

A TON Of Progress Over The Summer: Sony And Apple Wade Into Crypto, Polymarket Dominates Election Coverage, And The California DMV Goes Digital

Monthly Insights

August 27, 2024

- More developments for stablecoins - Tether reports record 1H'24 profit, Circle receives MiCA license first.
- Sony unveils Web3 division and Layer 2 network. Apple opened its NFC capabilities to third-party developers, enabling the potential integration of blockchain-enabled wallets with iPhones.
- Telegram continues building its Web3 ecosystem, aiming to broaden the use of its platform for financial transactions.
- Polymarket has become the world's largest prediction marketplace and is partnering with AI-powered search engine Perplexity.
- The California Department of Motor Vehicles (DMV) is implementing blockchain technology to tokenize 42 million car titles.
- TenSquared partners Stan Miroshnik & Chris Cheung will be traveling to Singapore for 2049. Please feel free to contact them if you want to connect with them.

KEY THEMES

Tether Reported A Record \$5.2B In 1H'24 Profit With Only 100 Employees

- Tether, a leading stablecoin issuer with 70% market share, reported a record \$5.2B in 1H'24 profit, according to its Q2 attestation report.
- The company also reported \$97.6B worth of U.S. treasuries in their reserves. If Tether were a country, it would rank as the 20th largest holder of U.S. debt.
- Tether is using some of its massive profits to invest proactively beyond its core stablecoin business.
- Earlier in June, the investment arm of Tether Holdings announced that it is committed to invest more than \$1B into Web3 and other VC deals over the next 12 months.

10SQ VIEW: This is a good illustration of the impressive scale of the stablecoin business model. The current environment of high interest rates is an excellent opportunity to create reserves and diversify the business model in anticipation of increasing competition and changes in the macro environment in the future.

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1H'24 Earnings in billions US\$

	1H'24 earnings, \$B	~ Employee Count	Profit / Employee
Bank of America	\$13.5	213,000	\$63,709
Wells Fargo	\$9.53	226,000	\$42,168
Goldman Sachs	\$7.17	45,300	\$158,278
Citigroup	\$6.59	239,000	\$27,573
Morgan Stanley	\$6.49	80,000	\$81,125
Tether	\$5.20	100	\$52,000,000
U.S. Bancorp	\$2.92	75,465	\$38,693
PNC	\$2.79	56,411	\$49,458
Charles Schwab	\$2.69	33,000	\$81,515
The Bank of New York Mellon	\$2.19	53,400	\$41,011
Capital One	\$1.88	51,987	\$36,105

Source: Fintech Blueprint

TenSquared ("10SQ") is a venture capital firm investing in innovation in the blockchain and Web3 sector

KEY THEMES

Circle Receives First License To Issue USDC And EURC Under Europe's MiCA Regulatory Framework

- Circle has received licensing and approval to issue stablecoins under the Markets in Crypto Assets (MiCA) framework in Europe, making it the first global stablecoin issuer to meet MiCA compliance effective July 1st. This milestone enables Circle to issue its stablecoins USDC and EURC within the regulatory framework.
- 10SQ VIEW:** MiCA is the first comprehensive regulatory framework for digital assets in the world and a testament to the long way the asset class has come since its inception. Traditional players are also planning to deploy stablecoins in the region. This includes Societe Generale's digital asset arm Forge with its institutional EURCV and Deutsche Bank's asset management team DWS (which manages around US\$1.09T) which will launch a new euro stablecoin in 2025.

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Apple Enables In-App NFC Transactions: A Major Opportunity For Crypto Integration

- Apple has opened its near-field communication (NFC) chip to third-party developers. The change creates new opportunities for crypto developers to integrate blockchain enabled wallets to interact directly with point-of-sale systems.
- By leveraging Apple's technology, Circle aims to create a seamless payment experience that could rival traditional payment methods. Immediately after this announcement, Circle co-founder and CEO Jeremy Allaire retweeted it with the caption, "Tap to pay using USDC on iPhones is incoming soon. Wallet devs, start your engines."
- 10SQ VIEW:** With Apple's vast user base (1.7B active iPhone users) and the growing popularity of stablecoins like USDC, the integration of NFC technology into iPhones could accelerate the mainstream adoption of digital currencies for retail purchases.

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Sony Unveils Web3 Division and Layer 2 Network

- Sony Block Solutions Labs, a joint venture launched by Sony Group and Web3 innovator Startale, announced the development of Soneium, a next-generation Ethereum Layer-2 blockchain to accelerate Web3 Innovation.
- The project also unites leading Web3 infrastructure pioneers, including Astar Network, Circle, Chainlink, Alchemy, and The Graph, which plan to bridge the gap between decentralized innovation and everyday consumer applications in entertainment, gaming, and finance.
- 10SQ VIEW:** Blockchain-based incentives and tools, including stablecoin on-ramps, improved UI/UX, and scalability in crypto, are being increasingly used by Web2 companies for building user ecosystems and blending entertainment, gaming, and finance.

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Talos Integrates With D2X, Expanding Institutional Access To Regulated Crypto Derivatives

- D2X, an EU-regulated crypto derivatives exchange for institutional investors, announced its integration with Talos, the premier provider of institutional trading technology for digital assets and a **10SQ portfolio company**. This integration will allow mutual clients to access a new regulated source of crypto derivatives liquidity through the Talos platform.
- Earlier this year, Talos unlocked advanced options trading through its partnership with Deribit and expanded into DeFi via collaboration with Uniswap Labs and Fireblocks, as well as the acquisition of Skolem Labs.
- 10SQ VIEW:** Talos has enjoyed increased institutional demand for its services this year, seeing the growth in total trading volume through the platform almost quadruple in 1H'24. As MiCA comes into force in the EU, access to regulated trading venues is increasingly important for institutions.

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Figment Introduces First Staking Rewards Indexes

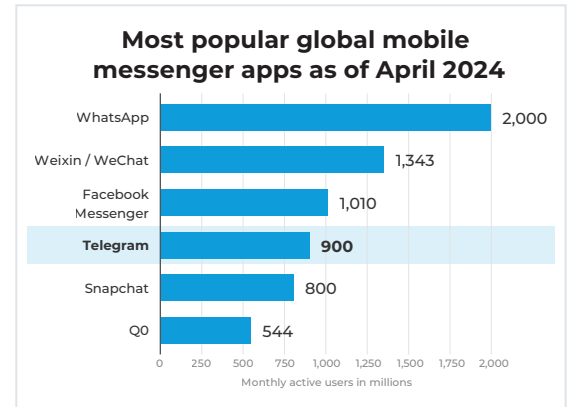
- MarketVector Indexes is partnering with the leading staking infrastructure firm Figment, a **10SQ portfolio company**, to introduce the industry's first Ethereum staking rewards indexes. The partnership plans to launch two products — the MarketVector Figment Ethereum Staking Reward Reference Rate and the MarketVector Figment Ethereum Total Return Index.
- 10SQ VIEW:** These indexes will allow asset managers to provide products with staking rewards benchmarked against the new indexes, unlocking new opportunities for institutions working with digital assets.

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TELEGRAM'S RECORD GROWTH THROUGH SUPPORTING DECENTRALIZED WEBSITES

Telegram ecosystem

- Telegram is one of the world's fastest growing and largest messaging platforms with 950 million users worldwide.
- Two of the most distinctive features of Telegram are its API and bot integrations. These features let developers expand the app's functionality beyond just messaging.
- The Telegram ecosystem is a bustling community with diverse Mini Apps, including games and chatbots. It's a community where more than 500 million of its users interact with these apps monthly.
- Telegram's Open Network (TON), a Layer 1 proof-of-stake blockchain, was launched in 2018. With TON, Telegram aims to create a decentralized platform for digital payments, file storage, and other services. TON blockchain is designed for mass usage with a focus on speed, cost-efficiency, and scalability; a transaction between two users will cost a fixed fee of ~\$0.1, that is much cheaper than other crypto payment platforms.
- Among the most popular Telegram apps is the tap-to-earn simulation game Hamster Kombat, which recently surpassed 300 million players. Notcoin, the first Telegram game launched on TON, reached 40 million players within six months.
- Many of these apps look to integrate with TON and the new Telegram crypto wallet, which already has over 13 million users.



Source: Statista

Stablecoin payments on TON

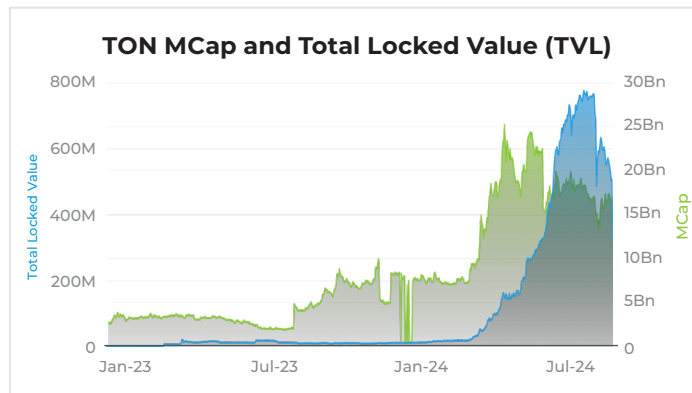
- In April, TON launched USDT on its platform, which reached over 200M USDT in circulation in only a month after launch. The company also recently launched its W5 smart wallet standard in collaboration with Tonkeeper, a self-custody wallet.
- Adding the largest USD stablecoin natively issued on TON allows its users to transact USD instantly over the TON payment channels. Native USDT on Telegram is also beneficial for applications building on the TON network that require stablecoins to function. All of this together with the determination of the founder can transform Telegram messenger into the biggest payment application globally.
- Stablecoin payments on Telegram wallet can be particularly important for "unbanked" customers in developing countries, who may lack access to banking services. Telegram holds the number 1 spot in parts of Europe, Asia, and Africa.

Telegram launches in-app browser supporting decentralized websites

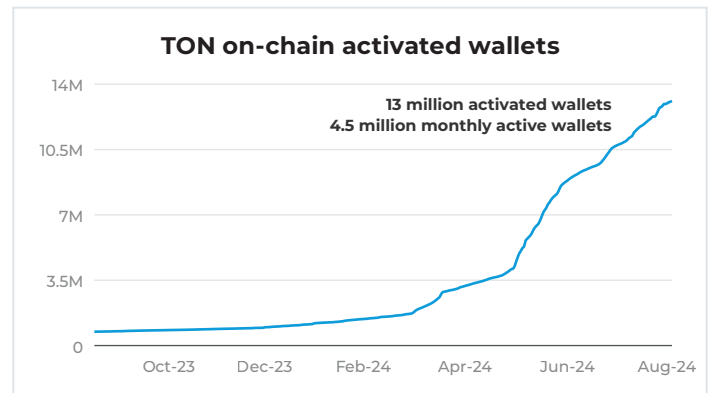
- In August, Telegram launched a new in-app browser that supports decentralized websites called "TON Sites," now available on mobile and desktop to Telegram's 950 million users. TON Sites allow Telegram users to launch a web server with their website and make it available on TON.

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Sources: Business of Apps, Telegram, Coindesk, Cointelegraph, tonstat



Source: DeFiLlama



Source: Tonstat

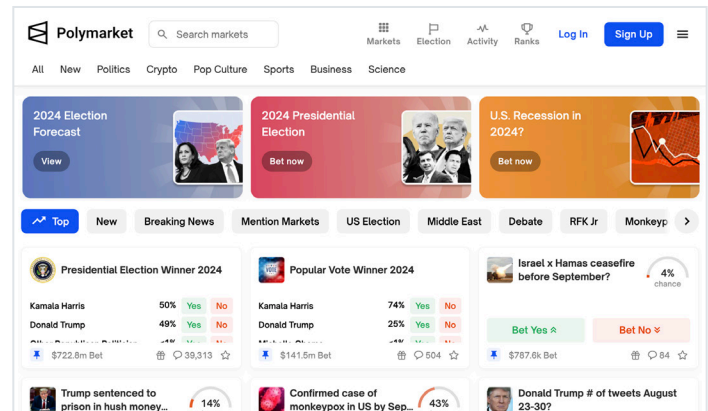
- On Aug 24th, Telegram's CEO Pavel Durov was arrested in France over concerns about insufficient moderation on the platform. The incident highlights the challenge of maintaining platform independence and commitment to user privacy while navigating legal and political demands.

- 10SQ View:** At 10SQ, we have a position in TON. Telegram has been demonstrating remarkable growth, outpacing other crypto ecosystems. We believe that the next wave of crypto will center around hundreds of millions of new users being onboarded into crypto – most likely through payment applications, and Telegram has the potential to bring crypto payments to the mass market.

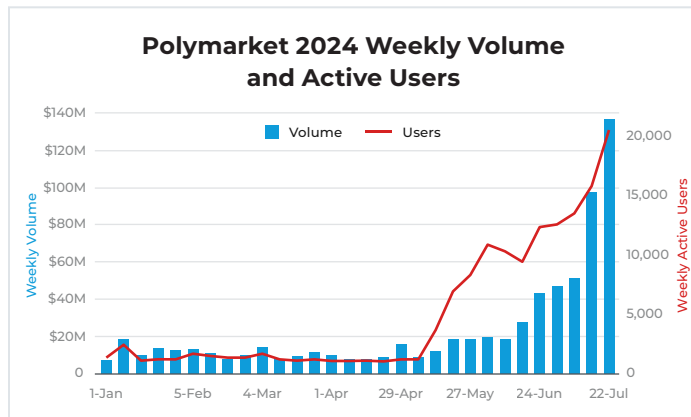
DECENTRALIZED PREDICTION MARKETS: POLYMARKET'S PRODUCT-MARKET FIT IN THE ELECTION YEAR

Polymarket's growth story

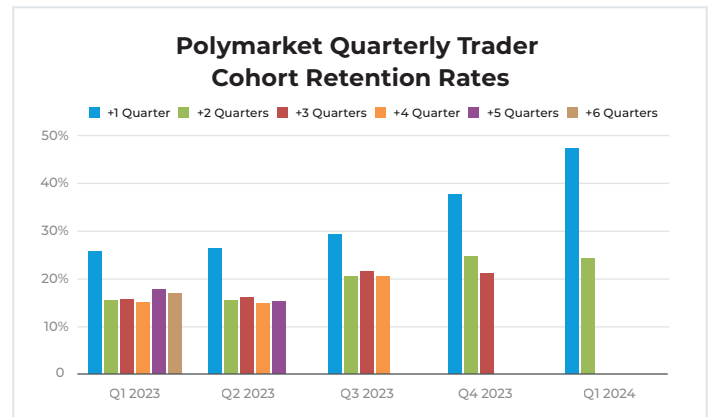
- Founded in 2020, Polymarket has become the #1 destination for betting on major news-driving events, with users repeatedly returning to trade on new markets. With the U.S. elections approaching, Polymarket is now the world's most popular decentralized prediction market for U.S. elections. However, it does not allow U.S. users to trade off on its predictions. Some of the popular markets included the Olympic medal count, Taylor Swift's engagement timeline, and the GPT-5 launch date.
- Unlike traditional betting sites, Polymarket allows traders to buy and sell shares on the outcome of a given event using cryptocurrency. Any user can make a market by posing a question with a fact-based resolution. Traders then buy shares depending on which outcome they think is most likely.
- Polymarket has seen \$1.1B in trading volume year to date, and monthly active users have grown ~34x from around 1.4k to 47k+⁽¹⁾.
- With widespread stablecoin on-ramps, improved scalability, lower transaction fees, and enhanced UI/UX in crypto, Polymarket has achieved a truly unique product-market fit. The platform is well-positioned to expand its markets beyond the U.S. elections.
- In the future, Polymarket can allow corporations to make better decisions and mitigate their risks.
- For example, a beverage company can use prediction markets to see what new flavor is likely to appeal to its consumers. Alternatively, a movie studio can hedge in the event a movie's opening weekend is below expectations.



Notes: 1 - theBlock, as of August 22nd, 2024



Source: Parafi, Polymarket



Source: Parafi, Polymarket

Polymarket to provide AI news summaries with perplexity AI partnership

- The world's largest prediction marketplace, Polymarket is partnering with AI-powered search engine Perplexity to display news summaries of events, according to the recent post by the AI firm.
- When users search for events on Perplexity, they will see news summaries paired with real-time probability predictions, such as election outcomes, market trends, and beyond. Users who click on an event on Polymarket will see a summary of news related to the event based on search results from Perplexity.
- Earlier in July, Polymarket hired a famous statistician and journalist, Nate Silver, as an adviser while the company seeks to build more forecasts around news events.

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- 10SQ View:** The rise in prediction markets mirrors a broader adoption of sports betting and online gambling, which have become more popular amid regulatory rollbacks and advances in blockchain technologies. Prediction markets enable better forecasting of future events by allowing creation of financial markets on anything. The integration of Polymarket with Perplexity is a powerful showcase for how search can benefit from actionable collective market intelligence insights grounded in real-time predictions, and it will certainly drive engagement on both platforms.

THE FUTURE OF DURABLE GOODS ON CHAIN: CALIFORNIA'S DMV ADOPTS BLOCKCHAIN EFFICIENCY

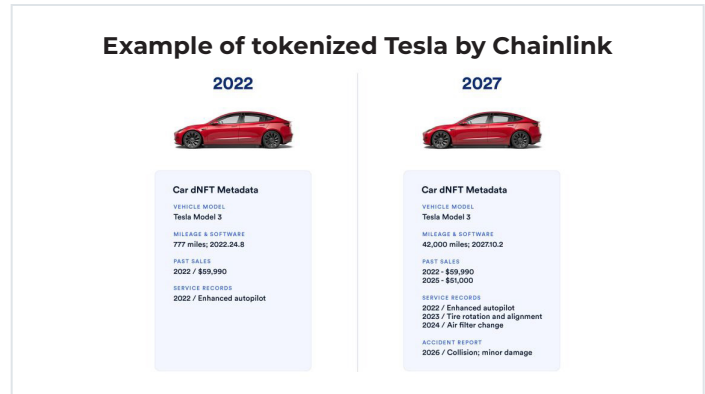
California DMV puts 42 million car titles on blockchain to fight fraud

- On July 30th, the California Department of Motor Vehicles (DMV) announced it has tokenized 42 million car titles using the Avalanche blockchain. This project aims to fight fraud and streamline the title transfer process for California's 39 million residents. (California has the highest number of car registrations in the United States). The digitally progressive DMV plans to make the new system accessible to California residents early next year.

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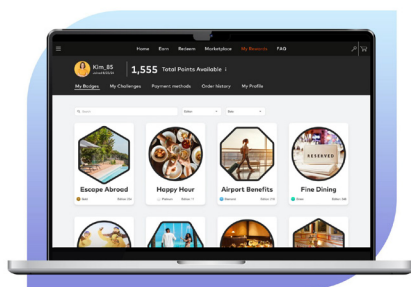
Benefits of blockchain-based title management system:

- Increased transparency of ownership records:** The blockchain provides an unalterable record of ownership, enhancing transparency and trust in vehicle transactions.
- More efficient fraud prevention:** Smart contracts will automate title transfers and fraud checks. The new technology will provide an early warning system for lien fraud. The system's permissioned blockchain access will help to ensure only authorized parties can modify records.
- Streamlined processes:** Vehicle owners could claim digital titles through the DMV's secure mobile wallet app using a verifiable credential. The mobile app will serve as the user interface, reducing the need for in-person DMV visits.
- California is not the only state to experiment with digital titles. New Jersey, Kentucky, Illinois, and West Virginia have already been collaborating with Champs Titles, a company that uses blockchain technologies for digital title management.

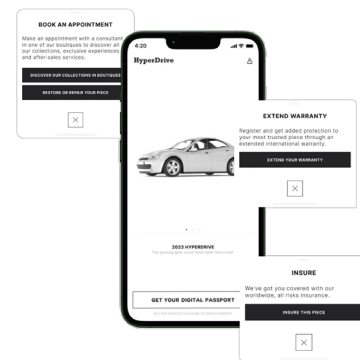


- At 10SQ, we have been closely monitoring the application of blockchain technology in real-life use cases. For example, **one of our portfolio companies, Superlogic**, is a leading provider of blockchain-based loyalty systems. It creates digital badges representing redeemable products and experiences for major Web2 consumer brands. Another notable company in this space, Arianee, uses blockchain technology to develop digital passports and engagement tokens for fashion brand products.

Example of Superlogic's platform for managing digital assets



Example of digital product passport by Arianee



- 10SQ View:** Digital titles present a compelling example of blockchain-enabled infrastructure solving real-world problems. By focusing on the needs and pain points of legacy auto title, registration, and lien processing, DMV has leveraged the power of blockchain to transform critical government services. While much attention is focused on recent resilience in crypto asset prices, we believe 2024 will see significant growth in non-speculative enterprise applications for distributed ledger technology.

10SQ TAKEAWAYS FROM CHICAGO WEB3 INVESTOR DAY

- We were privileged to participate in [Web3 Investor Day, "Transformation to a Fresh Tomorrow,"](#) organized by Decasonic, Bridge Alternatives, and Sterling Bay in Chicago on August 1st. Quite different from other conferences, the goal of Web3 Investor Day was to convene meaningful non-consensus conversations about the emerging Web3 ecosystem and what drives Web3 innovations forward. Web3 Investor Day has truly evolved into a premier experience with national investors, technologists, entrepreneurs and innovators. The conference also highlighted Chicago's prominence as a leading hub for business innovation, particularly in fintech, with significant achievements in corporate relocation, startup funding, and support for diverse talent.
- Below are summaries of some of the discussions.

Key narratives discussed:

<i>AI Security in Web3</i>	<ul style="list-style-type: none"> ■ The speakers highlighted the importance of addressing vulnerabilities in AI systems, the potential of reinforcement learning for smart contract security, and the need for robust regulation to manage AI risks without stifling innovation. They also explored the future role of AI, emphasizing its potential to revolutionize technology and daily life.
<i>Consumer Web3</i>	<ul style="list-style-type: none"> ■ The discussion highlighted the evolution of gaming from traditional models to Web3, emphasizing the importance of digital ownership and its impact on user experience. Key points included the integration of blockchain in games, enabling players to own and trade digital assets, and the challenges of transitioning from Web2 to Web3, such as token economies and developer adoption. The panelists also discussed the transformative role of AI in game development, predicting that as more high-quality Web3 games emerge, the industry will experience significant growth.
<i>Web3 Meets the Physical</i>	<ul style="list-style-type: none"> ■ The panel discussion explored how Web3 technologies are bridging the gap between the digital and physical worlds. The speakers emphasized the convergence of these realms, highlighting opportunities for monetization, improved user experiences, and transparency. They also discussed the importance of building user-centered solutions, educating the public, and leveraging complementary technologies like AI and IoT to accelerate Web3 adoption across industries.
<i>Crypto and AI</i>	<ul style="list-style-type: none"> ■ The speakers discussed the dynamic intersection of AI and crypto, focusing on adoption, innovation, and emerging trends. The speakers emphasized the rapid pace of development, potential for AI-driven applications in Web3, and the importance of staying ahead in both sectors. The conversation was forward-looking, with optimism about the future integration of AI in crypto, particularly in areas like decentralized infrastructure and economic agent models.
<i>Transformations in Web3 Venture Capital</i>	<ul style="list-style-type: none"> ■ Key themes included the evolution of the fundraising environment, with 2023 being challenging due to regulatory pressures and market downturns, and a more positive outlook for 2024. The discussion also highlighted the shift from infrastructure-focused investments to real-life business use cases leveraging blockchain, emphasizing the importance of long-term investment strategies and the critical role of aligning token usage with actual business needs.

Upcoming Events

10SQ partners [Christopher Cheung](#) and [Stan Miroshnik](#) will be traveling to Asia in September:

- **September 18-20** - [Token2029](#) in Singapore
- **September 18-20** - [Asia Summit | Milken Institute](#) in Singapore
- **September 20-21** - [Breakpoint | Solana](#) in Singapore
- **September 22nd** - [Network State Conference](#) in Singapore
- **November 11-13** - [SALT iConnections Asia](#) in Singapore

Opportunities to connect with the 10SQ team - [book a meeting in Calendly](#)



IMPORTANT DISCLOSURES

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