



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

25th August 2024

BITCOIN-RELATED



NYDIG: Bitcoin rallied 5.7% this week, again piercing the \$60K level. Dovish Fed meeting minutes and growing expectations for rate cuts provided a supportive backdrop for Bitcoin, as well as stocks, bonds, and gold.

94% of Bitcoin's total supply cap of 21 million has now been mined through its predictable issuance schedule.

Collapsed Bitcoin exchange Mt. Gox exchange made its first major Bitcoin transaction in weeks, shifting over \$700 million worth of BTC to unknown wallets. According to Arkham Intelligence, Mt. Gox moved 12,000 BTC worth \$709 million to one address and 1,265 BTC worth \$75 million to another on August 21. The recipient addresses are unknown, sparking speculation that Mt. Gox could distribute more coins to creditors from its remaining Bitcoin hoard. Mt. Gox still owes billions to depositors affected by its massive 2014 hack

Metaplanet, a publicly listed Japanese investment firm, purchased another ~\$3.7 million) of Bitcoin on August 19, bringing its total holdings to 360 BTC acquired for \$25.6 million.

Swiss digital asset banking group Sygnum Bank issued the industry's first syndicated Bitcoin-backed \$50 million loan to Ledn, a leading digital lending platform.

Speaking at the Wyoming Blockchain Symposium on August 21, Franklin Templeton CEO Jenny Johnson said traditional finance is underestimating the size of Bitcoin. She referenced Bitcoin's transaction volume, which was twice as high as that of Mastercard and Visa combined in 2023. She added that 30% of her day-to-day work is spent looking at disruptive technology. This includes digital assets, which Johnson believes is one of two big trends that she didn't want to miss. (The other is artificial intelligence.)

Crypto traders speculating on how the impending US elections might affect the digital assets industry have locked millions in Bitcoin options tied to the event. The so-called election expiry options, due for settlement four days after the November 4 elections, began trading on Deribit a month ago. The notional open interest or the dollar value of the number of active options contracts was \$346 million, as of this past week, according to Amberdata.

Multisig Bitcoin vault maker Theya announced it will enable US users to purchase Bitcoin through their app and have it sent directly to self-custody via hardware wallets like Ledger, Trezor, Foundation, and ColdCard – or through its multisig vaults.

MakerDAO voted to stop borrowing against Wrapped Bitcoin (WBTC) and reduce its WBTC vault debt ceilings to zero, following concerns over the asset's custodian, Bitgo, transferring control to a joint venture involving Justin Sun.

INDUSTRY ADVANCES



State Street, the global custody bank with \$44.3 trillion in assets, chose cryptocurrency custody and tokenization specialist Taurus to provide digital assets services in anticipation of a more congenial regulatory climate in the US. The bank's initial focus is to go live with tokenized versions of traditional assets.

Franklin Templeton announced its tokenized money market fund, FOBXX, is now available on the Avalanche blockchain. The asset manager first launched the fund on the Stellar blockchain more than three years ago with AUM currently at \$402 million.

Base, a Layer-2 network on Ethereum developed under Coinbase, is launching Basenames – subnames created through the Ethereum Name Service infrastructure, enabling users to convert their complex hexadecimal addresses into human-readable names.

Crypto exchange Bybit introduced the Bybit P2P Shield to enhance security and restore confidence in peer-to-peer cryptocurrency trading.

BET, Drift Protocol's new Solana-based prediction market, launched. It's the first capital-efficient market on Solana. It supports 30+ assets, including yield-bearing tokens like PyUSD and liquid-staked SOL, allowing users to earn interest on their positions. It also introduces “structured bets” which can hedge multiple long and short positions together.

AlphaPoint, a leading provider of digital asset infrastructure of exchanges, brokerages, payment networks, and banking, was named on the 2024 Inc. 5000, the magazine's annual list of the fastest-growing private companies in America.

Crypto infrastructure startup Conduit announced the launch a marketplace platform aimed at helping rollup teams increase scalability. Its new Conduit Marketplace will offer rollup teams a place where they can “find, buy, and deploy best-in-class integrations for anything their chain needs.”

A network of affiliated church groups called the Colorado House of Prayer tokenized its main chapel in an effort to purchase the \$2.5-million building. The pastor heading the project, Blake Bush, said he was compelled by a higher power to use blockchain technology as a tool for advancing the group's mission.

BitMobile South Africa, an innovator in mobile technology, and The Device Store, a retail chain in Zambia for mobile devices, will bring the Phēnix X blockchain phone to customers nationwide. It will mark a significant milestone in mobile technology distribution in Zambia.

Nigeria added blockchain to inter-bank settlement process – as Zone Payment Network, a regulated blockchain network in Nigeria and the Nigeria Inter-Bank Settlement System are teaming up to improve POS payment processes by integrating blockchain technology.

Sony, the Japanese electronics giant famous for developing the Betamax and Walkman in the 1970s, is now starting its own blockchain. It unveiled Soneium, an Ethereum Layer-2 blockchain developed with Startale Labs, aimed at enhancing scalability and user experience for mainstream adoption across entertainment, gaming, and finance sectors.

Jackson College announced that it received an Advanced Technological Education (ATE) grant from the National Science Foundation for ~\$350,000. The three-year grant will fund the College's new curriculum and program for blockchain education.

PKT, a decentralized media network co-founded by Hollywood talent, launched on Coinbase's Base blockchain, aims to bring transparency to the film production process using blockchain technology.

Balaji Srinivasan launched "The Network School," a 90-day pop-up city in Singapore that experiments with the concepts from his book "The Network State," focusing on alternative education, health regimes, and leveraging emerging technologies such as crypto and AI.

MINING



JPMorgan estimates the notional value of the remaining Bitcoin to be produced by miners at around \$74 billion. The bank reduced its CLSK, IREN, MARA and RIOT price targets to account for Q2 results and changes in the price of Bitcoin and the network hashrate. It prefers Iren and Riot Platforms and says recent underperformance in these stocks presents a buying opportunity.

Gryphon Digital Mining took a big step in lowering its power costs by acquiring Bitcoin mining operations in Louisiana that leverage ultra low-cost electricity at approximately \$0.01 per kWh.

The IMF proposed implementing energy taxes on crypto miners and AI data centers to curb carbon emissions, suggesting that such taxes could significantly reduce global emissions and generate billions in government revenue.

Malaysian authorities crushed 985 Bitcoin mining rigs worth \$452,500 as part of an ongoing crackdown on electricity theft linked to illegal mining operations, showcasing their commitment to curbing such activities.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



Over 60% of top global hedge funds are now holding Bitcoin via ETFs.

Bitwise's André Dragosch highlighted that in Q2 2024, 44% of institutional investors increased their Bitcoin ETF holdings, demonstrating greater confidence compared to other asset-class ETFs like gold.

BlackRock, the world's largest asset manager, is now also the largest crypto ETF fund manager after IBIT (spot Bitcoin ETF) and ETHA's (spot Ether ETF) AUM surpassed Grayscale's funds.

Hong Kong's Spot Bitcoin ETFs saw their largest inflow in over a month on August 22, with the ChinaAMC Bitcoin ETF taking in 274 BTC worth \$15 million. The steady climb in assets shows growing Asian interest in regulated Bitcoin investment products.

BlackRock is the first spot Ether ETF issuer to cross the \$1 billion mark in net inflows.

The SEC rejected Cboe's 19b-4 filings for two proposed Solana ETFs, citing concerns that Solana should be classified as a security, preventing the filings from advancing in the approval process. Experts believe Solana ETFs stand little chance of being approved under the Biden Administration and Gensler's SEC.

Brazil's Securities and Exchange Commission approved a second Solana ETF, to be launched by Hashdex in partnership with investment bank BTG Pactual.

Grayscale announced the launch of a new private placement investment product: Grayscale Avalanche Trust. As is the case for Grayscale's suite of 20+ publicly quoted investment vehicles, it intends to attempt to have shares of the trust quoted on a secondary market.

FUNDRAISING & OTHER FUNDING (\$5 MILLION OR MORE)

The company behind Story, a Layer-1 platform that tokenizes intellectual property, raised \$80 million in a Series B funding round – led by a16z, with additional participation from Polychain.

Fabric Cryptography raised \$33 million in Series A funding to build a new cryptography processing unit, called a Verifiable Processing Unit. The round was co-led by Blockchain Capital and 1kx, with participation from Offchain Labs, Polygon, Matter Labs, and others.

Justin Sun seeks to rival Solana's pump.fun platform with the launch of SunPump, a memecoin generator on the Tron blockchain, setting aside \$10 million to support new token.

SatLayer, a Bitcoin restaking platform built on the Babylon protocol, raised \$8 million in a pre-seed funding round, co-led by Hack VC and Castle Island Ventures.

Sorella Labs, a startup focused on addressing Ethereum's maximal extractable value (MEV) issue, raised \$7.5 million in a seed funding round – led by Paradigm.

YeagerAI, the team behind decentralized AI network GenLayer, secured \$7.5 million in seed funding to develop "intelligent contracts" that use real-time data and large language models for blockchain applications.

BSX Exchange, a DeFi derivatives protocol on the Ethereum Layer-2 network Base, raised \$6.2 million in pre-seed and seed funding rounds – led by Blockchain Capital.

Arch Lending, a crypto-backed loan provider, raised a \$5 million seed round, co-led by Morgan Creek Digital and Castle Island Ventures.

IPOS, M&A, PARTNERSHIPS & DEALS

Richard Teng, who replaced CZ as Binance's CEO, stated that the exchange is not considering an IPO due to its strong financial position.

Bitcoin miner Bitfarms agreed to acquire Stronghold Digital in a \$175 million stock and debt deal.

Bitwise acquired ETC Group, bolstering its AUM to over \$4.5 billion and adding nine European-listed digital asset ETPs to its offerings, including Europe's largest physically backed Bitcoin ETP (BTCE).

Romanian artificial intelligence and blockchain technology provider Humans.ai announced the acquisition of Cluj-Napoca-based Starfish Technologies, inventor of TensorChain and part of Home of Prodigy, in a cash and shares deal.

DEFI



DeFi summer is making a comeback, and while total value locked (TVL) in the crypto ecosystem is still well below its 2021 peak, it could climb to an all-time high as soon as the first half of next year, according to a Steno Research report.

Bitcoin staking protocol Babylon officially hit mainnet on August 22, opening up the potential for a massive expansion of opportunities to generate yield on otherwise dormant BTC.

Aave launched its V3 protocol on the Era mainnet, powered by ZKsync, aiming to leverage zero-knowledge proof technology for improved scalability, privacy, and institutional DeFi use cases.

The Arbitrum DAO approved a proposal to introduce ARB token staking, with 91% approval from over 25,000 participants. The initiative will allow ARB holders to stake their tokens in exchange for a liquid staked token (stARB).

YieldNest launched a new liquid restaking token, ynLSDe, which allows users to earn additional yield from various liquid staking platforms such as Lido and FRAX.

Solana-based UXD Protocol, with \$7.5 million in deposits, is shutting down due to a lack of liquidity and for failing to generate excitement among DeFi users, with plans to return funds to investors pending a DAO vote.

dYdX announced the upcoming launch of dYdX Unlimited, a significant upgrade to the dYdX Chain, scheduled for fall 2024.

Crypto lending platform MakerDAO, the protocol behind the DAI stablecoin, will allow MKR holders to convert their tokens to newly-issued NewGovToken (NGT) tokens.

The Curve community will deliberate on a DAO funding request for 21 million CRV to be allocated to Swiss Stake AG, the company building Curve (founded by Michael Egorov).

CBDCS & STABLECOINS



Wyoming is reportedly developing its own US dollar-backed stablecoin to be used for consumer payments. The state plans to launch the Wyoming Stable Token in Q1 2025.

Tether plans to launch a stablecoin pegged to the United Arab Emirates' dirham in partnership with Abu Dhabi-listed Phoenix Group, expanding its dominance in the stablecoin market beyond the US dollar.

Tether is set to launch its USDT stablecoin on the Aptos blockchain, offering low transaction fees and expanding its presence across various blockchain ecosystems.

Latin American e-commerce giant Mercado Libre introduced a US dollar-pegged stablecoin, Meli Dollar, allowing Brazilian users to buy and sell using their local currency without fees through Mercado Pago.

Justin Sun's USDD stablecoin has lost its Bitcoin backing. 12,000 BTC worth ~\$726 million were withdrawn from its collateral. USDD is now primarily backed by Tron's native token, TRX. The move raises concerns due to TRX's

volatility, though Sun claims it aligns with the plan to upgrade USDD and make it more competitive in the decentralized stablecoin market.

NFTS, BLOCKCHAIN GAMING & METaverse



CryptoPunk #5822 was recently sold in a private sale, though the price remains undisclosed – the Punk previously sold for 8K ETH (~\$23.7 million) in February 2022.

The FBI is set to use NFTs to return \$1.14 million in funds to victims involved in a crypto fraud scheme that began with the launch of a sham project called CluCoin in 2021.

NFT marketplace Magic Eden announced the launch of its ME token, via the ME Foundation, signaling a pivot beyond NFTs to enable cross-chain trading of fungible tokens such as Bitcoin and Ether.

A Miami court ruled that Shaquille O’Neal was involved as a “seller” in the Solana NFT project Astrals but dismissed claims that he was a “control person” in the unregistered securities class action lawsuit.

Conflux Network (China’s only regulatory-compliant public blockchain) and China Mobile (the nation’s largest telecom provider) will introduce cutting-edge digital collectibles like video RBTs (Ringback Tones), digital identities, and blockchain communication hardware, all driven by the Conflux TreeGraph public blockchain.

X Protocol, a Layer-3 blockchain network, launched its Genesis Pass NFTs on August 22. The NFTs offer access to node sales: airdrops: Ownership of the Genesis Pass comes with eligibility for \$KICK token airdrops, and multiplier benefits.

Meme coin Floki’s FLOKI token and Valhalla game will feature on various English Premier League properties as part of an initial one-year contract to help boost visibility for the token.

JOB MOVEMENT



Binance plans to hire 1,000 more employees, focusing heavily on expanding its compliance team, as the company ramps up efforts to meet regulatory requirements following a costly settlement with US authorities.

Wintermute launched “The Alpha Challenge,” a two-week competition designed to test the on-chain analysis skills of the crypto community and identify top talent for potential hiring.

Three executives at Evolve Bank & Trust – the bank’s chief credit officer, corporate controller, and chief lending officer – have left the crypto-friendly bank following setbacks, including a May cybersecurity breach and a June enforcement action.

David Hirsch, who recently led the SEC’s Crypto Assets and Cyber Unit, joined law firm McGuireWoods as a partner in Washington, DC.

REGULATIONS, RULINGS & COMMENTARY



The Democrats' newly released party platform does not mention cryptocurrency at all, which may disappoint left-leaning voters seeking a renewed vision for the government's handling of crypto. This omission contrasts sharply with the Republican platform, which promises to end the “unlawful and un-American Crypto crackdown” and defend the right to mine Bitcoin.

According to Senate staffer rumors, Kamala Harris is considering making anti-crypto SEC Chair Gary Gensler the Treasury Secretary under her administration. Republican Senate staffers and politicians are against this nomination, and Democrats are split on crypto support. (Sheila Warren, from the Crypto Council for Innovation, and Caitlin Long, of Custodia Bank, both confirmed that this story does not appear to be real. Also, Harris is reportedly expected to support policies that help the digital asset industry grow, with her campaign adviser emphasizing the need for stable regulatory rules in the sector.)

Donald Trump promoted “The DeFiant Ones” – a DeFi project led by his sons Donald Jr. and Eric Trump, on August 22. The promotion came via a post on Truth Social – his social media platform. Trump posted: “For too long, the average American has been squeezed by the big banks and financial elites. It’s time we take a stand – together.” He also posted a link to the project’s Telegram channel, which has close to 40,000 members.

Crypto-friendly Robert F. Kennedy Jr. said on August 23 that he was suspending his independent presidential bid and throwing his support behind Donald Trump.

Ron Conway, the Democratic Party megadonor, has dramatically fallen out with the crypto-focused super PAC Fairshake that he donated \$500,000 to in December. Conway claims to have been blindsided by Fairshake's \$12 million donation to support Republican Bernie Moreno, who is running against the long-term chair of the Senate banking committee, senator Sherrod Brown (D-Ohio). Conversely, Republican lawmakers are upset at Fairshake for committing \$6 million to Democrats Ruben Gallego (Arizona) and Elissa Slotkin (Michigan).

The SEC appears to be filing fewer crypto cases in 2024, with 58 out of 152 actions brought between 2022 and 2023, signaling a possible slowdown in its aggressive regulatory approach.

The US Treasury Department withdrew a rule proposed by FinCEN that sought to apply reporting requirements for digital asset transactions from regulated exchanges to individual unhosted wallets.

The Indian government is preparing a consultation paper to gather input from industry stakeholders as it seeks to balance innovation with regulatory oversight in shaping the country's crypto policy, expected to be released between September and October.

Ghana's central bank released draft guidelines for regulating crypto exchanges, focusing on issues such as money laundering, terrorism financing, and consumer protection, while seeking public and industry feedback.

Nigeria's top finance regulator, the Abuja-based Securities and Exchange Commission, plans to license providers of virtual assets including cryptocurrencies to tap opportunities and protect investors as adoption rates surge in the West African nation. It's looking to issue its first licenses for digital service and tokenized assets this month.

ICMA is pleased to announce the publication of the Digital Assets Annex, a significant new addition to the Global Master Repurchase Agreement (GMRA) – aiming to bring consistency to the legal terms used by market participants when trading certain digital assets under the GMRA 2011 and GMSLA 2010.

Prometheum, a controversial SEC-registered crypto firm, plans to treat Uniswap's UNI and Arbitrum's ARB tokens as securities, expanding its custody operations to include these alongside Ethereum's ETH, in compliance with the SEC's stance on digital assets.

BUGS, OUTAGES, HACKS, SCAMS, ALLEGATIONS, INVESTIGATIONS, ENFORCEMENTS & WRONGDOINGS

China extradited a suspect named Zhang from Thailand, marking the first financial criminal suspect to be extradited under the China-Thailand extradition treaty since 1999. Zhang allegedly led a \$14 billion pyramid scheme known as “MBI Group,” which involved luring over 10 million investors into paying membership fees through the issuance of cryptocurrency.

The SEC pushed back against Hex founder Richard Heart's attempt to dismiss the case against him, arguing that it has jurisdiction to pursue the lawsuit alleging over \$1 billion in unregistered securities offerings.

The former CEO of a small Kansas bank was sentenced to more than 24 years in prison for looting the bank of \$47 million. Shan Hanes sent the funds from Heartland Tri-State Bank to cryptocurrency wallets controlled by scammers who had duped him in a “pig butchering” scheme that appealed to his greed, according to federal prosecutors.

A Nigerian court froze \$38 million in cryptocurrency allegedly sent to support protests against rising inflation, as authorities crack down on crypto transactions they claim are destabilizing the national currency.

Polish national Roman Ziemiński, the co-founder of digital currency trading platform FutureNet which allegedly defrauded users out of around \$21 million, was detained in Montenegro.

Google faces a lawsuit from a Florida woman who claims she lost over \$5 million to a scam crypto app from the Google Play Store, alleging that the app remained active for three months despite complaints.

NBA All-Star Jimmy Butler and YouTuber Ben ‘BitBoy’ Armstrong agreed to a \$340,000 settlement in a class action lawsuit over their alleged promotion of unregistered securities for Binance.

The Blockchain Association and the DeFi Education Fund have raised concerns that the SEC's Consolidated Audit Trail database could compromise privacy for millions, including those involved in digital assets.

Coin Center was granted the right to pursue its lawsuit against the US Treasury and IRS, arguing that a 2021 amendment to the tax code requiring disclosure of certain crypto transactions is unconstitutional.

A US District Judge ruled that the SEC has plausibly alleged Kraken facilitated investment contracts that qualify as securities, allowing the case against Kraken to proceed.

Australia's securities regulator won a case against Kraken's local operator. A judge ruled that Bit Trade Pty Ltd. issued its financial product to retail clients without having first made a target market determination for the product.

A New York judge denied the SEC's request for additional pre-trial actions in its ongoing securities fraud case against Tron Foundation and founder Justin Sun, maintaining the current court procedures.

A Dubai court ordered a company to compensate a worker through a cryptocurrency token, as stipulated in the employment contract. The ruling does not, however, necessarily mean crypto is legalized for salary payments in general, according to two Dubai-based lawyers.

Colombia's Superintendence of Industry and Commerce accused Worldcoin of violating personal data protection laws, potentially leading to significant sanctions from the regulator or the closure of its operations in the country.

Mango Markets, a once-prominent Solana-based decentralized exchange, is considering a settlement with the SEC over alleged securities violations, including paying fines and destroying its MNGO tokens, which could significantly impact the platform's future operations.

McDonald's Instagram account was apparently compromised on August 21 to promote a Solana-based memecoin called GRIMACE.

A hack was detected on Parcl's official website that drains tokens from Solana wallets and displays fake transaction results in Phantom.

Ethereum Layer-2 network Optimism network has reverted the network to a permissioned state to avoid instabilities until vulnerabilities discovered during third-party audits are patched.

MISCELLANEOUS

Eigen Labs responded to claims that it pressured projects for token allocations, denying any coercion, and clarifying that new internal policies that now require tokens to be airdropped directly to the company rather than to individual employees.

Pump.Fun, a memecoin generator on Solana, is approaching \$100 million in cumulative revenue. Since its launch in January 2024, the platform has facilitated the creation of over 1.8 million memecoins, capitalizing on Solana's low transaction fees.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES



Matt Hougan's (Bitwise) Weekly CIO Memo: "Yes, Institutions Are Still Buying Bitcoin – Despite Falling Prices, Institutional Investors Significantly Increased Their Allocation to Bitcoin ETFs in Q2 2024, According to the Latest 13F Filings."

The biggest question in crypto right now is whether institutions and professional investors will allocate to crypto in a major way.

This question matters more than the outcome of the Presidential election; more than the outlook for legislation in Congress; more than technological developments in the blockchain space.

The reason is simple: math.

Most investable assets are primarily owned by professionals. For instance, studies suggest that institutions control roughly 80% of the US stock market. By comparison, institutions own relatively little crypto. The most aggressive estimates I've seen suggest they may own 10% of all Bitcoin.

To get that number up to just 50% of the market, professional investors would need to buy ~\$500 billion of Bitcoin. Needless to say, that would have an enormous impact on price.

So ... are they buying?

Thanks to the advent of Bitcoin ETFs – and the SEC's requirement that institutions disclose their ETF holdings on a quarterly basis, using Form 13F – we can now answer that question. The latest batch of 13F filings covering Q2 2024 hit the street last week, and what they show is interesting.

Here are three key takeaways.

Key Finding #1: Yes, Institutions Continue To Buy Bitcoin ETFs

The first finding is the most important: Institutions continued to buy Bitcoin ETFs in Q2.

This was not guaranteed. Bitcoin's price fell 12% in Q2 2024 and many wondered if that would spook institutions out of the market. The answer was a resounding "no."

The total number of institutional investors holding Bitcoin ETFs rose 14% quarter-over-quarter, from 965 to 1,100. Their share of the total AUM of Bitcoin ETFs rose as well, from 18.74% to 21.15%. All together, institutional investors closed the quarter holding \$11.0 billion in Bitcoin ETFs.

There was some healthy churn in these flows. In Q2, 112 investors who held Bitcoin ETFs at the end of Q1 sold out of the asset, while 247 new firms made their first investment. All told, Bitcoin ETFs added 135 new firms.

In my view, this is a great sign. If institutions will buy Bitcoin when prices are volatile, imagine what could happen in a bull market.

Key Finding #2: The Pace of Institutional Adoption Is Historic

Critics love to point out that Bitcoin ETFs are predominantly owned by retail investors, who hold ~79% of the AUM of Bitcoin ETFs. They use this fact to suggest that institutional demand is anemic.

That's simply untrue. Bitcoin ETFs are being adopted by institutions at the fastest rate of any ETF in history.

Using a list from Bloomberg's Eric Balchunas, I examined the institutional ownership of the 10 fastest-growing new ETFs of all time, as ranked by AUM after one month on the market. Specifically, I looked at the number of institutional holders and total institutional AUM for those ETFs after two quarters on the market, to compare to the current state of Bitcoin ETF ownership.

Fastest-Growing Non-Bitcoin ETFs: Institutional Adoption After Two Quarters on the Market

Rank ¹	Name	Ticker	Institutional Holders	Institutional AUM
	Bitcoin ETFs	Various	1,100	\$11.0B
1	iShares Climate Conscious & Transition MSCI USA ETF	USCL	4	\$2.2B
2	XTrackers MSCI USA Climate Action Equity ETF	USCA	1	\$2.2B
3	Nuveen Growth Opportunities ETF	NUGO	4	\$3.3B
4	JPMorgan BetaBuilders Canada ETF	BBCA	35	\$1.9B
5	BlackRock U.S. Carbon Transition Readiness ETF	LCTU	18	\$1.2B
6	SPDR Gold Shares	GLD	118	\$904M
7	Goldman Sachs MarketBeta US 1000 Equity ETF	GUSA	0	\$0
8	iShares ESG MSCI USA Leaders ETF	SUSL	6	\$1.4B
9	Invesco QQQ (Nasdaq-100) ²	QQQ	374	\$13.3B
10	JPMorgan BetaBuilders Japan ETF	BBJP	77	\$3.8B

Source: Bitwise Asset Management with data from WhaleWisdom and Eric Balchunas. Data as of June 30, 2024.

It's not even close. The only ETF that's at all comparable is Invesco's QQQ, but that is an apples-to-oranges comparison. QQQ launched in March 1999, but I cannot locate any historical 13F data for the fund until Q1 2001. In other words, the numbers in the chart for QQQ represent the institutional adoption of that fund nine quarters into its growth. And even so, Bitcoin ETFs have 3x the number of buyers!

Some might argue that comparing Bitcoin ETFs in aggregate to individual ETFs is unfair. But even if you looked at individual Bitcoin ETFs, they would dominate the chart. For instance, Bitwise's Bitcoin ETF – which ranked fourth among Bitcoin ETFs by AUM at the end of Q2 – had more institutional holders (139) than SPDR's juggernaut GLD (118) at this stage of its existence.

ETFs are unique investment products in that they can be held by both institutional investors and retail investors alike. We shouldn't let the historic adoption of Bitcoin ETFs by retail investors obscure the fact that they are also gaining institutional traction faster than any other ETF in history.

Key Finding #3: Most Institutions Are Just Dipping Their Toes in the Water

One more fact: The median investor that reported holding Bitcoin ETFs in Q2 had just 0.47% of their portfolio invested in Bitcoin, according to the filings.

I find this number highly encouraging. One trend we've noticed at Bitwise after 6+ years of managing crypto exposures for professional investors is that they tend to build their positions over time. Many start with 1% or less of their portfolio, but that number tends to rise to 2.5% or even 5% over time.

I suspect the average holding for institutional investors will be north of 1% within a year, and keep rising from there.

Conclusion: ETFs Are a Multi-Year Story

All in all, I find the Q2 2024 batch of 13F filings highly encouraging. Institutions continued to buy Bitcoin ETFs in Q2 despite falling prices. Hundreds of new institutional investors made their first purchase. And Bitcoin ETFs are being adopted by institutions faster than any ETF in history.

As the former CEO of ETF.com, I've watched ETFs launch for two decades. One thing I know is that most ETFs build over time: Year 1 can be a challenge, but momentum tends to build into Years 2, 3, 4, and 5. I expect the same thing to happen here. After all, major platforms are still just now turning on access to Bitcoin ETFs (Morgan Stanley approved them earlier this month). I suspect Bitcoin ETF inflows will be bigger in 2025 than in 2024, and bigger in 2026 than in 2025.

The institutions are coming, and they're coming in size.

NYDIG: Even as Bitcoin's price fell during the quarter, all the major holder categories that own Bitcoin ETFs were net purchasers during the quarter. Retail purchased despite fears that they would be sellers when price cooled off... Hedge funds took down their gross positions as the futures basis came in... Investment advisors continue to take to the asset in a big way... And brokerages increased their exposure, likely as a result of expanded market making activity.

Aggregate Spot ETFs - Q2 24

Institution Type	Ownership Share	\$ Millions
Hedge Fund Manager	8.4%	4,412.6
Investment Advisor	8.3%	4,333.2
Brokerage	4.6%	2,403.5
Pension Fund	0.2%	105.5
Bank	0.1%	60.6
Private Equity	0.1%	50.6
Trust	0.0%	25.0
Holding Company	0.0%	9.4
Family Office/Trust	0.0%	7.8
Other	0.0%	5.9
Venture Capital	0.0%	3.5
Insurance Company	0.0%	2.0
Unclassified	0.0%	0.3
Non-Filers	78.1%	40,804.9



Source: Bloomberg, NYDIG

Quarterly Ownership Changes

Millions of USD

Institution Type	Holdings		Quarterly Change	Fund Flows Q2 2024
	Q1 2024	Q2 2024		
Hedge Fund Manager	4,724.8	4,412.6	(312.2)	426.8
Investment Advisor	3,805.3	4,333.2	527.8	1,123.0
Brokerage	2,488.5	2,403.5	(85.1)	304.2
Pension Fund	163.2	105.5	(57.6)	(32.1)
Bank	80.5	60.6	(19.8)	(7.3)
Private Equity	69.9	50.6	(19.2)	(8.3)
Trust	24.0	25.0	1.0	4.7
Holding Company	22.9	9.4	(13.4)	(9.9)
Family Office/Trust	3.9	7.8	3.9	4.5
Other	3.6	5.9	2.2	2.8
Venture Capital	1.9	3.5	1.6	1.9
Insurance Company	0.5	2.0	1.5	1.6
Unclassified	0.4	0.3	(0.1)	(0.0)
Non-Filers	47,615.0	40,804.9	(6,810.1)	637.5



Source: Bloomberg, NYDIG

Farside Investor compared spot Ether ETFs to spot Bitcoin ETFs after 23 days of flows...

Spot Ether ETFs

- Days of net inflows: 8
- Days of net outflows: 15
- Total flows: -\$459 million
- Highest inflows: iShares Ethereum Trust (ETHA), +\$1 billion
- Highest outflows: Grayscale Ethereum Trust (ETHE), -\$2.5 billion

Spot Bitcoin ETFs:

- Days of net inflows: 17
- Days of net outflows: 6
- Total flows: +\$3.9 billion
- Highest inflows: iShares Bitcoin Trust (IBIT), +\$4.6 billion
- Highest outflows: Grayscale Bitcoin Trust (GBTC), -\$6.55 billion

Bitwise's Head of Research, Ryan Rasmussen, describes the traction for the Ether funds as "phenomenal" so far. "Is it as strong as bitcoin? No," he acknowledged, "but we never expected it to be."

Eric Balchunas (August 20): The hot sauce arms race continues as Defiance launching a -1.5x MSTR ETF tmrw, which will be one of most volatile ETFs ever but a touch less than top dog \$MSTX (1.75x long MSTR) which btw has traded a record \$50m today- could hit \$100m. Liquidity growing FAST around this thing.

SMST US \$ Pending Listing				
SMST US Equity		Export ▾	Page 1/6	Security Description: ETF
Profile	Performance	Holdings	Allocations	Organizational
DEFIANCE DILY TG 1.5X SM ETF			FIGI BBG01NSHH3S5	
Defiance Daily Target 1.5X Short MSTR ETF is an exchange traded fund incorporated in the united states. The Fund seeks daily inverse investment results of -1.5 times (-150%) the daily percentage change of the common stock of MicroStrategy Incorporated (Nasdaq: MSTR) (the "Underlying Security").			Category Inverse Equity	
Comparative Returns COMP »		Bloomberg Classification		Appropriations
		Fund Type ETF		Leverage -1.5x
		Asset Group Specialty		Actively Managed Yes

Blockware Intelligence summarized last week from a mostly on-chain perspective...

BTC to \$62,000: Everyone's favorite orange coin enjoyed Powell's speech just as much as other assets. After a 5% gain on the week, BTC is now knocking on the door of \$62,000. It's great to see a green candle for the week, however, a 5% gain is peanuts in the Bitcoin market. We still have our eyes on Q4 as for when BTC makes a convincing breakout above previous highs. Between now and the election in November there is likely too much uncertainty about the future for the market to make a convincing move up or down.

Perpetual Futures Funding Rate: The futures market is screaming "uncertainty." The funding rate for perpetual futures contracts has flipped negative. The funding rate is similar to a "spread" in gambling - traders get paid or have to pay based on the direction of their bet in order to incentivize people to take the non-consensus side of the trade, and ensure that there is an equal number of people on both sides. Negative funding means that traders are now paying to short Bitcoin; a strong sign of the fear and doubt within the market. Historically, negative funding has strongly coincided with local BTC bottoms. It is our base case that this will hold true again this time around.

Realized Profit/Loss: Speaking of indicators commonly seen at local bottoms, the market is now realizing losses in the aggregate. In other words, coins being moved on-chain are now being done so, on average, at a price lower than that at which they were last moved. We saw a surge in realized profits when BTC hit ~\$70,000, followed by lower highs in realized profits each time price made a push. The "profit takers" in this region appear to be washed out. Next time BTC makes a run at new highs it is likely to finally break through to the other side.

Total Miner Revenue: One of the most common questions we get from newcomers when it comes to Bitcoin mining: "What happens when all of the Bitcoin is mined?" 1. That won't take place until 2140 (we'll all be dead). 2. There will be another ~1,000,000 new BTC mined between now and 2035. 3. Miners also make revenue from transaction fees. Fee revenue will grow over time as demand for L1 increases. 4. Mining Revenue in \$ terms is going up despite the block subsidy going down (higher highs & higher lows). Despite decreasing block subsidies, Bitcoin miners still experience surges of massive revenue growth. The extreme bull/bear markets of spot BTC are even more pronounced within mining - which presents the opportunity for miners to experience tremendous upside benefits as spot BTC gears up for its next bull market.

Energy Gravity: At a typical hosting rate today, new-gen Bitcoin ASICs require ~\$47,400 worth of energy to produce 1 BTC.

Summary and conclusion from Glassnode’s “The Week On-Chain” from 8/20/24. (Read the full report, [here](#).)

With a degree of uncertainty rife amongst market investors, capital continues to flow down the risk curve leading to significant expansion in Bitcoin dominance, with the leading asset now commanding a staggering 56% of the total market capitalization.

In spite of the tempestuous and choppy price action, the resolve of Long-Term Holders remains resolute with a clear preference to HODL and acquire coins. Alternatively, Short-Term Holders have carried the vast majority of the losses across the recent downturn, nonetheless, the degree of locked in losses suggests an possible overreaction towards the event.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 8/20/24. (Read the full report, [here](#).)

The custodial restructuring of WBTC into a joint venture, while aimed at geographical diversification, has raised concerns across the crypto ecosystem. Given WBTC's significant role in the on-chain ecosystem, this transition has brought custodial and operational risks to the forefront, spurring increased interest in permissionless alternatives like Threshold BTC (tBTC) and new entrants like Coinbase's cbBTC. As the effects of this change unfold, DeFi protocols and other stakeholders are likely to implement risk mitigation measures – especially as a wider array of tokenized assets make their way into the interconnected on-chain ecosystem.

Blockworks updated key metrics...

Total Crypto Market Cap	\$2.34 T
Bitcoin Market Cap	\$1.26 T
Ethereum Market Cap	\$331.03 B
ETH/BTC Ratio	0.04
Ethereum Gas Price	1.03 gwei
DeFi TVL	\$155.62 B
Fear and Greed Index	54 (Neutral)

Nick Tomaino: Consumer crypto GOATs...

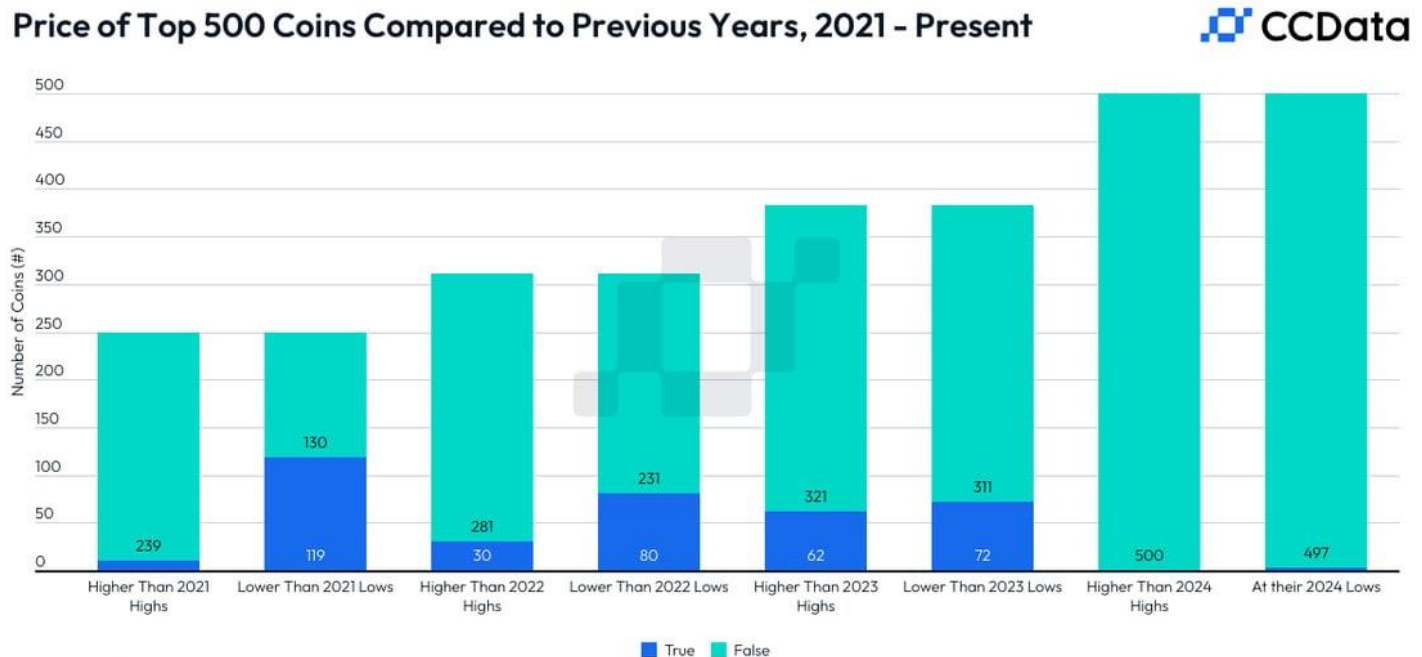
- Bitcoin (Store of value est. 2009)
- Coinbase (Exchange est. 2012)
- Ethereum (Decentralized internet est. 2015)
- MakerDAO (DeFi est. 2018)
- OpenSea (NFTs est. 2019)
- Polymarket (Prediction markets est. 2020)

If you are building a new consumer product, you must not give a f__ about what the popular sentiment is. Let everyone else chase hot trends and jump from one idea to the next.

Believe in something, work on it for 5+ years, talk to users, iterate and if you're right then you'll be a GOAT one day too.

CCData: We analyzed the current top 500 coins by market capitalization and compared their prices to the previous years from 2021. Out of the 249 coins listed in 2021 within the sample set, 119 are currently trading at price levels below their 2021 low. More surprisingly, 80 of the coins are currently at price levels lower than the bear market lows of 2022. The recent price action of digital assets also meant that 72 of the current top 500 assets are currently trading at lower than their 2023 lows, with this price action underscoring the shift of capital towards a few select assets, contrasting sharply with previous bull markets.

August 20th, 2024 Chart of the Week



Powered by CCData

Coindesk: Crypto airdrops ban US users, but Americans are claiming tokens anyway. (Read the full story, [here](#).)

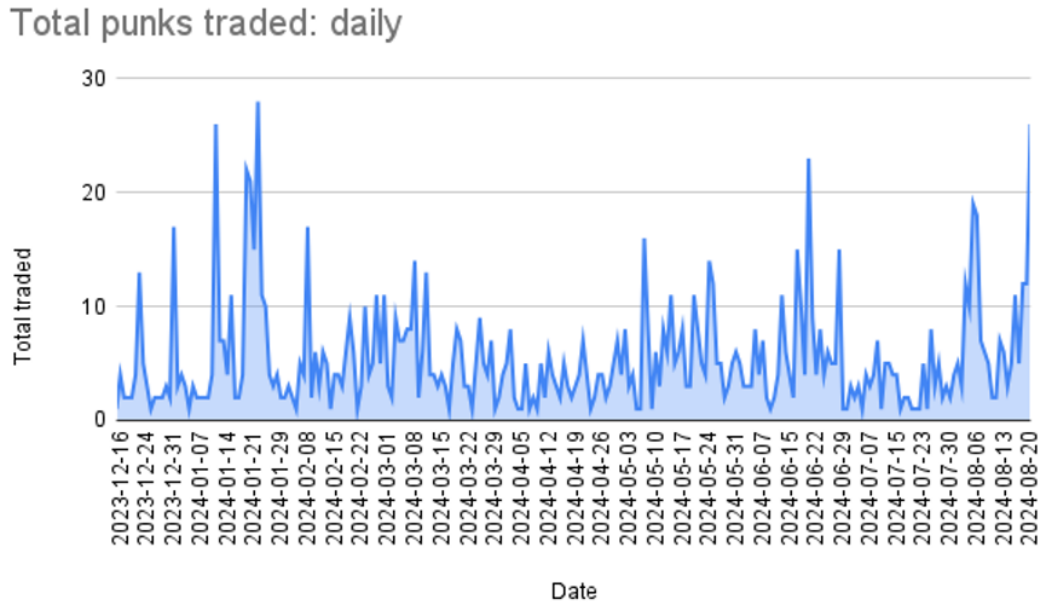
Eigen Labs helped its employees access lucrative airdrops. Its US employees appear to have helped themselves to tokens US residents were banned from claiming.

- Out of an abundance of legal caution, many cryptocurrency projects exclude US residents from token airdrops.
- US crypto users – even insiders at similarly cautious projects - regularly find ways to claim tokens anyway.
- This “hypocritical” behavior may undermine the effort by some in the industry to avoid US jurisdiction, lawyers said.

Coinstack: TON recently handled over \$1.2B of daily stablecoin transfer volume, the most in the network's history. To put this into perspective, Optimism and Polygon currently handle \$400M-\$500M of daily volume, while Arbitrum handles about \$1.9B. Interestingly, about 41% of all monthly volume is attributable to activity on TON DEX DeDust.



Stat/@punk9059 (August 20): 26 total CryptoPunks traded today – It's the most in any individual day since January. Floor is up from 22 to 26 ETH.



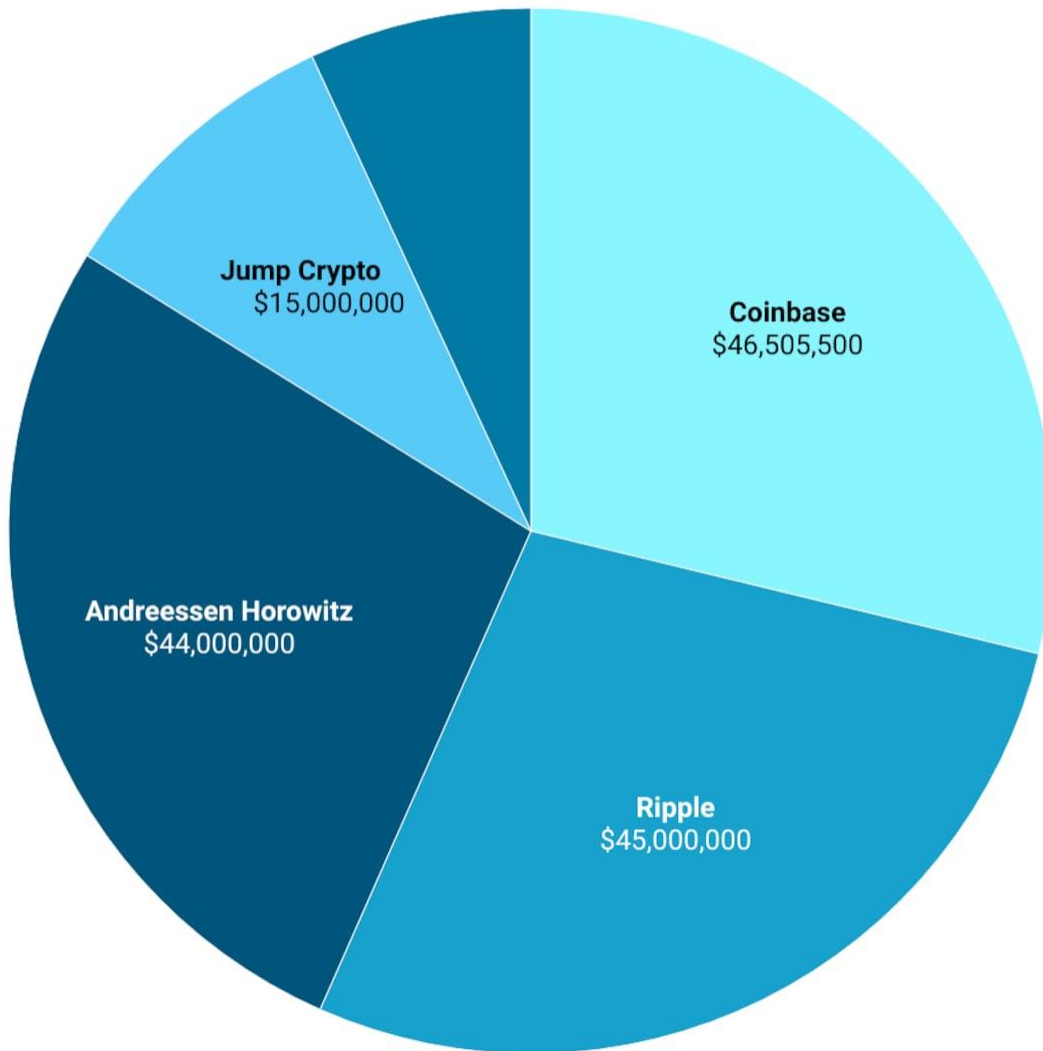
Public Citizen released a new report revealing that the cryptocurrency sector is exploiting the Citizens United ruling to an unprecedented degree, dwarfing direct corporate spending by Big Oil and other corporate sectors in the 2024 elections. (See top findings below. View the full report, [here](#).)

- In 2024, crypto corporations have poured over \$119 million directly into influencing federal elections, primarily into a non-partisan super PAC dedicated to electing pro-crypto candidates and defeating crypto skeptics.
- Crypto corporations are by far the dominant corporate political spenders in 2024 as nearly half (48%) of all corporate money contributed during this year's elections (\$248 million so far) came from crypto backers.
- Direct corporate election spending at this scale is unprecedented. Crypto corporations' total spending in the past three election cycles – \$129 million – already amounts to 15% of all known corporate contributions since the Supreme Court's 2010 ruling in Citizens United, which total \$884 million. 92% of the corporate crypto spending is from 2024.
- Since Citizens United, the crypto corporations are now second in total election-related spending, trailing only fossil fuel corporations, which have spent \$176 million over the past 14 years, including \$73 million from Koch Industries.
- The crypto sector's Fairshake PAC and its affiliates have received nearly \$114 million directly from corporate backers, far more than any other outside spender this cycle. Koch-backed Americans for Prosperity Action, a hybrid PAC, is a distant second, having received nearly \$26 million, primarily from Koch Industries. Fairshake's corporate backing is unprecedented. Though unlimited corporate contributions have been enabled since 2010 by Citizens United, this newcomer is already second only to the super PAC dedicated to electing Republicans to the U.S. Senate in terms of corporate money received.

Here's a Fairshake (one of the largest super PACs in the US) donation breakdown. (Some of the “Other” includes a real estate broker outside New York City, a software developer in Oklahoma, and a marketer in North Carolina.)

Who's donated to Fairshake?

Coinbase Ripple Andreessen Horowitz Jump Crypto Other



Created with Datawrapper

Continued fallout from the various crypto liquidity issues, regulatory problems, and 2022 ‘crypto winter’ in the space...

- FTX announced that the amended Plan of Reorganization filed with the US Bankruptcy Court for the District Court of Delaware received overwhelming preliminary support from all classes of creditors entitled to vote, including the FTX U.S. and FTX Dotcom customer classes. Unofficial voting reports indicate that over 95% of creditors who submitted votes voted in favor of the Plan, which represents 99% of voted claims by value. With these results, the Plan is expected to exceed the required thresholds for acceptance under the Bankruptcy Code.
- Former FTX executive Ryan Salame claims the government reneged on a plea deal by continuing to investigate his partner, despite assurances that the probe would end if he cooperated.
- Convicted former FTX executive Ryan Salame’s domestic partner Michelle Bond was indicted in New York on federal charges accusing her of conspiring to raise unlawful campaign contributions from FTX for her unsuccessful run for Congress in 2022. Manhattan US Attorney Damian Williams claims that Bond illegally funded her campaign with a “sham” \$400,000 upfront payment from FTX, followed by a \$100,000 annual payment from FTX.
- Three crypto investors are leading a class action lawsuit against Binance and its founder and former CEO CZ. In a lawsuit filed in the US Western District Court of Washington, Philip Martin, Natalie Tang, and Yatin Khanna allege that Binance’s negligent practices, with respect to compliance, resulted in their stolen crypto being laundered on the exchange.