



Fireside Chat with Lewis Fellas

Co-Founder, Chief Investment Officer at Bletchley Asset Management and member of Caspian's board of strategic advisors.

In his advisory role Fellas works closely with Caspian CEO and Co-Founder Robert Dykes and the board on finding ways to give institutional firms greater access to the digital asset class. Fellas has over 19 years of investment, research and trading experience, and was a portfolio manager at Harvard University's \$39.2 billion endowment fund, before launching digital currency-focused asset manager Bletchley Park Asset Management in 2017.

You launched digital asset hedge fund Bletchley Park Asset Management in 2017 after a long career in traditional asset management.

What prompted you to take this step?

I've been in crypto and Bitcoin from a very early stage. I was first alerted to Bitcoin during the financial crisis, tinkering with desktop mining, and then followed the trajectory of Bitcoin closely. But it's only been since 2016 that I could see the potential genesis of a new asset class, where blockchain technology could be applied to the tokenization of equities and other financial assets. To me that seemed like a great entry point - it's very rare that we see the birth of an asset class. Within crypto I wanted to be an early participant, so I could have an impact on how the landscape evolved and be able to gather assets during the high growth phase.

Why were you attracted to the growing cryptocurrency sector specifically?

I've traded most financial instruments - Equities, Credit, FX etc. - over my career and have seen trading evolve massively, from open outcry on the floors of exchanges to AI-powered algorithms taking over and minimizing human intervention. However, custody and the mechanism of asset ownership have not kept pace with the innovation witnessed in trading.

For the first time in history, with the evolution of technology we now see the potential of blockchain to disintermediate centralized recording parties and afford us the opportunity to imagine different profiles for financial instruments. People can transact on their own time, rather than being beholden to the business hours of financial institutions, and can trade new types of financial instruments. It's one of the most exciting financial innovations ever seen.

What are the biggest problems still faced by institutional investors wanting to invest in crypto?

If you go onto any forum and you click on the hurdles to institutional adoption, everybody out there will say a few things. They'll say there is a lack of institutional infrastructure, a lack of a secure custody solution, and a lack of regulation. That's only part of the puzzle because yes, those things matter, but there have been huge inroads to tackle those concerns. Caspian has been playing an integral role in providing institutional trading and risk management infrastructure, Coinbase and some big names in traditional finance have moved into custody, and we've seen Goldman Sachs

moving into exchanges via Circle. So those bigger architecture issues are being addressed. What's keeping many institutions still on the bench, however, is the fact that compelling investment opportunities that are of a significant size and scale are yet to emerge. Right now, it's easy for institutions not to invest, citing infrastructure and regulatory issues. But this stance might change if they're presented with opportunities with fantastic risk-reward profiles.

So, there are two parts to the puzzle for institutional adoption - there's infrastructure, but there also needs to be a unicorn or a significant value proposition. Right now, I think the big and compelling value propositions are still six to nine months off.

How do companies like Caspian help clear a path for great specialist investors entering the digital currency asset class?

Caspian has a role to play in that the current crypto landscape is very fragmented, and there are lots of non-standard exchange connectivity issues for investors. Caspian provides a single point for executing trades, recording P&L, and providing investors with consolidated real-time risk metrics. In the future, as we see these products evolve and we start to see the crypto derivatives market further develop, we'll probably see all parts of a company's capital structure tokenized as well as other hedging instruments, perhaps even a tokenized VIX product! For the second phase of Caspian's development, we will begin to see some high-level functionality, such as stress testing. So, Caspian's access to a risk management system that comes from a traditional equities world where these things are standard, means that the Caspian developers are not reinventing the wheel and can focus on crypto-specific risk elements.

What is your outlook for institutional investments in bitcoin and other crypto assets over the next 12 months?

I think we're going to see a parting of the ways between institutionally-focused players and some of the crypto evangelists who are looking for crypto to change the world and become an alternative to fiat currencies. From this we'll see more regulated blockchain-based equity economic models running on regulated exchanges, and I think these are the projects that are really going to attract the institutional investor.

The institutional investor may have an interest in trading Bitcoin because it is still an extremely interesting economic experiment in that it's the first established non-state backed electronic monetary system. That can't be ignored, but where that value settles is very hard to determine - it's pure supply and demand, and greed and fear. Putting any value on Bitcoin will always be challenging, whereas I think the tokenization of assets is likely to appeal to institutions, because all we're really doing is adding a crypto element to an asset to which we can apply standard valuation methodologies.