Bitwise®

Crypto Use Cases 2024

12 Real-World Stories of How Millions of People Are Using Crypto Services Today

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Introduction

As the crypto partner to thousands of investors, our team hears one question time and time again: "Where are crypto's real-world use cases?"

Most people's views of crypto are shaped by what they read on the front page, where headlines often focus on price changes and speculation. But hidden from view is the deeper reality: This is a new technology that is fundamentally changing how people and businesses communicate, transact, and verify or store data.

It's still early in crypto's journey into daily life. But we're getting a glimpse of the future—and it's really exciting.

Last year, to help investors peer into that future, we wrote *12 Real-World Stories of How Millions of People Are Using Crypto Services Today*.[1] Our goal? To share stories of real crypto applications that are making a real impact in the world right now.

In our research, we discovered a wide range of crypto projects that millions of people already use every day, ranging from stablecoins and global remittances to digital collectibles, music royalties, and a decentralized mapping service. Some of these projects are impacting corners of the world that you might not expect, like Starbucks' loyalty program or digital sneakers for Nike fans.

This year we revisit several of those groundbreaking projects to see how they've evolved, and also highlight a fresh set of innovations that continue to push the boundaries of what's possible with crypto. We introduce you to a bitcoin miner who's subsidizing electricity in rural Africa and a company that's using AI and blockchain to fight deepfakes. We get a glimpse of how crypto can help free the online commons from corporate mismanagement, and can help people around the world protect their assets from currency devaluation.

While these projects are diverse, they share a theme: Entrepreneurs and innovators who want to improve the status quo are turning to crypto to make it possible.

The stories we've curated reflect an ecosystem that is maturing, diversifying, and reaching unprecedented levels of mainstream adoption. They're a testament to the resilience, creativity, and vision of the global crypto industry, and they serve as a reminder that crypto is fast becoming a pivotal part of everyday life.

1 https://bitwiseinvestments.com/crypto-market-insights/crypto-use-cases-12-real-world-stories

01 XP: Ticketmaster, Minus the Gouging

When it comes to concerts and other live events, the middleman has been squeezing fans for years. XP is using blockchains to squeeze the middleman.

Have you ever noticed the fees you pay when buying tickets on marketplaces like Ticketmaster? Of course you have. Everyone has.

I was recently in the market for tickets to see U2 live in Las Vegas. I opened up Ticketmaster, found some tickets, and hit the checkout button. The fees were in the triple digits! Who can afford $165 in service fees? Another concert I looked at had fees that were nearly 30% of the tickets' face value. Just madness.

What if there were a ticket platform that connected buyers and sellers not through a customer-squeezing monopoly, but a blockchain? What if that could reduce fees and improve the overall experience?

It's not hypothetical.

A ticketing marketplace built on Solana, called XP, is doing away with the traditional model of buying and selling tickets. Each ticket bought and sold on XP is represented by a non-fungible token (or NFT). Think of an NFT as an indelible certificate of ownership that anyone can access, anytime, anywhere. And because it's built on the Solana blockchain, the fees are multiples lower than the traditional Ticketmaster model.

> *More than 34 million tickets to more than 110,000 live events are available on XP.*

You might be wondering: But can I buy tickets to a U2 concert on XP? The answer: Yes.

At Ticketmaster, tickets to U2 cost $850 before fees—and $1,017 after. On XP, the same tickets, on the same date, in the same section, and in the same row cost $881. The total after all fees? $881.

At the time of this writing, more than 34 million tickets to more than 110,000 live events were available on XP, ranging from Blink 182 and U2 concerts to MLB games at Yankee Stadium.[2] That's 34 million tickets without Ticketmaster markups.

2 https://solana.com/news/case-study-xp

02 Coinbase Wallet: Sending Money via Text Message

Coinbase Wallet lets you send money anywhere in the world, in an instant, without a fee ... all with a single text.

In the U.S., sending small amounts of money to a friend or relative is pretty simple thanks to payment apps like Venmo and Zelle. But try using these apps to send money to a family member in another country—not so simple.

If you're traveling abroad, you won't even be able to sign in to your Venmo account, let alone send or receive money (Venmo is only supported in the U.S.). Meanwhile, Zelle only works for users with a U.S. bank account. And even if you are sending money within the U.S., both apps place limits on how much you can send.

Coinbase—one of the largest crypto companies in the world—is solving this problem.

The company recently unveiled a new feature that streamlines sending money into an act as straightforward as sending a text: Coinbase Wallet now lets you send any amount of stablecoins to anyone in the world for free.[3] Whether it's a family member in a different country or a friend you owe for dinner, all you have to do is generate a link in the Coinbase Wallet app and share it through WhatsApp, iMessage, Telegram, email, or whatever other communication platform you prefer.

On the other side, if the user already has a Coinbase Wallet, they simply tap the link and claim the money. If they don't have a wallet, the link lets them create one with a single click. If the funds aren't claimed in two weeks, they are returned to the sender.

> *To send money to a family member in a different country or reimburse a friend for dinner, all you need to do is generate a link in the Coinbase Wallet app and share it via text.*

Coinbase Wallet is using crypto technology to provide seamless, borderless, and highly inclusive financial tools to millions of people around the world.

No fuss, no muss—just the simplicity of modern finance at your fingertips.

3 https://www.coinbase.com/blog/with-coinbase-wallet-sending-money-is-now-as-easy-as-sending-a-text

03 Attestiv: Fighting Deepfakes With Blockchains and AI

Artificial intelligence has become so powerful it's blurred the line between real and fake. Attestiv is using crypto to unblur it.

New technologies often lead to amazing breakthroughs for humanity. But equally often, they introduce new problems.

Take the dawn of the internet, which allowed information to flow faster than ever before. That led to incredible innovation—websites, e-commerce, streaming, social media, and more. It also created new security concerns: If you were entering your credit card information online, how could you be sure it wasn't a scam website? That was a serious predicament in the 1990s, but it's less of an issue now thanks to advances in cryptography.

Today, artificial intelligence (AI) is introducing new problems like deepfakes—sham videos that look convincingly real. As one example, a finance worker at a multinational firm was recently tricked into paying out over $25 million to fraudsters who used deepfake videos to pose as the company's CFO in a video conference call.[4] Yikes.

Once again, cryptography has a solution. In the same way that web servers can cryptographically verify a website's authenticity with HTTPS, blockchains can cryptographically verify the authenticity of digital media.

Attestiv is a startup that combines blockchain technology and AI to authenticate digital photos, videos, documents, and more. It's like an automated notary that stores the unique characteristics of digital files on a public blockchain for anyone to access.

Here's how it works: After analyzing a video with AI, Attestiv uses the video's metadata (like when and where a video was initially recorded, and by whom) to create a digital "fingerprint," which it then stores on a public, immutable blockchain. This fingerprint provides a record of authenticity. If an altered version of the video circulates in the future, the platform where it's being viewed can check the video against the original fingerprint and let the viewer know it's been altered.

Today, Attestiv is being used to fight $300 billion worth of fraud in the insurance industry by authenticating and notarizing photos and videos related to insurance claims.[5] In the future, this type of authentication could be embedded in social media and news platforms so that viewers can be warned if they're being duped.

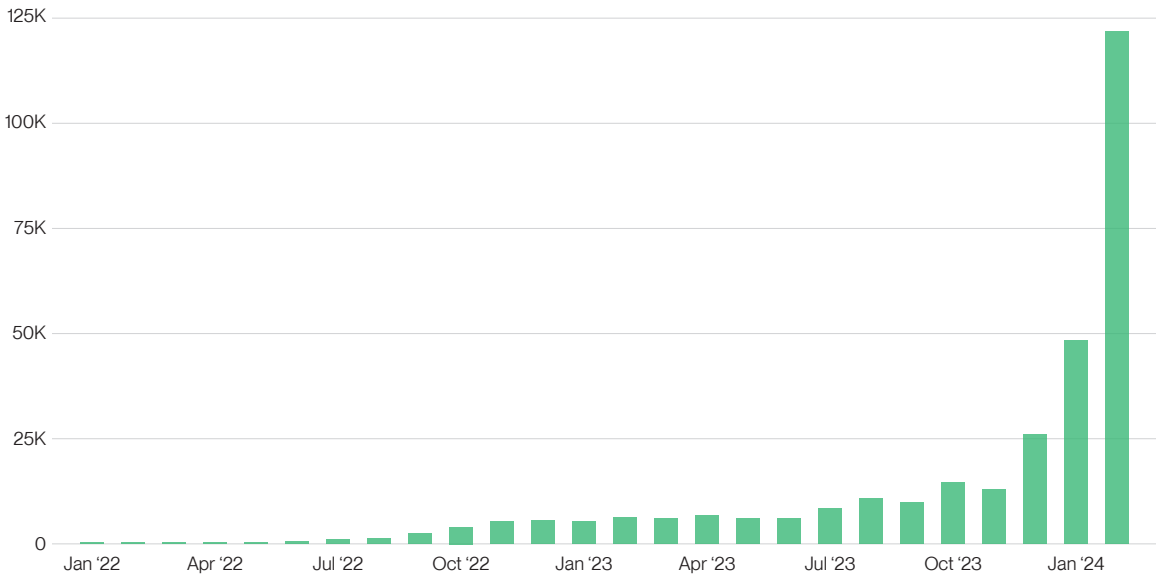
4 https://www.cnn.com/2024/02/04/asia/deepfake-cfo-scam-hong-kong-intl-hnk/index.html
5 https://attestiv.com/algorand-targets-insurance-fraud-with-new-partnership/

04 Farcaster: Social Media Built for Innovators

Thousands of public figures and early adopters are using Farcaster to free themselves from corporate control, censorship, and sketchy business practices.

Last year we described how Farcaster could disrupt social media by providing a decentralized version of X (formerly Twitter). Now the world is waking up to this possibility. Farcaster's monthly active users (MAUs)—the baseline metric for the health of a social media network—have soared in the past 12 months to nearly 125,000. And the number is trending higher still.

Monthly Active Users on Farcaster



Source: Bitwise Asset Management with data from Dan Romero via X. Data as of February 29, 2024.

So, what's attracting users to Farcaster? Three things.

One big problem with social media networks is that, as a user, you are captive to their policies. Let's say you have 20,000 followers on X, built up over years of effort. If X adapts policies you don't like—or simply becomes less popular—you're stuck. If you leave the platform, you lose your followers and forfeit years of hard work building that audience.

With Farcaster, your underlying social graph—the people, groups, and organizations you're affiliated with—is stored on the Ethereum blockchain. An infinite number of companies can build applications that connect to this information, each with its own user experience, features, and policies. If you don't like the experience of one application, like Warpcast (Farcaster's most popular application at the moment), you can move to another, like Supercast. The best part: Your followers and content move with you.

> *If you've built up 20,000 followers on a social media platform and the company suddenly adopts policies you don't like, you're stuck. On Farcaster, your followers and content move with you.*

The second feature that's attracting people to Farcaster is the way it unleashes innovation. In the early years of the social media era, there were many interesting applications built on top of platforms like Facebook and Twitter. Some were games, like Farmville, and many were exciting apps that made the platforms even more useful.

Over time, however, they all got shut down. Facebook, Twitter and others realized they could make more money creating their own applications than letting entrepreneurs go wild. They shut off access.

As a decentralized platform, Farcaster can't do that. Access is *inherently* open. It's why we're now seeing a flowering of smart ideas.

For example, "Frames" were recently introduced on Farcaster. Frames allow apps to run *within* posts, so users can—for instance—purchase something or subscribe to a newsletter without ever leaving the social media feed. One of the first successful Frames was an application that sold Girl Scout cookies. Anyone writing a post about cookies could hypothetically embed the app right there; in just a few clicks, without ever leaving the post, someone could add Thin Mints and Tagalongs to a cart, check out, and pay with crypto.

How's that for a low-friction experience? The implications for e-commerce and marketing are massive.

What's next? Who knows. Anyone could build anything, any day. There's no Elon Musk or Mark Zuckerberg who can block them out or cut them off.

The final driver of Farcaster's growth is simply that new communities often want new platforms. Facebook appeals to a different audience than Snapchat, which appeals to a different audience than Instagram, and so on.

Market disruptors rarely begin by replicating the features of entrenched incumbents; instead, they build scale by experimenting with new features and tapping into a new audience. Eventually, other audiences notice and interest builds. That's what we see happening here.

05 Render: A Marketplace for Computing Power

Render connects suppliers and consumers of processing power with radical efficiency. The result? Graphics worthy of The Sphere.

Render is a decentralized network of graphical processing computer power. That's a mouthful, so here's what it means.

If you need to do large-scale graphical rendering—say, to build an installation for The Sphere in Las Vegas—you need a lot of computing power. You could run the software on your home computer, but that would take months. You could access a cloud computing service specific to graphical processing units (GPUs), like Google Cloud GPU, but it won't be cheap. Or you could use Render.

Render lets people with excess GPU processing power rent out that power through the network. People who want to use that GPU power pay for it directly using RNDR tokens. It's the same simple, powerful logic that underlies giants like Airbnb and Uber, but with advantages that only crypto can provide.

A conventional company endeavoring to set up this kind of network would need to somehow onboard thousands of GPU suppliers, validate them, and issue thousands of micropayments as compensation. Instead, a blockchain can handle all that automatically, because it can instantly affirm that both sides have the funds or computing power to execute a transaction.

> *A company trying to set up this kind of network would need to somehow onboard thousands of suppliers, validate them, and issue thousands of micropayments. A blockchain can handle all that automatically.*

It's also important to realize that the RNDR token's value is directly tied to a real-world transaction. This is no speculative magic bean. If demand for processing power spikes, so does demand for RNDR tokens. And that's exactly what we saw in Q4 2023, when the number of RNDR tokens spent doubled to over one million. Part came from high-profile projects for venues like The Sphere, and part came from general growth in demand for visual rendering and AI processing power.[6]

The demand for processing power is only expected to grow as more companies integrate AI into their operations. Crypto makes it possible for that growth to scale efficiently.

6 https://medium.com/render-token/next-generation-spatial-media-brilly-showcases-sphere-production-and-the-archive-launches-on-e765689f88bf

06

Gridless: Tackling Africa's Electricity Crisis by Mining Bitcoin

As a standby energy consumer, Gridless' bitcoin mining helps make it economically feasible for energy plants to operate in Africa.

Africa has an abundance of natural resources, but more than 600 million people across the continent don't have access to electricity.[7]

That's because 1) it's really expensive to build power plants, and 2) to justify the cost, you need ways to sell all the electricity you produce. But in undeveloped areas, many locals can't afford to pay for power on their own, governments don't want to subsidize it, and there aren't enough businesses to soak up energy surpluses.

Enter Gridless, a company that uses clean energy to mine bitcoin and helps subsidize electricity costs in rural Africa.

> *Gridless helps lower electricity costs while simultaneously helping secure the Bitcoin network. It's a win-win.*

How does it work?

Gridless piggybacks on energy production facilities like hydroelectric plants, absorbing the excess energy they produce and using it to mine bitcoin. Mining bitcoin involves using energy-intensive supercomputers to help secure the global bitcoin network. It's the engine that allows bitcoin to move around the world as quickly and securely as it does.

One of Gridless' first projects was in a small African village in Malawi called Bondo.[8] The town first turned on the lights at night in 2016, when donors built a small hydroelectric plant powered by a nearby river. But continuing to support the plant's operations proved costly. Villagers weren't using all of the energy it produced, so good, clean energy was going to waste.

7 https://apnews.com/article/electricity-africa-just-energy-transition-d20d1ba86e90c3b9c81f0fc76979acfc
8 https://bitcoinmagazine.com/check-your-financial-privilege/stranded-bitcoin-saving-wasted-energy-in-africa

In 2023, Gridless installed their bitcoin mining technology in the hydro plant and began fueling their mining operations with the unused power.

Gridless' software scales its usage up and down depending on the excess energy that's available. That way, locals don't face higher costs when they need to turn on their lights in the evening. But in the middle of the night, when the village goes dark and demand for energy falls, Gridless' equipment happily consumes the unused electricity to mine bitcoin.

Now Bondo locals don't have to worry about going back to a life without light—Gridless' role as standby energy consumer helps lower the overall electricity cost for the village while simultaneously helping secure the Bitcoin network. It's a win-win.

07

Nouns DAO: An Online Community With a Bank Account

People have been gathering in online communities since the dawn of the internet. DAOs help them take action in the real world.

Online communities are a big part of internet life. The NBA chat group on Reddit (or "subreddit") has 10 million users who gather daily to post and talk about the latest games, while political and other chat groups churn with activity.

But that's all they do.

Despite attracting huge and loyal followings, for the most part online communities don't impact the real world in any coordinated way. They just chatter.

Until now.

The dawn of crypto—and specifically of Decentralized Autonomous Organizations or "DAOs"—has created a new way for online groups to take coordinated action in the world.

In 2021, for instance, ConstitutionDAO formed with the goal of buying one of the original 13 copies of the U.S. Constitution at a Sotheby's auction. In a matter of days, more than 17,000 people joined the digital organization, which raised more than $49 million.

> *Crypto enables thousands of strangers to form an online group and pool their time, talent, and treasure to advance a common goal.*

Another example we love is the online community Nouns DAO.

Nouns DAO was created in mid-2021. Every day, a Nouns NFT—a piece of digital art that carries with it certain voting rights—is auctioned to the public. One hundred percent of Nouns NFT auction proceeds are sent to the organization's treasury. At current prices, the auctions are netting the DAO around $8.7 million in annual revenue.

Every person who owns a Nouns NFT is a member of the DAO and gets a vote in how the treasury is spent. So far, they've raised $70 million through the sale of more than 1,000 NFTs. Of that, $50 million has been spent on a range of interesting projects.

Like what?

Nouns has created a tier-one esports organization called Nouns Esports—think competitive video gaming—with an annual budget of $2.1 million to pay for player and coach salaries, and for operational expenses like equipment, travel, and advertising.[9] They allocated $2.8 million to fund a feature-length animated film, "The Rise of Blus: A Nouns Movie," which features popular NFT characters from the Nouns community.[10] And they are spending $650,000 to open a Nouns-branded coffee shop in Los Angeles as a gathering point for the community.[11]

Maybe you're not a fan of esports or animated films. That's okay. That's not what we're excited about. We're excited about how crypto enables thousands of strangers to form an online group and pool their time, talent, and treasure to advance a common goal.

Makes you wonder: If the NBA subreddit had a bank account, could they buy an NBA team?

9 https://nouns.gg/
10 https://nftnow.com/news/nouns-dao-and-atrium-launch-first-animated-movie-funded-by-a-dao/
11 https://www.nouns.camp/proposals/450

08 Ondo Finance and Superstate: Tokenizing Real-World Assets

What if you could trade real-world assets like bonds or real estate at the speed of the internet? Ondo Finance and Superstate are making that a reality.

Traditional finance relies on a range of human processes to deliver financial services—think paperwork, meetings, and legal fees. Decentralized applications, on the other hand, harness the power of software to deliver many of these same services in a fully automated way. This automation creates faster, cheaper, more transparent, and more accessible alternatives that are less prone to errors of human judgment. These efforts fall under the term "decentralized finance," or "DeFi."

Since its first wave of applications emerged in 2020, DeFi has grown impressively. Today, it's a $140 billion market that spans trading, lending, asset management, and more.[12]

The majority of capital deployed in DeFi is composed of digital assets like Bitcoin and Ethereum. People who want to trade traditional assets, like bonds or real estate, have had to jump out of the digital world and into the traditional world of slow, opaque, and expensive transactions. Until now.

Ondo Finance aims to bridge the gap between digital assets and real-world assets, or "RWAs," via tokenization—the act of connecting a product or asset to a digital token that is tradeable on a blockchain. Why bring something like Treasuries or real estate titles onto a blockchain? To put it simply, they operate with a speed and efficiency that a traditional bank or intermediary could only dream of. Imagine if an asset swap could settle instantly, instead of the standard T+2 settlement lag.

> *More than $4.3 billion of real-world assets (commodities, equity, real estate, and more) has been tokenized on blockchains through platforms like Ondo Finance and Superstate.*

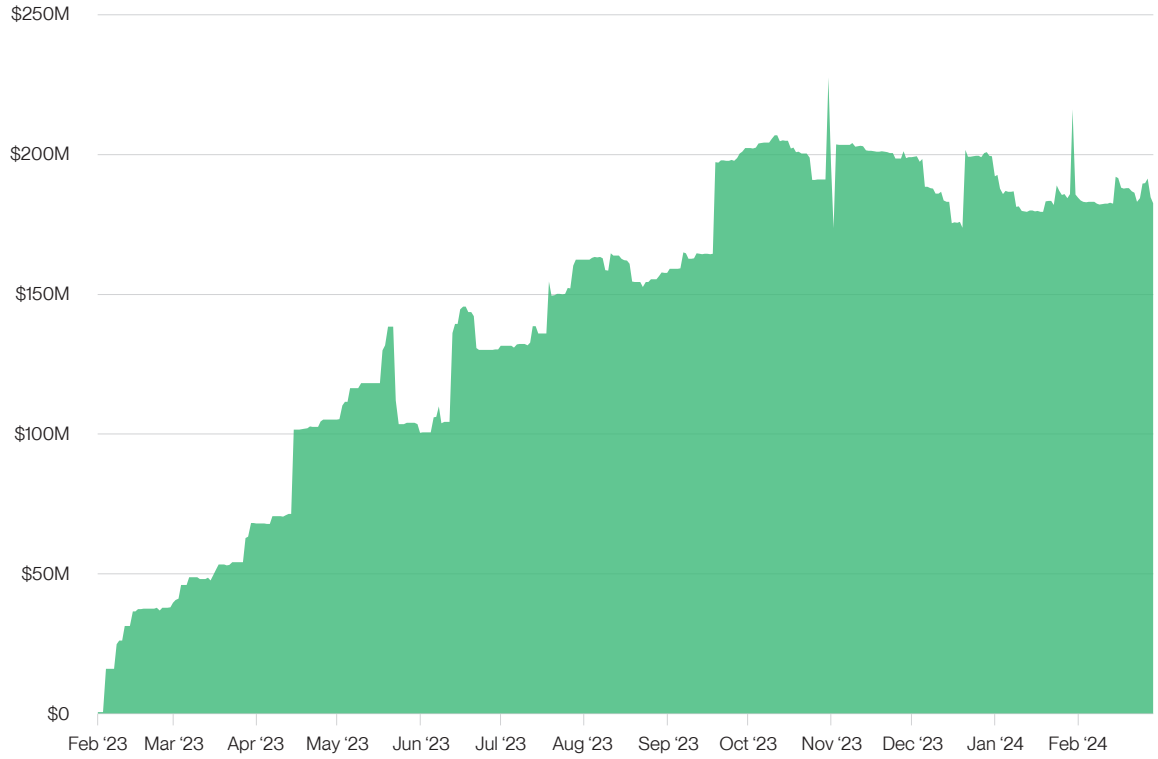
Tokenizing RWAs is one of the fastest-growing segments of DeFi, with more than $4.3 billion of real-world assets (commodities, equity, real estate, and more) having been tokenized on blockchains.[13] The Global Financial Markets Association (GFMA) projects that number will grow to $16 trillion by 2030.[14]

12 Data from DeFi Llama as of February 29, 2024.
13 Data from Blockworks Research and DeFi Llama as of February 29, 2024.
14 https://www.gfma.org/wp-content/uploads/2023/05/impact-of-dlt-on-global-capital-markets-full-report.pdf

Currently, Ondo offers a suite of tokenized RWA products, ranging from short-term government and corporate bonds to higher risk (and higher yield) corporate bonds. USDY, for instance, is a tokenized note backed by short-term U.S. Treasuries. It's similar to stablecoins, which we cover below, with one major difference: USDY passes the majority of the yield from U.S. Treasuries to token holders.

Although Ondo launched its first product a little over a year ago, it is growing quickly, having surpassed $182 million in assets under management.

Total Capital Deployed in Ondo Finance Products



Source: Bitwise Asset Management with data from DeFi Llama. Data as of February 29, 2024.

But Ondo isn't the only game in town—Superstate is another DeFi asset manager that issues tokenized RWA products. One example is the Superstate Short Duration U.S. Government Securities Fund (USTB), which has gathered more than $30 million since its launch earlier this year.[15] We've also seen asset management giants like Franklin Templeton launch a tokenized money market fund, FOBXX, which has gathered more than $330 million of assets.[16] We think other asset managers are not far behind.

15 https://superstate.co/ustb
16 https://www.franklintempleton.com/investments/options/money-market-funds/products/29386/SINGLCLASS/franklin-on-chain-u-s-government-money-fund/FOBXX

09

Helium Mobile Network: Decentralized Wireless Plans for $20 per Month

Helium uses a crypto-based incentive program to distribute cellular data more affordably.

Cell phones and the internet are an essential part of everyday modern life. But most of us probably don't spend much time thinking about how all of these devices are connected and how they communicate. We just pay our wireless carrier every month and, in return, get to scroll Instagram while we're waiting in line at the grocery store.

Under the surface, wireless carriers typically provide this connectivity by building or renting cell towers that can carry huge amounts of bandwidth. Then, they charge users for access to the network. (If you want unlimited data, calls and texts, those plans typically start at $65 per month.)

In recent years, hybrid networks like Comcast's Xfinity network—which aggregates coverage from multiple wireless networks, packages it, and sells it to consumers—have become increasingly popular. Those plans typically start at $45 per month.

Helium Mobile Network takes the hybrid approach one step further: It bundles wireless coverage (via T-Mobile's 5G network) with a decentralized network of 5G WiFi hotspots powered by crypto.

The result? An unlimited, nationwide data plan that costs $20 per month.

> *Helium bundles wireless coverage with a decentralized network of hotspots powered by crypto. The result? Unlimited data plans for $20 per month.*

Even though the Helium Mobile Network is relatively young, tech giants like Google are already taking notice. Recently, Google partnered with Helium to bundle up to twelve months of free coverage with the purchase of a Google Pixel smartphone.

So, where does crypto come in?

Helium is powered by a global network of individuals who are incentivized to operate the hotspots that power the network. In return for setting up and running hotspots, those individuals are rewarded with MOBILE tokens. The more people that use a given hotspot, the more MOBILE tokens that hotspot operator receives. Today, the Helium Mobile Network consists of more than 13,000 hotspots.[17]

For those who subscribe to the mobile network—the individuals paying $20 per month for the unlimited data plans—crypto also plays a role. By opting in to the network's "Discovery Mapping," a feature where users share their phone's location data—which enables network and hotspot providers to identify where deploying additional coverage will have the most impact, thereby improving the network—subscribers can earn MOBILE tokens as they go about their everyday life. As a bonus, subscribers can pay their monthly phone bill with the MOBILE tokens they earn through this program. Instead of giving away your location data for free (and allowing others to profit from selling it), you can use it to pay your mobile bill and improve the network you use every day.

This idea of a decentralized, community-powered wireless network doesn't stop at cell phone plans. Hotspot providers can also opt in to provide free WiFi in public places, like restaurants and coffee shops.[18]

	Verizon	AT&T	Xfinity Mobile	Helium Mobile
Price (per month)	$65	$65	$45	$20
Unlimited data, text, talk	✓	✓	✓	✓
Nationwide 5G coverage	✓	✓	✓	✓
Earn MOBILE tokens	✗	✗	✗	✓

17 https://explorer.helium.com/stats
18 https://blog.hellohelium.com/wifi/

10

Stablecoins: The World's Reserve Currency in Every Pocket

The U.S. dollar isn't perfect, but for millions worldwide facing hyperinflation and reckless monetary policies, it's a lifeline that only crypto can offer.

Imagine waking up one morning and your hard-earned savings are worth one-third less than they were when you went to sleep. For those in the U.S., it's tough to fathom. But it happened in Egypt in March, when a shock devaluation sent the country's currency down nearly 40% overnight.[19] Or take Argentina, whose citizens saw inflation rates of more than 200% in 2023.[20]

While we fret about a 3% inflation rate in the U.S., the average emerging market economy's inflation rate is 7.8%, according to the IMF, and 58 countries have rates above 10%. What's worse, many citizens of these same countries lack access to basic banking services like a checking account.

Against this backdrop, imagine the impact of a low-cost, secure, universally accessible way of instantly moving U.S. dollars around the world. That's where stablecoins—digital assets whose value is pegged to the U.S. dollar or other stable reserves—come in.

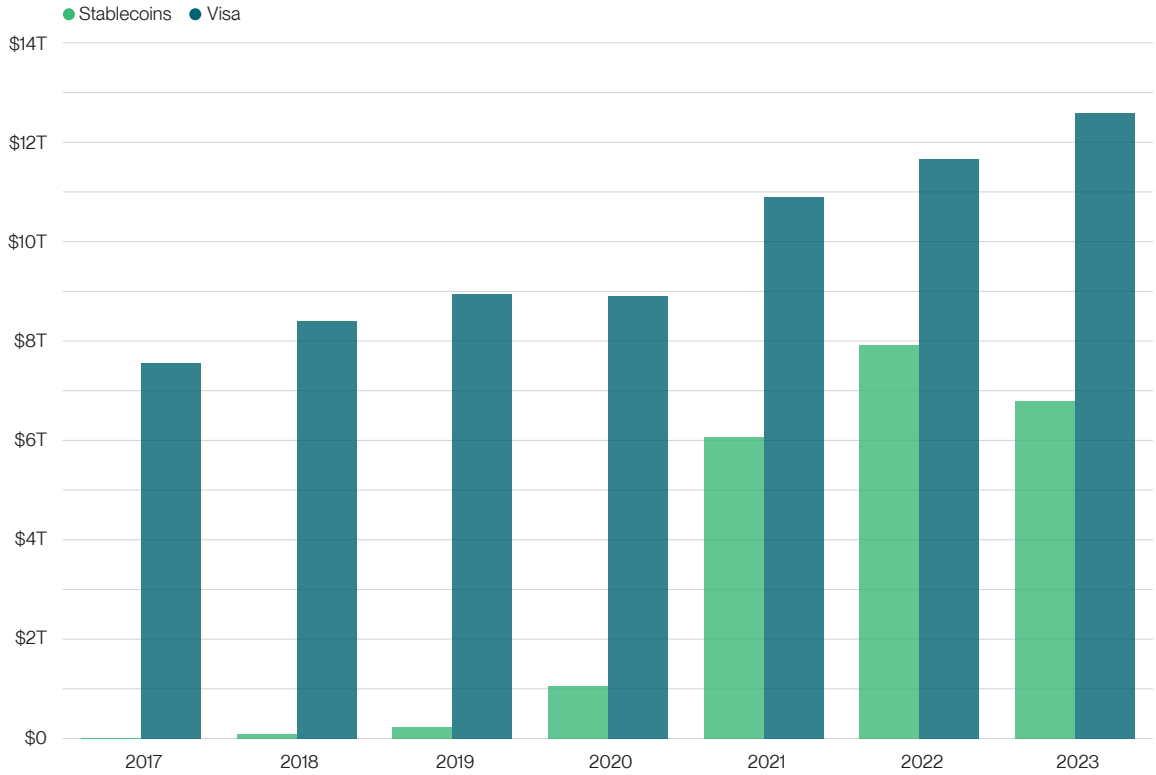
Easy access to U.S. dollars via their crypto equivalent, a stablecoin, is a game-changer for those in struggling economies. It provides protection against currency debasement and offers an onramp to the West's financial rails. All you need to convert the plummeting Argentine peso to a stablecoin backed by U.S. dollars is a smartphone and a crypto wallet.

> *All you need to convert the plummeting Argentine peso to a stablecoin backed by U.S. dollars is a smartphone and a crypto wallet.*

Globally, individuals and businesses hold more than $146 billion in stablecoins today.[21] Last year, more than $6.8 trillion settled on stablecoin rails, an amount that is beginning to rival Visa in transaction volume. And the space is maturing, with fintech giants like PayPal entering the space and launching their own stablecoins.

19 https://www.reuters.com/world/middle-east/egypt-raises-interest-rates-by-600-bps-pound-tumbles-2024-03-06/
20 https://www.bloomberg.com/news/articles/2024-01-11/argentina-inflation-hits-211-in-2023-fastest-in-three-decades
21 Data from The Block, Coin Metrics, and CoinGecko as of February 29, 2024.

Visa Payments Volume vs. Stablecoin Transaction Volume



Source: Bitwise Asset Management with data from Coin Metrics and Visa. Data as of December 31, 2023.

You might be wondering, "Why would payment companies get into stablecoins?" It's simple: Stablecoins are built on blockchains, and blockchains move money at the speed of the internet. You can send $1 billion worth of stablecoins to anyone in a matter of minutes. PayPal considers them an asset with the "potential to transform payments."[22]

An added catalyst in 2024 could be the adoption of positive stablecoin legislation in the U.S. While crypto as a whole gets mixed reactions in Washington, stablecoins have bipartisan appeal, as they allow the U.S. to export dollars around the world (as Federal Reserve Governor Chris Waller recently noted).[23]

At a time when many fear the dollar is losing its role as the global reserve currency, stablecoins open a gateway to additional demand for the greenback. If we see positive legislation on stablecoins in 2024, the space could grow rapidly.

22 https://newsroom.paypal-corp.com/2023-08-07-PayPal-Launches-U-S-Dollar-Stablecoin
23 https://www.coindesk.com/policy/2024/02/15/us-federal-reserve-gov-waller-says-defi-could-boost-dollars-global-strength/

11 Polymarket: Solving the Trust Problem for Prediction Markets

Prediction markets provide valuable insight into public opinion, but they've always been too small or dodgy to matter. Polymarket is using crypto's unique qualities to solve both of those problems.

Polymarket lets users wager on the outcome of global events. For instance, you can bet on who will win the U.S. presidential election,[24] when the next Fed rate cut will be,[25] or whether or not Taylor Swift will get engaged by April 1.[26]

And it's not just a fun thought exercise. In a world where opinion polling has become notoriously unreliable, prediction markets provide a real-time, reliable source of information about what people really believe will happen.

It's a way to put your money where your mouth is.

Prediction markets have existed for years, but they've never taken off for two reasons. First, they're difficult to run in the U.S. because of regulatory restrictions. Thus far, the only U.S.-based prediction markets have been trivial academic tests without real money at stake.[27] The second reason they've never caught fire: Offshore entities that launch prediction markets aren't known for their transparency. If you place a bet, what's to stop the platform from taking the money and running?

Polymarket doesn't solve the U.S. problem—it's not yet usable in the U.S., where prediction markets are still pending legislation. But it solves the trust issue by being decentralized. Because all bets are settled using crypto assets and smart contracts, the platform can operate in a non-custodial manner—meaning you don't need to trust a centralized entity to hold your money while the bet transpires. The blockchain confirms all parties have the requisite funds and directs payouts automatically according to the contract's rules. It's a beautiful application of crypto's unique capabilities.

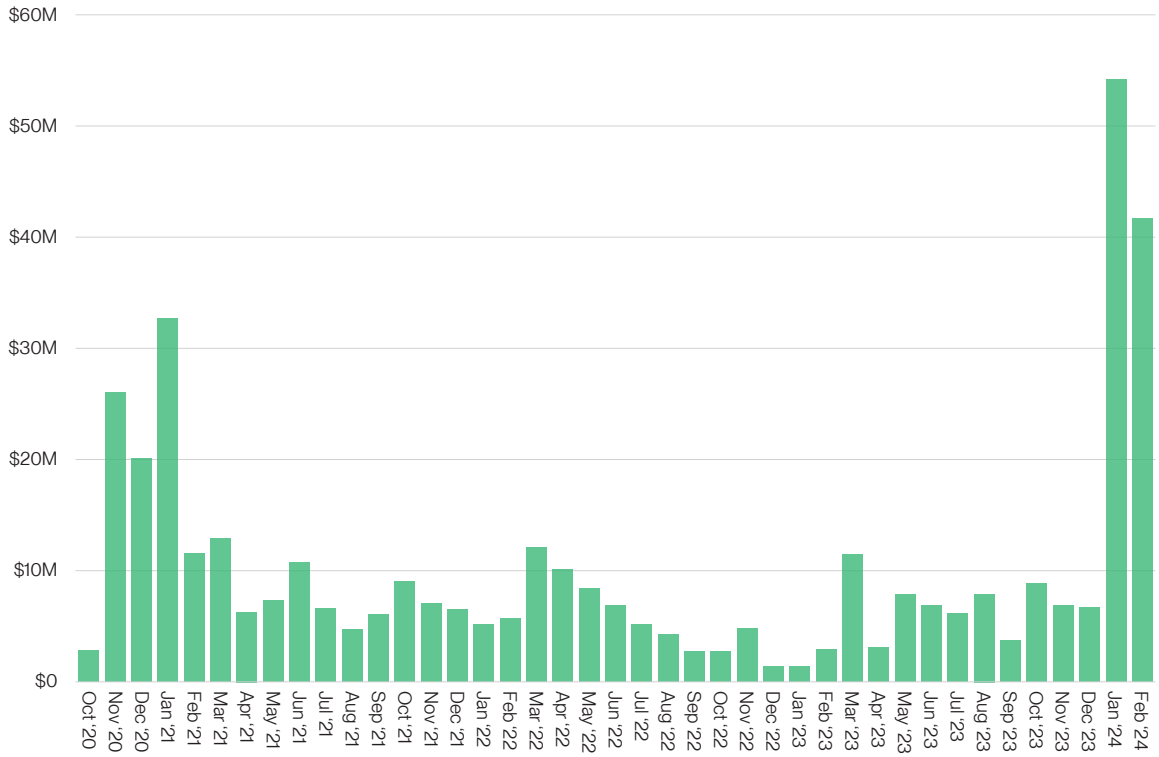
24 https://polymarket.com/event/presidential-election-winner-2024?tid=1706889905754
25 https://polymarket.com/event/fed-rate-cut-by?tid=1709919125144
26 https://polymarket.com/event/taylor-swift-engaged-by-april-1/taylor-swift-engaged-by-april-1?tid=1709919186109
27 https://iemweb.biz.uiowa.edu/

We anticipated Polymarket's rise in our predictions for 2024, where we projected that people would stake more than $100 million in bets on the platform this year.[28] We now think it will rise far beyond the nine-figure mark.

> *Because all Polymarket bets are settled using crypto assets and smart contracts, you don't need to trust a centralized entity to hold your money or issue payouts.*

Polymarket has hosted $96 million in betting activity so far in 2024, already surpassing all of its 2023 activity, as the chart below dramatically illustrates. As prediction markets grow in scale, expect investors to increasingly look to them as a valuable source of information on global developments—and a potential source of returns.

Polymarket Monthly Volume



Source: Bitwise Asset Management with data from Dune Analytics. Data as of February 29, 2024.

28 https://bitwiseinvestments.com/crypto-market-insights/the-year-ahead-10-crypto-predictions-for-2024

12

Bitcoin: Crypto's Original Use Case

The coin that Warren Buffet called "rat poison squared" is now a $1.3 trillion global asset sought after by some of the largest financial institutions in the world—with the potential to disrupt a wide range of markets.

Bitcoin started during tumultuous times.

In 2008 and 2009, amid a global banking crisis, Bitcoin's earliest champions dreamed that the digital currency—and the decentralized technology at its root—would someday become a solution to the economic woes of the day: reckless monetary policy, runaway inflation, and government overreach, to name a few.

> *How to think about bitcoin's utility in everyday life? Consider the different markets that it is starting to disrupt: gold, emerging market currencies, global remittances, offshore wealth, and more.*

That dream was met with skepticism. Warren Buffet called it "rat poison squared," Jamie Dimon called it a "pet rock," and Larry Fink dubbed it an "index of money laundering."

And yet here we are.

It's 2024, and tumultuous times are here once again—the global economy is fighting high inflation, and the U.S. is grappling with rising debt and regional banking crises. But something is different now: Bitcoin is a $1.3 trillion asset. What's more, ETFs that hold bitcoin—and trade on the largest stock exchanges in the world—broke just about every ETF record when they launched earlier this year. And financial behemoths from BlackRock to Fidelity are not only creating bitcoin ETFs but eagerly working to incorporate bitcoin into their global model portfolios.[29]

How did that happen?

Consider Larry Fink. In 2017, the BlackRock CEO famously referred to bitcoin as an "index of money laundering" whose only use case was concealing crime. Today you're more likely to hear him talking about bitcoin as "an asset class that protects you" from economic uncertainty and geopolitical risk.[30]

29 https://www.coindesk.com/business/2024/03/08/blackrock-plans-to-acquire-spot-bitcoin-etps-for-its-global-allocation-fund/
30 https://www.nasdaq.com/articles/blackrock-ceo-larry-fink-says-bitcoin-is-an-asset-class-that-protects-you

That's the value that bitcoin offers. Larry Fink can confidently label bitcoin a "flight to quality" asset alongside U.S. Treasuries and gold because he can see that many people, including BlackRock's own customers, already use it that way.[31] Indeed, bitcoin's use cases today are many and growing:

— **An alternative asset.** Bitcoin's high return potential, high volatility, and low correlation to stocks and bonds can enhance the risk/return profile of a traditional portfolio.[32]

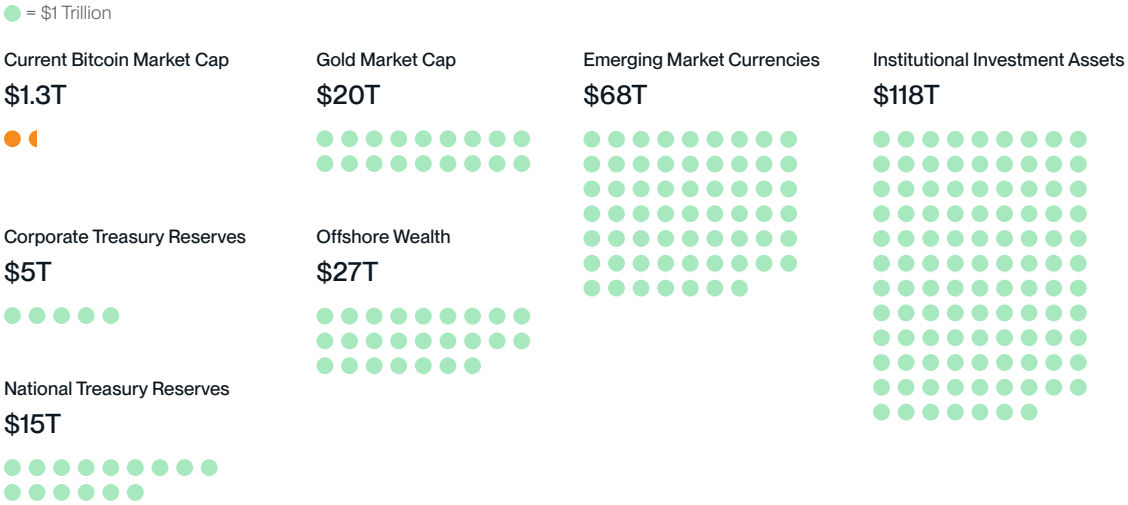
— **A digital store of value.** Bitcoin's built-in scarcity and freedom from centralized control help to counteract the inflationary forces that can derail traditional currencies.

— **An alternate payment rail.** The speed and security of bitcoin transactions allow value to move around the world at the speed of the internet. These qualities give it the potential to disrupt international payment and settlement systems like SWIFT, which is currently used by more than 11,000 institutions globally to process more than 40 million payment instructions per day.[33]

Another way to think about bitcoin's utility in everyday life is to think about the different markets that it is starting to disrupt: gold, emerging market currencies, global remittances, offshore wealth, national and corporate treasury reserves, and more.

As crypto grows, so have its applications. And there's perhaps no greater example of crypto impacting the real world than its original use case.

Estimated Value of Bitcoin's Addressable Markets in 2030 (USD trillions)



Source: Projections from Bitwise Asset Management based on data from Visual Capitalist, Family Wealth Report, and World Gold Council as of December 31, 2023. Bitcoin market cap as of March 20, 2024.

31 https://www.coindesk.com/business/2023/10/17/blackrock-ceo-larry-fink-seeing-client-demand-for-crypto-around-the-world/
32 https://bitwiseinvestments.com/crypto-market-insights/bitcoins-role-in-a-traditional-portfolio
33 https://www.swift.com/about-us/discover-swift/fin-traffic-figures

Conclusion

The seeds of the crypto revolution were sown in 2008 by an enigmatic figure known only as Satoshi Nakamoto. Satoshi's aim was to build a peer-to-peer electronic cash payment network, and he succeeded. But like many technologies, the core technological idea behind this breakthrough—the public blockchain—has applications that its founder might never have imagined. Today, blockchains are revolutionizing how to store value, transforming social media, and laying new rails for financial transactions.

At Bitwise, we're particularly excited about some of these applications. Yet we're aware that these just scratch the surface. New crypto innovations are being dreamed up as we speak, with a speed and creativity that remind us of the internet in its early days.

We believe that we're on the cusp of discovering the crypto equivalents of Amazon, Facebook, Netflix, and Google. With thousands of brilliant minds at work, the next technological wave is beginning to take shape.

That's what makes us so excited for the future of this industry.

Bitwise®

Risks and Important Information

No Advice on Investment; Risk of Loss: Prior to making any investment decision, each investor must undertake its own independent examination and investigation, including the merits and risks involved in an investment, and must base its investment decision – including a determination whether the investment would be a suitable investment for the investor – on such examination and investigation.

Crypto assets are digital representations of value that function as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Crypto assets are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies, stocks, or bonds.

Trading in crypto assets comes with significant risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks and risk of losing principal or all of your investment. In addition, crypto asset markets and exchanges are not regulated with the same controls or customer protections available in equity, option, futures, or foreign exchange investing.

Crypto asset trading requires knowledge of crypto asset markets. In attempting to profit through crypto asset trading, you must compete with traders worldwide. You should have appropriate knowledge and experience before engaging in substantial crypto asset trading. Crypto asset trading can lead to large and immediate financial losses. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price.

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