



CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

# FinTech Expertise

## Cryptocurrency Market Microstructure

Cornerstone Research has consulted to clients and supported leading market microstructure experts on a wide range of issues pertaining to:

- Reported volume integrity and market quality on major cryptocurrency exchanges
- Token price discovery across cryptocurrency exchanges
- Price impacts of large cryptocurrency orders
- Wash trading allegations on specific cryptocurrency exchanges
- Auction mechanisms
- Assessment of the impact of stable coins on cryptocurrency markets

These disputes often involve huge quantities of real-time and historical ledger data. Our staff and affiliated experts have applied market microstructure theory to datasets with billions of observations.

## Cryptotoken Economics

In regulatory investigations and private litigation arising from the initial distribution of cryptotokens, clients have retained Cornerstone Research to evaluate drivers of a token's value through an economic lens. This includes assessment of fungible and non-fungible tokens (NFTs) as well as stable coins. Our analyses have helped address issues within the context of the Howey Test, which lays out the general approach to determining whether an asset should be considered a security.

## Damages and Token Valuation

We leverage significant experience in complex securities cases and valuation assignments and apply it to cryptocurrency-specific issues. Cornerstone Research has conducted damages analyses in matters relating to cryptocurrency trading and token valuation. Our assignments have included:

- Evaluating rescission damages claims for heavily traded cryptocurrencies
- Analyzing damages claims through a comparison of the economic value associated with cryptocurrency trading strategies
- Valuing companies whose primary assets are illiquid cryptotokens

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For more information on our FinTech experience and capabilities:

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## Blockchain Technology

Cornerstone Research assists clients in analyzing blockchain transactions, voting delegation, and proof of work or proof of stake designs. We have evaluated:

- Underlying blockchain code for scalability and operability
- Genesis block allocations and traced movements in cryptotokens for the purpose of assessing damage claims. This includes syncing nodes and using APIs (application programming interfaces) as part of the data processing and analysis.

## Consumer Financial Services

As technology has begun to change the way consumers interact with financial products, new types of disputes have emerged. Our experience with traditional consumer financial products provides a solid foundation to assist clients with regulatory and litigation matters arising from new technology.

For example, we have evaluated how existing consumer finance regulation applies to new platforms and how borrowers interact with developing technology for loan products. We have also analyzed financial “robo-advisors” and how automated investment strategies perform relative to alternative portfolios under different risk-return scenarios.

## Government Investigations

Cornerstone Research has extensive experience with assessing how government regulations apply to cryptocurrency and assisting clients with responses to government entities including the CFTC and SEC. This includes assessing allegations of unregistered securities offerings, estimating alleged harm, and evaluating claims of market manipulation. Our staff and experts have experience presenting analysis directly to regulatory entities.

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The FinTech landscape continues to evolve, with new and continuing litigation related to consumer financial services platform innovation, the economics of cryptotokens, features of a blockchain, and allegedly disruptive cryptocurrency trading practices. For clients involved in these matters, we provide the critical expertise needed to address these issues in 2020 and beyond.