The Blockchain Report 2020

Financing, Themes, Coronavirus, & The Year Ahead

CBINSIGHTS
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   Enterprise blockchain
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51 2020 and beyond
Summary of findings

**Funding dollars fell sharply in 2019 but deals were nearly flat.** Total deals for the year were down only 2% YoY in 2019 but funding dollars fell over 30% as deal sizes shrank.

**Deals are moving from West to East.** Four years ago, 51% of deals were for US-based companies while only 2% went to China-based companies. In 2019, the US' share of deals fell to 31% and China’s rose to 22%.

**“Crypto-corporate” VCs were the most active investors in 2019.** NEO Global Capital and Coinbase Ventures were the two most active by deal count in 2019, demonstrating crypto companies’ commitment to funding their own ecosystem.

**Enterprise blockchain funding has lagged.** Efforts to reduce back-office costs and improve business processes are still ongoing. However, funding to other applications has been nearly 7x higher than to enterprise blockchain over the past 5 years.

**Funding to crypto infrastructure continues.** Investors are still betting on custody, tax, data, and protocol infrastructure to improve the industry’s user experience.

**Bitcoin was on top until the coronavirus hit.** Bitcoin’s price nearly doubled in 2019 despite dampened media coverage. Goldman Sachs named it the best-performing asset in 2019. However, since the coronavirus sell-off, BTC is down ~30% YTD.

**Lending and stablecoins have driven the growth of decentralized finance (DeFi).** There are over $1B in assets on DeFi platforms, up from ~$300M in January 2019. ~60% of assets are on the Maker platform, a stablecoin project collateralized with cryptocurrencies.

**Central banks are serious about fiat digital currencies.** The future of programmable money could come out of a central bank, not a startup. Central banks across the globe, such as in China and England, are exploring central bank digital currencies (CBDCs).

**Equity funding to crypto and blockchain companies overtook Initial Coin Offering (ICO) funding in 2019 as the ICO boom collapsed under regulatory scrutiny.** The ICO boom in 2018 ($7.8B raised) was largely unregulated. In 2019, total funding to ICOs fell to $371M vs. $2.8B in equity funding to crypto and blockchain companies.
Key Themes

Deals and dollars

Crypto not blockchain is winning

Bitcoin was king until the coronavirus sell-off

Governments are uncertain

2020 and beyond
2019 funding fell while deal activity held relatively steady

Annual VC-backed deals and financing, 2015 – 2019 ($M)
Deal activity fell from 2018 to 2019 across all investor categories

Deal count by investor type, 2015 – 2019

**Corporate VC** includes corporate VCs and corporations; **Angels** includes angel groups and angel individuals.
Companies in US and China dominate funding

Share of funding dollars by geography, 2015 – 2019

- USA: 51%
- China: 18%
- Switzerland: 5%
- UK: 4%
- Rest of World (ROW): 22%

*Rest of world (ROW) includes countries with less than 4% of total funding between 2015 and 2019
Deal activity is shifting from US to China

Share of deal activity, 2015 – 2019

*Rest of world (ROW) includes countries with less than 4% of total deals between 2015 and 2019
3 of the 5 most active VCs have a unicorn in their portfolios

Annual deals by investor type, 2015 – 2019

Select investments from top 5 most active VCs (2015 – 2019)

Rank | Investor | No. of Deals | Select Investments
--- | --- | --- | ---
1 | FENBUSHI CAPITAL | 38 | SECURITIZE, everledger, MESSARI
2 | Blockch... | 38 | coinbase, CIRCLE, BITFURY
3 | PANTERA | 35 | Bakkt, CIRCLE, HARBOR, DFINITY
4 | ANDREessen HOROWITZ | 29 | coinbase, CIRCLE
5 | NGC | 28 | Algorand, COCOS BCX, aerpo

*Corporate VC* includes corporate VCs and corporations; *Angels* includes angel groups and angel individuals.
CVCs deal share grew ~2x between 2015 and 2019...

Share of total deal activity, 2015 – 2019

**Corporate VC** includes corporate VCs and corporations.
...While angel investors’ share nearly halved as companies raised larger rounds

*“Corporate VC” includes corporate VCs and corporations; “Angels” includes angel groups and angel individuals.*
The investment arms of NEO and Coinbase were the most active in 2019

**Corporate VC** includes corporate VCs and corporations; **Angels** includes angel groups and angel individuals.
Hedge fund activity has grown, but mostly from non-traditional (crypto) entrants

Annual deals by investor type, 2015 – 2019

Only 15% of hedge fund investments were from traditional funds

<table>
<thead>
<tr>
<th>Hedge Fund</th>
<th>Type</th>
<th>Total Deals</th>
<th>Select Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polychain Capital</td>
<td>Crypto</td>
<td>28</td>
<td>Coinbase, Dfinity, Terra</td>
</tr>
<tr>
<td>Galaxy Digital</td>
<td>Crypto</td>
<td>24</td>
<td>Bakkt, BitFury, BlockFi</td>
</tr>
<tr>
<td>MetaStable Capital</td>
<td>Crypto</td>
<td>8</td>
<td>Thundercore, Conflux</td>
</tr>
<tr>
<td>Raptor Capital</td>
<td>Crypto</td>
<td>3</td>
<td>Symbiont, Paxos</td>
</tr>
<tr>
<td>Ulysses Capital</td>
<td>Traditional</td>
<td>3</td>
<td>Terra, Nuls</td>
</tr>
<tr>
<td>Coatue Management</td>
<td>Traditional</td>
<td>2</td>
<td>Bitmain, Axoni</td>
</tr>
<tr>
<td>Balyasny</td>
<td>Traditional</td>
<td>1</td>
<td>Coinbase</td>
</tr>
<tr>
<td>CDAM</td>
<td>Traditional</td>
<td>1</td>
<td>Dextf</td>
</tr>
<tr>
<td>Nokota Management</td>
<td>Traditional</td>
<td>1</td>
<td>Blockchain.com</td>
</tr>
<tr>
<td>Orka Capital</td>
<td>Crypto</td>
<td>1</td>
<td>Cailu</td>
</tr>
<tr>
<td>Tiger Global</td>
<td>Traditional</td>
<td>1</td>
<td>Coinbase</td>
</tr>
<tr>
<td>YF Investment</td>
<td>Traditional</td>
<td>1</td>
<td>Chainboard</td>
</tr>
</tbody>
</table>

**Corporate VC** includes corporate VCs and corporations; **Angels** includes angel groups and angel individuals.
The most active blockchain investors in 2019

The top two most active VCs in 2019 were “crypto-corporate” VCs

<table>
<thead>
<tr>
<th>Rank</th>
<th>Investor</th>
<th>Select Investments in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Neo Global Capital</td>
<td>VEGA, Dapix, Cere Network, marlin protocol, MultiVAC</td>
</tr>
<tr>
<td>2</td>
<td>Coinbase Ventures</td>
<td>BisonTrails, BITSO, MESSARI, NEAR, ALCHEMY, Dharma, Staked, O(1)</td>
</tr>
<tr>
<td>3</td>
<td>Galaxy Digital</td>
<td>Mythical, BlockApps, flipsidecrypto, BlockFi, CipherTrace, Digital Assets Data</td>
</tr>
<tr>
<td>4</td>
<td>Fenbushi Capital</td>
<td>Securitize, amberdata, MESSARI, Cere Network, SIBEX</td>
</tr>
<tr>
<td>5</td>
<td>Digital Currency Group</td>
<td>BITSO, flipsidecrypto, Digital Assets Data, FIGURE, Staked, CURV</td>
</tr>
</tbody>
</table>
# Top 5 global blockchain funding deals in 2019

Top equity financings in 2019 go toward wide-ranging applications

<table>
<thead>
<tr>
<th>Company</th>
<th>Deal Date // Amount Raised</th>
<th>Total Disclosed Funding</th>
<th>Select Investors (latest deal)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ripple</strong></td>
<td>Dec '19 // $200M</td>
<td>$294M</td>
<td>Route 66 Ventures, SBI Group, Tetragon Financial Group</td>
<td>Ripple is an internet protocol for cross-border enterprise payment transfers.</td>
</tr>
<tr>
<td><strong>Figure</strong></td>
<td>Nov '19 // $103M</td>
<td>$1,218M</td>
<td>Morgan Creek Digital, Ribbit Capital, Digital Currency Group</td>
<td>Figure Technologies is a financial technology company leveraging blockchain, AI, and analytics to deliver home equity release and other mortgage product solutions.</td>
</tr>
<tr>
<td><strong>Proxicoin</strong></td>
<td>May '19 // $100M</td>
<td>$100M</td>
<td>Central Wealth Fund of Hong Kong, Step Ventures</td>
<td>Proxicoin is a securities token on the Ethereum network for fractionalized ownership in film, television, music, and other IP-driven content.</td>
</tr>
<tr>
<td><strong>Fnality</strong></td>
<td>Jun '19 // $63M</td>
<td>$63M</td>
<td>UBS, State Street, Barclays, Mizuho, NASDAQ, BNY Mellon, Banco Santander</td>
<td>Fnality International is a Utility Settlement Coin (USC) platform that aims to facilitate the issuance of blockchain-based currencies in the commercial and central banking sectors worldwide.</td>
</tr>
<tr>
<td><strong>Layer1</strong></td>
<td>Oct '19 // $52M</td>
<td>$50M</td>
<td>Peter Thiel, Shasta Ventures</td>
<td>Layer1 is a crypto asset investment and infrastructure platform that takes concentrated bets on promising blockchain protocols and builds critical technology to support their global impact.</td>
</tr>
</tbody>
</table>
Key Themes

Deals and dollars

Crypto not blockchain is winning

Bitcoin was king until the coronavirus sell-off

Governments are uncertain

2020 and beyond
Funding to cryptocurrency companies has dwarfed funding to enterprise blockchain...  
Annual VC-backed deals and financing, 2015 – 2019 ($M)

Note: We define "enterprise blockchain" as software for enterprise processes excluding the management, custody, or trading of cryptocurrencies.
...And almost half of funding to enterprise blockchain in 2019 came from one deal

Annual VC-backed financing to enterprise blockchain, 2015 – 2019 ($M)

Note: We define "enterprise blockchain" as software for enterprise processes excluding the management, custody, or trading of cryptocurrencies.
Corporate mentions of “blockchain” dropped by more than half from 2018 to 2019

Note: We define “enterprise blockchain” as software for enterprise processes excluding the management, custody, or trading of cryptocurrencies.
Corporates joined consortia to explore applications – progress is still in early stages

<table>
<thead>
<tr>
<th>Selected consortium</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>B3i</td>
<td>Insurance</td>
</tr>
<tr>
<td>Energy Web Foundation</td>
<td>Energy</td>
</tr>
<tr>
<td>Enterprise Ethereum Alliance</td>
<td>General</td>
</tr>
<tr>
<td>Hashed Health Collective</td>
<td>Healthcare</td>
</tr>
<tr>
<td>Hyperledger</td>
<td>General</td>
</tr>
<tr>
<td>IBM Food Trust</td>
<td>Food supply chain</td>
</tr>
<tr>
<td>R3</td>
<td>General</td>
</tr>
<tr>
<td>TradeLens</td>
<td>Shipping</td>
</tr>
<tr>
<td>Trusted IoT Alliance</td>
<td>IoT</td>
</tr>
</tbody>
</table>

**‘Key Milestone’ for Hyperledger as Fabric Blockchain Platform Reaches 2.0 Release**

January 31, 2020

**Swedish Central Bank to Test Launch e-Krona on R3’s Corda**

February 21, 2020

**Supply Chain Blockchain Initiative Receives Federal Antitrust Exemption**

February 11, 2020
"The problem is a social, coordination problem: You gotta get everyone to agree to use one system, blockchain or otherwise...

...Why just go to the blockchain meeting when you can build your own blockchain? But if everyone does that then it won't work."

Matt Levine
Bloomberg
Investors are still funding crypto infrastructure...

Payments, protocols, and mining infrastructure companies are continuing to raise funds

**Payments**

- **Celo**
  - **Total disclosed funding:** $36.5M
  - **2019 funding:** $30M in Apr ’19
  - Celo is a platform for digital payments. It allows users to earn cryptocurrency and send mobile payments.

**Protocols**

- **Polkadot**
  - **Total disclosed funding:** $145M token sale in Oct ’17 and undisclosed token sale in June ’19
  - **2019 funding:** 500k DOT tokens (5% of total token supply) for undisclosed sum
  - Polkadot wants to improve the interoperability of crypto-networks. Its aim is to connect private/consortium chains, public/permissionless networks, and oracles.

**Mining**

- **Bison Trails**
  - **Total disclosed funding:** $30.8M
  - **2019 funding:** $25.5M in Nov ’19
  - Bison Trails manages and operates proof-of-work and proof-of-stake mining facilities across North America.
...While incumbents are expanding custody and trading products to benefit from crypto inflows

**Incubated company:** Bakkt

**Bakkt** is a CFTC-approved cryptocurrency trading and custody platform for institutions.

**Latest update:** ICE acquired Bridge2, a SaaS platform for managing rewards programs, in Q1’20 to supplement Bakkt’s upcoming mobile app.

**Incubated company:** Fidelity Digital Assets

**Fidelity Digital Assets** offers enterprise custody and trading services.

**Latest update:** FDA received a charter from the New York State Department of Financial Services in Q4’19. This allows it to operate a custody and trade execution platform.

**Incubated company:** IBM Blockchain, Hyperledger (contributed initial codebase)

**IBM Blockchain** provides blockchain-based infrastructure for enterprises to improve the efficiency and transparency of business processes.

**Latest update:** IBM partnered with DACS, a digital asset business, in Q1’19 to help it build a custody solution atop the IBM cloud platform.
Fintech leaders in traditional financial services are offering crypto products as well...

**Square** facilitates transactions between buyers and sellers with its free credit card reader for iPhone, iPad, and Android devices, allowing anyone to accept credit cards anywhere.

**Latest update:** Square added support for Bitcoin deposits in 2019 (previously, users could only buy, sell, or transfer Bitcoin).

**Robinhood** is a financial services platform that lets users invest in U.S stocks and ETFs, commission-free. Robinhood Gold, its paid service for active investors, supports margin and extended-hours trading.

**Latest update:** Robinhood Crypto launched in 8 additional states, bringing total to 46. Robinhood Crypto enables users to buy and sell cryptocurrencies.
...And custody providers are consolidating and partnering to scale up a low-margin business

The custody business has high fixed costs and low variable costs, a structure which incentivizes companies to scale
“Whether institutions were going to adopt crypto or not was an open question about 12 months ago. I think it's safe to say we now know the answer. We're seeing $200-400M a week in new crypto deposits come in from institutional customers.”

- Brian Armstrong (CEO, Coinbase) on 8/15/19
Ledger builds hardware wallets for consumers, hardware security modules for enterprises, and hardware oracles for the IoT world.

In Q3’19 the company obtained a crime insurance policy (up to $150M) covering digital assets held by its Ledger Vault platform.

Total disclosed funding: $86M

Anchorage is a digital asset custodian for institutions. Anchorage is working with Aon to bring end-to-end insurance for its clients’ assets.

Total disclosed funding: $57M

KNOX is an institutional custody provider which launched in Q3’19. The Canada-based company partners with Marsh to provide clients with 100% insurance coverage.

Total disclosed funding: $6.2M

Collusion is covered by our insurance policy, the single most important risk in custody. Insurance coverage is in place for up to 100% of the value of holdings. Insurance limits are exclusively allocated to customers—not shared.
Exchanges are also adding insurance for clients. Is this a sign the industry is maturing?

Coinbase acquired Xapo’s custody business in 2019 ($7B assets under custody). The company also added insurance for up to $255M on its hot wallets.

Gemini also launched a custody product in 2019, alongside the creation of its own insurance company to provide up to $200M in coverage on its cold storage wallets.

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Assets Under Custody Growth

*First deposit*
*Trust charter*
*SOC 2 Type I*
*Increased available assets*
*Breaking*
*Where we are today*
Software companies are helping investors manage the tax implications of crypto...

**Q4’19 funding**: Undisclosed Series A  
**Select investors**: Fenbushi Capital, TTV Capital  

**Verady** provides cryptocurrency accounting, reporting, and verification abilities through its Ledgible platform. Ledgible serves as a bridge between cryptocurrencies and traditional financial accounting.

**Q4’19 funding**: $3.4M seed  
**Select investors**: Castle Island Ventures, gumi Cryptos, Migration Capital, unblock ventures, Vestigo Ventures  

**ZenLedger** provides tax software for cryptocurrency investors and their accountants. Using the platform, cryptocurrency investors can manage their portfolios, generate profit loss statements, file their taxes, and avoid IRS audits.

**Q1’20 funding**: $5M seed  
**Select investors**: TTV Capital, Collaborative Fund, Valar Ventures, Winklevoss Capital  

**TaxBit** is an online platform that provides real-time tax impact analysis on cryptocurrency transactions.
...And data providers are improving the quality of information available to investors

**Flipside Crypto**

Total disclosed funding: $11.6M  
2019 funding: $7.1M in Sep ’19  
Flipside Crypto provides business intelligence to crypto organizations.  
Their tools analyze user behaviors, developer activities, and financial health.  
Flipside also rates cryptocurrencies utilizing FCAS, a relative value for measuring the fundamental health of cryptocurrency ecosystems.

**Digital Assets Data**

Total disclosed funding: $9.2M  
2019 funding: $9.2M in Sep and Apr ’19  
Digital Assets Data seeks to bring data, information, and transparency to cryptoassets.  
The company provides a subscription service for viewing and analyzing data on cryptocurrencies, crypto platforms, applications, side chains, security tokens, and ICOs.

**Messari**

Total disclosed funding: $5M  
2019 funding: $4M in Nov ’19  
Messari is aiming to create the crypto equivalent of the SEC’s EDGAR system.  
The company’s mission is to promote transparency and smarter decision-making in the cryptoasset community.
Projects are incentivizing investors to lend their crypto with interest payments...

**Compound**

The Compound protocol currently has **$162,332,173** of assets earning interest across 7 markets.

**Q3’19 funding:** $25M Series A

**Select Investors:** Andreessen Horowitz, Bain Capital Ventures, Coinbase Ventures, Polychain Capital

**Compound** is an open-source, autonomous protocol built for developers to build new financial applications. These applications allow users to earn interest and make payments on an open financial system.

**Q3’19 funding:** $18.3M Series A-II & $1.75M Series A-III

**Select Investors:** ConsenSys Ventures, Valar Ventures, Fidelity Ventures, Galaxy Digital

The **BlockFi Interest Account (BIA)** lets customers earn monthly interest payments in the asset type deposited with BlockFi. BIA supports bitcoin, ethereum, and Gemini Dollar (GUSD).
...And this opportunity to earn crypto-interest has attracted investors to DeFi platforms

Decentralized finance (DeFi) applications create traditional financial instruments on decentralized networks. Assets on DeFi networks grew to over $1.2B in 2019 before dropping by more than half amid the coronavirus market sell-off.

Source: DeFi Pulse
DeFi networks surpassed $1B in assets in 2019
Lending and trading platforms have the most traction in “open finance”

<table>
<thead>
<tr>
<th>Selected Projects</th>
<th>Key info</th>
<th>Assets “locked” (as of 3/17/20)</th>
<th>Interest rates (varies by coin)</th>
<th>Investor backing</th>
</tr>
</thead>
</table>
| MAKER             | • Decentralized lending market working atop its collateralized stablecoin called “Dai”  
• The largest DeFi project by assets locked | $280M | 8.75% lending rate (in DAI) | • a16z Crypto bought 6% of MKR tokens  
• Paradigm and Dragonfly also made a $25M investment in the supply |
| Compound          | • Decentralized protocol for money markets that provides a “liquidity pool” where users can lend or borrow cryptocurrency | $70M | 7.58% (in DAI) | • $33.7M in VC with a $25M Series A in Q3’19  
• Backers include a16z, Bain Capital Ventures, Coinbase Ventures, Paradigm, Polychain |
| InstaDAp          | • India-based DeFi portal and aggregator  
• Exploded in popularity in 2019, at one point holding the third most value in the DeFi ecosystem | $24M | 7.58% (in DAI), 4.89% (for USDC) | • $2.4M seed, with backers including Balaji Srinivasan, Coinbase Ventures, IDEO CoLab, Loi Luu, Naval Ravikant, Pantera Capital, Robot Ventures |
| δY/δX             | • dYdX is a trading platform for exchanging cryptoassets and crypto derivatives  
• Works atop smart contracts and notably allows 4X leverage on margin trading | $20M | 7.74% (in DAI), 4.8% (for USDC) | • $12M in VC, including a Series A round from Andreessen Horowitz and Polychain |
“...If you have cash balances in your Coinbase account, consider using at least some of them to buy USDC... that is just the start of a lot more to come once programmers start building apps that accept USDC and other crypto assets.

We are emerging from a two-year crypto winter right now. Lot’s [sic] of interesting things are starting to happen. It’s exciting to see.”

- Fred Wilson (Co-founder, Union Square Ventures)
Key Themes

- Deals and dollars
- Crypto not blockchain is winning
- Bitcoin was king until the coronavirus sell-off
- Governments are uncertain
- 2020 and beyond
Bitcoin’s price nearly doubled in 2019 despite media interest at lows

Bitcoin’s price surged over 90% in 2019 but coronavirus market sell-off reversed many of those gains

News Coverage

Source: coindesk.com
BTC’s benefit as an investment has been its low correlation to other assets...

Bitcoin 90-day correlation to Gold and the S&P 500

Coronavirus market sell-off causing correlations to rise

Source: coinmetrics.io
...But coronavirus sell-off has shown Bitcoin still acts like a risk-on asset
Crypto has broadly sold off with many of the largest assets down over 50% in past month

Top 15 crypto assets by market cap

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Price</th>
<th>24H Vol</th>
<th>Market Cap</th>
<th>Change 24H</th>
<th>Change 7D</th>
<th>Change 1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTC</td>
<td>Bitcoin</td>
<td>5245.75</td>
<td>4,720B</td>
<td>95,868</td>
<td>+9.22%</td>
<td>-34.40%</td>
<td>-45.81%</td>
</tr>
<tr>
<td>ETH</td>
<td>Ethereum</td>
<td>115.909</td>
<td>1,521B</td>
<td>12,770</td>
<td>+7.10%</td>
<td>-44.52%</td>
<td>-53.36%</td>
</tr>
<tr>
<td>XRP</td>
<td>Ripple</td>
<td>0.146831</td>
<td>331.8M</td>
<td>6,437B</td>
<td>+5.63%</td>
<td>-30.60%</td>
<td>-57.47%</td>
</tr>
<tr>
<td>USDT</td>
<td>Tether</td>
<td>1.00564</td>
<td>20.32M</td>
<td>4,311B</td>
<td>+0.28%</td>
<td>+0.27%</td>
<td>+0.37%</td>
</tr>
<tr>
<td>BCH</td>
<td>Bitcoin Cash</td>
<td>179.259</td>
<td>361.0M</td>
<td>3,287B</td>
<td>+12.34%</td>
<td>-33.30%</td>
<td>-56.20%</td>
</tr>
<tr>
<td>LTC</td>
<td>Litecoin</td>
<td>34.2232</td>
<td>234.4M</td>
<td>2,284B</td>
<td>+9.13%</td>
<td>-32.15%</td>
<td>-51.59%</td>
</tr>
<tr>
<td>BSV</td>
<td>BitcoinSV</td>
<td>110.236</td>
<td>126.5M</td>
<td>2,186B</td>
<td>-14.29%</td>
<td>-99.81%</td>
<td>-56.50%</td>
</tr>
<tr>
<td>EOS</td>
<td>EOS</td>
<td>1.92542</td>
<td>263.0M</td>
<td>1,810B</td>
<td>+7.03%</td>
<td>-35.77%</td>
<td>-52.84%</td>
</tr>
<tr>
<td>BNB</td>
<td>Binance Coin</td>
<td>10.0000</td>
<td>89.47M</td>
<td>1,541B</td>
<td>+8.19%</td>
<td>-40.49%</td>
<td>-55.42%</td>
</tr>
<tr>
<td>XTZ</td>
<td>Tezos</td>
<td>1.39741</td>
<td>70.63M</td>
<td>983.7M</td>
<td>+8.27%</td>
<td>-47.72%</td>
<td>-54.20%</td>
</tr>
<tr>
<td>XLM</td>
<td>Stellar</td>
<td>0.0366975</td>
<td>18.03M</td>
<td>743.2M</td>
<td>+7.82%</td>
<td>-28.86%</td>
<td>-48.00%</td>
</tr>
<tr>
<td>FTT</td>
<td>FTX Token</td>
<td>2.64430</td>
<td>9.451M</td>
<td>716.5M</td>
<td>+2.50%</td>
<td>-14.49%</td>
<td>-28.27%</td>
</tr>
<tr>
<td>LMK</td>
<td>ChainLink</td>
<td>1.94716</td>
<td>141.0M</td>
<td>681.5M</td>
<td>+13.48%</td>
<td>-51.21%</td>
<td>-54.50%</td>
</tr>
<tr>
<td>TRX</td>
<td>TRON</td>
<td>0.0100097</td>
<td>44.23M</td>
<td>665.3M</td>
<td>+12.66%</td>
<td>-34.00%</td>
<td>-52.19%</td>
</tr>
<tr>
<td>ADA</td>
<td>Cardano</td>
<td>0.0255122</td>
<td>27.02M</td>
<td>661.5M</td>
<td>+10.79%</td>
<td>-39.11%</td>
<td>-56.52%</td>
</tr>
</tbody>
</table>

Source: cryptowat.ch
But inflows to Grayscale show demand for on-ramps to Bitcoin and other cryptocurrencies

Grayscale is a subsidiary of Digital Currency Group (DCG). The company operates digital asset vehicles, such as the Grayscale Bitcoin Trust.

As of Q4’19, Grayscale had a total of $2B AUM across all vehicles with QoQ investment inflows of ~$225M. In addition, the premium paid for shares of its Bitcoin Trust (GBTC) reached 40% in February 2020.

New capital investment and rising share premiums are both signs of healthy investor demand.

Source: grayscale.co
Key Themes

- Deals and dollars
- Crypto not blockchain is winning
- Bitcoin was king until the coronavirus sell-off
- Governments are uncertain
- 2020 and beyond
FEDCOIN OR NO FEDCOIN?

“...There are many questions that need to be answered around a digital currency for the United States, including issues of, cyber issues, privacy issues, many many operational alternatives present themselves. And so we’re going to be working through all of that and doing that work thoroughly and responsibly.”

- Jerome Powell (Chair, Federal Reserve)

“...Chair Powell and I have discussed this at length – we both agree that in the near future, in the next five years, we see no need for the Fed to issue a digital currency.”

- Steven Mnuchin (United States Secretary of the Treasury)
Central bank digital currencies on the horizon...

**Central Bank Plans to Create Digital Currencies Receive Backing**
June 30, 2019 | [Financial Times](#)

**Survey: central banks are undertaking extensive work on central bank digital currencies**
January 2020 | [Bank for International Settlements](#)

**Bank of England governor: CBDCs could counter destabilizing influence of US Dollar**
August 27, 2019 | [Finextra](#)

**China’s central bank says it has completed ‘top-level’ design of digital currency**
January 10, 2020 | [Yahoo! Finance](#)
...And it’s not just media buzz

CBDC media mentions have skyrocketed...

...And 80% of surveyed central banks are actively exploring CBDCs

Source: bis.org
### General purpose (“retail”)
- Digital replacement for cash and equivalent to centralized, programmable money.
- Would enable customers to open banking accounts directly with the federal reserve.

### Wholesale
- Exclusively for bank-to-bank payments.
- If implemented, would be a threat to the correspondent banking system.

#### Fact Sheet: Selected CBDC projects underway

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP ($B)</th>
<th>Project status</th>
<th>Additional details</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>23,210</td>
<td>Launch expected in 2020</td>
<td>China has filed 80+ patents related to CBDCs</td>
</tr>
<tr>
<td>United States</td>
<td>19,490</td>
<td>Exploratory</td>
<td>Central Bank actively researching topic</td>
</tr>
<tr>
<td>France</td>
<td>2,856</td>
<td>Pilot in Q1’20</td>
<td>Launching “digital euro” project by end of Q1’20</td>
</tr>
<tr>
<td>Turkey</td>
<td>2,186</td>
<td>Pilot underway</td>
<td>Pilot expected to finish by end of 2020</td>
</tr>
<tr>
<td>Saudi Arabia¹</td>
<td>1,775</td>
<td>Launch date TBD</td>
<td>Digital currency jointly issued with UAE</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,236</td>
<td>Prototype</td>
<td>Bank-to-bank payments</td>
</tr>
<tr>
<td>Sweden</td>
<td>518</td>
<td>Exploratory</td>
<td>“E-Krona” pilot to study feasibility</td>
</tr>
<tr>
<td>Uruguay</td>
<td>78</td>
<td>Pilot completed</td>
<td>E-peso pilot from 2017 to 2018</td>
</tr>
<tr>
<td>Bahamas</td>
<td>12</td>
<td>Pilot underway</td>
<td>CBDC pilot to last three months</td>
</tr>
</tbody>
</table>

Source: Brookings Institute, CIA World Factbook (GDP is 2017 est.), Bank of International Settlements

¹. Saudi Arabia has partnered with United Arab Emirates on this project
Equity funding overtook ICO funding in 2019 as the unregulated ICO boom collapsed...
WILL REGULATORS REVIVE THE ICO?

...But governments have recently shown openness towards *regulated* ICOs

- An SEC commissioner’s plan to make ICOs legal again
  - February 6, 2020 | *Fortune*

- U.S. securities regulator unveils legal framework for digital coin offerings
  - February 6, 2020 | *Reuters*

- First ICO is approved under new French law
  - January 13, 2020 | *Mondag*

- Thailand’s first regulated ICO portal targets $98M token offering
  - October 11, 2019 | *CoinTelegraph*
Is this due to the increasingly advanced tools available to monitor crypto-networks?

**Chainalysis**
- Total disclosed funding: $53.7M
- 2019 funding: $30M
- Chainalysis develops cryptocurrency compliance and investigation software for government agencies, exchanges, and financial institutions.

**Elliptic**
- Total disclosed funding: $34.1M
- 2019 funding: $23M
- Elliptic offers a cryptocurrency surveillance service for law enforcement and companies that aims to make cryptocurrency transaction activity more transparent and accountable.

**CipherTrace**
- Total disclosed funding: $18M
- 2019 funding: 15M
- CipherTrace develops cryptocurrency anti-money laundering, cryptocurrency forensics, and blockchain threat intelligence solutions.
- Exchanges, banks, investigators, regulators, and digital asset businesses use CipherTrace to trace transaction flows and comply with regulatory anti-money laundering requirements.
Although the US has shown openness to some areas of crypto, it is cracking down on others.
Key Themes

- Deals and dollars
- Crypto not blockchain is winning
- Bitcoin was king until the coronavirus sell-off
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2020 and beyond
What’s in store for 2020 and beyond

Ease-of-use efforts will be front and center

Low dApp (decentralized application) usage, poor network interoperability, and sustained volatility are still obstacles to mass adoption of crypto tools.

**Impact:** Projects such as Polkadot, Bison Trails, and Anchorage are tackling different aspects of the ease-of-use dilemma that has continued to plague the blockchain space.

Service providers will diversify

The explosion of Blockchain service providers, especially exchanges and custodians, means companies will look to compete by adding high-margin, value-added services.

**Impact:** In addition to insurance (slide 28), expect custodians to add additional products such as lending. BitGo, for example, announced in March ’20 the launch of an institutional lending service.

Government involvement will grow

Governments’ willingness to launch a state-owned native digital currency will continue growing. So too will their ability to monitor and regulate non-fiat crypto-networks.

**Impact:** Confidentiality will become a harder feature to guarantee on blockchain platforms. And, if CBDCs do launch, expect regulation to discourage consumers from embracing non-fiat stablecoins.
WHERE IS ALL THIS DATA FROM?

The CB Insights platform has the underlying data included in this report

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