



13D RESEARCH & STRATEGY
Themes & Innovation Since 1983

Bitcoin

TBR Summit | June 19-21, 2024

These are highly-abridged samples of our research. You will be able to see more in-depth research with our complimentary 30 day trial. [Apply](#).

1 Is Bitcoin more than an emerging monetary system? Could it also become an electro-cyber security system? If so, this could have huge implications for national security in the age of digital warfare.

Throughout history, empires have had a poor track record identifying novel technologies and their applications to warfare. A toxic combination of hubris, cognitive dissonance and misaligned incentives among the ruling elite all play their role.

History is filled with examples of empires preparing for the next war to be the same as the last war.

Is it possible that in a world where nuclear weapons and mutually-assured destruction represent a ceiling to kinetic war, states increasingly turn to the digital arena to project power?

If so, then in the multipolar world order of the 21st century, **digital warfare in cyberspace is likely to play a major role.**

If we agree with the premise that warfare over the coming decades will increasingly take place in the digital realm, then by extension, any technology that will secure digital property, digital communications, digital capital and digital information should logically emerge as a key pillar to any state's national security. A nation state's legitimacy is, after all, in large part derived from a social contract to "protect" citizens from threats.

Could Bitcoin emerge as a technology to secure cyberspace?

To answer this question, we need to understand the critical importance of proof-of-work (PoW), the consensus mechanism that underpins Bitcoin.

In short, Bitcoin's defense shield is the proof-of-work consensus mechanism. This is because **PoW uses real-world physical power** to produce, and then secure, finite digital resources. To attack the network requires expending real-world physical costs *ad infinitum*.

If Bitcoin is emerging as the most powerful, global, decentralized computer network backed by over [500](#) exahashes of energy to secure digital resources, it may have applications in cyber security with implications for national security policy. The most valuable digital resources should, in theory, be protected on the most secure digital network.

Time will tell if this theoretical application of Bitcoin to national security emerges in practice. **What is clear, however, is that we have barely begun to scratch the surface of Bitcoin's potential use cases beyond being a digitally-native monetary network.**

2 | **Welcome to the new era of Great Power competition in Bitcoin. The approval of spot Bitcoin ETFs in Hong Kong, which appears increasingly likely, could set the next stage of Bitcoin's global adoption. We highlight three important implications.**

In December last year, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) [announced](#) that they were preparing "to accept applications for the authorisation of...virtual asset spot exchange-traded funds (ETFs)."

There have been indications that the Hong Kong regulators could approve spot Bitcoin ETFs by the end of Q2.

Were this to happen, this could represent an additional demand catalyst for Bitcoin at a point in its halving cycle that historically has seen the strongest performance (see *WILTW* [February 15](#)). After the upcoming halving, due to take place around April 19th, Bitcoin's Stock-to-Flow will double to 120 and its inflation rate will fall from approximately 1.76% today to 0.86% as it trends towards 0% (see *WILTW* [February 22](#)). In other words, **over the coming months and years, we could see a new pool of demand coming into Bitcoin just as it becomes *provably* the scarcest asset on the planet.**

With this as context, we highlight three reasons why the Hong Kong spot Bitcoin ETFs, if they are approved, could be an additional demand driver for Bitcoin.

First, there is a possibility that the structure of the Hong Kong ETFs could be more advantageous than those recently approved in the U.S.

Second, a number of the largest funds from Mainland China have reportedly submitted applications for a spot Bitcoin ETF.

Third, it is likely to spur other jurisdictions to reconsider or to accelerate their approach to Bitcoin and, potentially, to launch their own spot ETF offerings so that they are not left on the side-lines.

Kiril Sokoloff, Publisher, Chairman & Founder

Arvind Sachdeva, CFA, Chief Market Strategist

Contributing Analysts:

Jay A. Sellick, CFA, Woodley B. Preucil, CFA, Anurag Bansal, Lei Yang, CFA, Cyrus Afkhami,
Damaris Colhoun, Steve Leahy, Ibrahim Sami, Philip Johnson, Tamra James, Peng Zhou, Elliot Blake,
Dora Pang, Noah Ramos, Shashank Saxena, Nitin Gupta, Siddarth Makhija, Terrence Zheng, Vamshidhar R. Jakka

Research and Production Team:

Diana Forbes, Josh Ehleringer, Philip Johnson, Lou Dare,
Joanna Archibald, Kristina Rate, Seth Rothenbuhler



13D CONTACT
WWW.13D.COM
SUBSCRIPTIONS@13D.COM

©2024 13D Research & Strategy. This Publication is protected by U.S. and International Copyright laws. All rights reserved. No license is granted to the user except for the user's personal use and only one printed version is allowed. No part of this Publication or its contents, may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under the 13D Research & Strategy Services Agreement or with prior written permission. This publication is proprietary and limited to the sole use of 13D Research & Strategy clients. Each reproduction of any part of this Publication or its contents must contain notice of 13D's copyright. Pursuant to U.S. Copyright law, damages for liability of infringing a copyright may amount to \$30,000 per infringement and, in the case of willful infringement; the amount may be up to \$150,000 per infringement, in addition to the recovery of costs and attorneys' fees. There is a risk in trading markets. We are not Investment Advisors. Our reports are based upon information gathered from various sources believed to be reliable but are not guaranteed as to accuracy or completeness. The information in this report is not intended to be, and shall not constitute, an offer to sell or a solicitation of an offer to buy any security or investment product or service. The information in this report is subject to change without notice, and 13D Research & Strategy assumes no responsibility to update the information contained in this report. The publisher and/or its individual officers, employees, or members of their families might, from time to time, have a position in the securities mentioned and may purchase or sell these securities in the future. The publisher and/or its individual officers, employees, or members of their families might, from time to time, have financial interests with affiliates of companies whose securities have been discussed in this publication.