



THE BLOCK
GENESIS



**BLOCKCHAIN
ASSOCIATION**

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THE BLOCK GENESIS RESEARCH REPORT

Digital Asset Human Capital Trends

DECEMBER 2019

Definitions

Blockchain

A cryptographically-secured, distributed (and oftentimes public) database that is used to record transactions. Public blockchains are virtually impossible to alter retroactively

Bitcoin (BTC)

The public blockchain protocol of the bitcoin cryptocurrency. Bitcoin is the largest cryptocurrency by market capitalization.

Digital Assets/Cryptocurrencies

Assets (such as Bitcoin or Ether) that are transferred and used on public blockchains.

Ethereum (ETH)

A blockchain protocol for distributed computing and smart contract deployment. Ethereum is the second largest cryptocurrency by market capitalization.

The Sampling Process

The Block reached out to 217, both non-profit and profit-seeking, firms and foundations for this report. These firms include the major development firms and foundations behind the top 100 cryptocurrency and blockchain projects by market capitalization on CoinMarketCap. Other firms in the sample set include major cryptocurrency exchanges, custodial services, blockchain analytics providers, and digital asset data providers.

For The Block's analysis of investment firms in the digital asset and blockchain industry, we compiled a sample set of 112 investment entities ranging from traditional and digital asset-focused venture capital firms, hedge funds, asset managers, fund of funds, startup accelerators and venture studios.

For the interview series, The Block interviewed a total of 35 firms from the 217 sample set.

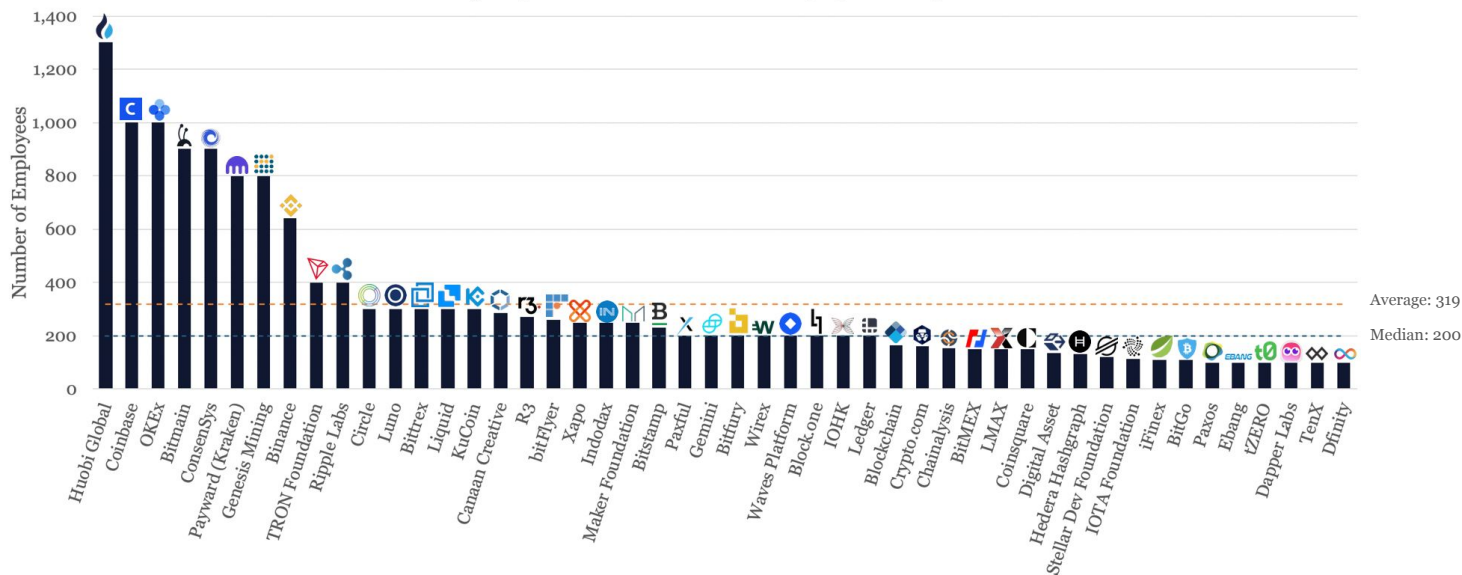
For the avoidance of doubt, the firms included in the sample were independent of the Blockchain Association's membership base.

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JOBS IN DIGITAL ASSETS

Job Statistics

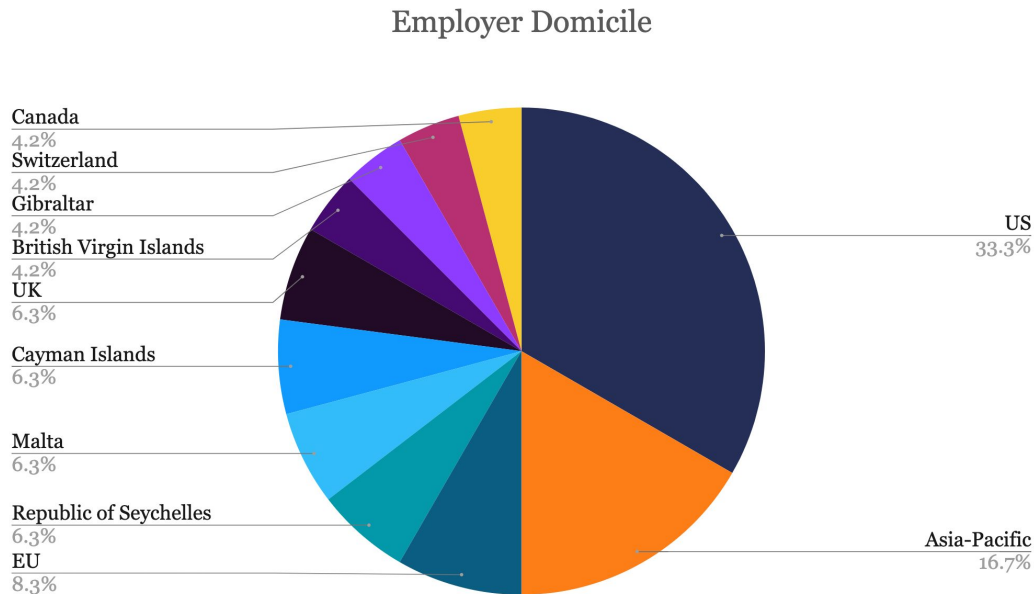
Employers in the Industry (> 100)



Source: The Block, Industry Sources. As of December 2019.

Job Statistics

- 66% of the largest¹ employers are based outside of the U.S.
- 42% of firms are domiciled in regions with less onerous digital asset regulations



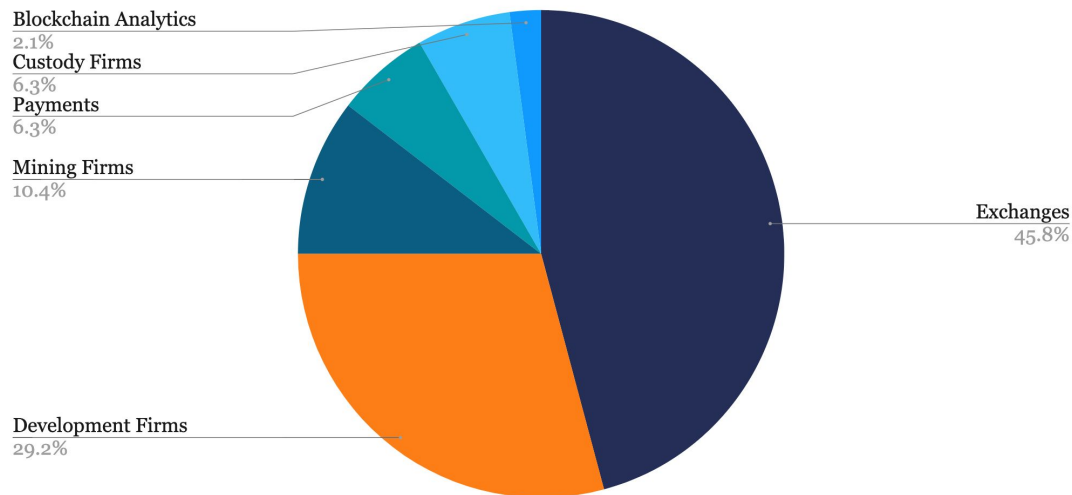
Source: The Block, Industry Sources. As of December 2019.

¹ Largest employers is defined as employers with over 100 employees

Job Statistics

- Over 85% of the largest¹ businesses are either digital asset exchanges, software development firms, or mining firms
- ~46% of the largest employers are digital asset exchanges

Employer by Sector



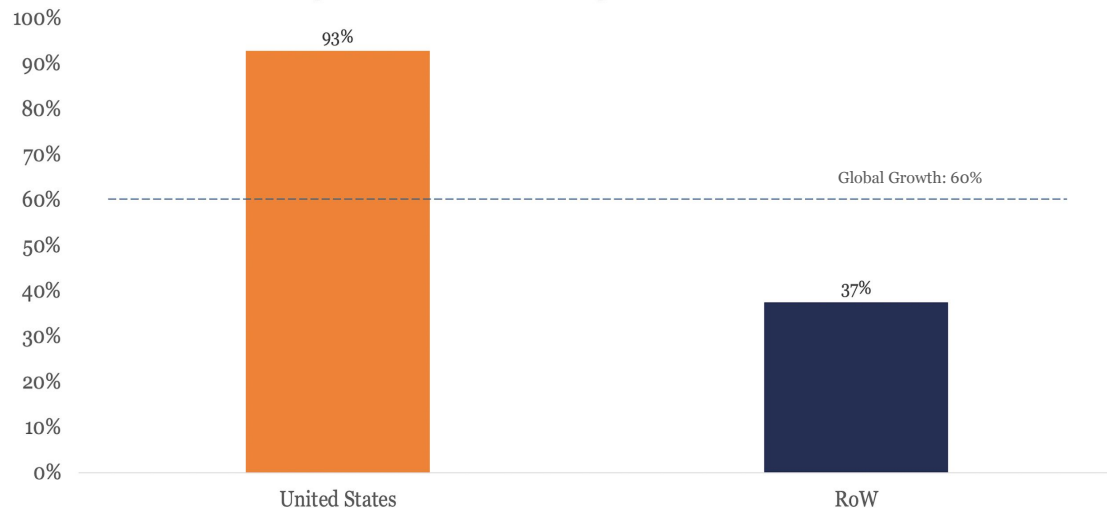
Source: The Block, Industry Sources. As of December 2019.

¹ Largest employers are defined as employers with over 100 employees.

Job Statistics

- Most popular foreign location for job listings in both 2018 and 2019 was **U.K.**
- Other popular locations include Canada, Germany, Switzerland, and Israel

Digital Assets Job Listing Growth YoY, 2019



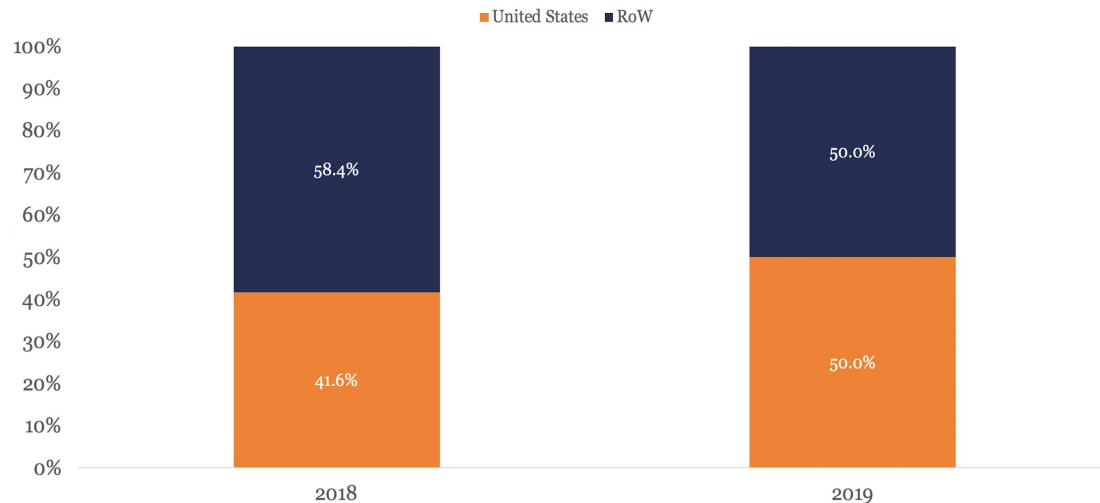
Source: The Block, Cryptocurrencyjobs.co. As of December 2019.
Sample Set: 1,600+ Job Listings
RoW is defined as Rest of the World

Job Statistics

Firms hiring in order of most active

- **2019:** Coinbase, Kraken, Blockchain, Stellar Dev Foundation, and Figure
- **2018:** PROPS, DECENT, HashCoins, Maker Foundation, and OST

Digital Assets Job Listing Distribution



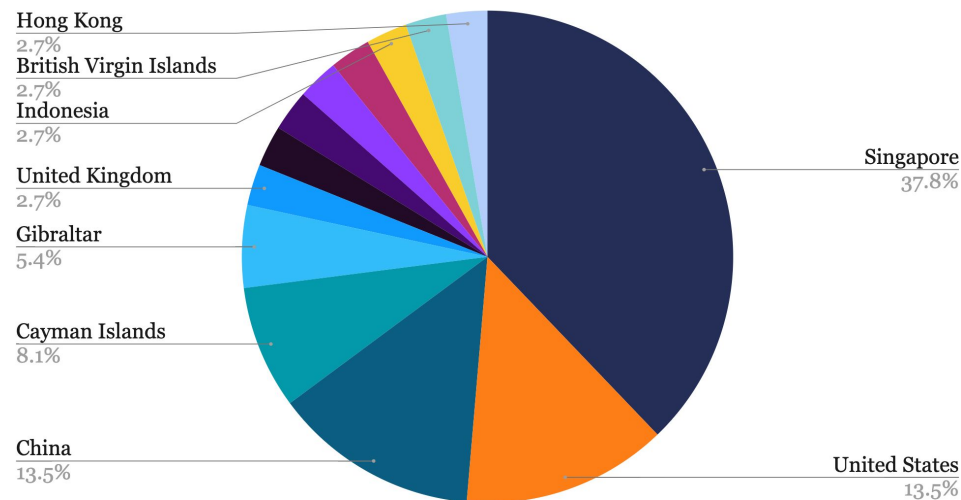
Source: The Block, Cryptocurrencyjobs.co. As of December 2019.
Sample Set: 1,600+ Job Listings

Singapore

- Singapore is becoming the go-to jurisdiction for token projects
 - 38% of startups that had a token sale in 2019 were based in Singapore
- 37 projects that raised >\$160 million from investors, of which many were retail
- Only 13.5% were based in the U.S.

Token launches in 2019 based on the country of incorporation

37 projects that raised \$161.6M in 2019 (median \$3.6M)



Source: The Block, company websites, As of December 2019.
Sample Set: 37 companies that launched token sales in 2019

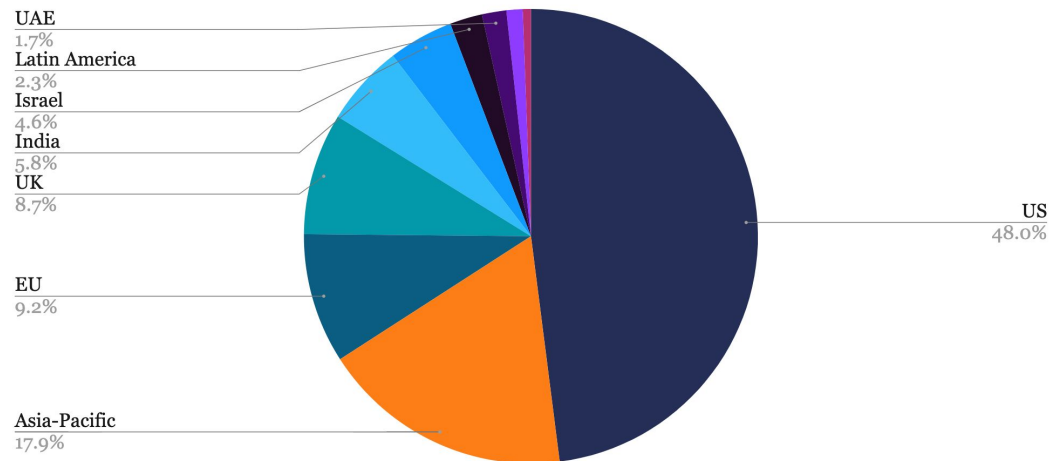
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FUNDING IN DIGITAL ASSETS

Investment Trends

- The investors with the broadest reach are U.S.-based
- 500startups, Techstars, and ConsenSys have eight global offices each

Investor Distribution by Headquarters



Source: The Block, Industry Sources. As of December 2019.

Investment Trends

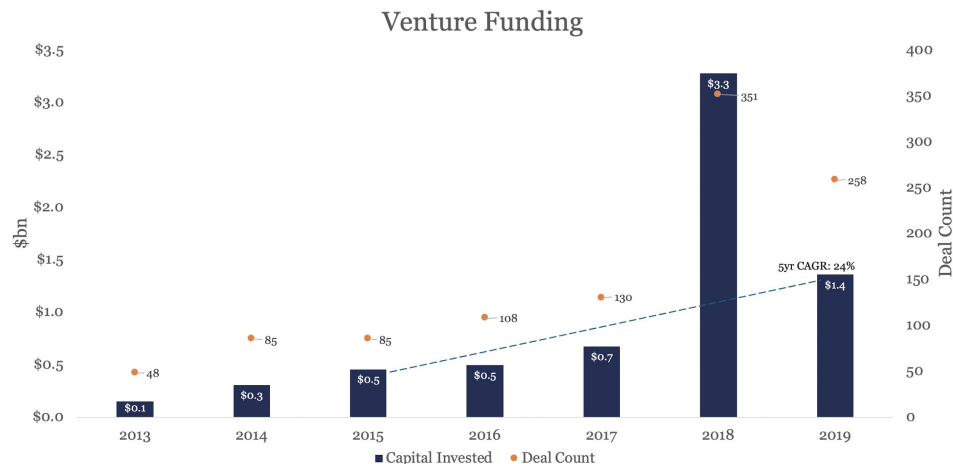
- Organized by office locations
- U.S. has 2.7x as many investors with offices as the next region, APAC
- Many investors with HQs in the U.S. have offshore entity funds to gain exposure to investments otherwise unavailable



Source: The Block, Industry Sources. As of December 2019.

Investment Trends

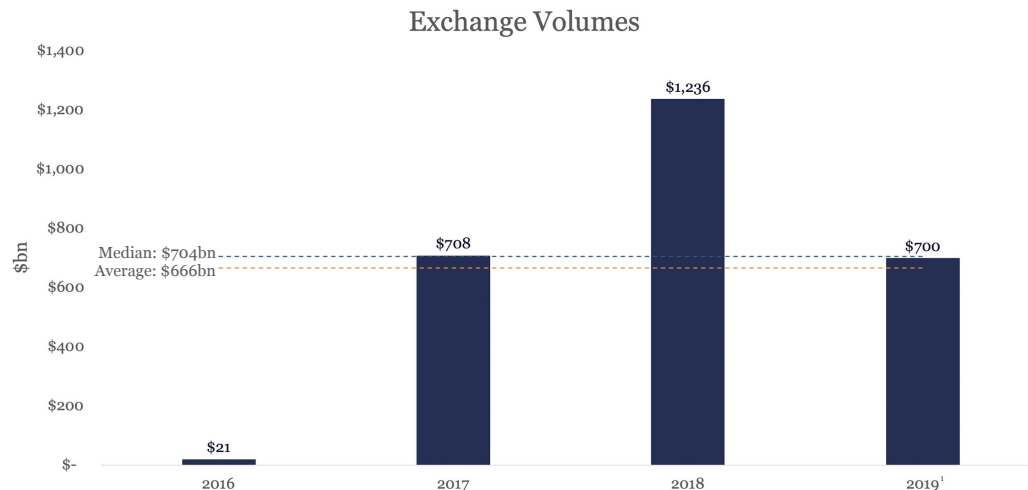
- Total venture funding in dollars dropped 60% from 2018 to 2019
- Median capital invested in deals during 2019 is at an all time high of ~\$3.2m, up from \$2.9m in 2018
 - While the total number of deals fell, there was an increase in the number of later stage rounds with correspondingly higher valuations than 2018
- Average number of deals from 2013 to 2019 is 152



Source: The Block, PitchBook. As of December 2019.

Value Creation

- Total digital asset exchange volumes in 2019 have dropped by 43% since last year
- Median volume from 2016 to 2019 is approximately \$700bn



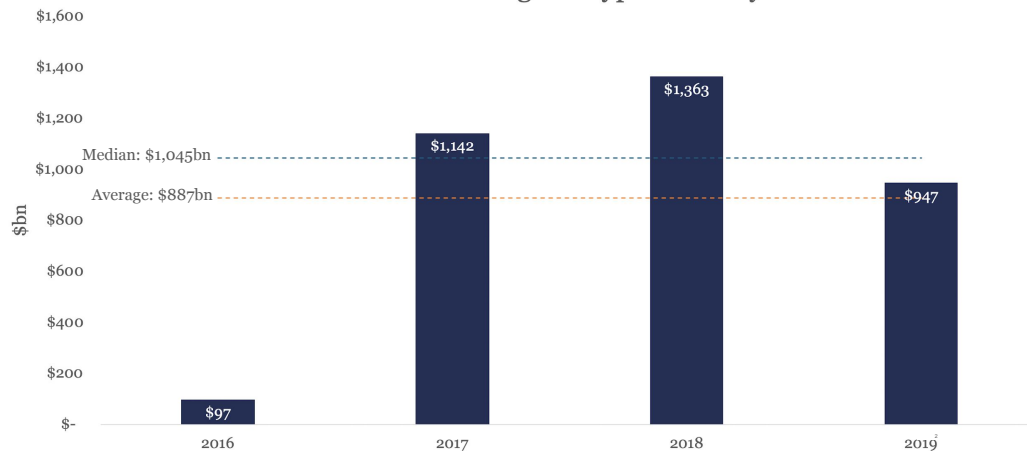
Source: The Block, CryptoCompare. As of December 2019.

¹ 2019 Projected Volumes

Value Creation

- Valued settled across the five largest cryptocurrency networks¹ dropped approximately 30% from 2018 to 2019
- Median valued settled annually on these networks is approximately \$1tn

Value Settled on the Five Largest Cryptocurrency Networks⁽¹⁾



Source: The Block, Coin Metrics. As of December 2019.

¹ Five of the largest cryptocurrency networks are Bitcoin, Ethereum, Ripple, Bitcoin Cash, and Litecoin

² 2019 Projected Valued Settled

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INTERVIEW SERIES

What barriers are firms seeing in the U.S.?

- A majority of firms interviewed believe unclear regulations and guidelines in the U.S. regarding the operation of digital asset and blockchain businesses are barriers
- Regulatory uncertainty often imposes burdensome legal costs to both startups and established firms

91%Regulatory
Uncertainty**43%**

Costs

9%Unclear
Tax Laws

Source: The Block, Industry Sources. As of December 2019.

Regulatory Uncertainty



“Everybody heard that term, which is regulation by enforcement and that's a real fear and that's hard to rely on and set up businesses.”



Michelle Bond

Global Head of Government &
Regulatory Affairs



“I think there is a very significant reticence on the part of projects and foundations like ours to engage because the U.S. is split into this kind of turf war approach to regulation.”



Julie Maupin

Director of Social Impact &
Public Regulatory Affairs



“The current situation is if you're a well intentioned project, you don't really know exactly what to do.”



MacLane Wilkison

Co-founder & CEO

Source: The Block, Industry Sources. As of December 2019.

Burdensome Costs

**Fold**

“The fragmentation of regulatory and compliance laws in every given state adds an extra burden that directly translates into more legal fees, more time involved in researching and expanding the product.”

**Will Reeves**

CEO

**Waves Platform**

“I think for many companies..their budgets for compliance sometimes look even bigger than the budget for engineering. And this is nonsense”

**Maxim Pertsovskiy**

Head of Growth & Strategy

**NuCypher**

“We’ve just had to spend an unreasonable amount of money on legal counsel and fees for our lawyers, which I mean, we’ve fortunately been in a position to do because we’ve been very well funded, but certainly it’s not the case for very many early stage projects”

**MacLane Wilkison**

Co-founder & CEO

Source: The Block, Industry Sources. As of December 2019.

Unclear Tax Laws

**Fold**

“The only headache and thing that we do not have control over is how it [bitcoin payments] is viewed from a taxation and capital gains perspective.”



Will Reeves
CEO

**Paxful**

“I think if the tax laws that came from IRS would be slightly different, it would be much easier to use cryptocurrency today, which is what we see globally.”



Lana Schwartzman
Chief Compliance Officer

**NuCypher**

“It looks like staking node operators...are going to have to treat their staking compensation as income when it's received. Which I think is going to be very difficult for the staking industry in the U.S. because this is going to cause a ton of tax leakage on these networks.”



MacLane Wilkison
Co-founder & CEO

Source: The Block, Industry Sources. As of December 2019.

What benefits are firms seeing in the U.S.?

- A majority of firms interviewed cite the size of the market and access to capital as the primary benefits the U.S. provides
 - Nearly half of investors have offices based in the U.S.
- Firms also believe the reputation of the U.S. as a well-regulated and safe region provides a value-add to U.S.-registered businesses' brand

63%

Market

46%

Reputation

17%

Talent

Source: The Block, Industry Sources. As of December 2019.

Robust Capital Market and Economy



"It's one of the largest traditional finance or traditional securities markets out there."



Hunter Merghart
Head of U.S. Operations



"The U.S. is the biggest economy in the world. While there's a lot of debate about whether the policy it is pursuing are conducive to innovation...I think there's no question that there's still a significant amount of activity there."



David Carlisle
Head of Community



Fireblocks

"Our strategic view is that U.S. will still be the primary financial market."



Michael Shaulov
Co-founder & CEO

Source: The Block, Industry Sources. As of December 2019.

Strong Reputation



"I think companies in US stand for trust, regulation and comfort in knowing that your assets are safe."



Gerald Chee
Head of Research



"U.S. corporate law is recognized as a leader around the world. And when you're doing business in other parts of the world as a U.S. corporation, you're just seen in a different light... it's kind of a prestigious thing to do business with an American company."



Rob Viglione
Co-founder & CEO



"Here in the US, we have the stiffest standard in terms of AML and other type of policies. And if you can operate a financial company that's involved in crypto in a compliant way in the United States, then you've pretty much hit the mark."



James Morgan
General Counsel

Source: The Block, Industry Sources. As of December 2019.

Access to Talent



IOTA Foundation

“The US is...also one of the largest markets where we have early adopters of technology, in particular, a very large and active developer community as well that are experimenting with distributed ledger technology.”



Julie Maupin

Director of Social Impact &
Public Regulatory Affairs



Waves Platform

“This industry is still very very early stage. I think the concentration of the bright people and the capital...are the two main reasons why you would move there [U.S.]”



Maxim Pertsovskiy

Head of Growth & Strategy



NuCypher

“From a talent perspective, you have a lot of strong engineering, technical talent, but also product people that have worked at rapid growth companies that have that skill and experience.”



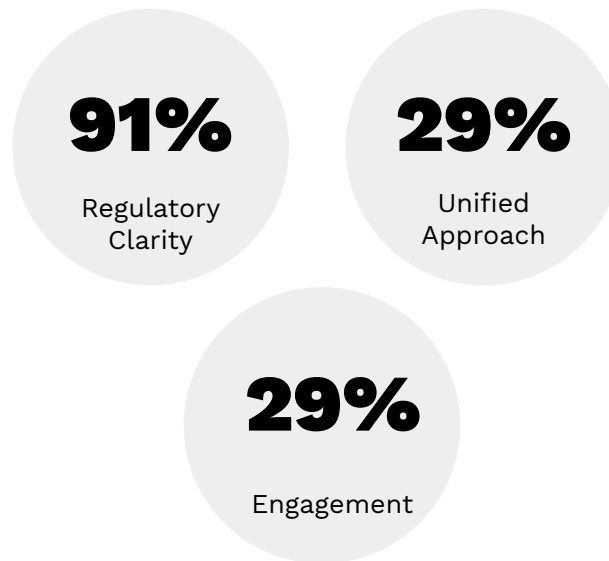
MacLane Wilkison

Co-founder & CEO

Source: The Block, Industry Sources. As of December 2019.

What do firms want from U.S. policymakers?

- Regulatory clarity was the most desired by a long shot
- Some suggestions of how U.S. policymakers can provide more clarity include active engagement with industry participants and a unified approach to policy-making
- 100% of firms that wanted a unified approach to policy-making also identified regulatory clarity as a desire



Source: The Block, Industry Sources. As of December 2019.

Regulatory Clarity



“One of the things that I would love to see is just clearing thresholds on what you are allowed to do and not allowed to do.”



Daniel Vogel
Co-founder & CEO



“While the national bodies may not be able to change state by state rules, they can do a lot about educating and providing clarity on what those state rules are and how they interact with each other and providing just more clear guidance in that respect.”



Will Reeves
CEO



“Regulatory clarity and reduced fragmentation would create a friendlier environment for crypto companies in the U.S.”



Jasmine Shergill
Director of Regulatory
Affairs (USA)

Source: The Block, Industry Sources. As of December 2019.

Engagement With U.S. Policymakers



Chainalysis

“More frequent and regular engagements between regulators and industry to build dialog and rapport.”



Jesse Spiro

Head of Policy & Regulatory Affairs



Elliptic

“I think encouraging and welcoming a more robust dialog between industry and regulators would go a long way to help...non enterprise, more true startups in the space.”



David Carlisle

Head of Community



Prime Trust

“There are a lot of very innovative players in this space who are trying to do things right and trying to do things with respect to regulation and to the regulators...and having [regulators] assign staff to go out and meet with all of us collectively would be a good thing.”



Scott Purcell

CEO

Source: The Block, Industry Sources. As of December 2019.

Unified Approach To Policy Decisions



“I would really like to see top down at least signaling of friendliness towards the industry.”



Rob Viglione
Co-founder & CEO



“I think that it would be really great to have a more unified approach that is led by the way the technology functions and what it's actually capable of, rather than starting with the kingdoms in which the regulators sit.”



Julie Maupin
Director of Social Impact &
Public Regulatory Affairs



“If there was kind of, on the federal level, a set of regulations, that would really help to streamline everything and all of our compliance programs.”



Lana Schwartzman
Chief Compliance Officer

Source: The Block, Industry Sources. As of December 2019.

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LOOKING FORWARD

Views On The Future

**Chainalysis**

“When the industry itself is seen as being safer in relation to AML and CFT compliance and when the rest of the world sees that there's more financial integrity in the space, that's going to lead to potentially major widespread institutional and global adoption.”

**Jesse Spiro**

Head of Policy & Regulatory Affairs

**Dash Core Group**

“The U.S. is at least acknowledging this is real. They are not seeking to shut it down.”

**Ryan Taylor**

CEO

**Paxos**

“As the industry matures and as regulations mature it's becoming more predictable to navigate and there is a sort of a mutual respect growing between the industry and the regulatory community, because people on both sides are understanding the risks better.”

**Dan Burstein**General Counsel & Chief
Compliance Officer

Source: The Block, Industry Sources. As of December 2019.

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THANK YOU!



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