

Feb 20 - Feb 26 (Published March 4)

PERSPECTIVES by Elliot Chun

26 financings raised ~\$262M

This week's news regarding Silvergate Bank was difficult to process as we attempt to understand why they are in today's precarious position. The regulatory over-reaction to 2022's events is the industry's Q1 2023 headline and Silvergate is the poster child.

The crypto industry is experiencing regulatory pressure from every angle including [Operation Choke Point](#), the [SEC's \\$30M fine on Kraken's staking activities](#), [NBA Top Shot NFTs being considered securities](#) and the [NYDFS ordering Paxos to cease minting the BUSD stablecoin](#). (Each of these headlines are deserving of their own business school case study.)

With all the regulatory scrutiny, Architect Partners welcomed hearing Christopher Giancarlo (ex-Chairman of the CFTC and Co-Founder of the Digital Dollar Foundation) speak at this week's CT Crypto Forum. "Crypto Dad", also the name of his new book, brings a unique perspective to crypto with his regulator roots. In this period of regulatory over-reaction, Chris offered thoughts on how he led the regulatory oversight of Bitcoin futures and how regulators can work with innovators to produce a mutually beneficial outcome that protects investors and market participants, allowing for the oncoming evolution of financial markets.

An example is what Chris calls "the fight for the future of money" and, specifically, Central Bank Digital Currencies (CBDCs). This is a polarizing topic for the crypto industry as many purists believe CBDCs are a government-controlled, surveillance weapon while others understand the real efficiencies that should be realized with true digital cash. Instead of allowing governments to build its CBDC in a bubble, innovators who believe in privacy should work side-by-side to produce a solution that meets the needs of the government and its citizens. Chris refers to this as "Surveillance Coin" vs. "Freedom Coin". (BTW, there are nearly 20 CBDCs that are already implemented or are in development processes.)

Collaborative processes are very difficult to properly execute, but if our industry does not get working with U.S. regulators right, the U.S. will fall dangerously behind the rest of the world's velocity of innovation and the U.S. Dollar will not longer be the world's reserve currency. I hope Silvergate's story does not become the headline of how U.S. regulators "killed crypto in the U.S."

2022's other headline - the year of bridge exploitations & hacks - needs to be solved, so it's no surprise that [Chaos Labs](#) raised a \$20M Seed round to secure protocols against economic vulnerabilities and market manipulation events.

Bitcoin Mining attracted notable capital this week with [Chain Reaction](#) raising a \$75M Series C round to build high-performance hardware - a new application-specific integrated circuit (ASIC) chip - and to produce products that increase privacy in data center and cloud infrastructure. [Sabre56](#), bitcoin mining consultants, raised \$35M to build up to 150MW of their own hosting capacity.

On the privacy theme, [Beldex](#), focusing on protecting user identity & data in their decentralized ecosystem, raised \$25M.

NOTABLE TRANSACTIONS (PAST WEEK) (Top 10 by Capital Raised)

Company	Date	Size (\$M)	Post-Money Valuation (\$M)	Stage	Subsector	Lead Investor(s)
Chain Reaction	Feb 23	75	ND	Late Stage	Developer Tools & Infrastructure	Morgan Creek Digital Assets
Sabre56	Feb 23	35	ND	Early Stage	Mining & Staking	Private Individuals
Beldex	Feb 21	25	ND	Early Stage	Data & Data Analytics	DWF Labs
Chaos Labs	Feb 23	20	ND	Seed	Data & Data Analytics	Galaxy Digital, PayPal
Kratos Studios	Feb 21	20	170	Seed	DApp: Games	Accel
Brale	Feb 23	11.1	ND	Seed	Investing & Trading Infrastructure	NEA
Arza Games	Feb 23	10	ND	Seed	DApp: Games	a16z
Huma	Feb 23	8.3	ND	Seed	DApp: Investing & Trading	Distributed Global, Race Capital
Orange Comet	Feb 23	7.2	ND	Seed	DApp: Games	ND
Guhada	Feb 20	6.4	ND	Early Stage	DApp: Enterprise Use Case	BM Ventures, DT& Investment, Korea Investment Partners, Woori Bank

LAST 52 WEEKS CRYPTO FINANCING BY CAPITAL INVESTED (\$ in M)

