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Stock Market Investing Tips, Techniques, and Resources



Fake Stocks on Blockchains

By: www.ProfitableInvestingTips.com

The technology behind bitcoin and other cryptocurrencies is called blockchain. While bitcoin still struggles to be considered mainstream in the investing world, many financial institutions have adopted blockchain technology. One place where it has been discussed is in the world of stocks. While Wall Street ponders the questions related to how this would work, others in the blockchain world are creating synthetic copies of real world [stocks like Apple and Tesla](#) according to *Bloomberg*. This is the world of centralized finance, AKA DeFi. The “stocks” in question track the value of the real thing much like an ETF would.

Fake Apple Stock and More

The Synthetix and Mirror Protocol projects have created synthetic copies of not only Apple but Amazon.com, Tesla and other blue chip stocks as well as exchange traded funds. All of this has happened in the last year or so. While these “stocks” are valued in the blockchain system to follow the real thing, no one buys or sells the real stocks. And, these “assets” are not subject to any of the regulation that investors expect of the stocks. Terraform Labs in South Korea created the Mirror Protocol and is perfectly happy being out ahead of regulators. The question is if investors should be happy with fake stocks on blockchains where regulation may never be possible.

What Are Fake Stocks on Blockchains Worth?

Synthetic assets traded on blockchains would ideally be worth a cryptocurrency equivalent of the real thing. Of course, cryptocurrencies vary widely in value and the only way that these tokens can track real world values is via arbitrage within the blockchain system. One wonders if some “investors” may be willing to pay a premium for the sort of anonymity they believe they are getting by using a blockchain product. In this case, they should read our article, [How Secure Is Bitcoin?](#) Currently a “stock” like Apple in this system trades within a few dollars of the price of the real thing once you do the exchange rate calculations.

Are There Advantages to Buying Fake Stocks on Blockchains?

The advantages touted by those running these systems are that you can trade twenty-four hours a day, every day of the week, and yearlong from anywhere. There are no capital controls and ownership is (so far as the system is able to make it so) anonymous. There do not appear to be any fees and commissions related to sales or purchases which makes you wonder how the system can function. According to the head of Terraform Labs, they charge no fees but profit from liquidity of its own cryptocurrency which benefits from growth of the Mirror Project and related schemes.

Where Do Fake Stocks on Blockchains Trade?

The markets where Mirror Project “stocks” trade are automated ones like Terraswap and Uniswap. These

systems allow direct purchase of the tokens related to the individual stocks. This is a different way to work in the blockchain system than used by the likes of Coinbase or Binance which are centralized crypto exchanges. The estimated current value of Apple “stocks” in this system is about \$34 million compared to the 2.3 trillion market cap of Apple.

How Long Can Fake Stocks on Blockchains Remain Unregulated?

To the extent that these systems remain tiny in relation to the like of NASDAQ or the New York Stock exchange one would not expect to see a lot of concern. However, folks like the SEC are tasked with protecting investors are likely to become concerned as such systems grow and fail to follow any of rules meant to create orderly, efficient, and fair markets. Also, systems that are found to be ignoring know your client norms and turning a blind eye to money laundering are likely to get in trouble and bring their system and its tokens down with them!

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