



# Investment Newsletter

September 2021

“ **Omni Alpha:** ”  
Profit From Disruptions

# Why Omni Investment Services



“

By entrusting us with your investments via this **discretionary mandate offering**, you can relieve yourself from the day-to-day burden of managing your assets, allowing you to have more time for other meaningful pursuits.

”

“

Your investments will be **expertly and professionally managed** according to your specific investment goals and risk tolerance, whether investing in private, public or both. Besides, your investment will be supported with timely updates and meaningful reporting to make sure you are well informed.

”

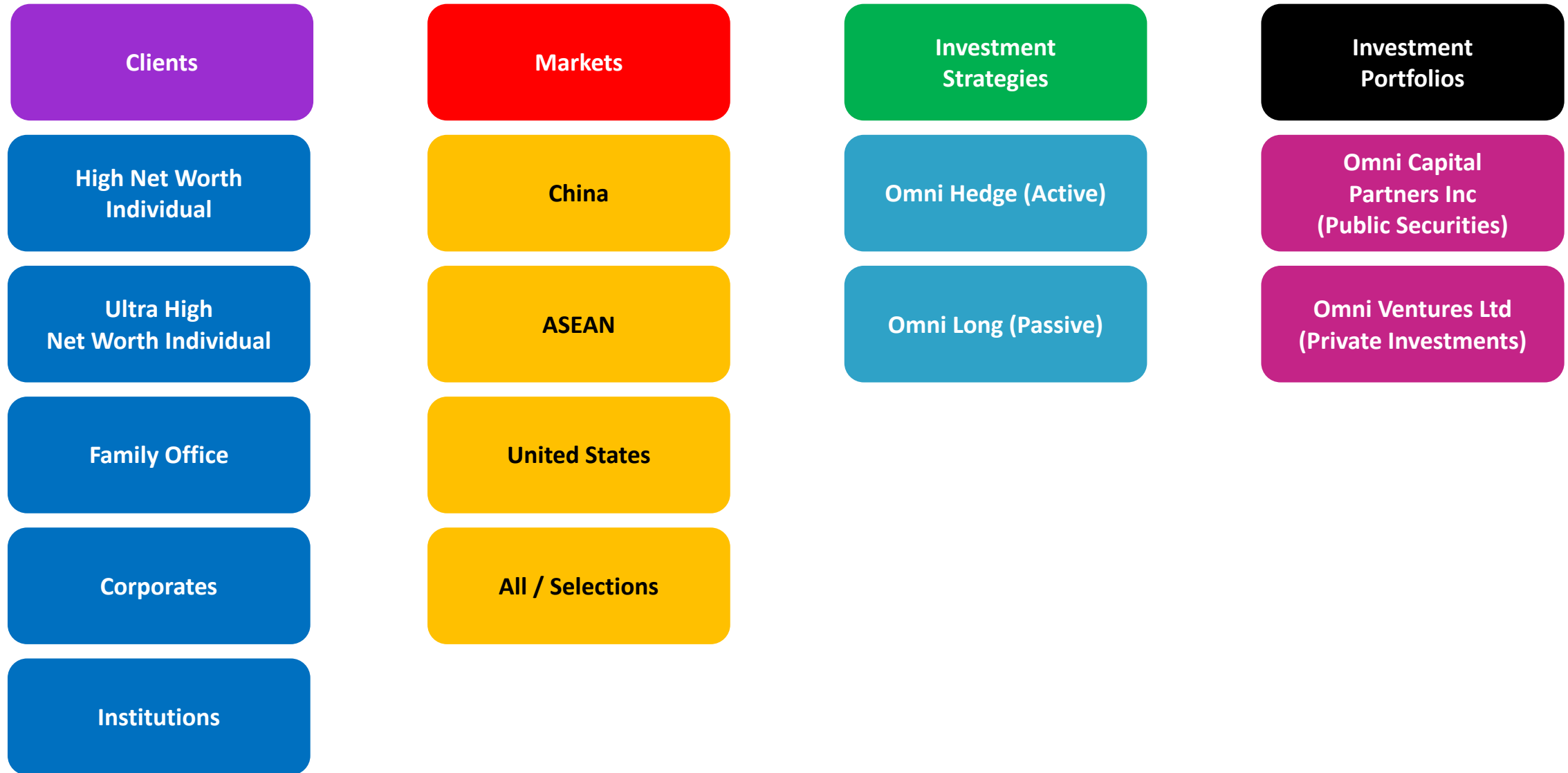
Experienced with  
Impressive Track  
Records

Different Approach,  
Perspective and  
Ideas

Global Investing  
with focus on  
China, ASEAN, and  
United States

Thematic Investing  
with focus on  
Disruptive  
Technology

# Omni Investment Advisory



# Omni Investment Focus



## Asset Classes

### Public Securities:

- Public Equity
- Digital Assets
- Forex
- Commodities

### Private Investments:

- Startups
- Venture Capital
- Private Equity
- Direct Investments

# Omni Hedge Overview



## Omni Hedge®

### Principal Investment Strategy

- OMNI's strategy seeks long-term growth and protection of capital. The investment objective is achieved by investing primarily in China (at least 50% of its assets), ASEAN and United States companies:
  - That will ride the emerging global trends
  - That have strong management team and resources
  - That have explosive growth potential
  - That will use transformative technologies for high impact
  - That have superior business and earnings model

### Inception Date

- 1 July 2020

### Current Number of Holdings

- 22

### Team

- Scott (Strategy / Asset Allocation)
- Derrick (Macro / Theme)
- Analysts (Micro / Sector)

### Hedge Fund Strategy

Hedging strategy involves taking an offsetting position for the related assets through versatile investment options.

### Purpose

To minimise the risk of adverse movements in the value and generate active positive returns.

### Characteristics

- Define success in both absolute terms
- Active adjustment on correlation to market movements
- Volatility is relevant
- Versatile investment options to optimize the performance

### Features

- Global Macro & Micro
- Directional
- Arbitrage
- Long / Short
- Event Driven
- Momentum Investing

# Omni Hedge Portfolio



	Industry Breakdown
Household Durables	14%
Interactive Media & Services	9%
Machinery	9%
Pharmaceuticals	9%
Semiconductors & Semiconductor Equipment	9%
Food Products	9%
Technology Hardware, Storage & Peripherals	9%
Internet & Direct Marketing Retail	5%
Insurance	5%
Banks	5%
Software	5%
Beverages	5%
Commercial Services & Supplies	5%
Electrical Equipment	5%

*Note: Information as of 1 September 2021*

	Sector Breakdown
Information Technology	23%
Consumer Discretionary	18%
Industrials	18%
Consumer Staples	14%
Healthcare	9%
Communication Services	9%
Financials	9%

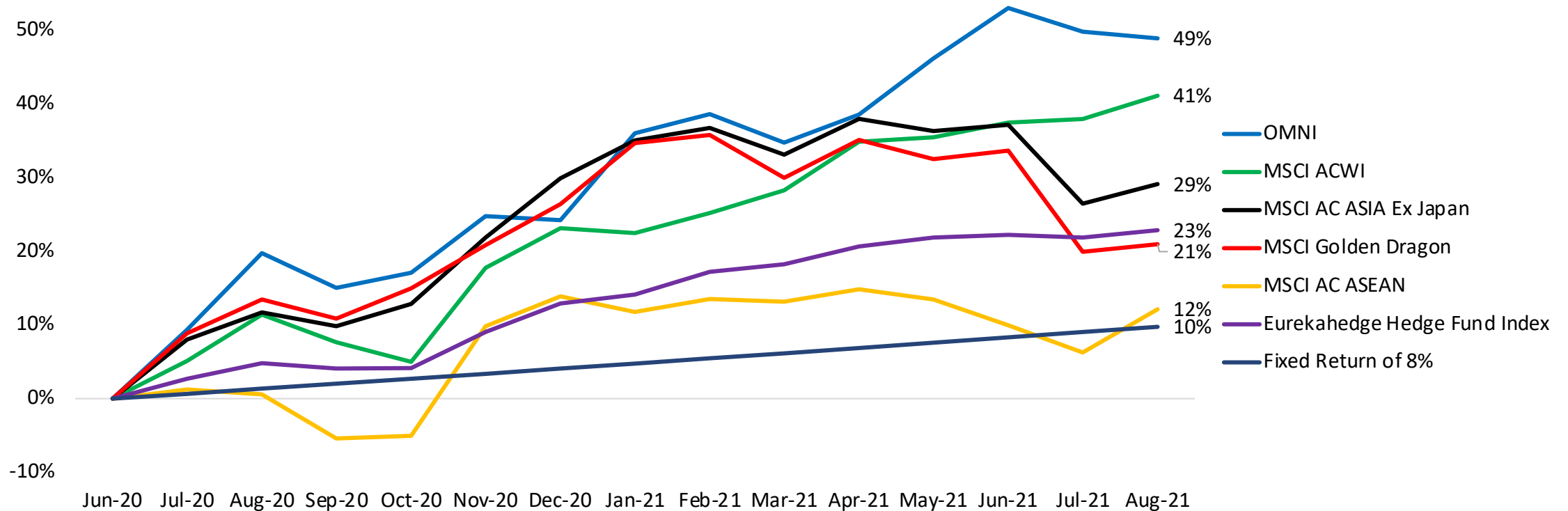
	Geographic Breakdown
Asia Pacific	82%
America (North)	18%
Africa / Middle East	-
Europe (Western)	-

	Market Capitalization
Mega (USD 100 Billion +)	18%
Large (USD 10 to USD 100 Billion)	45%
Medium (USD 2 to USD 10 Billion)	9%
Small (USD 0.3 to USD 2 Billion)	18%
Micro (USD 50 to USD 300 Million)	9%

# Omni Hedge Performance



Performance of Omni's Model Portfolio (Hedge Fund Strategy)



**Note:**

MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries.

MSCI AC ASIA Ex Japan captures large and mid cap representation across 2 of 3 Developed Markets countries (excluding Japan) and 9 Emerging Markets countries in Asia.

MSCI Golden Dragon captures the equity market performance of large and mid-cap China securities (H shares, B shares, Red-Chips and P-Chips) as well as securities classified in Hong Kong and Taiwan.

MSCI AC ASEAN captures large and mid cap representation across 4 Emerging Markets countries and 1 Developed Market country.

The EurekaHedge Hedge Fund Index is EurekaHedge's flagship equally weighted index of 1710 constituent funds. The index is designed to provide a broad measure of the performance all underlying hedge fund managers irrespective of regional mandate.

# Omni Hedge Performance



	1 Month	3 Months	6 Months	YTD	Since Inception
OMNI Hedge	-1%	2%	7%	20%	49%
MSCI ACWI	2%	4%	13%	15%	41%
MSCI AC ASIA Ex Japan	2%	-5%	-6%	-1%	29%
MSCI Golden Dragon	1%	-9%	-11%	-4%	21%
MSCI AC ASEAN	6%	-1%	-1%	-2%	12%
Eurekahedge Hedge Fund Index	1%	1%	5%	9%	23%
Fixed Return of 8%	1%	2%	4%	5%	10%

**Note:**

*MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries.*

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# Omni Long Overview



## Omni Long®

### Principal Investment Strategy

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  - That will ride the emerging global trends
  - That have strong management team and resources
  - That have explosive growth potential
  - That will use transformative technologies for high impact
  - That have superior business and earnings model

### Inception Date

- 1 July 2020

### Current Number of Holdings

- 26

### Team

- Scott (Strategy / Asset Allocation)
- Derrick (Macro / Theme)
- Analysts (Micro / Sector)

### Long Only Strategy

This passive strategy involves long-term holding of investments which we believe will ride through all volatilities to produce superior returns.

### Purpose

Buy growth company regardless of market timing.

### Characteristics

- Define success in relative terms
- No adjustment on correlation to market movements
- Volatility is irrelevant
- Performance depends on generation of alpha

### Features

- Global Macro & Micro
- Long Positions Only
- Value Investing
- Alpha Investing
- Absolute Return

# Omni Long Portfolio



Industry Breakdown	
Software	12%
Semiconductors & Semiconductor Equipment	12%
Internet & Direct Marketing Retail	12%
Machinery	12%
Interactive Media & Services	8%
IT Services	8%
Household Durables	8%
Real Estate Management & Development	8%
Banks	8%
Biotechnology	4%
Food Products	4%
Pharmaceuticals	4%
Electrical Equipment	4%

*Note: Information as of 1 September 2021*

Sector Breakdown	
Information Technology	31%
Consumer Discretionary	19%
Industrials	15%
Communication Services	8%
Healthcare	8%
Real Estate	8%
Financials	8%

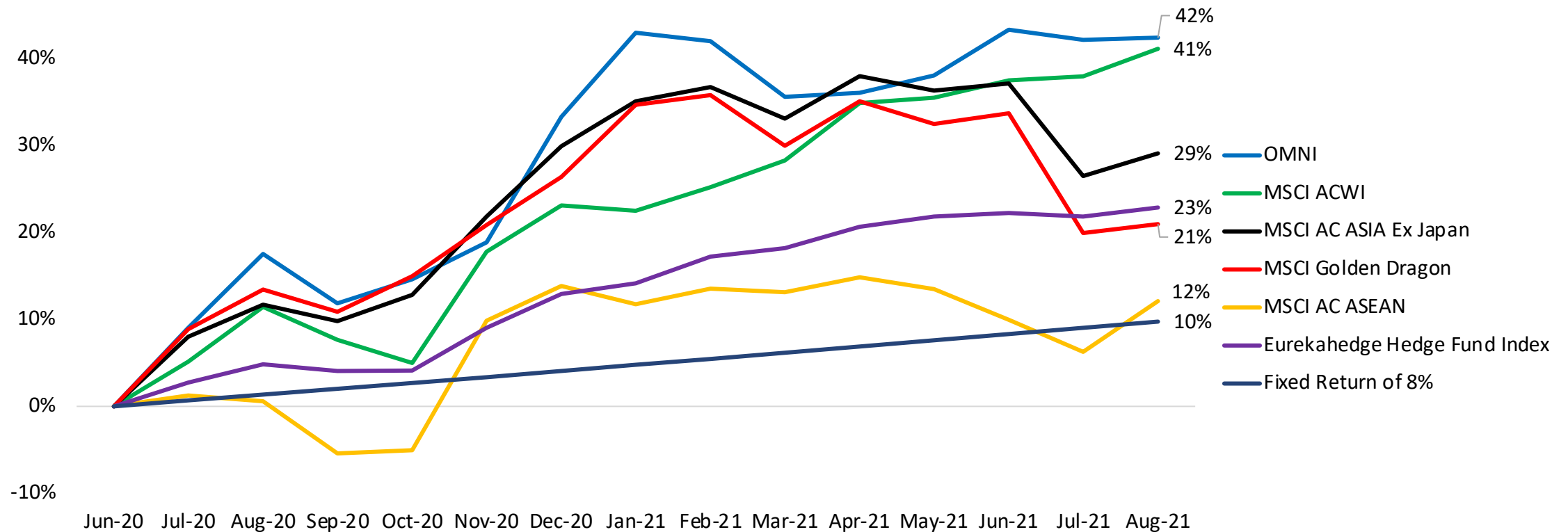
Geographic Breakdown	
Asia Pacific	73%
America (North)	27%
Europe (Western)	-
Africa / Middle East	-

Market Capitalization	
Mega (USD 100 Billion +)	8%
Large (USD 10 to USD 100 Billion)	50%
Medium (USD 2 to USD 10 Billion)	15%
Small (USD 0.3 to USD 2 Billion)	15%
Micro (USD 50 to USD 300 Million)	12%

# Omni Long Performance



Performance of Omni's Model Portfolio (Long Only Strategy)



**Note:**

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# Omni Long Performance



	1 Month	3 Months	6 Months	YTD	Since Inception
OMNI Long	0%	3%	0%	7%	42%
MSCI ACWI	2%	4%	13%	15%	41%
MSCI AC ASIA Ex Japan	2%	-5%	-6%	-1%	29%
MSCI Golden Dragon	1%	-9%	-11%	-4%	21%
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# *Investment Review and Outlook*



- The World Health Organization is warning that global COVID cases could pass 300 million by early next year if the pandemic continues in its current direction, calling on world leaders to slow the spread by providing more testing supplies, treatments and vaccines to poorer nations.
- Global debt increased by more than USD 29 Trillion in 2020 to offset the pandemic's economic toll, bringing the global debt total to an all-time high of USD 281 Trillion by the end of 2020, or more than 355% of global GDP, according to the Institute of International Finance (IIF). Governments with big budget deficits are set to increase debt by another USD 10 Trillion in 2021 as political and social pressures make it hard to curb spending, pushing government debt load past USD 92 Trillion by end-2021, the IIF estimates.
- The most significant risk for the Fed is getting trapped between fighting rising inflation and keeping consumer confidence elevated through higher asset prices in such an uncertain environment. If Fed choose to hike rates, the stock market will crash as the real economy remain weak. Nevertheless, a decision by Fed to try and support higher asset prices may get the economy crushed by higher inflation (stagflation). Hence, it is a “no-win” outcome and currently remains the most significant risk to investors betting on monetary policy. For instance, investors “believe” monetary accommodation will remain, and therefore there is no reason to reduce speculative “risk-taking” endeavours. Yet, the US stock market is currently strongly overvalued.

# Investment Review and Outlook



- According to the data from National Bureau of Statistics, China's official composite purchasing managers' index, which gauges sentiment in both manufacturing and the services industry, dropped sharply to 48.9 in August 2021 from 52.4 in July 2021. Temporary shocks caused by Delta variant outbreaks may have been to blame for depressing China's economic sentiments in the past few months. Therefore, economists are calling for more loosening of liquidity and increased fiscal spending.
- The timing of having ample liquidity from US and showcase of weak economy result in China, are interesting coincided with the profound changes made in China on industries such as internet, education, and entertainment. Overall, these further confirms the intention of the government to regain control amid worst period and taking this opportunity to restructure the whole country in terms of culture, business, debts, laws, and etc, for new set of growth in coming future.
- According to Goldman's Hedge Fund Tracker, the key reasons contributing to the recent headwinds (underperformance) against US hedge fund returns in the first half of 2021 are concentration and crowding, whereby:
  - The typical hedge fund holds 63% of its long portfolio in its top 10 positions, slightly above the historical average but well below the 70% share at the end of 1Q 2020.
  - Substantial exposure to highly crowded tech names in China. One third of hedge funds in Goldman's analysis held a China ADR in their long portfolio at the start of 3Q 2021.

# *Investment Review and Outlook*

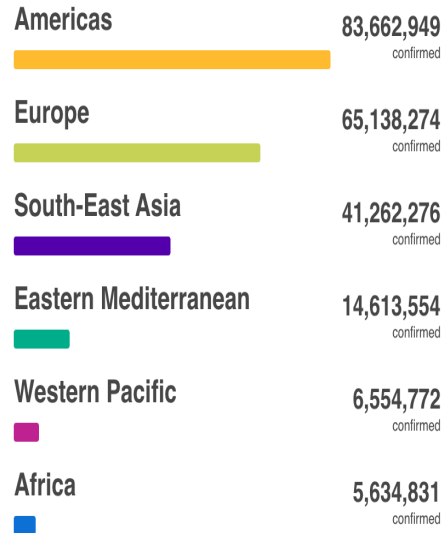


- A few key themes have emerged on the subject of new US cryptocurrency regulation: stopping cryptocurrency crime and tax evasion, stablecoin regulation, and the potential for investment vehicles like crypto ETFs and other funds.
  - Under the proposed law included in the infrastructure bill, companies that facilitate crypto trades would be required to report tax information about those trades to the IRS starting in the 2024 tax season.
  - Increased stablecoin regulation could help with the cryptocurrency crime problem, as “the majority of what happens on cryptocurrency exchanges and platforms is cryptocurrency to cryptocurrency.
  - Cryptocurrency ETFs are not yet available in the US, but may offer a way for investors to get into cryptocurrency without having to buy directly from an exchange in the future.

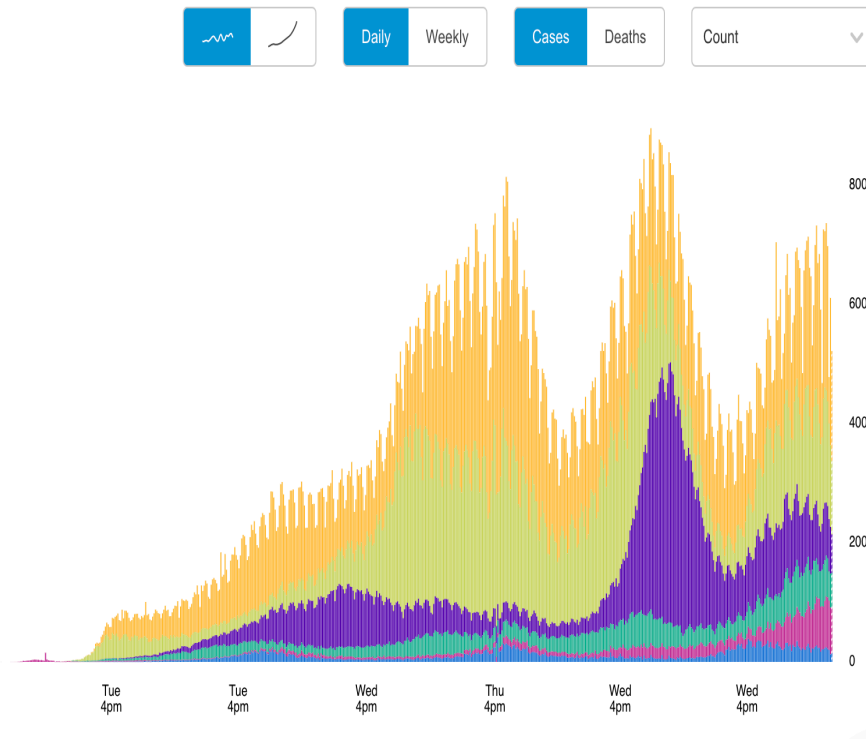
# COVID-19 Cases Show Sign of Peak



## Situation by WHO Region



Source: World Health Organization  
Data may be incomplete for the current day or week.

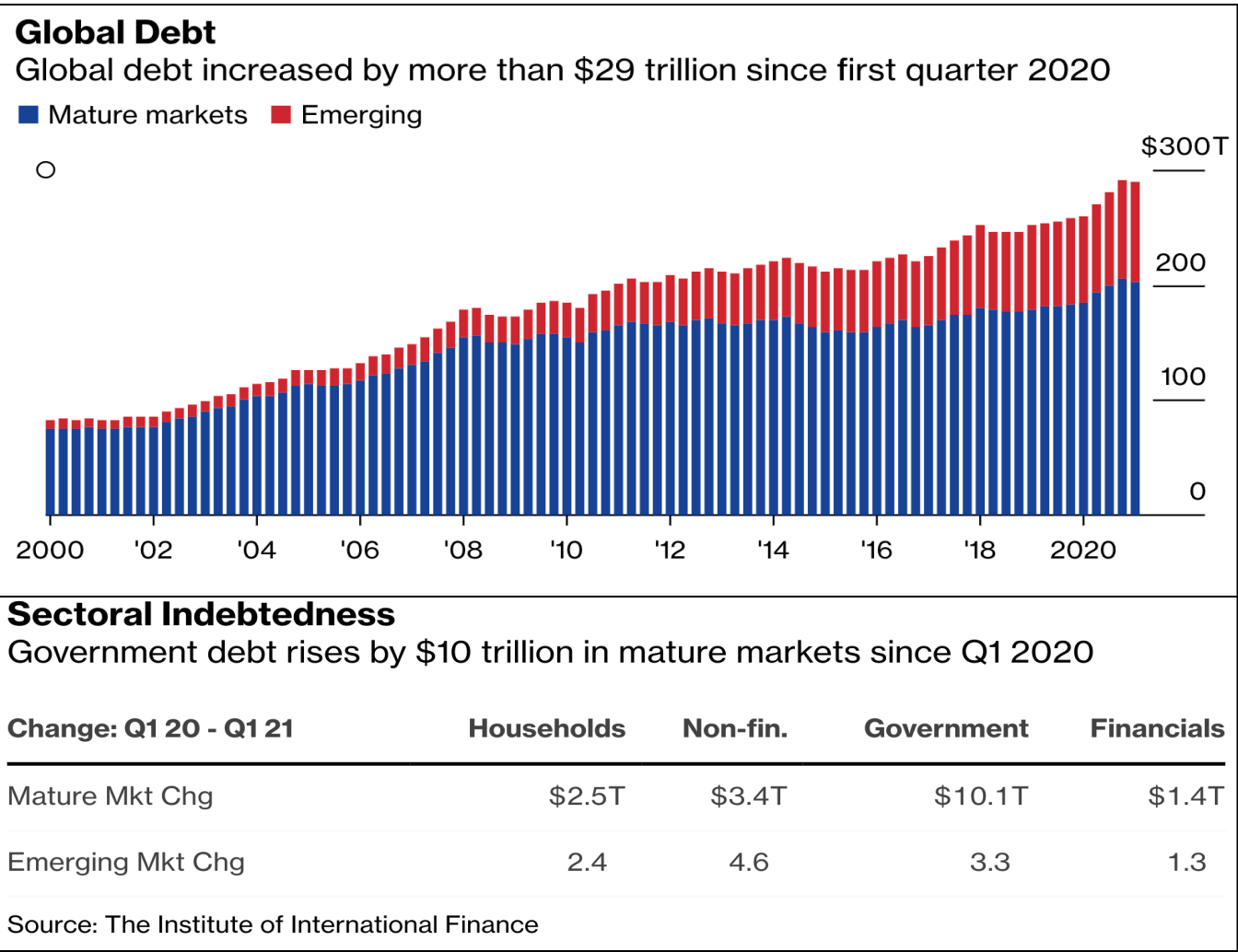


According to WHO, globally, as of 31 August 2021, there have been 216,867,420 confirmed cases of COVID-19, including 4,507,837 deaths, reported to WHO. Also, a total of 5,019,907,027 vaccine doses have been administered.

Currently, the World Health Organization (WHO) is monitoring a new coronavirus variant called “mu,” which the agency says has mutations that have the potential to evade immunity provided by a previous COVID-19 infection or vaccination. According to WHO, the variant contains genetic mutations that indicate natural immunity, current vaccines or monoclonal antibody treatments may not work as well against it as they do against the original ancestral virus. The new variant, mu, was first identified in Colombia but has since been confirmed in at least 39 countries, according to the WHO. Although the global prevalence of the variant among sequenced cases has declined and is currently below 0.1%, its prevalence in Colombia and Ecuador has consistently increased, the agency warned.

Note: Information as of 31 August 2021

# Unsustainable Debts In The Long Term



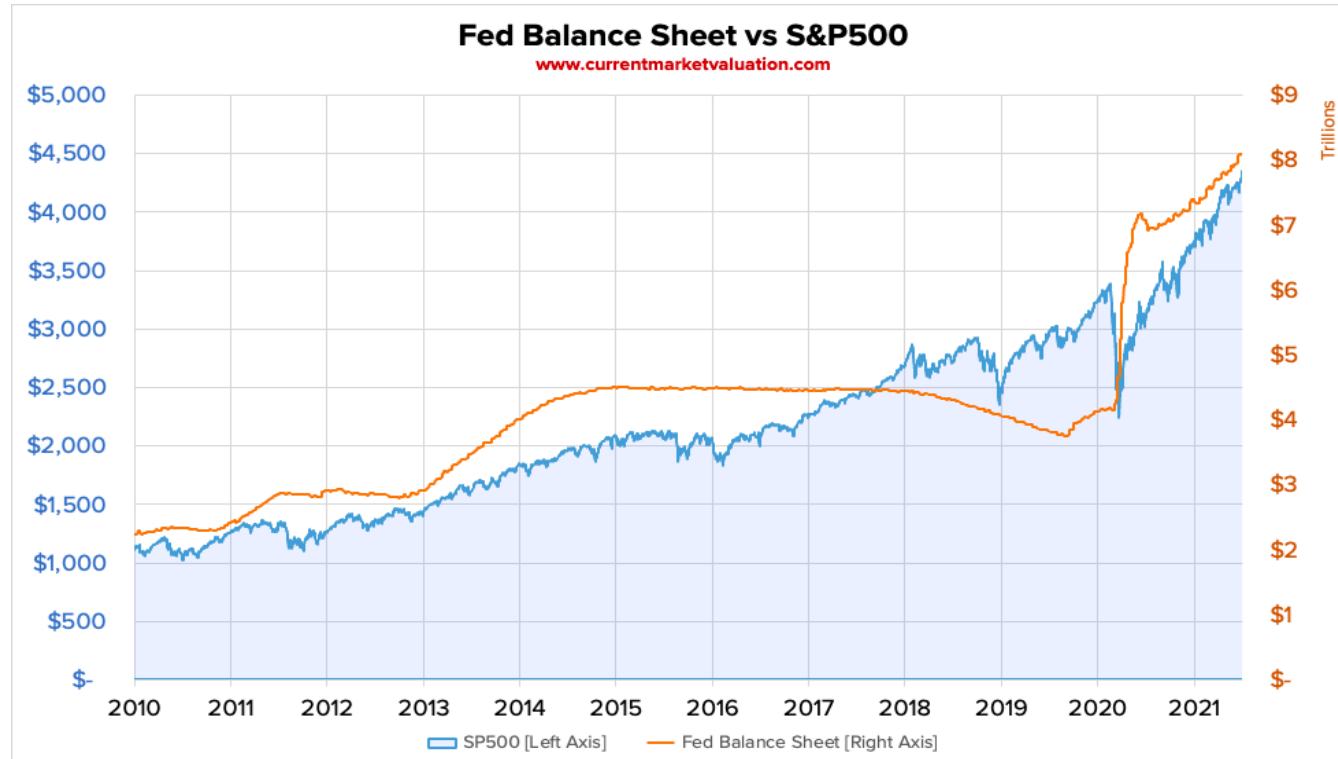
Governments around the world have rolled out Trillions worth of fiscal measures to prevent economic collapse during the pandemic, according to the International Monetary Fund, helping to drive the recovery but also leaving war-time era levels of debt.

Fitch had 33 sovereign downgraded in 2020 and downgraded 5 more in 2021 among 120 countries. The common factor in all of that was the deterioration in public finances.

Overall, the growing debts have been manageable thanks to an extended period of low interest rates and loose monetary policy, but whether or not this is sustainable remains to be seen.

Note: Information as of 20 August 2021

# Vagueness Around The Taper



The Fed's balance sheet expansion in early 2020 very clearly aligns with the S&P 500 crash and subsequent recovery. This suggests that the economy isn't actually doing as well as the S&P 500 suggests, and raises serious concern over the sustainability of the current stock market performance. Is additional QE possible?

Jay Powell has sent his strongest signal yet that the Federal Reserve “could start” dialling back its massive pandemic-era stimulus programme this year, declaring “clear progress” in the goals of average 2% inflation and maximum employment.

*“The Fed has reached an agreement that tapering will begin this year.”*

Note: Information as of 30 August 2021

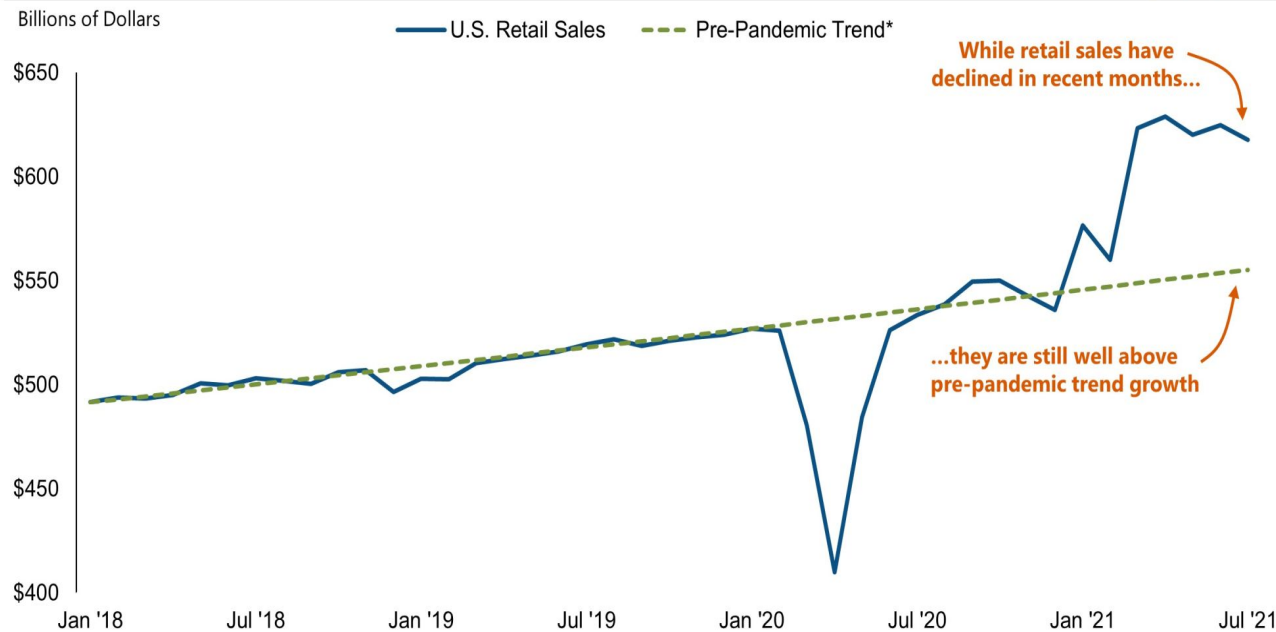
# Retail Sales Indicates Peak In Demand



## Retail Sales Reality Check

U.S. Retail Sales Versus Pre-Pandemic Trend Growth

For The Week Ending 08/20/2021



Source: U.S. Census Bureau

\*Implies annualized growth of roughly 3.5%

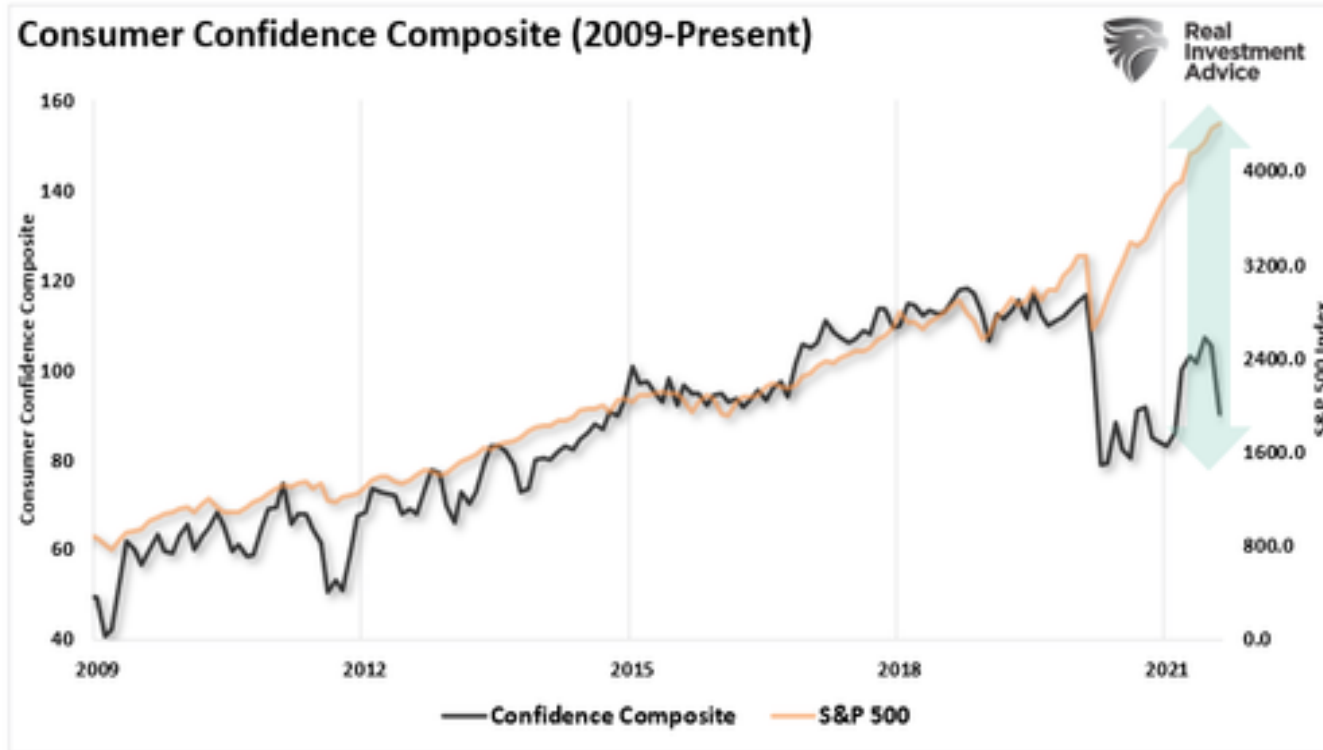
Consumers make up nearly 70% of all activity in the US, so retail sales are watched closely as a gauge to overall economic health.

Retail sales for the month July fell 1.1%, worse than the Dow Jones estimate of a 0.3% decline and below the upwardly revised 0.7% increase in June.

Overall, there is a raised concerns about a growth slowdown due to waning consumer spending power as fiscal stimulus measures roll off. Hence, the US retail sales may drop back to pre-pandemic trend growth.

Note: Information as of 20 August 2021

# Interesting Disconnect



The collapse in consumer confidence will create a feedback loop into weaker economic growth and eventually a disappointment of extremely lofty corporate earnings.

Again, the consumer confidence composite failed to recover despite the Fed continue to inject liquidity.

Note: Information as of 21 August 2021

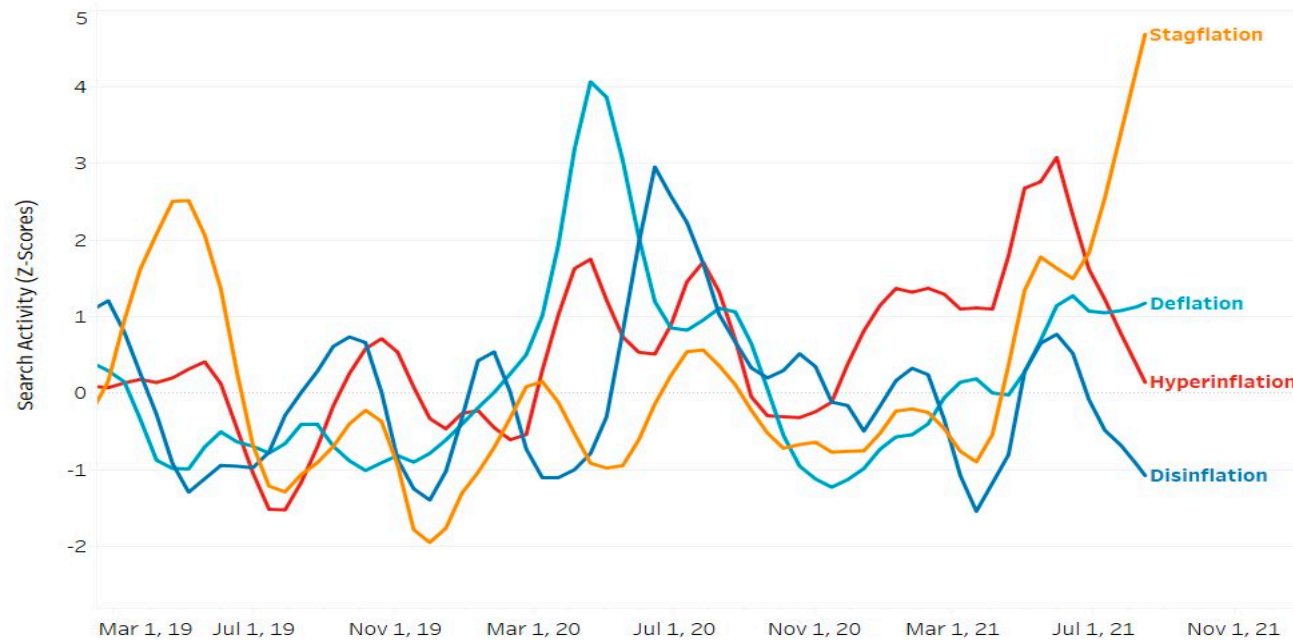
# From Reflation to Stagflation Concerns



## What Type of Inflation is Coming?

U.S. seasonally-adjusted search activity by topic represented as z-scores for easier comparison

ARBOR DATA SCIENCE



Data Source: Google © 2021 Arbor Research & Trading, LLC. All Rights Reserved

datascience.arborresearch.com

The graph from Arbor Research provides a clue for the recent decline in consumer confidence. Based on Google search data, the term stagflation is now the leading the “inflation” search word.

Stagflation entails weak economic activity coupled with inflation. Stagflation results in higher unemployment and negative real wage growth.

Note: Information as of 28 August 2021

# Speculative Fervor Is Fading



The Economist

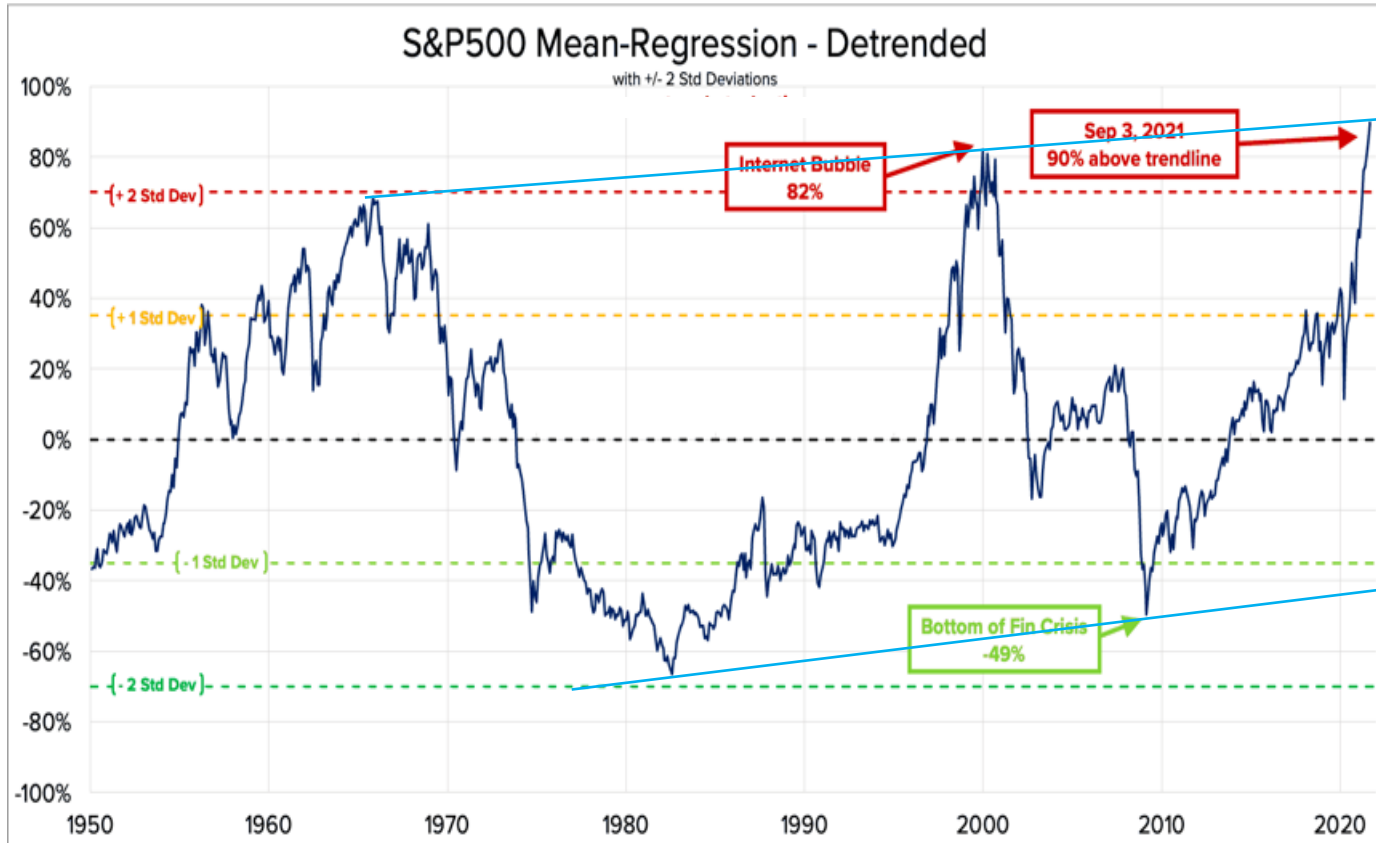
In 2019, around 59 Million Americans had accounts with 1/7 of the largest brokers. This number has surged since to 95 Million, as 17 Million new accounts were opened in 2020 and 20 Million were set up this year.

Looking at trading flows. These suggest an almighty spike. Retail trading went from around a quarter of volumes to a third in early 2020 and peaked at over 40% in the first quarter of 2021 (once market-makers, who stand in the middle of every trade, are excluded). The plurality of trading activity now comes from retail punters, not institutions, quants or banks.

Looking at asset holdings. According to Goldman Sachs, the share of American stocks held directly by households has been falling for decades as investing has become dominated by professionals. In the 1970s and 1980s pension funds rose to prominence, before active mutual funds gained market share in the 1990s and 2000s. Over the past decade passive funds have gobbled up assets. But the share held by households directly began to stabilise around 2015 and is climbing again: between the end of 2019 and March 2021 the share of stocks held by households climbed from 36% to 38%.

Note: Information as of 21 August 2021

# S&P500 Mean Reversion Model: Strongly Overvalued



S&P500 is currently trading 90% above its modern-era historical mean, (about 2.6 standard deviations) indicating that the market is Strongly Overvalued.

This model simply assumes that over time the S&P500 will tend to revert back to its own long term trend line.

Note: Information as of 3 September 2021

# Slight Pressures On China Manufacturing



China's Manufacturing PMI (Seasonally Adjusted)

Unit: %

	PMI					
	Production Index	New Orders Index	Main Raw Materials Inventory Index	Employed Person Index	Supplier Delivery Time Index	
2020-August	51.0	53.5	52.0	47.3	49.4	50.4
September	51.5	54.0	52.8	48.5	49.6	50.7
October	51.4	53.9	52.8	48.0	49.3	50.6
November	52.1	54.7	53.9	48.6	49.5	50.1
December	51.9	54.2	53.6	48.6	49.6	49.9
2021-January	51.3	53.5	52.3	49.0	48.4	48.8
February	50.6	51.9	51.5	47.7	48.1	47.9
March	51.9	53.9	53.6	48.4	50.1	50.0
April	51.1	52.2	52.0	48.3	49.6	48.7
May	51.0	52.7	51.3	47.7	48.9	47.6
June	50.9	51.9	51.5	48.0	49.2	47.9
July	50.4	51.0	50.9	47.7	49.6	48.9
August	50.1	50.9	49.6	47.7	49.6	48.0

The manufacturing PMI edged down only slightly in August to 50.1 from 50.4 in July, meaning that the industry was still expanding, albeit by the narrowest of margins. And that reading still fell short of the 50.2 expected by the market.

Related Indicators of China's Manufacturing PMI (Seasonally Adjusted)

Unit: %

	New Export Orders Index	Import Index	Purchase Quantity Index	Main Raw Material Purchase Price Index	Producer Price Index	Finished Goods Inventory Index	Open Orders Index	Production And Business Activities Expectation Index
2020-August	49.1	49.0	51.7	58.3	53.2	47.1	46.0	58.6
September	50.8	50.4	53.6	58.5	52.5	48.4	46.1	58.7
October	51.0	50.8	53.1	58.8	53.2	44.9	47.2	59.3
November	51.5	50.9	53.7	62.6	56.5	45.7	46.7	60.1
December	51.3	50.4	53.2	68.0	58.9	46.2	47.1	59.8
2021-January	50.2	49.8	52.0	67.1	57.2	49.0	47.3	57.9
February	48.8	49.6	51.6	66.7	58.5	48.0	46.1	59.2
March	51.2	51.1	53.1	69.4	59.8	46.7	46.6	58.5
April	50.4	50.6	51.7	66.9	57.3	46.8	46.4	58.3
May	48.3	50.9	51.9	72.8	60.6	46.5	45.9	58.2
June	48.1	49.7	51.7	61.2	51.4	47.1	46.6	57.9
July	47.7	49.4	50.8	62.9	53.8	47.6	46.1	57.8
August	46.7	48.3	50.3	61.3	53.4	47.7	45.9	57.5

- Industrial production is stable, with decline in both domestic demand and external demand
- New orders and export orders also showed further softening demand in both domestic and overseas markets.
- Stable in prices
- Stable in raw materials inventory index and finished goods inventory index

Note: Information as of 1 September 2021

# China Non-Manufacturing Set To Rebound



**Main Indices of China's Non-manufacturing PMI (Seasonally Adjusted)**

Unit: %

	Non-manufacturing PMI	New Orders Index	Input Price Index	Sales Price Index	Employment Index	Business Activities Expectation Index
2020-August	55.2	52.3	51.9	50.1	48.3	62.1
September	55.9	54.0	50.6	48.9	49.1	63.0
October	56.2	53.0	50.9	49.4	49.4	62.9
November	56.4	52.8	52.7	51.0	48.9	61.2
December	55.7	51.9	54.3	52.3	48.7	60.6
2021-January	52.4	48.7	54.5	51.4	47.8	55.1
February	51.4	48.9	54.7	50.1	48.4	64.0
March	56.3	55.9	56.2	52.2	49.7	63.7
April	54.9	51.5	54.9	51.2	48.7	63.0
May	55.2	52.2	57.7	52.8	48.9	62.9
June	53.5	49.6	53.4	51.4	48.0	60.8
July	53.3	49.7	53.5	51.3	48.2	60.7
August	47.5	42.2	51.3	49.3	47.0	57.4

The non-manufacturing PMI sharply cooled to 47.5 in August from 53.3 in July, serving to drag down the composite figure.

**Other Indices of China's Non-manufacturing PMI (Seasonally Adjusted)**

Unit: %

	Foreign New Orders Index	Unfilled Orders Index	Stock Index	Supplier Delivery Time Index
2020-August	45.1	44.6	48.5	52.4
September	49.1	46.3	48.5	52.2
October	47.0	44.9	48.7	52.3
November	49.0	45.2	48.8	51.8
December	47.5	44.7	47.0	51.2
2021-January	48.0	44.0	47.4	49.8
February	45.7	44.0	45.9	49.8
March	50.3	45.9	48.2	51.8
April	48.1	45.8	47.2	50.9
May	47.6	44.7	47.2	50.8
June	45.4	43.8	47.0	51.0
July	47.7	44.8	47.3	51.3
August	43.9	42.9	45.9	49.2

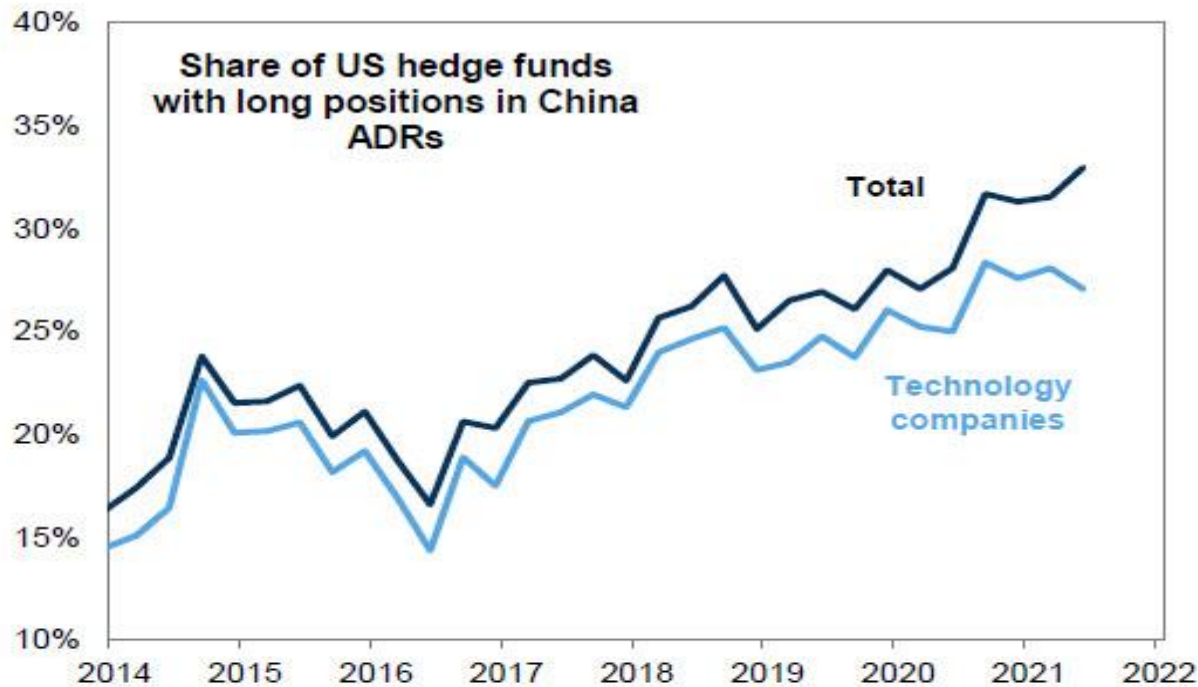
The slowdown was driven by a steep fall in the services index, from 52.5 to 45.2, attributed to coronavirus restrictions being reimposed and consumers becoming more cautious, according to the National Bureau of Statistics. However, September is set to rebound as coronavirus cases in China has been declining.

Note: Information as of 1 September 2021

# Hammering US Hedge Funds Amid Crackdown



## A record share of hedge funds carried exposure to China ADRs at the start of 3Q



Source: Goldman Sachs Global Investment Research

Note: Information as of 20 August 2021

The sharp declines across US-listed China stocks have been a significant headwind for hedge fund returns in recent months. One third of hedge funds in Goldman's analysis held a China ADR in their long portfolio at the start of 3Q, contributing to the recent headwinds against hedge fund returns.

China's most powerful legislative body, the Standing Committee of the National People's Congress, passed the Personal Information Protection Law that will go into effect on 1 Nov 2021. The move sent tech stocks plunging and leaving investors bewildered over the intensity of Beijing's regulatory crackdown that has slammed countless sectors.

According to Reuters,

- The regulatory officials have discussed the plan with capital market participants, as part of moves to strengthen supervision of all Chinese firms listed offshore.
- IPO advisers are hopeful a formal framework on the data handover issue could be delivered in September.

# Key Regulatory Updates On Crypto in August



Bank of Korea (8/17)	SEC Chairman Gary Gensler (8/19)
<ul style="list-style-type: none"> <li>- <b>Korea's Financial Services Commission (FSC)</b> with eleven government offices conducted a preliminary inspection of twenty five crypto exchanges for their readiness to meet new regulatory requirements going into effect in a month.</li> <li>- The results showed no crypto exchange fully meets the requirements.</li> <li>- There are about 60 crypto exchanges operating in Korea and so far, only the top four have their customers' accounts verified by banks under real names.</li> </ul>	<ul style="list-style-type: none"> <li>- In a recent interview, <b>SEC Chairman Gensler</b> stated that decentralized finance (DeFi) may not be immune from oversight despite it being claimed as "decentralized".</li> <li>- Mr. Gensler said DeFi projects that reward participants with valuable digital tokens or similar incentives could cross a line into activity that should be regulated.</li> <li>- On a separate note, the SEC recently brought its enforcement action against a DeFi firm, Blockchain Credit Partners.</li> </ul>
Arab Monetary Fund (AMF)	Bank of Thailand (8/19)
<ul style="list-style-type: none"> <li>- The <b>Arab Monetary Fund (AMF)</b> has issued a guide titled "Strategies in Adopting DLT / Blockchain Technologies in Arab Countries" to develop the fintech industry and support digital financial transformation in Arab countries.</li> <li>- The guide provides policy directions on how to adopt distributed ledger technologies and blockchain in the financial sector.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Bank of Thailand's</b> planned retail central bank digital currency (CBDC) is set to be designed as non-interest bearing.</li> <li>- According to the Bank of Thailand, this is to prevent the CBDC from adversely impacting monetary policy transmission and local financial stability.</li> <li>- Pilot test for the CBDC is expected in 2Q22, according to Senior Adviser Vachira Arromdee.</li> </ul>

Sources: Cointelegraph, CoinDesk, Bloomberg Finance L.P., and TradeArabia.

Note: Information as of 22 August 2021

Key regulatory updates in crypto include:

1. Korea's financial service commission conducted an inspection of 25 crypto exchanges for their readiness to meet new regulatory requirements going into effect in September. It found that no exchange fully meets the requirements.
2. SEC Chair Gary Gensler said that DeFi projects are not immune to regulation. Gensler said DeFi projects that reward participants with digital tokens or similar incentives could cross the line into regulated activity. The SEC also brought an enforcement action against DeFi firm, Blockchain Credit Partners.
3. The Arab Monetary Fund issued a guide titled "Strategies to Adopting DLT/Blockchain technologies in Arab Countries" to develop a fintech industry and support digital financial transformation in Arab countries.
4. The Bank of Thailand's planned retail central bank digital currency (CBDC) is set to be designed as non-interest bearing to prevent the CBDC from adversely impacting monetary policy and local financial stability. The Pilot test for the CBDC is expected in Q2 2022.

# Contact Info



For further enquires, please contact:

## Omni Capital Partners

V02-03-03, Lingkaran SV,  
Sunway Velocity,  
55109 Kuala Lumpur, Malaysia.

Website: [www.ocpi.io](http://www.ocpi.io)

Email: [info@ocpi.io](mailto:info@ocpi.io)

Mobile No: Scott: +6012 210 9119 / Derrick: +6011 1669 4250



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