

# Ethereum Shanghai Upgrade

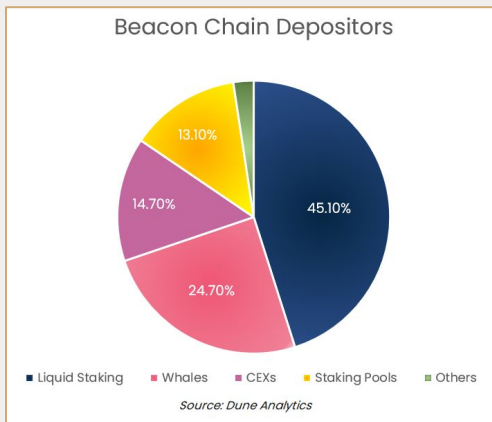
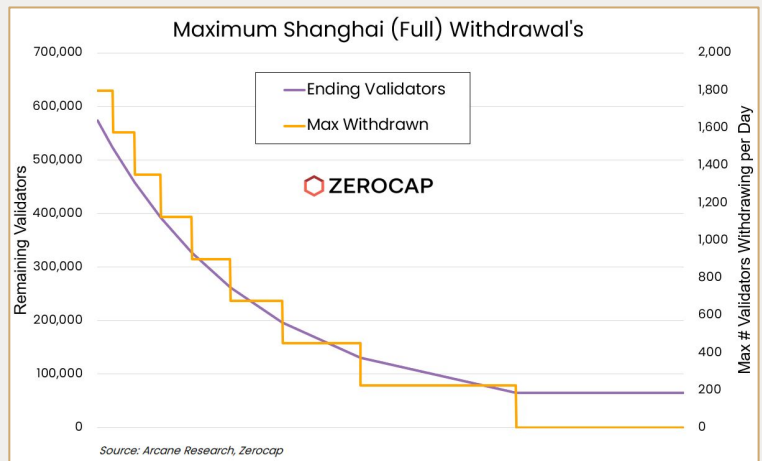
## What is the Shanghai Upgrade?

The Ethereum Shanghai upgrade is a hard fork that is anticipated to go live in mid-April 2023. The upgrade includes two major upgrades: Shanghai - an execution layer upgrade, and Capella - a consensus layer upgrade. Most importantly, the fork will allow stakers and validators to withdraw their staked principal and rewards, which are currently locked on the Beacon Chain. Moreover, it will instil more confidence in sidelined investors and institutions to participate in staking Ethereum.

There are a few critical reasons why we expect this event to be a **positive** for Ethereum.

### 1. Less selling pressure than the market anticipates

- › The full withdrawal queuing mechanism limits the amount of validators that can exit per day
- › The expected volume from 'partial' withdrawals is a small % of daily volume and will take roughly 4 days to become fully liquid.



### 2. Current Stakers are 'Liquid' Stakers

- › Currently, the liquid staking segment contributes ~45% of total Ethereum that is staked.
- › With 'liquid' staking primitives growing in popularity, largely due to the 32Ξ bonding restriction, we can argue that a significant proportion of Ethereum stakers are agnostic to this upgrade.
- › Additionally, staking pools & CEXs are incentivised to keep their validators running - although this will ultimately fall down to the user preference in these pools & venues.

### 3. Potential for Large Supply Imbalances

- › With sidelined institutions and investors now having increased capacity to stake and withdraw their principal & rewards, we expect large supply imbalances to occur after the fork.
- › We have already seen a strong uptick in interest of **institutional staking** of Ethereum. An estimated yield of 5% is great incentive for a utility token with deflationary supply mechanics and ESG benefits (proof-of-stake model).
- › Any affect of existing stakers discontinuing their validators will likely be neutralised by **new stakers**.
- › The staking ratio of Ethereum, relative to circulating supply, is the lowest of layer-1 networks. We expect this to at least double in percent by the end of 2023.

Coin	Staking Ratio	Market Cap (bn)
	71.5%	7.92
	70.9%	11.64
	48.87%	7.25
	39.86%	10.46
	14.87%	188.97

Source: Coingecko

# 12m USD Capital Protection with Participation Note Linked to Ethereum

## Product Description

This note may be suited for long-term believers in Ethereum, but are uncertain in the outcome from the Shanghai fork.

This product allows investors to participate in the potential upside performance of ETH with 90% protection of their capital. The investor will participate in 60% of ETH's upside price appreciation above the Strike Level. The maximum loss for this investment is 10% of capital invested.

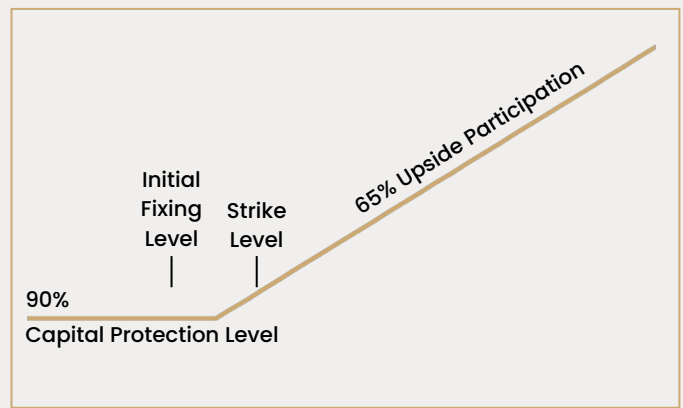
## Example Terms

Initial Fixing Level	100%
Capital Protection Level	90%
Strike Level	110%
Participation	65%
Maturity (Months)	12

## Terms

Min. Investment	\$50,000
Currency	USD
Settlement Type	Cash Settled
Underlying	Ethereum (ETH)

## Payout Graph



## Payout Formula

**Payout** = Investment x [Capital Protection Level + Max (0%; Participation x Performance)]

**Performance** = Final Fixing Level / Initial Fixing Level - Strike Level

## Risk Profile

1. May suit investors who expect the underlying price of ETH to be above the Strike Level at expiry.
2. Maximum loss for this product is 10% of the initial investment amount.
3. The payout amount is not linked to the value of ETH at any time other than the observation dates.

## About Zerocap

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To discuss how ETH and other crypto assets fit into your investment strategy, contact us at [hello@zerocap.com](mailto:hello@zerocap.com) or phone (AU): 1800 ZEROCAP (937622) | phone: +61 3 9491 8256

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