STABLECOINS

An overview of the current state of stablecoins
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Executive Summary

- Only 30% of the total number of announced stablecoins are live. The rest are either in development or closed.
- Off-chain is the most popular form of collateral for stablecoin projects.
- USD-backed stablecoins are the most active and have the lowest attrition, while 67% of closed stablecoin projects were backed by gold.
- 50% of all active stablecoins are developed on the Ethereum network.
- Tether has raised the most amount of funding for all stablecoin projects with $1 Billion raised through an IEO.
- Since the beginning of 2017, 119 projects have been announced but not yet publicly launched. 2019/2020 may be the biggest years of new stablecoins coming live.
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“The true key to unlocking the great potential of blockchain will come with the widespread adoption of Stablecoins.”

Rune Christensen, Founder of MakerDAO
## Stablecoins defined

<table>
<thead>
<tr>
<th>What are stablecoins?</th>
<th>Why were they created?</th>
<th>What are they used for?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A stablecoin is a cryptocurrency that is <strong>collateralized to the value of an underlying asset</strong>.</td>
<td>They are intended to <strong>solve</strong> the <strong>volatility issue</strong> that arguably holds back the potential adoption of cryptocurrencies for everyday payment purposes.</td>
<td>They can be used for everyday means of <strong>exchange</strong>, a <strong>store of value</strong>, <strong>market entry</strong>, and most commonly, to provide a <strong>less volatile</strong> holding ground for investors and traders during the upswings and crashes of the cryptocurrency market.</td>
</tr>
</tbody>
</table>
## Types of Stablecoins

<table>
<thead>
<tr>
<th>Asset-backed off-chain</th>
<th>Asset-backed on-chain</th>
<th>Seigniorage-Style (Algorithmic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stablecoins backed by a “regular” fiat currency such as USD or euro, precious metals, or other real-world assets. It requires trust in an opaque and centralised third party to hold the collateral.</td>
<td>Stablecoins backed by cryptocurrencies such as ether, it is dependent on the stability of the cryptocurrency on the other side of the equation.</td>
<td>Stablecoins relying on a combination of algorithms and smart contracts to maintain price equilibrium, it requires continual network growth and investment to provide capital and support a falling currency value.</td>
</tr>
</tbody>
</table>

### Fiat-Backed
- USD Coin
- tether

### Commodity-Backed
- DGX
- ONEGRAM
- HelloGold
- SendGold

### Crypto-Backed
- MAKER
- Huobi
- karbo
- ELEMENT ZERO Network
- Terra
- Ampleforth

### Algorithmic
- TrustToken
- STEEM
- ALCHEMINT
- Amaize
- Blockdata.tech
Stablecoins can offer a variety of solutions to the current crypto market.

<table>
<thead>
<tr>
<th>Issues with Cryptocurrencies</th>
<th>Solutions that Stablecoins Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price volatility</strong></td>
<td><strong>Minimize price volatility</strong></td>
</tr>
<tr>
<td>Crypto prices are highly volatile and subject to large price swings.</td>
<td>Stablecoins are designed to minimize the price volatility when dealing with cryptocurrencies (benefits payments applications).</td>
</tr>
<tr>
<td><strong>Value based on speculation</strong></td>
<td><strong>Asset pegged</strong></td>
</tr>
<tr>
<td>The majority of tokenized blockchain projects are based on speculation and have yet to be proven effective.</td>
<td>They work alongside traditional money and can be pegged to a fiat currency or other assets of choice.</td>
</tr>
<tr>
<td><strong>Merchant risk</strong></td>
<td><strong>Adjusted circulation</strong></td>
</tr>
<tr>
<td>Merchants and other businesses are reluctant to take on the risk of large price swings if they are to accept crypto as a payment option.</td>
<td>Some stablecoins automatically adjust the number of tokens in circulation to keep the price stable.</td>
</tr>
<tr>
<td><strong>Lack of investor confidence</strong></td>
<td><strong>Secure transactions and entry</strong></td>
</tr>
<tr>
<td>Volatility can lead to a large exodus of investors, damaging projects, businesses, and investor confidence necessary for innovation and sustainable growth.</td>
<td>Intended to be a stabilized, scalable and secure means for transactions - and for entering the crypto market.</td>
</tr>
<tr>
<td><strong>Network fees</strong></td>
<td><strong>Liquidity</strong></td>
</tr>
<tr>
<td>Varying transactions fees and slow processing times, depending on the network.</td>
<td>Liquidity tool for crypto exchanges.</td>
</tr>
</tbody>
</table>
Price volatility is the main reason why stablecoins were created.

Daily price volatility of cryptocurrencies can range from 5% to 160%.

Sources: cryptocurrencychart.com; bitvol.info
Notes: Cryptocurrencies displayed on the chart were chosen based on historically high volatility occurrences.
What is it? Formally known as “Realcoin”, Tether is a stablecoin backed by a combination of cash, cash equivalents, cryptocurrency assets, and loans. It provides protection from price volatility in cryptocurrency markets through instantaneous low-cost transactions across 30 exchanges. Tether tokens (USDT) are pegged 1:1 with the US dollar and account for 80% of all bitcoin trading by volume. An academic paper attributed 50% of the increase in major cryptocurrencies in 2017 to activity related to Tether. In April 2019, the New York Attorney General’s Office issued an injunction against Tether and Bitfinex, companies which share a parent company, iFinex. This resulted in Tether announcing that 74% of its tokens are backed by cash, not the 100% that was previously claimed.

Technology: Tether is issued on the Bitcoin blockchain through the Omni Layer Protocol (formally known as Mastercoin protocol). In September 2017, Tether launched additional (ERC-20) tokens for the US dollar and Euros on the Ethereum blockchain. Currently, Tether is issued on the Omni Layer, Ethereum and Tron blockchain. In 2019, Tether’s CTO announced that Tether will also be launching on the EOS blockchain.

Milestones: USDT tokens were first issued on October 6th, 2014 on the bitcoin blockchain via the Omni Layer protocol. On January 2015, cryptocurrency exchange platform Bitfinex enabled the trading of Tether. Daily trading volumes now regularly exceed $10 billion.
“One more piece of reliable infrastructure to help build the open financial system”

Brian Armstrong, CEO of Coinbase
Only 30% of the total number of stablecoins are **live**. The rest are either in development or have already closed.

<table>
<thead>
<tr>
<th>ACTIVE</th>
<th>IN DEVELOPMENT</th>
<th>CLOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>66</td>
<td>134</td>
<td>26</td>
</tr>
</tbody>
</table>

**Active** - projects that have a live, operational stablecoin.

**In Development** - includes projects that are in development or otherwise not publicly released.

**Closed** - projects that are no longer operational.

Sources: Stable.report and Blockdata.tech
95% of Active Stablecoins are Asset-Backed.

Sources: Stable.report and Blockdata.tech
Notes: "Other" includes stablecoins with an undefined format
65% of the total number of stablecoins hold **off-chain collateral** (Fiat or Commodity backed).

**Sources:** Stable.report and Blockdata.tech
45 off-chain backed stablecoins announced in the last 2.5 years are now live.

**Sources:** Stable.report and Blockdata.tech. Excluding unclassified.
50% of all active stablecoins are developed on the Ethereum network.

- Ethereum is the most common choice of blockchain protocols companies have used to launch a stablecoin (followed by Bitshares and Stellar).
- Ethereum allows exchanges to easily integrate stablecoins without having to create a new infrastructure to support stablecoins.
- ERC20 stablecoins such as TUSD, GUSD, PAX can utilize popular hardware wallets like Trezor and Ledger along with software wallets like Metamask to send and receive stablecoins.
- Using block explorers such as etherscan and ethplorer improves transparency and helps to track circulation of Ethereum-based stablecoins.
66 stablecoins are currently live. 36 of them (more than half) were announced in 2018.

Sources: Stable.report and Blockdata.tech
Since the start of 2017, **134 projects have been announced** but not yet publicly launched. **2019/2020** may be the biggest years of new **stablecoins coming live**.

**Sources:** Stable.report and Blockdata.tech

**Notes:** expected* - in development projects from 2017-2018
"Stablecoins could be the product that convinces everyday users that cryptocurrencies deserve a place next to their ATM card."

Matthew Leising, Bloomberg
Only 25 out of 66 active stablecoins are externally funded. Top VC investors are Digital Currency Group, Blockchain Capital, and Andreessen Horowitz.

### Number of funded Stablecoins

- **62.1%**: ICO Funded
- **16.7%**: VC Funded
- **12.1%**: ICO & VC
- **9.1%**: Not Funded

### Top Stablecoin VC Investors

<table>
<thead>
<tr>
<th>VC Investors</th>
<th>HQ</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Currency Group</td>
<td>New York</td>
<td>eToroX Paxos Circle / USD Coin</td>
</tr>
<tr>
<td>Blockchain Capital</td>
<td>San Francisco</td>
<td>Paxos Circle / USD Coin AlphaPoint</td>
</tr>
<tr>
<td>Andreessen Horowitz</td>
<td>Menlo Park</td>
<td>TrustToken Celo</td>
</tr>
<tr>
<td>Plug and Play</td>
<td>Sunnyvale</td>
<td>Token PaySend</td>
</tr>
<tr>
<td>General Catalyst</td>
<td>Cambridge</td>
<td>Circle / USD Coin Celo</td>
</tr>
<tr>
<td>Polychain</td>
<td>San Francisco</td>
<td>Celo Terra</td>
</tr>
<tr>
<td>Slow Ventures</td>
<td>San Francisco</td>
<td>Ampleforth TrustToken</td>
</tr>
<tr>
<td>Pantera Capital</td>
<td>Menlo Park</td>
<td>Ampleforth Circle / USD Coin</td>
</tr>
</tbody>
</table>

**Sources:** Stable.report and Blockdata.tech. Excluding closed projects

**Notes:** Funded includes any capital raise such as VC funds, ICO and IEO.
Tether sets all time high for stablecoin funded projects with $1 Billion raised through an IEO.

Funds raised by stablecoin projects

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$7M</td>
</tr>
<tr>
<td>2016</td>
<td>$27M</td>
</tr>
<tr>
<td>2017</td>
<td>$110M</td>
</tr>
<tr>
<td>2018</td>
<td>$663M</td>
</tr>
<tr>
<td>2019</td>
<td>$1240M</td>
</tr>
</tbody>
</table>

Top 10 rounds by size

<table>
<thead>
<tr>
<th>Project</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tether</td>
<td>IEO</td>
<td>$1B</td>
</tr>
<tr>
<td>USD Coin</td>
<td>Series E</td>
<td>$110M</td>
</tr>
<tr>
<td>‘etoro’X</td>
<td>Series E</td>
<td>$100M</td>
</tr>
<tr>
<td>Flashmoni</td>
<td>ICO</td>
<td>$72M</td>
</tr>
<tr>
<td>PAXOS</td>
<td>Series B</td>
<td>$65M</td>
</tr>
<tr>
<td>USD Coin</td>
<td>Series D</td>
<td>$60M</td>
</tr>
<tr>
<td>‘etoro’X</td>
<td>Series C</td>
<td>$50M</td>
</tr>
<tr>
<td>NOKU</td>
<td>ICO</td>
<td>$32.3M</td>
</tr>
<tr>
<td>Terra</td>
<td>Seed</td>
<td>$32M</td>
</tr>
</tbody>
</table>

Sources: Blockdata.tech. Excluding closed projects.
~ $2 Billion was raised by the **top 15 stablecoins**. Tether made up half of this total with its recent IEO.

**Tether**
- **Project/Company**: Tether
- **Use Cases**: Exchange Liquidity, Trading
- **Status**: Active
- **Collateral**: USD, Crypto, Cash, Bank Deposit
- **Platform**: Omni Protocol, Ethereum
- **Announced**: 2014
- **HQ**: Hong Kong
- **Funds Raised**: $1 B
- **Latest Round**: IEO
- **Lead Investors**: Undisclosed (Private Token Sale)

**USD Coin (USDC)**
- **Project/Company**: Centre (Circle; Coinbase)
- **Use Cases**: Exchange Liquidity, Trading, Commerce
- **Status**: Active
- **Collateral**: USD
- **Platform**: Ethereum
- **Announced**: 2018
- **HQ**: Boston
- **Funds Raised**: $246 M
- **Latest Round**: Series E
- **Lead Investors**: IDG Capital, Goldman Sachs, Breyer Capital, Bitmain

**EToroX**
- **Project/Company**: Etoro
- **Use Cases**: Exchange Liquidity, Trading
- **Status**: Active
- **Collateral**: Fiat
- **Platform**: Ethereum
- **Announced**: 2019
- **HQ**: London
- **Funds Raised**: $222.7 M
- **Latest Round**: Series E
- **Lead Investors**: Spark Capital, Social Leverage, BHM Capital

**Paxos Standard (Paxos Trust Company LLC)**
- **Project/Company**: Paxos Standard
- **Use Cases**: Exchange Liquidity, Trading, P2P Payments, Commerce
- **Status**: Active
- **Collateral**: USD
- **Platform**: Ethereum
- **Announced**: 2018
- **HQ**: New York
- **Funds Raised**: $93.3 M
- **Latest Round**: Series B
- **Lead Investors**: Canaan Partners, BNE Ventures, Digital Currency Group

**Flashmoni**
- **Project/Company**: Flash Group
- **Use Cases**: Payments, Airtel
- **Status**: Active
- **Collateral**: In Development
- **Platform**: Gold
- **Announced**: 2018
- **HQ**: London
- **Funds Raised**: $72 M
- **Latest Round**: IEO
- **Lead Investors**: -

**Celo**
- **Project/Company**: C Labs
- **Use Cases**: P2P Payments
- **Status**: Active
- **Collateral**: Crypto
- **Platform**: Ethereum
- **Announced**: 2018
- **HQ**: San Francisco
- **Funds Raised**: $36.5 M
- **Latest Round**: Venture Round
- **Lead Investors**: Polychain, FBG Crypto, SV Angel, Andreessen Horowitz

**NOKU**
- **Project/Company**: Noku SA
- **Use Cases**: Payments, Savings, Trading
- **Status**: Active
- **Collateral**: EUR, CHF, GBP
- **Platform**: Ethereum
- **Announced**: 2017
- **HQ**: Zug
- **Funds Raised**: $32.3 M
- **Latest Round**: IEO
- **Lead Investors**: -

**TerraX**
- **Project/Company**: TerraX
- **Use Cases**: P2P Payments, Commerce
- **Status**: Active
- **Collateral**: Crypto
- **Platform**: Terra
- **Announced**: 2018
- **HQ**: Singapore
- **Funds Raised**: $32 M
- **Latest Round**: IEO
- **Lead Investors**: Kaka Ventures, Lunex, Tranzlink Capital, Polychain

**Synthetix**
- **Project/Company**: Synthetix
- **Use Cases**: Exchange Liquidity, Trading
- **Status**: Active
- **Collateral**: Crypto
- **Platform**: Ethereum, EOS
- **Announced**: 2017
- **HQ**: Sydney
- **Funds Raised**: $30.3 M
- **Latest Round**: IEO
- **Lead Investors**: Synapse Capital

**Alchemint**
- **Project/Company**: Alchemint Foundation Limited
- **Use Cases**: Exchange Liquidity, Trading, Stablecoin Issuance
- **Status**: Active
- **Collateral**: Crypto
- **Platform**: NEO
- **Announced**: 2017
- **HQ**: Singapore
- **Funds Raised**: $30 M
- **Latest Round**: IEO
- **Lead Investors**: -

**Jibrel Network**
- **Project/Company**: Jibrel Network
- **Use Cases**: Exchange Liquidity, Reduces On-Chain Fees, Solvency Transparency
- **Status**: Active
- **Collateral**: USD, EUR, KRW, GBP
- **Platform**: Ethereum
- **Announced**: 2019
- **HQ**: Zug
- **Funds Raised**: $30 M
- **Latest Round**: IEO
- **Lead Investors**: Dif FinTech Hive

**Ekoon**
- **Project/Company**: Ekoon
- **Use Cases**: Store Of Value
- **Status**: Active
- **Collateral**: Gold
- **Platform**: Ethereum
- **Announced**: 2017
- **HQ**: Zug
- **Funds Raised**: $27.4 M
- **Latest Round**: IEO
- **Lead Investors**: -

**Everex**
- **Project/Company**: Everex Holdings, Pte Ltd
- **Use Cases**: Identity, Digital Payments, Lending, Commerce
- **Status**: Active
- **Collateral**: THB
- **Platform**: Ethereum
- **Announced**: 2017
- **HQ**: Singapore
- **Funds Raised**: $26.5 M
- **Latest Round**: Series B
- **Lead Investors**: Hanley Group

**PaySend**
- **Project/Company**: PaySend Group
- **Use Cases**: Payments, Asset Tokenization
- **Status**: Active
- **Collateral**: GBP
- **Platform**: Ethereum
- **Announced**: 2018
- **HQ**: London
- **Funds Raised**: $25.6 M
- **Latest Round**: Series B
- **Lead Investors**: Digital Space Ventures, Plug & Play, MAP Corp Financial

**TrueUSD**
- **Project/Company**: TrustToken, Inc.
- **Use Cases**: Trading, Commerce, Exchange Liquidity, Assets
- **Status**: Active
- **Collateral**: USD
- **Platform**: Ethereum
- **Announced**: 2017
- **HQ**: San Francisco
- **Funds Raised**: $21.7 M
- **Latest Round**: IEO
- **Lead Investors**: Andreessen Horowitz, Foundation Capital, GOV Capital, Founders Fund

**Sources**: Stable.report and Blockdata.tech
CLOSED STABLECOINS

“Stablecoins will continue to exist but we will think of them more as payment coins. We will think of them as ecommerce coins or kinds of baskets of asset-backed security-like mutual funds.”

Miko Matsumura, co-founder Evercoin
Fiat/Crypto-based stablecoins have a higher chance of survival, while commodity backed stablecoins have the highest closing rate.

Sources: Stable.report and Blockdata.tech
USD-backed stablecoins are the most active and have the lowest attrition, while 67% of closed stablecoins were backed by gold.
Limitations to Stablecoins

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory restrictions</strong></td>
<td>Due to the inherent nature of stablecoins, regulators such as the SEC argue that stablecoins may be violating current securities laws. Stablecoins are crossing into the security category (central parties controlling price variations over time).</td>
</tr>
<tr>
<td><strong>Centralization</strong></td>
<td>Majority of stablecoins are centralized which opposes the nature of decentralization in blockchain itself.</td>
</tr>
<tr>
<td><strong>Volatility</strong></td>
<td>Commodity and crypto backed stablecoins are subject to their price volatility. If a market crash would occur, the stablecoin will become unstable. Collateral to protect these instances remains largely unclear and blurred.</td>
</tr>
<tr>
<td><strong>Trust in central counterparties</strong></td>
<td>Fiat-backed stablecoins require trust in a centralized entity (i.e. a bank). Threat of destabilisation via external geopolitical factors. Ability to cover IOUs issued (e.g. Tether).</td>
</tr>
</tbody>
</table>
Introduction: Basis was a stable cryptocurrency protocol with an algorithmic central bank designed to address volatility in the cryptocurrency market. The Basis network featured three kinds of tokens: regular Basis (the stablecoin), bond tokens, and share tokens. Basis remained stable by incentivising traders to buy and sell Basis in response to changes in demand. These incentives were set up through regular, on-chain auctions of "bond" and "share" tokens, which serve to adjust Basis supply. It was these "bond" and "share" tokens (primarily the bond tokens) that the Securities & Exchange Commission (SEC) deemed as securities which would ultimately disrupt the Basis stablecoin model. Basis successfully raised $135 million from a number of notable VCs, and shut down after only eight months of operations.

Reasons for closure

- The concept of a decentralised independent stablecoin would not be possible
- Centralised whitelisting system would need to be put in place
- Securities would impose transfer restrictions on bond and share token auctions
- Basis model would lose censorship resistance
- On-chain auctions would have significantly less liquidity

Role of SEC

- The Securities & Exchange Commission concluded that Basis bond tokens would be considered securities, this status could not be avoided by the Basis team
- Securities status is classified through a procedure called the Howey Test (or more commonly categorises a virtual currency as an "investment contract")
- Many find the Howey Test an ineffective and outdated model for the determination of the blockchain space.
Reasons behind closed commodity backed stablecoins

**Volatility**
- Commodities have a more volatile history than fiat currencies and a wider range of possible price manipulations.
- Same as how diamond prices are inflated by stockpiling quantities away from the market, there are similar activities going on for other commodities.

**Physical Storage**
- To back the stablecoin you actually have to stockpile the asset somewhere.
- The commodity needs to be held in a secured warehouse.
- Companies need to prove that the stockpile exists or doesn’t.

**Scams**
- Hype for creation of the digital gold.

Sources: Blockdata tech and coinspy
Glossary

**Volatility** - the rate at which the price of a security increases or decreases for a given set of returns.

**Off-chain** - transactions occurring on a cryptocurrency network which move the value outside of the blockchain.

**On-Chain** - transactions which occur on the blockchain - that is, on the records of the blockchain - and remain dependent on the state of the blockchain for their validity.

**Collateral** - something pledged as security for repayment of a loan, to be forfeited in the event of a default.

**Unclassified** - could not be assigned to a specific category.

**Fiat** - literally meaning 'let it be done', fiat refers to currency whose value is established by government decree, rather than direct 1:1 backing by an asset such as gold or silver. Supplies of fiat currency are determined by the central bank.
UNCOVER THE FULL POTENTIAL OF BLOCKCHAIN RESEARCH

MAPPING THE DIGITAL ECONOMY

- Blockdata is committed to mapping the technology that is shaping the future of the global digital economy.
- It lists fundamental information on the projects, companies, tokens, and products built with blockchain technology.
- Blockdata is used by news organizations, governments, and forward-thinking companies who want to better understand blockchain technology.

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