

# Singapore Fintech Festival

Nov 2022

Web3 Insights



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# Key drivers for web3 growth

▶ Growing customer awareness and use of digital assets

**1.2** TN

Market cap

**300** mM+

Crypto asset owners globally

▶ Significant VC and institutional investment in Web3 companies

**30** BN

VC investment last year

**4.5** BN

A16z 2022 Q2 investment fund

▶ Increasing focus on Web3 from regulators

**~100**

Countries exploring CDBC

▶ Traditional and Web3-native competitors developing new offerings

**320** MM

Crime insurance policy held by Coinbase

**300** MM

Total limits extended by Nexus Mutual (Web3 insurer)

▶ Top talent migrating to Web3 companies

**395%**

Increase in crypto jobs on LinkedIn last year

**2x**

Monthly active developers last year

Source: Oliver Wyman



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# Traditional vs. web3 economy



**Stakeholders**



**Monetary assets**



**Non-monetary assets**



**Information technology**



**Financial services providers**

**Traditional economy examples**



Individuals or corporations

Fiat (e.g., USD, Euro)

Houses  
Cars  
Warehouses  
Business operations

Phone  
Internet  
Email  
Servers

Banks  
  
Insurers  
Stock markets

**Web3 economy examples**



Digital currency/  
NFT holders in self-custody, Web3 organizations (including DAOs), miners/validators

Digital currency (e.g., cryptocurrencies, stablecoins, CBDCs)

Non-fungible tokens (NFTs) tied to digital or physical assets, Web3-enabled operations (e.g., DAO infrastructure)

Blockchain, smart contracts, oracles, decentralized applications

Centralized exchanges, decentralized finance (DeFi) platforms, Web3-enabled insurers

Source: Oliver Wyman



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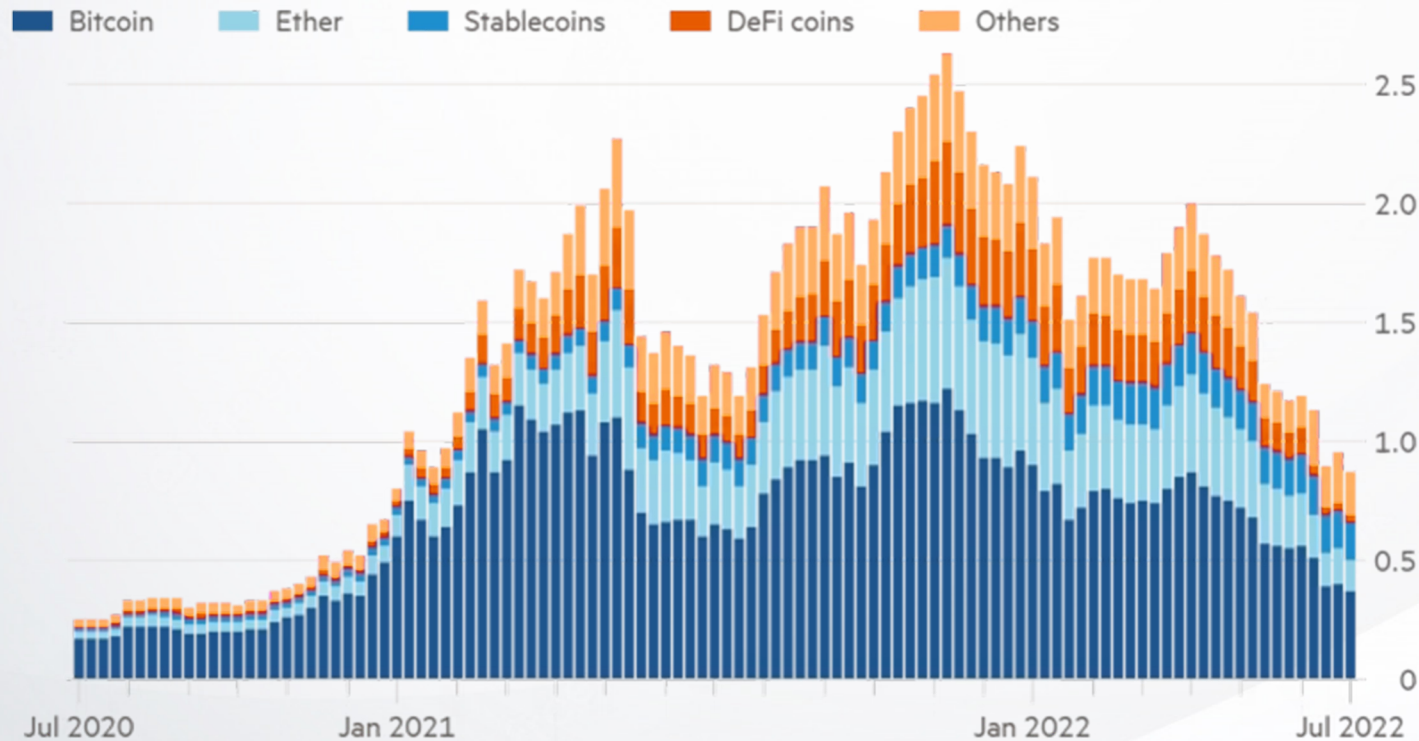
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# The rise and fall of the great cryptocurrency bubble

Market value (\$tn)



Source: Financial Times

Fundamentally, crypto and stable coins lead to a fragmented and fragile monetary system. Importantly, these flaws derive from the underlying economics of incentives, not from technological constraints. And, no less significantly, these flaws would persist even if regulation and oversight were to address the financial instability problems and risk of loss implicit in crypto.

**Bank of International Settlements**



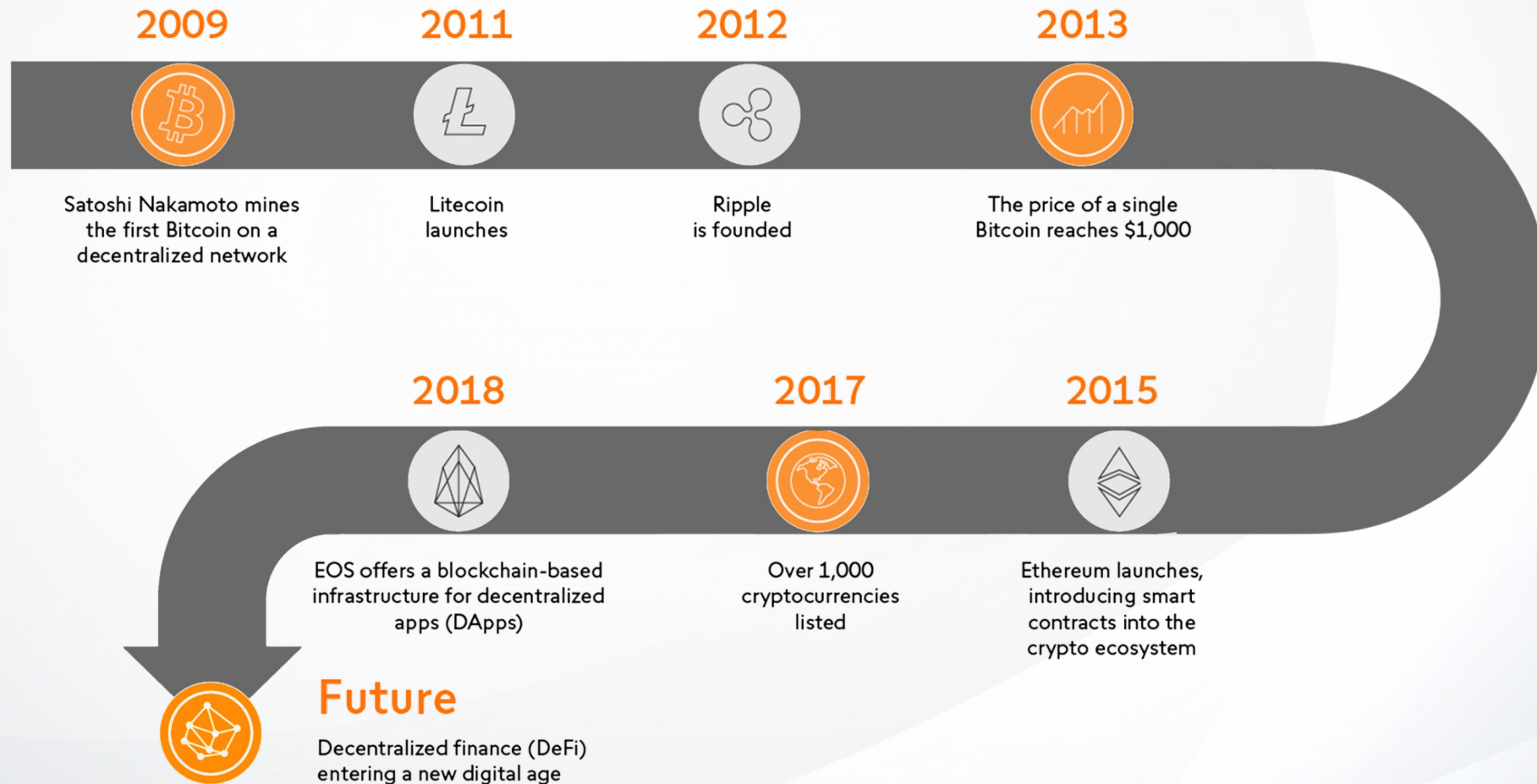
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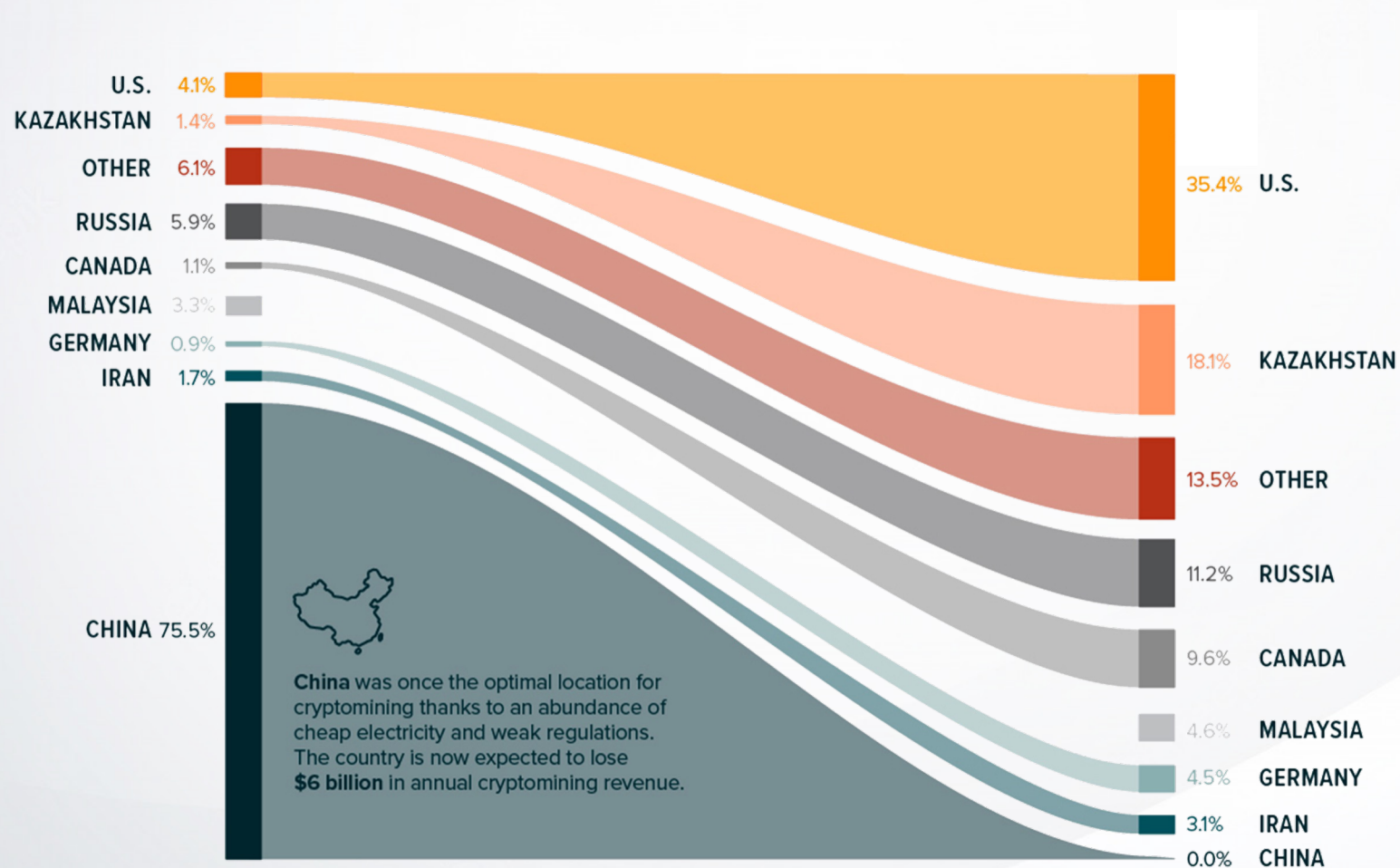
# Evolution of cryptocurrencies



Source: Visual Capitalist (<https://www.visualcapitalist.com/cryptocurrency-redefining-future-of-finance/>)



# Bitcoin mining moves to America



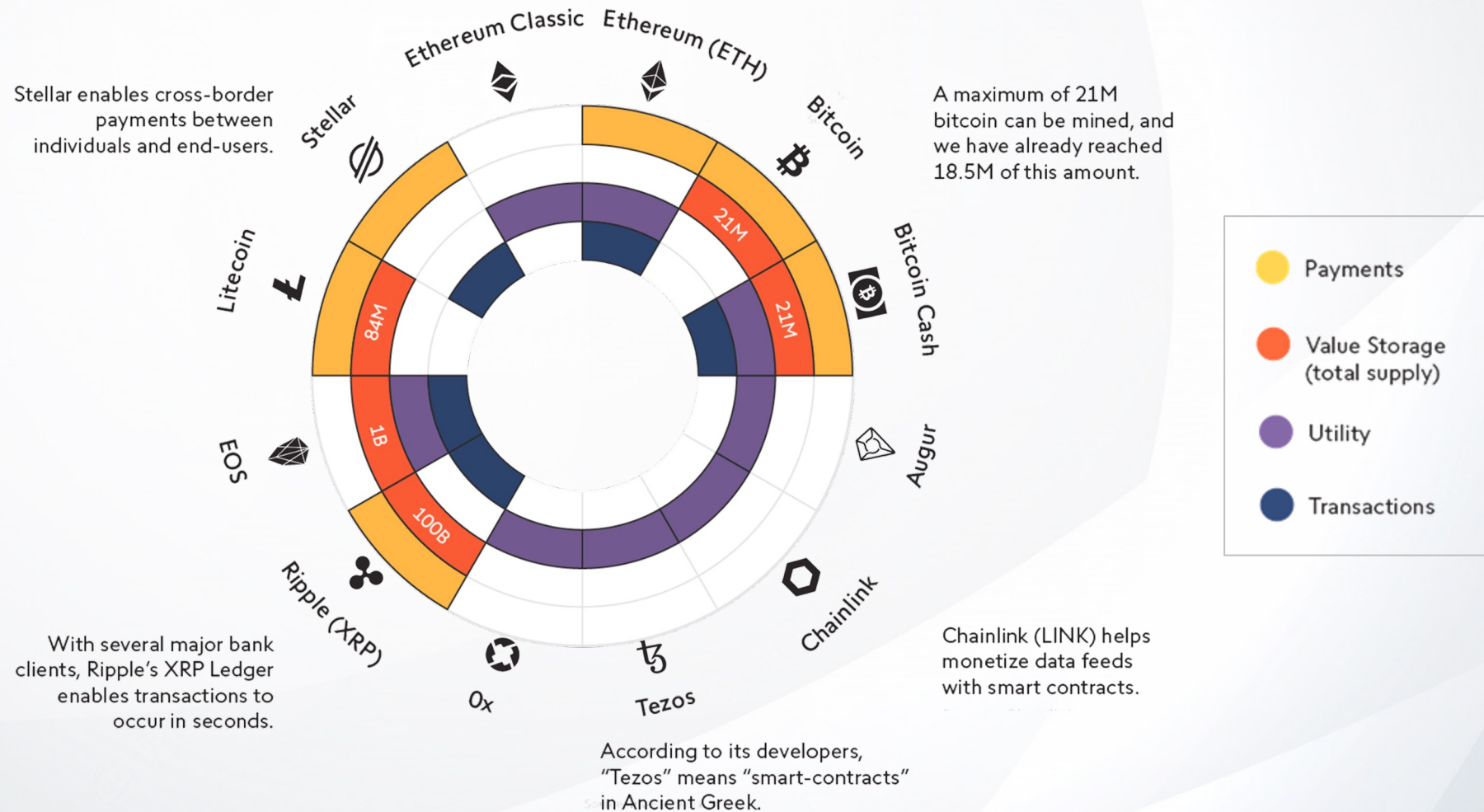
“ Bitcoin's global hashrate was historically dominated by China until September 2021, when Chinese regulators issued a blanket ban on all crypto transactions and mining.

**The biggest benefactor from this ban has been the United States. ”**

Source: Visual Capitalist(<https://www.visualcapitalist.com/sp/after-chinas-crypto-ban-who-leads-in-bitcoin-mining/>)



# Crypto-currency use cases



Source: Visual Capitalist (<https://www.visualcapitalist.com/cryptocurrency-redefining-future-of-finance/>)



# Web 3 Technologies & Applications

## Web3 applications and use cases



**Applications and use cases** built on top of Web3 technologies, including notable use cases in decentralized finance (DeFi), entertainment (art and gaming), and retail, among others

Connection of these virtual experiences is sometimes referred to as the metaverse

## Web3 technologies



**Digital assets:** Digitally native intangible items such as native cryptocurrencies, governance tokens, stablecoins, NFTs,<sup>2</sup> and tokenized assets

**Smart contracts:** Software programs established in immutable code on a blockchain, which are automatically executed when specified conditions (such as terms agreed on by a buyer and seller) are met

**Blockchain:** Digitally distributed, decentralized data ledger that exists across a network of computers. These computers work together to facilitate the recording and confirmation of transactions

<sup>1</sup> Decentralized finance.

<sup>2</sup> Nonfungible tokens.

Source: McKinsey, Technology Trends Outlook, (August 2022)





# 2021 saw an increase of **developer talent** going into **Web3**

Developers contributing to Web3 projects 2015-21 (thousands)



**>34,000**

Active Web3 developers in 2021

“ Naturally, people will want to work on what they view as the most exciting and innovative developments in the technology space, and currently, that is crypto and Web3,

Many are seeing it as the future of the tech industry, in the same way that Facebook and Amazon were attractive in the past. ”

**Alex Bouaziz**  
**(CEO and co-founder of Deel)**

Source: McKinsey, Technology Trends Outlook, (August 2022)



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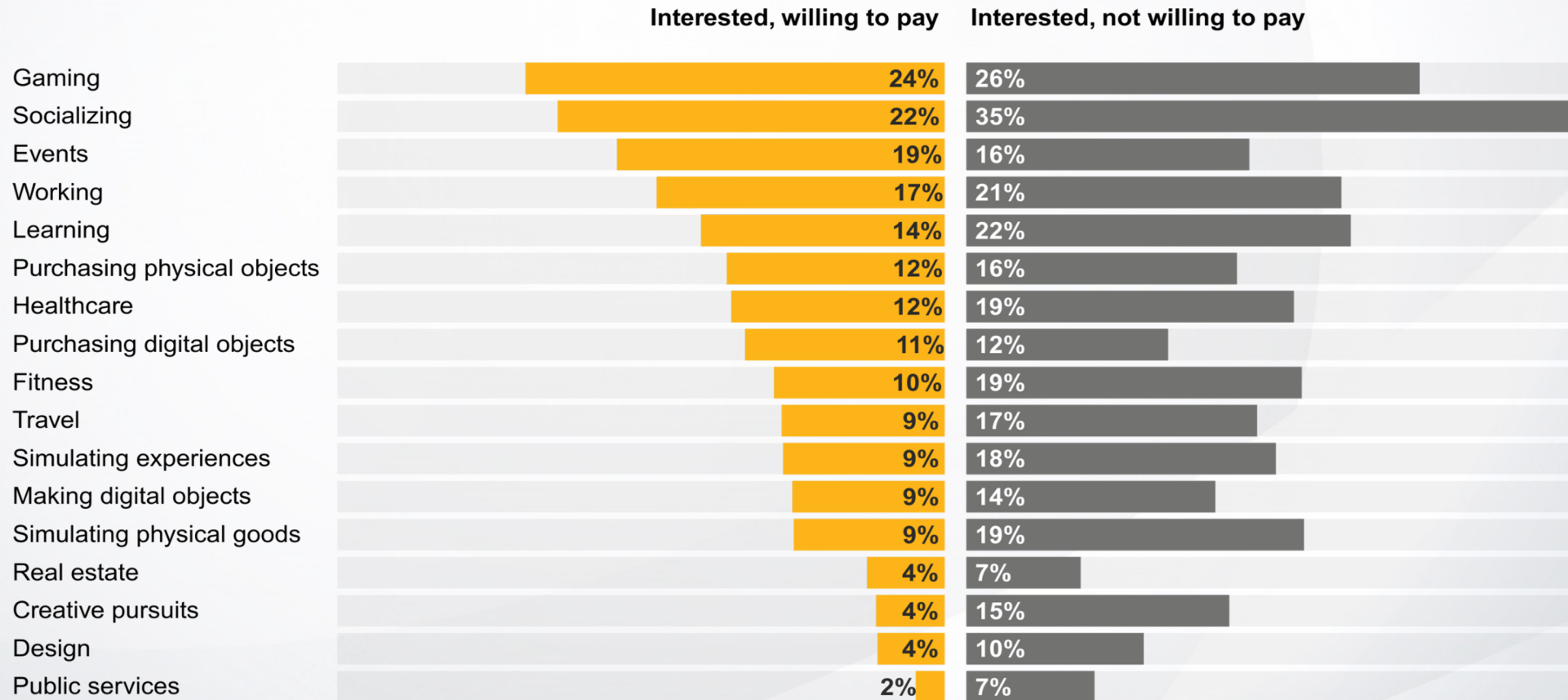
# Web 3 potential to disrupt financial services



Source: Bain, How much is Web 3 disrupting our industry?, (August 30, 2022)



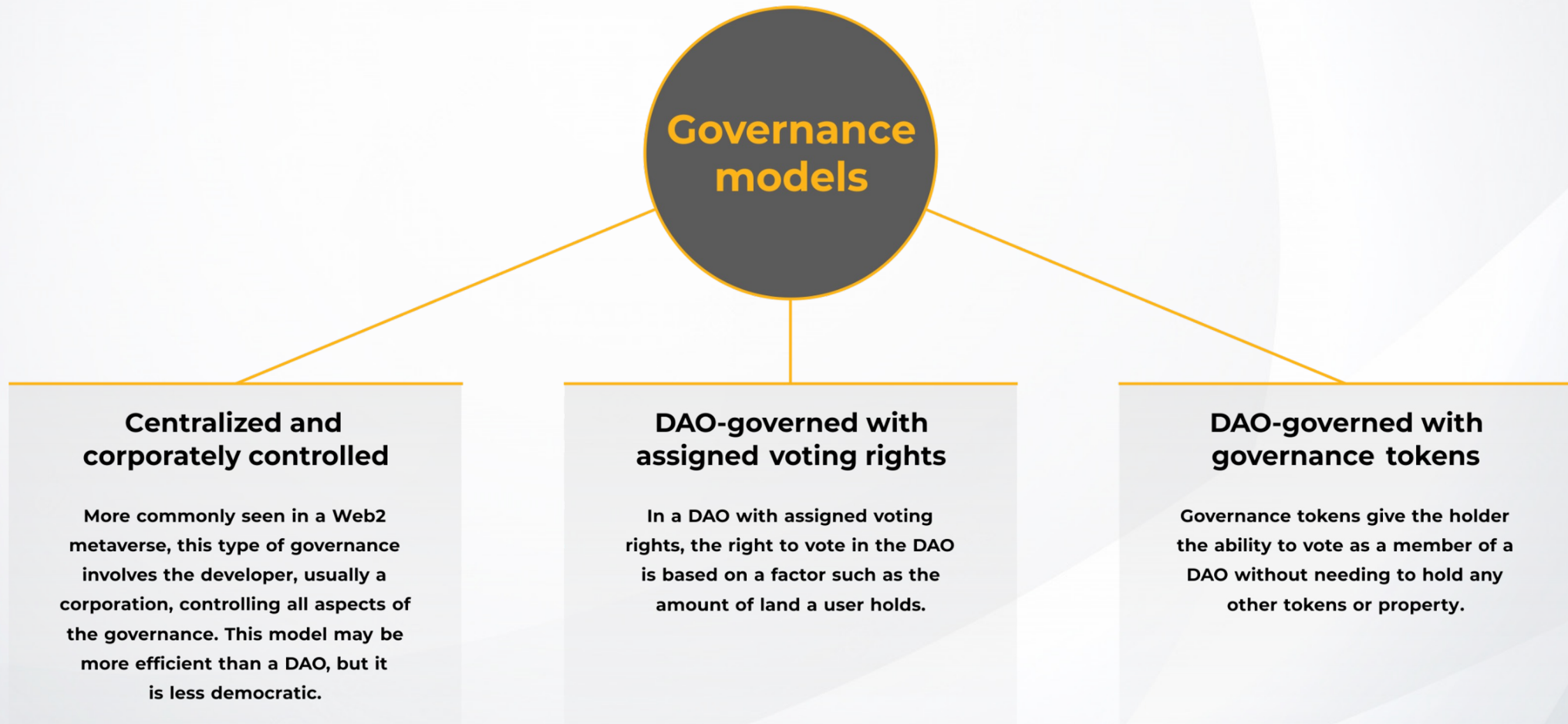
# Activities **metazens** are interested in doing in the **metaverse** and may pay for



Source: Oliver Wyman Forum Global Consumer Sentiment Survey 2021



# Governance models in the metaverse



Source: Oliver Wyman Forum



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# 2022 has seen many **crypto lenders buckle**



**Declared insolvency; \$10B AuM**



**Declared insolvency; \$1- \$10B of AuM**



**Declared insolvency; customers alone lost \$5B**



**Laid off 25% of staff; lost \$270 m to 3AC**



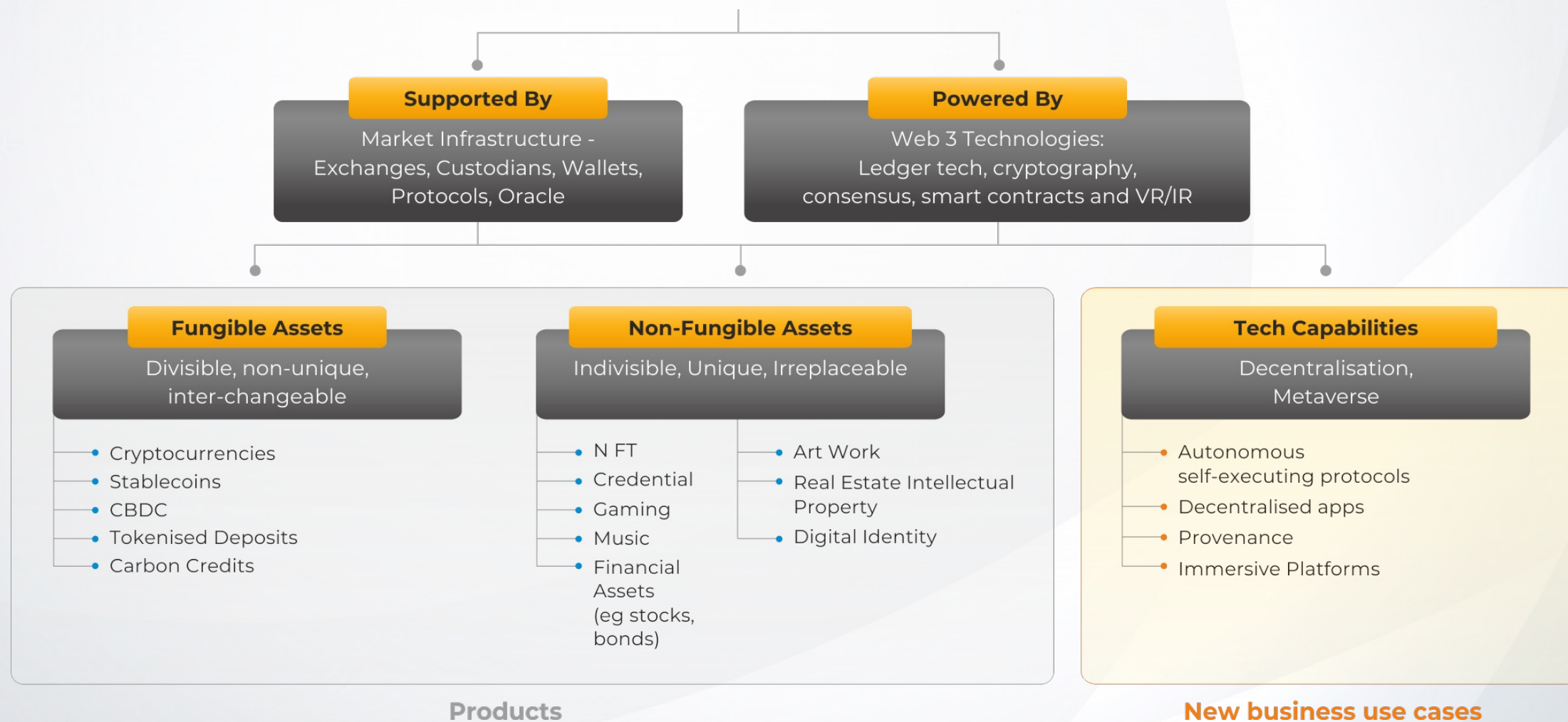
**Laid off 80% of staff**



**Suspended trading and withdrawals / deposits**



# Digital assets ecosystem



# “Not all innovation is unqualifiedly good; not everything that we can build should be built.”



“ technology that is **not built for purpose** and will remain forever **unsuitable as a foundation for large-scale economic activity** ”

“ It has severe limitations and design flaws that **preclude almost all applications that deal with public customer data and regulated financial transactions** ”

“ solution in search of a problem ”

“ vehicle for **unsound and highly volatile speculative investment schemes** ”

Dear U.S. Congressional Leadership, Committee Chairs and Ranking Members,

We are 1500 computer scientists, software engineers, and technologists who have spent decades working in these fields producing innovative and effective products for a variety of applications in the fields of database technology, open-source software, cryptography, and financial technology applications.

Today, we write to you urging you to take a critical, skeptical approach toward industry claims that crypto-assets (sometimes called cryptocurrencies, crypto tokens, or web3) are an innovative technology that is unreservedly good. We urge you to resist pressure from digital asset industry financiers, lobbyists, and boosters to create a regulatory safe haven for these risky, flawed, and unproven digital financial instruments and to instead take an approach that protects the public interest and ensures technology is deployed in genuine service to the needs of ordinary citizens.

We strongly disagree with the narrative—peddled by those with a financial stake in the crypto-asset industry—that these technologies represent a positive financial innovation and are in any way suited to solving the financial problems facing ordinary Americans.

Not all innovation is unqualifiedly good; not everything that we can build should be built. The history of technology is full of dead ends, false starts, and wrong turns. Append-only digital ledgers are not a new innovation. They have been known and used since 1980 for rather limited functions.

As software engineers and technologists with deep expertise in our fields, we dispute the claims made in recent years about the novelty and potential of blockchain technology. Blockchain technology cannot, and will not, have transaction reversal or data privacy mechanisms because they are antithetical to its base design. Financial technologies that serve the public must always have mechanisms for fraud mitigation and allow a human-in-the-loop to reverse transactions; blockchain permits neither.

By its very design, blockchain technology is poorly suited for just about every purpose currently touted as a present or potential source of public benefit. From its inception, this technology has been a solution in search of a problem and has now latched onto concepts such as financial inclusion and data transparency to justify its existence, despite far better solutions to these issues already in use. Despite more than thirteen years of development, it has severe limitations and design flaws that preclude almost all applications that deal with public customer data and regulated financial transactions and are not an improvement on existing non-blockchain solutions.

Source: Letter in Support of Responsible Fintech Policy (June 1, 2022)



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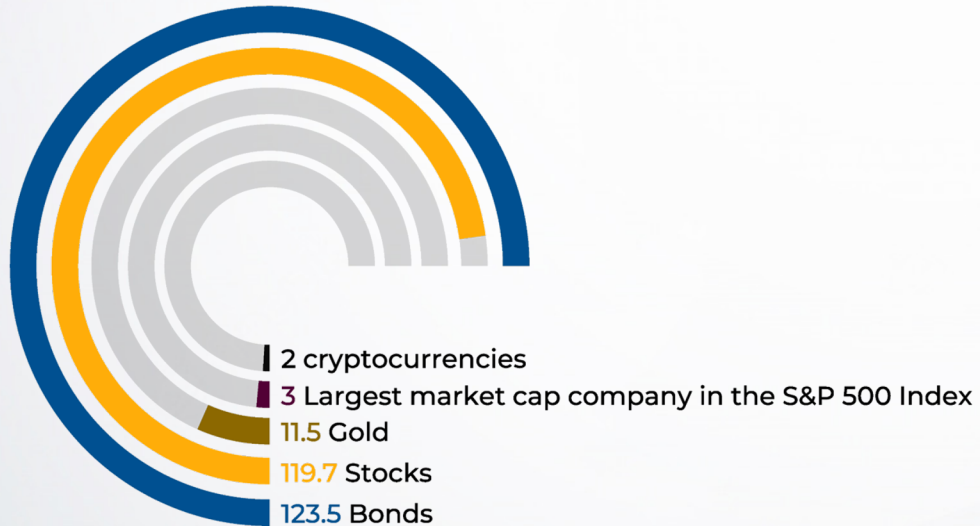
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# Are digital assets **yet to mature** to be a **foundation for large-scale economic activity?**

## Limited market size



Market size of select assets in USD trillions

## Crypto scams proliferate

### Crypto platforms linked to surge in suspicious activity reports

Filings from San Francisco-based 'money services businesses' almost triple to 207,000

Crypto scams have cost people more than **\$1 billion** since 2021, says FTC  
Losses last year were nearly 60x vs. 2018, with a median individual loss of \$2,600.

The 3rd cryptocurrency exchange in South Korea, Coinbit, was seized by police, as reports found that 99% of its transaction volume was faked

In the Netherlands and Britain, 6 people were arrested for creating a fake online crypto- exchange, which duped 4k victims in 12 countries out of c. \$27m

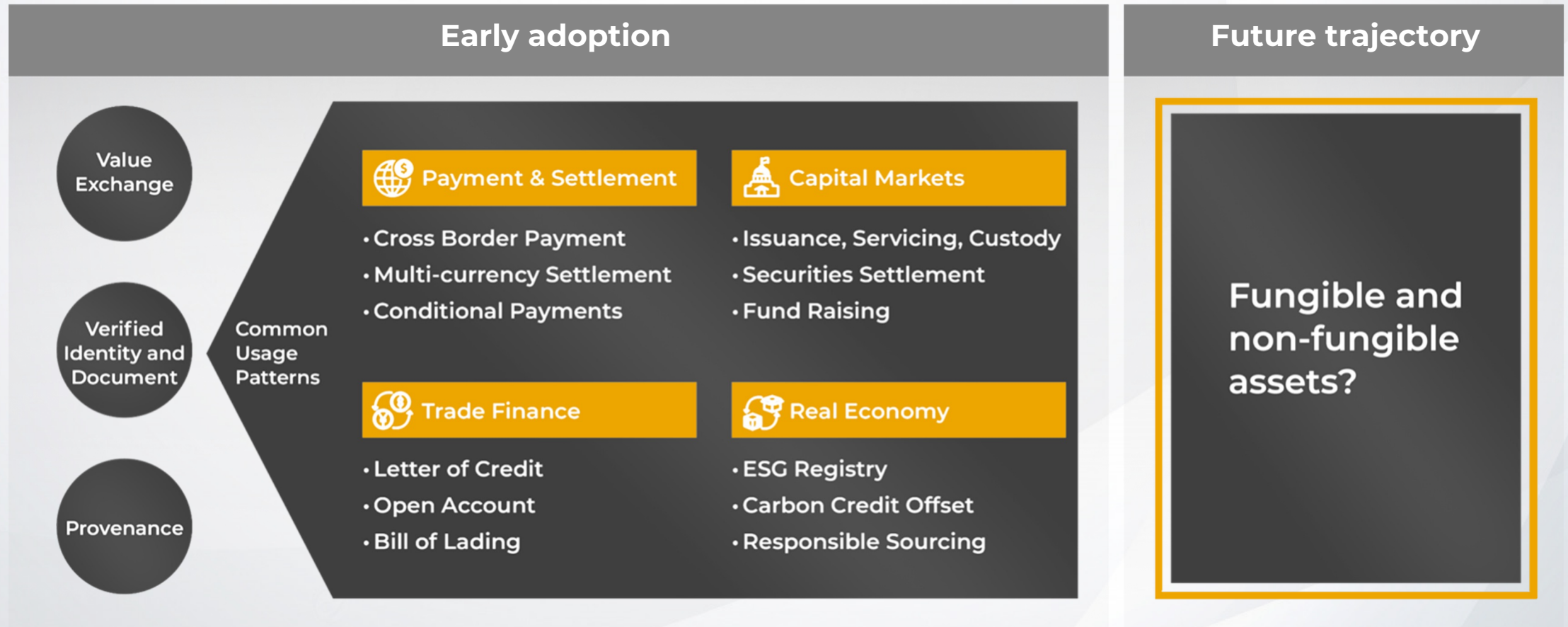
In 2017, South Korean authorities exposed BitKRX (named to look like the crypto arm of Korea Exchange - KRX)

Source: Wells Fargo Investment Institute; Special Report Understanding Cryptocurrency, Financial Times, Gemini (<https://www.gemini.com/cryptopedia/cryptocurrency-exchange-fake-website#section-how-to-identify-fake-cryptocurrency-exchanges>)





# Are FI's simply **limited to applications of digital asset technology?**



# Foundational shift in internet architecture

Web 1.0

Read Only

Web 2.0

Read

Write

Web 3.0

Read

Write

and

Own

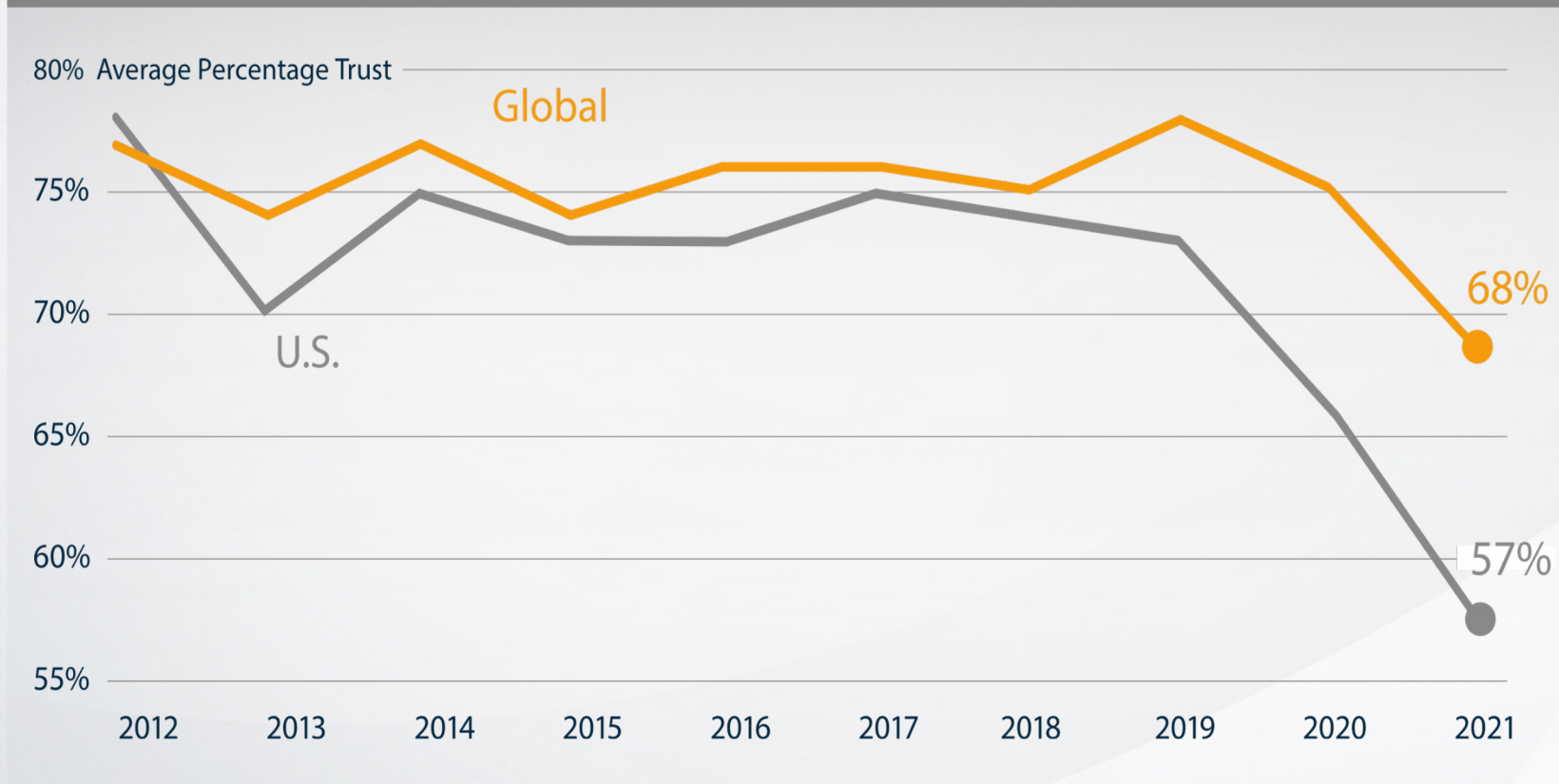
Decline or Elimination  
of Choke Points  
(Intermediaries)

*Challenges Ahead: **Trust, Governance and Taxation***



# The impending blockchain revolution

## Global and U.S. Trust in Technology Sector



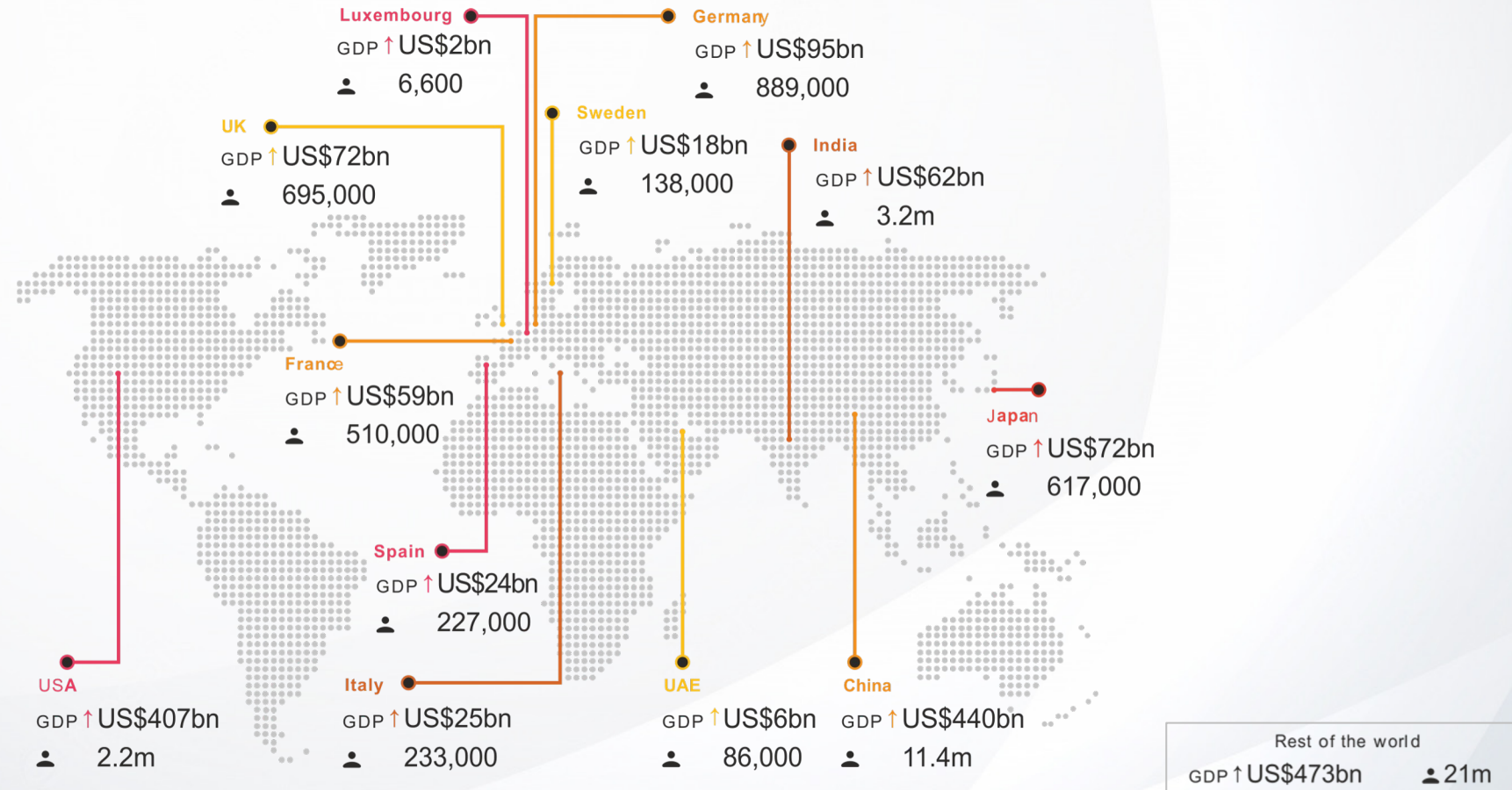
Source: Edelman Trust Barometer

Public blockchains are disrupting centralized “**Big Tech**”, as people are looking for technologies that don’t compromise their online privacy and cyber-security

Consumers are less trusting with their financial data, and blockchain is providing a trust-minimized option



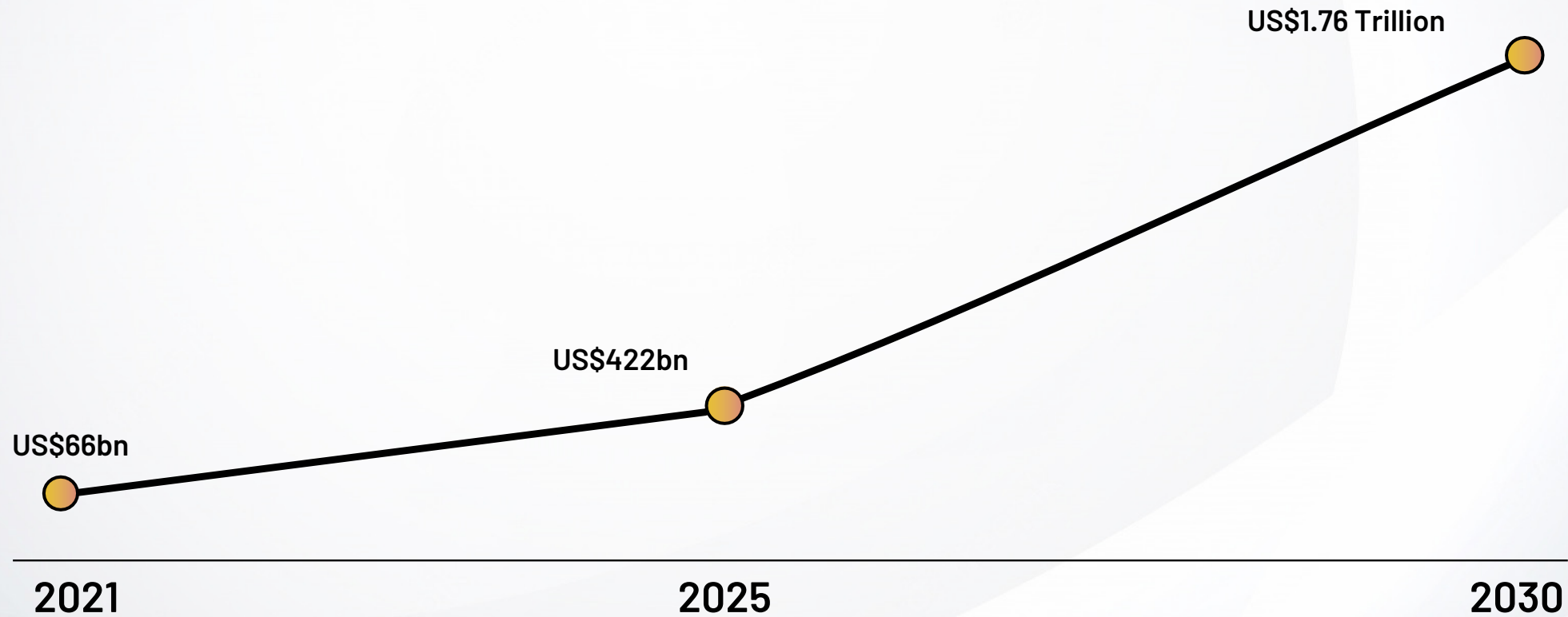
# Blockchain is set to deliver a big boost to GDP and jobs by 2030



Source: PWC, Time for trust (October 2020)



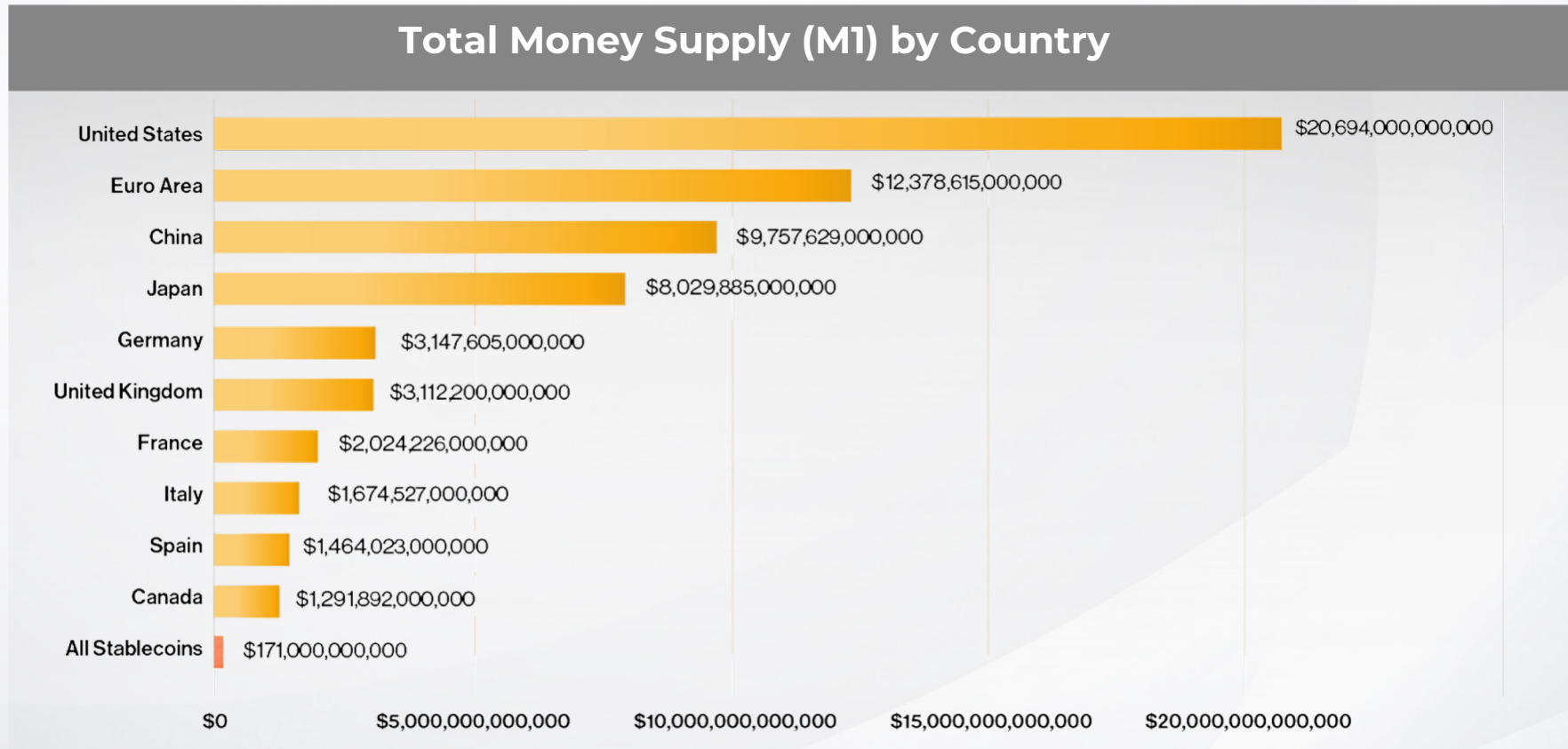
# Blockchain GDP boost: \$1.76 trillion by 2030



Source: PWC, Time for trust (October 2020)  
This report looks at GDP (in USD, 2019 prices) which is the net additional value created by blockchain.



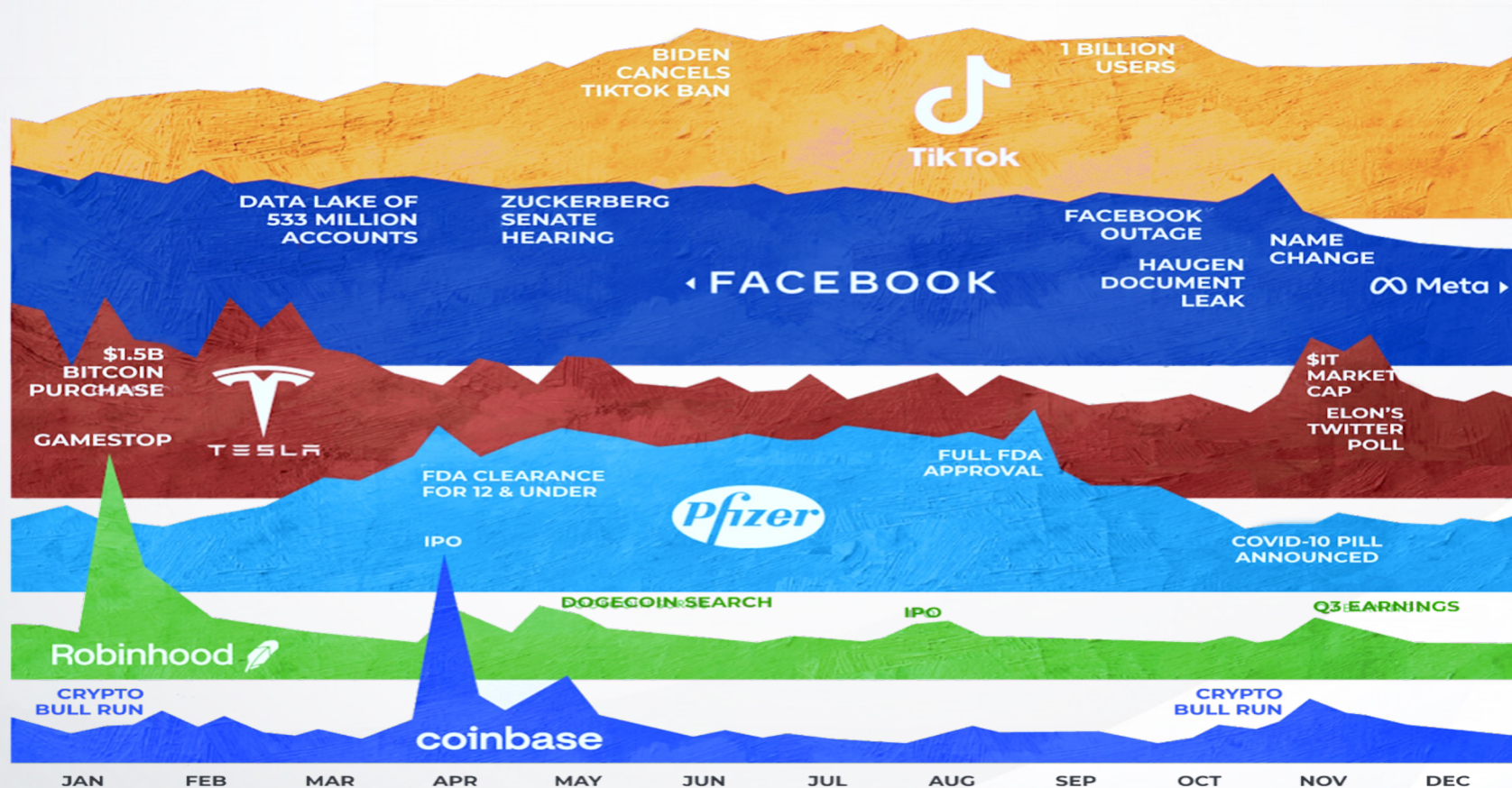
# Stablecoins represent just a tiny fraction of the world money supply



Source: State of Crypto Report by a16z;  
Messari; <https://take-profit.org/en/statistics/money-supply-m1/> Data is as of 5/12/2022



# Gamification of investing and access to crypto assets were top of mind in 2021

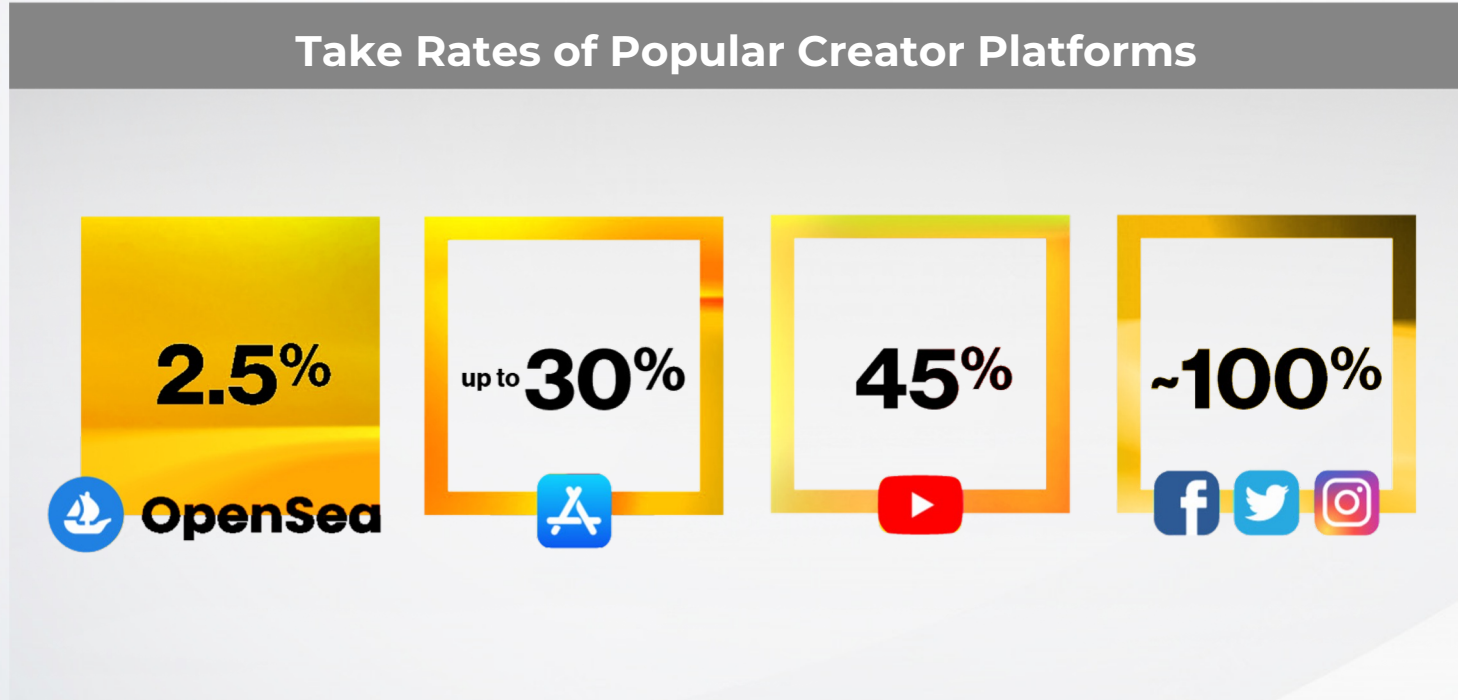


These six companies had a big influence over society and the markets in 2021, dominating the headlines for both positive and negative reasons.

Source: Visual Capitalist (<https://www.visualcapitalist.com/the-companies-that-defined-2021/>); Google Search Trends



# Web 3 platforms have **drastically lower take rates** than the internet giants today



“ You know something is profoundly wrong with our economy when Big Tech has a higher take rate than the mafia.

**Ritchie Torres,**  
**U.S. Congressman**  
representing the South Bronx

Source: State of Crypto Report by a16z

Definition: A take rate is the fee charged by a marketplace on a transaction performed by a third-party seller or service provider.



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