

Risk Assessment - DWF Labs

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Useful Links

Website - <https://www.dwf-labs.com/>

Twitter - <https://twitter.com/DwfLabs>

Portfolio - <https://www.dwf-labs.com/portfolio>

Crunchbase - <https://www.crunchbase.com/organization/dwf-labs>

LinkedIn - <https://sg.linkedin.com/company/dwf-labs?trk=similar-pages>

DefiLlama - <https://defillama.com/raises/dwf-labs>

Company background and history

DWF Labs is a global digital asset market maker and multi-stage web3 investment firm. Their activities include:

- Market Making – DWF provides market-making execution capabilities, building volumes and providing healthy liquidity for projects as a service.
- OTC Trading – DWF labs offers deep liquidity in the spot market for hundreds of tokens with customised solutions and coverage.
- Investing – DWF Labs is a multi-stage web3 investment firm and ecosystem partner.

DWF Labs has emerged as a prominent proponent of troubled Web3 protocols as the industry attempts to rebound from its current bearish position. DWF Labs is providing assistance to the Web3 sector as a whole in the form of investment, development, market formation, etc, in an effort to establish themselves as top preeminent provider of Web3 venture capital and market maker. In fact, they have been very active in the last two quarters, with 13 investments in Q3, and 11 in Q4 2022, leading fundraising rounds that range between \$1M and \$10M.

DWF Labs claims to be one of the top five-ranking businesses trading on the world's top 40 crypto exchanges. The company has a physical presence in Singapore, Switzerland, South Korea, the British Virgin Islands, and the United Arab Emirates, and it trades approximately 2,000 different currency pairings on a daily basis. The team is fully doxed and core members take part in [interviews](#), and [podcasts](#).

In late November, DWF Labs committed an initial \$15 million to the Web3 Industry Recovery Initiative, which is run by Binance Labs, in order to aid in the recovery of struggling protocols. After that, in their words, “DWF Labs will focus on finding ways to further enhance the support it provides for the industry”. Binance Labs and DWF Labs are going to start working together closely as part of a new partnership that will last for a long time and involve considerable collaboration.

Investment overview

DWF Labs recent investments suggest they are looking into a wide array of Web3 projects, with a minor preference/focus on metaverse, NFT and gaming projects. Noticeably, they are targeting distressed protocols that are still active building out their platforms during the bear market. This suggests that they might be taking more medium- to long-term bets on their investments, believing an eventual return to a Crypto bull-market would see returns in these distressed protocols be the highest. They appear to have a high risk/high reward mindset in an industry that already fits this descriptor.

Below is an overview of DWF Labs recent collaboration with TON which provides a general idea of what their involvement in other projects in their portfolio might include.

“Recent developments have seen DWF Labs become an influential backer of the TON ecosystem. The Open Network is supported by DWF Labs in the areas of investment, token development, market creation, and exchange listing thanks to the company’s cooperation with the TON Foundation.

DWF Labs has announced that they will provide \$10 million to help support the expanding TON ecosystem. In addition, there will be a total of 50 seed investments made throughout the course of the following twelve months. Each investment is made with the intention of hastening the expansion of TON and the projects it oversees.

In addition, DWF Labs plans to boost the amount of TONcoin transactions across all supporting platforms in order to attract a larger number of players in the TON ecosystem. At the moment, the daily trade volume for TONcoin might reach up to \$20 million.

Following that, DWF Labs will concentrate on finding more ways to boost the volume. In order to accomplish this goal, a trustworthy over-the-counter (OTC) market will be built to facilitate large-scale transactions between buyers and sellers. TON and DWF Labs are going to begin a

partnership that will last for a long time and involve considerable collaboration between the two companies”.

Financial performance

Per their website, DWF Labs first investment dates back to May 8, 2022. As mentioned, they are a new player in the space and are trying to make a name for themselves by participating heavily in the market during this bear market. Perhaps by choice or simply given their recent entry, there is no financial data readily available for the public. It is therefore difficult to estimate what their revenue and profit history might be.

Their crunchbase profile states they have made 34 investments, of which they've led 7, and have successfully pursued 1 exit (not crypto related).

Risk assessment

A market maker such as DWF Labs can run into several risks in the crypto industry. It is important for potential investment candidates for market makers such as us to consider what risk frameworks they operate in. Some considerations pertaining to DWF and their current portfolio might include:

Regulatory risk: The lack of clear regulations for cryptocurrencies at the federal level in many countries, can make it difficult for market makers to operate within the legal framework. This uncertainty can also lead to increased risk for clients, as market makers may not be able to fully protect their assets. Additionally, regulations can change quickly and unexpectedly, which can impact the business operations of market makers.

Market risk: The crypto market is known for its high volatility, which can make it difficult for market makers to execute trades at fair prices. Additionally, the market is currently very illiquid, making it difficult to find buyers or sellers. This can increase the risk of slippage when executing trades, which can result in losses for the market maker.

Operational risk: Market makers are responsible for safeguarding client assets, which can be a major risk if they don't have proper security measures in place. This includes protecting against hacking, as well as ensuring that internal systems and processes are secure. Wintermute, a leading market maker in the industry, noticeably had two major blunders in 2022. See more [here](#), and [here](#). Market makers should also have robust business continuity plans in case of disruptions to their operations.

Counterparty risk: Market makers interact with a wide range of counter parties, which can include other market makers, traders, and exchanges. As such, it's important for market makers to conduct due diligence on these counter parties to ensure they are reputable and financially stable.

Reputation risk: The crypto industry is relatively new and is often associated with negative stereotypes such as money laundering and scams. Market makers should be aware of these perceptions and should be transparent about their business practices to protect their reputation.

Credit risk: Market makers may extend credit to other market participants, and as such, should evaluate the creditworthiness of the borrower before engaging in any transactions. Noticeably, Alameda Research and FTX Fiasco provide a clear-cut example of how this can all go terribly wrong. More on that [here](#).

Legal and regulatory compliance

There is little information available on DWF Labs' compliance with legal and regulatory requirements. There are no recent or pending legal actions or regulatory investigations against them. As mentioned above, the team has offices in Switzerland, Dubai, Singapore, Hong Kong, British Virgin Islands, and South Korea. It's worth mentioning that the regulatory landscape for crypto market is not fully developed and that it varies by jurisdiction. Some of the above locations are notorious for having a "laxed" regulatory environment for cryptocurrencies. Broadly speaking a few key compliance considerations for market makers such as DWF Labs might include:

Licensing and registration: Depending on the jurisdiction, market makers may be required to obtain a license or register with a regulatory body in order to operate legally. For example, in some countries, market makers may be required to register as a money services business or a financial institution.

Anti-money laundering (AML) and know-your-customer (KYC) regulations: Market makers may be subject to AML and KYC regulations, which are designed to prevent money laundering and other illicit activities. These regulations may require market makers to implement AML and KYC policies, conduct customer due diligence, and report suspicious activity to the relevant authorities.

Consumer protection: Market makers may be required to comply with consumer protection regulations in order to ensure that they are treating their customers fairly. This may include providing clear and accurate information about their products and services, and implementing policies to protect customer assets.

Cybersecurity: Market makers may be subject to cybersecurity regulations, which are designed to protect customer data and prevent hacking and other cyberattacks. These regulations may require market makers to implement robust security measures, such as encryption, multi-factor authentication, and regular security audits.

Reporting: Market makers may be required to submit regular reports to regulatory authorities in order to provide transparency into their operations. These reports may include financial statements, customer information, and transaction data.

Operational capabilities

DWF Labs claims to operate a 3-step data driven methodology for their screening process to vet any potential investment candidate:

1. Facts Finding - An initial screening of the project's fundamental. Here we look at the idea and its potential in the market and arrange the first interview.
2. Due Diligence - Our team of analysts explores all metrics and assess all information through an in-depth research. The report is then presented to the Investment Committee.
3. Predictive Analysis - Our proprietary predictive algorithm calculates the chances of success. The result is cross-checked with the opinions gathered at the previous steps.

This last step suggests DWF Labs relies on algorithms for their trading systems, risk management systems and possibly their order management systems.

Aside from this, there is no information available online regarding their technological infrastructure and capabilities.

Conclusion

In conclusion, there is little information on DWF Labs readily available online. The information presented above suggests they are a new player in the space, and are eager to make an impact at a time when others might be more risk-averse. Their partnership with Binance Labs suggests they are already being recognized by other big players for their early actions. The founder and managing director, Andrei Grachev, formerly ran Huobi Russia. Inverse's business development contact has previously performed similar work for Okex. A reference customer Inverse DAO has close ties believes their CEX credentials are good and they can be expected to show results.