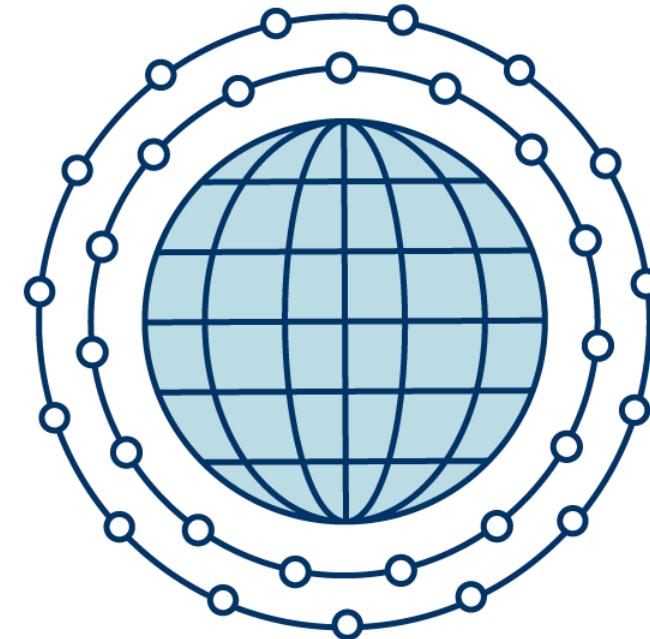


# The Future of Blockchain Tech

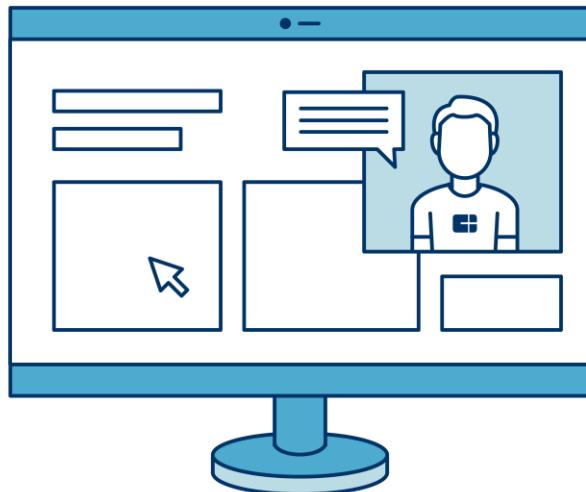
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How venture firms, corporates, regulators, and builders  
are shaping blockchain technology's future.



WITHIN 24 HOURS

# Webinar recording will be distributed



The presentation will also be sent to you. Feel free to share with colleagues. The resolution of some slides may be suboptimal due to the webinar software. Those slides will look fine in the presentation that we send you.

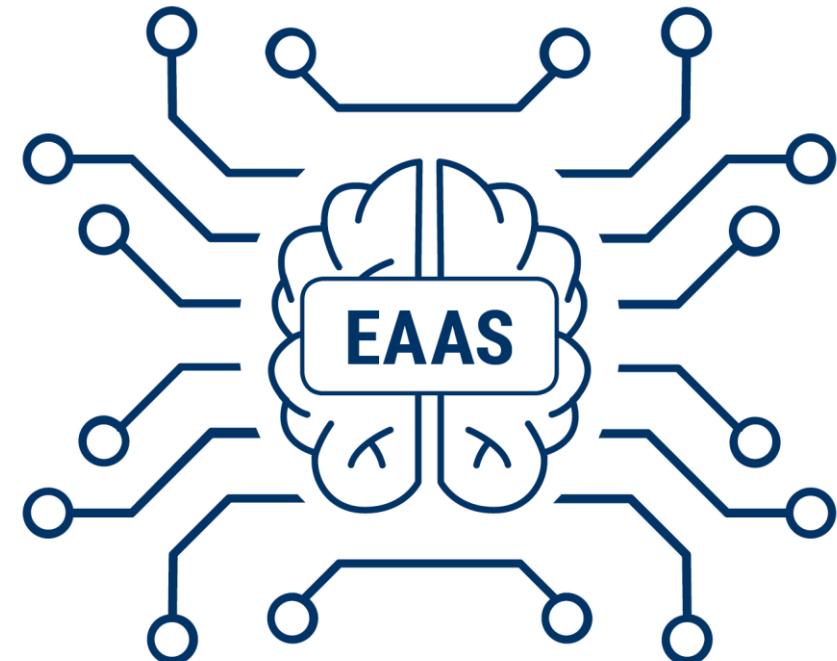
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@cbinsights  
@arieh313  
#CBIblockchain

## WHO WE ARE

The technology market intelligence platform.

CB Insights software lets you predict, discuss, and communicate emerging technology trends using data in ways that are beyond human cognition. We are a leader in the Expert Automation & Augmentation Software (EAAS) space.



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PARTNERS

Riviera

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“We use CB Insights to find emerging trends and interesting companies that might signal a shift in technology or require us to reallocate resources.”



Beti Cung, Corporate Strategy, Microsoft





# FUTURE OF FINTECH

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 CB INSIGHTS

## The Disruption of Financial Services

[The Future of Fintech](#) is an exclusive gathering of the world's largest financial institutions, best fintech startups, and most active venture investors.

New York, NY  
June 19-21, 2018

## ABOUT THE ANALYST

# Arieh Levi



## Tech Industry Analyst

@arieh313 | [alevi@cbinsights.com](mailto:alevi@cbinsights.com)

Arieh Levi is a tech industry analyst at CB Insights, where he produces data-driven analysis and research reports on private company financing, exit and performance trends across emerging industries, geographies, and investors – specifically, blockchain, and fintech.

Prior to joining CB Insights, Arieh held roles in healthcare and financial services. Arieh is a summa cum laude graduate of Yeshiva University.

### Arieh's most popular research:

[What Is Blockchain Technology?](#)  
[Blockchain Investment Trends In Review](#)  
[Coinbase Strategy Teardown](#)

# Contents

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**9** Setting the stage

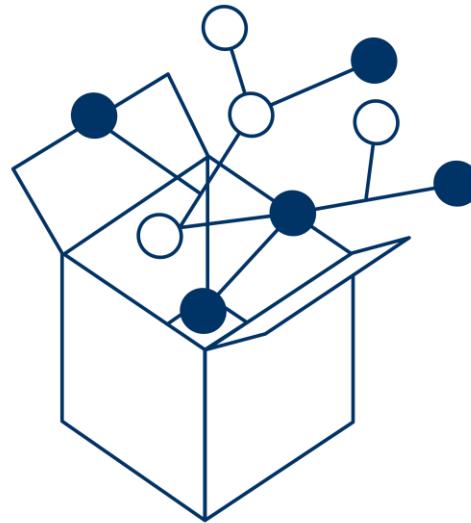
**13** What's on the agenda?

**15** Tokens and ICOs

**30** Venture activity

**48** Corporate activity

**74** To recap



# Setting the stage



## WHAT'S A BLOCKCHAIN?

A **blockchain** allows **untrusted parties** to reach **consensus** on a shared digital history, **without a middleman**.

# What if databases were distributed, not siloed?

When everyone holds a copy of the ledger, it's harder to cheat; there is no single point of failure.

*Decentralization makes sense when participants don't want to entrust a single 3rd party.*

Decentralized Ledger



CB INSIGHTS

## RETHINKING THE INTERNET

“The real promise of these new technologies, many of their evangelists believe, lies not in displacing our currencies **but in replacing much of what we now think of as the internet, while at the same time returning the online world to a more decentralized and egalitarian system.** If you believe the evangelists, the blockchain is the future. But it is also a way of getting back to the internet’s roots.”



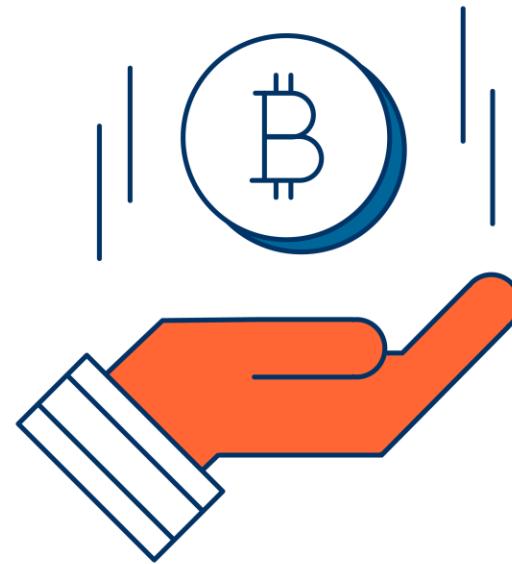
Steven Johnson  
Author, “Beyond the Bitcoin Bubble”

# What's on the agenda?



1. The line between ICOs and equity financing is blurring
2. Regulatory activity is a double-edged sword
3. Top VCs are embracing tokens, and theses are shifting to “crypto”
4. Security tokens are emerging as a new cryptoasset class
5. 2017’s winners are turning into investors and acquirers
6. Mentions of ‘blockchain’ are skyrocketing on earnings calls
7. Corporate investment is up – but we’ve been here before
8. Consortia move forward, but questions remain

# Tokens and ICOs



## WHAT ARE INITIAL COIN OFFERINGS, ANYWAY?

An initial coin offering (ICO) is when a company sells **tokens** to the public. Just like bitcoin or ether, these tokens provide **utility within a network**.

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# How do pure-play ICOs work?



Infrastructure has been a key area of ICO activity

Anticipating a world of decentralized applications, investors have poured money into “base-layer” protocols and projects.



## 115 blockchain startups that have held big ICOs

Completed ICOs greater than or equal to \$24M. Q2'17 – Q1'18

### INFRASTRUCTURE & DEVELOPMENT

ic3n elastos BitDegree

FINOM BLOCKSTACK ETHERPARTY

enigma RAIDEN aeternity

Quantstamp universa YODORASH

### Computing & Storage

SONM dadi Filecoin STORJ.IO

### DAO & Token Creation

ARAGON AmBank COMSA

### Browsers & Social

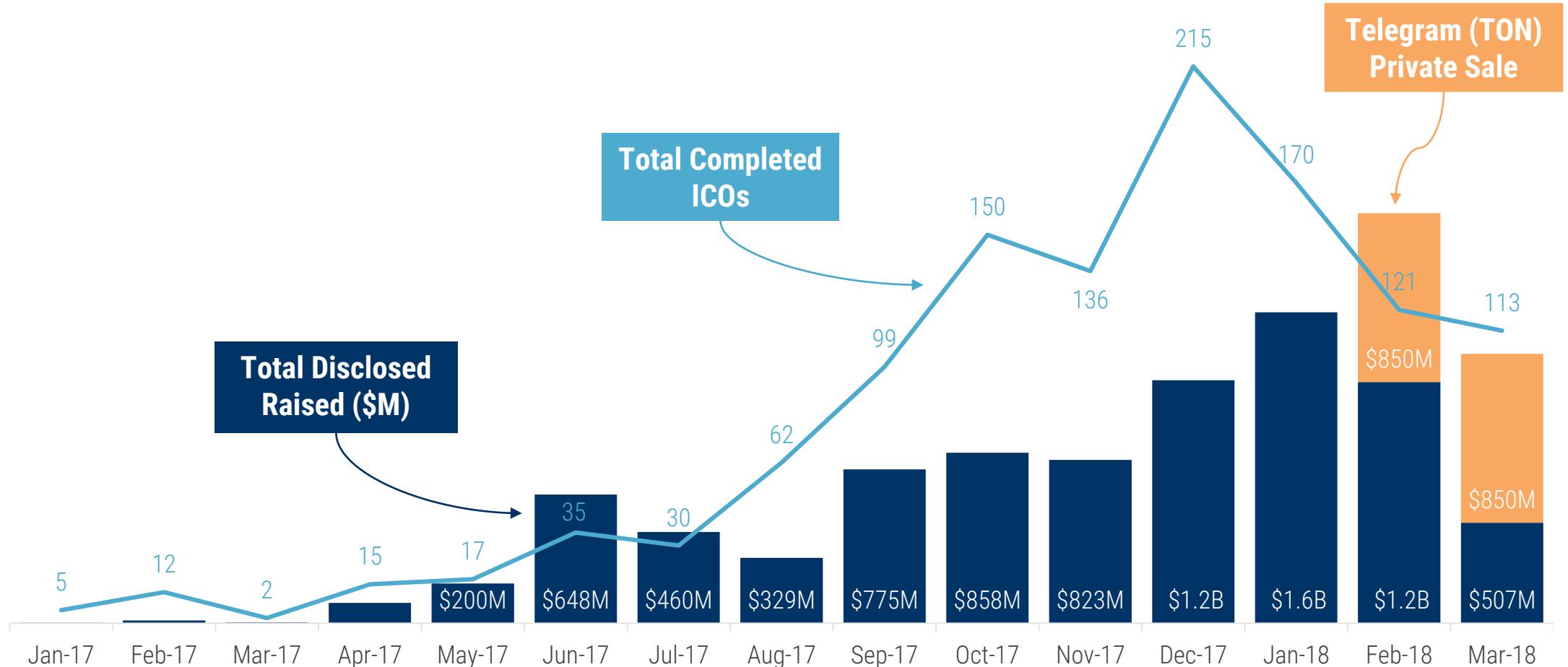
KIN status PROPS

CLIENTS: [CLICK HERE TO SEE THE FULL MAP](#)

Sources: CB Insights, TokenData. Map is illustrative; not exhaustive. We make no claims to the value of any of these projects, and urge caution around ICOs given bad actors and regulatory stances.

# Pure-play ICOs are losing funding momentum

Disclosed funding of completed ICOs. January 2017 – March 2018



Investors are turning from ICOs to equity funding

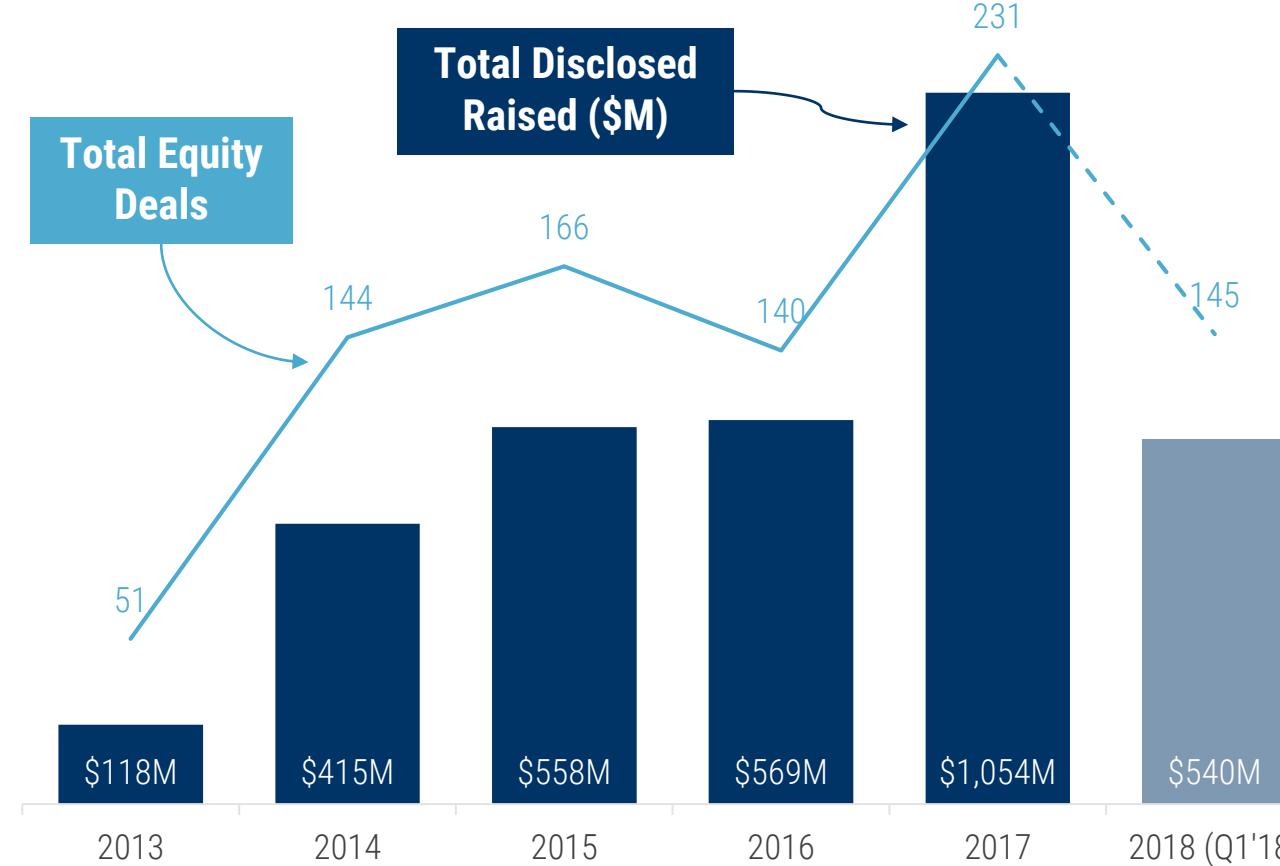
The sector saw gains across the board; more investors, more deals, more acquisitions, and almost 100% more dollars deployed to blockchain startups (YoY).

With an impressive Q1'18 in the books, 2018 is on pace to surpass any prior year in terms of total deals and dollars.



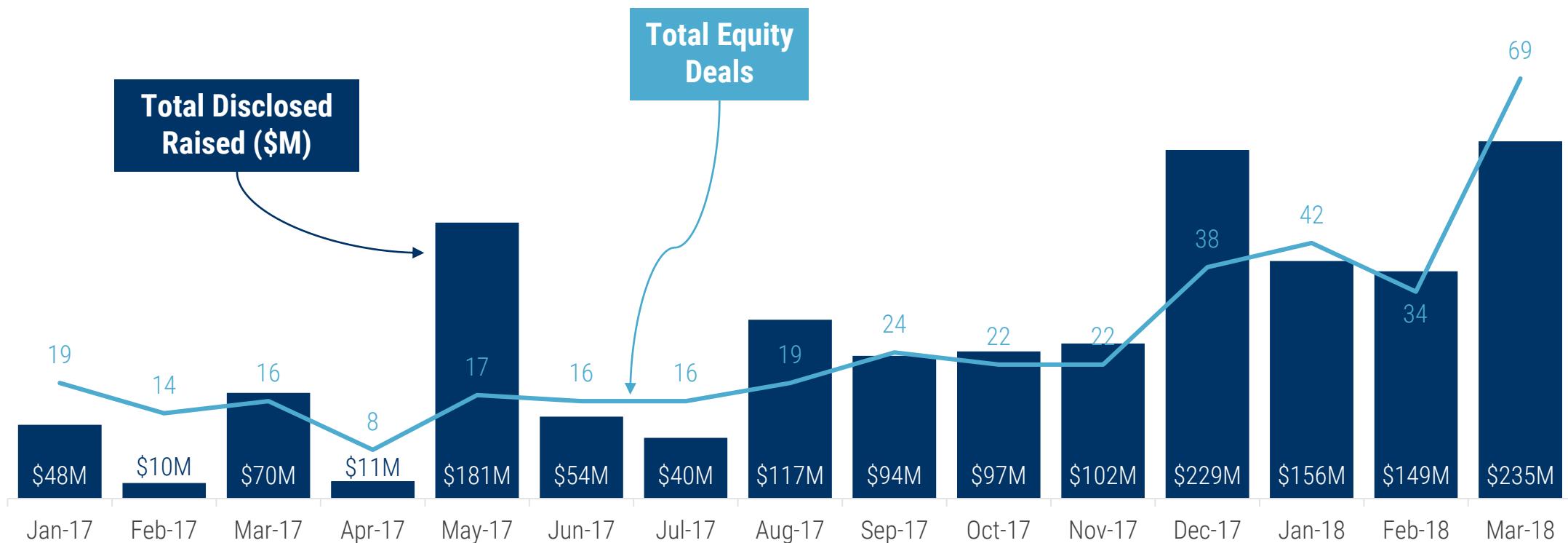
## Equity deals and dollars see massive uptick through Q1'18

Equity financing (excluding ICO). 2013 – 2018 (Q1'18)



# Lots of recent equity dollars go to 'pre-sales' and private token sales

Equity financing (excluding ICOs). January 2017 – March 2018



## BASIS – A ‘STABLECOIN’ RAISES MONEY VIA THE SAFT



### Funding

\$125M

Basis is building a “stablecoin,” that hopes to be less volatile than other cryptocurrencies.

The company (fka Basecoin), raised \$125M from 225 investors via a SAFT sale that took place at the end of Q1’18.

### UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM D

#### Notice of Exempt Offering of Securities

##### 9. Type(s) of Securities Offered (select all that apply)

- Equity
- Debt
- Option, Warrant or Other Right to Acquire Another Security
- Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security

- Pooled Investment Fund Interests
- Tenant-in-Common Securities
- Mineral Property Securities
- Other (describe)

Simple Agreement for Future Tokens

##### 13. Offering and Sales Amounts

Total Offering Amount      \$125,000,000 USD or  Indefinite  
Total Amount Sold            \$125,000,000 USD  
Total Remaining to be Sold    \$0 USD or  Indefinite

Clarification of Response (if Necessary):

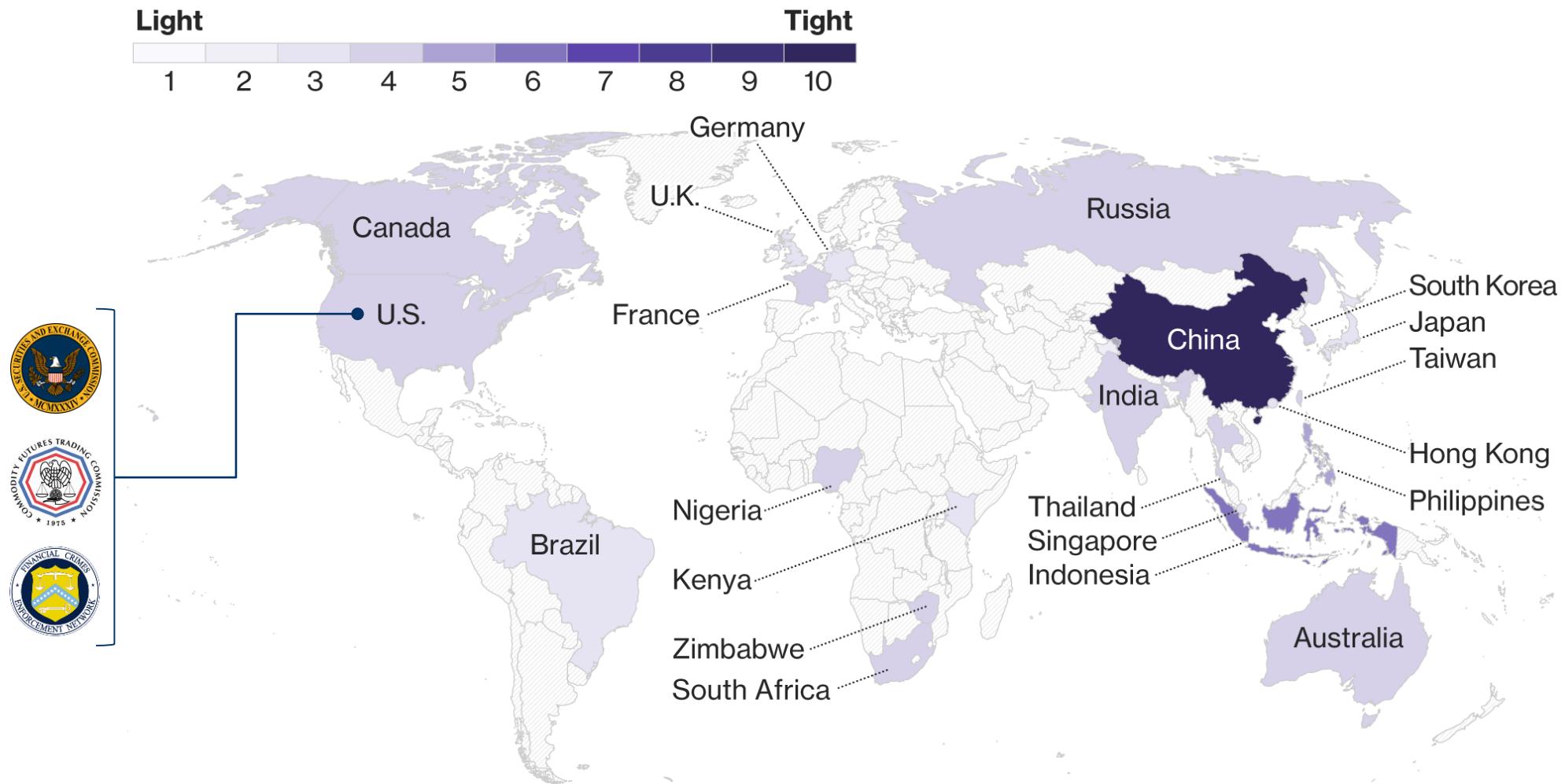
##### 14. Investors

Select if securities in the offering have been or may be sold to persons who do not qualify as accredited investors, and enter the number of such non-accredited investors who already have invested in the offering.

Regardless of whether securities in the offering have been or may be sold to persons who do not qualify as accredited investors, enter the total number of investors who already have invested in the offering:

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# Global regulators don't agree on ICOs, exchanges



# The Howey Test: is your token a security?



"Let me try and divide [cryptoassets] into two areas. A pure medium of exchange, the one that's most often cited, is **Bitcoin**.

As a replacement for currency, **that has been determined by most people to not be a security.**

Then there are **tokens**, which are used to finance projects. I've been on the record saying there are very few – **there's no tokens that I've seen – that aren't securities."**



**Jay Clayton**  
Chairman, SEC  
April 27, 2018

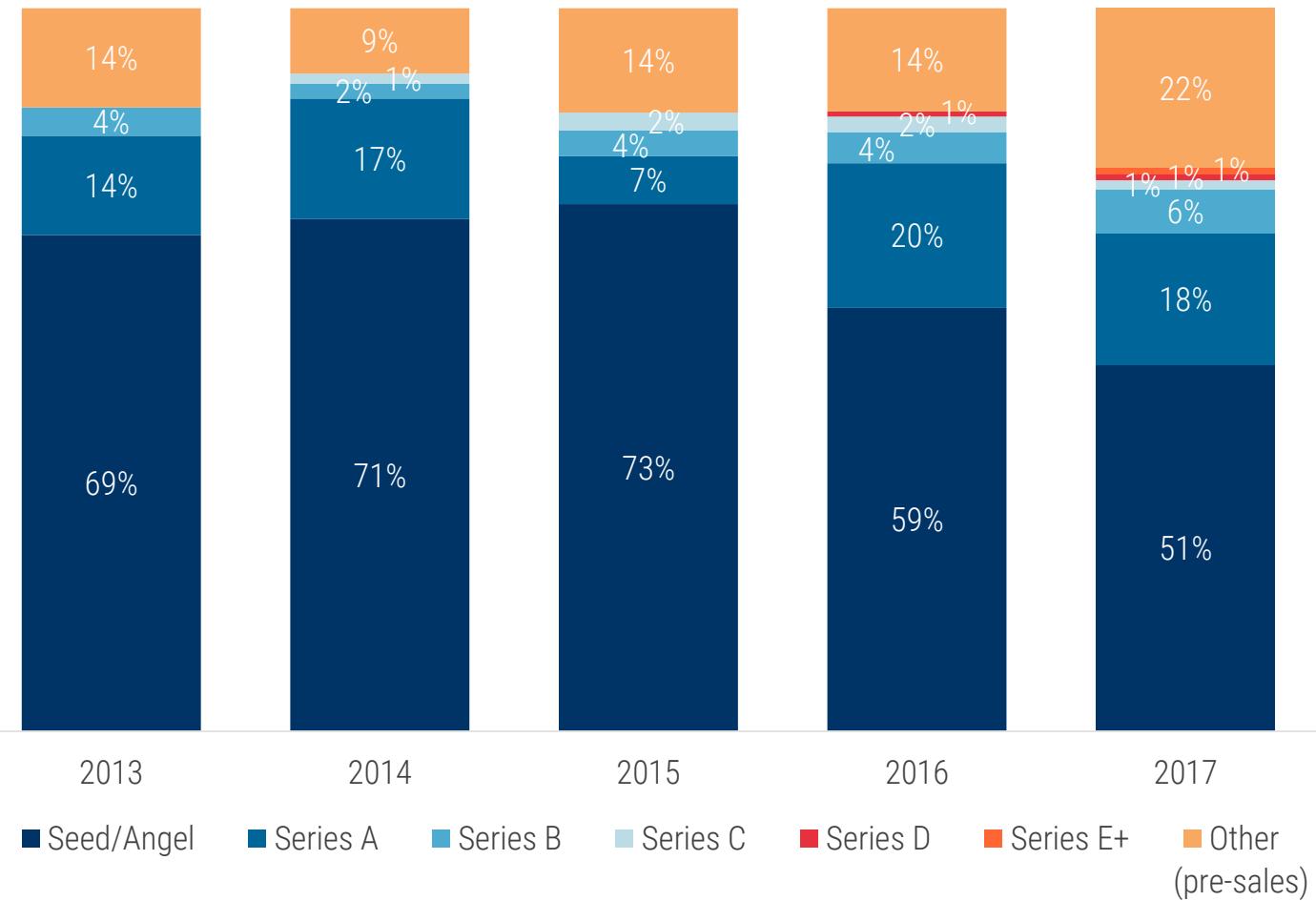
Regulation is bad  
for ICOs: private/  
pre-sale rounds  
are on the rise

Companies that once might  
have held ICOs are moving to  
private and pre-sale rounds,  
here categorized as “other”  
rounds.



## Larger share of deals move away from traditional venture

Equity financing by stage. 2013 – 2017



# More players jump in with some regulatory clarity

The SEC's determination that bitcoin isn't a security is encouraging non-crypto players to get in the game. In early May, Goldman Sachs announced that it was opening a bitcoin trading operation, saying that it understands the risks.

## Goldman Sachs to Open a Bitcoin Trading Operation

May 3, 2018 | **The New York Times**

**"It is not a new risk that we don't understand. It is just a heightened risk that we need to be extra aware of here."**



**Rana Yared**  
Managing Director, Goldman Sachs

**Goldman  
Sachs**

# Venture activity



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## TOKENS START TO REPLACE VC

“We have a good thing going with the equity-based model, but we understand that we have to adapt and react to changes in the market, and **we are doing that, fairly aggressively, with tokens.**”



**Fred Wilson**

Co-founder & Managing Partner, Union Square Ventures

COMPARED TO TRADITIONAL VENTURE MODEL, TOKENS OFFER FASTER LIQUIDITY

The **median time between first funding and IPO** for US VC-backed tech companies that went public in 2017 was **8.9 years**

# More investors enter the fray

[Basis] gets \$133 million investment from big investors

April 18, 2018 |  REUTERS

A16Z and Founders Fund sink \$28M into IRL asset blockchain Harbor

April 17, 2018 |  TC

Europe's venture capitalists embrace virtual currency craze

April 17, 2018 |  REUTERS

How VC Powerhouses Are Catching Up And Betting Big On Crypto

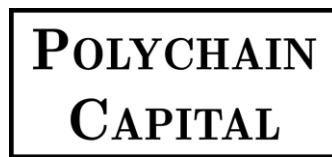
May 3, 2018 | **Forbes**

VC Firm With Rockefeller Roots Turns to Crypto Startups

April 25, 2018 | **Bloomberg**

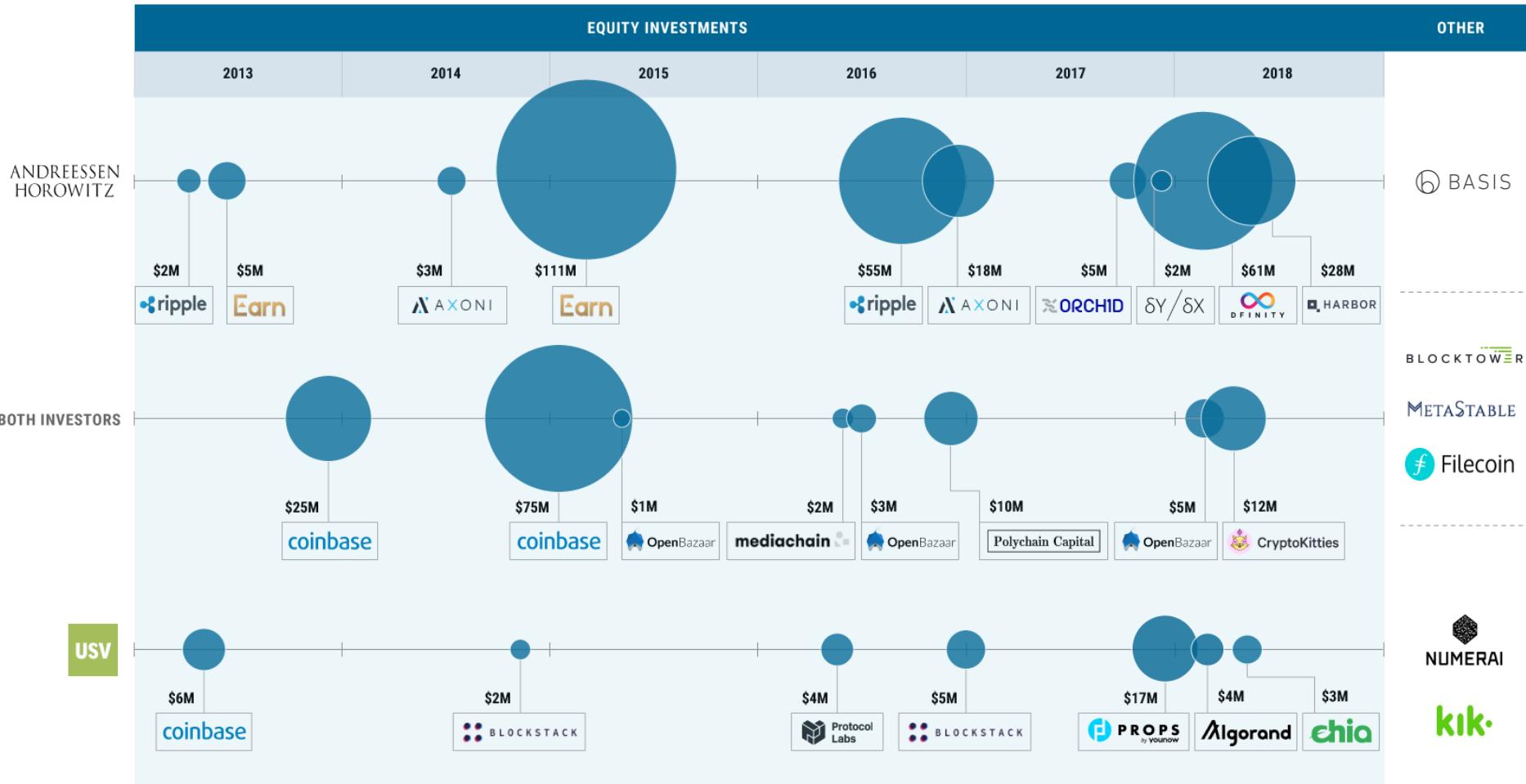
# Investors gain exposure through hedge funds

175 crypto funds got their start in 2017, with 26 launching in 2018 so far (through April 5<sup>th</sup>). VCs have invested in cryptocurrency hedge funds as equity investors and as LPs.



# “Smart money” VCs are betting on tokens

Andreessen and USV's blockchain equity investments. 2013 – 2018 YTD (04/11/2018)



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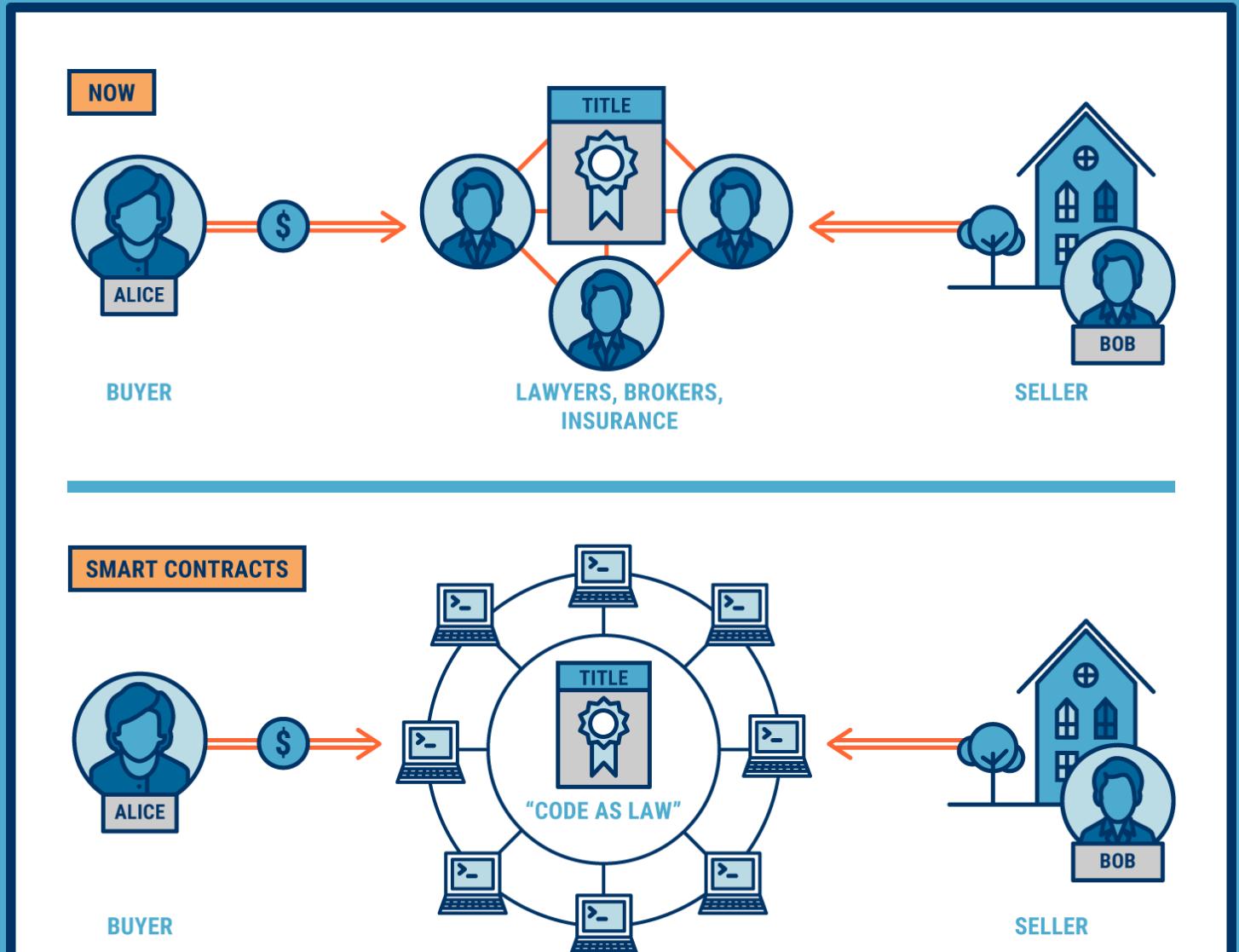
## WHAT IS A SECURITY TOKEN?

A security token could **digitally represent any number of real-world assets**, from real estate or vehicular title, to shares of a company.

Importantly, **security tokens are subject to securities regulations.**

# What could be tokenized?

Real estate could be tied to a digital token, and could become more liquid as a result.





## Funding

\$40M

Harbor's \$28M Series B in April saw participation from a who's who of the VC world, including Andreessen Horowitz and Founders Fund.

Harbor's "R-Token Standard" encodes rules in tokens. These only allow eligible investors to invest, and require them to follow KYC/AML regulations, among others.

# Reengineering Private Securities with Blockchains

Harbor is the compliance platform for tokenizing private securities such as real estate, company equity, investment funds, fine art, etc.

Contact Us

Broker-Dealers | Issuers | Partners



### Funding

\$114M+

Backed by parent company Overstock, and with over \$100M raised in its pre-sale, tZero is building a distributed ledger platform for issuing and trading securities.

tZero is under SEC investigation.

Pre Trade



Trade



ENCRYPTED ACCOUNTS

VENUE WITH ENHANCED FIX

POST-TRADE & SERVICING



PERFORMANT LEDGER



CLEARING AND RECONCILIATION

DISTRIBUTED REGISTER

## SECURITY TOKENS PROVIDE A REGULATORY-FRIENDLY ALTERNATIVE

"The ICO craze of last year created a **toxic waste dump of financial assets**. To me, that world of ICOs is a Superfund site. What we're developing is a mechanism so that there will be **a legal way to go forward** and not create any new toxic waste."



Patrick Byrne  
CEO, Overstock

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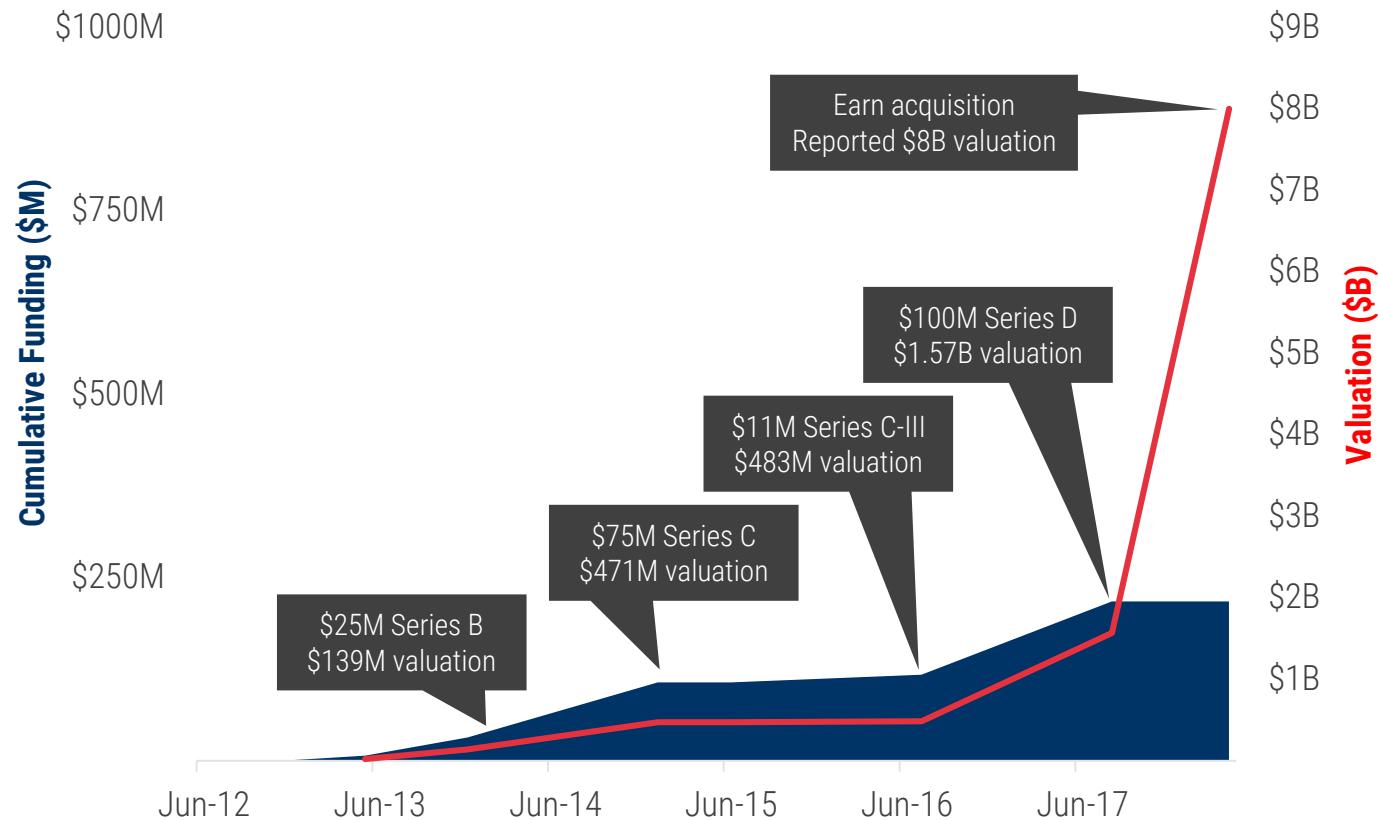
After wild 2017,  
Coinbase is worth  
a lot of money

According to reports,  
Coinbase valued itself at  
\$8B when it acquired Earn.

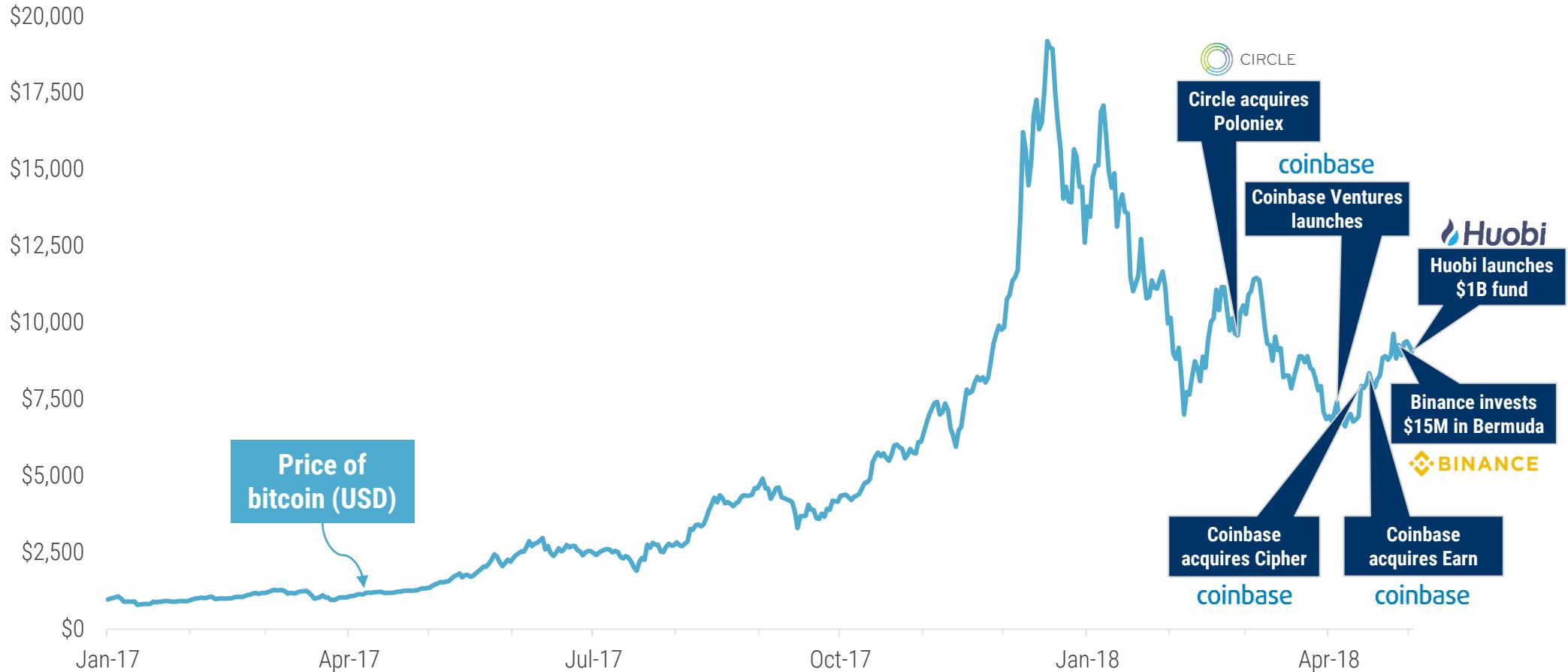
The company is ramping up  
its exchange infrastructure  
and hiring in anticipation of  
“institutional” investment.



## Coinbase values its own equity at a reported \$8B



# As bitcoin slides, exchanges acquire and invest



# Startups are launching ecosystem funds

Companies flush with cash are using it to incentivize platform and dApp development.

Blockstack announces \$25M fund to rebuild the internet for a blockchain world

August 16, 2017 | 

Block.one and Mike Novogratz's Galaxy Digital Announce [...] New \$325 Million EOS.IO Fund

January 23, 2018 |  

\$37 Million 'IOTA Ecosystem' Launched for Global Development Community

February 2, 2018 | 

Blockchain project raises \$61 million from Andreessen Horowitz, U.S. hedge fund

February 7, 2018 | 

## RIPPLE'S USE OF XRP IS CURIOUS



Funding	Valuation
\$94M	\$255M

**Ripple owns a majority of its associated cryptocurrency, XRP, which peaked in January at a \$137B market capitalization – well above the company's private market valuation.**

**The company is deploying XRP in curious ways.** In one instance, the company invested \$25M in home storage and rental startup Omni. In another, it invested \$25M in Blockchain Capital, one of the company's own investors.

Ripple turns investor as execs lead \$25M round for storage and rental startup Omni

January 16, 2018 |



Ripple wants to invest in startups that can put its XRP cryptocurrency to work

March 13, 2018 |



Ripple gives away \$29 million of its cryptocurrency to public schools

March 28, 2018 |



Ripple Invests \$25 Million in Blockchain Capital's \$150 Million Venture Fund

April 11, 2018 | **FORTUNE**

# Corporate activity



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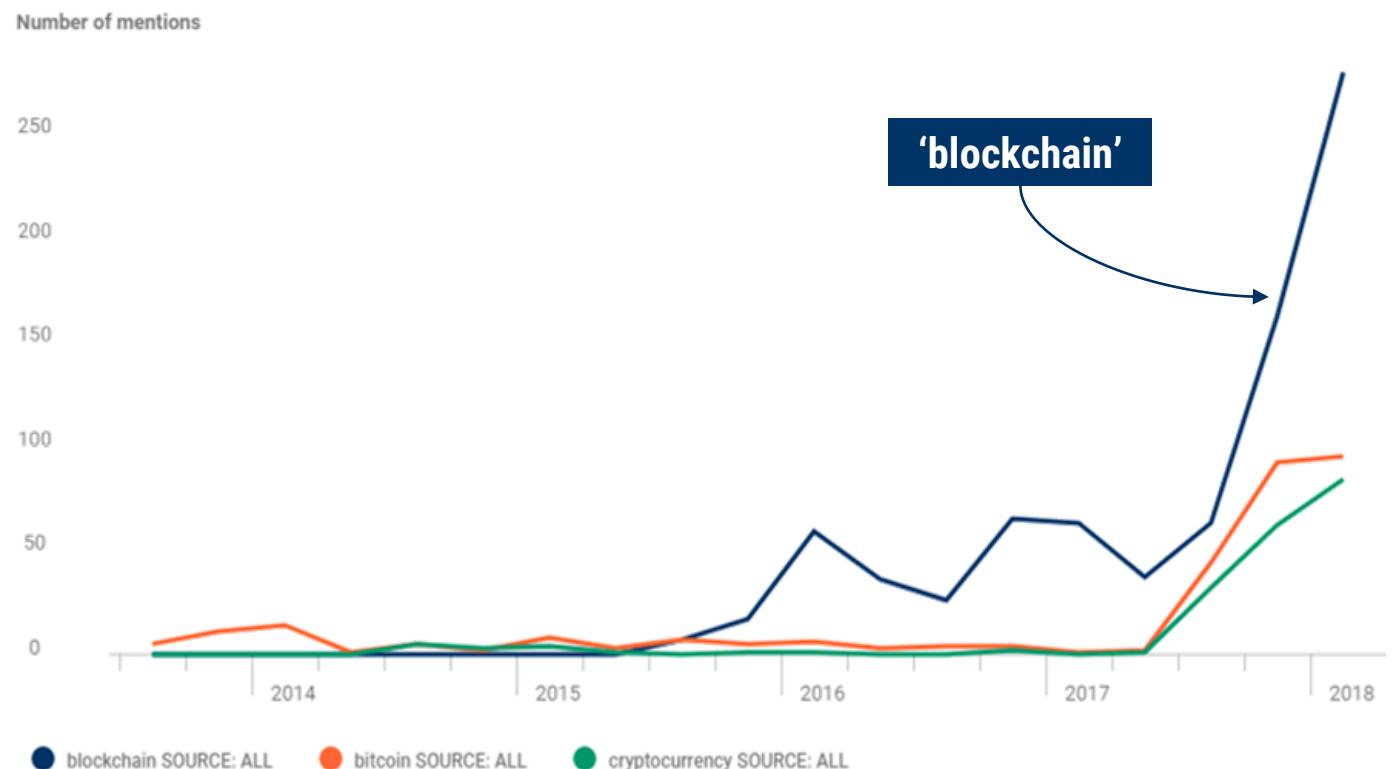
# Everyone's talking about blockchain

Besides for bitcoin, ICOs, and tokens, corporations were exploring use cases for blockchain technology in 2017 – and talking about it on earnings calls.



## Mentions of 'blockchain' on earnings calls skyrocket

Q3'13 – Q1'18



## WHAT'S ALL THE FUSS ABOUT?

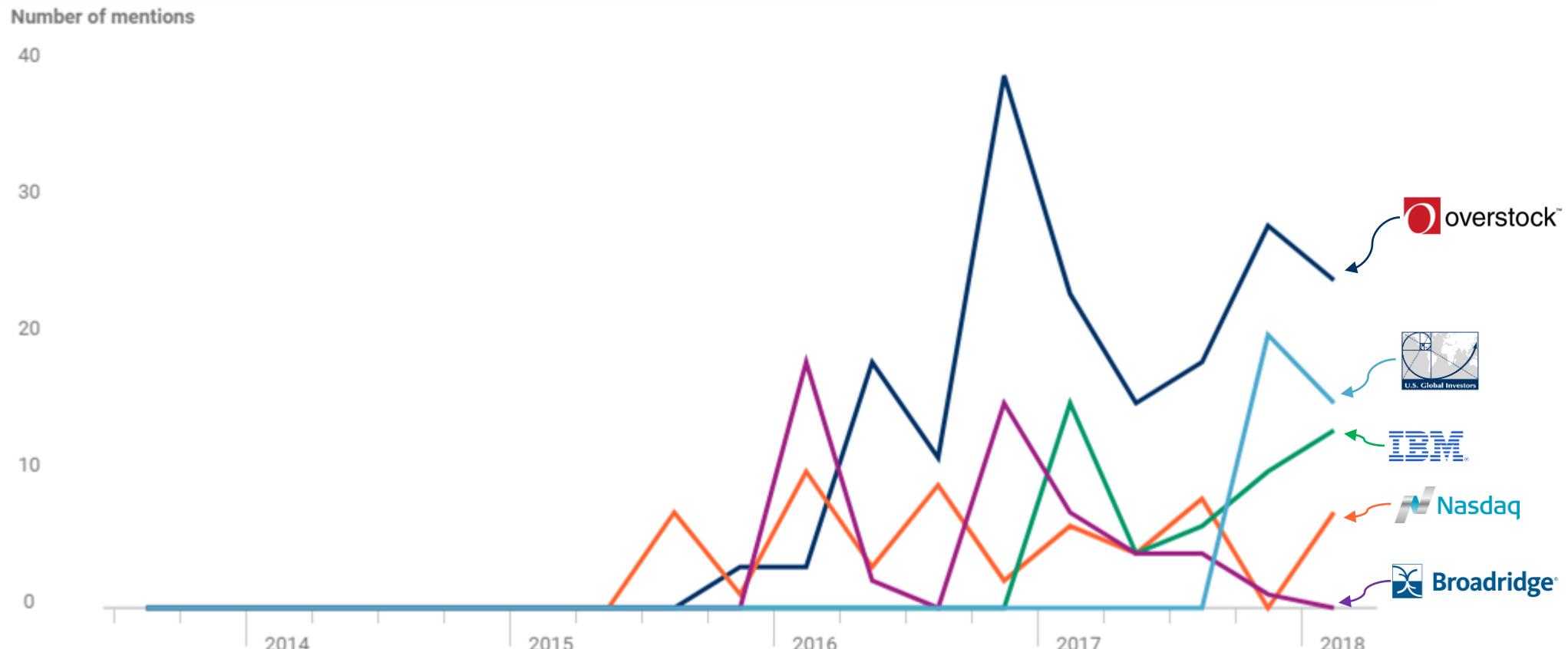
“Really the way we’re thinking about this whole area is that it’s really a much bigger topic, **it’s really the blockchain or the distributed general ledger that is of great and very broad application potentially** [...] We really want to distinguish the blockchain, which is an area of huge emphasis and investments across our industry and across many industries, from a particular application of blockchain which tends to get all the news cycles; which is cryptocurrencies.”



Martin Chavez  
CFO, Goldman Sachs  
Q1'18 Earnings Call

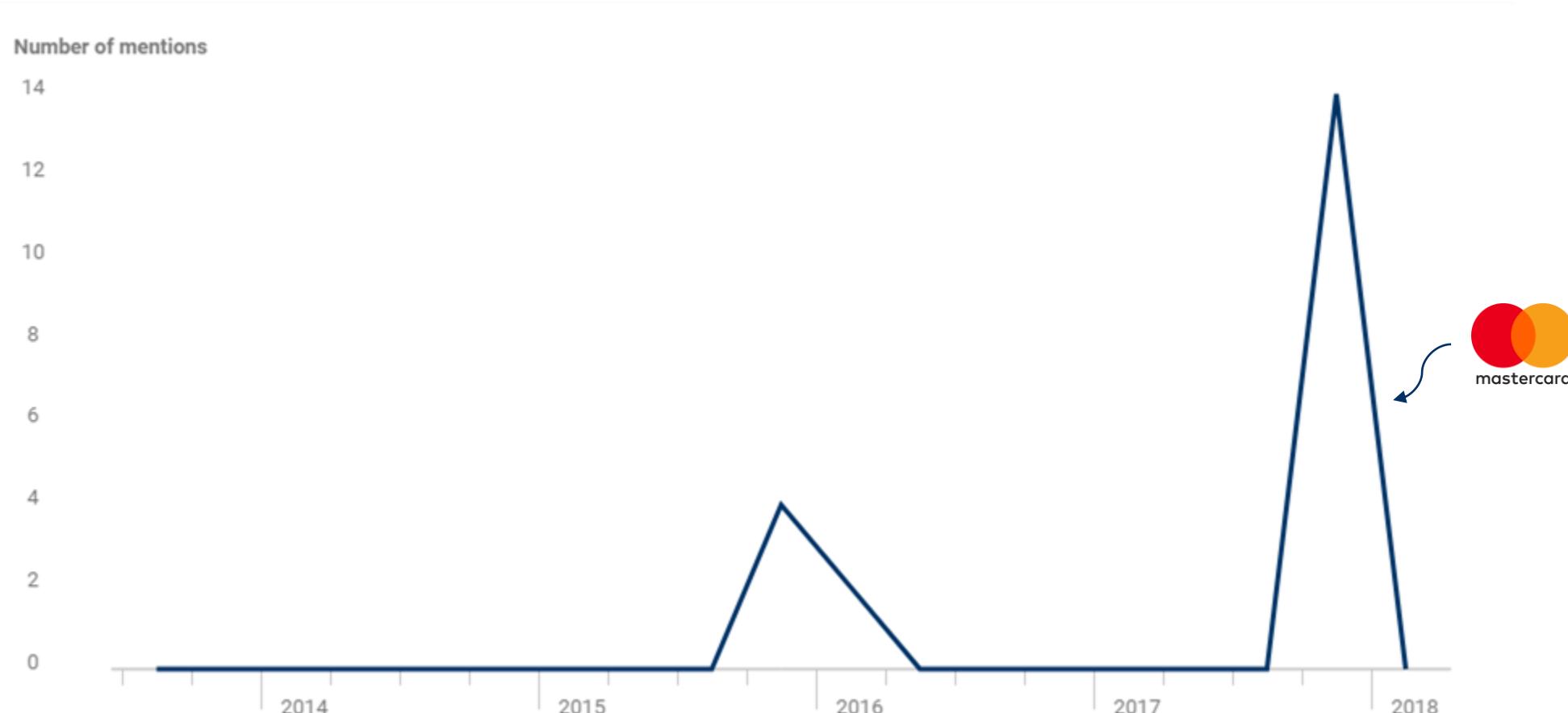
# Overstock talks the most about 'blockchain' on earnings calls, but others are catching up

Mentions of 'blockchain' on earnings calls. Q3'13 – Q1'18



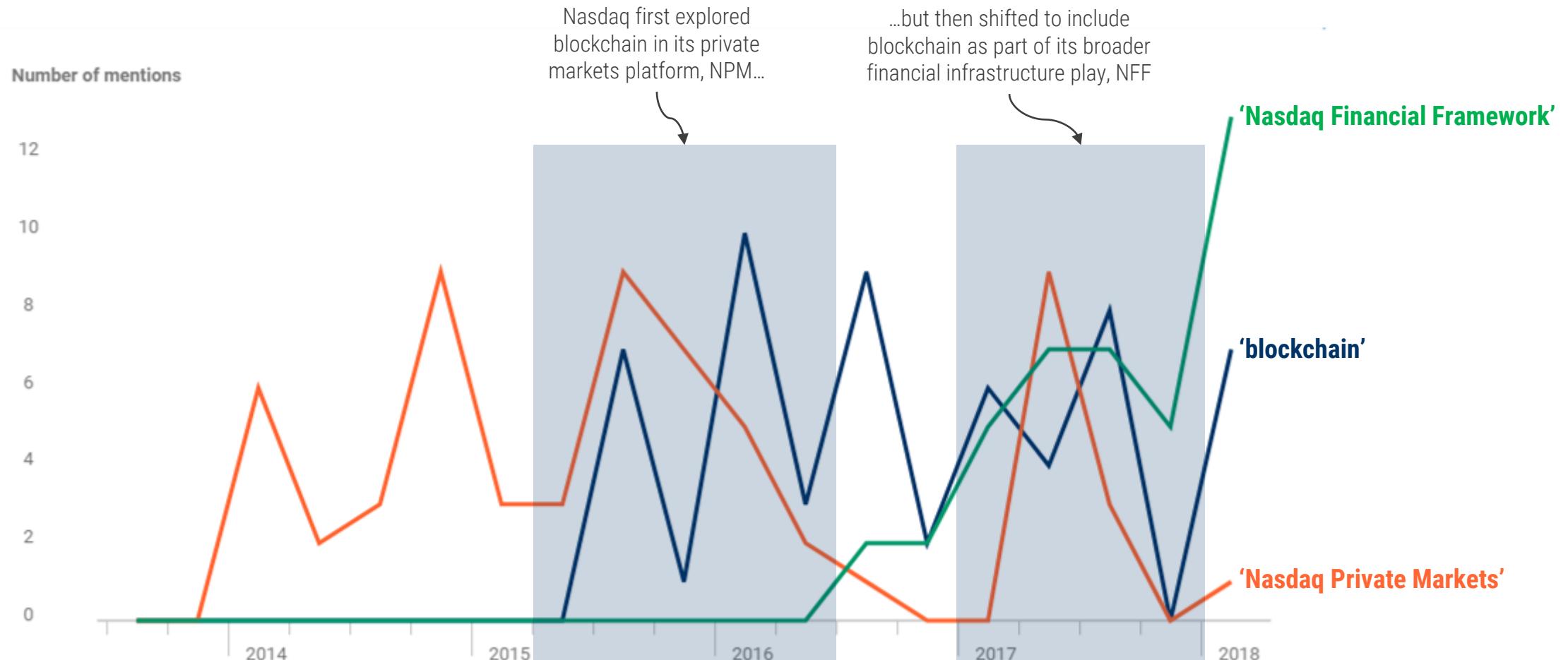
# MasterCard follows blockchain hype cycle

Mentions of 'blockchain' on MasterCard's earnings calls. Q3'13 – Q1'18



# Nasdaq shifts strategy around blockchain tech

Mentions of 'blockchain' or 'NFF' or 'NPM' on Nasdaq's earnings calls. Q3'13 – Q1'18



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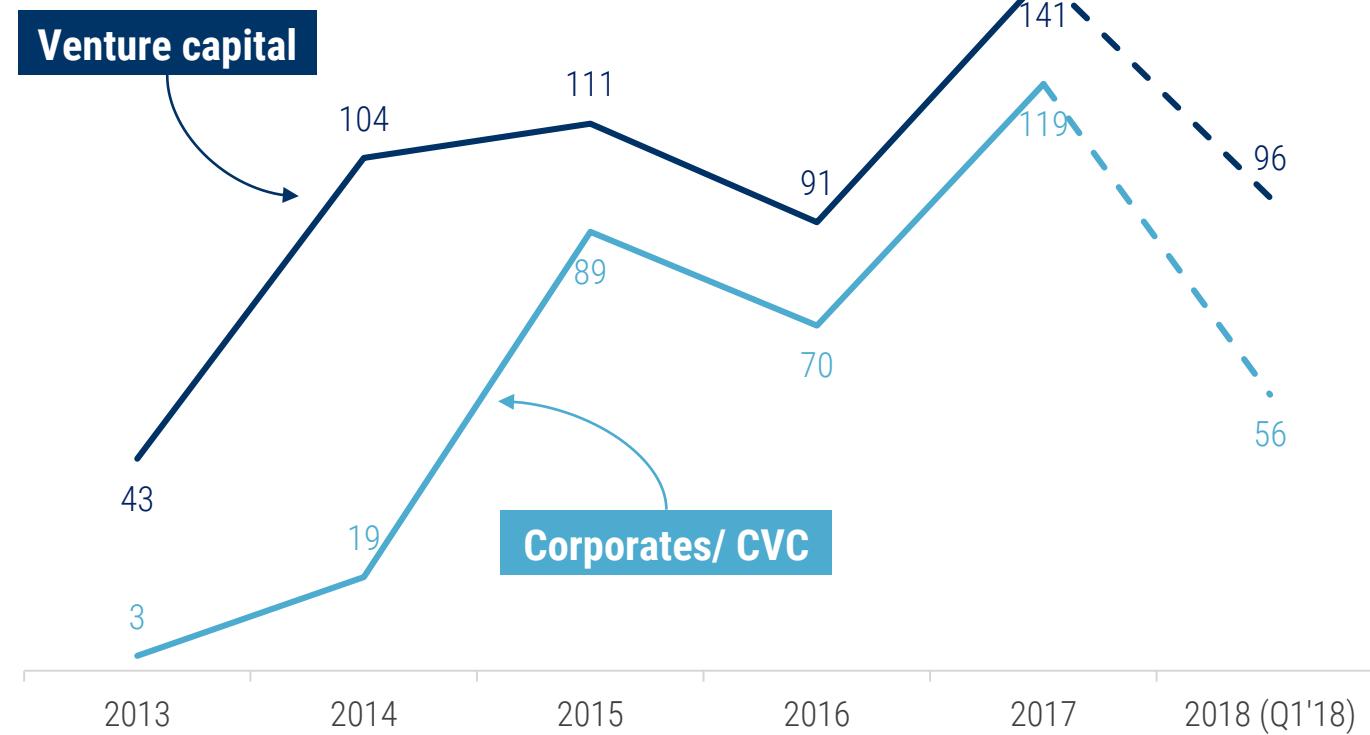
Total corporate investors jumped 70% YoY between 2016 and 2017

Banks and other financial institutions participated in big rounds to R3 in 2015 and 2017 (\$107M Series A), pushing the total number of corporate investors up.



## More VCs and corporates are investing through Q1'18

Equity financing. 2013 – 2018 (Q1'18)



Banks and financial services firms have been exploring the tech since 2014

“Blockchain, but not bitcoin” has become a familiar refrain, as financial services firms engage with the technology underpinning the fraught cryptocurrency.



## Citi and Goldman are among the most active investors

Q1'12 – Q1'18



Equity investments      Consortia      Internal projects      Partnerships



AxonI

Chain

Cobalt

SETL



AxonI

Circle



AxonI

Hyperledger



AxonI

Hyperledger



Chain



R3



Quorum



DTCC



AxonI



IDeA



Microsoft

Nasdaq



IHS Markit

AMIS



DTCC



Microsoft

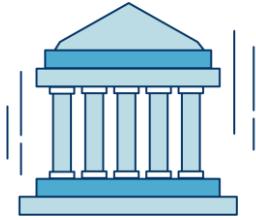
Graphic is illustrative; not exhaustive. Partnerships reflect lead partner, and other banks are excluded. Goldman Sachs, JPMorgan, and Morgan Stanley have left R3.

# Companies beyond financial services have been exploring – and investing

Corporate equity financing. Q1'12 – Q1'18

Investor	Rank	Select Companies (equity investments)									
 <b>SBI Holdings</b>	1	Orb	Kraken	Coinplug	Veem	Wirex	bitFlyer	R3	Ripple	Bcause	<small>CoolBitX Technology</small>
  <b>overstock.com® MEDICI VENTURES</b>	2	Settlement	Factom	Ripio	Symbiont	Bitt	Peernova	Spera	Voatz	Bitsy	
 <b>Google</b>	3	Gyft	Blockchain	Ripple	LedgerX	Buttercoin	Veem				
 <b>citi</b>	4	Digital Asset	R3	Axonni	Cobalt	Chain					
 <b>Goldman Sachs</b>	5	Digital Asset	R3	Axonni	Circle						

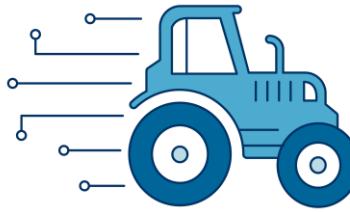
# Sectors and verticals exploring blockchain



FINANCIAL  
SERVICES



TELECOM



INDUSTRY  
(AND ENERGY)



SUPPLY  
CHAIN



INSURANCE

# Du Telecom partnered on blockchain for health, but found limited success

In January 2017, Du announced a partnership with NMC Healthcare to implement electronic health records using blockchain. Estonian blockchain technology startup Guardtime would also play a part in the project, which was slated to launch in Q1'18. However, the former project lead at Du, has since left the firm, and there have been no further announcements regarding the project.



"By digitizing all health records, and putting them in blockchain technology, data can be shared and distributed across all hospitals. **We are looking at fully digitizing the health system with blockchain technology to assure data integrity with zero error and guarantee end-to-end accountability of the patients' records.**"



Carlos Domingo  
(Former) Chief New Business and Innovation Officer at Du

# Heavy industry is exploring blockchain – but some projects appear to have stalled

At the end of 2016, mining firm BHP Billiton partnered with Blockapps and Consensys to apply blockchain to its supply chain and enhance security around real-time mining data. BHP hoped to coordinate disparate contractors on a blockchain-based system, but in April 2017 the blockchain head at BHP left to join Consensys (an Ethereum development firm) as director of energy and consulting.



BlockApps™

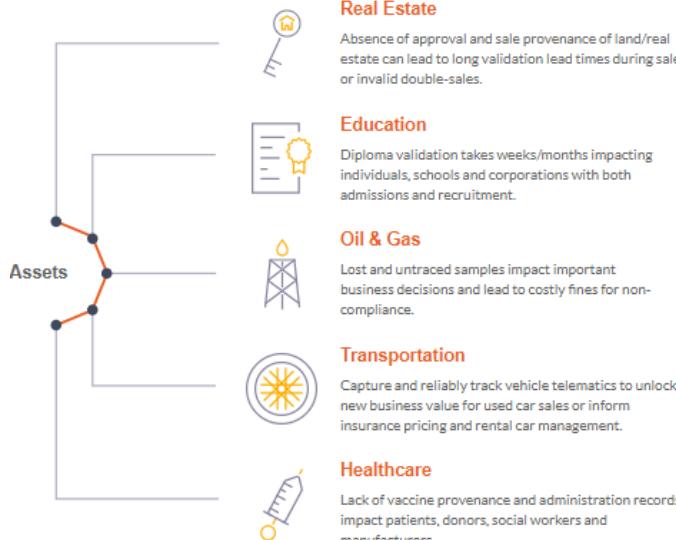


CONSENSYS



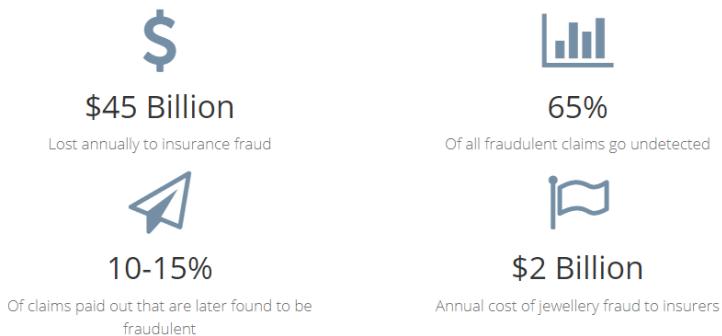
# Supply chain is often pointed to as a use case

## VIANT SERVES A NUMBER OF CAPITAL-INTENSIVE AREAS



VIANT

## EVERLEDGER TRACKS 1M+ DIAMONDS, AND IS TARGETING FINE WINE



## PROVENANCE FOCUSES ON FOOD & DRINK ORIGIN AND TRACKING



IPNLF

INTERNATIONAL POLE & LINE FOUNDATION

Tracking proven sustainability claims through global supply chains

Taking traceability solutions to the next level, Provenance enables a robust digital proof for sustainably-sourced and slavery-free products. We worked with over 12 Pole and Line certified producers in SE Asia to track fish through the supply chain for UK, Japanese and US markets.

PROVENANCE

# Marsh, IBM partner on ‘proof of insurance’

Many industries require proof of insurance, and Marsh – an insurance brokerage – announced in April that it is collaborating with IBM and other players to put proof of insurance on a Hyperledger Fabric blockchain. This most recent partnership is continued evidence of IBM’s focus on blockchain-as-a-service; “blockchain” was mentioned 13 times on its Q1’18 earnings call.



**HYPERLEDGER**

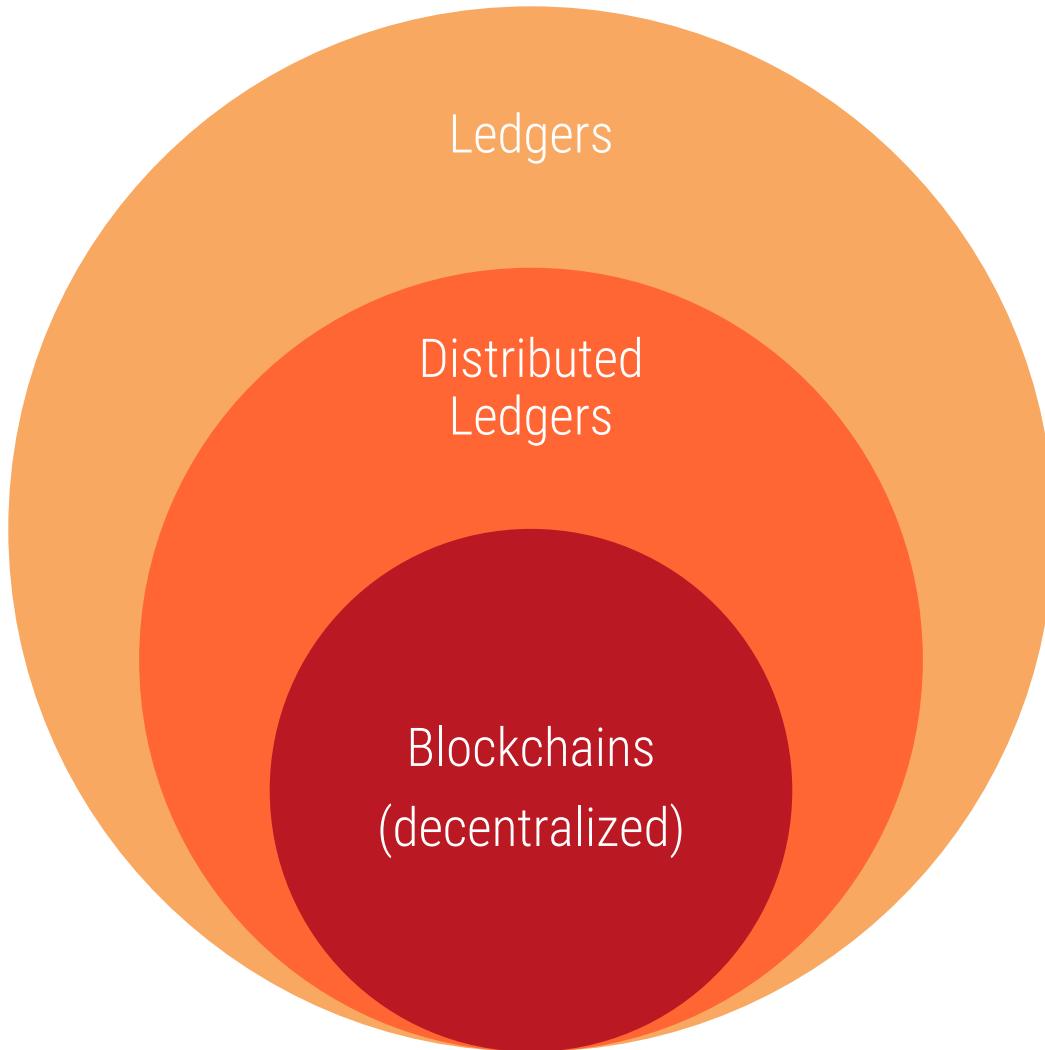
## IBM Blockchain based on Hyperledger Fabric from the Linux Foundation

Hyperledger, an open source collaborative effort to advance cross-industry blockchain technologies, is hosted by The Linux Foundation®. IBM provides blockchain solutions and services leveraging Hyperledger technologies, including Hyperledger Fabric and Hyperledger Composer.

	Bitcoin	Ethereum	Hyperledger Fabric
Cryptocurrency required	bitcoin	ether, user-created cryptocurrencies	none
Network	public	public or permissioned	permissioned
Transactions	anonymous	anonymous or private	public or confidential
Consensus	proof of work	proof of work	PBFT
Smart contracts (business logic)	none	yes (Solidity, Serpent, LLL)	yes (chaincode)
Language	C++	Golang, C++, Python	Golang, Java

Blockchain tech is one piece of a broader ecosystem

Recall that blockchain technology only makes sense when a 3rd party isn't trusted to administer the database.

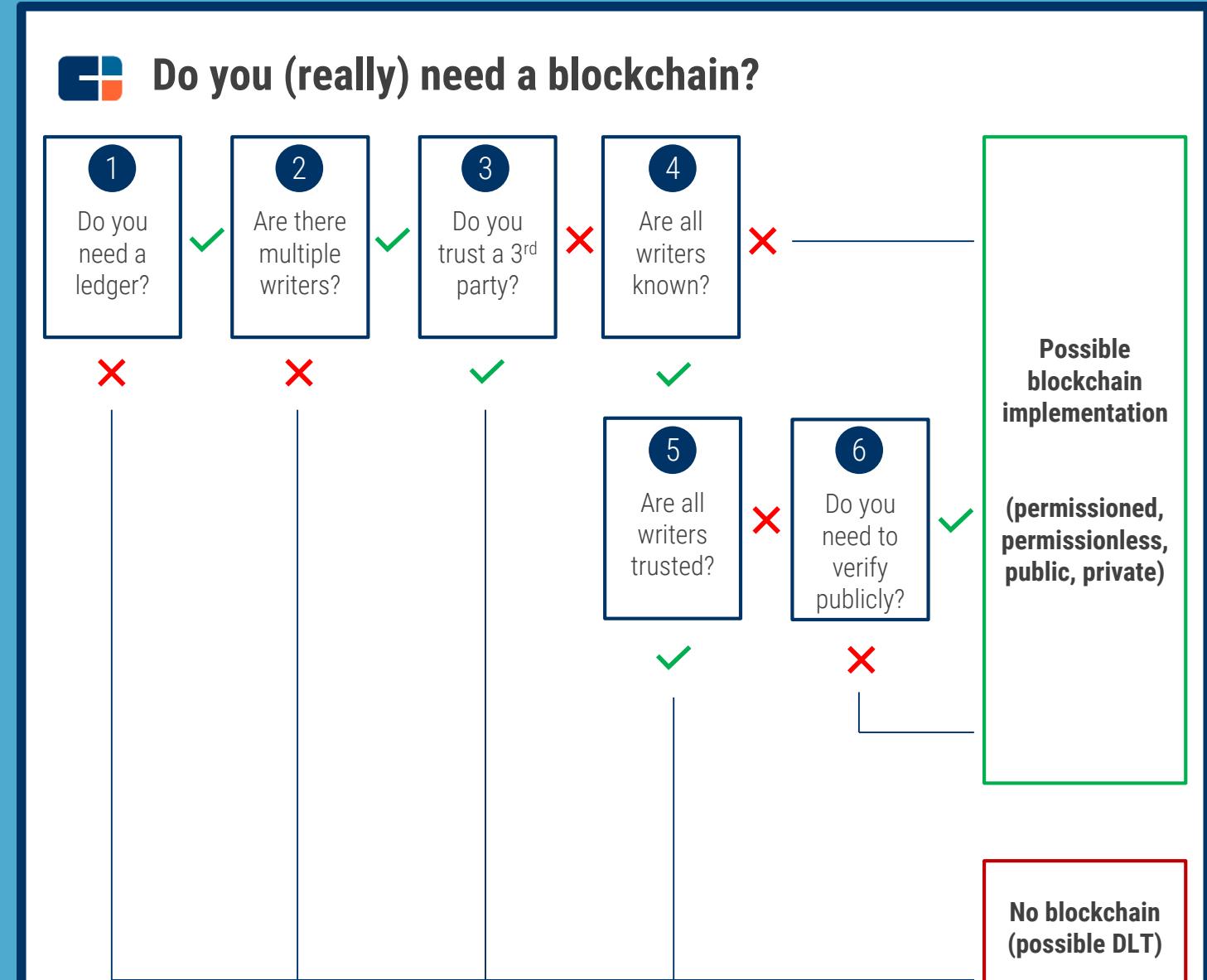


Source: [Tim Swanson](#)

# Distributed ledger technology (DLT) as an alternative for enterprises

If a trusted 3<sup>rd</sup> party could administer the ledger, then a blockchain is a “solution in search of a problem.”

Administered DLT – think: enterprise-grade Google Sheets – might make more sense in such a scenario, and is often used instead of blockchain for corporate use cases.



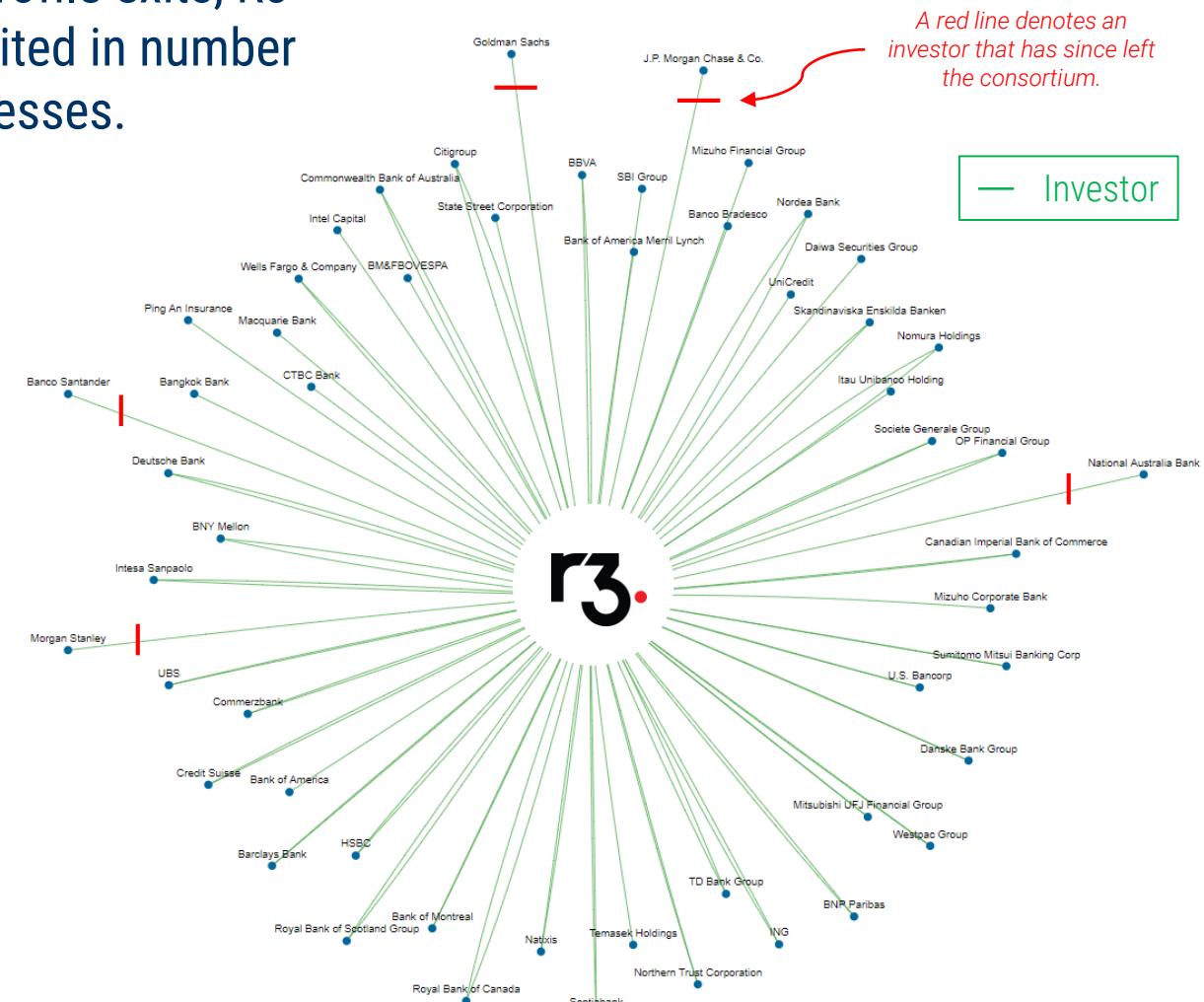
1. The line between ICOs and equity financing is blurring
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3. Top VCs are embracing tokens, and theses are shifting to “crypto”
4. Security tokens are emerging as a new cryptoasset class
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# 200+ banks, DFIs are part of R3's consortium

While the firm saw early setback with some high-profile exits, R3 now has 200+ members, and its pilots - though limited in number and small in scale - have been declared early successes.



- Corda isn't a blockchain per se; transactions aren't bundled in blocks, but validated individually
- Recent member additions include two Russian banks: Alfa-Bank, and SBI Bank (a subsidiary of Japan's SBI Holdings)
- Among other use cases, Corda is being used to create a new syndicated loan marketplace
- R3 is expanding its vision beyond financial services, to supply chain, insurance, and healthcare
- Cognizant and a group of Indian life insurers is using Corda to share data between companies
- R3 plans to launch and distribute Enterprise Corda in Q2'18, which will be available to businesses beyond its consortium

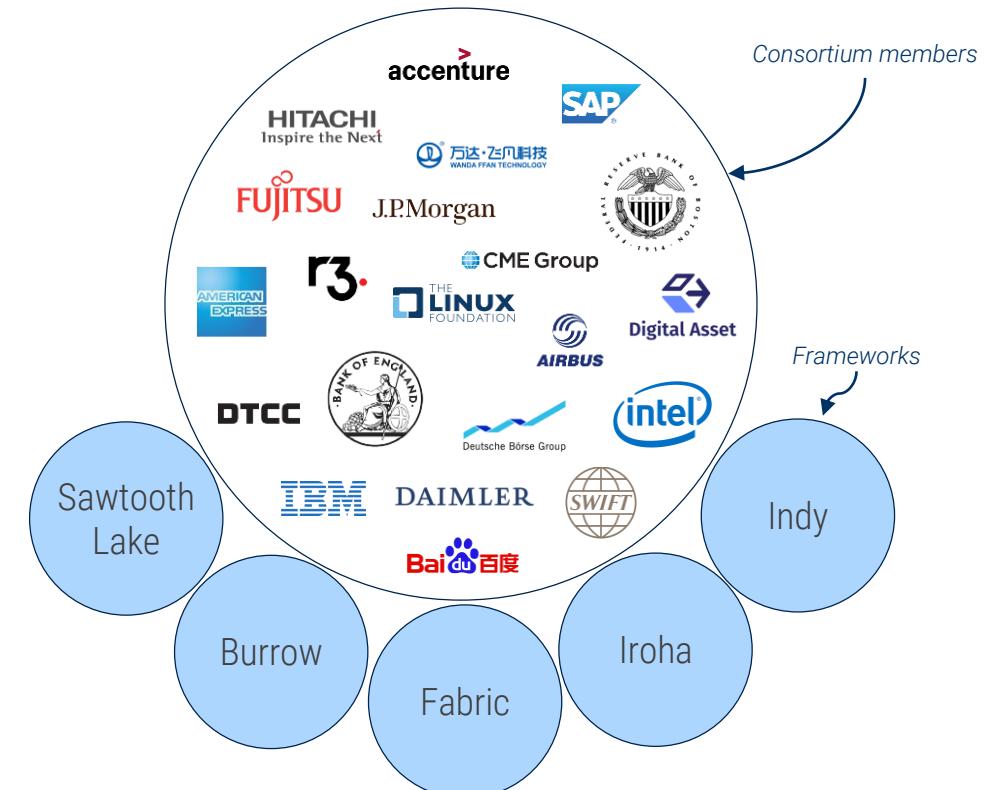


# Hyperledger finds first use case in supply chain

Hyperledger's Fabric framework is geared toward supply chain. The consortium has seen members come and go – by the end of 2017, 15+ members had left or downgraded membership. Still, Hyperledger is adding new members, and now counts over 200 of them.



- Governed by the Linux Foundation, Hyperledger counts numerous projects and working groups
- Hyperledger counts over 200 members, but has seen member attrition and churn
- Supply chain (Walmart, Kroger, Nestle)
- Ethereum smart contracts (via Monax integration with Sawtooth, and Burrow)
- Potential for tokens/ ICOs on top of Hyperledger platform
- Commercial bond trading (with Russia's NSD)
- Indy is built around decentralized identity, with an expected launch this year
- Iroha is a mobile-first blockchain, with an expected launch in May
- Projects are going live at a fast clip. Hyperledger continues to focus on interoperability with other blockchain projects



# Maersk, Hyperledger, and IBM form joint-venture

Yet to be named, the NYC-based company will aim to help shippers, ports, customs offices, banks, and other stakeholders in global supply chains track freight and replace related paperwork with tamper-resistant digital records. Presently, shipping supply chains are bogged down by paperwork shuffled between a glut of middlemen. Documentation, when lost or delayed, causes perishable goods lying in wait to spoil. In April, **Holt Logistics** (a port operator) conducted a pilot based via the joint venture.



HYPERLEDGER



IBM



# Telcos band together to look at new use cases

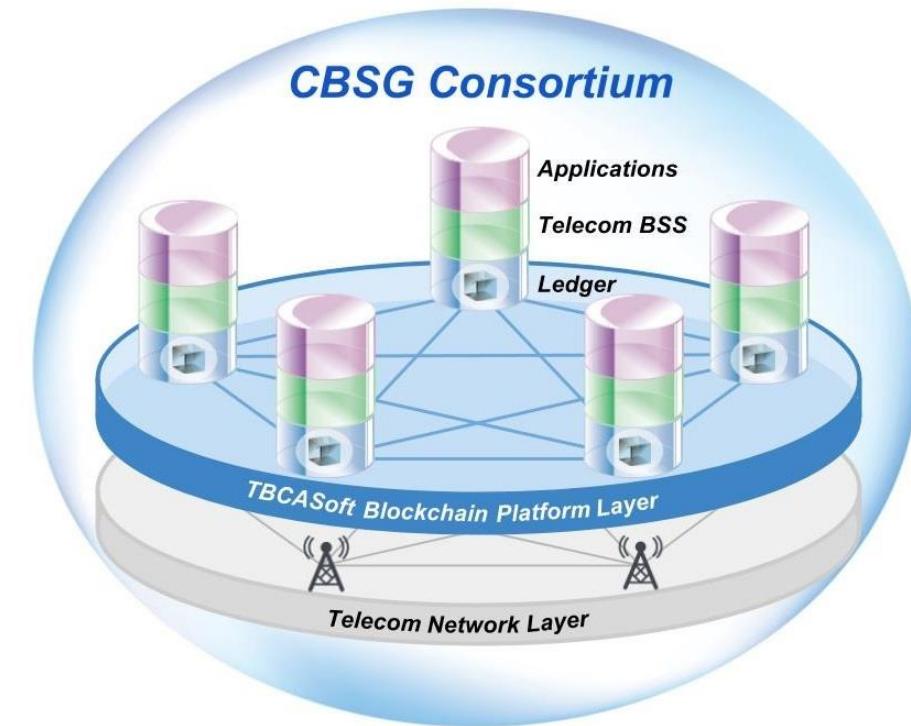
The Carrier Blockchain Study Group (CBSG) is a consortium that aims to develop secured clearing and settlement, identity and authentication, IoT applications, and other services using blockchain technology.



SoftBank



Telefonica



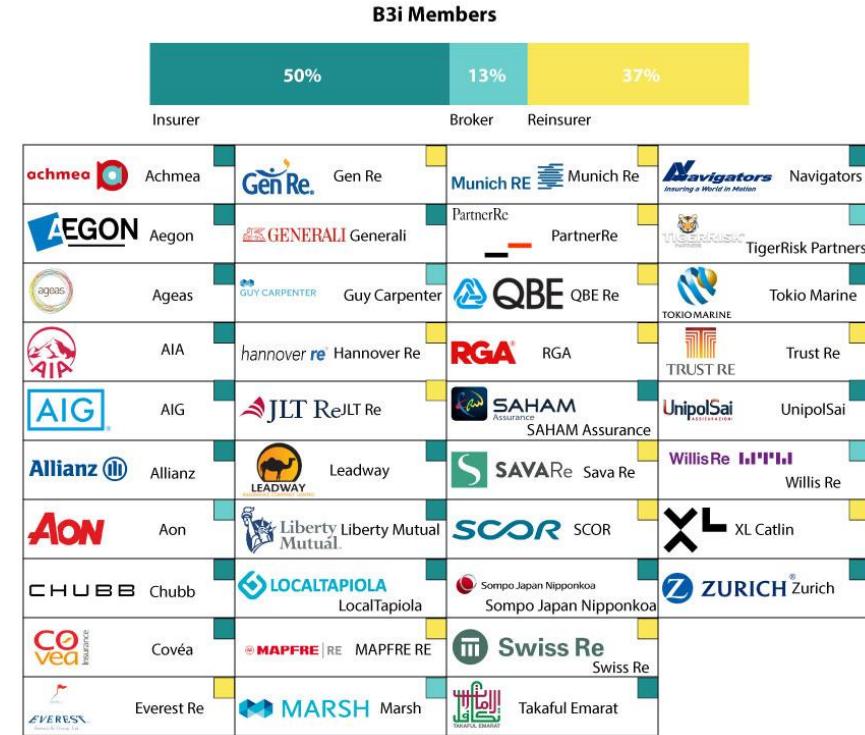
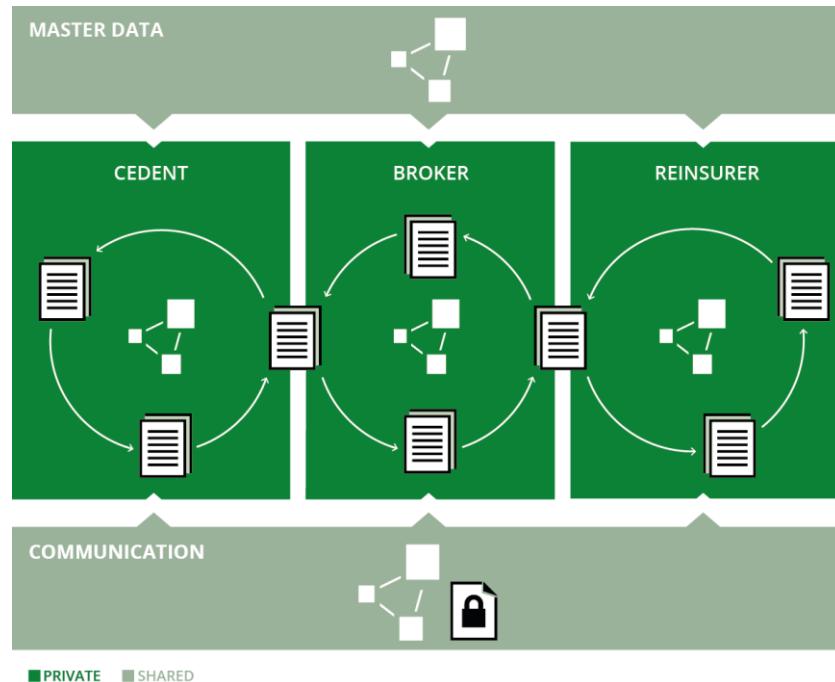
# BiTA is uniting big logistics and freight players

UPS, FedEx, BNSF Railway (owned by Berkshire Hathaway), and Schneider Trucking are just a few of the big names participating in an alliance to explore blockchain tech for the coordination of freight transport.



# B3i builds out consortium, company for insurance

B3i is backed by insurers and reinsurers like AIG, AIA, Allianz, Aegon and Swiss Re – among others – and now counts close to 40 members. The group has said that its preparing to invite brokers into the consortium, while it repositions itself as an independent company offering specific insurance products. In 2017, B3i built a prototype around property catastrophe excess of loss reinsurance contracts, and hopes to launch a working product this year.



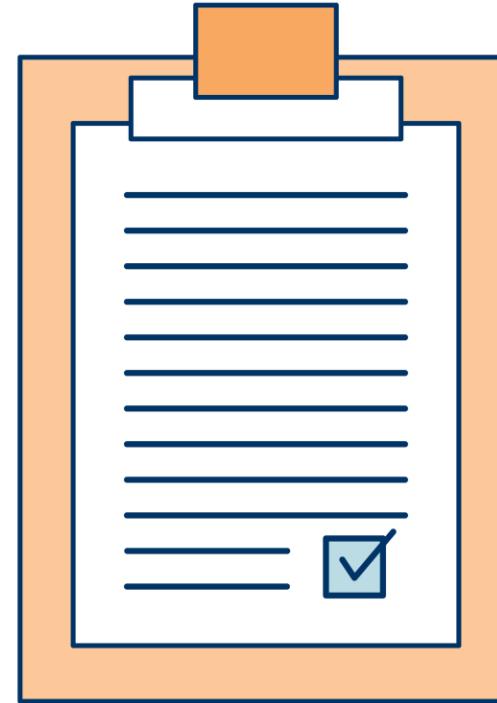
## BLOCKCHAINS ON BLOCKCHAINS

"The problem is a social, coordination problem: You gotta get everyone to agree to use one system, blockchain or otherwise. The word "blockchain" gets people excited and so is useful in solving that coordination problem -- "come to the blockchain meeting!" is a lot more appealing than "come to the paperwork reduction meeting!" -- but at this point it may have had too much success. **Why just go to the blockchain meeting when you can build your own blockchain? But if everyone does that then it won't work.**"



Matt Levine  
Bloomberg

# To recap



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## FURTHER READING:

[What Is Blockchain Technology?](#)

[What is Ethereum?](#)

[Blockchain Investment Trends In Review](#)

## WHERE IS ALL THIS DATA FROM?

The CB Insights platform has the details on all the information included in this report

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# Questions?

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