

Ethereum Shanghai Upgrade

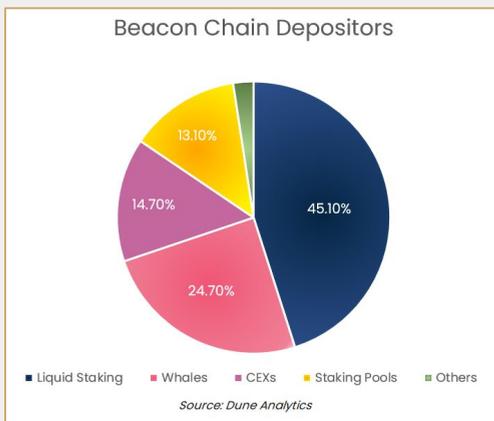
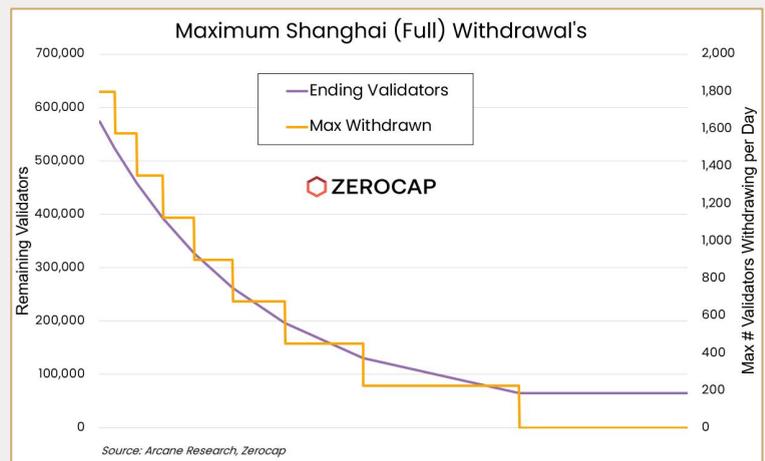
What is the Shanghai Upgrade?

The Ethereum Shanghai upgrade is a hard fork that is anticipated to go live in 13th April 2023 (AEST). 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.

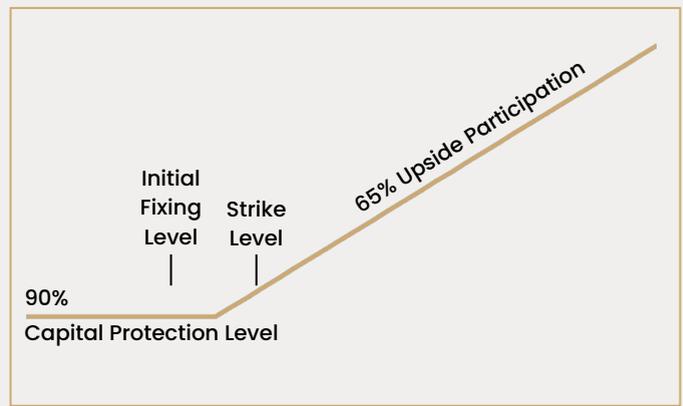
Example Terms

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.

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Ethereum Discount Note

Product Description

Investors that view the Shanghai upgrade as a positive event for Ethereum may be suited to the ETH Discount Note.

Discount notes are an instrument that allow investors to enter a long position in the underlying asset for less than its current price if the Expiry Price is below the Cap Price. The maximum return for this instrument is limited to a predetermined price (Cap Price).

Example Levels

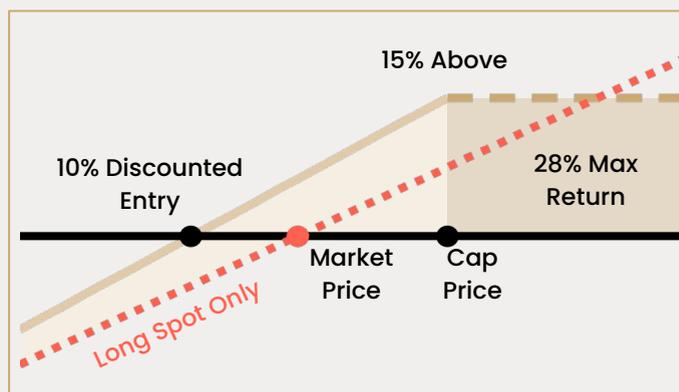
Current ETH Market Price	\$1806
Discount to Current Market Price	10%
Purchase Price if below Cap Price	\$1625
Cap Price (15% above Current Market Price)	\$2077
Return if above Cap Price	28%

Terms

Min. Investment	\$50,000
Currency	USD
Expiry	27 Oct 2023
OTC Fee	1.0%

Only Two Outcomes:

1. If ETH is above 2077 by 27 Oct 23, you earn **28% in USD.**
2. If ETH is below 2077 by 27 Oct 23 you **buy ETH at 10% below its current price today.**



Risk Profile

1. May suit investors with a stable to moderately bullish view on ETH.
2. May not suit investors who think a major bull run in ETH is likely before expiry.
3. May not suit investors who think ETH will fall significantly before expiry.
4. Maximum loss for this product is the initial investment amount.

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ETH Yield Enhanced Entry Note

Product Description

An investor with a positive outlook on the Shanghai fork may be suited to the ETH Yield Entry Note.

Yield Entry Notes involve entering the market at enhanced levels while also earning yield.

Example Levels

Current ETH Market Price	\$1806
Strike Price	\$1625
Strike % below	10%
Current Yield %	6.21% (24.58% p.a)

Terms

Min. Investment	\$50,000
Currency	USD
Expiry	30 June 2023
OTC Fee	1.0%

Risk Profile

1. May suit investors with a stable to moderately bullish view on ETH.
2. May not suit investors who think a major bull run in ETH is likely before expiry.
3. May not suit investors who think ETH will fall significantly before expiry.
4. Maximum loss for this product is the initial investment amount.

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Only Two Outcomes

Expiry Price is below Strike Price:



Expiry Price is above Strike Price:



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