

The City of London's first Advisory  
**Bitcoin Investment Brokerage**



Bitstocks

“

Since inception of Bitcoin in 2009, its market cap has grown by a minimum of 10 times every year. It now stands at over \$8 billion, with an annual turnover of +\$50 billion.

”

— **Tuur Demeester**

*Economist & Investor*

Source: [www.ybitcoin.net](http://www.ybitcoin.net)

### Risk Warning

The prices of virtual goods and products, like real goods and products, constantly fluctuate over time. Any currency, virtual or otherwise, could be subject to large swings in value and at any time might become worthless. As such, the value of your holding may increase or decrease over time. With any type of market-based trading, buying or selling, there is an inherent risk that losses will occur. It follows that you should not hold money you cannot afford to lose in bitcoin or alternative crypto currencies.

Trading in bitcoin brings special risks not typically shared with trading in official, recognised currencies or goods or commodities in a market. Unlike most recognised currencies backed by governments or other legal entities, or commodities such as gold and silver, bitcoin is backed and supported by technology and trust. In this way it is a unique kind of 'fiat' currency. There exists no central bank or dedicated authority that can take corrective measures, such as creating or issuing more bitcoin, in order to protect the digital currency's value in a crisis.

The price of bitcoin is susceptible to bubbles or loss of confidence, which could collapse demand relative to supply, having an adverse affect on the price. For example, confidence in bitcoin could disintegrate because of unexpected changes imposed by software developers or others, the risk of state regulation, the creation of superior competing alternative currencies, or a deflationary or inflationary spiral. Confidence might also collapse because of technical problems: if the partial anonymity of the system is compromised, if bitcoin is lost or stolen, or if hackers or governments are able to prevent any transactions from settling.

Bitcoin is an autonomous and, as far as the current UK regime is concerned, unregulated worldwide system of currency firms and individuals linked through technology. At their own discretion traders put their trust in a digital, decentralized and partially anonymous system that relies on peer-to-peer networking and cryptography to maintain its integrity.

Given the above, you should carefully assess whether your financial situation and tolerance for risk is suitable for buying, selling or trading bitcoin.

There may be unforeseen additional risks not identified here or in our Terms of Use.

We use our banking providers in order to receive client moneys and make payments. Our banking providers do not transfer bitcoin, exchange bitcoin, or provide any services in connection with bitcoin.

# Contents

05	About Bitstocks
06	Why Bitstocks
08	Seizing the opportunity
10	Our services
12	What is Bitcoin?
16	Security procedures
18	Why invest in Bitcoin
19	Why Bitcoin disrupts markets
20	Investment opportunity
22	Who is investing in Bitcoin?



### BitFact

*In November 2013 a single bitcoin became more valuable than an ounce of gold.*

Source: [www.visualcapitalist.com](http://www.visualcapitalist.com)



## About Bitstocks

Bitstocks was founded with a simple goal - to simplify the process of investing in bitcoins. We view Bitcoin as the new age currency that is set to revolutionise financial markets across the globe, providing a universal means of exchange and store of value.

We believe that Bitcoin will essentially transform the way we see money and the way in which we conduct our daily lives. The team at Bitstocks wants to assist this movement by making the process of acquiring, storing and profiting from bitcoins as simple as possible.

Bitstocks prides itself on providing the highest levels of security and protection for our clients and their investments, enabling anyone to invest in bitcoins with confidence and transparency.

Our advisory team are supported in-house by a team of highly experienced technical experts. They cover the fields of cryptocurrencies, security, finance and ensure the integrity of our systems, processes and infrastructure. This differentiates Bitstocks and enables us to provide our clients with the comfort they deserve, in the full knowledge that their investment is protected from external security threats.

# Why Bitstocks?

We believe strong client relationships are the backbone of every successful company. Our responsibility is to act for our clients in a way that reflects how they would act for themselves if they had our knowledge, experience and expertise of the Bitcoin market.

True to our ethos of personal service and providing a human touch to what is otherwise a very systematic and technical experience, Bitstocks advocates traditional human interaction as we firmly believe this is exactly what the Bitcoin community, and more specifically Bitcoin investors, need.



## Personal interaction

Every client has direct contact with their personal advisor, who understands their clients' specific circumstances and financial objectives, in order to provide tailored advice.



## Technical understanding of Bitcoin mechanics

We have a deep technical understanding of the Bitcoin market that surpasses that of traditional brokerages, and can provide detailed information to our clients on current trends and innovation within this market.



## Unique online portfolio management

Our clients have access to a detailed online portfolio management platform accessible on web and mobile, where they can easily log in and view their current positions, profitability and opportunities.

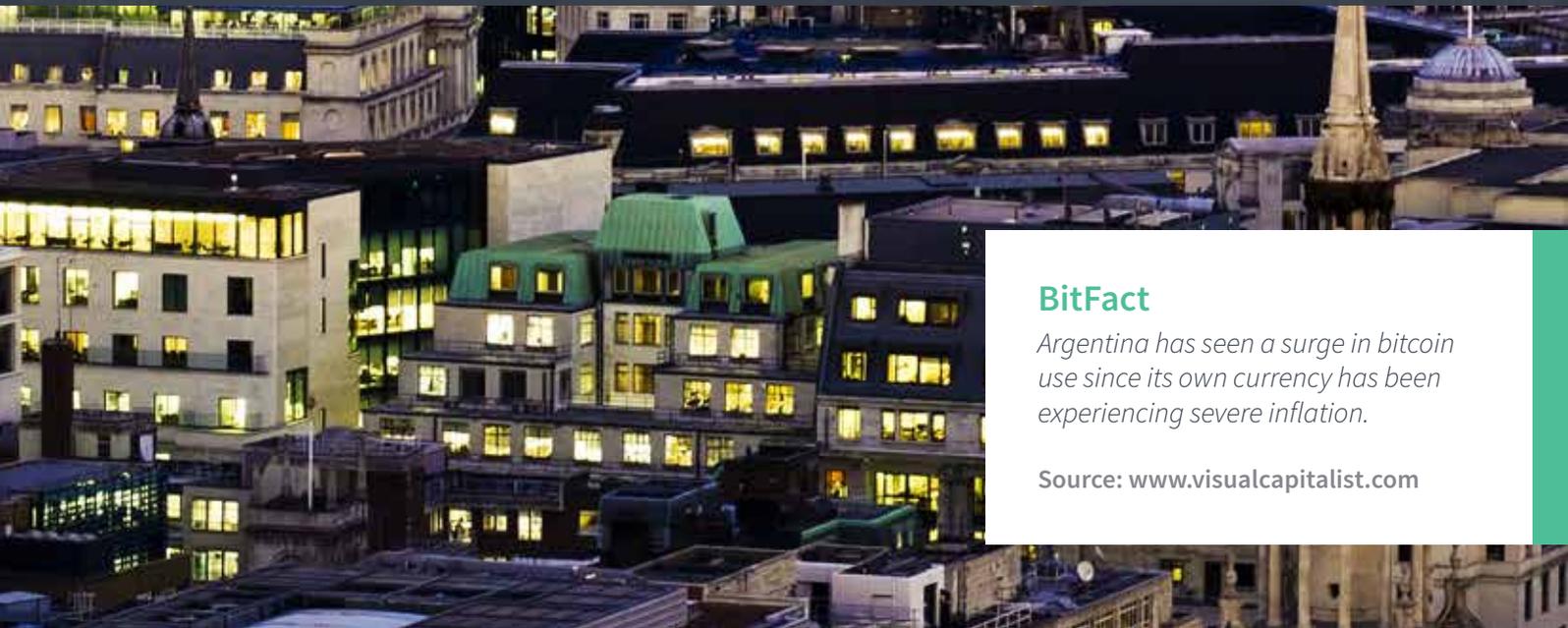


## The Bitstocks ethos

We listen. We simplify. We perform.

We bring people, crypto-currencies and investments together. Our greatest asset is our ability to simplify a complex market, preserve our clients' capital and position them for performance.

We earn and retain our clients' trust by placing them at the heart of our operation. Transparency, security and performance are the core values that constitute who we are.



### **BitFact**

*Argentina has seen a surge in bitcoin use since its own currency has been experiencing severe inflation.*

Source: [www.visualcapitalist.com](http://www.visualcapitalist.com)

# Seizing the opportunity

As investors we typically tend to invest in what we know and understand, especially if it has worked well for us historically.



The time involved in learning a new industry to uncover a way to bolster your portfolio is a daunting task. This is accentuated in the case of Bitcoin (and other cryptocurrencies) due to the complexity in understanding it's underlying technology which is preventing investors and consumers from getting involved.

## Institutional Advantage

Forward thinking financial institutions are typically the first to become early adopters and realise the true investment potential behind new products and technologies.

This is a direct result of the tools and resources their analysts have access to, enabling them to make informed decisions on highly technical products. Over the past two years, this has led to an exponential increase in levels of investment in Bitcoin, Bitcoin based financial products and Bitcoin startups by institutional investors.

"So far in 2014, \$113.2m has flowed into bitcoin businesses, which is 29% greater than the total amount for last year, which stands at \$88m. In 2012, bitcoin startups raised just \$2.1m."

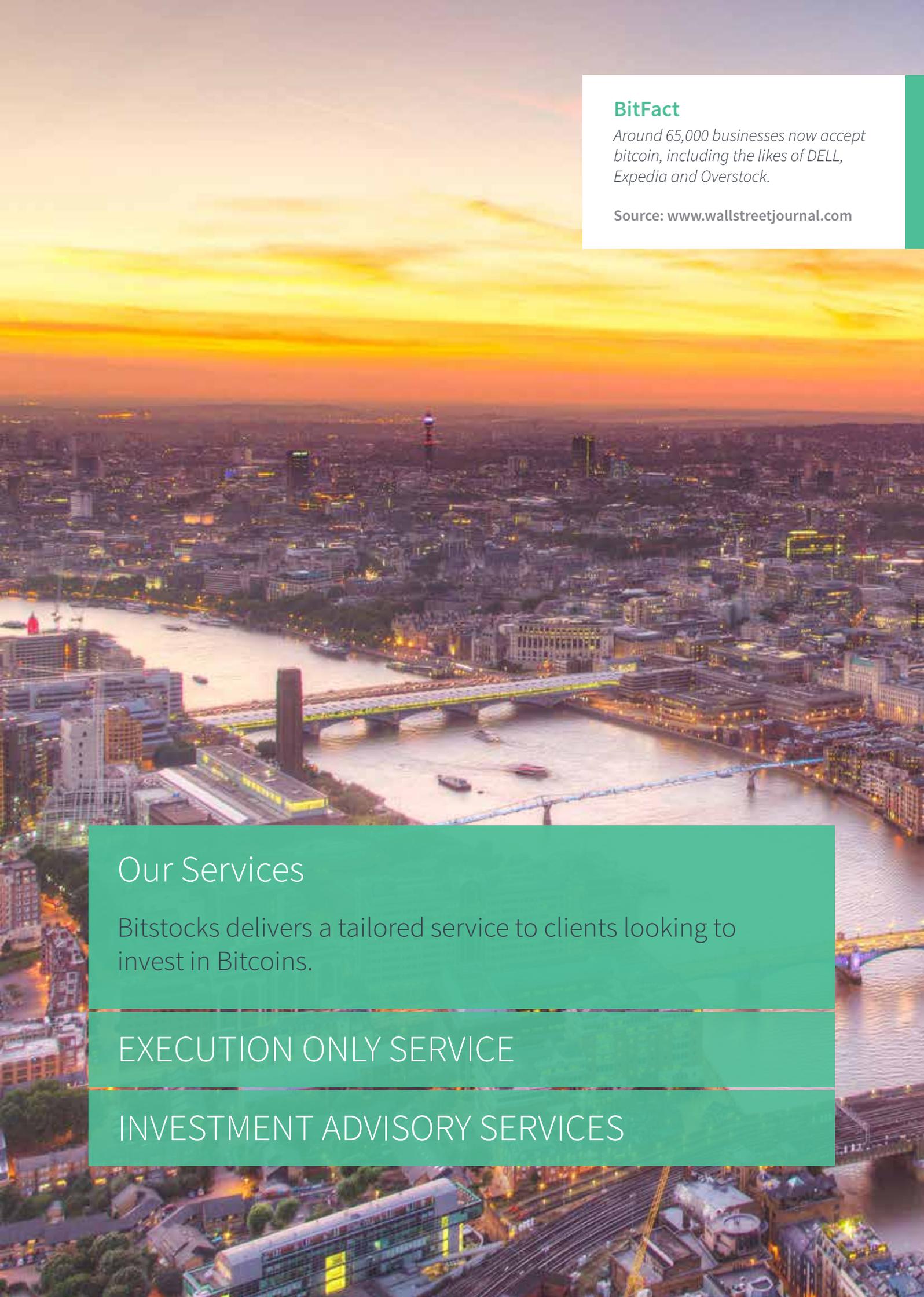
**Source: [www.coindesk.com](http://www.coindesk.com)**

## Bitstocks Client Advantage

At Bitstocks, we believe that retail investors should be equally empowered by having the opportunity to get involved at the early stages and position themselves favourably, regardless of their technical or economic understanding.

By working with your dedicated advisor, we will assist you every step of the way and help you understand the technicalities behind Bitcoin and the investment potential it can bring to your portfolio.

We also provide you with the latest data, knowledge tools and analysis, making sure you don't miss anything worth knowing.



## BitFact

*Around 65,000 businesses now accept bitcoin, including the likes of DELL, Expedia and Overstock.*

Source: [www.wallstreetjournal.com](http://www.wallstreetjournal.com)

## Our Services

Bitstocks delivers a tailored service to clients looking to invest in Bitcoins.

EXECUTION ONLY SERVICE

INVESTMENT ADVISORY SERVICES

# Advisory Bitcoin Investment Service

Our premium offering for investors. Work with our experienced advisory team to understand the market, leverage market sentiment and execute trades with confidence.



Every advisory client is allocated a personal advisor, who will become their single point of contact to provide individually tailored investment advice, professional execution and handle the administrative burden of securing your Bitcoin holdings. Advisory clients also benefit from the opportunity to leverage the Bitstocks network to execute large Buy and Sell orders, off-market, at favourable rates.

All clients can login to our dedicated online platform to track their portfolio progression and monitor pending transactions. Monthly statements are issued by post to provide you with historical profit and loss reports of your holdings. Additionally, you will also receive monthly newsletters with the state of the market, global bitcoin news and activity.

At Bitstocks, we invest in our advisors to ensure they have the skills, knowledge and expertise to guide your investments in bitcoins. We only reward performance. In short, all of our advisors need to ensure that they deliver a return on your investments whilst making sure its done in a compliant manner. To achieve this, your dedicated advisor will monitor the market for you and tailor your portfolio around market sentiment, opportunity & price to make sure you're getting the best out of your holdings with us.

# Execution Only Service

Use our simple online portal to take full control of buying and selling bitcoins



Create buy and sell orders on demand with a simple call, and execute trades without delay.



Our 'Execution Only' service was created for clients with a good understanding of bitcoins and who are used to trading them on a regular basis. Instead of buying from unknown individuals via an online marketplace and facing delays during account opening, transferring funds and executing trades, Bitstocks provides a platform for clients who want to deal with a company they can trust.

Those who want to place large orders can work directly with our dealing desk, who will go to market and broker the best price for your order.

Just like our advisory clients, execution clients also benefit from the ability to track their profit & loss over time, live, via our online platform.

**Disclaimer:** The prices of virtual goods and products, like real goods and products, constantly fluctuate over time. Any currency, virtual or otherwise, could be subject to large swings in value and at any time might become worthless. As such, the value of your holding may increase or decrease over time. With any type of market-based trading, buying or selling, there is an inherent risk that losses will occur. It follows that you should not hold money you cannot afford to lose in bitcoin or alternative crypto currencies.

# What is Bitcoin?

Bitcoin is considered by many to be the future of finance. It is a digital currency that is not printed by world banks or governments, and therefore isn't controlled or directly influenced by any central authority. In traditional currency systems, consumers and investors don't have a say in economic policy or in its underlying mechanics. We trust banks to protect our money, and governments to protect our banks. However, as a result of this skewed concentration of power for these few institutions, consumers and everyday investors can lose vast amounts of wealth, due to circumstances entirely out of their control.



## Bitcoin broken down in a simple example: Buying a cup of coffee.

Imagine you and I are sitting in a local coffee shop, enjoying something to eat and drink.

You're one pound short for your coffee and so I give it to you. It's a gift. It's my last pound coin, so I now have zero and you have £1. Sounds simple enough!

### What exactly happened?

I had a pound coin, which I physically put into your hand (so you could pay for that coffee). This was a physical act which you are 100% sure happened. After all, you were there and you felt the coin. We didn't need someone watching what happened or helping the pound coin go from my hand to yours. We didn't rope the barista in to confirm that my pound coin transferred from me to you.

That whole pound coin now belongs to you; I have no control over it as it has well and truly left my possession. I now have nothing left and you have the one pound. You can give that pound to the barista who can then give it to his friend or his Aunt, who can then give it to their friends or family. And so on and so forth.

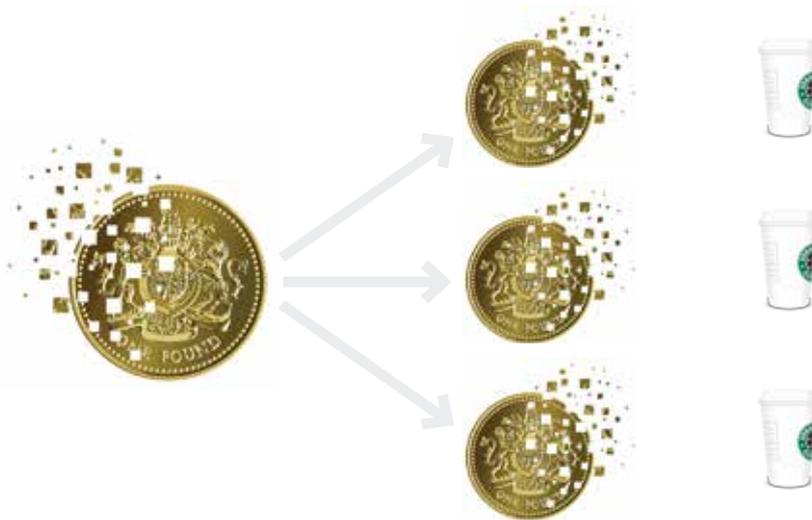
This is a broken down version of an in-person, or physical exchange. It doesn't matter whether I'm giving you a coffee, a cake, £1 or £20; the premise is exactly the same in all 'in-person' exchanges.



# Digital Transactions

However, let's now imagine I have a 'digital' pound coin which I want to give you. Here it is, you can have it. Now, this is where it gets interesting (and tricky). How can you prove that the digital coin I have just given you is definitely yours and yours only? How do you know I haven't already given that digital coin to the barista or my neighbour? How can you be sure I haven't made multiple copies of the digital coin, put it on the Internet and let millions of people download it?

Therein lies the problem with digital coins; it's not the same as an in-person exchange or receiving a physical coin in your hand. This problem is called double-spending and it's baffled computer scientists and economists for some time. However, a few clever scientists created a solution.



## A Possible Solution?

Before we look at their solution, let's try to derive a potential solution. How about creating one (giant) book of financial accounts (a ledger if you will)? We could track all of the digital coins in this ledger and keep a close eye on the transactions going in and out.

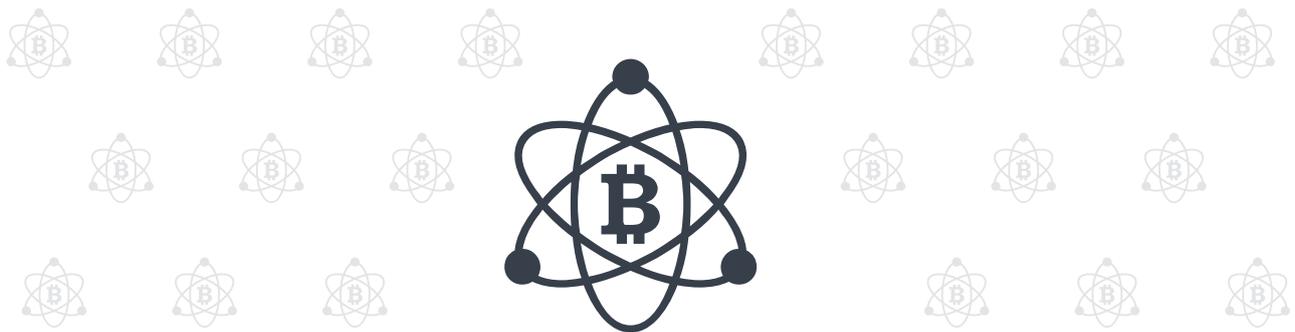
As the ledger is digital, it will need its own place to stay and its own 'person in charge', to keep things running smoothly. This person would be responsible both for the ledger, and holding everyone's coins.

However, there are some problems with this solution. The first is that the owner of the ledger could just create more digital coins for themselves, and no one else would know.

The second problem is that if we wanted to make a transaction then we would have to wait for the owner to authorise and witness each transaction as it happens. It's not as easy as handing over that pound coin in the coffee shop. In fact, it would be like asking the barista to witness every time I handed a pound coin over to you and vice versa, anywhere in the world.

# Bitcoin: The solution to digital currency

Bitcoin is the long awaited solution for a universal digital currency. The world has only just started to scratch the surface when it comes to understanding its true potential, resilience and versatility.



Referring back to the earlier example of keeping a physical ledger, Bitcoin solves this problem by enabling everyone to keep a digital copy of the ledger, instead of entrusting it to a single owner. As a result, every digital transaction is recorded and can be accessed, and verified, by everyone.

There's no way of cheating the system, as every ledger is synchronised with every other. It's impossible to create additional, unauthorised coins; It's impossible to send coins you don't own; And no single authority needs to be present to adjudicate transactions.

The total number of bitcoins has been defined from the outset to be 21 million. As a direct result, Bitcoin is inherently a deflationary currency, and economic theory indicates that its value should continue to rise as a result of scarcity (coins being lost and leaving circulation, and demand continuing to increase over time).

Everyone who has a copy of the ledger can contribute computing power to keep it up to date, and ensure the network runs smoothly. To compensate for this, the network provides rewards in the form of digital coins, and distributes these proportionally to the work undertaken by different members of the network. This is the basic mechanism by which new coins enter circulation (but only up to the maximum 21 million coins).

This process is known as the 'Bitcoin' protocol and the digital coins within the system are called 'bitcoins'. Because it is entirely digital and de-centralised, we can send millions of coins or 0.00000001 of a coin if we wanted to, from one point in the world to another, with no intermediary, no extortionate foreign exchange fees, and no risk.



## BitFact

*The Bitcoin network computing power is more than 256 times faster than the top 500 supercomputers, combined.*

Source: [www.forbes.com](http://www.forbes.com)

## Security

Security of your coins forms a large part of the service we offer at Bitstocks. We have taken measures and precautions to ensure that your peace of mind will never be challenged.

## Why are our clients' coins secure with us?

Security is paramount and at the forefront of everything Bitstocks does as a business. We take several approaches to ensure our clients' funds are fully protected.



We enforce 'Deep Cold Storage' for all client funds. Access to client coins is physically held and secured in safety deposit boxes by leading financial institutions in the City of London, requiring multiple director signatories to access your funds.



All movements of client funds are signed on secure offline terminals, which are unable to connect to the Internet at every level. This ensures we are not vulnerable to cyber attacks to compromise our security.



Every transaction involving client funds is protected by 'Multi-Signature' in two distinct physical locations. This means that even if there is a physical security breach, only one security 'key' would ever be accessible, ensuring funds can't be touched.

### Security within Bitstocks

---

#### Security for Clients Accessing the Bitstocks Platform



We use firewalls to prevent unauthorised access to any part of our platform (both from internal and external threats), ensuring only your advisory broker or a senior executive can ever access your account.



At every step of the process, all client data is fully encrypted and password protected. Our online systems use an Extended Validation SSL Certificate to ensure your data is secure when you interact with us.



Access to your funds via our online platform is protected by '2 factor authentication', ensuring your funds can't be touched, even if your password is compromised. Bitstocks also employs an independent identity validation service, ensuring your details are correct, and preventing spoofing.

# Internal Procedures



All of our advisors are fully trained to ensure they have the appropriate knowledge, skills and expertise to assist you. Advisers are subject to compliance monitoring programme to ensure that they maintain the level of competence required to advise on your investments. You can therefore be rest assured that you only deal with individuals who are qualified to provide you with advice.

Our advisory accounts team contacts every client before any withdrawal (fiat or bitcoins), and requires clients to validate themselves, ensuring every transaction is authentic and created by our clients.

We conduct automated daily 'proof of solvency' audits, which are verified by our internal compliance officer. Any client can request proof of holdings which will involve a transaction being undertaken with their funds from their wallet, back to their wallet. This process can take up to 24 hours, but provides definitive proof of holdings.

We never use client funds, be it fiat or bitcoins, unless we are opening or closing a position as instructed by our client. We provide a simple tool to monitor your funds, and you can also use the global decentralised blockchain to see where your coins are at any time.

Bitstocks reviews internal and external security processes and procedures, ensuring our systems are at the forefront of digital security and information protection.

# Technical Glossary

## Multi-Signature

A process of approving transactions where 2 different 'keys' need to be provided for the transaction to be valid. In Bitstocks, each key is securely stored in a separate geographic location.

## Spoofing

A cyber attack where one party attempts to impersonate another for the purpose of gaining access to secure data.

## Deep Cold Storage

Storage of bitcoins where the keys to access your holdings are kept 100% offline (in our case held in safety despoit boxes secured by leading City banks), and at no point have any online touch-points. This ensures they cannot be compromised digitally.

## Blockchain

The digital ledger of all Bitcoin transactions and holdings. Whilst the Blockchain is itself anonymous, any individual can view the balance of their wallet, provided they know their wallet address.

## Wallet

Similar to the physical wallet you carry around day to day, Bitcoin wallets hold Bitcoins digitally, and their balance can be checked through the Blockchain

## 2 Factor Authentication

A security process that requires a unique 'code' in order to perform certain operations (such as logging in to our portal). The code is sent via a text message to your mobile phone, ensuring your account cannot be compromised.

## Extended Validation SSL Certificate

A security certificate that ensures all communication between a browser and the website being accessed is secure. This can be verified by looking for a green bar and lock icon in the address bar on your browser (when you visit Bitstocks.com for instance).

## BitFact

*Virgin Galactic now enables consumers to travel to space and pay with bitcoins.*

Source: [www.virgin.com](http://www.virgin.com)

## Why invest in Bitcoin?

There's been a lot of media speculation about the future of Bitcoin. Like all new technologies, it took some time to establish its credibility in, what is undoubtedly, one of the world's toughest markets. The headline is "Bitcoin is here to stay"\*. It is unquestionably one of the hottest investment opportunities of our time.

### It's a natural step on the digital evolutionary ladder

Bitcoin is what's sometimes referred to as a "disruptive" technology. That means that it's the kind of revolutionary development that causes disruption to existing markets and eventually takes the place of out-of-date or archaic systems and technologies.

We live in a digital age where examples of this kind of technology are plentiful. We've moved from CD to MP3, from telephone to VoIP, fax to e-mail - the list goes on. It makes perfect sense that virtual currency is the next step in this evolution. The fact that Bitcoin has already managed to make an impact on a market as connected and protected as banking and finance speaks volumes about its future potential.

### Bitcoin employs leading edge technology

In contrast to the grinding, anachronistic systems which dominate our (less than stable) financial system, Bitcoin is a 21st century technology. The very concept of a decentralised digital currency and clearing is revolutionary. The fact that it is open-source, mobile and peer to peer, together with being protected by ground-breaking security which essentially allow you to create a backup of your money and protect it with encryption, is truly unprecedented.

\*Source [www.forbes.com](http://www.forbes.com)

# Why Bitcoin will triumph and who is threatened?

With negligible fees, no personal information associated with transactions (pseudonymity) and decentralisation (no central bank or authority can directly influence the currency), Bitcoin presents a tangible and significant threat to dozens of traditional industries.

Wedbush Securities analyst Gil Luria has stated in a recent report that "Bitcoin-related technologies will disrupt payments markets and other trust-based markets within the next few years and for decades to follow."

Several of the largest global companies, including Visa and Mastercard (credit card companies), Western Union (payment transfers), NCR (payment hardware), and securities exchange companies such as CME Group Inc. and NASDAQ OMX Group, Inc. are at risk from Bitcoin, and cryptocurrencies in general. The market capitalisation of companies in these sectors alone accounts for over \$500 billion, demonstrating the extent of the threat, and consequently the opportunity.

Bitcoin could have a significant impact on the U.S. economy alone, as 20% of their GDP "is generated by industries whose main function is as a trusted third party", such as banks, insurance carriers, and real estate-related companies.

## \$3.4 Trillion

(or 20%) of US GDP is generated by businesses threatened by Bitcoin as a disruptive currency

Company	Market Cap. \$m
Visa Inc.	\$105,228
American Express Co	\$100,430
Mastercard Inc.	\$82,558
Capital One Financial Corp	\$47,213
Discover Financial Services	\$28,900
CME Group Inc	\$23,824
Intercontinental Exchange	\$21,753
M&T Bank Corp	\$16,311
Alliance Data Systems Corp	\$15,246
Fiserv Inc	\$15,033
Western Union Co	\$9,345
NASDAQ OMX Group Inc	\$6,591
Total System Services Inc	\$5,928
NCR Corp	\$5,892
Global Payments Inc	\$5,322
MICROS Systems Inc	\$5,080
Ingenico	\$4,802
VeriFone Systems Inc	\$4,106
Moneygram International	\$804

Data correct as of 1st July 2014

# Bitcoin is gaining momentum. Fast.

The reason that so many financial commentators and investment managers are commenting on Bitcoin is that they recognise its vast potential. The more newspaper headlines and articles that are written, the more the concept takes hold, which consequently leads to increased credibility and demand.

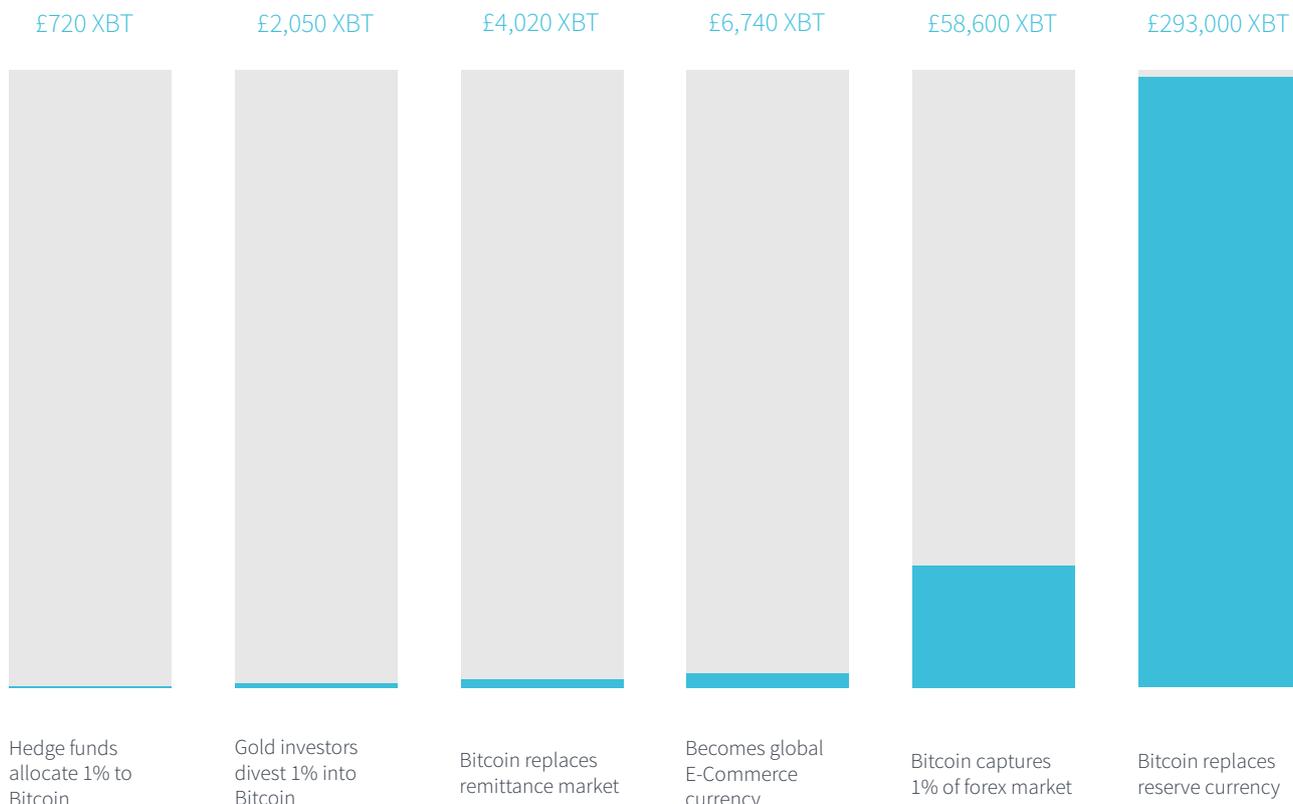
As a result of the robustness of the network and its security, all indications point to the Bitcoin network becoming the value anchor for Internet money and finance in the not-too-distant future. Additionally, with its credibility increasing, more and more venture capitalists are seeing the appeal in investing in a currency which isn't tied to a central bank. Combine this increased demand with a limited supply of 21 million Bitcoins and basic economics tells us that prices are set to go through the roof. The price of one bitcoin has risen at an average exponential rate of 1,000% per year.

Bitcoin early adopters make the comparison between Bitcoin's current position and that of the Internet in 1993 or '94. In 2013, 40 venture capital backed deals were made that raised a total of US \$74 million. In 2014, the run rate has already exceeded US \$240 million. Place this side by side with investments in the Internet around 1995 (which were an inflation-adjusted US \$387 million) and it's clear where the comparison is coming from.

So, as Bitcoin takes its place as the mainstay of Internet money and finance, and with new buyers forced to bid up the price to acquire what is swiftly becoming a rare virtual currency, what is the likely future value of one bitcoin?

## Future Value of Bitcoin If:

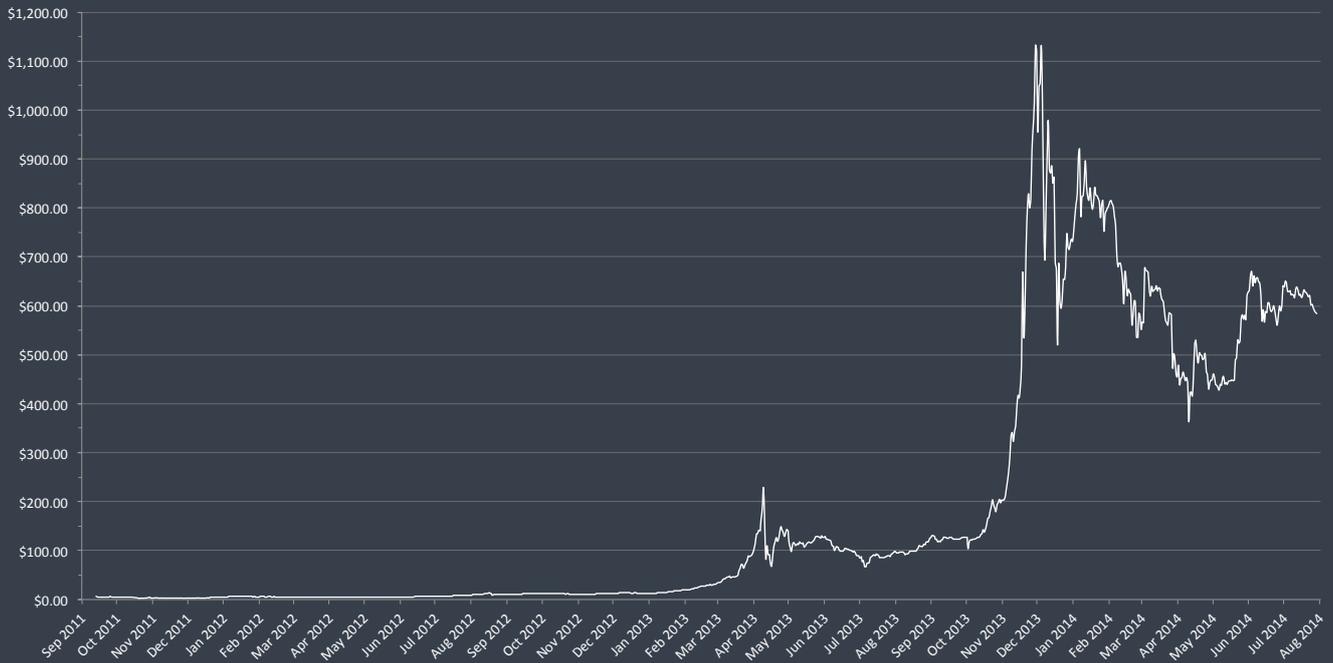
Current XBT value at print: £280 XBT



Projections or forward looking statements are only estimates of future results or events that are based upon assumptions made at the time such projections or statements are developed or made. There can be no assurance that the results set forth in the projections or the events predicted will be attained, and actual results may be significantly different from the projections.

# Bitcoin Value: 2011 - 2014

Bitcoin has increased in value every year since its creation, delivering phenomenal returns for early adopters and investors



Past performance or forward looking statements are only estimates of future results or events that are based upon assumptions made at the time such projections or statements are developed or made. There can be no assurance that the results set forth in the projections or the events predicted will be attained, and actual results may be significantly different from the projections.

## BitFact: Bitcoin vs UK Rich and Famous

How much would you have had to invest in bitcoin in October 2009 and sold at its peak in December 2013 to match the net worth of some of the UK's wealthiest household names?



These projections indicate an example of what could have transpired if the suggested amount what invested into Bitcoin. There can be no assurance that the results set forth in the projections or the events predicted will be attained, and actual results may be significantly different from the projections.

# Who is investing in Bitcoin?

## Sir Richard Branson

Serial entrepreneur, and founder of the Virgin group of companies, including Virgin Atlantic, Virgin Media and formerly Vrgin Records.

- Invested US \$30m in Bitcoin startups
- Accepts Bitcoins for services in Virgin Galactic
- Personally bought Bitcoins as a currency

## Winklevoss twins

Internet entrepreneurs and Venture Capitalists, notorious for claiming to have originally had the idea behind Facebook.

- US \$11m invested in Bitcoins (as a currency)
- Several investments in Bitcoin startups

## Andreessen Horowitz

A leading technology VC Fund, famous for investing in Facebook, Skype, Groupon and over a 100 other companies.

- US \$50m invested in Bitcoin Startups
- Looking to invest "100's of millions" more

## Chamath Palihapitiya

Technology entrepreneur and longest tenured member of Facebook's senior executive team.

- Owns over US \$5m in Bitcoins
- Looking to purchase a further US \$10-\$15m

# Apply now for your Bitstocks dealing card

Upon receiving your application form and approving you as a client, we will post out your Bitstocks client dealing card.

You must quote your dealing card number when dealing on your account.



“

“Every informed person needs to know about Bitcoin because it might be one of the world’s most important developments.”

”

— **Leon Louw**

*Nobel Peace Prize Nominee*

Source: [www.weusecoins.com](http://www.weusecoins.com)

