

EMERALD ADVISERS, LLC "ON DA BLOCK"

WEEKLY RECAP OF THE HAPPENINGS IN DEFI, DIGITAL ASSETS AND BLOCKCHAIN

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The Market

1. According to Coinglass data, ETH futures racked up almost \$140 million in liquidations over the past 24 hours, nearly 3x more than BTC's liquidation figure of \$54 million over the same timeframe. BTC futures usually have the highest liquidations in the futures markets owing to their popularity and liquidity. The significant liquidation figure comes at a time when funding rates, a key metric that tracks the periodic payments traders make based on the difference between prices in the futures and spot markets, slid to a yearly low of -0.024% on Aug. 27 – the lowest level since Jun. 2021.

Ethereum 2.0 the merge countdown

Merge estimate—Sep 14, ~8PM UTC



DAYS

HOURS

MINUTES

Networks

1. AVAX came into Monday morning down -22% from Friday's levels, thanks in part to a whistleblower who claims Ava Labs used 1% of AVAX tokens to hire the law firm Roche Freedman to launch lawsuits on competitors such as Solana and Dfinity. Ava Labs CEO

and Founder Emin Gun Sirer has publicly denied these claims and stated on twitter, "We would never engage in the unlawful, unethical and just plain wrong behavior claimed in these self-serving videos and inflammatory article."

2. Polkadot parachain Moonbeam has integrated cross-chain messaging protocol LayerZero to facilitate Web3 interoperability, Polkadot said Monday.

3. Helium's core developers proposed migrating the project to Solana to achieve additional scalability.

4. Arbitrum, one of the leaders in Layer 2 scaling solutions, upgraded Arbitrum One to Arbitrum Nitro to reduce transaction costs and increase network speeds.

Mining

1. Bitcoin mining difficulty has increased by +9.26%, the biggest adjustment since January 2022 and the third positive change in a row. The network's hash rate has also risen by over +12% since Aug. 18, the date of the last difficulty adjustment. Mining difficulty had fallen significantly earlier in the summer, as bitcoin miners, particularly in Texas, turned off their machines in response to peak power demand due to the extreme heat.

2. Steve Kinard, director of bitcoin mining analytics at the industry association Texas Blockchain Council (TBC), said the state's grid operator, the Electric Reliability Council of Texas (Ercot), has slowed the issuance of new permits for miners to connect to the grid as it tries to balance the state's demand and supply of electricity. Despite these challenges and Ercot's slower procedures, Kinard said the council remains friendly to crypto miners and that he has not heard anyone at the grid operator saying they are no longer looking to attract more mining to the state. Ercot estimates that 33 gigawatts (GW) worth of bitcoin mining projects await permits, up from 27 GW in mid-July. Kinard said there are now 1.5 GW of active mining projects in the state, and TBC estimates that about 5 GW of mining operations will launch by the end of 2023.

3. Compass Mining, a middleman that allows retail investors to participate in bitcoin production, is closing two Georgia facilities because their local utility provider increased electricity prices by more than +50%. The company offered customers to move the 5,000 machines at the facility, or roughly 15 megawatts (MW), to Texas.

4. According to two people familiar with the matter, the CEO of crypto miner PrimeBlock, which canceled a merger with 10X Capital Venture Acquisition Corp. II (VCXA) that would've made it a public company, has left the firm for unknown reasons.

Stablecoins

1. The combined market capitalization of the two largest stablecoins, Tether (USDT) and USD coin (USDC), has begun to fall again, a sign quantitative tightening in the crypto financial system has resumed, Morgan Stanley (MS) said in a research report Tuesday. The decline in market cap of the two stablecoins, which paused in mid-August, has resumed, the report said. The market cap is now

about 10% lower than its April peak. Availability and demand for stablecoins is an indicator of cryptocurrency market liquidity and the demand for leverage.

2. Stablecoin issuers like Tether (USDT) and Circle have accumulated a significant share in the United States Treasury market, outperforming major traditional finance players. Various stablecoin providers collectively held \$80 billion worth of short-term U.S. government debt as of May 2022, according to a study by the investment bank JPMorgan released on Aug. 16.

Regulation

1. Grayscale Investments LLC has been fielding questions from the U.S. Securities and Exchange Commission (SEC) over the firm's "securities law analysis" of tokens in some of its less-popular crypto trusts. The disclosures appear in filings for trusts containing the native cryptocurrencies of the Stellar (XLM), Zcash (ZEC) and Horizen (ZEN) blockchains. In the filings, Grayscale said it was "responding" to SEC staff from the Division of Corporate Finance as well as Enforcement, the investigations wing that recently doubled down on policing crypto.

2. The Consumer Federation of California, the California Senate and the Assembly approved the Digital Financial Assets Law and it will go before California Governor Gavin Newsom, whose signature would enact it into law. The governor has until Sept. 30 to sign or veto the bill, which would take effect in Jan. 2025.

3. Amid Dubai moving forward with a new license program for cryptocurrency service providers, local regulators are introducing additional marketing and advertising rules for the industry. Dubai's Virtual Asset Regulatory Authority (VARA), the city's dedicated crypto regulator, reportedly announced new regulatory guidelines on the marketing, advertising and promotions of virtual assets on Thursday.

4. Paraguayan President Mario Abdo Benítez vetoed a highly anticipated bill that would regulate crypto mining and other commercial activities related to digital assets. The denial seems to center on the condition that electricity rates for crypto mining are capped at 15% above the current industrial tariff. The bill will go back to both chambers of Paraguay's legislature, where lawmakers can reconsider the proposal or accept the veto.

5. Troubled crypto lender Hodlnaut has been placed under interim judicial management (IJM); a form of creditor protection, three weeks after it froze withdrawals due to "difficult market conditions," according to an announcement.

General News

1. The Federal Bureau of Investigation (FBI) has asked decentralized finance (DeFi) platforms to beef up security measures and warned investors against the vulnerabilities in those platforms. The bureau noted that DeFi platforms should start instituting real-time analysis, monitoring, and testing. Platforms should also implement contingency plans to tackle exploits and alert investors.

2. As rumors about an upcoming Bitcoin (BTC) dump float on Twitter, Mt. Gox creditors took to Twitter to say that these are all false, with one highlighting that the defunct exchange's repayment system is still not yet live.
3. Crypto custody and services firm Fireblocks is now supporting Solana-based applications. This integration enables Fireblocks users to connect and interact directly with decentralized applications built on Solana. Developers also will be able to utilize a suite of tools that increase security for builders working in Solana's ecosystem.
4. While State Street's digital arm is working on the ability to custody cryptoassets by the end of the year, tokenization remains a top focus for the business going forward as institutions continue to show interest in the segment. Using distributed ledger technology to tokenize funds and private assets, for example, to improve efficiency and accessibility is something the company is working on for 2023, according to Nicole Olson, a vice president of digital product development and innovation at the bank.
5. Stablecoin issuer Tether (USDT) has refuted claims made in a Wall Street Journal report in relation to uncertainty over its balance sheet. The newspaper reported that Tether's assets outweigh its liabilities by just \$191 million, implying a relatively "thin cushion of equity."
6. Unstoppable Domains has integrated with Skiff Mail to enable users to send and receive end-to-end encrypted messages.
7. GoTo Gojek Tokopedia (GOTO), Indonesia's biggest tech company, has entered the cryptocurrency market with the purchase of local crypto exchange Kripto Maksima Koin, Reuters reported Monday.
8. OptiFi, a DeFi options trading protocol on Solana, accidentally shut down its mainnet thereby rendering \$661,000 in user funds inaccessible, the project announced on Tuesday. According to the team's incident report, the mistake happened while trying to update the protocol's mainnet.
9. Itaú Unibanco has been chosen by Brazil's central bank to work on a decentralized finance (DeFi) liquidity pool. The move comes as part of the government's Financial and Technological Innovation and Technology Laboratory (LIFT), a public program that seeks to strengthen financial inclusion. The platform - using blockchain and smart contracts - will allow the custody and exchange of tokens, such as stablecoins tied to the real, U.S. dollar or other fiat currencies, the central bank said in a statement released Friday.
10. Twenty-five prominent institutions in Australia have come together to start a research program to benefit from the opportunities arising from asset digitization. The Digital Finance Cooperative Research Center (DFCRC) is a 180 million Australian dollar (US \$124.3 million) program, funded by industry partners, universities and the Australian Government. The 10-year long program will have 25 partners from the finance, academia and regulatory sectors, including the central bank.
11. The head of JPMorgan's digital assets unit Umar Farooq has suggested that most of the crypto assets on the market are "junk" and that real crypto use cases have yet to fully present themselves. During a panel discussion at the Monetary Authority of Singapore's

Green Shoots Seminar on Tuesday, Farooq stated that regulation is yet to catch up to the burgeoning industry, which is holding back many traditional financial (TradFi) institutions from getting involved.

12. South Korean port city Busan signed an agreement with crypto exchange FTX to develop blockchain-based businesses in the coming months. This move is in line with the city's broader plans to become a global blockchain and financial hub. Busan City and FTX will work together to develop and promote various blockchain-focused businesses and establish the Busan Digital Asset Exchange, as per a release by the Busan Metropolitan City department on Tuesday morning.

13. A digital assets-focused venture capital firm led by Reddit's co-founder is reportedly planning to raise \$177.6 million for a new fund that will likely invest in early-stage Web3 startups, plus related cryptocurrencies.

NFTs

1. OpenSea, the number one NFT marketplace by volume, announced today the integration of the layer two scaling solution Polygon into its Seaport protocol implementation. In June, OpenSea announced moving from its Wyvern protocol to Seaport, an open-source marketplace protocol audited by Web3 security firms OpenZeppelin and Trail of Bits. At the time, OpenSea said the shift to OpenSea would save \$460 million in total fees per year.

2. Andreessen Horowitz's a16z wants to establish industry standards for how NFTs can be used by offering a lawyer-vetted array of free licensing options in an approach similar to Creative Commons.

3. A new partnership between Ticketmaster and Dapper Labs' Flow blockchain will enable event organizers to issue NFTs before, during, and after live events as a shareable form of digital memorabilia.

4. Today fan token firm Socios announced it extended its deal with the Argentine Football Association (AFA) to 2026. The AFA confirmed the deal. This is a two-year extension of what was originally a three-year arrangement. The fan tokens let users participate in voting, competitions, VIP experiences, merchandise and exclusive offers.

5. The Interchain Foundation has announced the new Interchain NFT Transfer module, which consists of NFT Module and Interchain Standard (ICS-721). The NFT Module allows developers to conduct NFT-related queries and build NFT applications compatible with the ERC721 specification. The Interchain Standard (ICS-721) allows cross-chain NFT interoperability between IBC-enabled chains, which contains the packet data structure, state machine handling logic, and encoding details for NFT transfer over IBC channels between two NFT Modules on separate chains.

DeFi

1. Decentralized finance (DeFi) lending protocol Compound (COMP) has suffered a critical failure, effectively halting the trade of Compound Ether (cETH), after a bug was discovered in the code that causes transactions for suppliers and borrowers of ether to

revert. A fix is coming in the next code proposal, but it will take seven days to go into effect.

Metaverse

1. Asian blockchain gaming giant Animoca Brands has received \$100 million from Singapore state-owned Temasek, further solidifying the firm as a metaverse mainstay. What once was a small Hong Kong-based video game studio; Animoca Brands has grown to become the largest blockchain investment units in Asia, with over 340 portfolio companies including top metaverse plays, The Sandbox and Decentraland.

Hacks/Exploits

1. Ethereum-based asset management protocol Babylon Finance will entirely shutter in November after failing to recover from the impact of April's \$80 million exploit on Rari Capital. Babylon lost \$3.4 million during the Rari exploit, and its users withdrew over 75% of their assets in the following days.

CBDCs

1. FIS is launching a Central Bank Digital Currencies (CBDC) Virtual Lab that will allow countries to experiment, pilot and accelerate live CBDC implementations.

2. The Digital Dollar Project (DDP), a non-profit organization advocating for a US-based CBDC, is starting a technical sandbox to explore the technological, business, and policy solutions for a digital dollar. The program, which will kick off this October, plans to bring the private and public sectors together to evaluate CBDC infrastructure solutions. Initial participants of the sandbox include California-based crypto firm Ripple, Digital Asset, EMTECH, and Knox Networks.

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