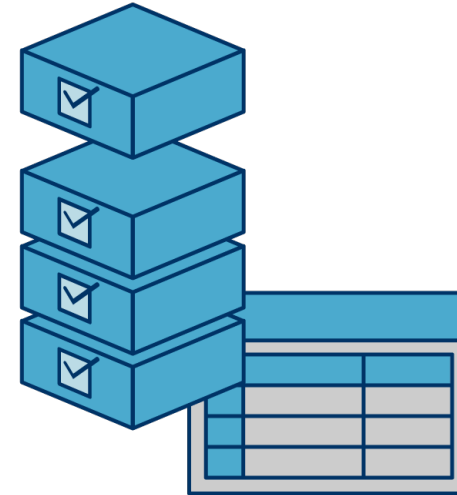


The Blockchain Report 2020

Financing, Themes, Coronavirus,
& The Year Ahead

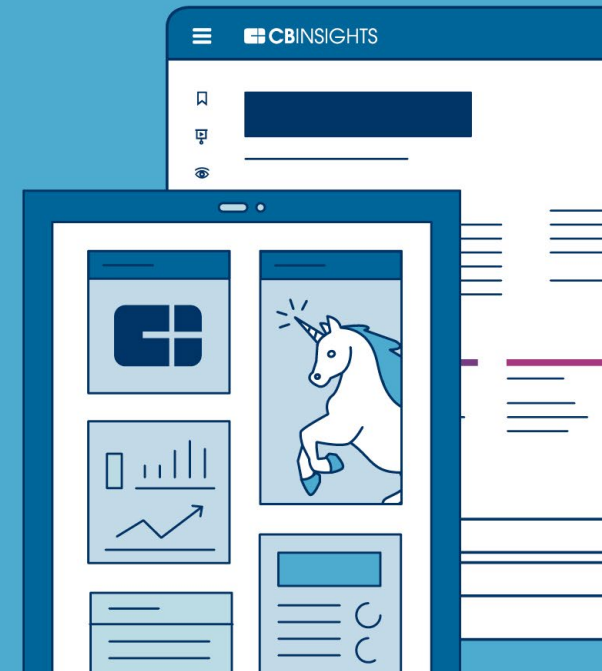




WHAT IS CB INSIGHTS?

CB Insights is a tech market intelligence platform that analyzes millions of data points on venture capital, startups, patents, partnerships, and news mentions to help you see tomorrow's opportunities, today.

[CLICK HERE TO LEARN MORE](#)



Contents

- 5** Deals and dollars
- 17** Crypto not blockchain is winning
 - Enterprise blockchain
 - Crypto infrastructure
 - Custody and insurance
 - Service providers
 - Decentralized finance (“DeFi”)
- 36** Bitcoin was king until the coronavirus sell-off
- 42** Governments are uncertain
 - Central Bank Digital Currencies
 - ICOs
- 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



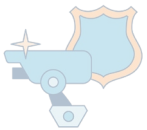
Deals and dollars



Crypto not blockchain is winning



Bitcoin was king until the coronavirus sell-off



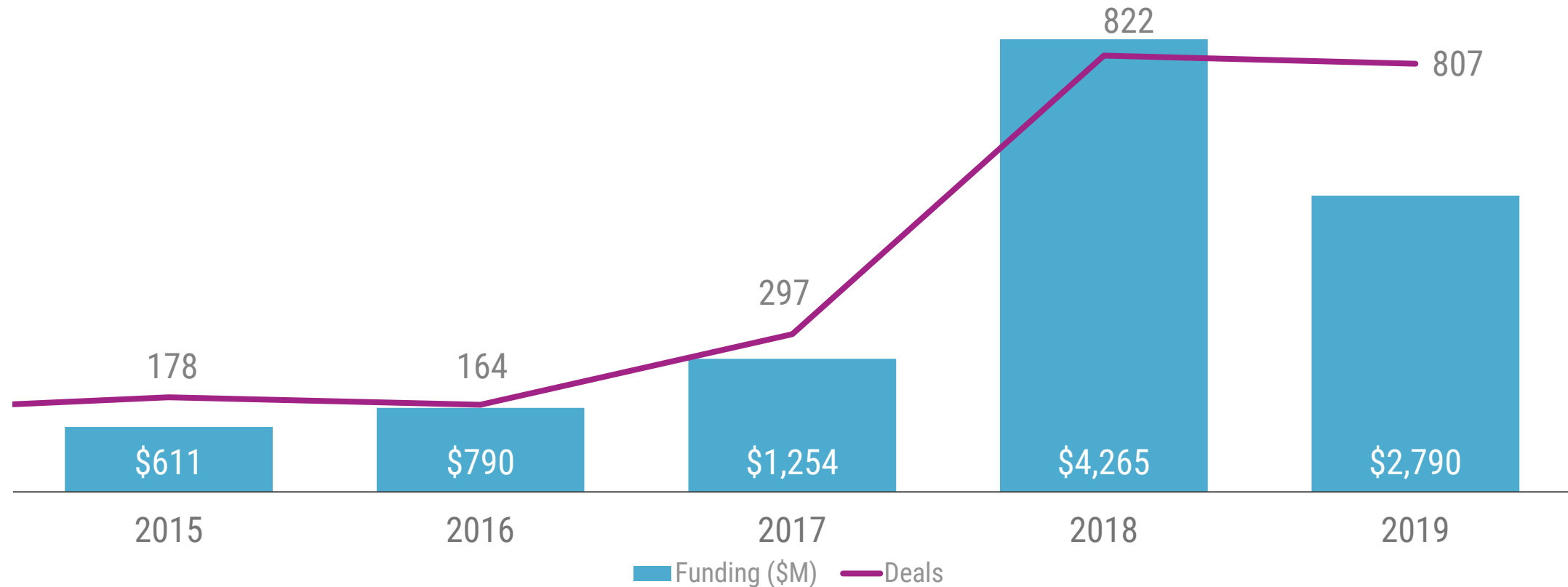
Governments are uncertain



2020 and beyond

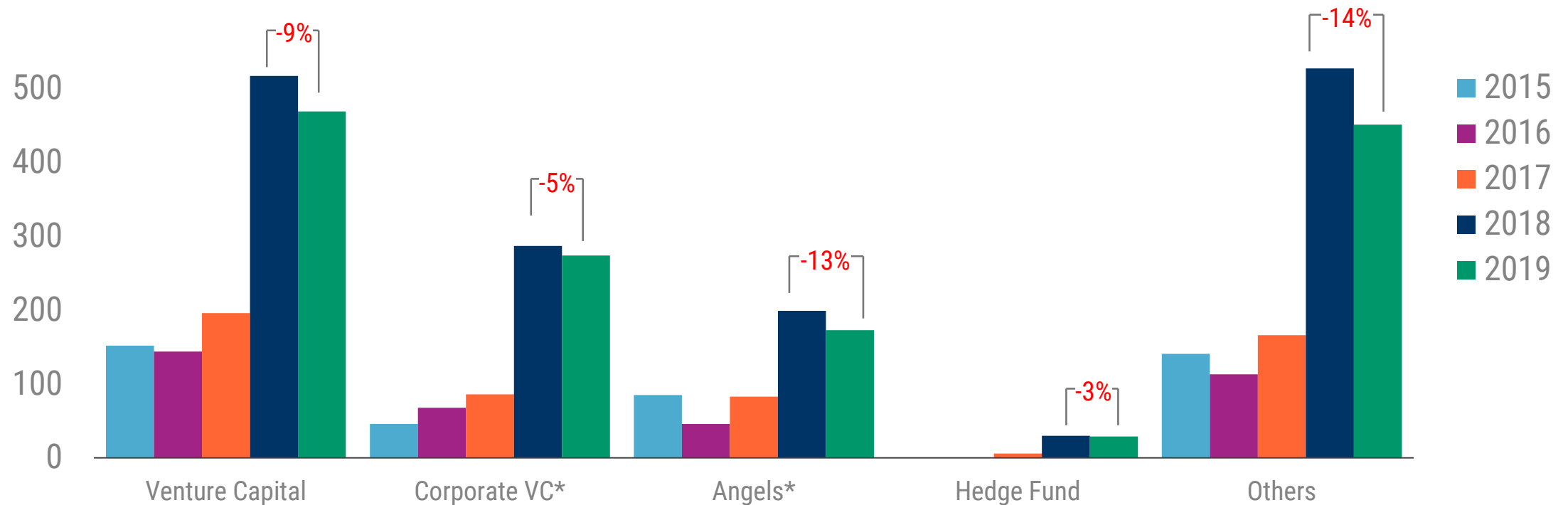
2019 funding fell while deal activity held relatively steady

Annual VC-backed deals and financing, 2015 – 2019 (\$M)



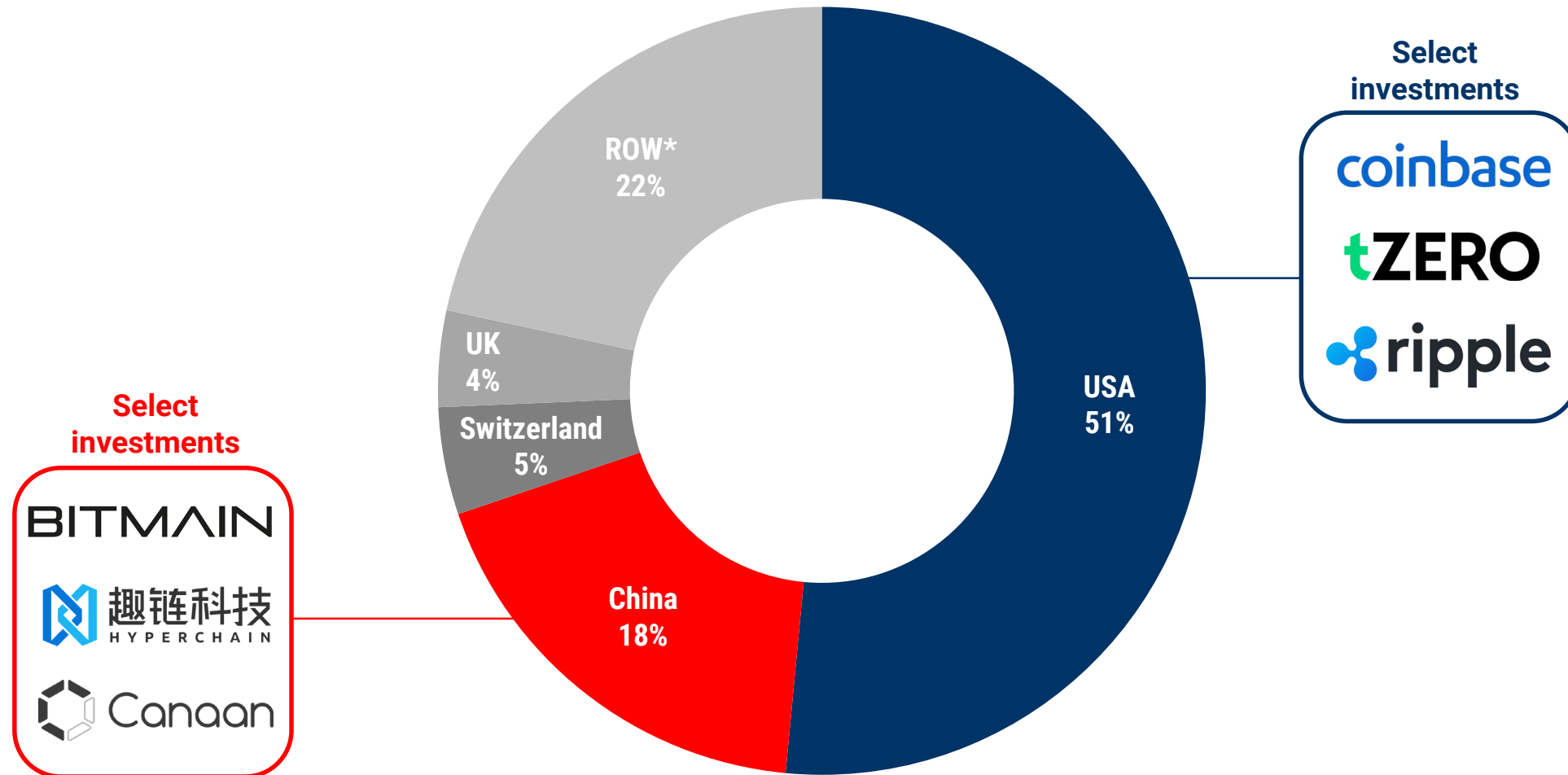
Deal activity fell from 2018 to 2019 across all investor categories

Deal count by investor type, 2015 – 2019



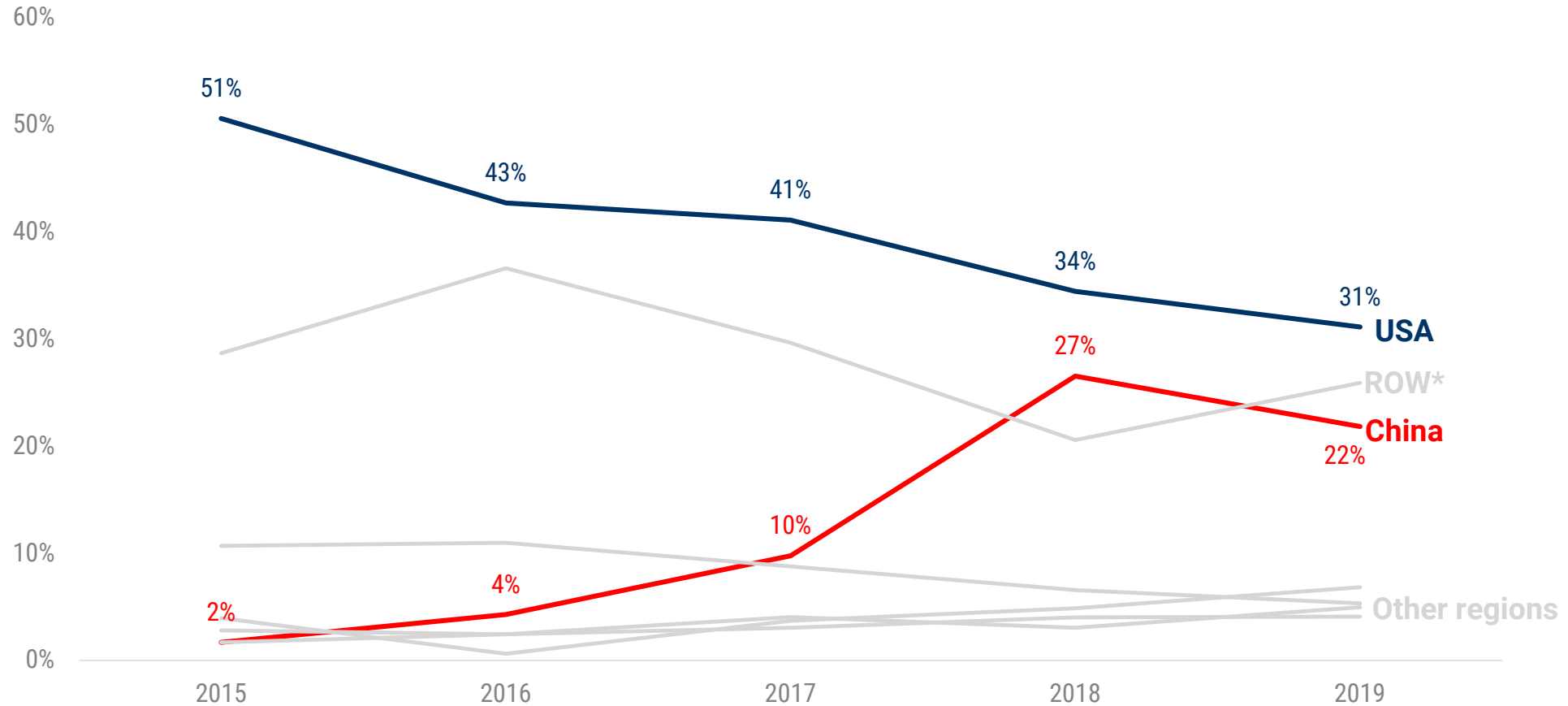
Companies in US and China dominate funding

Share of funding dollars by geography, 2015 – 2019



Deal activity is shifting from US to China

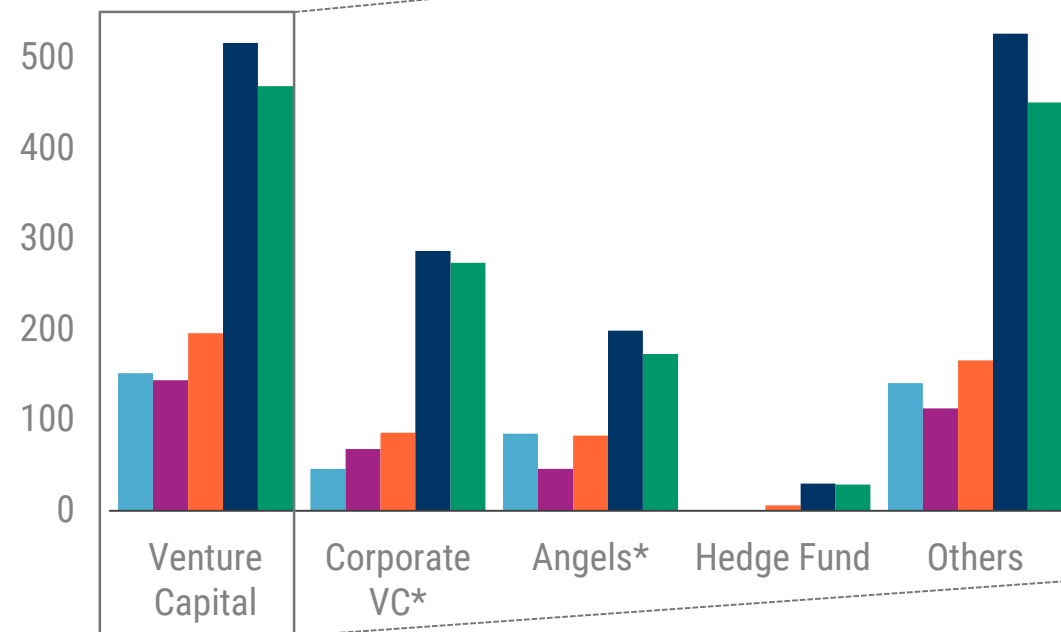
Share of deal activity, 2015 – 2019



3 of the 5 most active VCs have a unicorn in their portfolios

Annual deals by investor type, 2015 – 2019

Annual Deals



■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019

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

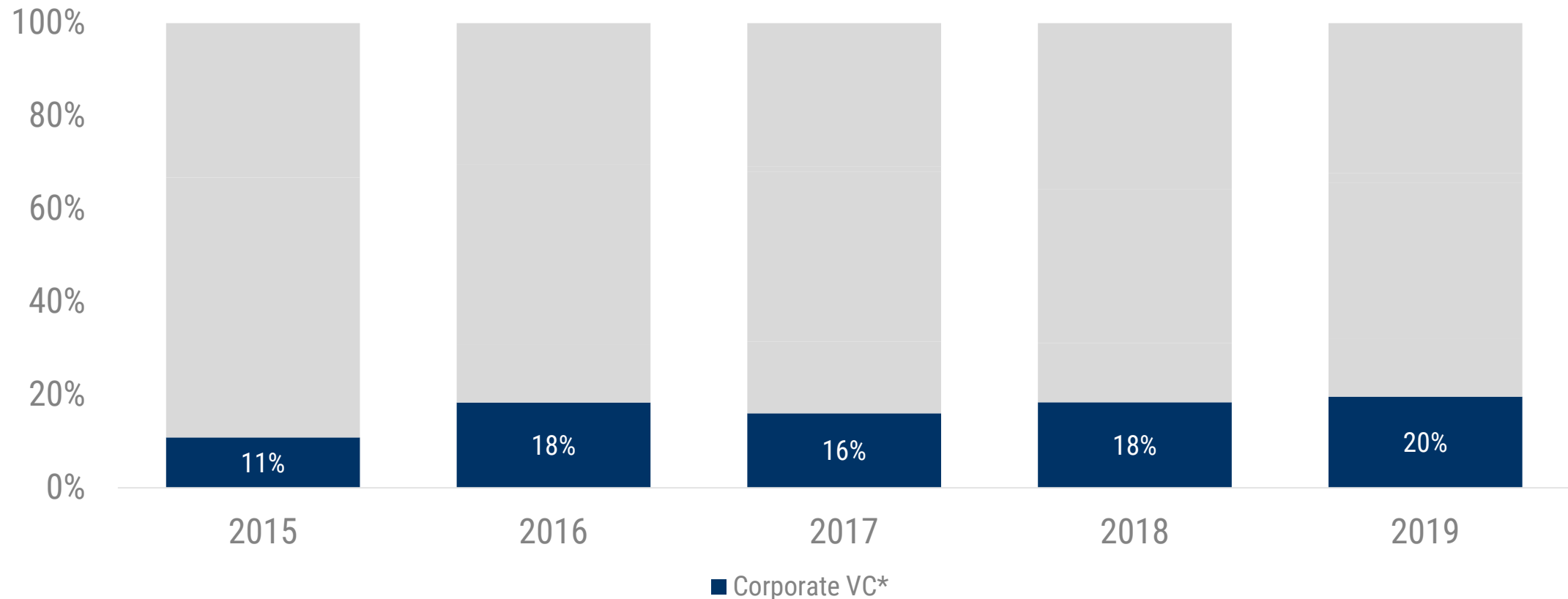
Rank	Investor	No. of Deals	Select Investments
1	FENBUSHI CAPITAL	38	SECURITIZE, everledger, MESSARI
2	BLOCKCHAIN CAPITAL	38	coinbase, CIRCLE, BITFURY
3	PANTERA	35	Bakkt, CIRCLE, HARBOR
4	ANDREESSEN HOROWITZ	29	coinbase, CIRCLE, DFINITY
5	INGC (NEO GLOBAL CAPITAL)	28	Algorand, COCOS BCX, aergo



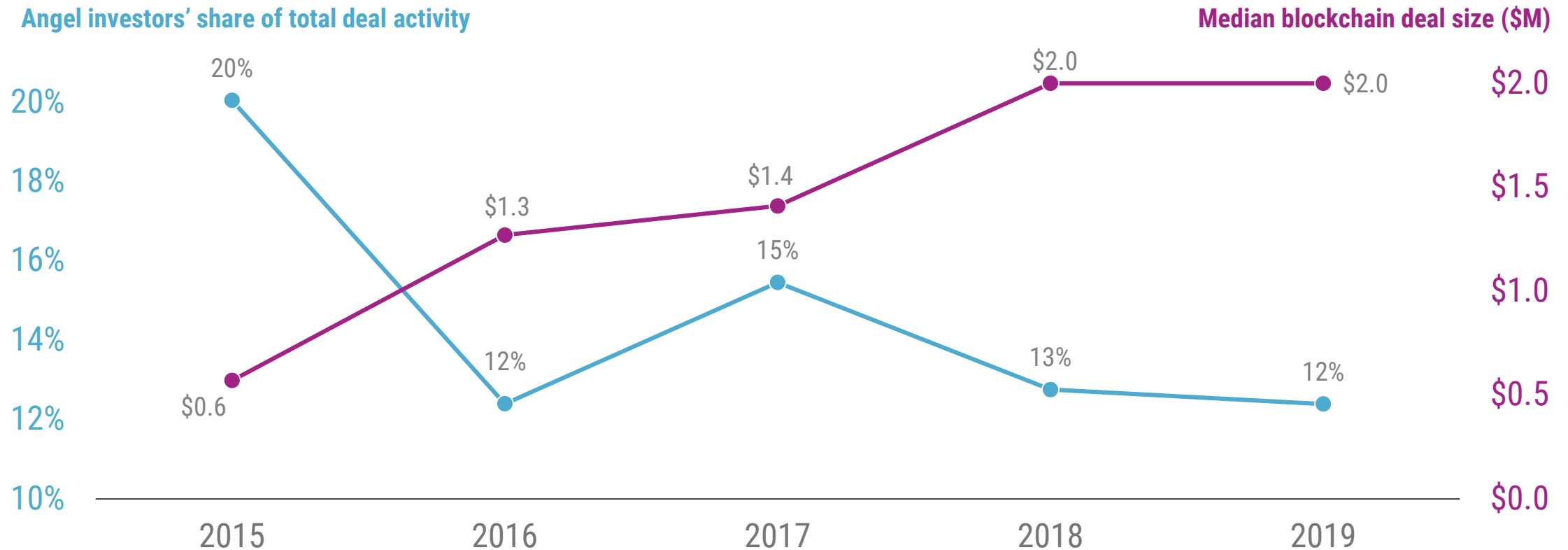
A dashed blue box highlights the investments of the top 3 VCs (Blockchain Capital, Pantera, and Andreessen Horowitz). The investments listed within this box are: Coinbase, Circle, Bitfury, Bakkt, Circle, Harbor, and Dfinity.

CVCs deal share grew ~2x between 2015 and 2019...

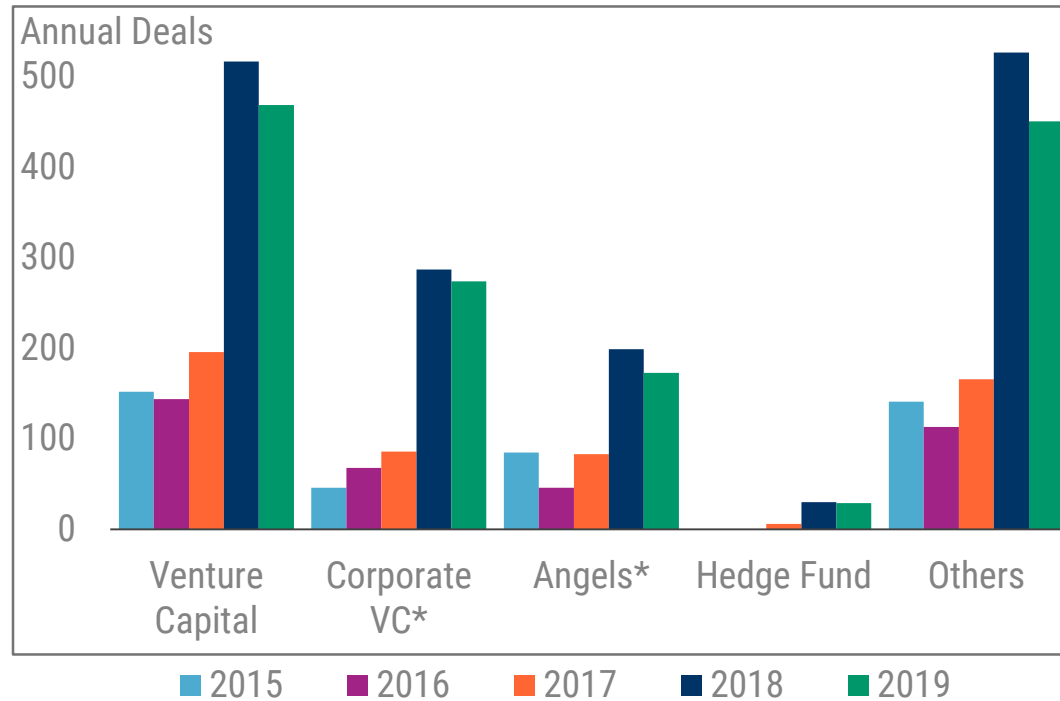
Share of total deal activity, 2015 – 2019



...While angel investors' share nearly halved as companies raised larger rounds



The investment arms of NEO and Coinbase were the most active in 2019

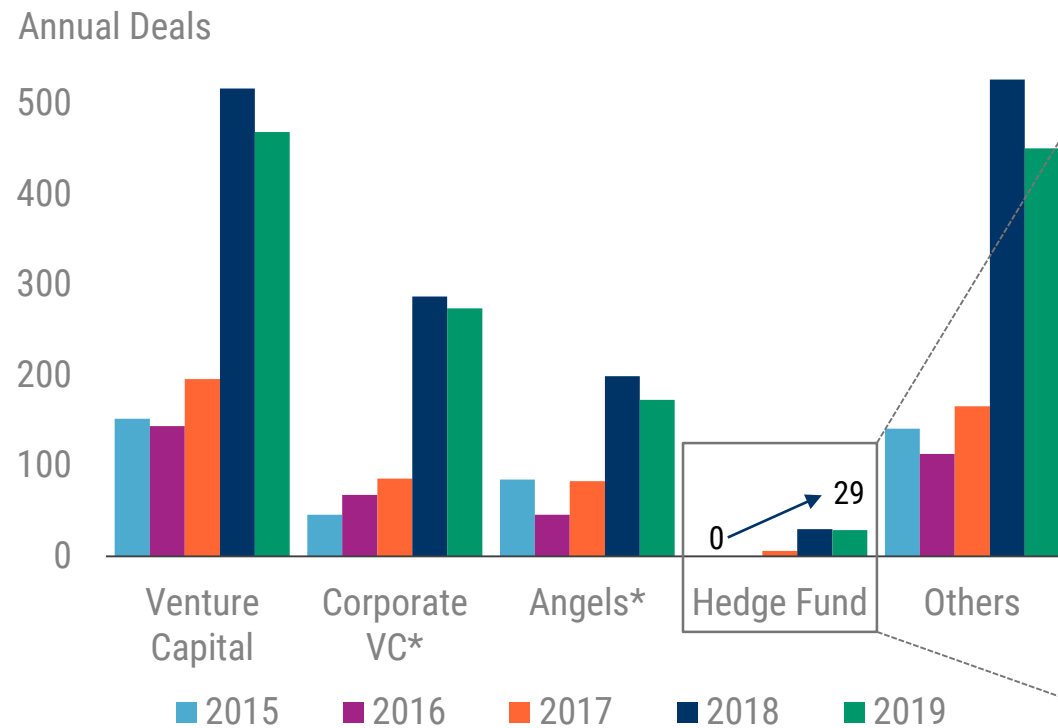


Digital Currency Group fell from 1st to 5th in 2019

Rank	2015	2016	2017	2018	2019
1	boostVC	DIGITAL CURRENCY GROUP	DIGITAL CURRENCY GROUP	DIGITAL CURRENCY GROUP	NGC NEO GLOBAL CAPITAL
2	DIGITAL CURRENCY GROUP	FENBUSHI CAPITAL	PLUGANDPLAY	POLYCHAIN CAPITAL	coinbase Ventures
3	BLOCKCHAIN CAPITAL	FundersClub	BLOCKCHAIN CAPITAL	NGC NEO GLOBAL CAPITAL	GALAXY DIGITAL
4	RRE Ventures	boostVC	PAN FERA	ANDREESSEN HOROWITZ	FENBUSHI CAPITAL
5	DRAPER ASSOCIATES	BLOCKCHAIN CAPITAL	MEDICI	BITMAIN	DIGITAL CURRENCY GROUP

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

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






The most active blockchain investors in 2019

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

Rank	Investor	Select Investments in 2019
1	 NGC NEO GLOBAL CAPITAL	 VEGA  Dapix  Cere Network  MultiVAC  CoinFLEX  NYM  marlin protocol
2	 coinbase Ventures	 BisonTrails  MESSARI  NEAR  Dharma  0(1)  BITSO. bitcoin exchange  HORIZON BLOCKCHAIN GAMES  alchemy  Staked
3	 GALAXY DIGITAL	 MYTHICAL GAMES  BisonTrails  BlockApps™  IMMUTABLE  Spring  CIPHERTRACE  flipsidecrypto  BlockFi  Digital Assets Data
4	 FENBUSHI CAPITAL	 SECURITIZE®  BlockApps™  Cere Network  SIBEX  amberdata  MESSARI  BLOXROUTE LABS
5	 DIGITAL CURRENCY GROUP	 BITSO. bitcoin exchange  Digital Assets Data™  FIGURE  Staked  flipsidecrypto  HORIZON BLOCKCHAIN GAMES  CoinFLEX  CURV

Top 5 global blockchain funding deals in 2019

Top equity financings in 2019 go toward wide-ranging applications

Company	Deal Date // Amount Raised	Total Disclosed Funding	Select Investors (latest deal)	Description
 ripple	Dec '19 // \$200M	\$294M	Route 66 Ventures, SBI Group, Tetragon Financial Group	Ripple is an internet protocol for cross-border enterprise payment transfers.
 FIGURE	Nov '19 // \$103M	\$1,218M	Morgan Creek Digital, Ribbit Capital, Digital Currency Group	Figure Technologies is a financial technology company leveraging blockchain, AI, and analytics to deliver home equity release and other mortgage product solutions.
 PROXICOIN	May '19 // \$100M	\$100M	Central Wealth Fund of Hong Kong, Step Ventures	Proxicoin is a securities token on the Ethereum network for fractionalized ownership in film, television, music, and other IP-driven content.
 FNALITY	Jun '19 // \$63M	\$63M	UBS, State Street, Barclays, Mizuho, NASDAQ, BNY Mellon, Banco Santander	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.
 Layer1	Oct '19 // \$52M	\$50M	Peter Thiel, Shasta Ventures	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.

Key Themes



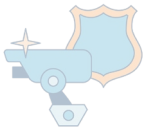
Deals and dollars



Crypto not blockchain is winning



Bitcoin was king until the coronavirus sell-off



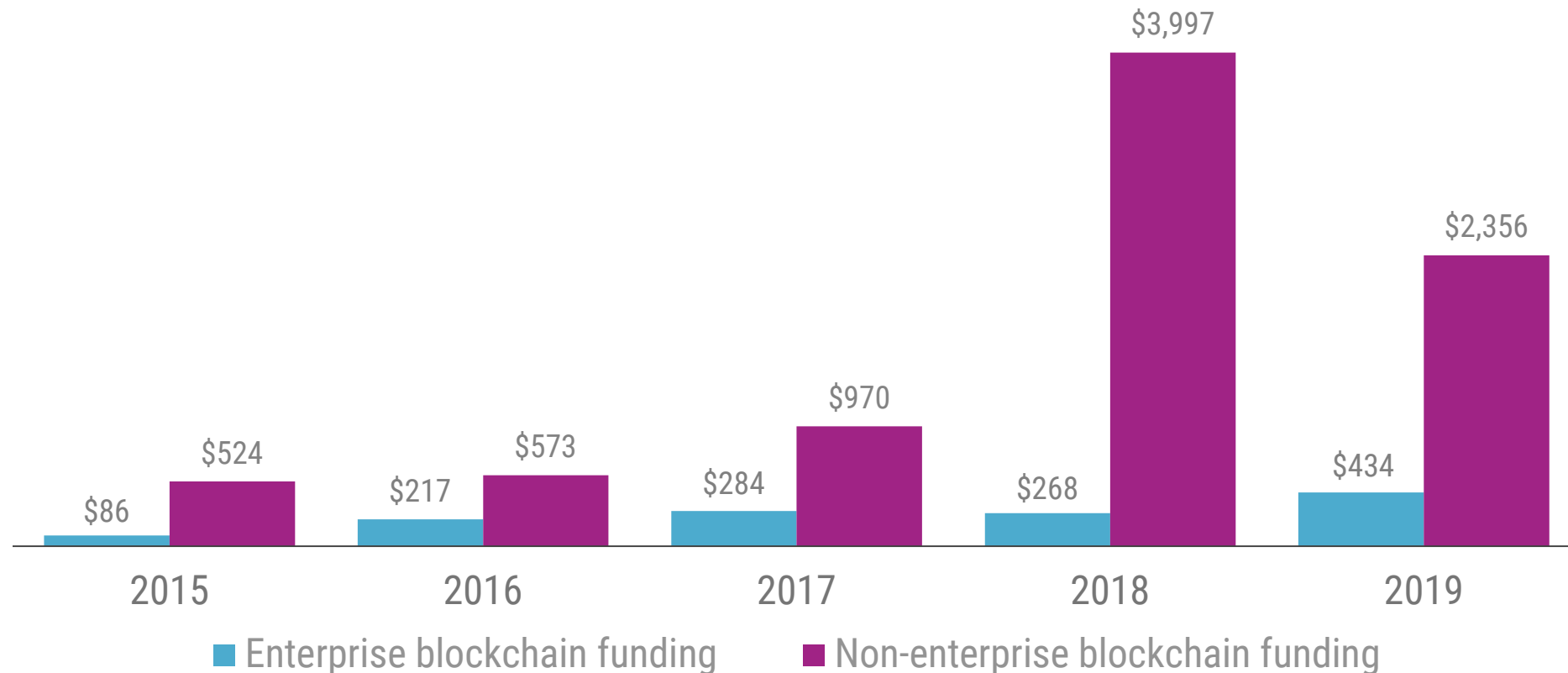
Governments are uncertain



2020 and beyond

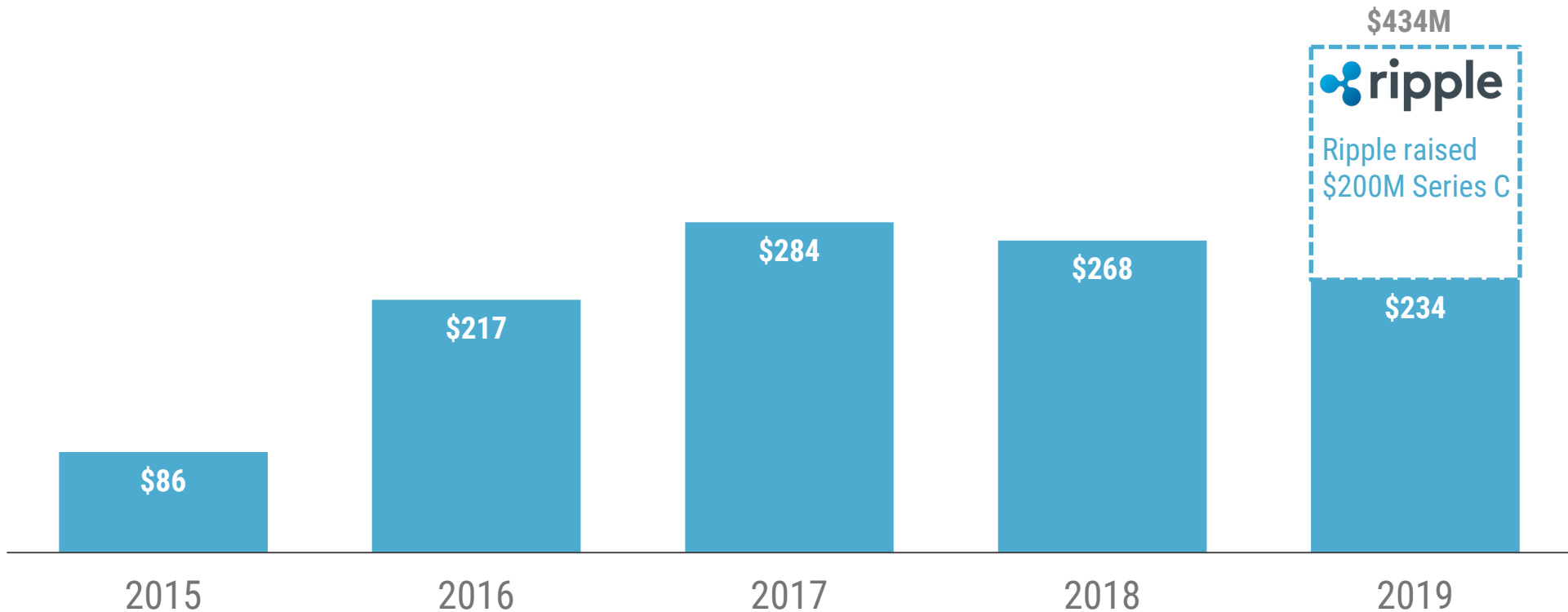
Funding to cryptocurrency companies has dwarfed funding to enterprise blockchain...

Annual VC-backed deals and financing, 2015 – 2019 (\$M)



...And almost half of funding to enterprise blockchain in 2019 came from one deal

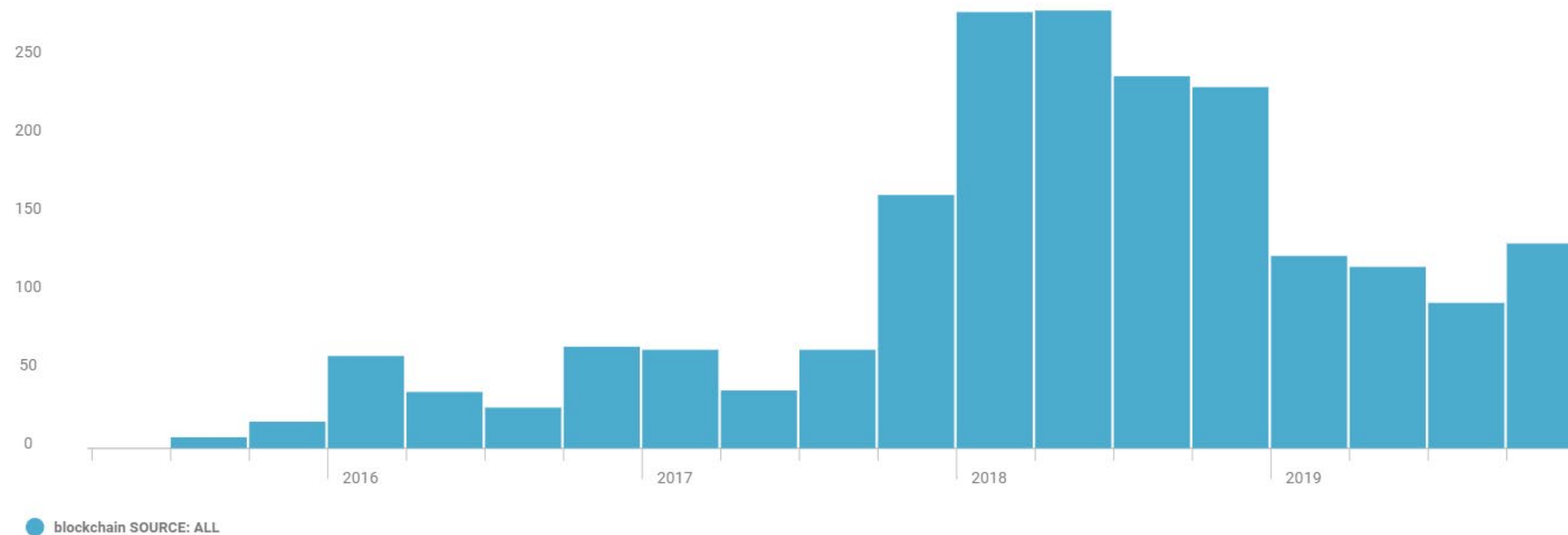
Annual VC-backed financing to enterprise blockchain, 2015 – 2019 (\$M)



Corporate mentions of “blockchain” dropped by more than half from 2018 to 2019

Mentions in Earnings Calls

Number of mentions



Corporates joined consortia to explore applications – progress is still in early stages

Selected consortium	Industry
B3i	Insurance
Energy Web Foundation	Energy
Enterprise Ethereum Alliance	General
Hashed Health Collective	Healthcare
Hyperledger	General
IBM Food Trust	Food supply chain
R3	General
TradeLens	Shipping
Trusted IoT Alliance	IoT

'Key Milestone' for Hyperledger as Fabric Blockchain Platform Reaches 2.0 Release

January 31, 2020 | **yahoo!**
finance

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

February 21, 2020 | **FINANCE MAGNATES**

Supply Chain Blockchain Initiative Receives Federal Antitrust Exemption

February 11, 2020 | NATIONAL LAW REVIEW

COORDINATION PROBLEMS ARE AT THE ROOT OF SLOW PROGRESS

“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



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



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



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.

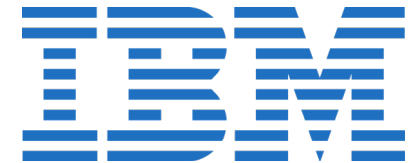
Latest update: ICE acquired Bridge2, a SaaS platform for managing rewards programs, in Q1'20 to supplement Bakkt's upcoming mobile app.



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

Acquisition

coinbase

Acquisition

Bakkt

Acquisition

BitGo

Partnership



Partnership

IBM



CRYPTO CUSTODY

“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

Crypto-custodians are providing insurance



Best in class governance

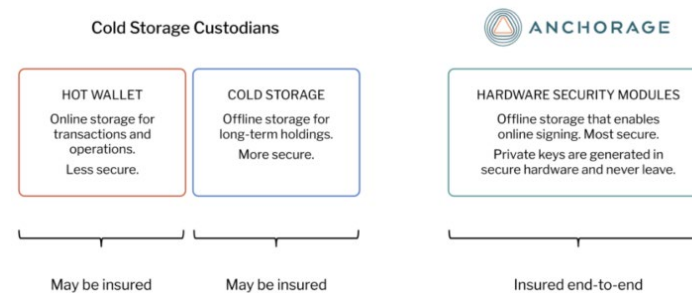
The Vault transaction rules can be combined to create flexible and scalable governance schemes to cater to all use cases and comply with internal policy standards.

- The multi-authorization scheme distributes the signing responsibility among multiple operators within the institution.
- The approval groups allow for the creation of complex multi-authorization schemes.
- The whitelist allows for outbound transactions to be blocked outside of a defined list of trusted public addresses.
- Conditional flows enable institutions to define triggers for their rules based on value thresholds or presence of the beneficiary in the whitelist.

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



Transferring the Risks that Matter

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.

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

Exchanges are also adding insurance for clients. Is this a sign the industry is maturing?

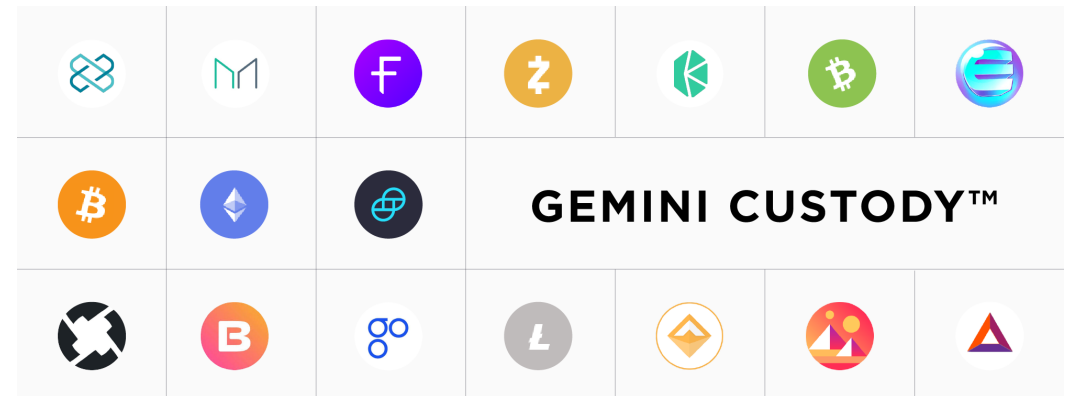
Coinbase acquired Xapo's custody business in 2019 (\$7B assets under custody). The company also added insurance for up to \$255M on its hot wallets.

coinbase | Custody

Assets Under Custody Growth



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.



Software companies are helping investors manage the tax implications of crypto...

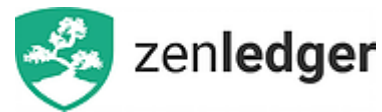


Account Assets					
Nickname	Value (USD)	Assets	Asset	Amount	Value
Coinbase Test	\$5.96	REP, USD, BAT, LTC, DAI...	ETH	0.081	\$14.59
			DAI	5.993	\$5.96
Test Eth	\$14.59	ETH, TGN	TGN	8.8	\$0.00

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.



Broad Coverage

IRS-Friendly

Quick. Easy. Automatic

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.



+\$32,935 GAINS	+\$4,960 TAX LIABILITY	22% SHORT TERM RATE	15% LONG TERM RATE
Recent Activity		Crypto-to-Crypto Gains - Taxable 52%	
DEC 08	Bitcoin > Litecoin -0.5 BTC +3 LTC	+1,458 Gains +\$291 Taxes	+18,298 Gains +\$4,513 Taxes
DEC 13	Bitcoin > USD -0.135 BTC +\$1,270 USD	+900 Gains +\$180 Taxes	Crypto-to-Flat Gains - Taxable 16%
DEC 16	Ethereum > Ripple -5 ETH +4,250 XRP	+2,120 Gains +\$424 Taxes	+5,533 Gains +\$1,396 Taxes
		Unrealized Gains - Not Taxable 23%	
		+\$10,982 Gains Not Taxable	

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



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.



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.



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...



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.

Total Value Locked (USD) in DeFi





[TVL \(USD\)](#) | ETH | BTC | DAI

[All](#) | 1 Year | 90 Day | 30 Day | 7 Day



DeFi networks surpassed \$1B in assets in 2019

Lending and trading platforms have the most traction in “open finance”

Selected Projects	Key info	Assets “locked” (as of 3/17/20)	Interest rates (varies by coin)	Investor backing
 MAKER	<ul style="list-style-type: none"> Decentralized lending market working atop its collateralized stablecoin called “Dai” The largest DeFi project by assets locked 	\$280M	8.75% lending rate (in DAI)	<ul style="list-style-type: none"> a16z Crypto bought 6% of MKR tokens Paradigm and Dragonfly also made a \$25M investment in the supply
 Compound	<ul style="list-style-type: none"> Decentralized protocol for money markets that provides a “liquidity pool” where users can lend or borrow cryptocurrency 	\$70M	7.58% (in DAI)	<ul style="list-style-type: none"> \$33.7M in VC with a \$25M Series A in Q3’19 Backers include a16z, Bain Capital Ventures, Coinbase Ventures, Paradigm, Polychain
 InstaDApp	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> \$2.4M seed, with backers including Balaji Srinivasan, Coinbase Ventures, IDEO CoLab, Loi Luu, Naval Ravikant, Pantera Capital, Robot Ventures
 $\delta Y / \delta X$	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> \$12M in VC, including a Series A round from Andreessen Horowitz and Polychain

STABLECOINS ARE A PROMISING APPLICATION OF DEFI

“...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



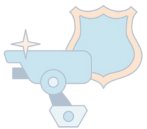
Deals and dollars



Crypto not blockchain is winning



Bitcoin was king until the coronavirus sell-off



Governments are uncertain

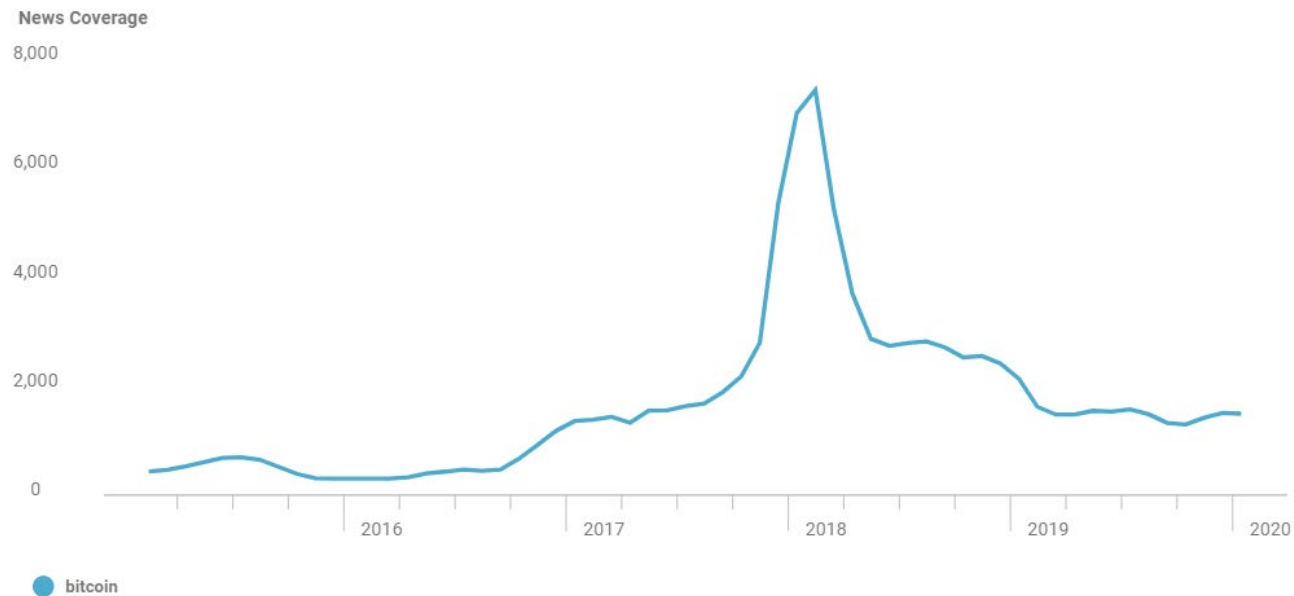


2020 and beyond

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

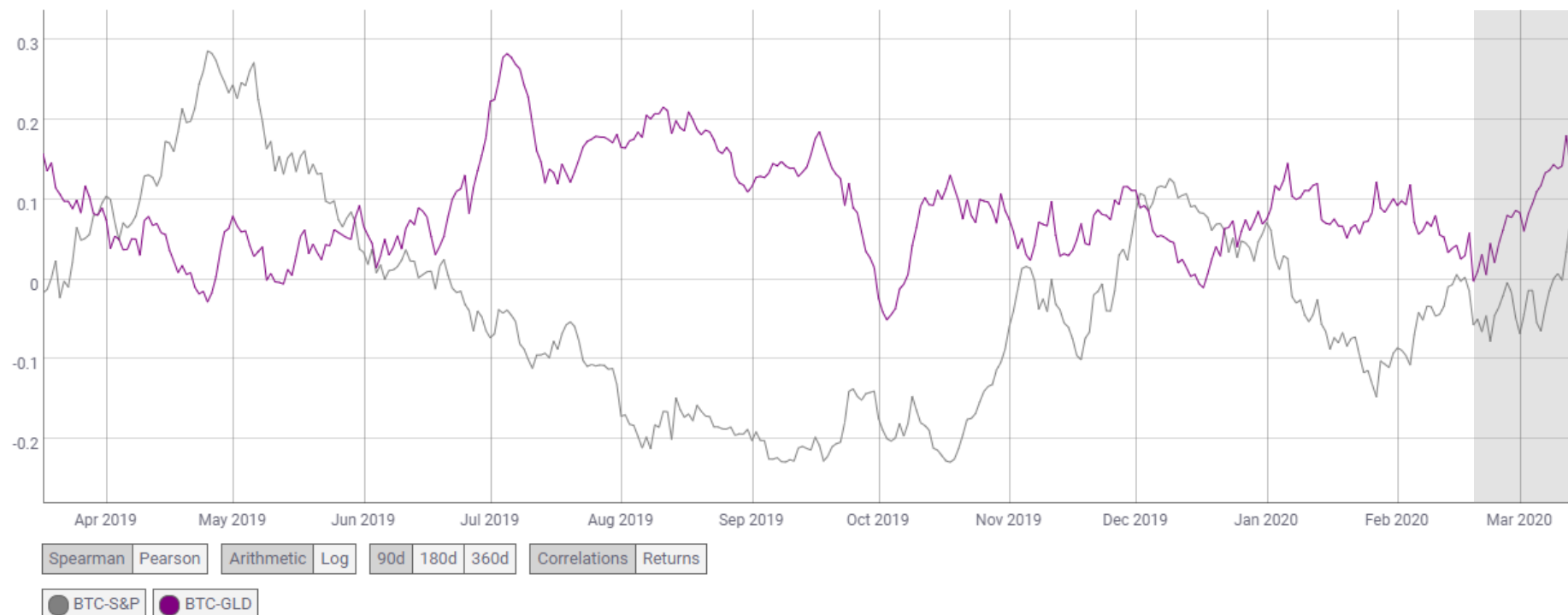
News Coverage



BTC's benefit as an investment has been its low correlation to other assets...

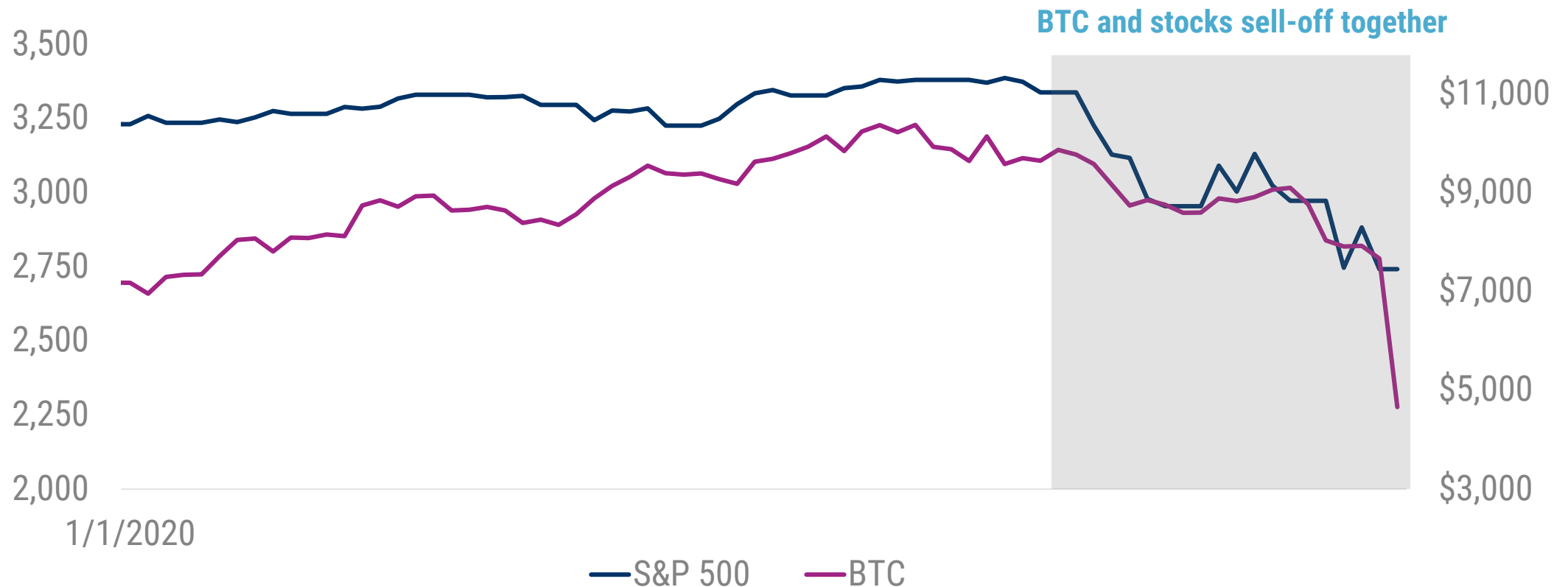
Bitcoin 90-day correlation to Gold and the S&P 500

Coronavirus market sell-off causing correlations to rise



...But coronavirus sell-off has shown Bitcoin still acts like a risk-on asset

S&P 500 Index vs. BTC (\$USD)



Crypto has broadly sold off with many of the largest assets down over 50% in past month

Top 15 crypto assets by market cap

1-month price change



	Symbol	Name	Price	24H Vol	Market Cap	Change 24H	Change 7D	Change 1M
1	BTC	Bitcoin	5245.75	4.720B	95.86B	+9.29%	-34.48%	-45.81%
2	ETH	Ethereum	115.909	1.521B	12.77B	+7.10%	-42.32%	-53.26%
3	XRP	Ripple	0.146831	331.8M	6.437B	+6.63%	-30.60%	-47.47%
4	USDT	Tether	1.00504	20.32M	4.311B	+0.28%	+0.27%	+0.32%
5	BCH	Bitcoin Cash	179.259	361.0M	3.287B	+12.34%	-33.39%	-54.26%
6	LTC	Litecoin	34.2232	234.4M	2.204B	+9.13%	-32.15%	-51.52%
7	BSV	BitcoinSV	119.236	126.5M	2.186B	+14.29%	-39.81%	-56.50%
8	EOS	EOS	1.96542	268.0M	1.810B	+7.03%	-35.77%	-52.84%
9	BNB	Binance Coin	10.0000	89.47M	1.541B	+8.19%	-40.49%	-55.42%
10	XTZ	Tezos	1.39741	70.63M	983.7M	+8.27%	-47.72%	-54.20%
11	XLM	Stellar	0.0366975	18.03M	743.2M	+7.82%	-29.86%	-48.05%
12	FTT	FTX Token	2.06430	9.451M	716.5M	+2.50%	-14.41%	-28.21%
13	LINK	ChainLink	1.94718	141.0M	681.5M	+13.48%	-51.21%	-54.59%
14	TRX	TRON	0.0100007	44.23M	665.3M	+12.66%	-34.00%	-52.19%
15	ADA	Cardano	0.0255122	27.02M	661.5M	+10.79%	-39.11%	-56.52%

But inflows to Grayscale show demand for on-ramps to Bitcoin and other cryptocurrencies



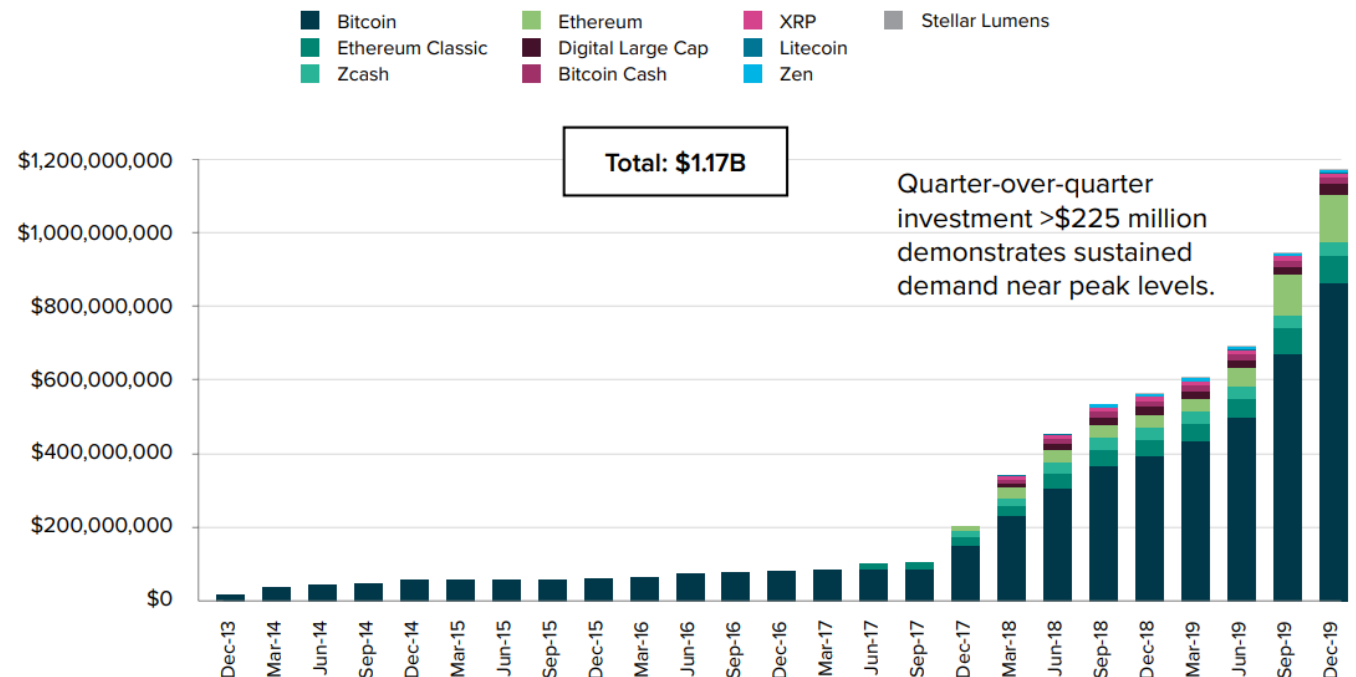
Total AUM: \$2.08B

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.

FIGURE 4: GRAYSCALE CUMULATIVE QUARTERLY INVESTMENT SINCE INCEPTION
SEPTEMBER 25, 2013 THROUGH DECEMBER 31, 2019



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

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

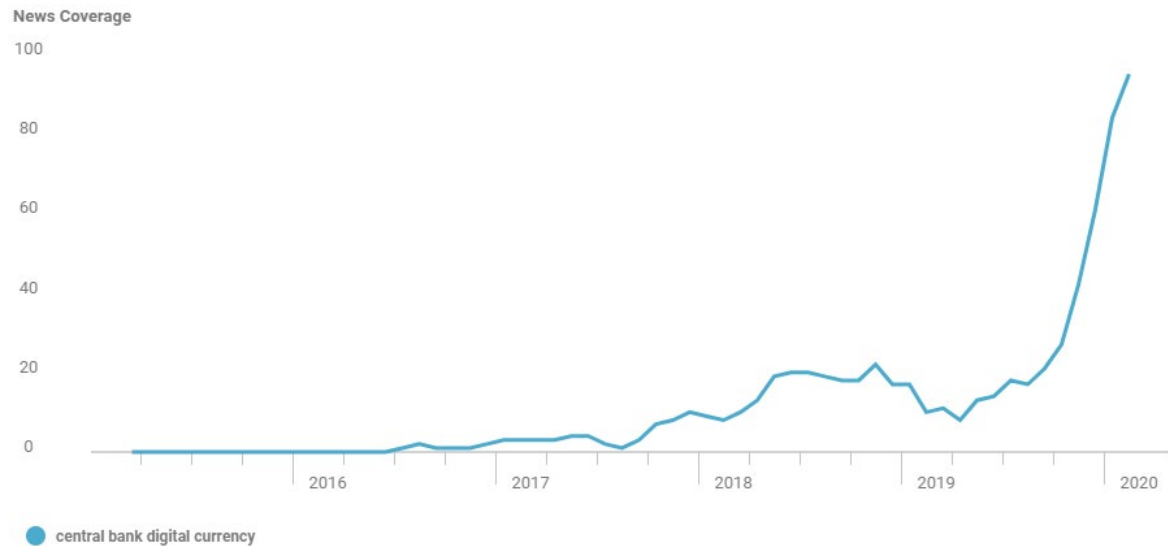
Survey: central banks are undertaking extensive work on central bank digital currencies

January 2020 |  BANK FOR INTERNATIONAL SETTLEMENTS

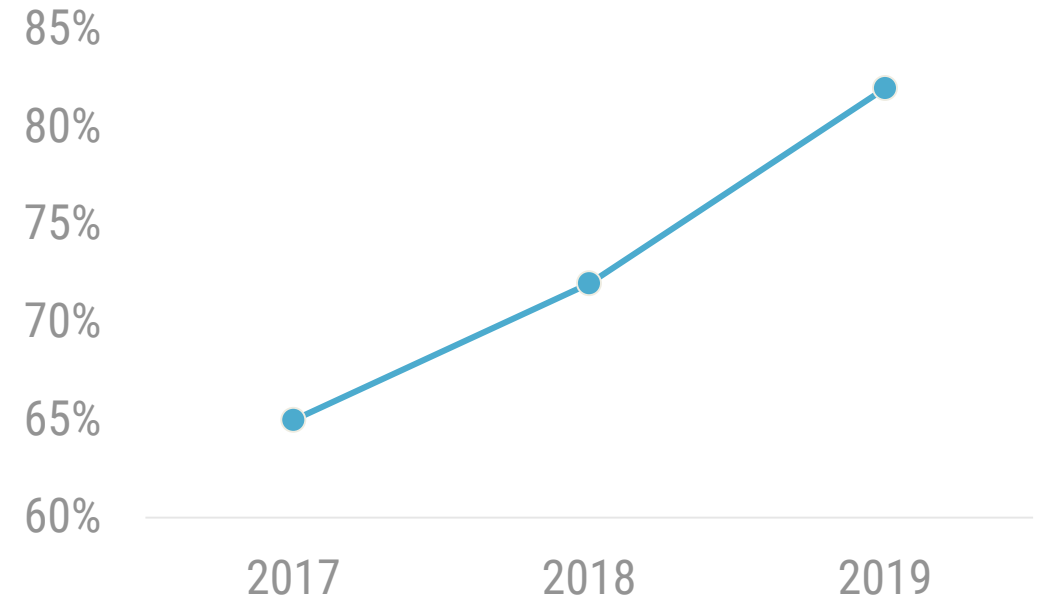
...And it's not just media buzz

CBDC media mentions have skyrocketed...

News Coverage



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



Two types of CBDCs...

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.

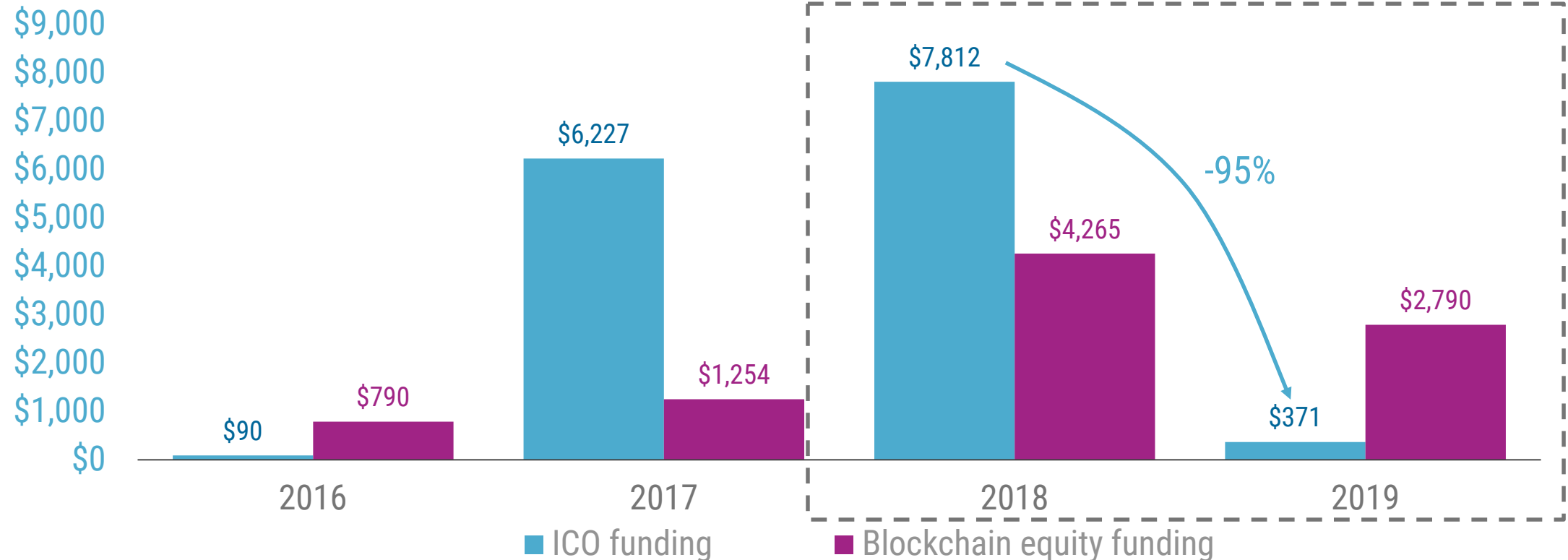
Fact Sheet: Selected CBDC projects underway

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

WILL REGULATORS REVIVE THE ICO?

Equity funding overtook ICO funding in 2019 as the unregulated ICO boom collapsed...

ICO funding and blockchain equity funding (\$M)



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 |  **mondaq**
Connecting knowledge & people

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?



Total disclosed funding: \$53.7M

2019 funding: \$30M

Chainalysis develops cryptocurrency compliance and investigation software for government agencies, exchanges, and financial institutions.



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.



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

Trump administration to release new FinCEN requirements for cryptos, Mnuchin tells Congress

February 12, 2020 |



Trump's 2021 Budget Proposal Seeks to Optimize Crypto Policing

January 10, 2020 |



Trump's Proposed Budget Snubs Blockchain, Crypto in Crosshairs of Security Service

February 18, 2020 |



Key Themes



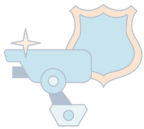
Deals and dollars



Crypto not blockchain is winning



Bitcoin was king until the coronavirus sell-off



Governments are uncertain



2020 and beyond

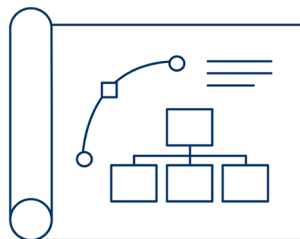
What's in store for 2020 and beyond



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**

[CLICK HERE TO SIGN UP FOR FREE](#)

