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Understanding Bitcoin Halving 2024: What You Need to Know and Why It's Crucial

INTERNATIONAL

Trump advocates against a Central Bank digital Currency

Baruffol, Tim

As the U.S. presidential race heats up, a new focus emerges in the realm of digital finance. Cryptocurrencies, once a fringe element of the financial world, are now at the forefront of economic discussions among presidential contenders.

At a rally speech in New Hampshire, Donald Trump has expressed his views on digital currencies, particularly Central Bank Digital Currencies (CBDCs). Trump voiced his opposition to the introduction of a centralized state digital currency in the U.S. His concerns echo the criticisms often raised against CBDCs: the potential for government overreach, surveillance, and control.

CBDCs: A Global Perspective

While Trump dismisses CBDCs as "programmable money" leading to potential state overreach, several countries, notably China with its E-Yuan, have already embraced this new form of currency. These digital currencies are designed to provide governments with more control over monetary policy but raise concerns about privacy and individual freedom.

The Paradox of Trump's Crypto Policy

Interestingly, Trump's stance on cryptocurrencies is complex and seemingly contradictory. Despite labeling them as a "scam", Trump has launched two successful NFT collections. One is only left wondering if his motives for the launch are only for publicity. As the US elections have proven to move the prices of traditional assets, analysts speculate that a Trump presidency could inject new uncertainty into the cryptocurrency market.

The Crypto Dilemma in Politics

The intersection of cryptocurrency and politics presents a unique challenge for presidential candidates.

As the debate on the use case of CBDCs is now launched, broader discussions about the regulatory framework of cryptos surge. On the platform X former SEC enforcer John Reed Stark argued that digital currencies indeed play a big role and even advises each candidate to pose a crypto spokesperson he calls Crypto Czar. The appointment of a Crypto Czar could be a strategic move, aligning a candidate's campaign with the growing influence of digital currencies. As the 2024 elections close in, the role of cryptocurrencies in shaping public opinions remains a yet uncertain factor.

Trump and former vice president Pence.

ETF SPECIAL FOCUS

Nasdaq and Cboe Prepare to Trade Bitcoin ETF Options

Mottis Fabrizio

Nasdaq and Cboe have received swift approval from the U.S. Securities and Exchange Commission (SEC) for their proposals to introduce options trading on Bitcoin exchange-traded funds (ETFs). This development marks a remarkable step in the evolution of BTC ETF trading. It could open the door to a wider variety of investment strategies.

Nasdaq filed a rule change to list and trade options on BlackRock's iShares Bitcoin Trust, while Cboe filed to trade options on exchange-traded products (ETPs) that hold Bitcoin. Cboe has been a key player in the launch of six of the ten BTC ETFs recently approved by the SEC.

The introduction of options trading is seen as the "next logical step" for these ETFs, adding layers of utility and risk management for investors.

Options, derivatives that offer the holder the right, but not the obligation, to buy or sell an asset at a predetermined price within a specified time frame, are expected to bring cost efficiencies and enhanced hedging strategies to the BTC ETFs. This move is expected to appeal to a broader range of investors, including those from traditional financial sectors. More specifically, it is expected to attract hedge fund players, providing them with new instruments in the crypto ecosystem. This shift could lead to increased speculation and diversified investment approaches in the crypto market.

Although Cboe filed for permission to list options last week and is currently awaiting regulatory decision, the SEC's quick response to Nasdaq's proposal suggests that options trading could be approved sooner than expected, possibly by the end of February.

Both proposals will be subject to a 21-day public comment period following their publication in the Federal Register. This period is essential to gather feedback and insights from various market participants that will shape the future landscape of Bitcoin ETF options trading.

Nasdaq and Cboe have received SEC approval to introduce options trading on Bitcoin ETFs. This move is expected to attract a broader investor base, potentially enhancing speculation and diversifying investment strategies in the crypto market.

Can the ETF enthusiasm boost ETH’s Value?

Grünig, Gian

This in-depth analysis delves into the market dynamics of Ethereum (ETH) and explores the possibility of a spot exchange-traded fund (ETF) generating the same level of excitement witnessed during Bitcoin's (BTC) ETF, leading up to its decision date in May.

Significantly, the BTC:ETH correlation recently dropped below its long-term average of 0.71, marking the first occurrence since 2021. Coincidentally, this shift occurred just as spot Bitcoin ETFs began trading. While BTC benefited from ETF hype, ETH had experienced a comparatively sluggish rally. After Ethereum’s switch from Proof of Work (PoW) to Proof of Stake (PoS) consensus algorithm, various narratives such as deflation, ultrasound money, Layer 2s, liquid staking derivatives, restaking, and the potential for ETFs have emerged. Despite increased competition from networks like Solana, the focus on potential spot ETF approvals seems to dominate the current narrative.

Comparing BTC’s and ETH’s price performance, BTC significantly outpaced ETH from the moment BlackRock applied for a spot BTC ETF.

On the day of the approval however, BTC fell, while ETH rallied. Prior to approval, traders targeted "ETH beta," tokens related to ETH but with higher volatility. However, post-approval, ETH outperformed ETH beta, indicating a shift in market sentiment. Notably, ETH spot volume spiked to its highest level since the FTX collapse, with a significant gap between ETH and altcoin volume in favor of ETH.

According to derivatives data, it is shown that recent ETH moves have been primarily driven by spot trading rather than perpetual futures, indicating that aggressive speculation on ETF applications has yet to fully materialize. Despite a surge in open interest and a reset in funding rates after BTC approval, the market has not shown a substantial build-up in open interest typical of a bull market.

The question to ask is, whether the ETF anticipation will boost ETH’s value. While there is heightened excitement around spot ETFs, it's crucial to note that futures-based BTC ETFs have been trading for years. Comparatively, ETH's counterparts have had disappointing volume, possibly attributed to investors forgoing potential staking yield and incurring higher expense ratios with futures-backed ETFs.

The analysis raises questions about the likelihood of spot ETFs being approved for ETH, considering its regulatory position in the U.S. has historically been less clear than that of BTC. As the market eagerly anticipates potential ETF developments, the spotlight remains on whether ETH can replicate the enthusiasm witnessed during BTC's ETF journey.

This analysis explores the market dynamics of Ethereum (ETH) and its potential for a spot exchange-traded fund (ETF), noting the recent drop in BTC:ETH correlation, emphasizing the importance of spot ETF approvals for ETH, and questioning whether it can replicate the excitement seen with Bitcoin's ETF journey.

BlackRock Raises Concerns with SEC over Lack of In-Kind Orders for Bitcoin ETF Shares

Grünig, Gian

The recent introduction of spot Bitcoin ETFs, as approved by the SEC, brings forth a distinctive cash-creation mechanism for share issuance and redemption. Despite being classified as commodity-shares ETFs and unlike other spot-market commodities such as gold and silver, Bitcoin ETFs utilize a cash-creation model. BlackRock, as highlighted in its iShares Bitcoin ETF (IBIT) prospectus, initially favored in-kind orders but was guided by the SEC toward a cash-creation model due to regulatory considerations. Authorized Participants, permitted to trade shares, must be registered broker-dealers, presenting challenges in dealing directly with Bitcoin under existing financial rules.

The uncertainty surrounding how broker-dealers can comply with regulations when directly dealing with Bitcoin has made the use of Bitcoin for buying or selling trust shares a risky endeavor. To address this, all ETF applications were updated from in-kind to cash-creation models in December before SEC approval. While there is potential for a shift back to in-kind orders if regulatory approval permits, the timeline and likelihood remain unclear.

BlackRock has expressed reservations about the efficiency of the cash-creation method, highlighting that using cash instead of Bitcoin directly for buying and selling shares may lead to challenges in aligning share prices with Bitcoin's actual value.

The complexity and longer duration of cash transactions compared to direct Bitcoin transactions could introduce mismatches, resulting in the Net Asset Value (NAV) not accurately reflecting the Bitcoin price.

BlackRock identifies potential issues such as delays impacting the accuracy of NAV calculations and reduced arbitrage opportunities for Authorized Participants. The use of cash creations and redemptions might affect the closely linked relationship between share prices and Bitcoin prices, potentially causing divergence. Additionally, if Authorized Participants perceive increased risks or costs due to delays, they may be reluctant to facilitate the trust, making it challenging to maintain share prices close to Bitcoin's actual value.

The prospectus warns of the untested nature of cash-creation commodity-shares ETFs, particularly in times of market volatility or turmoil. BlackRock cautions that reliance on cash creations during such periods could impact the ETF's ability to trade and might lead to the suspension of share creation or redemption. The NAV premium to discount spread since the ETF's launch has shown less than 100 basis points, indicating stability. However, BlackRock's emphasis on the potential volatility introduced by cash-creates raises questions about future deviations from the NAV.

Comparisons with other ETFs, like the iShares Gold Trust (IAUM), which uses in-kind orders for gold, suggest that BlackRock's IBIT may experience more significant fluctuations. Investors may ponder whether deviations beyond 3% from the NAV are expected in the future. The resolution for in-kind orders might be influenced by Nasdaq's consideration of Bitcoin as a viable asset for buying and selling shares. Until then, cash creation will persist as the dominant mechanism.

Did you know?

Difference between in-kind creation and cash creation: In scenarios where "in-kind" creation for ETF's is permitted, a standard creation unit might involve exchanging 100 Bitcoins for 100,000 ETF shares. However, in instances of cash creation, the ETF-Issuer is obligated to disclose the real-time cash amount needed to acquire 100 Bitcoins, adjusting dynamically with changes in the Bitcoin price. Simultaneously, they must also disclose the cash equivalent for which 100,000 ETF shares can be redeemed in real time. Subsequently, it becomes the issuer's responsibility to procure the 100 Bitcoins at the current market rate to ensure compliance with the fund's covenants. Conversely, in the case of redemption, the issuer may need to sell the 100 Bitcoins to meet the fund's requirements.

BlackRock's IBIT Bitcoin ETF Surpasses $2 Billion Market Cap Milestone

Grünig, Gian

The BlackRock iShares Bitcoin ETF (IBIT) recently became the first spot Bitcoin product to hit $2 billion in assets under management (AUM). This excludes Grayscale's GBTC, which boasted nearly $30 billion in AUM during its transition from a closed-end fund to a spot ETF.

On January 25th, investors injected approximately $170 million into IBIT, leading the fund to acquire an additional4,300 Bitcoin (BTC). This brought the total tokens held by the fund to 49,952. Bitcoin's positive price performance, surpassing the $40,000 mark early Friday, propelled the AUM to surpass $2 billion. Notably, IBIT now stands as the third-largest asset gatherer among the more than 600 ETFs launched in the past year, according to ETF Store president Nate Geraci. Geraci speculates that IBIT could soon ascend to the top spot.

The fund currently ranks behind Grayscale's GBTC and Cathie Wood's ARK Innovation ETF in terms of total AUM. Fidelity's Wise Origin Bitcoin Fund (FBTC) is poised to be the next contender to hit the $2 billion mark, holding just under 44,000 Bitcoin as of January 25.

This achievement underscores the growing prominence of bitcoin-related financial-roducts and the increasing confidence investors place in these offerings. As the cryptocurrency market continues to evolve, the competition among ETFs is intensifying, with IBIT emerging as a strong contender in the race for investor capital.

BlackRock Bitcoin ETF hits $2 billions market cap.

From Banks to Blockchains: Bitget Report Unveils Trend of Talent Migration

A Bitget report notes a significant trend of talent migration from traditional banking to the crypto industry

Fabrizio, Mottis

One-third of applicants seeking jobs in the crypto industry have a background in banking and finance, according to a report from Bitget. Bitget is a leading cryptocurrency exchange and Web3 company. The report highlights a trend of talent migration from traditional banking to the cryptocurrency sector.

This is driven by increasaing salaries and opportunities for innovation. The decline in investment banking revenues, which has led to significant layoffs, has also contributed to this talent shift. Major banks like Morgan Stanley, BlackRock, and Goldman Sachs have undergone reorganizations resulting in over 50,000 job cuts since 2020, with an additional 20,000 jobs cut collectively by five major banks in 2023.

The crypto industry, on the other hand, has been on a hiring spree, with companies like Coinbase and Amber Group attracting significant talent. The sector faced many challenges. In the aftermath of the FTX scandal in 2022, over 2,000 jobs were lost. Despite these setbacks, the crypto industry continues to attract professionals from traditional finance. The report also highlights the disparity in compensation between the two sectors, with crypto startups offering higher salaries, especially for remote positions.

Bitget's report delves into key events in 2023 that helped drive the adoption of blockchain technology in traditional banking. Major banks such as HSBC, JPMorgan Chase, and Citi Group have launched initiatives to adopt decentralized technologies. The report predicts that investments in blockchain retail banking will reach $40.4 billion by 2031. With $22.5 billion, the majority of these inflows are predicted between 2025 and 2026. Overall, the data shows a significant shift in skilled workers, from banking to cryptocurrency.

SWITZERLAND

Swiss Court Ruling Tightens Regulations for Investment Tokens

Baruffol, Tim

A recent decision by the Swiss Federal Administrative Court (Bundesverwaltungsgericht St. Gallen) has further clarified the legal landscape for cryptocurrency tokens, particularly those with an investment purpose. The decision is a significant development in Switzerland's Crypto Valley, a hub for blockchain startups that benefit from the region's progressive legal framework.

The case concerned an appeal by an Swiss crypto custodial company against a decision by the Swiss Financial Market Supervisory Authority (FINMA), which sought to dissolve the company for unauthorized securities trading. The court sided with FINMA, confirming the regulator's position on investment tokens.

FINMA distinguishes between payment tokens, such as Bitcoin, and investment tokens, which represent assets such as company shares or dividend entitlements.

The court's decision underscores FINMA's position that trading or issuing investment tokens without a securities dealer license poses a legal risk, potentially leading to penalties and regulatory liquidation. The ruling is in line with FINMA's guidance, which requires entities trading in investment tokens to obtain a securities dealer license and treats these tokens similarly to shares or bonds.

Luzius Meisser, Chairman of Bitcoin Suisse, acknowledges the challenges posed by the different regulations for payment and investment tokens. Bitcoin Suisse, which specializes in over 55 cryptocurrencies, is only allowed to trade in payment tokens. Meisser emphasizes the need for clarity: "If it's not clear whether a token is for payment or investment, there's a significant legal risk."

In a broader context, Switzerland is working on a partial revision of the Financial Market Infrastructure Act. Experts such as Yves Mauchle of Baker McKenzie Switzerland argue that the law should make a clear legal distinction between investment and utility tokens.

FINMA's current guidelines are not entirely clear and often require a case-by-case assessment.

Globally, the regulatory landscape for cryptocurrencies remains diverse. In the US, the long-running SEC vs. Ripple Lab case revolves around whether Ripple's token sales to institutional investors require Securities Exchange Commission approval. A recent district court decision in July 2023 ruled that Ripple's token itself is not a security, but sales to institutional investors do require registration. The SEC has appealed, and the outcome is eagerly awaited for its wider implications.

Swiss court upholds FINMA's stance on investment tokens.

Sygnum Raises Over $40 Million in Funding Round, Nearing Unicorn Status

Mottis, Fabrizio

Sygnum, the global digital asset banking group, has successfully raised over $40 million in an interim close of its oversubscribed financing round, called the Strategic Growth Round. The initial target was approximately $35 million, bringing the company's post-money valuation to $900 million. The round, led by global asset management group Azimut Holding, will finance Sygnum's expansion into new markets and enhance its suite of regulated products and services.

Despite the challenges of the "crypto winter", Sygnum demonstrated robust financial and operational performance. The company ended 2023 with an annualized revenue run rate of $100 million and achieved positive cash flow in Q4.

After this round, Sygnum is on the verge of unicorn status with a valuation of nearly $900 million. The funds raised will facilitate Sygnum's geographic expansion into a European and Asian market in 2024.

In addition, the proceeds will accelerate the development of regulated products, including Sygnum's bank-to-bank platform. More than 15 lenders and financial institutions have already joined the platform.

Headquartered in Switzerland and Singapore, Sygnum currently manages more than $4 billion in assets from over 1,700 clients in 60 countries.

CRYPTOCURRENCIES

Understanding Bitcoin Halving 2024: What You Need to Know and Why It's Crucial

Grünig, Gian

Bitcoin's upcoming halving event is a key aspect of its unique monetary policy, setting it apart from traditional fiat currencies. While central banks closely manage the supply of fiat currencies, Bitcoin's total supply is fixed and capped at 21 million, making it a decentralized and scarce digital asset.

At present, over 19.4 million Bitcoins have been mined, leaving less than 2 million to be created. The halving process, occurring every four years, plays a crucial role in controlling the supply of new Bitcoins. Bitcoin halving involves cutting the reward for miners in half, with the most recent reduction occurring in May 2020, bringing the reward to 6.25 BTC per mined block. The next halving is projected for April or May 2024.

The decentralized network of validators, known as miners, verifies Bitcoin transactions through a process called mining. They are rewarded with Bitcoins for adding new blocks to the blockchain. The reward is reduced in half approximately every four years after the creation of 210,000 blocks. Currently, miners are rewarded with 6.25 BTC per block, a significant value at the current Bitcoin price.

The somewhat predictable nature of Bitcoin halvings is designed to avoid major shocks to the network. However, these events often lead to heightened price volatility, creating trading frenzies. Historical patterns show that Bitcoin experiences increased volatility before and after halving events, but the overall price tends to rise significantly a few months later.

Despite the potential for increased volatility, Bitcoin halving events are generally viewed as bullish for the cryptocurrency. Focusing on the broader growth of the network is more important for investors than obsessing over the specific dates of halving events.

The first Bitcoin halving occurred in November 2012, followed by subsequent events in July 2016 and May 2020. The reward for mining started at 50 BTC per block in 2009 and dropped to 25 BTC after the first halving. The last halving is anticipated in 2140 when the total supply of 21 million Bitcoins will be reached. After that point, miners will be compensated with transaction fees as no new coins will be created.

The next Bitcoin halving is supposed to be in April or May 2024

While scarcity can drive price appreciation, some caution is advised. Reduced mining activity post-halving could lead to a leveling off in price. Miners may also seek alternative revenue sources, potentially impacting the network's security.

Despite these considerations, the historical trend suggests that Bitcoin prices respond positively to the supply shock created by halving events. Higher prices serve as an incentive for miners to continue processing Bitcoin transactions, maintaining the security and functionality of the network. As Bitcoin evolves, its limited supply and issuance mechanism, coupled with the impact of halving events, contribute to its status as a valuable and scarce digital asset in the financial landscape.

All-time high of 54.5% sustainable energy usage for Bitcoin mining

Mottis Fabrizio

Bitcoin mining has reached an all-time high of 54.5% in terms of sustainable energy use, according to the Bitcoin ESG Forecast of analyst Daniel Batten. Data from the Bitcoin Energy and Emissions Sustainability Tracker (BEEST) model shows that, when compared to other industries over the past four years, bitcoin mining stands out as the highest user of sustainable energy at 54.5%. This impressive figure represents a 3.6% increase in sustainable off-grid mining compared to other industries over the past four years, bitcoin mining stands out as the highest user of sustainable energy at 54.5%. This impressive figure represents a 3.6% increase in sustainable off-grid mining compared to other global industries for the calendar year 2023.

The Bitcoin ESG Forecast study further highlights the role of Bitcoin miners making use of methane emissions. Methane is known to impact the greenhouse effect much more than the same amout of CO2 would. Traditionally, small oil producers in North America paid for permits to flare natural gas, with some venting methane directly into the atmosphere. Now mining companies are using vented methane to generate electricity, helping to reduce the environmental impact.

This approach means that the Bitcoin network mitigates 7.3% of its total emissions without relying on offsets, setting a new all-time high and representing the highest level of non-offset mitigation in any industry.

The report also highlights the expansion of off-grid renewable mining activities, such as Tether's venture into hydro mining in Latin America and the discovery of more methane-mitigating mining sites. These developments demonstrate the Bitcoin network's increasing reliance on sustainable energy sources.

Another factor contributing to sustainability is the geographic shift in mining activity. Following the ban on mining in China and strict regulations in Kazakhstan, miners have mainly moved to regions with greener grids in North America or sustainable off-grid locations.

This transition, along with the global trend of grids becoming greener at a rate of 0.7% per year, has resulted in a remarkable 29% improvement in emissions intensity for on-grid bitcoin miners compared to 2021. The overall progress in sustainable energy use underscores Bitcoin's commitment to environmental responsibility within the cryptocurrency industry.

SEC Extends Deadline for Fidelity's Ethereum ETF

The SEC extended Fidelity's Ethereum Spot ETF deadline to March 5, 2024, amid increased competition and ongoing criticism of its cryptocurrency regulation approach.

Mottis, Fabrizio

The Securities and Exchange Commission (SEC) has granted an extension to Fidelity's proposed Ethereum Spot Exchange Traded Fund. Originally set for January 20, 2024, the new deadline is now March 5, 2024. Fidelity had filed the ETF on November 17, 2023, and the proposal was released for public comment on December 6, 2023. This extension provides additional time for the SEC to review and act on the ETF application.

The recent approval of 11 spot bitcoin ETFs by the SEC has set the stage for developments in the spot Ethereum ETF applications. Analysts expect significant progress by the end of May, a period in which the SEC is required to make decisions on applications from companies such as VanEck, ARK 21Shares and Hashdex. This heightened competition involves major players in asset management, including BlackRock, Fidelity, Grayscale, and others, applying to launch spot Ethereum ETFs in the United States.

The SEC's comprehensive approach to cryptocurrency regulation and ongoing legal battles, such as the case against Coinbase, have drawn criticism from industry figures. Ripple CEO Brad Garlinghouse expressed concerns about the SEC's leadership during a conversation at the World Economic Forum. Similarly, Senator Cynthia Lummis raised objections, claiming that the SEC's desire to classify cryptocurrencies as securities exceeds its authority and interferes with congressional lawmaking and the separation of powers.

These decisions by the SEC have significant implications for the mainstream adoption of cryptocurrencies in the United States. The crypto community is eagerly awaiting further developments and navigating the regulatory landscape as it evolves.

Did you know?

The federal securities laws empower the Securities and Exchange Commission (SEC) with broad authority over all aspects of the securities industry. The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC has up to five Commissioners appointed by the President on the advice and consent of the Senate.

Bankrupt Crypto Lending Company Celsius Mobilizes Over $1 Billion Ethereum for Liquidation

Baruffol, Tim

Ethereum faces a new wave of volatility. This unrest stems from the liquidation strategies of the now-bankrupt crypto lender, Celsius Network. According to on-chain analytics by Spot On Chain and insights from various cryptocurrency pundits, Celsius is set to liquidate a sum of over $1 billion in Ether tokens, potentially unsettling the Ethereum market.

Celsius Network's bankruptcy-triggered Ethereum liquidation of over $1 billion raises concerns about potential market impact.

Celsius' Ethereum Transactions:

Celsius transferred 459,561 ETH to three major exchanges within the last 24 hours, as reported by Spot On Chain. These transactions amount to a staggering market value of over $1billion.

An overview of Celsius' transactions by Exchange:

- **Coinbase Prime**: This platform received the lion's share of 305,254 ETH, amounting to over $674 million.
- **Paxos**: Nearly 150,000 Ethereum tokens, worth $324 million, were moved to this blockchain entity.
- **FalconX**: The crypto brokerage received Ethereum worth $17 million.

This is not Celsius' first foray into significant asset movements. Spot On Chain revealed a November 2023 sale of $621 million in Ethereum by Celsius.

With the latest transaction, the total Ethereum moved by Celsius in the past three months crosses the $1.69 billion mark, leaving the lender with 62,469 ETH, valued at $140 million.

The Celsius network is currently facing bankruptcy. These Ethereum sales are part of Celsius' broader strategy to maintain liquidity and meet obligations to its creditors amid bankruptcy proceedings.

When large institutional players, so called whales sell, the crypto community responds with a mix of apprehension and speculation.

Ethereum vs Polygon: The Tight Contest for Crypto User Acquisition Dominance in 2023

Mottis, Fabrizio

In 2023, Polygon (MATIC), a Layer 2 scaling network, nearly matched Ethereum (ETH) in crypto user acquisition, acquiring 15.24 million users compared to Ethereum's 15.4 million, according to blockchain analytics firm Flipside.

Polygon led in user acquisition in the first half of the year, with a strong start of 2.8 million acquired users in January, accounting for over 40% of the 2023 total. However, Ethereum overtook Polygon in the second half of the year. Polygon continued to perform well compared to other networks despite a steady decline in monthly user acquisition.

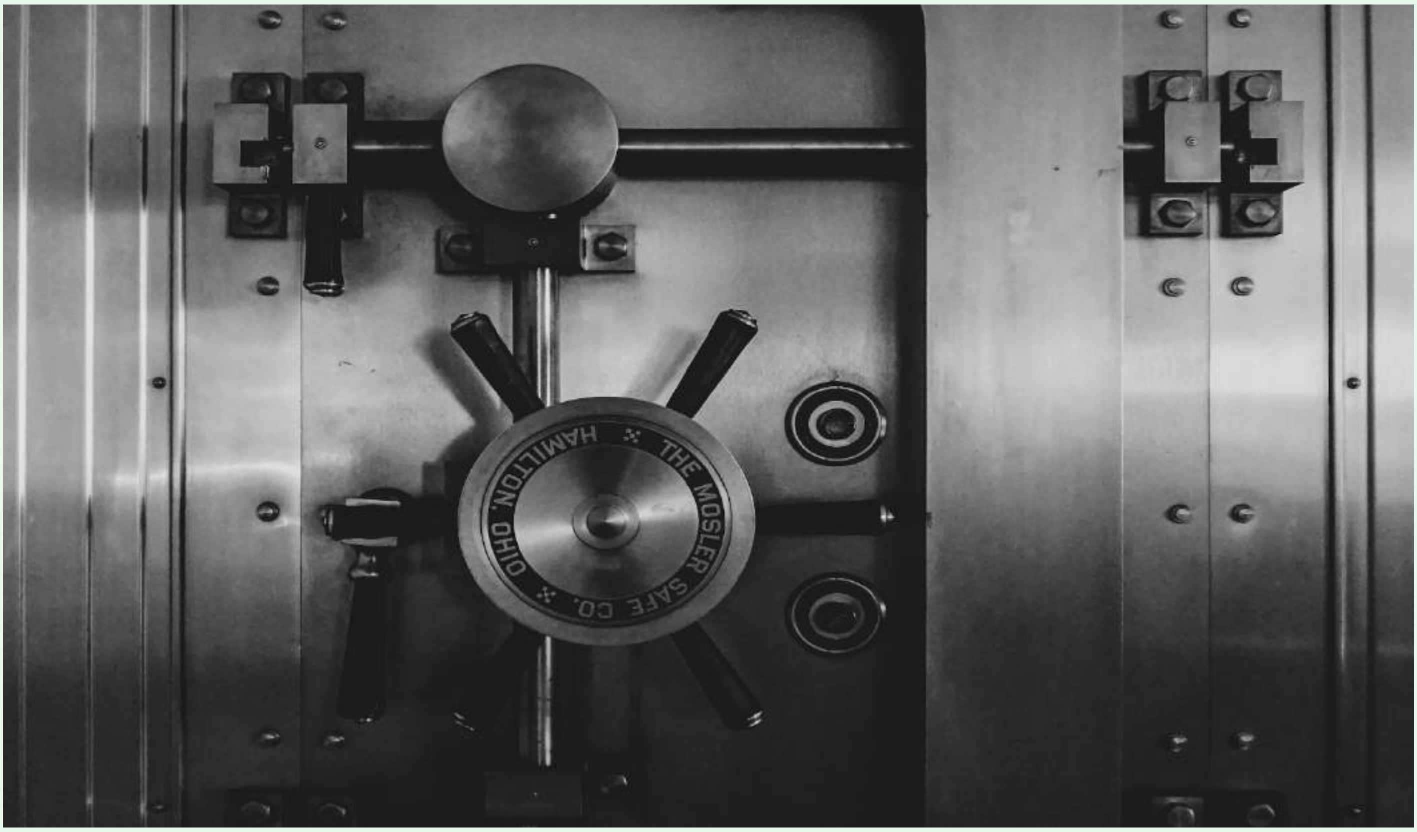
Bitcoin secured third place with 10.65 million acquired users, and the eight blockchains tracked recorded a total of 62 million acquired users. User acquisition peaked in May and has gradually declined since then.

Onchain data analyst Flipside noted a possible correlation between the increase in acquired users and the collapse of Silicon Valley Bank in March, suggesting a loss of confidence in centralized entities and a shift toward decentralized custody alternatives.

Chain	Acquired Users (2023)
Ethereum	15,408,536
Polygon	15,240,523
Bitcoin	10,655,223
Solana	5,604,319
Arbitrum	7,378,618
Optimism	3,335,226
Avalanche	2,534,441
Base	1,940,910

Acquired users from various blockchain networks in 2023. Source: Flipside

Decoding the World of Offline Staking



Offline staking in PoS blockchains allows secure participation without constant internet connection, using cold storage and hardware wallets, offering benefits like enhanced security and eco-friendliness but with risks of reward loss and reliance on third-party nodes.

Grünig, Gian

Offline staking, also known as cold staking, is a technique in proof-of-stake (PoS) blockchain networks that enables participation without exposing private keys to the online network. PoS networks rely on validators who are chosen to create new blocks and validate transactions based on the tokens they stake as collateral. In contrast to proof-of-work systems like Bitcoin, where miners use computing power, PoS validators stake tokens.

Traditional staking involves actively participating in the network by locking funds in an online wallet. Offline staking, however, introduces a new approach. Users can stake their digital assets without being constantly connected to the internet. This is achieved by assigning staking duties to a staking pool, a third-party validator, while keeping funds secure in cold storage. While offline staking enhances security by minimizing exposure to internet threats, it requires to give up some control over stakeholder's decision-making compared to traditional staking.

Security measures in offline staking include cold storage, hardware wallets, air-gapped systems, and regular software updates. Cold storage keeps wallet data and private keys offline, reducing vulnerability. Hardware wallets offer additional security features, such as physical devices to store keys and defend against phishing. Air-gapped systems, physically separated from the internet, provide an extra layer of security. Regular software updates patch vulnerabilities, and monitoring staking nodes is crucial for identifying suspicious activities. Multisignature wallets, requiring multiple private keys for transaction authorization, enhance security. Network security mechanisms like firewalls and intrusion detection systems further strengthen defenses. Routine backups of wallet data and private keys enable recovery in case of hardware issues.

Storing staking assets in hardware wallets or cold storage minimizes the risk of online hacking attempts. Setting up a staking wallet and node involves providing network information and security settings. Participants signal their intent to stake by transferring tokens to the staking wallet, prompting the staking node to join the consensus process. Staking benefits, often in the form of additional tokens, are earned in exchange for participation.

Staking rewards in offline staking follow a predetermined protocol. Delegating tokens to a validator contributes to the total staked amount, and the validator receives a portion of the block rewards. Delegators receive rewards based on the staking pool's distribution mechanism, considering factors like total staked tokens and commitment length. Some networks use performance-based strategies, while others adopt proportional distribution based on stake percentage.

Offline staking offers benefits like enhanced security, convenience, and a more sustainable approach to blockchain validation. Security measures like cold storage and hardware wallets reduce hacking risks, and offline staking aligns with eco-friendly practices. However, risks include potential loss of rewards, technical proficiency requirements, and reliance on third-party nodes. Users must carefully choose trustworthy staking pools and consider the complexity of setup and management. Despite these risks, offline staking remains an appealing option for those seeking a balance between security and passive income in cryptocurrency.

Altlayers Token Airdrop Season one

Baruffol, Tim

AltLayer is launching its Airdrop Season One, a pioneering initiative designed to drive the evolution of Ethereum rollups. This ambitious project not only reaffirms AltLayer's commitment to advancing blockchain technology but also presents a golden opportunity for both crypto enthusiasts and investors to engage with the future of decentralized solutions.

AltLayer's Visionary Role in Ethereum's Evolution

At the heart of Ethereum's continuous evolution are rollups, a technological solution to the blockchain's long-standing scalability challenges. A rollup is a secondary blockchain (Layer 2) designed to conduct transactions separately from the primary blockchain, aiming to lower transaction fees and enhance the primary chain's processing capacity.

As scaling solutions, rollups effectively reduce the processing demands on the main Layer 1 chain. This technology has gained such prominence that Ethereum has shifted its focus for scaling from sharding to a strategy centered on rollups.

AltLayer steps in with an airdrop aimed at catalyzing the shift towards more efficient and scalable blockchain infrastructure. By focusing on rollups, AltLayer is not just addressing current scalability issues but is also laying the groundwork for a more robust, decentralized Ethereum ecosystem.

AltLayer Airdrop: A Gateway to Advanced Blockchain Participation

AltLayer's Airdrop Season One is more than a distribution of tokens; it's an invitation to be part of Ethereum's next chapter. This airdrop serves as a strategic tool for AltLayer to encourage adoption and foster a community around its innovative rollup solutions. For participants, it represents a chance to directly contribute to and benefit from the advancement of blockchain technology.

How to Participate

Participating in AltLayer's airdrop involves a few key steps, designed to be accessible for a wide range of users, from blockchain novices to seasoned crypto investors.

The process includes engaging with AltLayer's platform, understanding its rollup technology, and being proactive in the Ethereum community. This engagement is essential for ensuring that participants are well-informed and ready to play a role in the platform's growth.

Did You Know?

Participating in the AltLayer Airdrop is straightforward and opens doors to the evolving world of Ethereum rollups. Here's a quick guide:

1. **Visit AltLayer's Website**: Head to the official site for essential information and access.
2. **Connect Your Wallet**: Use an Ethereum-compatible wallet like MetaMask for seamless integration.
3. **Check Eligibility**: Ensure you meet the airdrop criteria listed on the website.
4. **Follow Instructions**: Complete the steps outlined to claim your $ALT tokens.

This process not only grants you tokens but also immerses you in the advancement of Ethereum's blockchain technology.

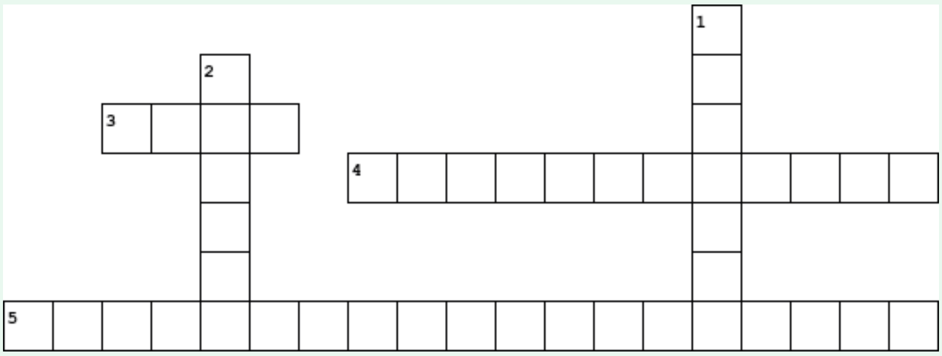
Crossword

Across

3. A proof-of-stake technique that enables participation without being connected to the internet is called _____ staking.
4. The place in the canton of Zug where a lot of crypto-related companies reside
5. FINMA Stands for Eidgenössische _________

Down

1. The halving reduces the block ____
2. How many Bitcoin Spot ETFs are now trading?



Solutions: 1. Rewards 2.Eleven 3. Cold 4. Crypto Valley 5.Finanzmarktaufsicht

Impressum

Newsletter of Smart Contracts Lab
Student Project at University of Zurich
SmartContractLab@uzh.com
Rämistrasse 71, CH-8006 Zürich

Authors: *Tim Baruffol, Fabrizio Mottis, Gian Grünig*

Guest Authors: -

Quality Management(QM):Tim Baruffol, Fabrizio Mottis, Gian Grünig ,

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SOURCES

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