

*Welcome to Morgan Creek Digital's weekly digital asset update. It is comprised of a thought piece from our team followed by a summary of what we consider the most compelling digital asset news during the last week. We hope you find this content interesting. Please let us know if you have any comments or questions or if you would like to speak to a member of the [Morgan Creek Digital team](#).*

## **What is Decentralized Finance (DeFi)?**

Decentralized finance continues to grow in popularity as new use cases immerge originating as an integral part of blockchain infrastructure for financial transactions. But what is it?

Decentralized Finance (DeFi) is a blockchain-based financial infrastructure that does not rely on central intermediaries- like custodians, exchanges, or traditional banks to offer financial instruments. DeFi generally refers to a permissionless and widely open system that can allow virtually anyone to access a network. These users have the ability to access ledgers and verify the accuracy of transactions that increases the interoperability and transparency of the network. A DeFi stack, which is a set of products and services, generally consists of four layers: a settlement layer (a base layer or public blockchain, like Ethereum, for transactions), a protocol layer (standards for rules to create tasks), an application layer (where consumer applications live), and an aggregation layer (the connection between applications and investors). At Morgan Creek Digital (MCD), we invest in entrepreneurs and technologies that create more efficient, transparent, and secure systems that will ultimately benefit industries and individuals worldwide. A number of our portfolio companies use DeFi applications to run successful businesses. A few examples of those applications include asset tokenization, decentralized exchanges and decentralized lending platforms.

**Asset Tokenization:** Asset tokenization is the process of adding new assets to a blockchain and, in many ways, we believe serves as a natural progression from public blockchain infrastructure- provided that the network allows users to establish an open and immutable ledger. Tokenization is transparent and easily transactional. For example, one of Morgan Creek Digital's portfolio companies, eToro, offers tokenized asset trading on eToroX with a vision to migrate all assets to the blockchain. Traders on eToroX can purchase stablecoins pegged to popular currencies, including the U.S. dollar (USDEX), euro (EURX), British pound (GBPX), and Japanese yen (JPYX). These currencies benefit traders looking to expand their set of cryptocurrencies and tokenized assets.

**Decentralized Exchanges:** DeFi characteristics offer tremendous benefits to

financial exchanges and their users. Trade execution happens atomically through a smart contract, meaning that the activity of both trade parties is inextricably linked into one transaction, creating transparency and removing the need for middle-men escrow services. The decentralization also allows for more efficient and accessible trading.

The Uniswap platform was built in 2018 on top of the Ethereum blockchain and is one of the top DeFi exchanges globally. It has over \$3 billion worth of crypto assets stored on its protocol, \$296B in lifetime trading volume and 56M trades across 200 integrations from 72k liquidity providers. Uniswap is also completely open source, which means anyone can copy their code to create their own decentralized exchanges. It also means that users maintain total control of their personal funds as opposed to a centralized exchange that require traders to cede control of their private keys in order to log trades on internal databases.

***Decentralized Lending Platforms:*** Loans are a critical component of the DeFi environment. Decentralized loan platforms allow individuals to lend and borrow assets in a permissionless fashion without identifying themselves. Therefore, these open networks provide virtually everyone with the access to borrow money or provide liquidity to earn interest. Protocols may require an atomic and on-chain settlement of the loan, meaning the acquisition, use, and repayment of a loan are all housed within the same blockchain transaction, ensuring protection on behalf of the lender. Another approach is requiring collateral, which is secured in a smart contract until the lender receives payment.

One of our portfolio companies, Figure, offers a leading financial services platform to secure a loan without waiting for traditional lenders or banks. Figure leverages Provenance blockchain for loan origination, equity management, private fund services, banking and payments. We believe Figure redefines the trillion-dollar financial services industry with a transparent, widely-open, end-to-end blockchain solution that combines digital fundraising and asset management tools with a marketplace for raising capital and trading fund interests.

We believe DeFi and blockchain technology will continue to redefine financial services and transform traditional industries. MCD is committed to investing in the transformational technologies of the Digital Age that will make value transfers faster, more secure, and more accessible.

## **RUNDOWN**

**Thriving Under Pressure: Why Crypto Is Booming in Nigeria Despite the Banking Ban:** Nigeria's regulators tried to crack down on cryptocurrency. Now, a few months later, it's clear their efforts haven't worked. The nation is a prime example of how people will turn to crypto to cope with a struggling economy despite the prohibitive stance of the state. In February, the Central Bank of Nigeria ordered banks to "identify persons and/or entities" who were conducting transactions in crypto or running crypto exchanges and "ensure that such accounts are closed immediately." But that ban didn't stamp out bitcoin in Nigeria. Rather, the crypto community turned to peer-to-peer trades,

or sending payments directly to each other. [Read more.](#)

**Most Institutional Investors Expect to Increase Crypto Exposure by 2023:** A survey found that 82% of institutional investors expect to increase their exposure to crypto and digital assets by 2023. The study by Nickel Digital Asset Management surveyed institutional investors and wealth managers from the U.S, U.K., France, Germany and the UAE, Institutional Asset Manager reported. Nickel Digital Asset Management did not say how many institutional investors were surveyed in June. [Read more.](#)

**Visa And BlockFi Launch 2% Bitcoin Rewards Credit Card** Cryptocurrency services company BlockFi launched its first-ever crypto rewards credit card, in conjunction with Visa, to approved clients in the United States last Tuesday. BlockFi's plans for a credit card were initially disclosed in December 2020 when the exchange released a waiting list for U.S.-based clients, which is now over 400,000 people. BlockFi CEO Zac Prince expects everyone on the waitlist to receive their card around the end of July. [Read more.](#)

**Sotheby's Auctions 101-Carat Diamond in New Milestone for Crypto:** International auction house Sotheby's will accept payment in Bitcoin or Ether at the sale of a 101.38-carat diamond this past Friday, marking another milestone in the adoption of cryptocurrencies. The pear-shaped flawless diamond could fetch as much as \$15 million in the single-lot sale in Hong Kong, the most expensive physical object ever publicly offered for purchase with cryptocurrency, according to Sotheby's. [Read more.](#)

**Visa Crypto Cards Have Racked Up \$1B in Spending in 2021** Visa's crypto-related cards saw a billion dollars of spending activity in the first half of 2021, the company announced last Wednesday. The billion-dollar mark isn't entirely made up of consumers spending cryptocurrency. Some transactions are tied to fiat accounts but result in crypto rewards; some are indeed crypto transactions. The payments giant didn't provide a breakdown. [Read more.](#)

**Zerion Raises \$8.2M to Make DeFi as Easy as Coinbase** Decentralized finance portal, Zerion, has raised \$8.2 million in a Series A funding round led by Mosaic Ventures. The investment, announced last Wednesday, also included participation from CoinDesk parent company Digital Currency Group and existing investors Blockchain.com and Placeholder. The San Francisco-based company offers a portal to DeFi: Plug in your wallet address and see your crypto holdings visualized. The aesthetics are remarkably similar to those of Coinbase. [Read more.](#)

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