

Better By Half: Financial and Consumer Use Cases For Crypto Take Mindshare

Monthly Insights

April 26, 2024

- TenSquared Capital participated in Superlogic's \$7.6M funding round. This strategic investment marks a pivotal step in redefining enterprise loyalty programs with cutting-edge blockchain and AI technology and reaffirms the viability of consumer use cases for crypto.
- The fourth Bitcoin halving highlighted Bitcoin's predictable monetary policy and role as a scarce asset.
- Financial institutions embracing cryptocurrency: Stripe's re-entry into crypto payments, BlackRock's success with its IBIT Spot Bitcoin ETF, Ernst & Young's adoption of blockchain technology for enterprise contract management.
- Stablecoins emerge as a crucial global market with many winners: Circle, PayPal, Paxos, Tether, Gemini, among others.

KEY THEMES

Fourth Bitcoin Halving

- The fourth Bitcoin halving took place on April 20th, leading to a 50% reduction in supply inflation and an inherent increase in issuance scarcity.
- The halving reduced the annualized inflation rate of the Bitcoin supply from 1.7% to 0.85%^[1]. As a result, Bitcoin's inflation rate became lower than that of gold (~1.7% in 2023^[2]).
- Halving demonstrated the viability of transaction fees (as opposed to mining rewards) to be the future revenue model for miners.
- **10SQ VIEW:** The halving demonstrated Bitcoin's transparent, predictable, and deflationary monetary policy and reinforced its fundamental value proposition. It has also initiated a critical test of efficiency and sustainability for miners, as they have to adapt to lower revenues and optimize operations. One-half of all remaining bitcoin will be mined in the next four years.

BlackRock's IBIT Spot Bitcoin ETF Reached \$18Bn In Total Inflows In Three Months

- BlackRock's iShares Bitcoin Trust (IBIT) has been a massive success, netting \$18Bn in inflows since its January 11 launch. IBIT is now in the top 100 of all exchange-traded funds by assets under management.
- BlackRock's spot bitcoin ETF also registered net inflows for the 71st straight day, putting the instrument in the top 10 of exchange-traded funds with the longest daily streaks of daily inflows.

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Circle Debuts Trading Of BlackRock Tokenized Fund Shares For USDC

- Holders of BlackRock's first tokenized fund, BlackRock USD Institutional Digital Liquidity Fund, can now transfer their shares to receive USDC. Transfers will be possible on the secondary market via new smart contract functionality, allowing sellers of the shares to remain holders of digital dollars.
- Larry Fink, CEO of BlackRock, said last year that the tokenization of securities is "the next generation for markets."
- **10SQ VIEW:** The progress of BlackRock's digital strategy and the continuous financial and technological innovation from Circle are truly inspiring. Tokenization's advantages are clear, with its potential to streamline operations, reduce costs, and unlock illiquid assets. The gradual integration of stablecoins, particularly USDC, into traditional finance is a positive sign, indicating their growing importance in shaping new financial products.

[Link](#)

[1] Glassnode, The Fourth Halving [2] <https://www.gold.org/goldhub/data/gold-demand-by-country>, ARK Digital

KEY THEMES

Stripe Adds Back Crypto Payments For Merchants As Blockchain Technology Significantly Improved

- Stripe is bringing back crypto payments by allowing merchants using its platform to accept stablecoins, initially only on Solana, Ethereum and Polygon, for online transactions.
- The President of Stripe mentioned a lot of positive improvements the crypto space: "Crypto is finding real utility," J. Collison said. "With transaction speeds increasing and costs coming down, we're seeing crypto finally making sense as a means of exchange."
- Stripe launched its first efforts into cryptocurrency with tests on Bitcoin in 2014, and pulled its activity by 2018. In April 2022, the firm introduced a feature allowing businesses to pay users in crypto using the Polygon network.
- **10SQ VIEW:** One of the most robust real-life use cases of crypto is payments. Blockchains create a new global standard that removes the intermediaries involved in a transaction. Payments on blockchain via stablecoins can be extremely cheap, global, instantly settled, and user-friendly, like sending an email. The re-entry of Stripe into the crypto space is a significant development that will accelerate the adoption of stablecoins in payments, a trend that is shaping the future of finance.

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Ernst & Young Plans To Use The Polygon Blockchain For Business Contracts

- Ernst & Young's enterprise contract management service will let clients put contracts on a public blockchain while keeping business information private through zero-knowledge (ZK) circuits. The firm intends to move its OpsChain Contract Manager to Ethereum, although it currently runs on Polygon proof-of-stake (PoS).
- **10SQ VIEW:** This is a remarkable opportunity for thousands of EY's clients to adopt blockchain in business practice further. It's also great to see that the advantages of ZK technology in privacy are recognized, and it is used outside of the Web3 space. More large enterprises prefer public blockchains, like Ethereum, for building blockchain applications to private blockchains. Public blockchains offer more accessibility, innovation, security, transparency, and even privacy, while private blockchains provide more control.

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Hong Kong Approves First Spot Bitcoin And Ether ETFs

- On April 15th, Hong Kong approved several spot bitcoin ETFs and spot ether ETFs managed by China Asset Management, Harvest Global, Bosera and HashKey. No timeline was disclosed yet.
- The level of demand for the city's ETFs is unknown. The combined assets of three futures-based crypto ETFs is about \$170M, a fraction of equivalent U.S. offerings.
- **10SQ VIEW:** Hong Kong is vying with the likes of Singapore and Dubai to become a digital-asset hub after rolling out a dedicated regulatory regime last year. Aside from ETFs, Hong Kong is mulling a batch of applications to expand its roster of licensed digital-asset exchanges and working on a framework for stablecoins, which are usually pegged 1-1 to fiat currency and typically backed by reserves of cash and bonds.

[Link](#)

Sony Bank Conducts A Stablecoin Trial On The Polygon Blockchain

- Sony Bank, the banking arm of the Japanese conglomerate, has started a proof-of-concept to issue its stablecoin pegged to fiat currency.
- Sony Group has recently been actively expanding its Web3 development. Last month, its video game division filed a patent request to adopt NFTs, which would provide gaming users with more flexibility in utilizing in-game assets.
- **10SQ VIEW:** Payments on blockchain via stablecoins can be extremely cheap, instantly settled, and global. The growth of stablecoin adoption continues to be a key focus area for 10SQ. In addition to large enterprise projects, 10SQ is exploring new stablecoin startups.

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TenSquared (10SQ) is a growth equity firm focused on mid-stage **Inflection Point Investing** where Web3 and blockchain companies transform into future technology leaders

THE FOURTH HALVING HIGHLIGHTS BITCOIN'S PREDICTABLE MONETARY POLICY AND ROLE AS A SCARCE ASSET

The fourth Bitcoin halving took place on April 19th. Below, we summarize the main implications of this event for the Bitcoin network.

What is halving?

The halving is foundational to Bitcoin's economic promise of fixed supply. A block reward compensates miners for the computational energy and resources they spend to ensure the blockchain's operation and maintenance. Every 210,000 blocks, approximately every four years, Bitcoin's code reduces the block reward by 50%, lowering the supply growth and guaranteeing that the total number of bitcoins outstanding will never exceed 21 million.

- Increased issuance scarcity:** The halving reduced the annualized inflation rate of the Bitcoin supply from 1.7% to 0.85%^[1]. As a result, Bitcoin's inflation rate became lower than that of gold (~1.7% in 2023^[2]). The reduced issuance of new coins makes Bitcoin increasingly scarce, creating a sense of digital rarity. This key factor underpins Bitcoin's appeal and potential as a store of value.
- Reduced miner revenues:** The halving slashed miners' block reward from 6.25 BTC to 3.125 BTC while the sector's operational costs remained steady. Although historically, miners received most of their revenue from the block subsidy rather than transaction fees^[3], they will increasingly rely on transaction fees in the future (e.g., Ordinals and blockchain inscriptions). The halving is testing efficiency and sustainability of miners, as they have to adapt to lower revenues and optimize operations.
- Unshaken network security:** Mining hashrate is a key security metric. The more hashing (computing) power in the network, the greater its security and overall resistance to attack^[4]. Across halving periods, the growth rate in hashrate has slowed; however, the absolute hashrate per second has continued to expand, now – at 625 exahash per second^[5]. Despite a slight dip in hashrate following the current halving event, Bitcoin's network resilience remains uncompromised.
- Effect on BTC price:** Historically, BTC price showed strong momentum before halvings and even more significant growth in the following 365 days: BTC price appreciation ranged from ~270% to ~7,645%^[6]. However, the direct impact of the halving on BTC price has faded over time. The diminished daily supply of bitcoins represents only 0.6%^[6] of daily crypto exchange trading volume, and does not significantly affect the price today. This time, the demand factors, mainly related to spot ETFs, are likely to prevail over the supply-side aspects in affecting the BTC price post-halving.
- Halving events demonstrate Bitcoin's transparent, predictable, and deflationary monetary policy and reinforce its fundamental value proposition, which includes its open peer-to-peer network, competitive mining sector, and decentralized network of nodes.**

[1] Glassnode, The Fourth Halving

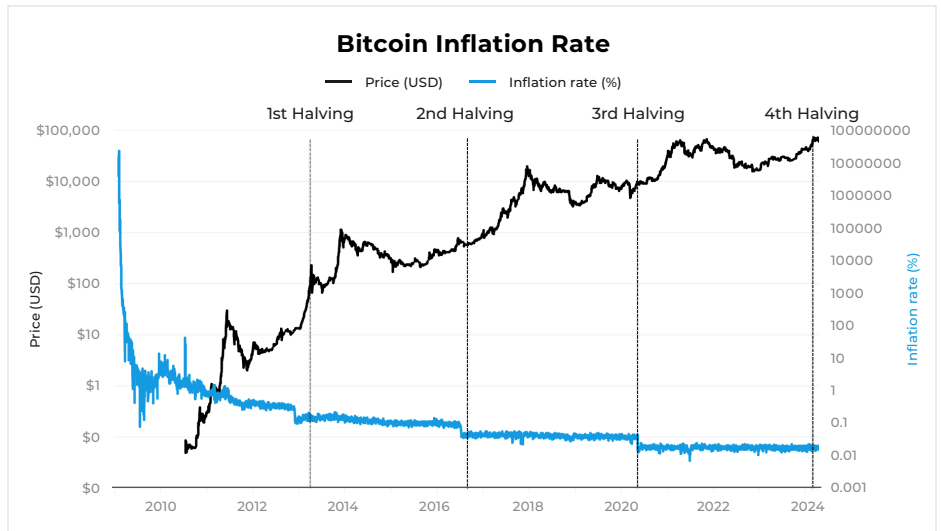
[2] www.gold.org/goldhub/data/gold-demand-by-country, ARK Digital

[3] NYDIG, Since its inception, the block subsidy has made up 98.5% of miner revenue, with only 1.5% coming from transaction fees. In March, transaction fees comprised around 5% of miner revenue.

[4] Investopedia

[5] https://www.blockchain.com/explorer/charts/hash-rate

[6] Glassnode, The Fourth Halving



	Period 1	Period 2	Period 3	Period 4
Bitcoin Issuance	50BTC per block	25BTC per block	12.5BTC per block	6.25BTC per block
Cumulative USD Miner Fee Revenue	\$81K	\$11.4M	\$1.03B	\$2.63B
Growth, %	127M%	13,900%	8,900%	251%
Settlement Volume On The Bitcoin Network	\$10.8Bn	\$699Bn	\$12.3T	\$106.8T
Growth, %	106.6M%	6,462%	1.725%	822%
BTC Price Performance 365 Days After Halving		7,645%	292%	266%

Source: Glassnode

10SQ TAKEAWAYS FROM PARIS BLOCKCHAIN WEEK

- Corporate adoption of Web3 was prominent during the Paris Blockchain Week conference. There was a dedicated corporate program exploring how traditional industries and enterprises are adopting and leveraging Web3 technologies like blockchain.
- The conference covered cutting-edge topics at the intersection of blockchain, AI, identity, finance, and the latest industry developments through insightful keynotes, content sessions, and a hackathon.
- Many of the 10K participants also found the conference a convenient European check-in on their way to the Token 2049 conference in Dubai happening the following week.

Key narratives discussed:

<i>European Crypto Regulation</i>	<ul style="list-style-type: none"> ▪ The European regulatory landscape under the Markets in Crypto Assets (MiCA) regulation and an emerging normalization of key topics such as self-hosted wallets have made company building locally more attractive compared to the US, where clarity remains elusive. ▪ Stablecoins were a central focus area, with new rules coming into effect via MiCA and the revised Transfer of Funds Regulation implementing the "travel rule" for crypto transfers. The local regulators will scrutinize stablecoin reserves, consumer protection, and financial crime risks. Jeremy Allaire of Circle spoke on challenges, and the Stellar Foundation made a compelling argument for open and more accessible banking via stablecoins. ▪ National regulators like the Dutch AFM will handle licensing processes for crypto asset service providers under MiCA, assessing areas like governance, risk management, and compliance.
<i>French Blockchain Ecosystem</i>	<ul style="list-style-type: none"> ▪ The French/Paris blockchain ecosystem is strong, with marquee projects such as DFNS, Ariane, and Morpho and larger, more established companies like Ledger playing a stewardship role while financial players like BPI France, Cathay, and Frst providing funding support and founder resources.

10SQ TAKEAWAYS FROM NFT.NYC

- NFT.NYC returned as the largest NFT focused North American conference for 2024. With NFT trading volumes and price floors still down from previous all-time highs, the conference was not as large as it has been in the past. However, there were still interesting side events and technological developments being made. Most importantly, the absence of mania and froth allowed many founders to focus their companies on real-world deployments and activations.

Key narratives discussed:

<i>Generative AI Building The Metaverse & Improving Games</i>	<ul style="list-style-type: none"> ▪ One area where 10SQ believes there to be strong synergies between AI and blockchain is the application of generative AI in building metaverse experiences and games. ▪ Traditionally, designing and building the visuals of a metaverse was one of the most time-consuming and costly aspects for a metaverse company. Additionally, there was a limited talent pool of people capable of creating elements for the metaverse. ▪ With generative AI, anyone can prompt and create pieces of a metaverse. The technology enables further creativity and reduces the cost of deploying a metaverse.
<i>Brands Continue To Experiment With NFTs</i>	<ul style="list-style-type: none"> ▪ A continuing theme in 2024 is the focus on how F500 brands can use NFTs to give their customers additional utility. ▪ Examples of this include 10SQ's most recent investment, Superlogic, which provides B2B software, and Stepn, a Move-To-Earn NFT project, which announced a partnership with Adidas. The Adidas partnership will include both NFT shoes and physical wearables.

WHY WE INVESTED IN SUPERLOGIC?

We are excited to announce TenSquared Capital's participation in Superlogic's \$7.6M strategic funding round together with Amex Ventures, Sangha Capital, Nima Capital, Actai Unicorn Fund, Chainlink Capital, among others. This strategic investment marks a pivotal step in redefining enterprise loyalty programs with cutting-edge blockchain and AI technology.

- Customer loyalty programs are becoming increasingly important to revenue growth and sustainability:

- Customers are **84%**^[1] more likely to shop with a retailer that offers a loyalty program.
- Customers who actively use and redeem points from a loyalty program spend **15-25%**^[2] more annually than other customers.
- Cost of retaining an existing customer is **5x+**^[3] less than acquiring a new customer.
- Brands are willing to pay: the 2024 market size of loyalty management software is over **\$10Bn**^[4].



Forbes

Superlogic Secures \$7.6M Funding To Propel Next-Gen Loyalty Solutions

April 18, 2024

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- Current loyalty programs mostly rely on a simple points system and lack customer buy-in with an average engagement rate of under **50%**^[5]. **Superlogic** uses blockchain technology to unlock a new set of value propositions for customer loyalty and engagement:
 - By issuing points and digital collectibles as NFTs, customers become true owners of their assets within a loyalty program. The endowment effect suggests that the very act of ownership will cause customers to place more value on these points simply through ownership.
 - Loyalty program built using interoperable blockchain technology can facilitate the “interaction” of different brands, creating unique partnerships and cross-selling opportunities. Consumers place a high value on these collaborations with **71%**^[6] of consumers having a positive outlook on co-branding.
 - Brands can also track their customers' purchase history across e-commerce and brick and motor purchases using Superlogic's solution. This data can be used to improve operations and new product offerings. Customers have shown an eagerness for brands to offer more personalized goods and services based on their purchase history^[7].
- Superlogic** is building a next generation software suite providing loyalty and connected commerce solutions for its enterprise clients, including American Express and Warner Music Group.
- Superlogic's** software suite can integrate directly with a client's existing technology stack to utilize blockchain technology and gamification to re-imagine and upgrade the client's loyalty program.
- Superlogic's user-friendly loyalty solution will enable millions of people to own and utilize an NFT for the first time in their day-to-day purchases. TenSquared Capital is excited to partner with Superlogic to scale and accelerate its business.**

Sources:

[1] Nielsen

[2] McKinsey

[3] HBR

[4] Average statistic from Fortune Business Insight, Mordor Intelligence, Grand View Research and Report Linker

[5] BCG

[6] Visual Objects

[7] PWC

Upcoming Events

- May 1** - FOMC interest rate decision
- May 15** - April CPI reading
- May 23** - SEC response deadline for spot ETH ETFs

Opportunities to connect with the 10SQ team - [book a meeting in Calendly](#)

- May 2** - [Chris Cheung](#) is at [AIMA Digital Asset Conference](#) in New York
- May 9** - [George Dawson](#) speaks at [LPGP Connect](#) in Miami
- May 8-9** - [Stan Miroshnik](#) speaks at [FT Crypto and Digital Assets Summit](#) in London
- May 20-21** - [Stan Miroshnik](#) and [Ruby Hsu](#) are at [SALT iConnections](#) in New York
- May 29-31** - [Polina Bermisheva](#) speaks at [Consensus](#), joined by [Stan Miroshnik](#), in Austin



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