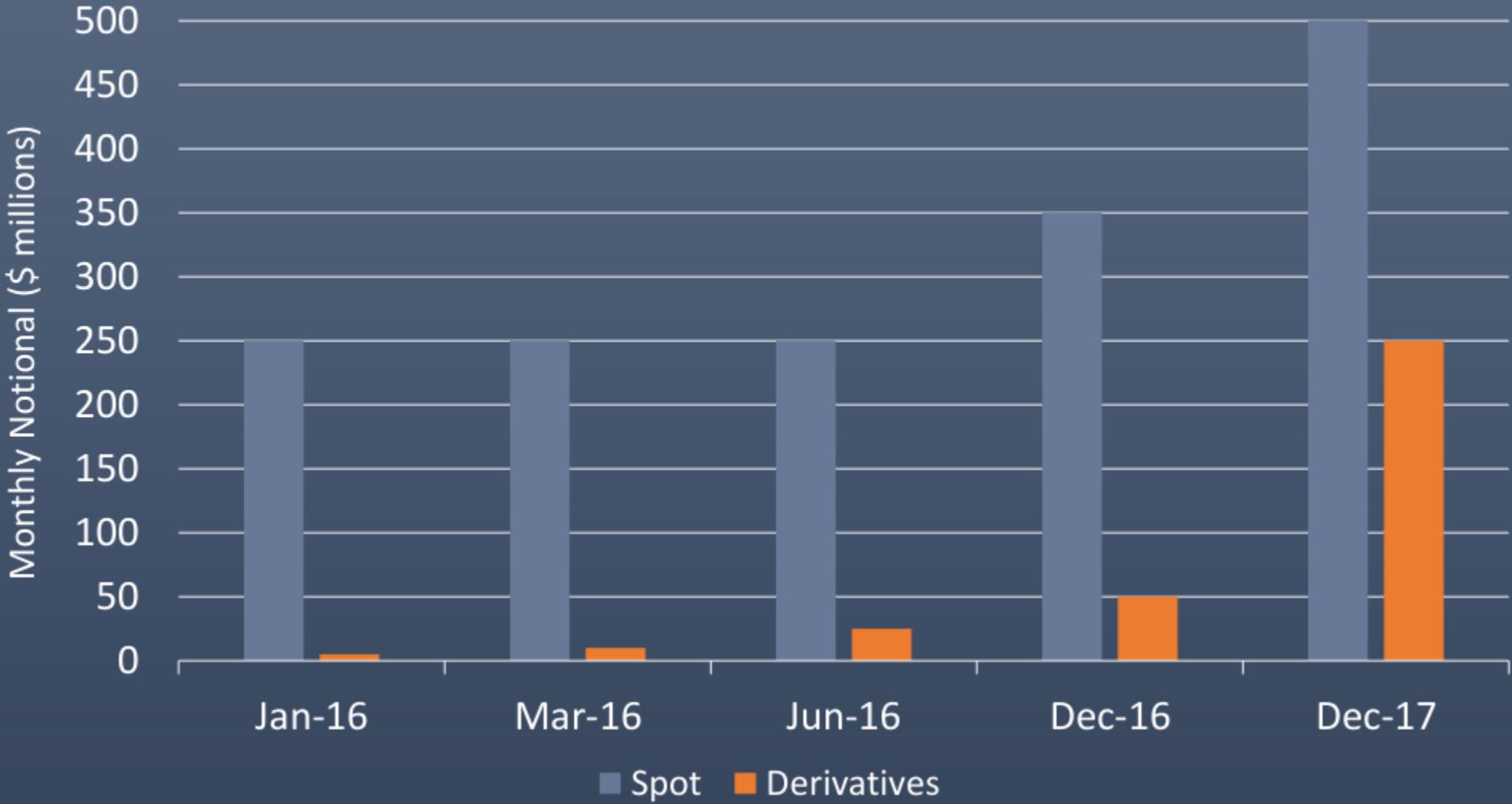
Co-Evolution of Spot and Derivatives Markets: A Case Study



Source: World Federation of Exchanges (October 2015)



Bitcoin Volume Projections





Fundraising

History	Seed: Early 2014 Series A: Mid 2014 Total Raised: ~\$6M										
Current Status	Raising Series B. Targeting \$5M lead check: \$30M pre-money, up to \$40M post-money										
Use of Funds (\$10M Total)	 <table border="1"><thead><tr><th>Category</th><th>Amount</th></tr></thead><tbody><tr><td>Federally-Regulated Clearinghouse</td><td>\$4M</td></tr><tr><td>Liquidity Provider</td><td>\$2M</td></tr><tr><td>Cash Flow Positive</td><td>\$2M</td></tr><tr><td>Retail License</td><td>\$2M</td></tr></tbody></table>	Category	Amount	Federally-Regulated Clearinghouse	\$4M	Liquidity Provider	\$2M	Cash Flow Positive	\$2M	Retail License	\$2M
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