

In collaboration with Covalent | Issue 23 | May 23 – June 3, 2021

Market Insights

\$1.17 billion

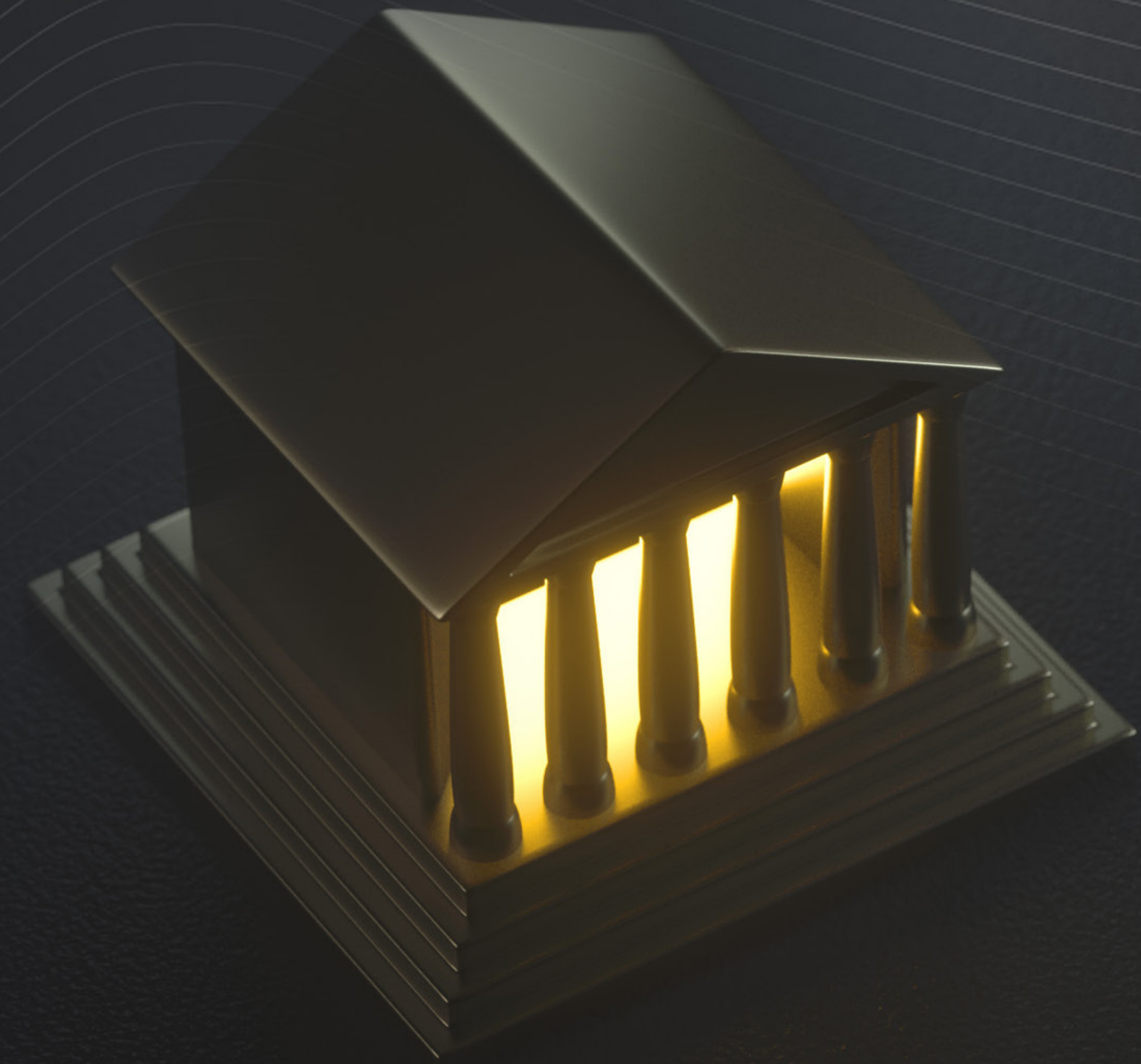
billion liquidated across top three DeFi protocols amid the recent market turmoil

35%

Bitcoin price is down closing the month compared to April

\$2,635

the price of Ethereum as it is up from its bottom on May 23



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The Crypto Comeback? Major events between May 23 - June 4

Key Takeaways

- Investor sentiment seems to be neutral as concerns on modest market recovery fade amid the stabilization of crypto asset prices. Major currencies bounced back from their bottoms, with Bitcoin upped 11% from its lowest at \$32,715 on May 23 and Ethereum was now trading at \$2,635 as of May 23, up 37% from its local bottom. Despite the losses, the scare could have a positive effect on the markets as it helped cool them down.
- The market turmoil did not impede the institutional interest in digital assets. In fact, the report by the Financial Planning Association provides evidence that more institutional investors are looking for exposure to crypto and this would be a long-term trend. In this paradigm, the launch of the crypto exchange for institutional markets announced by Standard Chartered looks like a wise move. The ripening of investment vehicles tends to be inevitable, too. However, US Bitcoin ETFs are still not approved, with Fidelity's and SkyBridge's BTC ETFs under review.
- The echoes of the recent market crash can still be heard. However, the markets were hit the hardest between May 19 - 23. Whilst altcoins experienced an even more brutal crash than the mainstream assets, DeFi space faced the biggest wave of liquidations in its history. In this issue of the bi-weekly newsletter, we take a look at the liquidations on the top three DeFi platforms, including Aave, Compound and MakerDAO.

Almost every issue of the bi-weekly newsletter in 2021 featured a mega round of VC financing that totalled more than \$200 million. This issue is no exception as Circle raised a whopping \$440 million and set a new record. Apart from this massive fundraiser, we also saw smaller rounds in the last two weeks, with at least \$245 million in venture dollars allocated in the blockchain industry across 12 deals.

Circle, the firm behind USDC stablecoin, raised \$440 million in financing as the company announced plans for further expansion amid explosive growth. Many backers represent the traditional finance sector, including Fidelity Management and Research Company, Atlas Merchant Capital and Breyer Capital.

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Sustainable technology company OneOf has raised \$63 million in seed funding to finance its new Green NFT platform for musicians. The company claims that minting NFTs on Tezos uses over 2 million times less energy than leading networks like Ethereum.

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Chia Network has raised \$61 million in funding at around \$500 million valuation from leading tech investors including Andreessen Horowitz, Breyer Capital and True Ventures. The firm hopes to go public through an IPO this year.

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Tsunami of liquidations:
diving into the biggest
wave of DeFi-related
liquidation events

Market Analysis ...

The savage sell-off taking place in the last few weeks fueled volatility in markets and triggered massive liquidations among numerous DeFi protocols. Like an earthquake, the market fall exacerbated the biggest wave of liquidations in DeFi history. The market experienced a higher amount of liquidation in the past three weeks as compared to the past two years in the DeFi space.

For the three major DeFi protocols, Aave, Compound and Maker, which account for nearly 50% of all DeFi total value locked, they hit a record of over \$1.17 billion of collateral liquidated recently. The gas costs involved in these liquidations totals roughly \$10.3 million, with a single day peak above \$2.5 million on May 19.

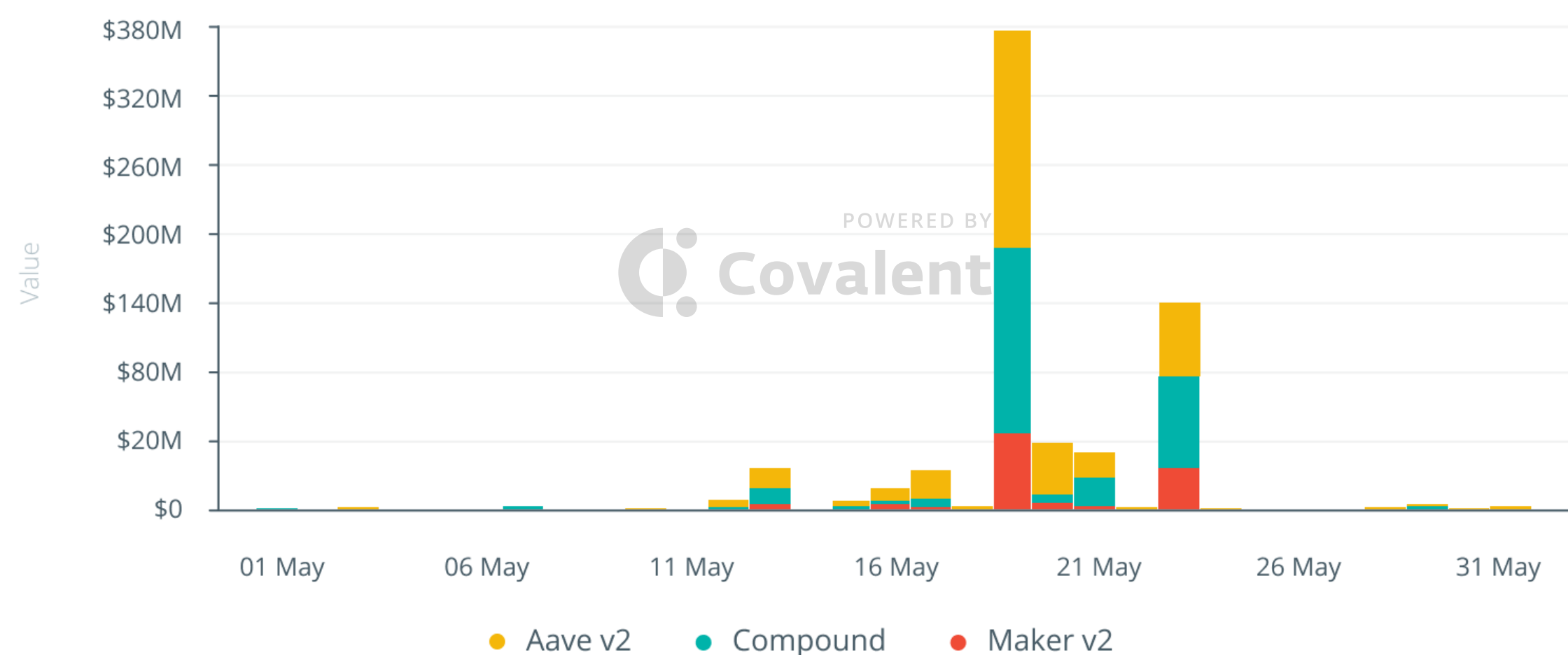
The largest single day of liquidations so far was May 19 as the three protocols together

witnessed \$377 million worth of collateral liquidated. Aave accounts for \$170 million, while Compound lags not so far behind with \$147 million worth of liquidations. Maker accounts for \$60 million worth of liquidations.

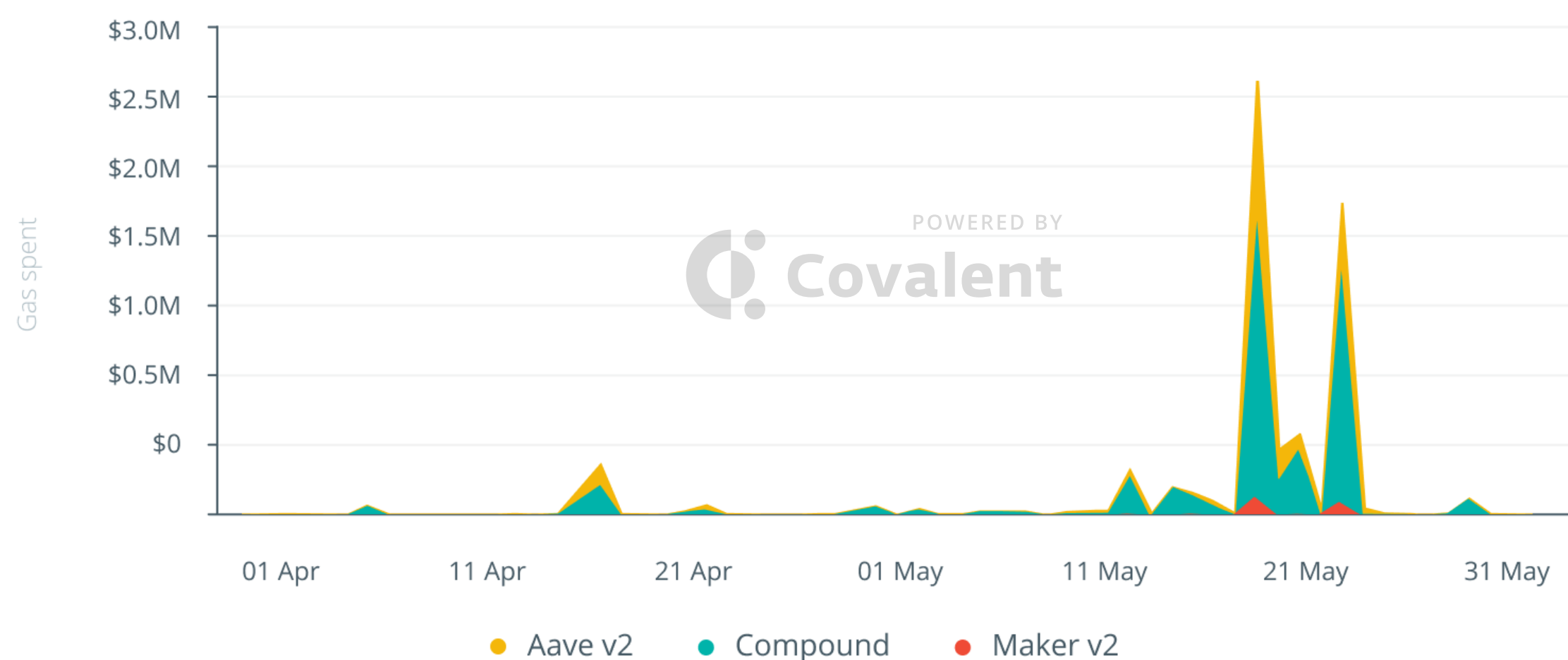
Liquidations on Compound also hit a fresh record; previously, the protocol faced over \$88 million liquidated in November as the result of the Dai stablecoin sudden price surge.

The data reveals that the recent liquidations dynamics bear a striking resemblance to tsunami waves, with the second of them coming on May 23 when Ethereum price plunged to \$1,925 from the all-time high at \$4,332. The day marks over \$160 million of liquidations, with Compound overtaking Aave by value liquidated.

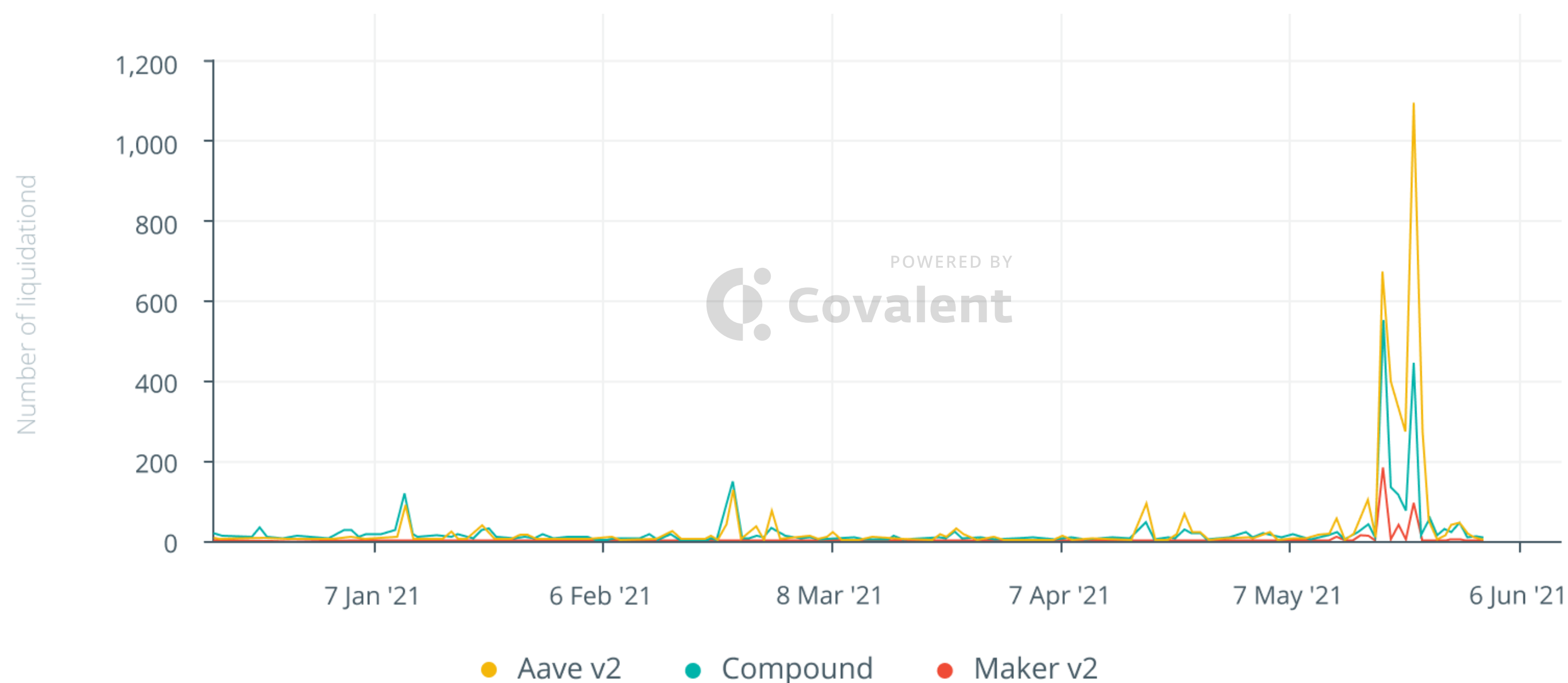
Total daily liquidations



Daily gas spent on liquidations



Daily liquidation transactions



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This analysis was prepared by Covalent, a blockchain data indexer that provides APIs to support use cases such as network analysis, wallet management, and tax documentation.

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The recent wave of liquidations was the biggest in terms of the number of liquidations, too. The data indicates that there have been a total of 13,323 liquidations in the history of the protocols studied, and over a third of the total number of liquidations on the top 3 DeFi platforms occurred as the result of the recent market turmoil.

Of those 5,012 liquidations that happened after the prices had started to fall on May 19, 64% came from Aave, 29% from Compound and 7% from Maker. Notably, more liquidations occurred on May 23 than on May 19, which is not correlated with the data on value liquidated across the protocols.

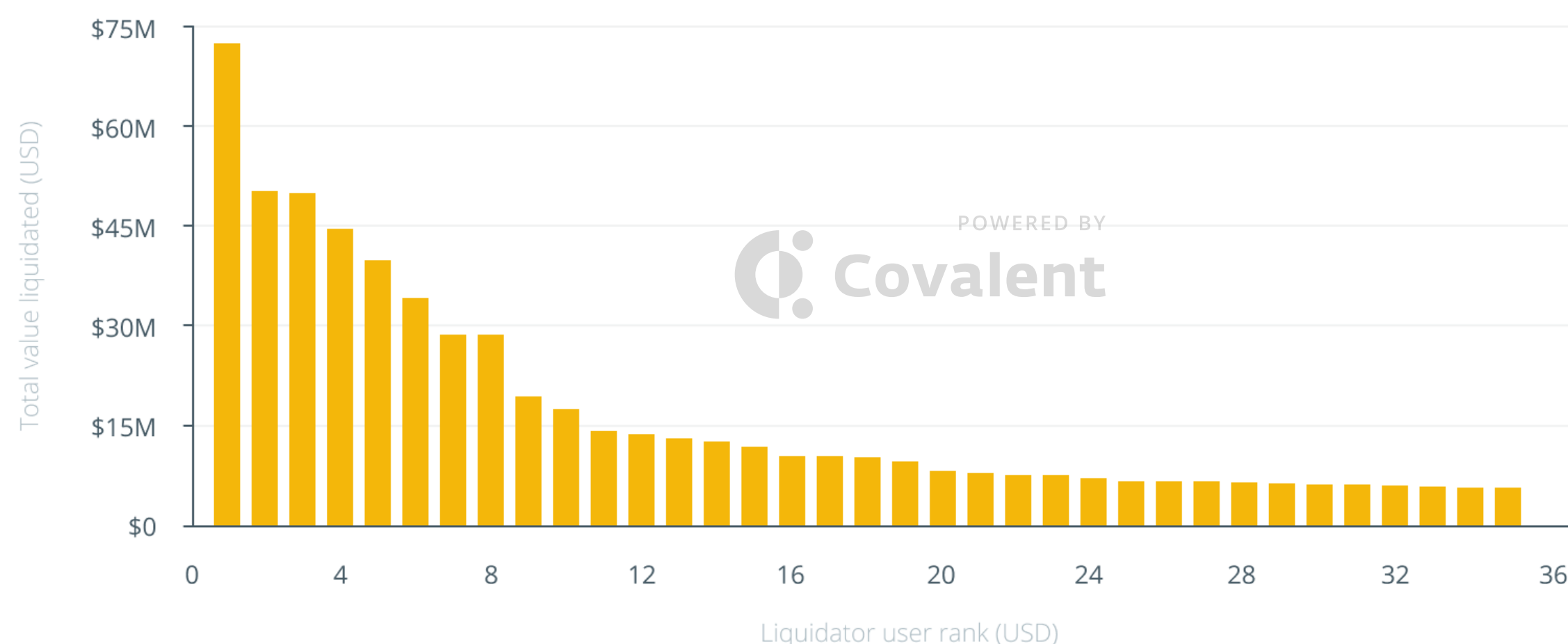
Market Analysis ...

There have been a total of 418 keepers throughout the history of the three protocols, but the top 5 make up more than 57% of total liquidations with the top 25 liquidators accounting for more than 91% of all liquidations. The largest keeper has liquidated more than \$220 million across the three protocols.

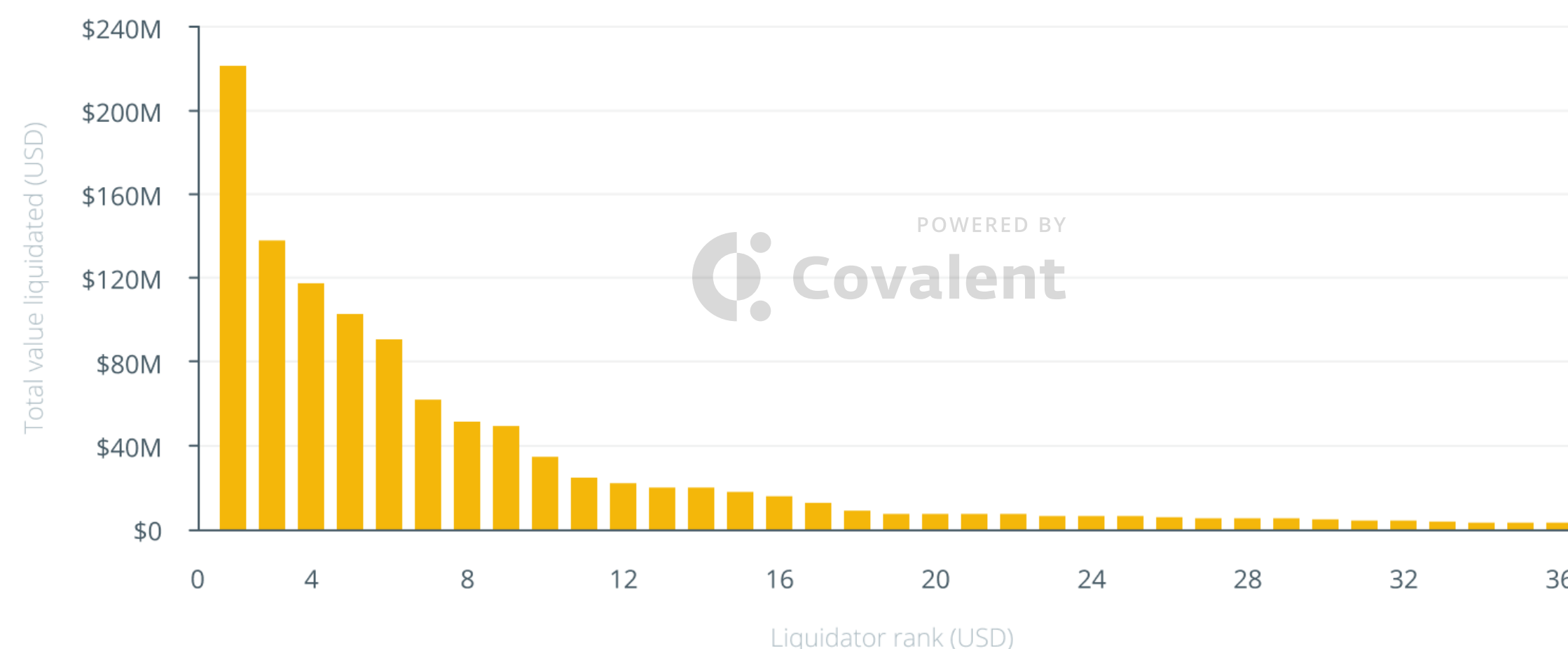
Similarly, there have been 4,148 liquidated users across the three protocols, with the largest address facing a \$72 million liquidation. The top 10 liquidated users account for more than 33% of total liquidations. The data indicates there have been 169 addresses with an excess of \$1 million liquidated.

The recent market drop was a test to DeFi's viability. Despite the losses, the protocols have passed the stress test, indicating that their design has the power to transform financial markets in the future. As we move forward to an increasing rate of DeFi adoption, it'd be important for the protocols to introduce mechanisms that protect users from unpredictable loss of funds as well as to educate the users about the underlying risks.

Liquidated user statistics

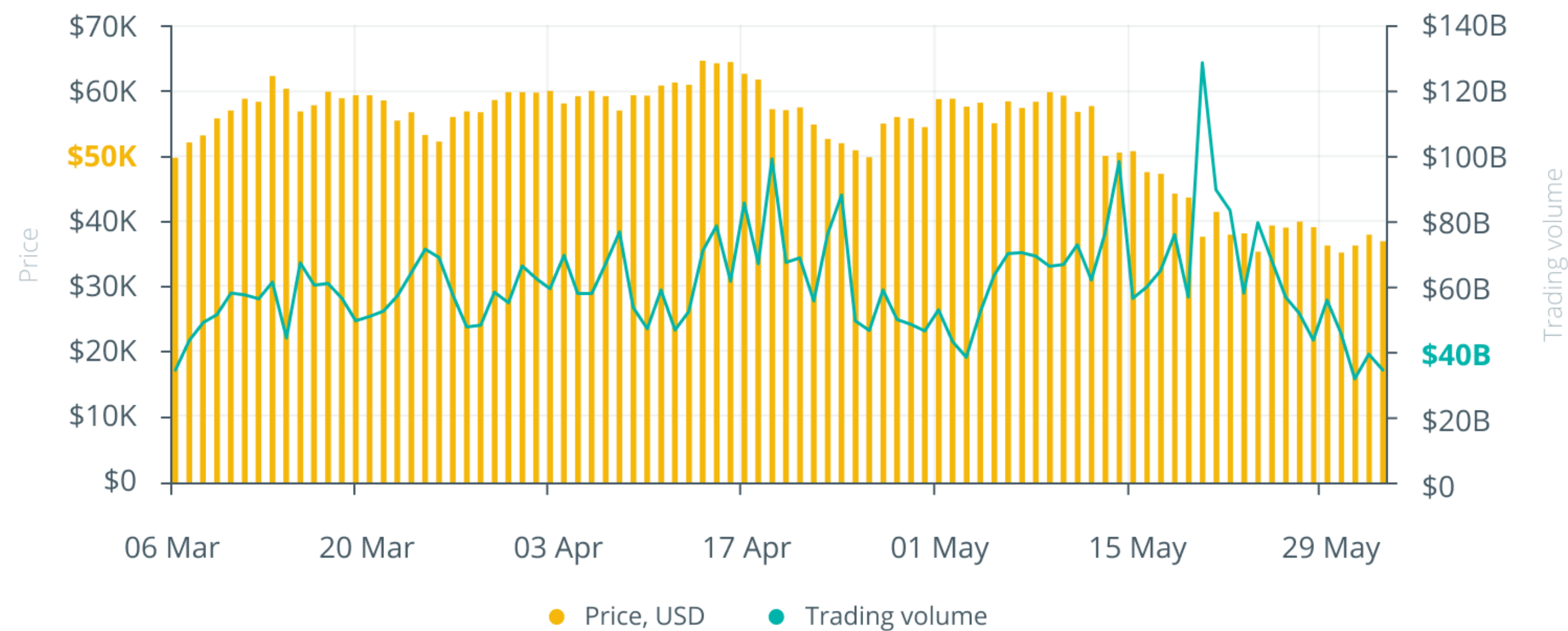


Liquidator statistics



Market Analysis BTC Daily Exchange Trading Volume and Price

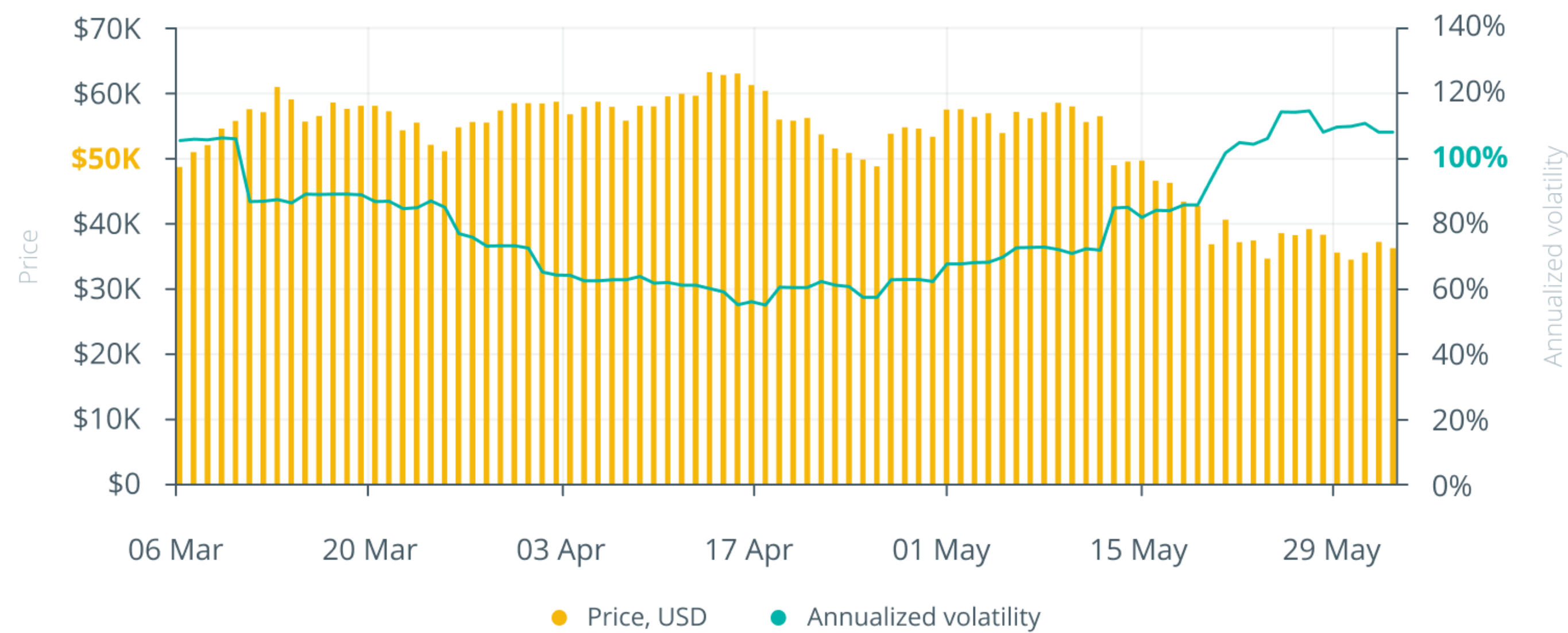
BTC daily exchange trading volume and price



- BTC daily trading volume surpassed \$123 billion on May 19 and has been declining afterwards as the BTC price has been fluctuating between \$34,600 and \$39,300 over the last two weeks.
- On May 30 BTC daily trading volume plummeted to under \$32 billion, which is the lowest figure in the 3-month period.

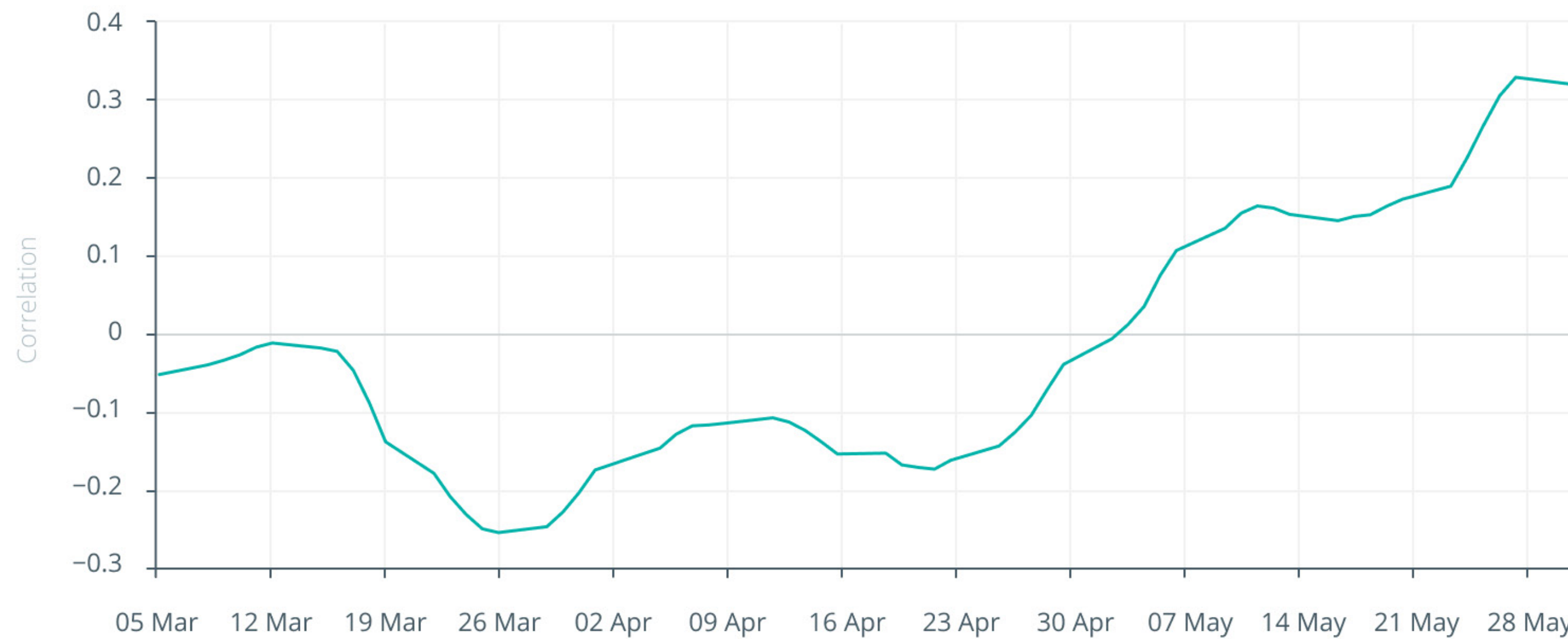
Market Analysis BTC 30-day Annualized Volatility and Price

BTC annualized 30-day rolling volatility and price



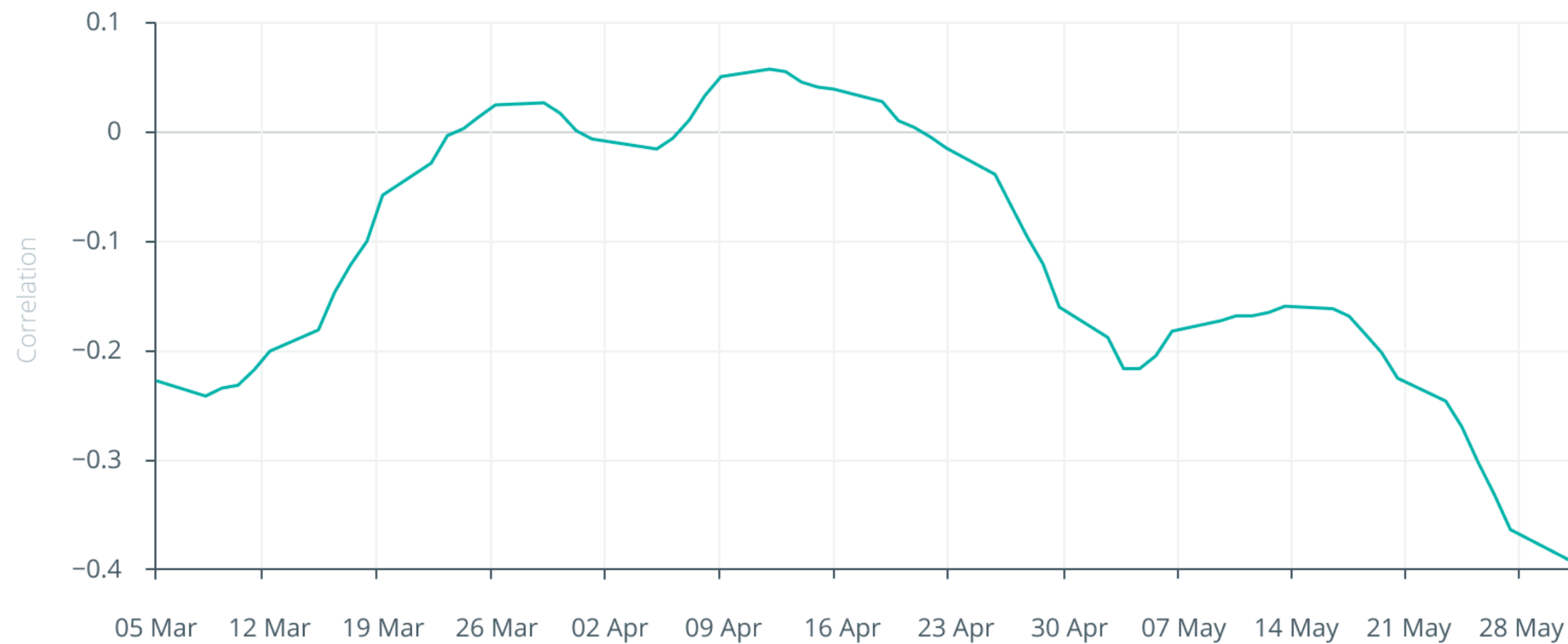
- On May 24 the BTC price skyrocketed from \$34,700 to \$38,700, thereby sparking a jump on the BTC 30-day annualized volatility from 106% to 115%, which is the 3-month high for this metric.
- The 30-day annualized volatility increased from 94% to 102% on May 20 for the first time in 9 weeks when the BTC price surged by \$3,700 and reached \$40,700.

30 days moving average correlation BTC–DXY



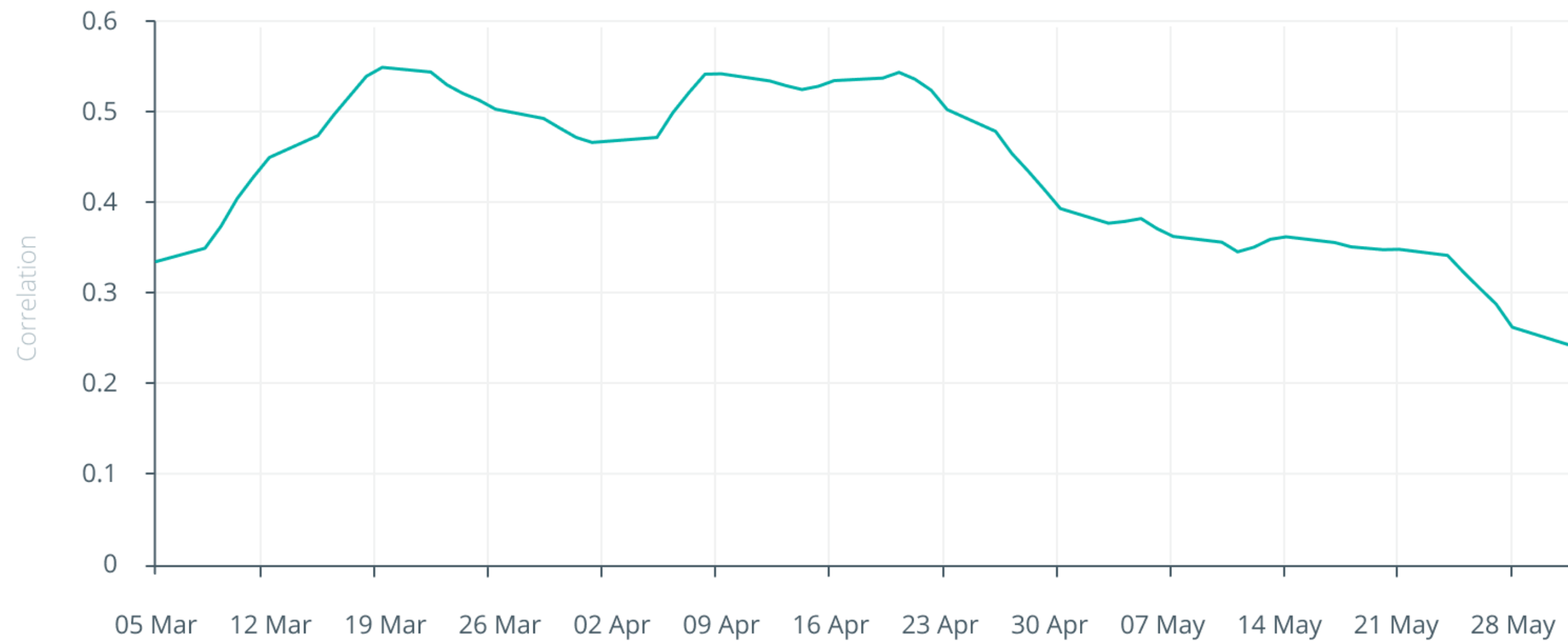
- Both BTC and DXY went down over the 2-week period, which helped the 30-day moving average correlation to increase significantly and peak at over 0.33 on May 28, setting a 3-month high.
- On May 4 the BTC – DXY annualized volatility turned positive and since then DXY and BTC both decreased in value: the former lost 1.5%, whereas the latter fell down by more than 30%.

30 days moving average correlation BTC–Gold



- On the contrary to BTC, Gold has been appreciating over the last two weeks and broke through the \$1,900 milestone on May 28.
- Since BTC and Gold have been moving in opposite directions over the last two weeks, their 30-day moving average correlation fell sharply from -0.18 on May 19 to -0.39 on June 2.

30 days moving average correlation BTC–S&P 500

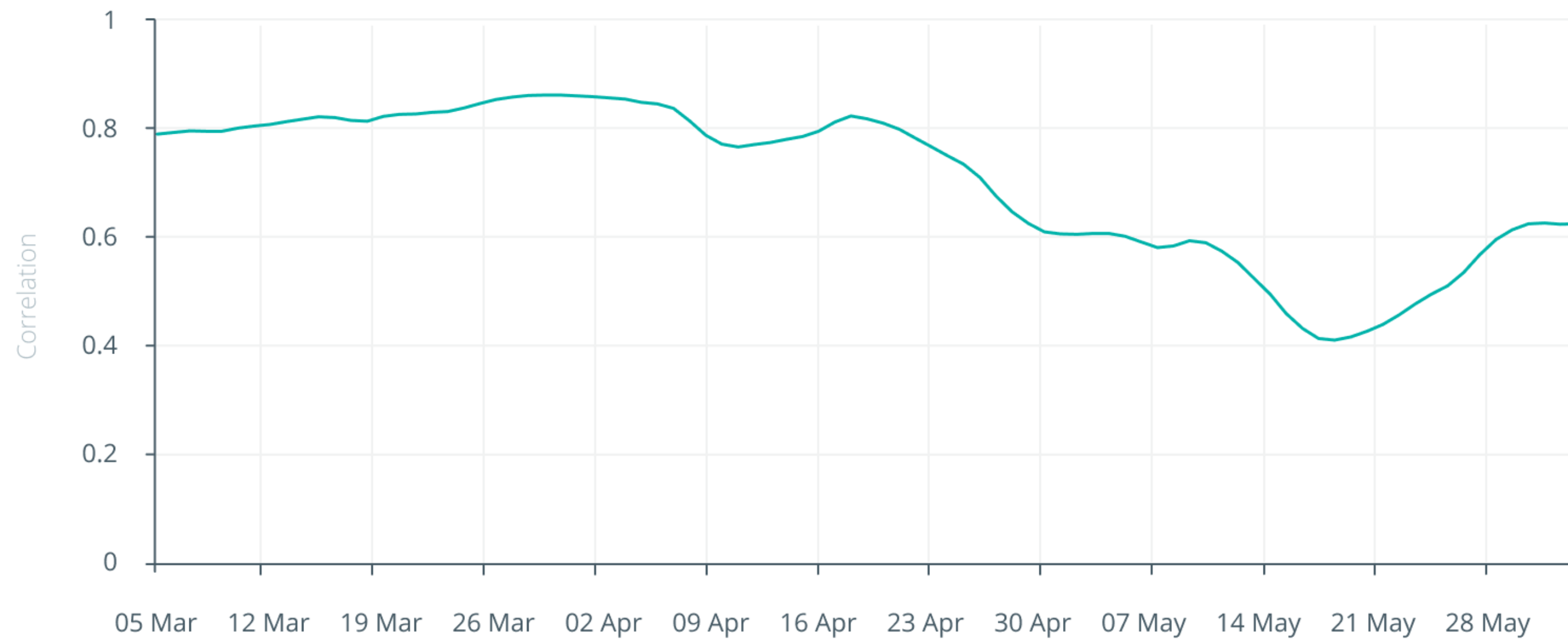


- The S&P 500 returned to the \$4,200+ level on May 28, whereas BTC lost almost \$3,000 of its value on that day and closed at just under \$35,700.
- BTC – S&P 500 moving average correlation dropped to 0.13 on June 1, meaning that this metric fell by over 0.4 since the peak reached on April 20 at 0.54.



Market Analysis BTC – ETH

30 days moving average correlation BTC-ETH



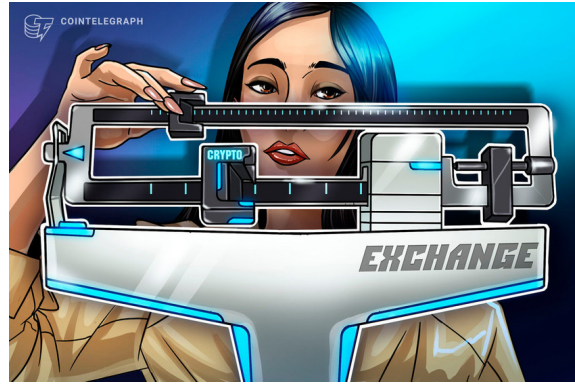
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- BTC – ETH moving average correlation kicked off the bottom at less than 0.42 on May 17 and has grown to almost 0.63 by the end of May.
- Even though ETH has managed to close the two week period with profit, it experienced several step declines in between, which happened on the same days when BTC fell in price.

Institutional, Venture
Capital & M&A,
Professional Blockchain
and Regulatory Activities

Institutional Activities

Standard Chartered plans European crypto exchange after HSBC says 'no' to industry



Standard Chartered has partnered with Hong Kong exchange owner BC Technology Group **to launch a cryptocurrency exchange for the UK and European institutional market.** The project will be handled

by SC Ventures, the innovation arm of the bank, with no deadline for activities to begin yet named.

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SEC begins formal review of Fidelity, SkyBridge Bitcoin ETF applications



Fidelity's Wise Origin Bitcoin Trust and the First Trust SkyBridge Bitcoin ETF are under official review by the United States SEC. The Fidelity application describes

an ETF product that tracks Bitcoin's daily price movements using a proprietary index derived from several price feeds.

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Mike Novogratz-backed firm announces \$100M crypto investment fund



Cryptology Asset Group, an investment outfit co-founded by Mike Novogratz, **announced plans to float a \$100-million investment into first-time crypto funds.** **Cryptology** is one of the few **stock-market listed investment companies exclusively focusing on crypto and blockchain** related businesses, trading on multiple German exchanges.

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VC firm Borderless Capital floats \$25M blockchain fund in Miami



Borderless Capital is launching a \$25 million fund that will be used to support **Miami-based blockchain startups** developing **digital payment solutions on the Algorand network.** Dubbed the Borderless.Miami Fund, the VC firm is **joined by** stablecoin issuer **Circle.**

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Polkadot ETP hits Swedish stock market



A new ETP for Polkadot, officially labeled as the "Valour Polkadot (DOT) SEK", recently **went live on** the Nordic Growth Market, a **Swedish stock exchange.** Using traditional stock market measures, **participants can buy and sell the DOT ETP**, which is **backed by the crypto asset DOT.**

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Polkadot (DOT) and Kusama (KSM) skyrocket in price after attracting \$30M in funding



Master Ventures, an Asian blockchain incubator and venture capitalist, has **launched a \$30 million VC fund** to fuel growth of the **Polkadot and Kusama ecosystems.** The fund is created to **support projects trying to integrate with Polkadot** as well as to **assist early-stage projects** in launching atop the Polkadot and Kusama ecosystems.

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▶ Institutional Activities

\$8.6B IT firm Globant revealed as Bitcoin's latest institutional buyer



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IT conglomerate **Globant** declared that it purchased \$500,000 worth of **BTC** during the first quarter of 2021. The company's crypto investments and expenses were listed among its "intangible assets."

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Institutional investors load up ETH, with its share of AUM hitting a new record

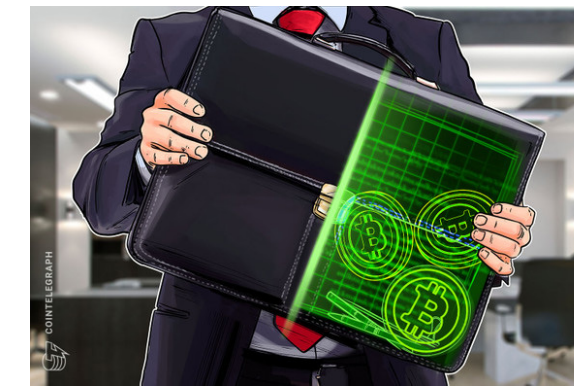


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Institutional investors continue to exit **BTC** in favor of **ETH**, with **Ether investment** products now representing more than **one-quarter of institutional crypto AUM**, according to CoinShares' June 1 *Digital Asset Fund Flows Weekly* report.

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Big rise in financial advisers adding crypto assets to client portfolios



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More financial advisers than ever are recommending their clients have some **crypto in their portfolios**, with **14%** of financial advisers have **already added crypto assets** to their clients' portfolios or **are recommending** it to them.

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▶ Venture Capital and M&A Activities



Stablecoin company earns record-level investment sum for a crypto outfit

Investors: Fidelity, Digital Currency Group, FTX, Breyer Capital, Valor Capital Group, Pillar VC and others

Funded company: Circle

Business scope: Stablecoin issuer

Headquarters: The U.S.

Announcement date: May 29, 2021

Deal amount: \$440 million

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OneOf raises \$63M for new Green NFT platform for musicians

Investors: Bill Tai, Sun Said of Nima Capital, Sangha Capital, Tezos Foundation, Jack Herrick and Jaeson Ma

Funded company: OneOf

Business scope: NFT platform

Headquarters: The U.S.

Announcement date: May 25, 2021

Deal amount: \$63 million

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Chia raises \$61M for 'eco-friendly' crypto despite critics

Investors: Andreessen Horowitz, Richmond Global Ventures, Naval Ravikant, Breyer Capital, and True Ventures

Funded company: Chia Network

Business scope: Smart contract platform

Headquarters: The U.S.

Announcement date: May 25, 2021

Deal amount: \$61 million

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▶ Venture Capital and M&A Activities



Andreessen Horowitz leads \$40M investment round into crypto-trading platform

Investors: Andreessen Horowitz, PayPal Ventures, Fidelity Investments, Galaxy Digital, Elefund, Illuminate Financial and Steadfast Capital Ventures.

Funded company: Talos

Business scope: Cryptocurrency trading infrastructure

Headquarters: The U.S.

Announcement date: May 27, 2021

Deal amount: \$40 million

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Polygon and AU21 Capital unveil \$21M fund to support Polygon developers

Investors: AU21 Capital

Funded company: Polygon

Business scope: Ethereum scalability solution

Headquarters: India

Announcement date: June 2, 2021

Deal amount: \$21 million

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Stellar Development Foundation invests \$15M in Mexico crypto exchange

Investor: Stellar Development Foundation

Funded company: Airtm

Business scope: Cryptocurrency exchange

Headquarters: Mexico

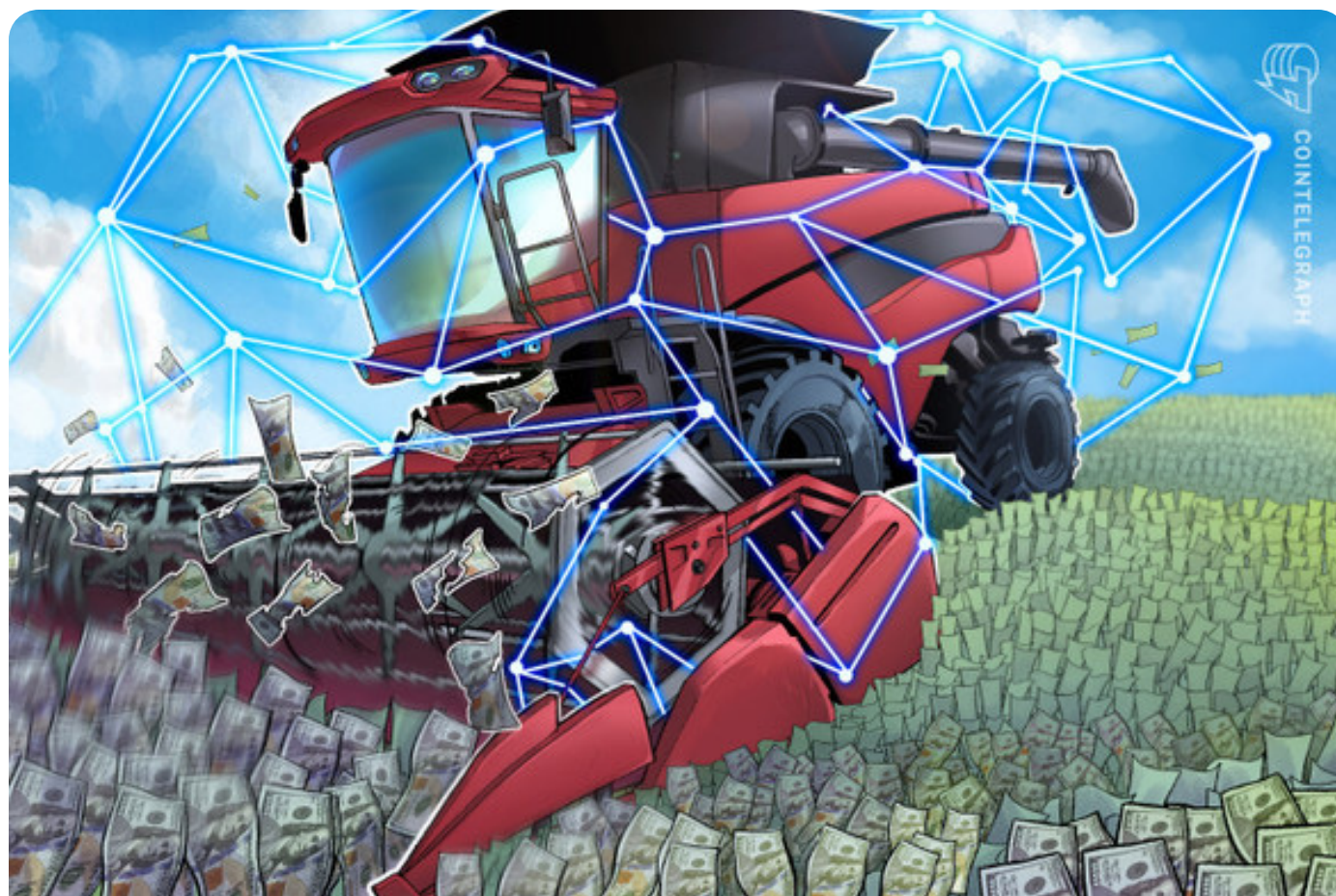
Announcement date: May 25, 2021

Deal amount: \$15 million

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▶ Venture Capital and M&A Activities



Blockchain platform raises \$12M to build JavaScript-like DApps

Investors: Undisclosed

Funded company: Reach

Business scope: Blockchain development platform

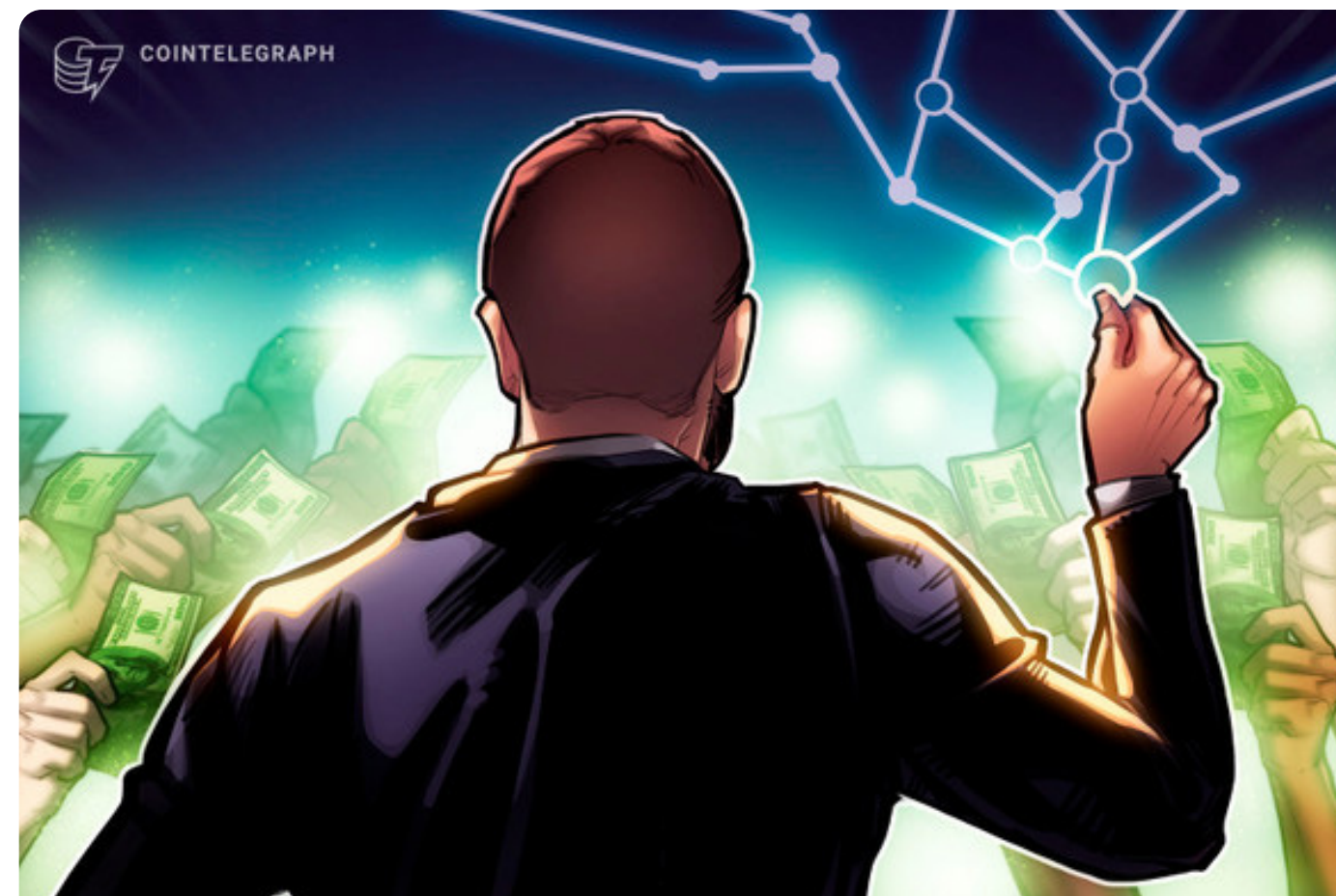
Headquarters: The U.S.

Announcement date: May 27, 2021

Deal amount: \$12 million

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BSC's Impossible Finance raises \$7M for multi-chain DeFi incubator

Investors: True Ventures, Alameda Research, CMS Holdings, Hashed, Sino Global Capital, IOSG, Divergence and others.

Funded company: Impossible Finance

Business scope: DeFi

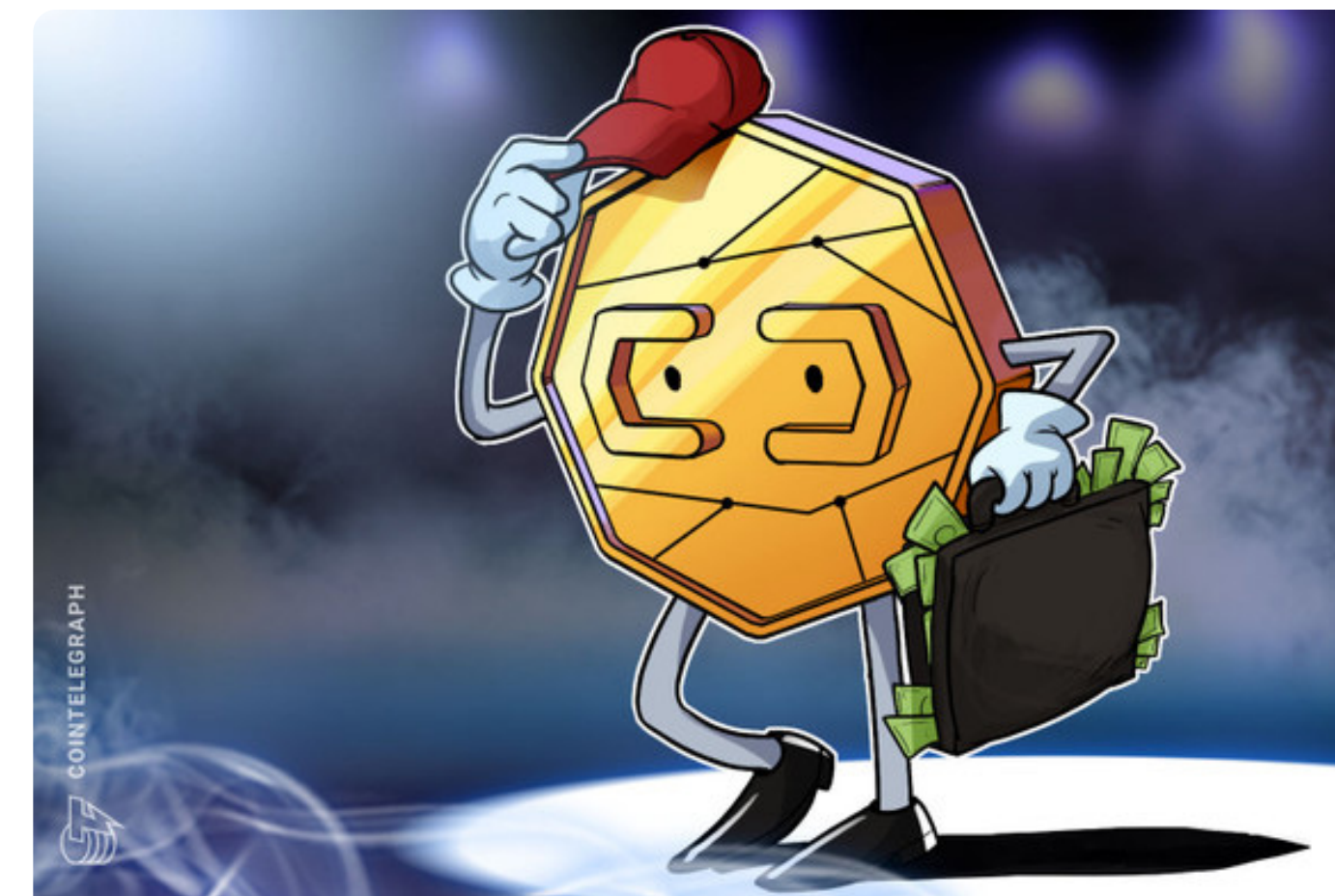
Headquarters: Undisclosed

Announcement date: June 4, 2021

Deal amount: \$7 million

JUN 04, 2021

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Composable Finance raises \$7M for cross-chain and cross-layer DeFi interoperability

Investors: Alameda Research, Spartan Group, Divergence Ventures and Blockchain Capital and others

Funded company: Composable Finance

Business scope: DeFi

Headquarters: Romania

Announcement date: June 1, 2021

Deal amount: \$7 million

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▶ Venture Capital and M&A Activities



Coinbase leads \$6M funding for Indonesian crypto exchange

Investors: Pantera Capital, Coinbase Ventures, and Intudo Ventures

Funded company: Pintu

Business scope: Cryptocurrency exchange

Headquarters: Indonesia

Announcement date: May 26, 2021

Deal amount: \$6 million

MAY 26, 2021

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NFT volume has more than tripled — even amid price crash — as Meme.com raises \$5M

Investors: Outlier Ventures, Digital Finance Group, Morningstar, Blockhype, Spark Digital Capital etc.

Funded company: Meme.com

Business scope: NFTs

Headquarters: The U.S.

Announcement date: May 28, 2021

Deal amount: \$5 million

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Dapp for upcoming Diem blockchain raises \$4.5M in seed investments

Investors: Kenetic Capital, Mechanism Capital, Delphi Ventures, Alameda Ventures and others

Funded company: Pontem Network

Business scope: DeFi

Headquarters: -

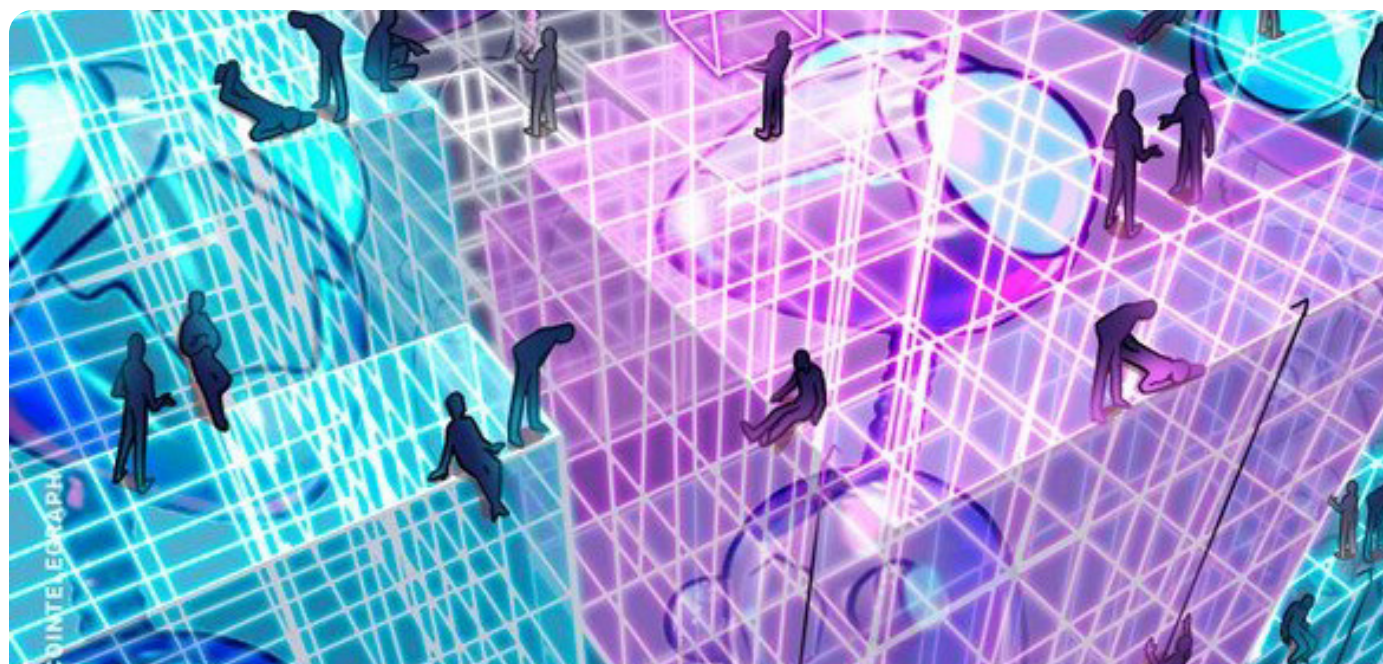
Announcement date: June 3, 2021

Deal amount: \$4.5 million

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► Venture Capital and M&A Activities



DeepDAO secures \$3M for expansion even as DAO treasuries halve in one month

Investors: Hypersphere Ventures, DFG

Funded company: DeepDAO

Business scope: DeFi

Headquarters: Undisclosed

Announcement date: June 4, 2021

Deal amount: \$3 million

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Professional Blockchain Adoptions

MoneyGram to allow retail Bitcoin buying in the US



LikCoin, a blockchain-based decentralized publishing infrastructure enabled **Hong**

Kong citizens to archive content that allegedly contains critical coverage of the recent years of anti-authoritarian struggles. The platform is in high demand, since Hong Kong's public broadcaster RTHK intentes to erase any archived content older than one year.

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Singapore's DBS Bank launches digital bond security token



Singapore-based **DBS Bank has launched** its first-ever security token offering by issuing a **digital**

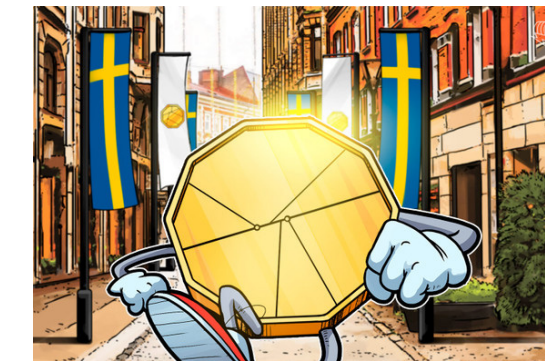
bond. The digital bonds will be available for secondary trading to **clients of DBS Digital Exchange who are accredited or institutional investors.**

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Central Bank Digital Currency

Sweden moving forward in e-krona CBDC trials



The **Sveriges Riksbank**, Sweden's central bank, is **continuing its CBDC trials with**

an experiment that involves a **non-simulated party**, namely Handelsbanken, a retail bank chain based in Sweden.

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South Africa's central bank begins preliminary study for retail CBDC



The **South African Reserve Bank** has **begun preliminary feasibility studies of a retail central**

bank digital currency. The CBDC study is expected to last until 2022 and **will focus on** the analysis of "how the issuance of a general-purpose **CBDC will feed into the SARB's policy position** and mandate."

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Bank of Indonesia joins central bank digital currency race



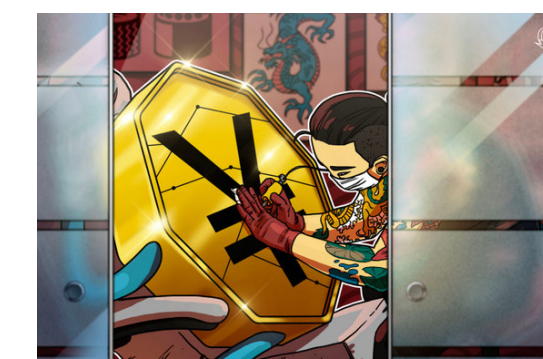
Indonesia's central bank is **planning to launch a digital rupiah currency** as a legal payment

instrument in Indonesia. **BI is now studying potential benefits of a digital rupiah** including its impact on monetary policy and payment systems, as well as evaluating the readiness of the financial infrastructure.

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China to hand out \$6.2M in new digital yuan trial in Beijing



The **Chinese government** is **launching another digital yuan lottery** as part of a new

digital currency pilot. The government will **distribute 40 million digital yuan** (\$6.2 million) to **200,000 Beijing residents** this June.

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Regulatory Activities

North America

US SEC wants to work with Congress to regulate crypto exchanges



The United States **SEC is looking forward to working with** fellow regulators and Congress to provide similar protections for crypto exchanges that an investor would get on the New York Stock Exchange or Nasdaq.

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Nebraska signs law to authorize state-chartered banks to custody crypto



The **Nebraska Financial Innovation Act** was signed into law in Nebraska. The Act means that financial institutions can operate digital asset depository businesses, for which Nebraska will provide "charter, operation, supervision, and regulation."

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SEC charges 5 for illegally promoting \$2 billion Bitconnect Ponzi

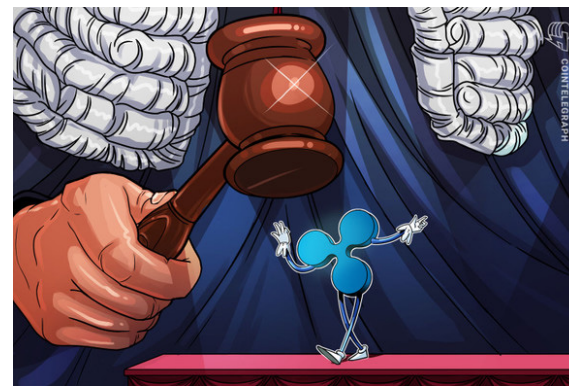


The United States **SEC** has announced that 5 individuals will face charges relating to promoting the Bitconnect Ponzi scheme, which offered and sold the securities without registering the securities offering with the Commission.

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Court denies SEC access to Ripple's legal advice



The court of New York ruled to deny the SEC's motion to compel Ripple to produce memos discussing XRP sales with the firm's lawyers. According to the SEC, Ripple could have been aware that XRP could be a security from its legal advisors before moving forward with its token sale back in 2013.

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Canadian regulators accuse crypto exchange of breaking securities law



Canadian securities regulators have initiated a regulatory action against global cryptocurrency exchange Poloniex, alleging that the firm has failed to comply with Ontario securities laws.

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Regulatory Activities

Europe, the Middle East and Africa

UK FCA buys another 9 months to review crypto companies' registrations



The United Kingdom's Financial Conduct Authority (FCA) has extended the end date of crypto-asset companies' temporary registration from July 2021 to March 2022. The extended date allows crypto asset firms to continue to carry on business while the FCA continues with its robust assessment.

JUN 03, 2021

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Bitcoin mining banned in Iran until September



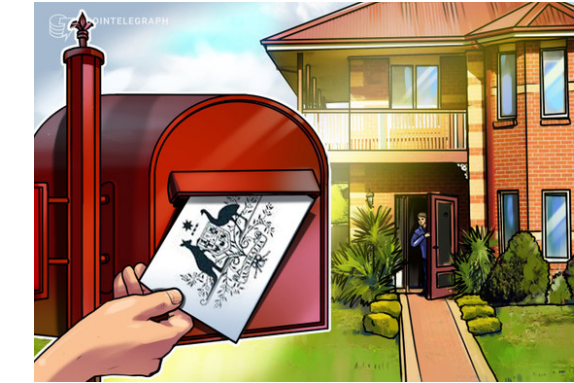
Iranian government has imposed a blanket ban on Bitcoin mining in the country. The nationwide prohibition will reportedly last **until September**, with the government keen on ensuring access to electricity for domestic consumption during the summer.

MAY 26, 2021

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Rest of the World

Australian tax office: Report crypto profits or else



The Australian Taxation Office has urged citizens to report any profits made in the process of trading cryptocurrencies, announcing that the **tax office is already aware of who is invested in cryptocurrency** thanks to the cooperation it has received from exchanges and banking institutions.

MAY 28, 2021

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Regulatory Activities

Asia Pacific

China to socially blacklist Bitcoin miners in Inner Mongolia region



Chinese officials unveiled new draft rules that would see **harsher punishments** applied to those caught mining cryptocurrencies in the Inner Mongolia region. **The offenders** would have their business license revoked, could be removed from the local electricity trading scheme, and **could have their businesses shut down entirely.**

MAY 26, 2021

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Thailand to target DeFi in latest regulatory clampdown



Thailand's Securities and Exchange Commission has announced that any activities related to DeFi may require a license from the financial regulator **in the near future.** The SEC specifically stated it will target DeFi protocols that issue tokens.

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Japanese watchdog issues warning to crypto derivatives exchange Bybit



The **Japan Financial Services Agency issued a formal warning letter** to a cryptocurrency derivatives exchange **Bybit, stating that the firm is not registered to operate crypto services** in the country.

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