

The American Crypto Renaissance: Regulatory, Fiscal, Monetary, and Global Catalysts Align

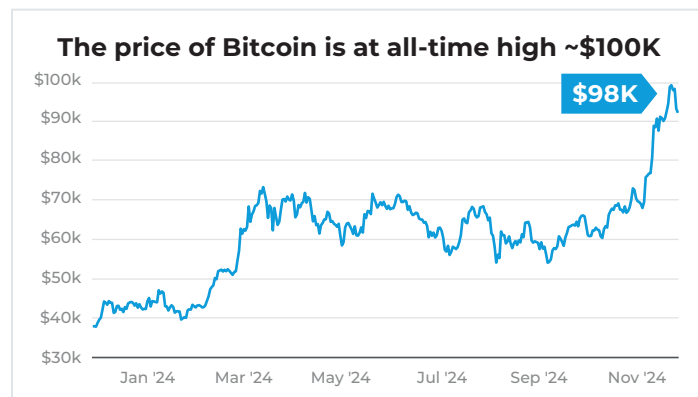
Monthly Insights

November 27, 2024

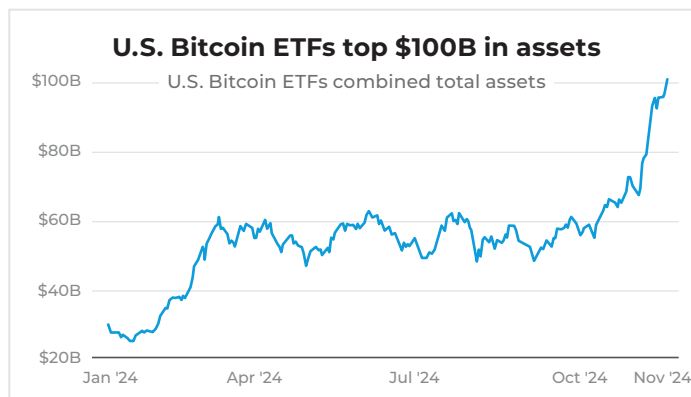
- The result of the U.S. elections brings the opportunity for unprecedented growth for the U.S. and global crypto industry. A complete digital asset regulatory reboot in 2025 will greatly benefit the crypto ecosystem.
- Crypto is levered to the Trump trade, and crypto markets have experienced an unprecedented rally in the weeks after the election.
- Crypto ETFs and corporate treasuries are welcoming tradfi crowds in many new ways. Options on crypto ETFs, launched this month, became an important step in mainstreaming cryptocurrency investments.
- The age of stablecoin: Stripe's acquisition of Bridge points to the reality that new payment rails are going to disrupt the existing payment infrastructure.
- Told you so! The 10SQ 2024 industry predictions played out as we expected (mostly); stay tuned for 2025!
- Asia in December: Stan Miroshnik and Christopher Cheung will visit Hong Kong, Tokyo, and Beijing in the first two weeks of December. We look forward to connecting in person.

THE POST-ELECTION CRYPTO EVERYTHING RALLY

- The result of the U.S. elections presents the opportunity for regulatory clarity and unprecedented growth for the U.S. crypto industry.
- Trump's "plan to ensure that the United States will be the crypto capital of the planet," as well as promises to bring regulatory clarity and a rollback of stringent policies that have created barriers for cryptocurrency companies in recent years, have brought renewed optimism to the digital assets market. The impending departure of anti-crypto SEC chair Gary Gensler further supported this market sentiment. Other key catalysts are the potential for a Strategic National Bitcoin Reserve, the appointment of pro-crypto leaders at the Treasury and Commerce Departments, at the SEC, the CFTC, a change in the Senate Banking Committee, and an appointment of an executive "crypto czar."
- These implicit and explicit regulatory "blessings" will finally force large institutions to buy vs. build and take strategic positions in the space fostering an M&A boom.
- **Crypto appreciation:** As of today, BTC is teetering at just under its all-time high of almost \$100,000 (+ 45% from Nov 4th) and SOL at \$253 (+61% from Nov 4th). The total AUM for spot BTC ETFs topped \$100B, and the total AUM for ETH ETFs surpassed \$9B, representing some of the most successful ETF launches of all time across all asset classes.
- For the first time, the **reputational risk of NOT being in crypto** has outweighed the reputational risk of being IN crypto. Regulatory de-risking is what institutional investors have been waiting for. Read the summary of anticipated regulatory changes on page 3.



Source: Coingecko as of November 24th, 2024



Source: Bloomberg

TenSquared ("10SQ") is a venture capital firm investing in innovation in the blockchain and Web3 sector

THE POST-ELECTION CRYPTO EVERYTHING RALLY

- Increased M&A activity and revival of IPO plans:** The anticipated financial deregulation and more crypto-friendly leadership of regulatory agencies will provide air cover to institutions previously cautious of wading into the space despite compelling strategic rationale. This will drive M&A and accelerate IPOs. Investment bankers focused on digital assets expect CEOs to use takeovers to speed up expansion plans in the second Trump presidency. In Q4'24, we are already seeing a spike in crypto M&A with 39 announced deals, including the largest crypto M&A in history, a \$1.1B acquisition of Bridge by Stripe (see our note on this deal on page 6).

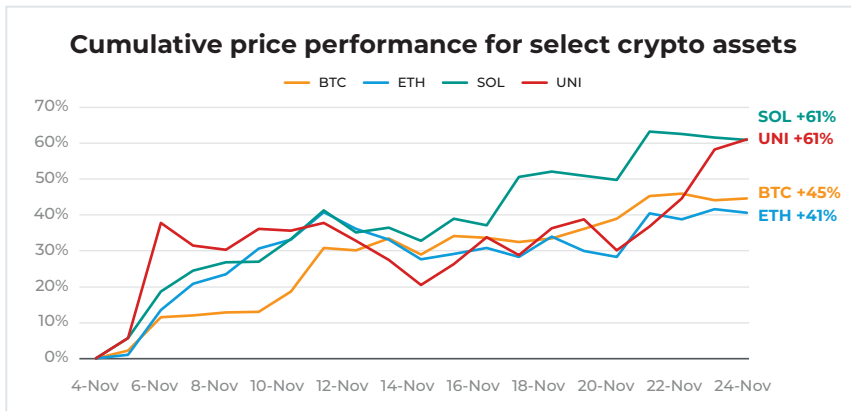
Removing the regulatory risk will make it easier for crypto companies to go public. A solid list of crypto companies considering going public next year; many companies have meaningful volumes and built platforms that generate revenue across multiple products. See our note on the Coincheck SPAC on page 4.

IPO Candidate Class of 2025-2026

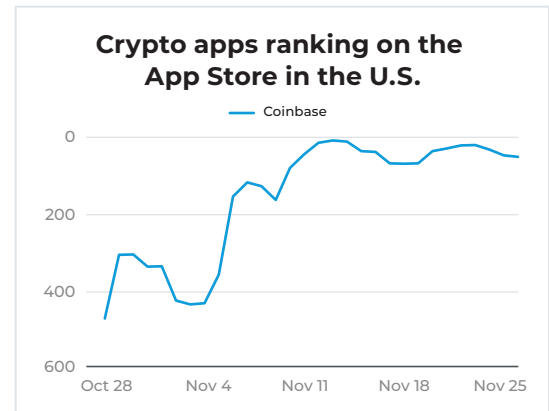
Company	Year founded	Last round valuation, \$M	Valuation Date	Est. revenue '24, \$M	S-1 / Other filed	Publicly commented on IPO plans
CIRCLE	2013	\$7,700	Apr 2022	\$1Bn+	✓	✓
FIGURE	2018	\$3,200	Sep 2021	\$500M+	✓	✓
eToro	2007	\$3,500	Mar 2023	\$500M+	✓	✓
kraken	2011	N/A	N/A	\$1Bn+		✓
Blockchain.com	2011	\$5,000	Nov 2022	\$500M+		✓
animoca BRANDS	2014	\$5,900	Sep 2022	\$500M+		✓
ripple	2012	\$10,000	Oct 2020	\$100M+		✓
Chainalysis	2014	\$8,600	Apr 2022	\$100M+		
Fireblocks	2018	\$8,000	Jan 2022	\$100M+		

Source: 10Q analysis, company press releases

- Stablecoins - the main beneficiary of the rally:** The total supply of stablecoins jumped substantially in the wake of the election, up \$20B. This is indicative of **new money coming in** to purchase digital assets, such as Bitcoin. Following the election, the top five finance apps on the iOS store — Coinbase, Robinhood, Cash App, PayPal, and Crypto.com — all offer crypto and stablecoin products. The use of stablecoins extends far beyond crypto trading. Stablecoins have become a core part of Web3. Stablecoin issuers own more U.S. Treasuries than South Korea and Germany and have become an important buyer of U.S. Government debt. Stablecoin legislation is expected to be on President-elect Donald Trump's desk in 2025.
- Corporate treasuries embracing Bitcoin:** Over the past few weeks there has been an acceleration of announcements from companies adding Bitcoin to their corporate treasuries. Over 60 public and thousands of private companies now have a Bitcoin treasury strategy, according to River Financial. Many of Bitcoin's properties, such as a programmatically finite supply and verifiable scarcity on a public blockchain, make it an attractive store of value. This critical portfolio segment could be a valuable hedge against growing fiscal deficits, currency debasement, and geopolitical risks.
- Rebound of decentralized finance:** Tokens associated with Decentralized Finance (DeFi) have outperformed most other categories after the election, according to CoinGecko. UNI, the native token of Uniswap decentralized exchange, one of the main beneficiaries of regulatory unlock in the U.S., climbed over 60% after the election. The SEC and CFTC will likely withdraw or settle many of their ongoing lawsuits and investigations against crypto industry participants, and particularly against such DeFi companies, as Uniswap and Metamask.



Source: Coingecko for November 4th to 24th, 2024



Source: SensorTower, theBlock as of November 24th

- The crypto community, which spent heavily in this election cycle, expect the new administration to deliver a wholesale reboot from the new administration, including greater clarity, more reasoned enforcement, and a balanced regulatory posture at the agency level. Regulatory clarity will open the floodgates for institutional adoption of cryptocurrencies. Corporations can use blockchain within their operations without fear of regulatory backlash, and institutions can invest in digital assets knowing there are safe-harbors and frameworks in place to protect their investment. Below is a summary of the most anticipated regulatory changes:

1. Crypto-friendly Leadership Of Regulatory Agencies

- The leadership of the major government agencies, such as the SEC, CFTC, OCC, FDIC, and Treasury, are expected to be pro-crypto. The new administration has already appointed leaders who view digital assets as economic growth and innovation opportunities, and will continue to do so.
- The SEC Chair, Gary Gensler, will step down on January 20, 2025. New SEC leadership is expected to ease restrictions on crypto assets by prioritizing the development of a clear framework to facilitate mainstream adoption and by moderating rules of engagement for enforcement.
- Similarly, the OCC and FDIC may allow banks to engage with crypto services more freely, such as digital custody.
- Federal Reserve Chair Jerome Powell is unlikely to [change](#), though he has expressed openness to some digital currency initiatives and the Fed does not have a primary policing role.
- Pro-crypto Cantor Fitzgerald's CEO, Howard Lutnick, has already been nominated as the next Secretary of Commerce.
- One change to keep in mind is Crypto Presidential Advisory Council. This group will be put together and tasked with designing transparent regulatory guidance for the industry within the first 100 days of the new administration.
- Lastly, there is the **Elon factor**. He, Peter Thiel, and the other “grey cardinals” in the election are pro-crypto investors.

2. Revision Of Crypto Legislation

A Republican-controlled Congress may revise the proposed **Financial Innovation and Technology for the 21st Century Act (FIT21)** and **Stablecoin Legislation**. The FIT21 Act, that defines the roles of the CFTC and the SEC and clarifies when digital assets should be classified as commodities or securities based on decentralization criteria, and Stablecoin Legislation, designed to establish clear standards for stablecoin issuance and backing, have been hotly debated topics.

There are also rumours that the upcoming administration may grant the CFTC the ability to regulate crypto exchanges and spot markets dealing with digital assets deemed commodities, such as Bitcoin and Ether.

With Donald Trump's endorsement of the concept, **the Bitcoin Act** stands a greater chance of gaining approval. Bitcoin Act proposes the creation of a strategic Bitcoin reserve in the United States, allowing the federal government to hold Bitcoin as a hedge against potential economic instability.

3. Revision Of Other Crypto Regulation

This shift could allow banks to integrate blockchain technology more directly into their services, enhancing their role in the evolving digital economy. With Republicans in control, we can expect that **Staff Accounting Bulletin 121 (SAB 121)**, which has significantly impacted banks' ability to engage with crypto assets by requiring them to recognize customer-held digital assets on their balance sheets, may be repealed under the new administration.

Federal Reserve's SR 22-6/CA 22-6 letters, which effectively limited covered banks' ability to engage in digital activities, are expected to be revised, enabling banks to take on more Web3 firms as clients.

4. Turning Down The Heat In The Courts

Multiple lawsuits against crypto companies like Ripple Labs, Coinbase, Binance, Kraken, and Cumberland were driven by the SEC's aggressive stance on treating numerous crypto assets as unregistered securities. A new leadership of the SEC may seek settlements with these companies, allowing them to operate within a clarified regulatory framework or, in some cases, drop certain lawsuits entirely, especially if they are viewed as not serving the best public interest.

DeFi And Web3 Applications. Similarly, the SEC may refrain from following through on Wells notices issued to entities such as Uniswap, Consensys, Immutable, Crypto.com, and Robinhood. These notices were early warnings that the SEC might file lawsuits alleging securities violations.

Staking Services. Multiple courts are examining the treatment of staking services in the context of securities regulations. While some crypto services providers have settled on this issue with the SEC, Coinbase continues its fight with the SEC.

Options Trading Debuts For Multiple Bitcoin ETFs

- Last week, options on spot Bitcoin ETFs launched on major U.S. exchanges.
- Options on BlackRock's IBIT ETF had a blockbuster debut, with massive volume and 353,716 contracts traded on the first day, according to Galaxy Digital. The firm noted that the previous most active debut of options trading was when Facebook options went live and 360,000 contracts changed hands.
- **10SQ VIEW:** While many crypto options products already exist in the market, they are unregulated and mostly offshore, preventing some institutions from trading them due to compliance requirements. The approval of options on crypto ETFs allows more institutional investors to utilize such instruments to execute different strategies. This is a big deal.

[Link](#)

Solana ETF Regulatory Filings Surge

- Bitwise, VanEck, 21Shares, and Canary Capital have submitted S-1 registration statements to list spot Solana ETFs in the U.S. ETFs will be listed on the Chicago Board Options BZX Exchange if approved.
- **10SQ VIEW:** These filings underscore growing confidence in the SEC's openness to reconsider prior guidance and Solana's expanding mindshare and awareness among traditional investors.

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First UK Pension Fund Invests in Bitcoin

- British pension specialist Cartwright has guided the country's first pension fund in allocating money to Bitcoin. The unnamed fund invested 3% of its total assets directly into the coin (instead of a spot ETF).
- Cartwright is also launching a Bitcoin Employee Benefits scheme, allowing employers to pay Bitcoin directly into staff wallets.
- **10SQ VIEW:** With Bitcoin, more than with any other asset, buying leads to more scarcity and competition to buy. Over the past few weeks, we have seen an acceleration in announcements from funds and companies adding BTC to their portfolios and corporate treasuries.

[Link](#)

Microstrategy Effect: Buying In Bulk And The Infinite Money Glitch

- Microstrategy has continued to use its "infinite money glitch" strategy to buy billions more in Bitcoin. By borrowing in fiat and issuing equity, the company is trading soft money for hard money and further creating scarcity in Bitcoin driving the price of the commodity. As long as the price goes up and the debt either converts or does not inconveniently mature. The strategy allows for aggressive buying.
- MSTR trades at a massive 250%+ premium to the underlying bitcoin given this ability to fund further purchases with a low cost of capital.
- **10SQ VIEW:** By creating several proxy instruments through its stock and its debt, the company is allowing backdoor btc ownership by many constituents that cannot hold the coin directly, including insurance companies. All are welcome.

[Link](#)

Microsoft To Discuss 'Assessment In Investing In Bitcoin' At December Shareholder Meeting

- Microsoft placed an "assessment in investing in Bitcoin" on the voting ballot ahead of its 2024 annual shareholder meeting in early December.
- The company notes the board of directors recommends voting against the proposal, in a filing with the SEC.
- MicroStrategy Chairman Michael Saylor will present a case for Bitcoin investment to the board of directors at Microsoft.
- **10SQ VIEW:** As of its Q2'24 financial report, Microsoft held \$76B in [cash](#) and equivalents. If shareholders pushed the company to allocate even 1% of that to Bitcoin, it would represent a massive \$760M investment.

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Sam Altman-backed Worldcoin Launches Mainnet Blockchain Following A Rebrand

- Worldcoin recently made several significant product announcements, including a new Orb (biometric device), new ways to verify real users, updates to the World ID, mini apps, and the World Chain mainnet launch. The project was also rebranded as World Network or World for short.
- 10SQ VIEW:** Worldcoin is one of the most ambitious and controversial crypto projects. It is developing identity solutions to solve the major issues of AI, such as the proliferation of bots and deepfakes. The latest announcements demonstrate excellent execution by the management team and the focus to make World serve as an authentication layer. As of November, World has onboarded 7.5 million unique users from over 166 countries.

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Stripe Acquires Stablecoin Startup Bridge In A \$1.1B Transaction

- The \$1.1B acquisition of the stablecoin API firm Bridge by the payments giant Stripe became Stripe's largest and the largest acquisition in the crypto industry's history.
- 10SQ VIEW:** The deal validates the usage and growth of stablecoins as a legitimate use case for public blockchains and shows momentum for a new global payments rail. The transaction also marks a much-needed win for VCs in the crypto space.

[Link](#)

SEC Approves Coincheck De-SPAC As The First Japanese Crypto Exchange On Nasdaq

- Coincheck, a cryptocurrency exchange headquartered in Tokyo and a subsidiary of Monex Group, is expected to become the first Japanese crypto exchange to list on the Nasdaq Global Market as early as December 10th via a De-SPAC process.
- After nearly two and a half years, the SEC approved the exchange's application to list on the Nasdaq.
- The listing will occur through a merger with a special acquisition purpose company (SPAC), enabling Coincheck to remain a consolidated subsidiary of Monex Group after the listing.
- 10SQ VIEW:** The transaction highlights Monex Group's position as a leading crypto adoption and innovation pioneer. The planned Nasdaq listing would be a significant development for Japan and the US, as it could deepen global market integration and inspire other international crypto firms to pursue listings in the US.

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Singapore's DBS Introduces 'Token Services' And Enables Blockchain-based Banking

- DBS Bank, the largest bank in Singapore by assets, has rolled out a suite of new services, "DBS Token Services," for institutional clients. The latest banking products integrated tokenization and smart contract-enabled capabilities with the bank's existing banking services.
- 10SQ VIEW:** The combination of regulatory clarity, crypto adoption by merchants, and openness for innovation from major financial institutions promote Singapore as a major hub for digital assets, which could eventually attract more global businesses and investors.

[Link](#)

Circle And Hong Kong Telecom Provider HKT To Collaborate On Blockchain-based Customer Loyalty Solution

- Circle has signed a Memorandum of Understanding with HKT, a major telecommunications service provider in Hong Kong, to explore potential collaborations using blockchain technology to develop a customer loyalty solution for merchants in the region.
- 10SQ VIEW:** More and more brands are innovating around blockchain-based loyalty solutions as blockchain technology unlocks new exciting value propositions for customer loyalty and engagement. Such solutions offer a robust, secure, and cost-efficient platform for brands to give their users rewards. 10SQ portfolio company Superlogic is one of the leaders in blockchain-based loyalty solutions.

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STABLECOINS ARE MAINSTREAM: STRIPE'S \$1.1B ACQUISITION OF BRIDGE

- The recently announced \$1.1B acquisition of the stablecoin API firm Bridge by the payments giant Stripe (\$70B latest valuation) became Stripe's largest acquisition and the largest acquisition in the crypto industry's history. Bridge had raised \$58M from investors like Index Ventures and Sequoia Capital and was valued at \$350M⁽¹⁾ in its last round this August. Industry sources estimate the price/revenue multiple for the deal at **70-110x**, with a deal structure likely involving a high equity financing component. **The deal validates the usage and growth of stablecoins in building a new set of global payments rail. The transaction also marks a much-needed win for VCs in the crypto space.**

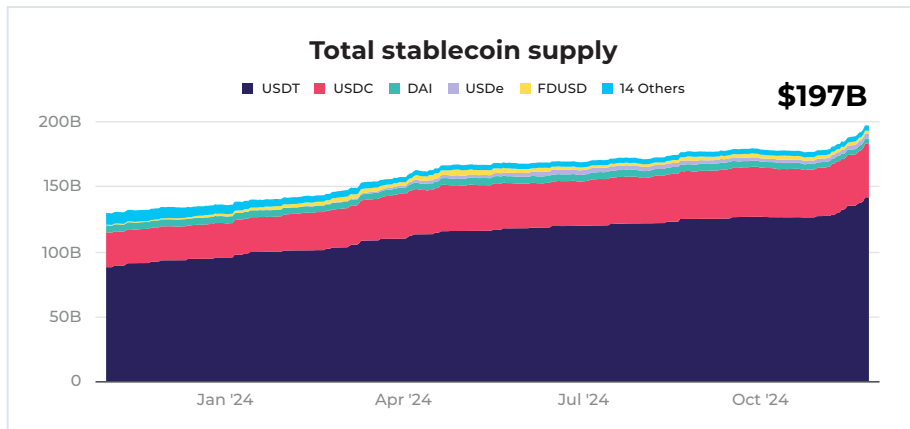


- Bridge describes itself as the “Stripe of crypto” by making it easier for businesses to accept stablecoin payments without having to deal in digital tokens directly. The company has an experienced team (the founders led product management at Airbnb/Brex/Coinbase/Block), product-market fit, strong traction, massive client pipeline, and necessary licenses. In the last two years, Bridge built APIs for orchestration (on/off-ramps) and issuance (mint stablecoins and invest the reserves). Bridge facilitated over \$5B⁽²⁾ in volume across clients, such as stablecoin fintech apps, on/off-ramps, crypto cards, and treasury operations of global corporations.



- Stripe's current business model is predominantly a payment gateway; the company must rely on networks like Visa/Mastercard, banks, and other local partners. The integration of stablecoin infrastructure allows Stripe to cut out most of the middlemen. If Stripe adopts stablecoins for online payments, its economics & cost structure would be transformed. Strategically, the acquisition of Bridge helps Stripe to grow faster, expand globally, not depend on localized payment systems (e.g., in Asia and LATAM markets), and compete with crypto-friendly giants like Revolut and PayPal. Moreover, winning the B2B payments market, which is currently controlled by banks and other intermediaries, could be an even bigger success. Stripe reinstated crypto payments for U.S. businesses via USDC on Ethereum, Solana, and Polygon in October and launched both crypto payouts/payins in April.

- **Stablecoins offer the cheapest cross-border payment rails. With a \$197B⁽³⁾ market as of November, stablecoins have become the most dominant application of crypto technology. Stablecoins have found product market fit, generating more than \$5.1T worth of global transactions in 1H'24, comparable to Visa's \$6.5T over the same period. They are now the 18th largest holder of US Treasuries alongside large sovereigns, according to Bitwise.**
- **Stripe going all-in on blockchains is an important signal for other fintechs. Existing fintech companies have increasingly started integrating stablecoin rails while new startups build on stablecoin infrastructure from scratch. For fintechs, stablecoin-based finance presents a massive and faster-growing market than what traditional digital payments offer.**



Sources: The Block, Coin Metrics, DefiLlama

Patrick Collison @patrickc

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Stablecoins are room-temperature superconductors for financial services. Thanks to stablecoins, businesses around the world will benefit from significant speed, coverage, and cost improvements in the coming years. Stripe is going to build the world's best stablecoin infrastructure, and, to that end, we are delighted to welcome @stablecoin to @stripe.

Zach @zcabrams · Oct 21

Bridge is joining forces with Stripe!

I'm incredibly excited

We started 2.5 years ago and we've done a lot since then :) We're ...

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Stablecoin infrastructure and crypto payments remain among the main focus areas for the 10SQ team within our New Money bucket. We always look for innovative startups with solid management teams, product-market fit, and attractive unit economics.

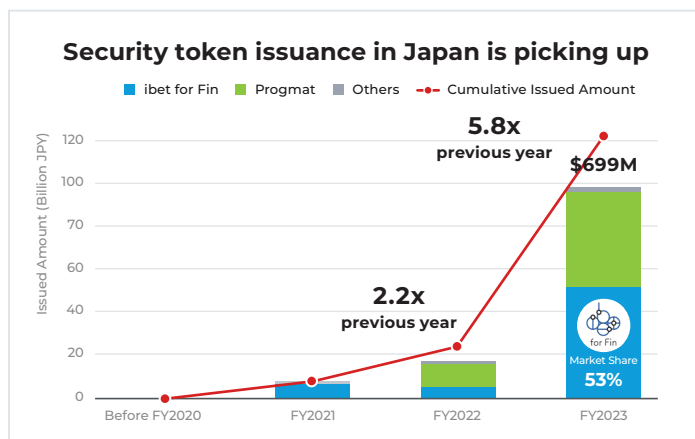
1) <https://www.cnn.com/2024/10/23/stripes-1point1-billion-deal-for-bridge-marks-much-needed-win-for-vc.html>
 2) <https://x.com/yashhsm/status/1848711544093216954>
 3) theBlock

LOOKING BEYOND THE HORIZON: TEN SURPRISES FOR CRYPTO IN 2024

- Last December, we shared some thoughts on what 2024 may bring with ten predictions that we thought are more likely to happen than the average investor would think. The year delivered more than we could have imagined, and seven out of ten predictions ended up playing out the way we anticipated:
 - Yield generating tokenized funds launched by Blackrock,
 - FTX & Celsius creditors are seeing their recoveries increase,
 - The battle royale game "Off-The-Grid" occupied the top spot in the Epic Games store,
 - Household brands are using loyalty programs powered by the blockchain,
 - JP Morgan's blockchain settles over \$2B in daily transactions,
 - Polymarket predicted a Trump victory with significantly higher odds than traditional polling, and
 - A wave of new Blockchain x AI startups launched.
- Keep an eye out for our 2025 predictions, where we will be even bolder.

TOKENIZATION FINALLY FINDING PRODUCT-MARKET FIT, WITH JAPAN LEADING THE WAY

- The tokenization of Real-World Assets (RWA) into the blockchain ecosystem represents one of the most promising and transformative trends in the crypto industry, and the real estate industry has recognized the benefits of this product and structure since at least 2017. This transformation is expected to create a market worth up to **\$1.5 - \$3.2 trillion of tokenized real estate by 2030**.
- In recent years, the industry has seen a surge of innovation, with multiple startups offering blockchain-based solutions for real estate tokenization and traditional financial players launching proof-of-concept projects.
- At 10SQ we are actively looking for RWA tokenization startups with resilient unit economics that promises to lead to revenue streams. These companies will have some form of unique advantage or innovation in their technology, customer acquisition, analytics, insights, or distribution.**
- Japan has become a global leader in tokenizing real estate, with a remarkable growth in issuances over the last three years. The country sets the benchmark for clarity of crypto regulation, securitization infrastructure, distribution, and ecosystem development.



Note: STOs are represented by 85% real estate beneficiary certificate issuance trusts, and 13% corporate bonds. Source: Boostry.co.jp

Upcoming Events

- December 5 - 6** - Christopher Cheung will be in Hong Kong
- December 8 - 13** - Christopher Cheung and Stan Miroshnik will be in Tokyo
- December 16 - 20** - Christopher Cheung will be in Beijing

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



IMPORTANT DISCLOSURES

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