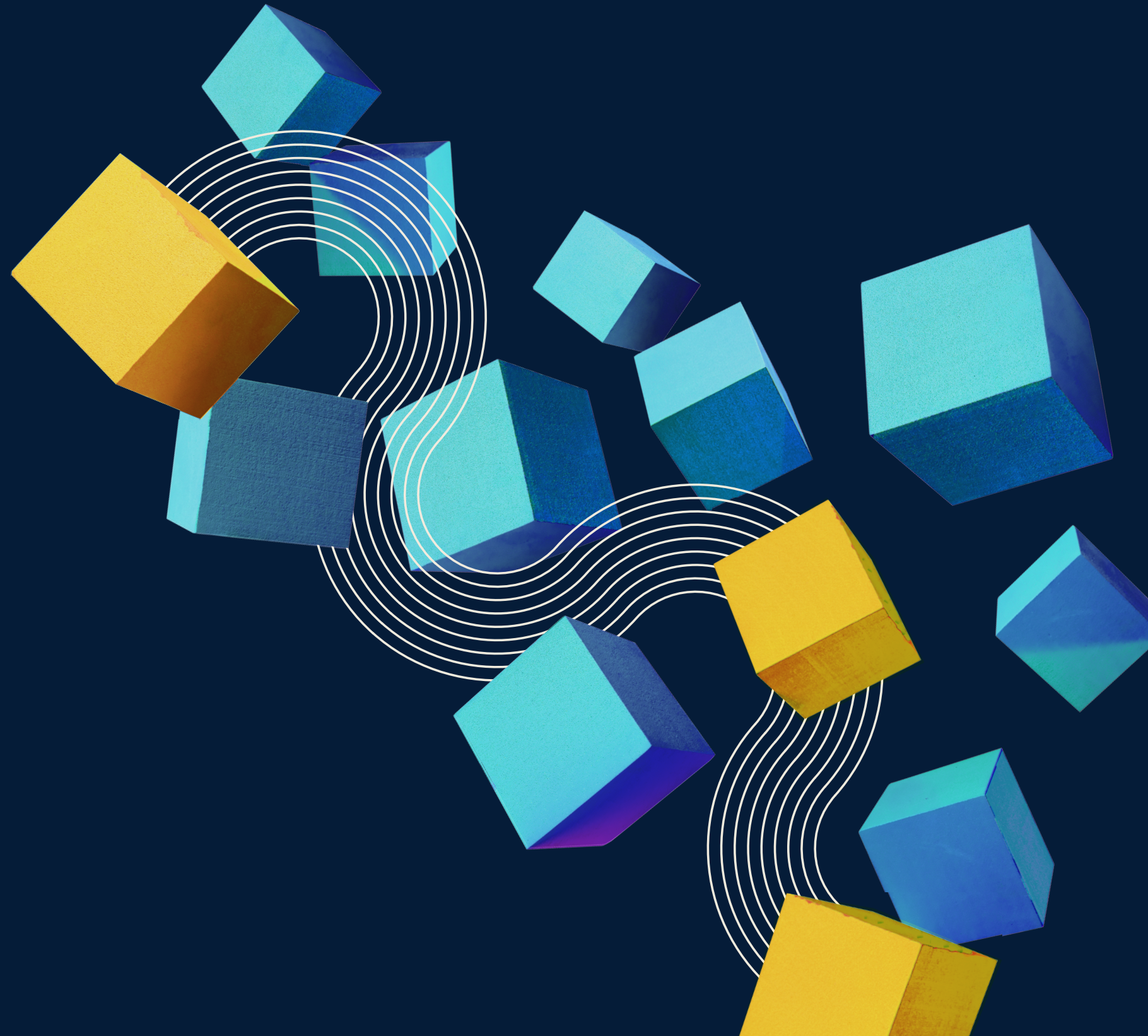# PitchBook

EMERGING TECH RESEARCH

Crypto Report

VC trends and emerging opportunities

Q3 2023

REPORT PREVIEW
The full report is available through the PitchBook Platform.

Contents

Q3 2023 timeline

News

July 13

Ripple secured a partial win against the SEC in which the courts differentiated between Ripple's sales of XRP to institutional investors and other sales, deeming only the former as unregistered securities sales. This case could impact the SEC's future regulatory efforts in the crypto space, leading to a nuanced approach to crypto regulation.

VC exit

August 14

Crypto infrastructure platform Prime Trust filed for Chapter 11 bankruptcy after state regulators placed the company into receivership in late June, determining it was insolvent and unable to service customers.

News

September 7

The Commodity Futures Trading Commission has taken enforcement actions against three DeFi platforms for illegal derivatives trading, marking a significant shift toward regulatory oversight in the DeFi space. This crackdown is the first for DeFi.

Jul 1   Aug 1   Sep 1   Sep 30

News

August 7

PayPal launched its US dollar-backed stablecoin, PYUSD, enhancing its crypto offerings. This strategic move, marking PayPal as the first major US financial company to issue a stablecoin, signifies a shift toward digital currencies, providing a stable, digital-native financial instrument for global transactions.

News

August 16

Coinbase received National Futures Association approval to list crypto futures in the US, becoming the first retail trading platform to offer regulated crypto futures alongside traditional trading.

News

September 28

Coinbase gained regulatory approval from the Bermuda Monetary Authority to let non-US retail customers trade perpetual futures. This is part of the exchange's global expansion plans and positions Coinbase as a secure option in the volatile crypto derivatives market.

Q3 VC deal count summary

309
total deals

-24.8%
QoQ growth

-55.9%
YoY growth

-53.2%
YTD growth

Q3 VC deal value summary

$1.8B
total deal value

-28.3%
QoQ growth

-69.6%
YoY growth

-70.9%
YTD growth

Crypto landscape
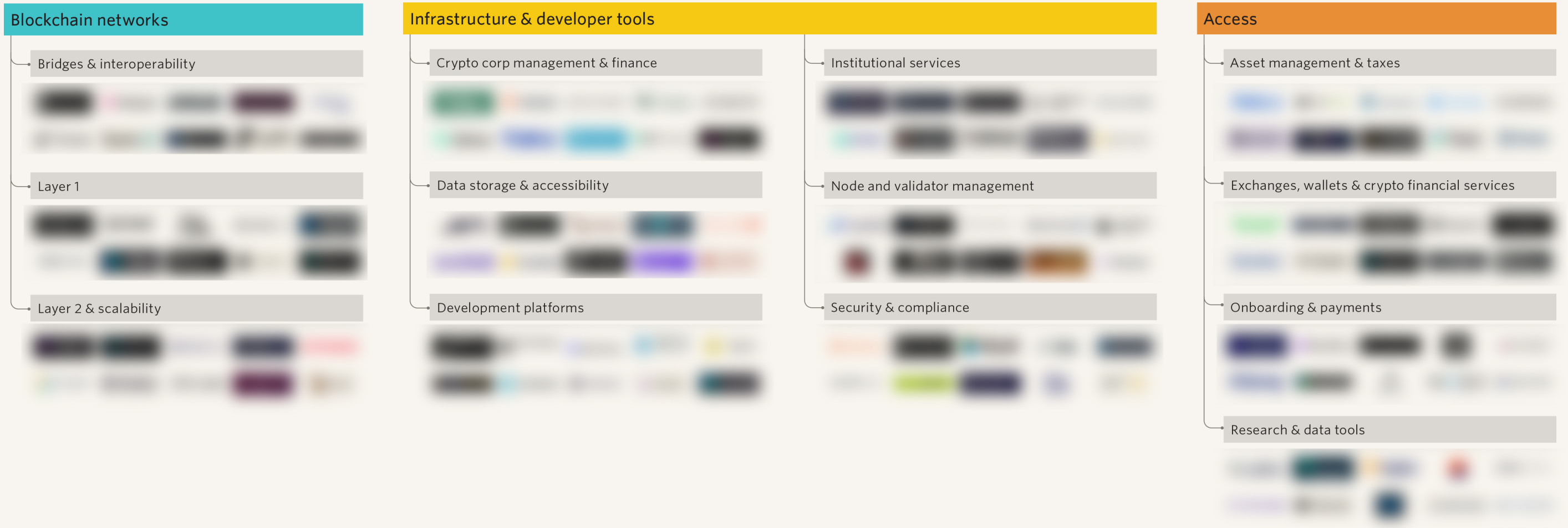
1 Blockchain networks

2 Infrastructure & developer tools

3 Access

4 Web3

5 DeFi

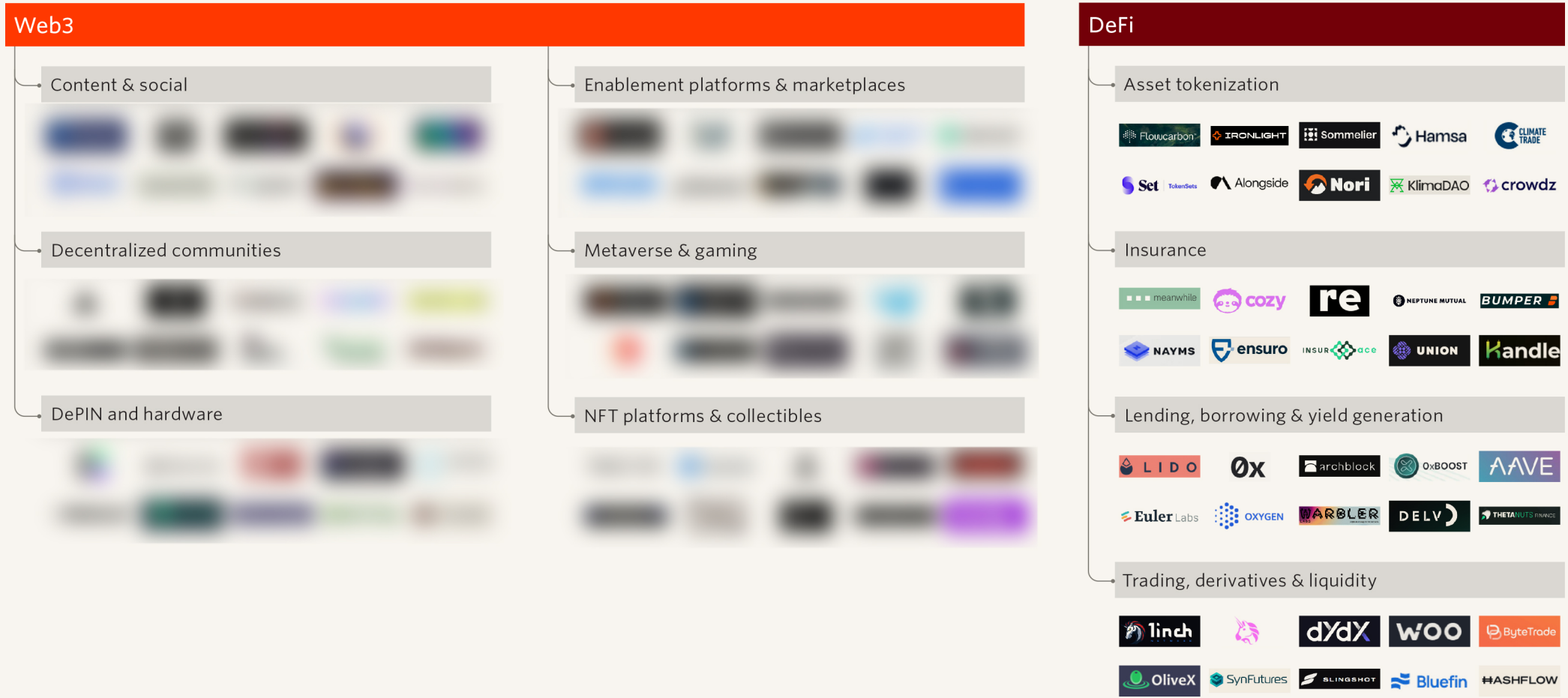# Crypto VC ecosystem market map

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.

Blockchain networks

Bridges & interoperability

Layer 1

Layer 2 & scalability

Infrastructure & developer tools

Crypto corp management & finance

Data storage & accessibility

Development platforms

Institutional services

Node and validator management

Security & compliance

Access

Asset management & taxes

Exchanges, wallets & crypto financial services

Onboarding & payments

Research & data tools

Crypto VC ecosystem market map

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.

Web3

Content & social

Decentralized communities

DePIN and hardware

Enablement platforms & marketplaces

Metaverse & gaming

NFT platforms & collectibles

DeFi

Asset tokenization

Flowcarbon · IRONLIGHT · Sommelier · Hamsa · CLIMATE TRADE
Set TokenSets · Alongside · Nori · KlimaDAO · crowdz

Insurance

meanwhile · cozy · re · NEPTUNE MUTUAL · BUMPER
NAYMS · ensuro · INSURACE · UNION · Kandle

Lending, borrowing & yield generation

LIDO · 0x · archblock · 0xBOOST · AAVE
Euler Labs · OXYGEN · WARBLER · DELV · THETANUTS FINANCE

Trading, derivatives & liquidity

1inch · · dYdX · WOO · ByteTrade
OliveX · SynFutures · SLINGSHOT · Bluefin · HASHFLOW

VC activity

In Q3 2023, the crypto space continued to experience a cooling in VC enthusiasm, securing $1.8 billion across 309 deals. This represents a 28.3% decrease in capital and a 24.8% fall in deal volume compared to the previous quarter, marking the most subdued activity since late 2020. Despite the broader contraction, trading platforms and infrastructure remained bright spots. The largest deal of the quarter went to Sharia-law-compliant retail crypto trading platform Haqqex, which has yet to launch. They raised $400.0 million from Futurecraft Ventures, Optic Capital, and Alpha Blue Ocean. Other notable transactions centered on infrastructure, including BitGo's $100.0 million Series C funding on August 16, 2023. This round, led by DRW Venture Capital, Goldman Sachs Growth Equity, Galaxy Digital Holdings, and Multi-Strategy Capital, placed the company's pre-money valuation just under $1.7 billion. Notably, this fundraising came in the wake of Galaxy Digital's failed acquisition attempt, a deal that was announced at the height of the last crypto bull market. Additionally, Blockchain infrastructure provider Flashbots' focus on maximal extractable value helped it raise a $60.0 million Series B at a $1.0 billion post-money valuation.

Valuation trends in Q3 presented a mixed picture. Median figures for pre-seed/seed stages hovered around $15.0 million, early-stage at $40.0 million, and late-stage at $100.0 million. These numbers indicate a tempering of expectations, particularly at higher investment levels. Deal sizes also reflected this caution, with median figures across the stages registering at $2.4 million, $4.7 million, and $7.8 million, respectively. This slight downtrend (less than 10% decline) suggests investors are hedging against broader market volatility by making more conservative bets, even as they continue to seek out innovative crypto solutions.

Crypto VC deal activity
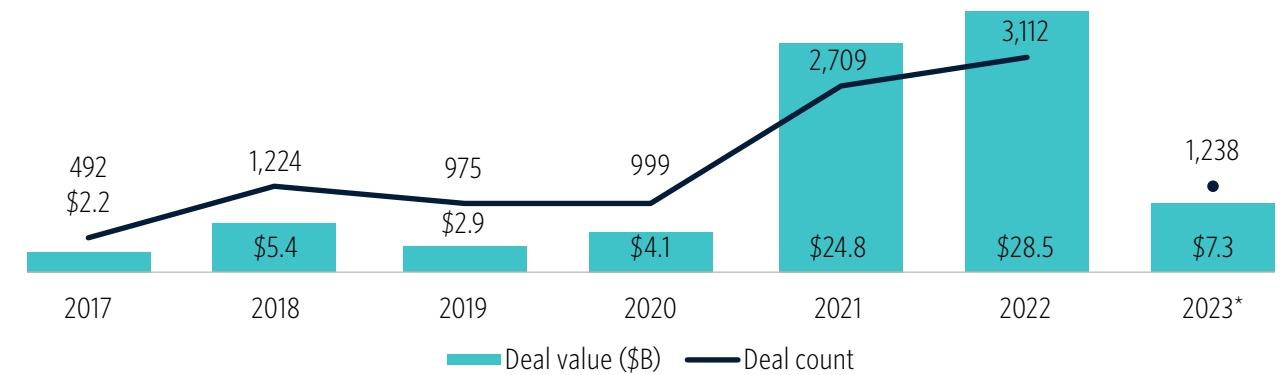
Source: PitchBook • Geography: Global • *As of September 30, 2023

Crypto VC exit activity
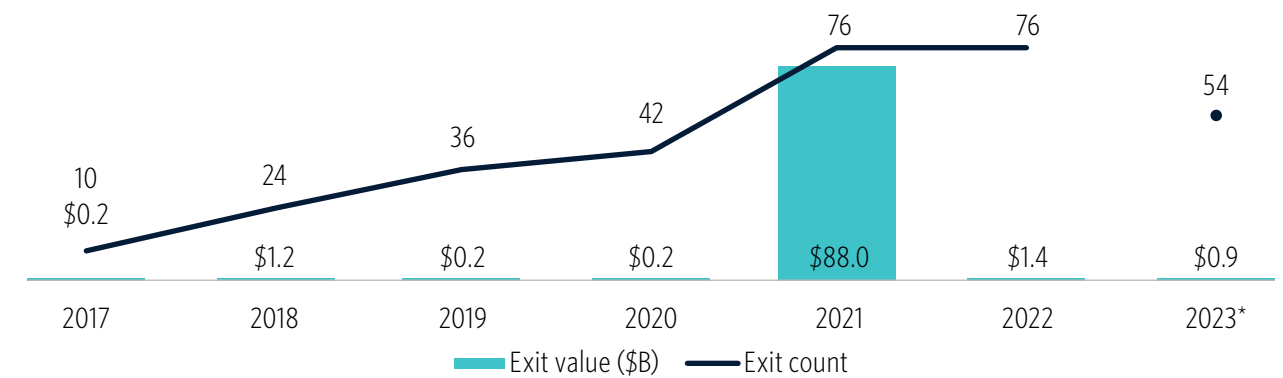
Source: PitchBook • Geography: Global • *As of September 30, 2023

Top crypto early-stage VC deals*

Company	Close date (2023)	Segment	Category	Deal value ($M)	Post-money valuation ($M)	Lead investor(s)
Haqqex	August 25	Access	Exchanges, wallets & crypto financial services	$400.0	N/A	N/A
Flashbots	August 5	Infrastructure & developer tools	Node & validator management	$60.0	$1,000.0	Paradigm (Crypto Fund)
Futureverse	July 18	Web3	Metaverse & gaming	$54.0	N/A	10T Holdings
Heynext	July 20	Web3	Metaverse & gaming	$30.0	N/A	N/A
ZetaChain	August 16	Blockchain networks	Layer 1	$27.0	N/A	N/A
Zeebu	September 7	Infrastructure & developer tools	Crypto corp management & finance	$25.0	N/A	Bankai Ventures
Manta Network	July 19	Blockchain networks	Layer 2 & scalability	$25.0	$500.0	Polychain Capital, Qiming Venture Partners
Mesh	September 21	Access	Onboarding & payments	$22.3	N/A	Money Forward
Izumi	September 26	DeFi	Trading, derivatives & liquidity	$22.0	N/A	N/A
Medallion	September 1	Web3	Content & social	$21.5	$45.5	The Chernin Group

Source: PitchBook • Geography: Global • *As of June 30, 2023

Top crypto late-stage VC deals*

Company	Close date (2023)	Segment	Category	Deal value ($M)	Post-money valuation ($M)	Lead investor(s)
BitGo	August 16	Infrastructure & developer tools	Institutional services	$100.0	$1,750.0	N/A
TSM	July 1	Web3	Metaverse & gaming	$60.0	N/A	N/A
DPart	July 1	Web3	NFT platforms & collectibles	$30.0	N/A	N/A
Supra	September 28	Infrastructure & developer tools	Data storage & accessibility	$24.0	N/A	N/A
Tassat	September 11	Blockchain networks	Layer 1	$15.1	N/A	N/A
GenTwo	September 5	Infrastructure & developer tools	Institutional services	$15.0	N/A	Point72 Ventures
Sky Mavis	July 17	Web3	Metaverse & gaming	$11.0	$1,950.0	Andreessen Horowitz, Animoca Brands, Binance
MoonPay	September 26	Access	Onboarding & payments	$8.7	N/A	N/A
Mint Town	July 19	Web3	Metaverse & gaming	$7.0	N/A	N/A
Orbital	August 3	Access	Onboarding & payments	$6.4	N/A	Golden Record Ventures

Source: PitchBook • Geography: Global • *As of June 30, 2023

Founded	Located	Last financing	Total raised
2023	Oxford, UK	N/A	N/A

Overview

Rhinestone is a decentralized system that emphasizes modular account abstraction on the Ethereum blockchain. The protocol allows for the creation of smart accounts that are both flexible and extensible. Unlike traditional static accounts, Rhinestone's modular accounts empower users to dynamically add, remove, or modify functionalities, providing a tailored experience. Developers also can seamlessly introduce new features or adjust existing ones. The protocol's design is inspired by various architectures, including the Safe architecture and the Multi-Facet Proxy Standard (ERC-2535).

One of the main features of Rhinestone is its transformation of smart accounts into an open platform. This openness ensures that developers aren't confined to a predetermined set of features

but can craft functionalities specific to their product and user needs. This adaptability extends to decentralized applications (dapps) which will enable enhanced user experiences. Furthermore, the protocol supports the development of specialized wallets tailored to distinct market segments, such as DeFi. An emerging trend also sees dapps integrating their experiences within dominant wallets, and Rhinestone's modular approach is poised to facilitate an open marketplace for such integrations. We believe Rhinestone's potential competitive advantage is its focus on user-centric customization and security. By offering a platform that caters to both end-users and developers, Rhinestone addresses the growing demand for adaptable and secure smart account management in the decentralized space. Its commitment to flexibility, combined with a robust security framework, positions the Rhinestone Protocol as a promising contender in the ever-evolving world of blockchain and decentralized applications.

Leadership

Rhinestone was cofounded by CEO Konrad Kopp. He previously founded Signet, which aimed to revolutionize loyalty programs by bringing them on-chain, and Hedgefox, an edtech data infrastructure company. His academic credentials include an undergraduate degree in philosophy, politics, and economics from the University of Oxford. He also studied law at the University of Vienna. Kopp has been involved in various projects, including "ChainBook," an on-chain contact book designed to enhance the Web3 user experience, and "Terminal portfolio," a platform to query portfolio data. He also played a pivotal role in the establishment of the Oxford Blockchain Society's public website and member dashboard.

Financing history

The company has raised VC, but the details are not currently known.

About PitchBook Industry and Technology Research

Independent, objective, and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Industry and Technology Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Paul Condra Head of Emerging Technology Research

Additional research

Eric Bellomo
eric.bellomo@pitchbook.com
Gaming
E-Commerce

Brendan Burke
brendan.burke@pitchbook.com
Internet of Things
Information Security
Artificial Intelligence & Machine Learning

Aaron DeGagne
aaron.degagne@pitchbook.com
Medtech
Digital Health

Alex Frederick
alex.frederick@pitchbook.com
Agtech
Foodtech

Jonathan Geurkink
jonathan.geurkink@pitchbook.com
Supply Chain Tech
Mobility Tech

Kazi Helal
kazi.helal@pitchbook.com
Biopharma
Pharmatech

Derek Hernandez
derek.hernandez@pitchbook.com
Enterprise SaaS
Infrastructure SaaS

Ali Javaheri
ali.javaheri@pitchbook.com
Emerging Spaces

Robert Le
robert.le@pitchbook.com
Insurtech
Crypto

John MacDonagh
john.macdonagh@pitchbook.com
Carbon & Emissions Tech
Clean Energy Tech

Rebecca Springer
rebecca.springer@pitchbook.com
Healthcare Services
Healthcare IT

Rudy Yang
rudy.yang@pitchbook.com
Enterprise Fintech
Retail Fintech