

AJVC SLACK CHANNEL

AMA#26 WITH **SUMIT GUPTA** DATED
17TH JANUARY

SNEAK PEEK



Sumit Gupta, Co-Founder and CEO at CoinDCX - a cryptocurrency exchange platform in India.

Last month, CoinDCX announced that it raised US\$13.9 million in a Series B funding round. An IIT Bombay '14 grad, prior to establishing CoinDCX, Sumit was a software engineer for Sony in Tokyo. He also co-founded ListUp, a location-based online marketplace mobile app.

A strong believer in the power of finance as a tool for personal independence, Sumit strongly advocated the role of Blockchain Technologies in driving inclusion. He co-founded CoinDCX in early 2018 upon noticing a lack of understanding around the cryptocurrency ecosystem in India. Since March 2020, India witnessed growth in crypto activity when the Supreme Court reversed a ban from the Reserve Bank of India on crypto companies.

"SMART AND SENSIBLE REGULATION FROM THE GOVT IS NEEDED FOR THE CRYPTOCURRENCY INDUSTRY TO FLOURISH....."

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What kind of fundamentals can one analyze to invest in cryptocurrencies? In other words, when's a good time to invest in one?

You can look at use cases of the crypto asset you are investing in, the amount of people using it, or the team behind the project. Your goal is to reach a conclusion on whether the asset is overvalued or undervalued and accordingly plan your investment. Bitcoin is a good store of value, hedge against inflation, and is a good investment from a long-term horizon.

Any time is a good time to invest in bitcoin, you can invest as low as Rs.1 to invest in Bitcoin, you don't need to own the full bitcoin to begin investing.

Can governments ban Bitcoin?

Bitcoin is too big now for govt to ban (crypto is now having more than a trillion-dollar market cap). Other countries are regulating it and regulations are the way forward. Regulating crypto will educate the common people and prevent them from the bad actors.

In short, I don't think govt will ban bitcoin, and even if they want, they won't be able to.

Banning is not the solution, regulating it is.

Is investment in bitcoin advisable for a 10 year + period?

Bitcoin certainly shares most of the features of a store of value like gold. The number of units is finite (capped at 21M), the network is decentralized enough to offer security to holders, and it can be used to hold and transfer value. Yes, Bitcoin is a good long-term hold (in years). If Bitcoin is able to achieve the status of digital gold in coming 5-10 years, it will be worth \$500,000+ per bitcoin.

Will Bitcoin be ruled out by better implementations of Blockchain?

Bitcoin is one of the very first and a very beautiful use-case of blockchain technology. For the first time ever, anyone can transfer value over the internet in a peer-to-peer fashion without the use of any centralized party. Because of its immense network effects and popularity, it would be difficult to rule out Bitcoin and Bitcoin is here to stay.

I was deeply into cryptocurrency trading around late '17 early '18, there were a lot of exchanges coming up at that time. Most of them don't exist now (E.g Koinex)How did you deal with the period when it was banned?

We had a very challenging start, right when we were about to launch, RBI came up with a circular to prohibit banks from dealing with crypto exchanges. coindcx.com came up with an innovative peer-to-peer model which allowed any Indian to buy and sell crypto instantly (whereas other exchanges used to take hours). Innovation is at the core of our DNA, we continued to innovate and build during the tough times, and hence our customers loved us. Our product coindcx.com/insta is still the easiest and most secure way to buy and store crypto assets.

When companies talk about the blockchain hype, are they usually referring to building their own chain? Or leveraging a platform like Ethereum.

It can be both. Mostly, people talk about leveraging public blockchains like Ethereum and coming up with smart and innovative use-cases (build decentralized applications or DApps) harnessing the power and technology of blockchain.DApp is an application built by leveraging the power of the blockchain and making use of smart contracts, therefore eliminating the trust issue and creating a trustless environment where you don't have to worry about the integrity of the DApp creators.

Could you talk a bit about institutional pushback against DeFi?

Most of the Institutions currently investing in crypto don't understand DeFi well enough, so it doesn't come as a surprise to me.

What are the crypto's backed up by?Like would want to know how would we analyse if a coin or assets are too expensive to buy or when is the right time to get in?

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More than 80% of the altcoins will fail in the long term, so it's better to invest for the long-term in Bitcoin and Ethereum if you're new to cryptos.

Does blockchain have the potential in the future. I want to build a supply chain management for bigger supply chains. Do you think it would work?

You can learn about blockchain right from the basics via CoinDCX's free blockchain learning platform. Yes, blockchain has amazing applications in the supply chain industry.

Are there any institutional investors from India investing in cryptocurrencies?

Yes, at CoinDCX, we've started seeing the trend, though it's at a much much smaller scale than in other countries like United States. The reason primarily is lack of clear regulatory framework by the govt. At CoinDCX, we have started offering services to institutional investors. If any institution is looking to invest in Bitcoin and other Crypto Assets, they can reach out to support.

How do you value a crypto asset or cryptocurrency? In your opinion, are today's blockchain-based solutions too nascent to solve/replace fiat? How do you identify a good crypto asset or currency from a bad one? What are the defining characteristics?

Look at the crypto-asset supply in circulation, current market cap, and its future potential. This will broadly tell you if any crypto asset is overvalued or undervalued. Blockchain-based solutions aren't supposed to replace Fiat, Fiat will co-exist. Use cases, network effects, and the future potential.

How much risk factor is associated with Crypto currency, since it has fabulous ride in the last few months.. What are the factors that we should look into before any kind of investigation into it?

Crypto markets are volatile and risky. Do your own research before investing in crypto and invest only a small portion of your portfolio for better diversification.

In your opinion what kind of an environment (legal i.e. from a users or facilitators point of view/technological etc.) is required for cryptocurrency to flourish?

Smart and sensible regulation from the govt is needed for the cryptocurrency industry to flourish.

I did a rough calculation and unless 1% of the world GDP is transacted through bitcoin and 1% fee charged on amount (not transaction), the cost of maintaining the blocks and adding to the chain won't be covered. Also, if the complexity is reduced, wouldn't it increase the chances of 51% attack or minor even frequent frauds?

All blocks won't be mined by the year 2040. Miners make money not just by mining rewards but also the on-chain txn fees. the fees can even increase depending upon the network demand/congestion.

When investing in any coin, security is a must. When mitigating (and even understanding) the security risks involved, how can the common man get involved in holding crypto? If it doesn't reach the masses, how can these ever become a viable form of currency. Is it better to look at crypto like the Internet or payments ecosystem in the 70s/80s?

Like just the base layer is being built out now, and sooner it will become easier and more abstracted for everyone to get involved.

Currently, In India only 0.5% (5-6 million) of India's population is in crypto. To help with mass crypto adoption we aim to onboard 50 million Indians into crypto and that is what the #TryCrypto campaign is all about. Under #TryCrypto, we have launch DCX Learn, a crypto education portal for learning, and recently we have beta launched CoinDCX Go, the simplest way for anyone to buy cryptocurrencies in India.

What is the hiring at CoinDCX like, considering crypto and blockchain are relatively esoteric fields?

I must say, it's challenging! But it's fun to interact with folks who don't understand crypto at first, and then seeing them mesmerised by the beauty of blockchain and the power of crypto to shape the financial system of the future.

I also get lots of inbound interests from people on LinkedIn to be a part of CoinDCX journey, mostly from techies and people who are passionate about working in the field of blockchain, which makes our life easier.

What are your views on decentralised social network protocols? Do you think the idea that there will be just one social protocol, has some merit? What are your thoughts on hardware wallets to unlock crypto?

Decentralized social network protocols will structurally change the balance of power in favor of users by giving them the ability to change services easily and control their identity and data.

How does a company leverage blockchain if the data stored on the blockchain is decentralized? Does "decentralized" just mean stored on separate servers? I am not able to understand if you can still keep the blockchain private to the company or no?

Decentralized ledgers can be called as the distributed network of centralized ledgers. There is not one, but multiple nodes (not all) who control, update, and validate the state of the ledgers. Bitcoin's ledgers are a type of decentralized ledger. Every time the new state is generated, each node (and only node) receives a copy of the new state of the ledger. It is always possible to also create a private blockchain for your specific use case if you want to keep it restricted.

A lot of college folks, even school, reach out to me and ask me how they can get started in their Blockchain/Crypto journey. Any advice/resources you generally recommend? What challenges do you think the space faces in terms of growth in India apart from regulatory?

What do you think are the key trends in the DeFi space to look out for? (I'll say mobile first protocols, L2, quicks fiat on-ramps and metatransactions+magic link replacing metamask)

What do you look for while hiring Product Managers at CoinDCX?

dcxlearn.com is the best place to start learning about crypto. We're soon coming up with high quality video content for beginners to learn about crypto in the easiest manner possible. Hiring, legal, onboarding experience, crypto education, product, technology, The list is endless. This is just the beginning of DeFi, DeFi has immense applications in banking the Unbanked and Financial Inclusion. Skillsets, enthusiasm, and desire to make an impact. In short, just email me at sumit@coindcx.com and we'll chat.

What are your favourite questions you ask people to know more about them? Why are they your favourite?

I don't really have a set of questions. Maybe I made myself sound like a journalist. It's more being involved in the conversations. Like in school - if a teacher explains a concept, and you don't get it, I would keep at it, asking questions, till I could explain it to someone else. So it's mostly about conversations and questioning whenever I don't get or agree with people. Sometimes I question in my head and try to find the answers elsewhere, sometimes I directly ask the folks.
