

Key Takeaways

- The SEC has brought forth enforcement actions against Kraken and BUSD
- BUSD may have held a fractional reserve at some point in 2022
- US regulators need to provide clarity and paths to full compliance

On-Chain Commentary

Regulatory enforcement actions for retail staking platforms and stablecoin issuers in the digital asset environment have ramped up over the past week. The SEC targeted Kraken with an enforcement action over an unregistered offer and sale of their crypto asset staking-as-a-service program. The US-based crypto exchange Kraken, which launched in 2013, settled with the SEC, paying \$30 million in penalties and closed its staking program to US customers. Coinbase, who also provides a staking program for retail customers, may be the next SEC target. In a [blog post](#), Coinbase Chief Legal Officer Paul Grewal argued Coinbase's staking services are not securities.

Stablecoin issuer Paxos was also served with a Wells Notice, indicating a pending SEC lawsuit against the company's handling of the Binance USD (BUSD) stablecoin. Paxos says it categorically disagrees with the SEC charges and is prepared to vigorously litigate if necessary. The New York State Department of Financial Services (NYDFS) also informed Paxos to halt any future issuance of BUSD, alleging the token wasn't being administered in a "safe and sound" manner. In 2022, competitor stablecoin issuer Circle reported a potential dislocation in BUSD's issuance versus reported reserves to the NYDFS. Paxos issues monthly BUSD transparency reports, with the most recent showing reserves consisting of 76% US treasury reverse repo, 19% short-dated US treasuries, and 5% cash.

This week, the SEC may also be adjusting rules surrounding crypto firms acting as qualified custodians. In light of the events that occurred throughout 2022 with FTX, Three Arrows Capital and the algo-stablecoin UST, all of the recent SEC actions are expected to some degree. However, the SEC needs to tow a fine line between punishing the remaining good actors in the space and bringing forth common sense regulations to protect investors. If the fear of regulatory obedience or enforcement is too high, companies, products, and capital will move offshore, and become more difficult for Americans to access in a safe and compliant manner. At the end of the day, the digital assets themselves remain unharmed fundamentally from any government's regulatory action and continue to function without issue.

Chart 1: Bitcoin Price Completes Golden Cross

Bitcoin price with key moving averages

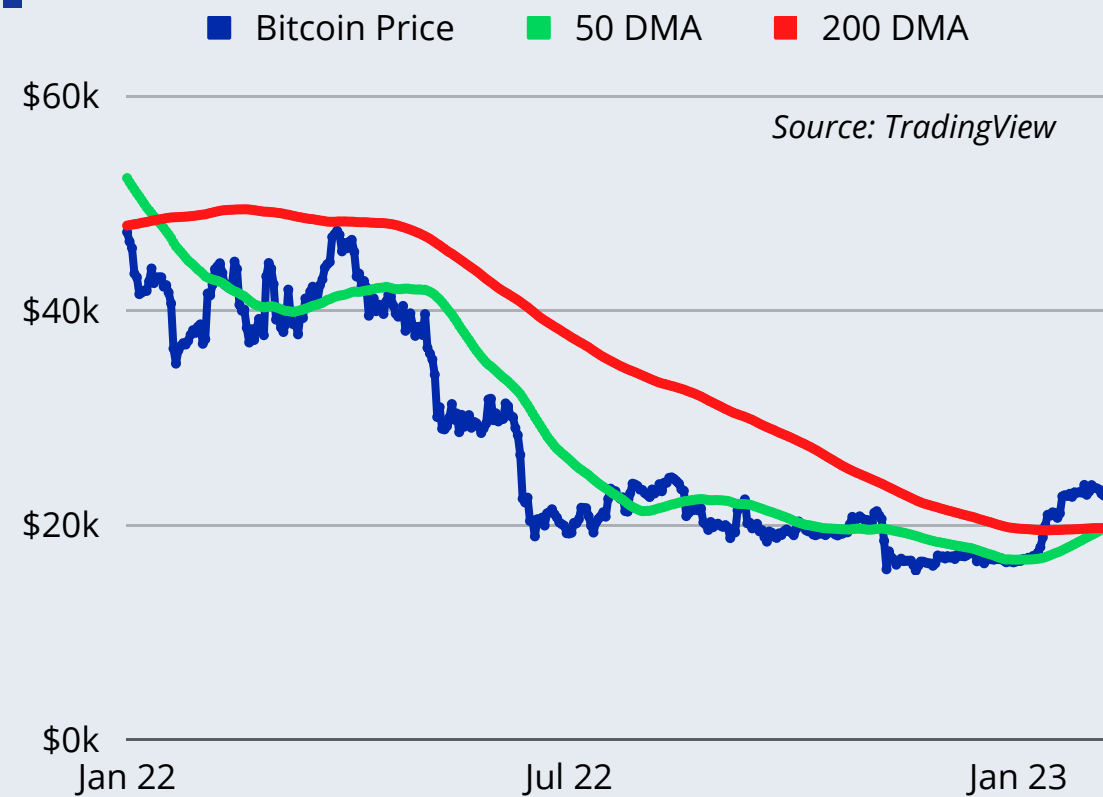


Chart 2: Bitcoin Has Diverged From The S&P 500

Bitcoin & the S&P 500 have decoupled slightly in recent days

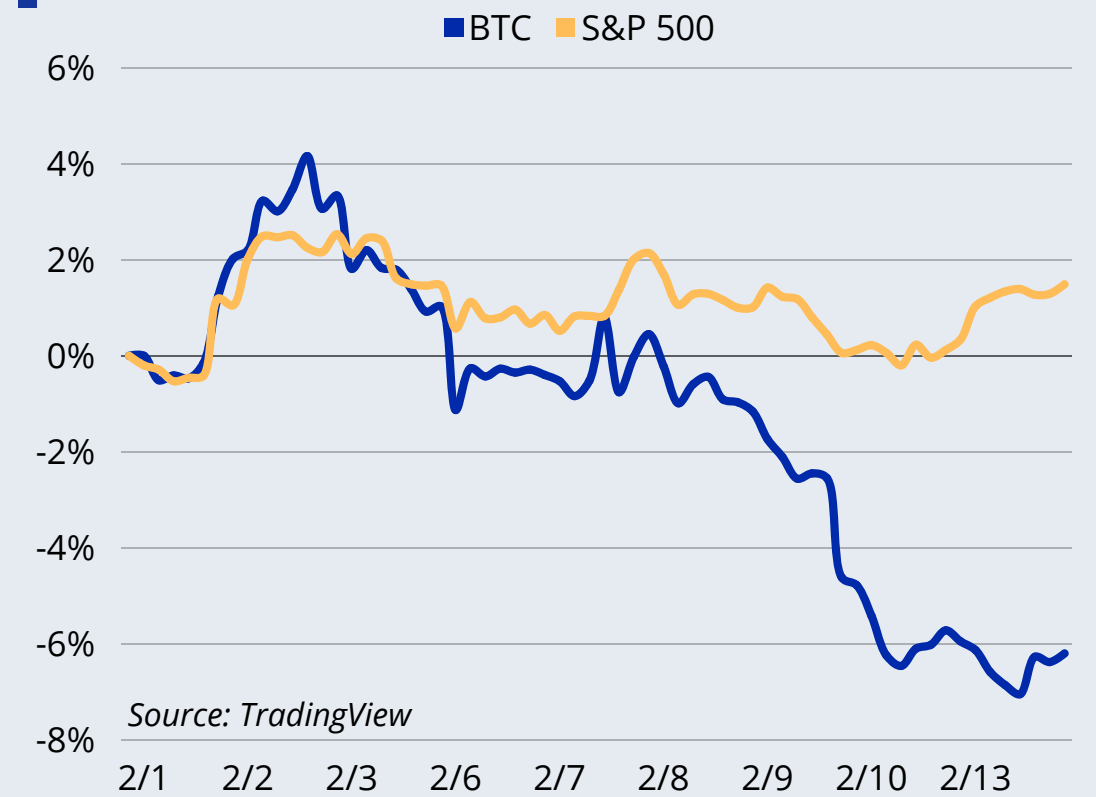


Chart 3: Tether Continues to See Consistent Inflows

USDT, USDC, and BUSD week-over-week net flows YTD

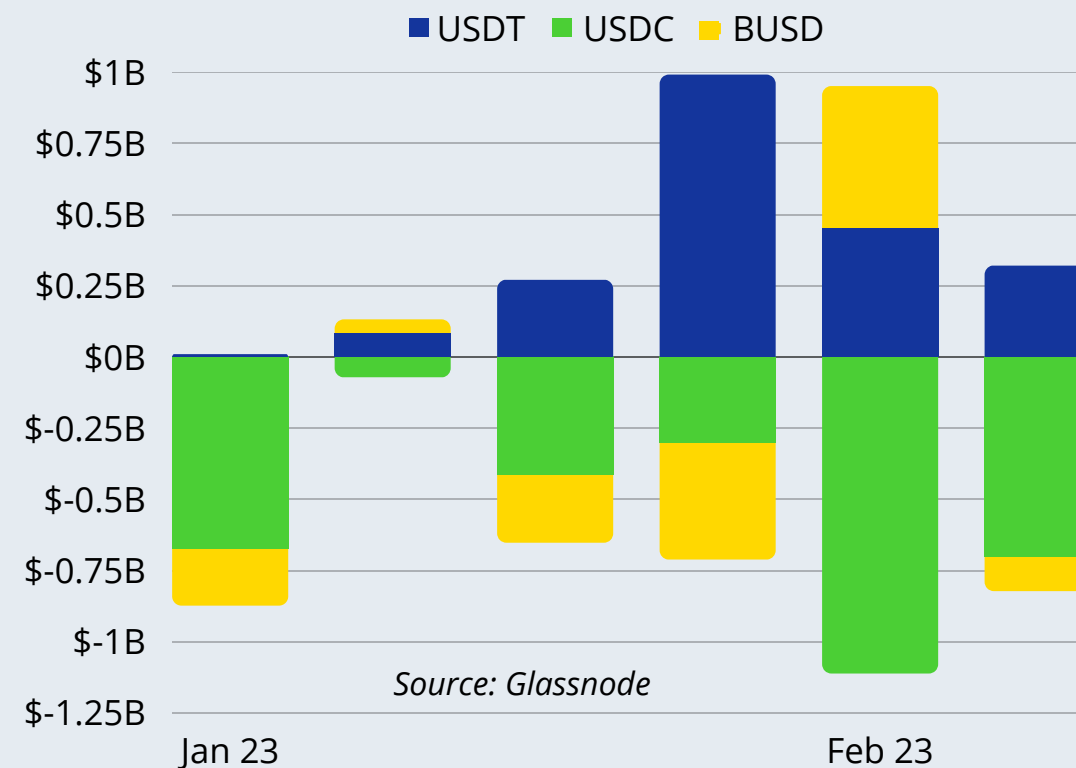
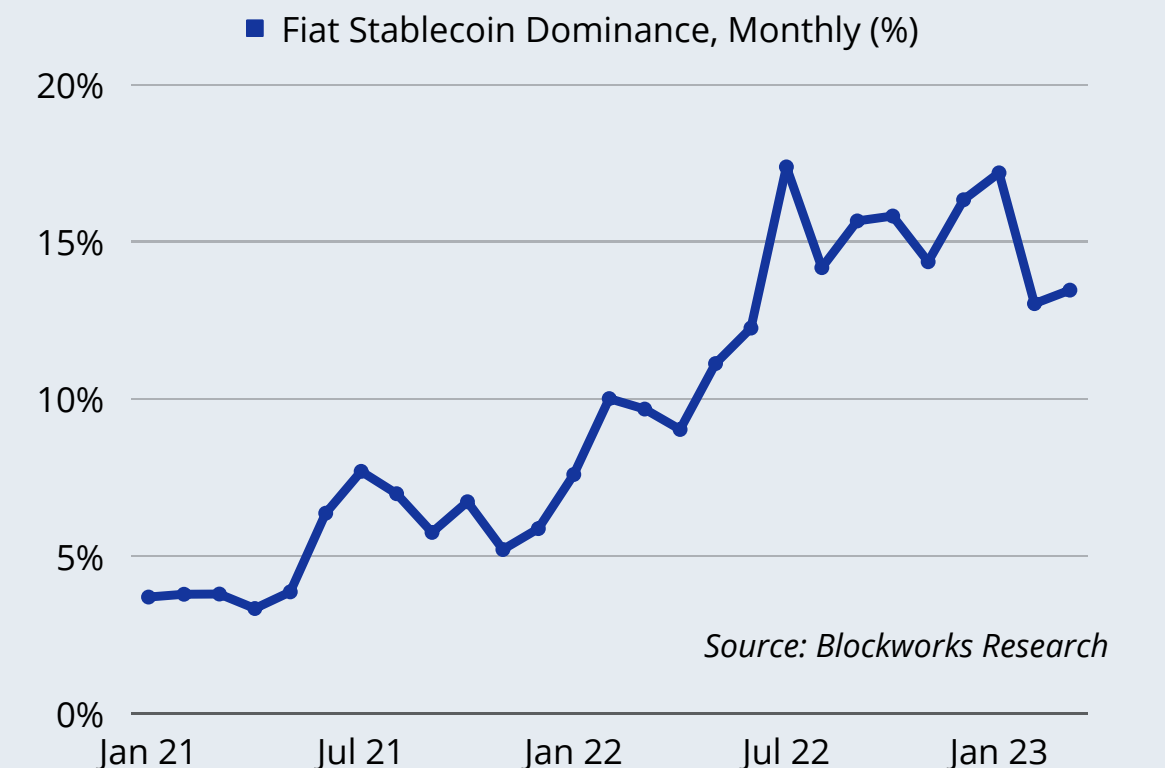


Chart 4: Stablecoin Dominance Holds Flat

Fiat stablecoin market cap relative to total digital asset market cap





Weekly Market Review - February 13th, 2023

Returns (%)

Annualized (%)

News Review

| Crypto | Ticker | Price (\$) | 1 week | 1 month | 3 month | YTD | 1 year | M Cap (bn) | Issuance | Stake Yield |
|-------------------------------------|--------|------------|--------|---------|---------|--------|--------|------------|----------|-------------|
| Bitcoin | BTC | 21514.47 | -1.26 | -6.98 | 29.70 | 30.14 | -49.07 | 415.01 | 1.74 | N/A |
| Ethereum | ETH | 1477.84 | -2.48 | -6.78 | 19.03 | 23.64 | -49.39 | 180.85 | 0.01 | 3.98 |
| Binance Coin | BNB | 285.10 | -8.83 | -8.65 | 2.41 | 15.80 | -30.19 | 45.02 | 0.00 | 2.57 |
| Polygon | MATIC | 1.15 | -6.63 | 3.96 | 25.98 | 52.24 | -32.98 | 10.08 | 2.40 | 6.29 |
| Solana | SOL | 20.31 | -5.58 | -15.13 | 45.18 | 103.71 | -78.85 | 7.63 | 4.40 | 4.24 |
| Polkadot | DOT | 5.99 | -3.03 | -4.46 | 2.28 | 39.07 | -68.19 | 6.96 | 7.50 | 14.40 |
| Tron | TRX | 0.06 | 1.19 | 3.79 | 29.01 | 18.77 | 0.84 | 5.92 | 2.05 | 3.54 |
| Avalanche | AVAX | 17.21 | -3.23 | -13.07 | 31.36 | 58.02 | -79.08 | 5.42 | 5.52 | 9.13 |
| Cosmos | ATOM | 12.84 | -5.17 | -3.92 | 24.59 | 37.32 | -53.07 | 3.68 | 16.67 | 22.06 |
| Near | NEAR | 2.12 | -4.89 | -8.61 | 8.06 | 69.26 | -80.29 | 1.82 | 5.16 | 9.62 |
| Valkyrie's Alt Layer 1 Index | | 41.88 | -5.27 | 15.72 | 51.62 | 57.21 | -63.95 | | | |



- [SEC Charges Crypto Exchange Kraken Over Staking Program](#)
- [Crypto Firm Paxos Faces SEC Lawsuit Over Binance USD Token](#)
- [Bankrupt Crypto Broker Genesis Unveils Plan to Pay Back Creditors](#)
- [Cantor Fitzgerald Helps Oversee Tether's \\$39B in Treasury Holdings](#)
- [Visa Eyes High-Value USDC Settlement Payments on Ethereum](#)
- [DEX Trading Activity Picks Up Steam as Markets Spurn Centralization](#)
- [Crypto's 2023 Job Cuts Run Into Thousands After Just Five Weeks](#)

■ Valkyrie's Alt Layer 1 Index

TradFi Indices

| | | | | | | | |
|-----------------------|-----|-------|-------|-------|------|-------|--------|
| S&P 500 | SPX | 4090 | -1.11 | 2.28 | 2.44 | 6.54 | -7.43 |
| Nasdaq 100 | NDX | 12304 | -2.14 | 6.61 | 4.13 | 12.48 | -13.67 |
| Russell 2000 | RUT | 1918 | -3.36 | 1.68 | 1.92 | 8.95 | -5.48 |
| Dow Jones Ind. | DJI | 33869 | -0.17 | -1.26 | 0.36 | 2.18 | -2.50 |

Commodities

| | | | | | | | |
|----------------------------------|-------|---------|-------|--------|--------|--------|--------|
| Crude Oil | CL1 | 79.11 | 6.26 | -1.17 | -7.15 | -1.73 | -16.52 |
| Brent Crude | BRN00 | 85.71 | 5.27 | 1.87 | -7.36 | -0.35 | -10.63 |
| Natural Gas | NG00 | 2.44 | -2.08 | -24.37 | -62.02 | -40.16 | -41.61 |
| Unleaded Gas | RB00 | 2.47 | 4.09 | -2.34 | -1.86 | -0.90 | -10.21 |
| Gold | GC00 | 1867.30 | -0.67 | -2.88 | 5.39 | 2.05 | -0.28 |
| Copper | HG00 | 4.04 | 0.05 | -4.23 | 5.18 | 5.75 | -10.02 |
| Wheat | W00 | 778.00 | 3.80 | 4.61 | -4.95 | -1.64 | -2.81 |
| Bloomberg Commodity Index | BCOM | 108.06 | 1.30 | -3.15 | -7.34 | -4.20 | -2.74 |



On-Chain Commentary: Source: Valkyrie Investments, Inc.

Chart 1: Bitcoin Price Completes Golden Cross: Source: Valkyrie Investments, Inc., TradingView

Chart 2: Bitcoin Has Diverged From The S&P 500: Source: Valkyrie Investments, Inc., TradingView

Chart 3: Tether Continues to See Consistent Inflows: Source: Valkyrie Investments, Inc., Glassnode

Chart 4: Stablecoin Dominance Holds Flat: Valkyrie Investments, Inc., Blockworks Research

Coin Prices, Market Capitalizations, and Returns: Source: Valkyrie Investments, Inc., TradingView, Messari. All returns represent total return for stated period. Coin Logos: Source: cryptologos.cc

Annualized Issuance and Staking Yield: Source: Valkyrie Investments, Inc., StakingRewards.com. ETH staking rewards values are representative of the network post-Proof-of-Stake transition.

"Indicies" prices and returns: Source: Valkyrie Investments, Inc., MarketWatch. "S&P 500" provided by Standard & Poor's and is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States, "Nasdaq 100" provided by NASDAQ OMX Group and includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. "Russell 2000" provided by FTSE Russell and is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. "Dow Jones Ind." provided by S&P Dow Jones Indices and is a price-weighted measurement stock market index of 30 prominent companies listed on stock exchanges in the United States. "Gold" provided by NYMEX - CME Group and is a continuous futures product. All returns represent total return for stated period.

"Commodities" prices and returns: Source: Valkyrie Investments, Inc., Wall Street Journal. Bloomberg Commodity Index provided by Bloomberg and tracks prices of futures contracts on physical commodities on the commodity markets. All returns represent total return for stated period.

Valkyrie's Alternative Layer 1 Index: Source: Valkyrie Investments, Inc., CoinGecko. Includes Layer 1 protocols traded on at least 2 of the following 4 U.S. exchanges: Coinbase, Gemini, Kraken, or Binance US. Excludes BTC, ETH, stablecoins, and exchange tokens. Weightings using year 2050 MCAP (FDV), value struck at 8PM EST daily, rebalanced quarterly.

Authors:

Steven McClurg, CIO

Bill Cannon, Portfolio Manager

Sean Rooney, VP Research and Trading

Josh Olszewicz, Head of Research



Past performance is not indicative of future results. Investments may be speculative, illiquid and there is a risk of total loss. There is no guarantee that any specific outcome will be achieved. There is no guarantee that any specific outcome will be achieved. This is not an offer to buy or sell securities. We do not offer legal, tax or financial advice. Information is purported to be as of the time period provided therein. Charts/graphs are for illustrative purposes only.

Cautionary Statement Concerning Forward-Looking Statements:

This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.