BITFINEX Alpha

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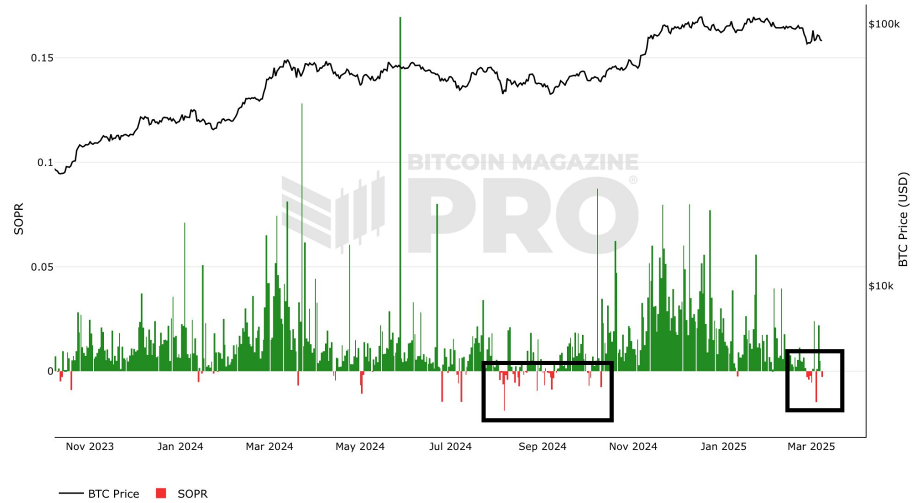
EXECUTIVE SUMMARY

Market Losses Rise as Bulls Hesitate

After briefly reclaiming the $90,000 level last week, Bitcoin has now entered into a new and more volatile range between $85,000 and $92,000, as uncertainty continues to overshadow the market. A price surge at the start of last week accompanied speculation on the US Strategic Bitcoin Reserve and the White House Crypto Summit, but as news was confirmed, traders took a "sell-the-news" approach, and the market quickly erased gains. The options market also added to the volatility last week, with a significant $3 billion in Bitcoin and Ethereum contracts expiring last Friday, further driving price swings.

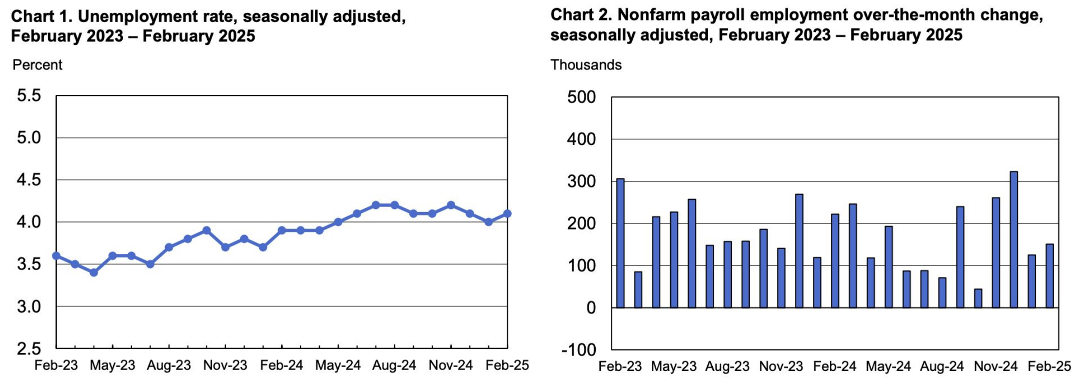
Options realised volatility surged above 80 percent, signaling heightened instability as traders reacted to shifting macroeconomic conditions. Implied volatility jumped 35.7 percent just ahead of the summit, as traders hedged positions. Despite this, on-chain data revealed that many traders saw significant losses last week, with realised losses across market participants hitting $818 million per day, with February 28 and March 4 ranking among the largest single-day loss events in this cycle. Such widespread capitulation often precedes market stabilisation, though geopolitical and macroeconomic concerns remain a significant overhang.



Bitcoin Spent Output Profit Ratio. (Source: Bitcoin Magazine Metrics)

Bitcoin's Spent Output Profit Ratio (SOPR) dipped into loss territory for the first time since October 2024, indicating significant distress selling. Short-term holder SOPR recorded its second-largest negative print of this cycle at 0.95, signaling that new market entrants are capitulating. Historically, any SOPR measure above 1.0 signals re-accumulation and bullish continuation, while extended weakness below this level could suggest further downside.

If the bull market structure remains intact, buyers should begin stepping in at these levels, making SOPR a key metric to monitor in the coming weeks.



Unemployment Rate and Nonfarm Payroll Month-over-Month Change (Source: Bureau of Labor Statistics)

Current macroeconomic indicators, however, are not pointing to a clear direction moving forward. US job market, productivity, and manufacturing sector data are decidedly mixed, with steady employment growth, rising wages, and efficiency gains offset by inflationary pressures, trade disruptions, and cautious business expansion. The US job market remains resilient, with 151,000 jobs added in February, though the unemployment rate ticked up to 4.1 percent due to government job cuts. Wage growth remains strong, but rising labour costs and inflation pressures could challenge expectations of multiple Fed rate cuts this year.

Worker productivity, on the other hand, increased by 1.5 percent in Q4 2024, helping businesses offset rising costs without expanding their workforce, but long-term risks remain if hiring stagnates. Meanwhile, the manufacturing sector faces growing instability as new tariffs drive up production costs and slows new orders, raising concerns about the sector's ability to sustain growth amid trade uncertainty.

US President Donald Trump's establishment of a Strategic Bitcoin Reserve, consolidating over 187,000 BTC worth $13 billion, marks a historic shift from auctioning seized Bitcoin to holding it as a national asset. His administration also seeks stablecoin legislation by August and aims to end restrictive policies like Operation Choke Point 2.0, reinforcing the US position as a global crypto leader. With Trump's Strategic Bitcoin Reserve plan, the US may retain BTC as a long-term financial asset instead of selling it, potentially influencing global crypto policy.

Meanwhile, the SEC's Crypto Task Force is set to hold a roundtable on March 21 to clarify the security status of digital assets, signaling a shift toward more structured regulatory guidance.

In Japan, the Liberal Democratic Party is implementing crypto-friendly tax reforms, reducing the capital gains tax to 20 percent and classifying cryptocurrencies as a distinct asset class. The reforms also propose tax deferrals on crypto-to-crypto swaps and equal tax treatment for derivatives, encouraging digital asset investment.

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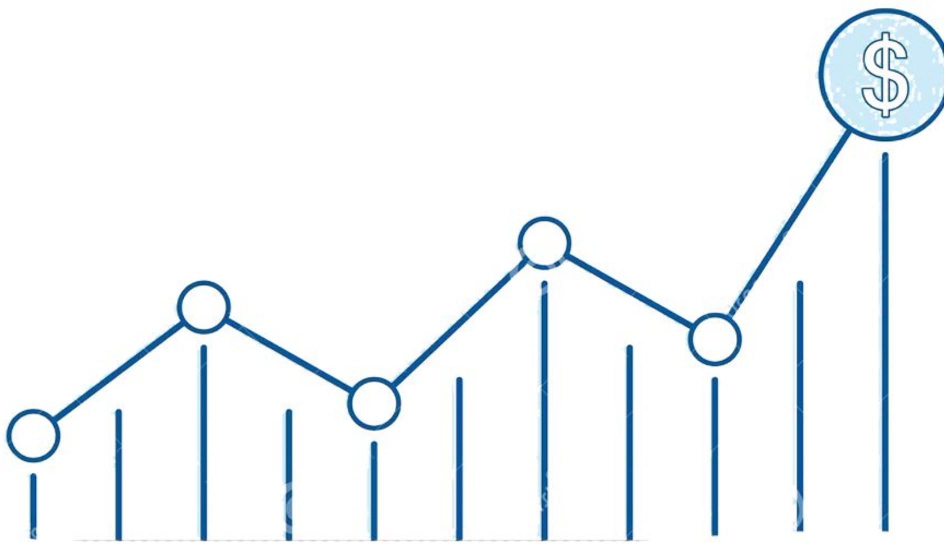

MARKET SIGNALS

Bitcoin Hits $90,000 and Forms New Volatile Range

Since Bitcoin's move below $80,000 in February, our expectation has been for a temporary upside move toward the previous range lows near $90,000. This played out early last week, with BTC briefly reclaiming those levels before settling into a $85,000 - $92,000 consolidation range for the remainder of the week.

Figure 1: BTC/USD 4H Chart. (Source: Bitfinex)

Volatility saw a notable uptick heading into and following the Crypto Summit at the White House, driven by speculation surrounding the establishment of a Strategic Bitcoin Reserve. Additionally, this period coincided with one of the largest options expiry events on the same day of the Summit, on Friday, March 7th, contributing to further short-term market fluctuations.

While Bitcoin managed to recover from its February lows, the broader trend still remains in flux, with price action reflecting caution from institutional investors amid ongoing macroeconomic uncertainty.

Last week, President Trump announced that plans for a Strategic Bitcoin Reserve and a Digital Asset Stockpile were underway. This news initially sparked a sharp resurgence in market strength, with prices rallying across the board. However, the rally quickly turned into a classic sell-the-news event, as investors digested the fact this would not result in any immediate new buying, with most assets retracing their gains.

In the ensuing sell-off, Bitcoin remained the most resilient among the major crypto assets, with its deeper liquidity and market size making large downward movements harder to sustain. In contrast, Ethereum and Solana—both key altcoins in the broader digital asset ecosystem—experienced severe devaluations, now trading over 50 percent below their cycle highs.

As shown in Figure 1 above, Bitcoin has been experiencing significant volatility over the past week, fluctuating within a tight $85,000 - $90,000 range. This price action suggests that while BTC has stabilized relative to altcoins, market sentiment remains cautious, with liquidity conditions and macroeconomic uncertainty playing key roles in determining the next major directional move.

The intense whipsaw in price action over the past two weeks has created turbulent market conditions, and driven a surge in realized volatility for Bitcoin, particularly across shorter time frames.

A review of the data reveals that 1-week and 2-week realised volatility levels in Bitcoin options have reached some of the highest values of this cycle, exceeding 80 percent. This reflects the sheer magnitude of price swings, reinforcing the unpredictable and reactionary nature of the current market.

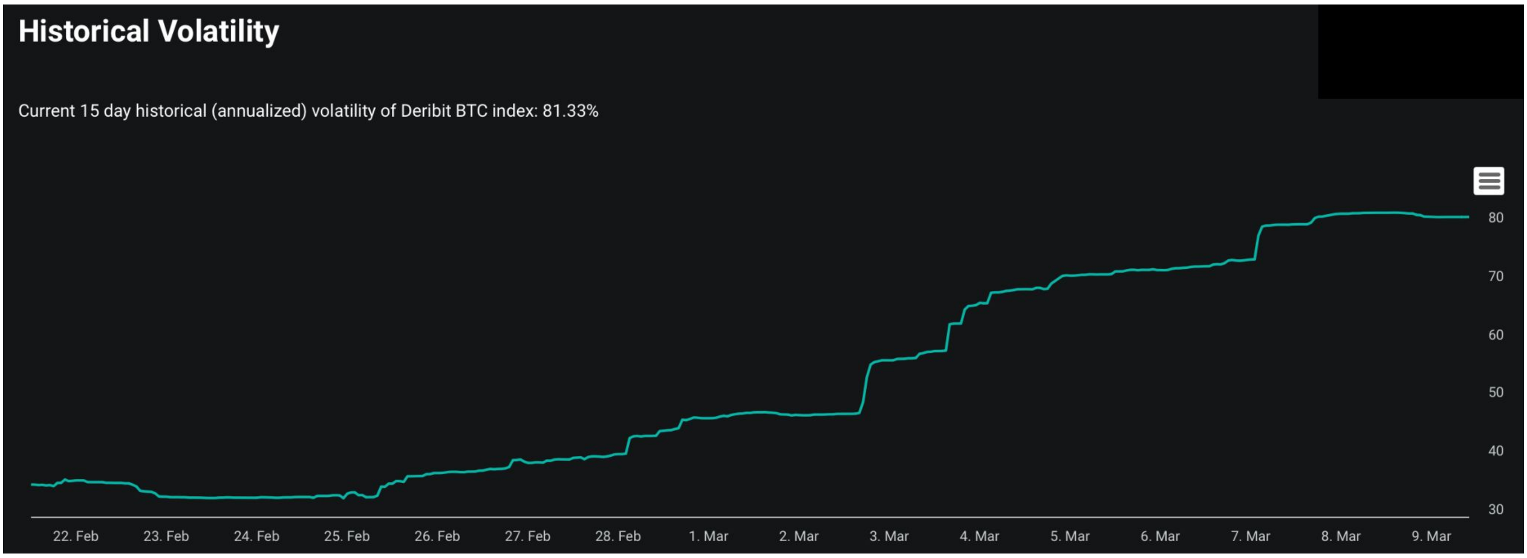

Figure 2. Bitcoin 2-Week Realised Volatility.(Fidelity Investments)

Adding to the volatility, the White House Crypto Summit held on March 7th coincided with a massive $3 billion in Bitcoin and Ethereum options expirations, of which $2.5 billion were in BTC contracts and nearly $500 million in ETH contracts, further amplifying price movements as market participants adjusted their positions post-expiry.

The combination of a politically charged macro backdrop, heightened derivatives activity, and ongoing uncertainty around regulatory and fiscal policy has led to short-term instability, and an increasingly reactive Bitcoin price.

The *Deribit Implied Volatility Index* (DVOL) measures the market's expectation of Bitcoin's price volatility over the next 30 days, expressed as an annualized percentage. Similar to the Volatility Index (VIX) in traditional finance, DVOL provides insight into anticipated price fluctuations, serving as an "action gauge" that reflects both fear and greed in the market. An increasing DVOL indicates that traders expect higher volatility in Bitcoin's price, suggesting potential for significant price movements in the near term. This heightened volatility can present both opportunities and risks for investors, depending on their market positions and strategies.

Figure 3. Bitcoin Annualised Implied Volatility (DVOL). (Source: Velo)

The DVOL had declined from a multi-month high of 72 to reach 50.8 on January 20th (the day of President Trump's inauguration), indicating a decrease in expected volatility (see Figure 3 above). This trend suggests that investors had adopted a "wait-and-see" approach amid conflicting market signals, leading to reduced volatility expectations. On March 5th however, the index moved up 35.7 percent off the lows to reach a 3-month high of 62.7 indicating how the options market was pricing in heightened volatility and increasing speculation leading into the White House Crypto Summit. This was a period of asymmetric interest in Bitcoin and crypto in general, and was in stark contrast to equities, which experienced relatively low volumes, and lower VIX values during the same period.

The outcome of the White House Crypto Summit appears to have alleviated immediate market concerns, as evidenced by the decline in 1-week implied volatility from above 77 percent to under 55 percent. The restoration of the IV sloping structure (see Figure 4 below), indicated that the market expects reduced volatility moving forward.

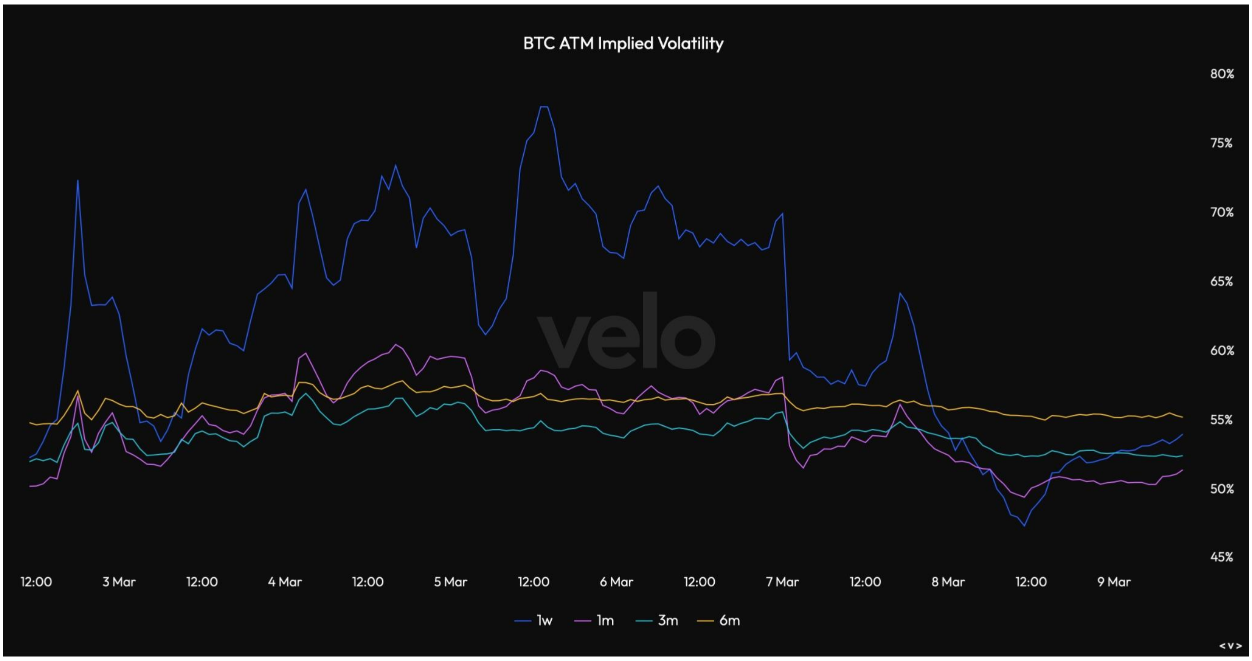

Figure 4. Bitcoin At-The Money Implied Volatility For 1w, 1m, 3m and 6m Rolling Options Across All Strike Prices. (Source: Velo)

A significant portion of the recent sell-side pressure had come from coins being sold at a loss, highlighting a capitulatory market environment. Realised losses across all market participants surged to $818 million per day over the past two weeks, with February 28th and March 4th marking the two largest days for realised losses (see Figure 5. below).

Figure 5. Bitcoin Entity-Adjusted Realised Loss. (Source: Glassnode)

The only larger single-day realised loss event occurred on August 5th, 2024, during the yen-carry-trade unwind, which saw $1.34 billion in losses on that day. This underscores the severity of the current market downturn, which has been one of the most challenging phases for investors this cycle.

The scale of realised losses also suggests that many traders and short-term holders have been forced to exit below their cost basis, succumbing to the pressure of the drawdown. Historically, such mass capitulation events often precede a market stabilisation phase, as weak hands exit and stronger hands begin accumulating. However, given the prevailing macroeconomic and geopolitical uncertainties, the market remains highly reactive, making it crucial to monitor buy-side absorption and ETF flows in the coming weeks.

The Spent Output Profit Ratio (SOPR) has also entered its first sustained period of losses since October 2024, highlighting the extent of investor capitulation in recent weeks. This metric, which measures whether Bitcoin investors are selling at a profit or a loss, suggests that a significant portion of the market has been exiting positions below their cost basis—a clear indication of distressed selling.

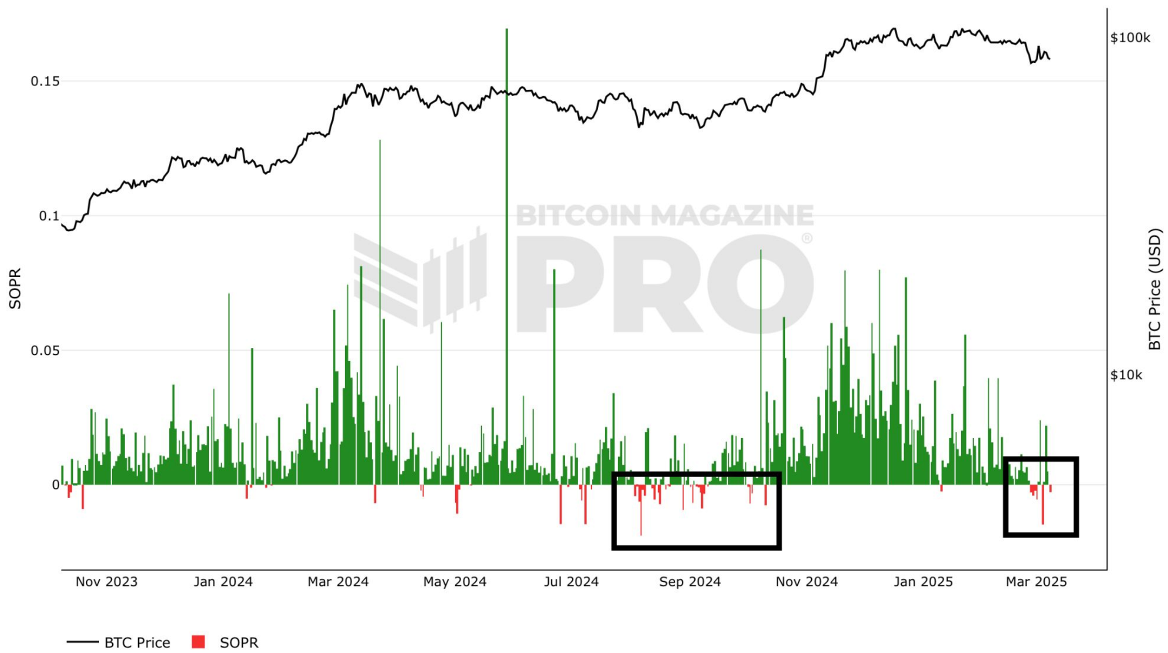

Figure 6. Bitcoin Spent Output Profit Ratio. (Source: Bitcoin Magazine Metrics)

However, structurally, the market remains constructive if SOPR finds support at 1.0, the critical break-even threshold. Historically, swift recoveries from this level indicate that buyers are stepping in to defend their cost basis, a behaviour typically observed in bull markets. Shallow dips below 1.0, followed by rapid rebounds, have often marked key accumulation zones before renewed price strength.

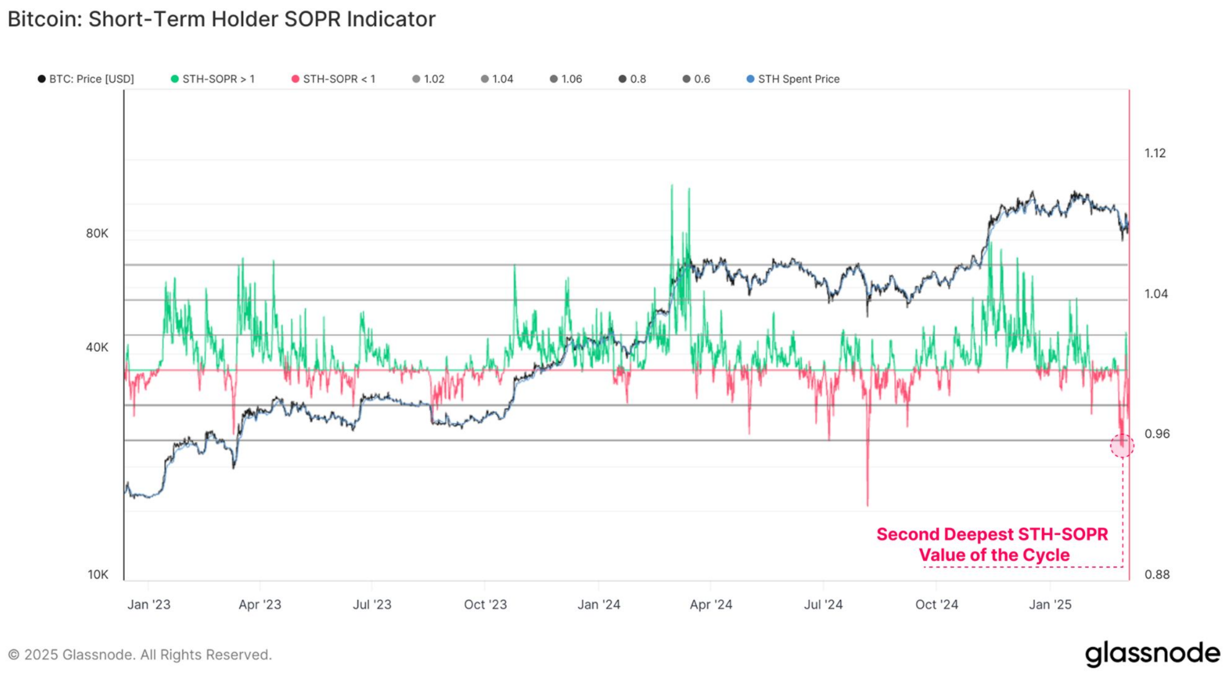

Figure 7. Short-Term Holder Bitcoin Spent Output Profit Ratio. (Source: Glassnode)

Short-Term Holder (STH) SOPR, which serves as a gauge of new market entrants, has seen the second-largest negative print of the current cycle at 0.95 (refer Figure 7 above). This suggests that recent buyers are locking in significant losses, reinforcing the exceptionally challenging conditions for newer investors. Historically, deep negative prints in STH SOPR have coincided with capitulation events, where panic-selling exhausts weaker hands, creating opportunities for stronger hands to accumulate.

- SOPR slipping below 1.0 indicates a period of loss-driven selling, similar to major corrections seen in past cycles.

- Quick rebounds from 1.0 have historically signalled that buyers are defending cost basis levels—an essential characteristic of bull market behavior.

- Short-term holders are under heavy selling pressure, with STH SOPR recording one of its worst prints this cycle, a potential capitulation signal.

If bull market dynamics remain intact, we should see SOPR holding above 1.0 in the near term, signalling re-accumulation and renewed investor confidence. However, prolonged weakness at these levels could indicate that further downside remains, making SOPR a crucial metric to watch in the coming weeks.

GENERAL MACRO UPDATE

US Job Market Still Resilient Despite Economic Uncertainty

The latest US job market report showed continuing job growth, even though there was a slight increase in the unemployment rate. The job market remains tight, but external pressures such as government workforce reductions, trade policies, and inflation concerns are influencing hiring trends and expectations on the approach the Federal Reserve will take over monetary policy.

According to the Bureau of Labor Statistics' Employment Situation Report issued last Friday, March 7th, the US economy added 151,000 jobs in February, following a revised 125,000 gain in January. While this figure was slightly below the consensus forecast of 170,000, it still indicates steady employment growth. Meanwhile, the unemployment rate edged up from 4.0 to 4.1 percent, largely due to shifts in government hiring and broader economic adjustments. Notably, 10,000 federal employees lost their jobs as state and local government hiring slowed, a result of fluctuating funding policies affecting government contractors and grant-dependent organisations.

Despite the uptick in unemployment, wage growth remained robust, increasing by 0.3 percent for February and 4 percent over the past year. This suggests that labour market conditions are strong enough to support income growth, even amid economic challenges. Given the tight labour market and ongoing restrictions on immigration, private-sector demand for workers is expected to remain solid in the near term, which could further drive wage increases.

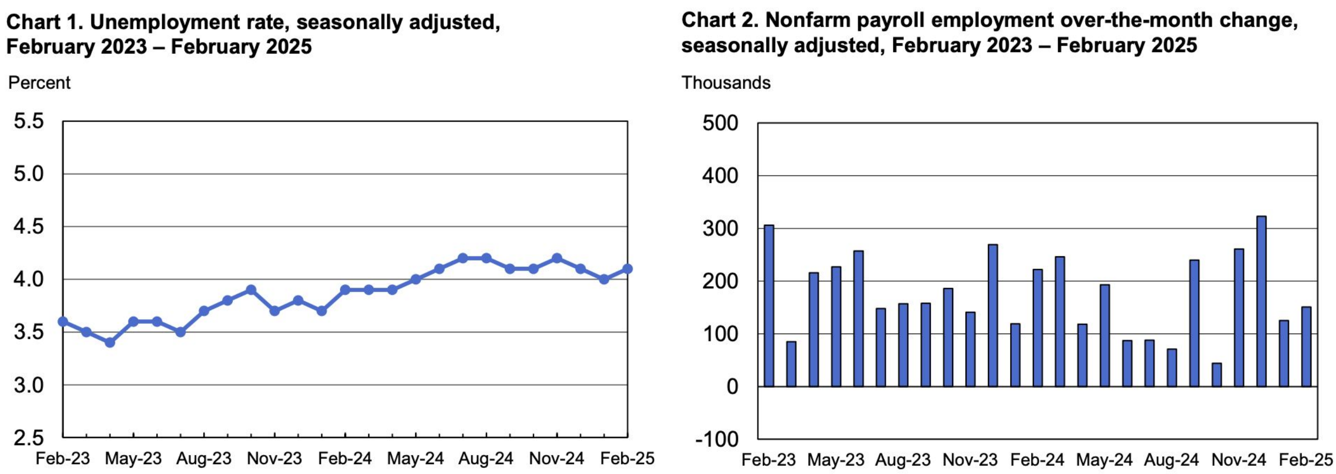

Figure 8. Unemployment Rate and Nonfarm Payroll Month-over-Month Change (Source: Bureau of Labor Statistics)

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
3/19/2025					0.0%	0.0%	0.0%	0.0%	12.0%	88.0%
5/7/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.5%	46.6%	47.9%
6/18/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	34.7%	47.5%	13.8%
7/30/2025	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	16.6%	40.0%	33.6%	8.1%
9/17/2025	0.0%	0.0%	0.0%	0.0%	1.0%	11.2%	31.6%	35.9%	17.3%	2.9%
10/29/2025	0.0%	0.0%	0.0%	0.3%	4.3%	17.7%	33.0%	30.0%	12.7%	2.0%
12/10/2025	0.0%	0.0%	0.1%	1.7%	9.0%	23.1%	31.9%	23.9%	8.9%	1.3%
1/28/2026	0.0%	0.0%	0.3%	2.4%	10.3%	23.9%	31.2%	22.6%	8.3%	1.2%
3/18/2026	0.0%	0.1%	0.6%	3.8%	12.7%	25.2%	29.7%	20.0%	7.0%	1.0%
4/29/2026	0.0%	0.1%	0.8%	4.3%	13.5%	25.5%	29.1%	19.2%	6.6%	0.9%
6/17/2026	0.0%	0.1%	1.0%	4.7%	13.9%	25.6%	28.7%	18.7%	6.4%	0.9%
7/29/2026	0.0%	0.2%	1.1%	5.1%	14.4%	25.7%	28.3%	18.2%	6.2%	0.8%
9/16/2026	0.0%	0.2%	1.2%	5.3%	14.7%	25.8%	28.0%	17.9%	6.0%	0.8%
10/28/2026	0.0%	0.2%	1.1%	5.0%	13.9%	24.8%	27.8%	18.8%	7.1%	1.3%
12/9/2026	0.1%	1.0%	4.5%	12.8%	23.4%	27.4%	19.9%	8.6%	2.0%	0.2%

Figure 9. Conditional Meeting Probabilities, Retrieved: March 8 2024
(Source: CME Fed Watch Tool)

As a consequence, market expectations of future monetary policy adjustments are for additional loosening. According to the CME Fed Watch Tool, investors are anticipating three further rate cuts. We believe however that given the continued demand for labour and the knock-on effect this will have on rising wages, such expectations are overdone. Inflation is likely to remain a key determinant of future Fed policy, and we expect this to rise as businesses pass on higher trade-related costs to consumers. Rather than focusing solely on job creation, we see the Fed prioritising inflation when deciding interest rates.

Looking ahead, any adjustments to monetary policy are more likely to occur in the latter half of the year, once the full effects of new trade policies become clearer. Wage increases, coupled with a tightening labour supply due to immigration restrictions, could put upward pressure on inflation. If wages continue to rise significantly, it may counter expectations of multiple rate cuts.

Productivity Gains Offer Short-Term Relief, But Long-Term Risks Remain

US worker productivity increased more than estimated in the fourth quarter, which helped to moderate labour costs and provide some relief in the fight against inflation. This improvement suggests that businesses are focusing on maximising efficiency rather than expanding their workforce.

According to the Bureau of Labor Statistics' US Productivity data released last Thursday, March 6th, nonfarm productivity—measuring the hourly output per worker—grew at an annualised rate of 1.5 percent in the last quarter of 2024. This figure was revised upward from an earlier estimate of 1.2 percent. Compared to the previous year, productivity was up 2 percent. For the entirety of 2024, productivity climbed by 2.7 percent, reflecting a 0.4 percentage point upward revision, while the 2023 annual growth rate was adjusted from 1.6 percent to 1.8 percent.

These revisions stem from updated data on economic output and worker compensation. The latest figures align with broader labour market trends, where businesses have remained cautious about hiring, yet have continued to increase wages. Instead of adding more workers, many companies are finding ways to improve efficiency—whether through automation, restructuring work processes, or reducing operational redundancies.

Additionally, increasing production costs and rising prices have put pressure on firms to optimise their workforce, ensuring they maintain profitability amid economic uncertainty. Many companies are implementing cost-saving strategies, including lowering labor expenses and integrating technological advancements to streamline operations. These measures have contributed to short-term productivity gains, allowing businesses to sustain output without significantly increasing their workforce.

However, there are potential risks to this trend. If businesses continue prioritising efficiency improvements while slowing hiring or reducing employment, the sustainability of these productivity gains may come into question. Over time, a lack of workforce expansion could lead to diminished economic growth, as fewer workers could limit overall production capacity.

The recent increase in worker productivity is a positive development, providing temporary relief for businesses managing rising costs and inflationary pressures. However, maintaining this momentum will require a careful balance between efficiency improvements and workforce expansion. If companies continue cutting jobs in favor of short-term productivity gains, the long-term economic outlook could weaken, potentially stalling overall growth.

Tariffs and Rising Prices Threaten US Manufacturing Stability

MANUFACTURING AT A GLANCE
February 2025

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	50.3	50.9	-0.6	Growing	Slower	2
New Orders	48.6	55.1	-6.5	Contracting	From Growing	1
Production	50.7	52.5	-1.8	Growing	Slower	2
Employment	47.6	50.3	-2.7	Contracting	From Growing	1
Supplier Deliveries	54.5	50.9	+3.6	Slowing	Faster	3
Inventories	49.9	45.9	+4.0	Contracting	Slower	6
Customers' Inventories	45.3	46.7	-1.4	Too Low	Faster	5
Prices	62.4	54.9	+7.5	Increasing	Faster	5
Backlog of Orders	46.8	44.9	+1.9	Contracting	Slower	29
New Export Orders	51.4	52.4	-1.0	Growing	Slower	2
Imports	52.6	51.1	+1.5	Growing	Faster	2
OVERALL ECONOMY				Growing	Slower	58
Manufacturing Sector				Growing	Slower	2

Manufacturing ISM® *Report On Business®* data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.
*Number of months moving in current direction.

Figure 10. Manufacturing Purchasing Managers' Index (Source: Institute of Supply Management)

US manufacturing prices were stable in February, but increasing production costs and supply chain delays suggest that new tariffs may soon disrupt growth. Rising input prices and uncertainty over future trade policies have already influenced market behaviour, leading to cost adjustments and a slowdown in new orders.

According to the Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index report issued last Monday, March 3rd, manufacturing activity continued expanding for the second consecutive month, albeit slower, with the overall index registering 50.3. However, concerns have emerged as the prices paid by manufacturers for raw materials surged to the highest level since June 2022. The price index jumped from 54.9 in January to 62.4 in February, signaling mounting cost pressures that could impact production and consumer prices in the coming months.

New orders, a key indicator of future demand, saw a sharp decline, dropping from 55.1 in January to 48.6 in February. This contraction suggests that businesses are becoming more cautious amid rising costs and economic uncertainty. While overall manufacturing activity has not yet contracted, hesitation in expanding operations or hiring new employees reflects growing concerns within the industry.

Another challenge faced by manufacturers is the delay in material deliveries. Many companies rushed to secure supplies ahead of the anticipated tariffs on imports from Canada and Mexico that took effect last week. This surge in demand created supply chain bottlenecks, making it harder for inventories to keep pace with production needs. Even before the full implementation of these trade policies, the market has adjusted prices upward, further straining manufacturers' cost structures.

Despite ongoing production, manufacturing employment also remains stagnant. The ISM employment subindex fell into contraction territory in February, mirroring broader employment data that showed no net job growth in the sector. Companies appear reluctant to commit to long-term hiring, likely due to economic uncertainty and fluctuating costs associated with tariffs and inflation.

Figure 11. Goods and Services Trade Deficit (Source: Bureau of Economic Analysis)

The manufacturing sector's struggles come at a time when the broader economy is showing signs of slowing. Weak consumer spending, a rising goods trade deficit, and a downturn in home construction in January all indicate that the economy may have lost momentum in early 2025. Heightened trade policy uncertainty has made companies more cautious, limiting investment and expansion plans.

Although tariffs may have a more pronounced effect on manufacturing than on the overall economy, their negative implications are undeniable. The unpredictability surrounding trade policies has contributed to market volatility, making it difficult for businesses to plan effectively. If costs continue rising and demand weakens, the risk of a manufacturing slowdown could escalate, potentially weighing on broader economic growth.

NEWS FROM THE CRYPTO-SPHERE

Trump Declares US Will Lead Crypto Revolution

Figure 12. Trump Declares US Will Lead Crypto Revolution (Image Source: CNBC)

- **Trump establishes a US Strategic Bitcoin Reserve, orders an inventory of all government-held crypto, and vows to end regulatory crackdowns on the industry**
- **Stablecoin legislation could come by August and Trump pledges to keep the US ahead of China in blockchain innovation**

US President Donald Trump hosted the first-ever White House Digital Asset Summit last Friday, March 7th, reaffirming his election campaign commitment to make the United States the global leader in cryptocurrency and blockchain technology. On the eve of the event, Trump announced an executive order establishing a Strategic Bitcoin Reserve, marking a historic shift in how the federal government handles digital assets.

“We are creating a virtual Fort Knox for digital gold housed within the US Treasury,” Trump declared. He criticised previous administrations, particularly the Biden administration, for selling off government-seized Bitcoin holdings, saying, “Unfortunately, the US government has foolishly sold tens of thousands of additional Bitcoin that were worth billions. We will follow the rule that every Bitcoiner knows very well—never sell your Bitcoin.”

The summit brought together key political and financial figures alongside some of the biggest players in the crypto industry, including:

- Treasury Secretary Scott Bessent
- Commerce Secretary Howard Lutnick
- SEC Commissioner Hester Peirce
- CFTC Acting Chair Caroline Pham
- House Majority Whip Tom Emmer
- David Sachs, White House AI & Crypto Czar
- Bo Hines, Director of Trump’s Digital Assets Working Group
- Paolo Ardoino, CEO of Tether and CTO of Bitfinex
- Coinbase CEO Brian Armstrong
- Kraken co-CEO Arjun Sethi
- Cameron & Tyler Winklevoss, Co-Founders of Gemini

During the summit, Trump reinforced his administration’s full embrace of crypto innovation, vowing to end the federal government’s past hostility toward digital assets. He announced an end to ‘Operation Choke Point 2.0,’ which many in the crypto space believe unfairly restricted banking access for crypto businesses.

> "Regulators strong-armed banks into closing the accounts of crypto businesses and entrepreneurs, effectively blocking transfers to and from exchanges," Trump said. "They weaponised government against the entire industry. But all of that is ending—right now."

Trump’s new executive order directs federal agencies to conduct a full inventory of crypto assets currently held by the US government and consolidate them within the Treasury. Non-Bitcoin digital assets will be managed in a separate US Digital Asset Stockpile.

The US government already holds around 200,000 Bitcoin, much of it seized through legal enforcement actions, including 96,000 Bitcoin that was stolen from *Bitfinex*, and which the US Department of Justice has recommended should be returned to the exchange. Trump’s new plan positions Bitcoin as a strategic asset on the federal balance sheet, an unprecedented move in national finance.

Trump also threw his support behind stablecoin regulations, urging Congress to finalise legislation by August. "I hope lawmakers will send that legislation to my desk before the August recess if they can," he stated.

Many of the industry leaders welcomed the dramatic shift from past government hostility toward crypto.

The summit ended with a firm commitment from the administration to make the US, the Bitcoin and crypto capital of the world.

> "This is a big one," Trump told the attendees. "We will stay at the forefront of digital assets, just like we did with the internet. And this is just the beginning."

With the new Bitcoin Reserve, stablecoin legislation, and the dismantling of past regulatory obstacles, Trump is setting the stage for a new era of federal crypto adoption.

The question now: Will this transformation hold if Trump secures another term in office?

US Government's $13 Billion Bitcoin Holdings: A Growing Strategic Asset?

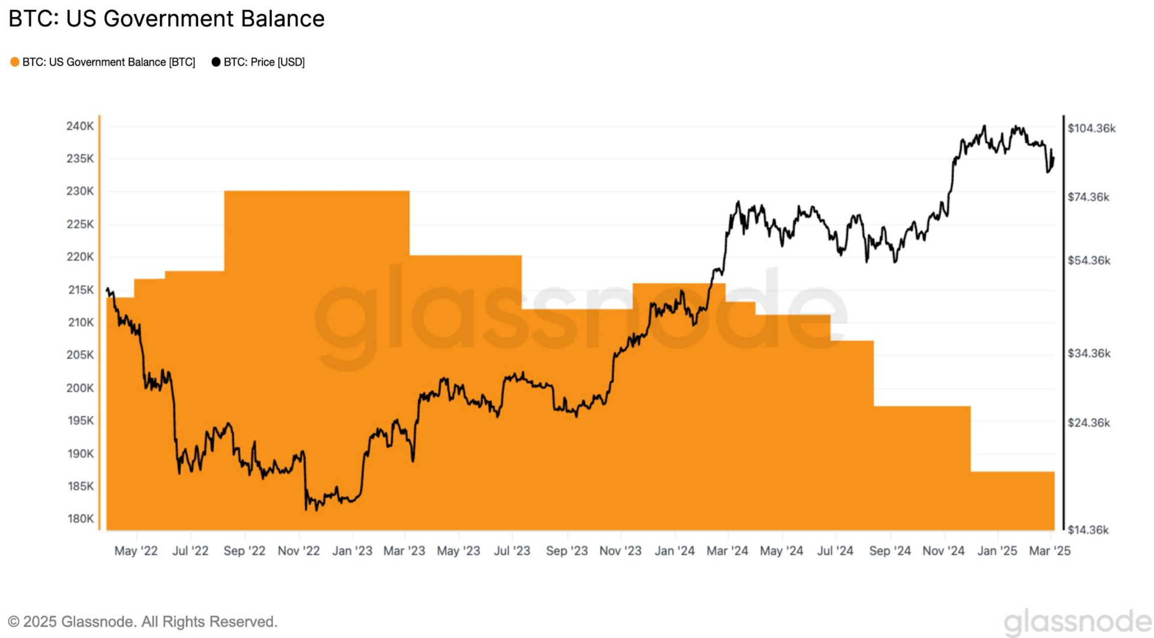

Figure 13. US Government's $13 Billion Bitcoin Holdings (Image Source: Glassnode)

Recent data from Glassnode reveals that the US government currently holds 187,236.68 BTC, valued at over $13 billion at today's market prices. This substantial reserve, amassed primarily through law enforcement seizures, positions the US as one of the largest institutional Bitcoin holders—alongside corporate giants like MicroStrategy and Tesla.

The US government has accumulated Bitcoin over the years through various enforcement actions, with key sources including:

- Silk Road Confiscations (2013–2022) – The FBI seized thousands of BTC linked to the infamous darknet marketplace.
- Bitfinex Hack Recoveries (2016–2022) – A meticulous investigation led to the retrieval of BTC stolen from Bitfinex, although the Department of Justice has recommended to US courts that the 96,000 BTC recovered be returned to Bitfinex.
- Other Cybercrime & Criminal Seizures – Additional BTC assets have been confiscated from fraud cases and illicit financial operations.

Despite holding such a significant reserve, past administrations have continued to auction off large portions of these assets, and have sold Bitcoin at much lower prices than its current market value.

With over $13 billion in Bitcoin holdings at current prices, the US government has an outsized influence in the crypto market. Every time it sells or moves BTC, the market reacts—often with short-term volatility.

- Government BTC auctions have historically led to price drops, as increased supply pressures the market.
- Federal control over large BTC reserves impacts liquidity and institutional confidence, shaping market sentiment.
- Regulatory actions and policies toward these holdings could set precedents for other governments managing digital assets.

US President Donald Trump's emphasis on retaining BTC rather than liquidating it raises new questions about the government's potential role in the broader crypto economy. If the US chooses to hold onto its Bitcoin instead of selling it, this could signal a fundamental shift in how governments view Bitcoin's role in sovereign wealth management.

Some analysts suggest that Bitcoin could become a strategic financial instrument, similar to gold reserves. If the government retains its BTC holdings, it could:

1. Bolster US financial reserves with a deflationary digital asset.
2. Reduce reliance on traditional monetary policies by integrating Bitcoin into national wealth strategies.
3. Strengthen the US position in the global crypto economy, especially in competition with China.

As the global crypto market matures, the US government's Bitcoin holdings could become a key factor in financial policy and international market influence. With Trump's new pro-Bitcoin stance, the future of these reserves remains uncertain, but one thing is clear: Bitcoin is no longer just a private-sector asset—it is increasingly becoming a part of government financial strategy.

SEC's Crypto Task Force to Hold First Roundtable on Defining Crypto's Security Status

SEC Crypto Task Force to Host Roundtable on Security Status

Initial session will be open to the public, streamed live

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Washington D.C., March 3, 2025 — The Securities and Exchange Commission today announced that its Crypto Task Force will host a series of roundtables to discuss key areas of interest in the regulation of crypto assets. The "Spring Sprint Toward Crypto Clarity" series will begin on March 21 with its inaugural roundtable, "How We Got Here and How We Get Out – Defining Security Status."

The initial roundtable on March 21 is open to the public and will be held from 1 p.m. to 5 p.m. at the SEC's headquarters at 100 F Street, N.E., Washington, D.C. Please note that the number of in-person participants may be limited and visitors will be subject to security checks. The primary discussion will be streamed live on SEC.gov, and a recording will be posted at a later date. Information regarding the agenda and roundtable speakers will be posted on the Crypto Task Force webpage in the coming days.

"I am looking forward to drawing on the expertise of the public in developing a workable regulatory framework for crypto," said Commissioner Hester M. Peirce, who is leading the Crypto Task Force. "The roundtables are an important part of our engagement with the public."

Launched on January 21 by Acting SEC Chairman Mark T. Uyeda, the Crypto Task Force was established to help the Commission draw clear regulatory lines, provide realistic paths to registration, craft sensible disclosure frameworks, and deploy enforcement resources judiciously.

Figure 14. SEC's Crypto Task Force to Hold First Roundtable on Defining Crypto's Security Status

- **The SEC's newly formed Crypto Task Force will host its first roundtable on March 21, 2025, to clarify how digital assets should be classified under existing securities laws, aiming to reduce industry uncertainty and outline compliance pathways**
- **This initiative signals a potential shift from strict enforcement to proactive collaboration, with discussions focused on regulatory boundaries, compliance frameworks, and investor protection, potentially boosting confidence and institutional adoption in the crypto market**

The US Securities and Exchange Commission (SEC) has announced that its newly established Crypto Task Force will host its first roundtable on March 21st, 2025, marking a significant step toward clarifying the regulatory framework for digital assets. The event, titled "How We Got Here and How We Get Out – Defining Security Status," aims to address one of the most contentious issues in crypto regulation: how digital assets are classified under existing securities laws.

The roundtable will take place at the SEC Headquarters in Washington, D.C. Attendance will be open to the public on a first-come, first-served basis, while there will also be a live stream on the SEC’s website.

The discussion's primary objective is to clarify the security status of cryptocurrencies, an issue that has sparked legal battles and uncertainty within the industry. The SEC has frequently taken enforcement actions against crypto firms it deems non-compliant with securities laws, yet the lack of explicit regulatory guidance has made it difficult for businesses to navigate compliance requirements. The SEC hopes to outline a more structured approach to classifying digital assets by gathering industry leaders, legal experts, and policymakers.

Key topics of discussion will include clarifying the regulatory boundaries for crypto assets, establishing pathways for companies to comply with securities laws, and creating a reasonable disclosure framework that aligns with both investor protection and innovation. This event underscores the SEC’s evolving stance on crypto regulation, signaling a potential shift from enforcement-driven oversight to proactive collaboration with the industry.

The implications of this roundtable extend beyond regulatory discussions. A clearer legal framework could reduce uncertainty for crypto companies and investors, encouraging more responsible market participation. By engaging with a broad range of stakeholders, the SEC also demonstrates a willingness to consider industry perspectives, which could lead to more balanced and widely accepted regulatory policies.

This initiative arrives at a crucial time, as the global cryptocurrency market continues to expand and institutional adoption grows. Greater regulatory clarity could boost investor confidence, attract more traditional financial players to the space, and reinforce the US's position as a leader in financial innovation.

While it remains to be seen what concrete steps will follow this initial discussion, the roundtable represents a significant effort by the SEC to address long-standing regulatory challenges in the crypto sector. By fostering open dialogue, the commission is taking a critical first step toward shaping a more defined and sustainable regulatory landscape for digital assets.

Japan Moves Forward with Crypto-Friendly Tax Reforms

Figure 15. Japan Moves Forward with Crypto-Friendly Tax Reforms

- **Japan's ruling Liberal Democratic Party (LDP) is implementing major crypto tax reforms, reducing capital gains tax to 20 percent and classifying cryptocurrencies as a distinct asset class**
- **The reforms also propose tax deferrals on crypto-to-crypto swaps and equal tax treatment for cryptocurrency derivatives, signaling Japan's growing openness to digital asset investments**

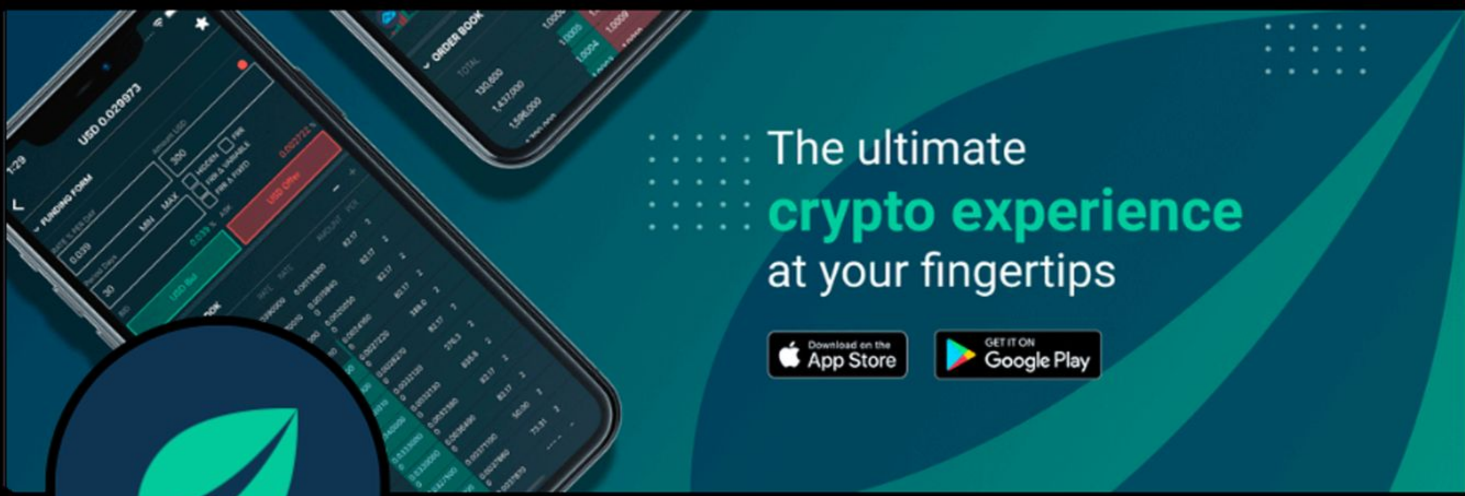
Japan's ruling Liberal Democratic Party (LDP) is advancing significant regulatory changes in the cryptocurrency sector, aiming to reduce the capital gains tax on digital assets to 20 percent and establish cryptocurrencies as a distinct asset class. These reforms mark a shift in Japan's approach to digital asset regulation, promoting investment while maintaining consumer protection.

According to LDP lawmaker Akira Shiizak, cryptocurrencies will be classified separately from traditional securities under the Financial Instruments and Exchange Act. This distinction acknowledges the unique characteristics of digital assets and sets the stage for clearer regulatory guidelines.

One of the key aspects of the LDP's proposal is the request for cryptocurrency derivatives trading to receive the same tax treatment as spot investments. Additionally, the proposal aims to defer taxes on crypto-to-crypto swaps, allowing gains to be taxed only when the assets are converted into fiat currency. This move could ease the tax burden on investors and encourage greater participation in the crypto market.

Japan's approach to cryptocurrency regulation has historically been cautious, balancing innovation with strict oversight. However, these new reforms indicate a growing openness to digital asset investment. While the government has never been explicitly anti-crypto, it has carefully monitored the industry to protect investors and financial stability.

The push for crypto-friendly tax policies gained momentum following the passage of an economic stimulus bill in November 2024, which included commitments to crypto tax reform. The LDP has invited public input on its proposed changes, with a consultation period open until March 31st, 2025.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