

# The Crypto Credit Report

Issue 6

Q3 2020



# Table of Contents

<b>Table of Contents</b>	<b>1</b>
<b>Introduction</b>	<b>3</b>
<b>Corrections</b>	<b>3</b>
<b>Industry Snapshot</b>	<b>4</b>
Industry   Q3	4
Overall	4
Charts (numbers in millions)	5
Active Debt	5
Active Collateral	5
LTV	5
Interest Generated	5
Industry   Commentary	5
<b>Private Lending</b>	<b>7</b>
Private Lending   Q3	7
Charts (Numbers are in Millions)	8
Active Debt	8
Active Collateral	8
LTV	8
Interest Generated	8
Private Lending   Q3   Commentary	8
<b>DeFi</b>	<b>10</b>
DeFi   Q3	10
Charts	11
Active Debt	11
Active Collateral	11
LTV	11
Interest Generated	11
DeFi   Q3   Commentary	11
<b>Lenders</b>	<b>13</b>
<b>Data Sources</b>	<b>14</b>
<b>Acknowledgements</b>	<b>16</b>

## Introduction

What mattered in Q3:

The biggest takeaway from Q3 is that the financial world is almost unanimously long on crypto currency...even if some parties will not publicly state this fact quite yet.

Institutional confidence grew at an unprecedented rate as a variety of global trends have pushed traditional institutions towards crypto-currency. Consumer/Retail activity is also on the precipice of taking off as major financial services began to integrate crypto into their platforms

Innovation in Defi continues to spur explosive growth for consecutive quarters.

## Corrections

No corrections this time, but please let us know if you notice anything questionable!

## Industry Snapshot

### Industry | Q3

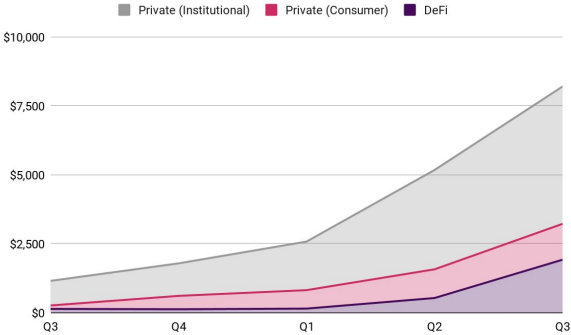
#### Overall

These numbers include public data from DeFi lenders and private data from consumer and institutional lenders. This represents 85% of lending firms. We have not adjusted our numbers to account for the 15% of the industry from whom we have not received data. If you know of a firm that is not represented in this report please bring this to our attention.

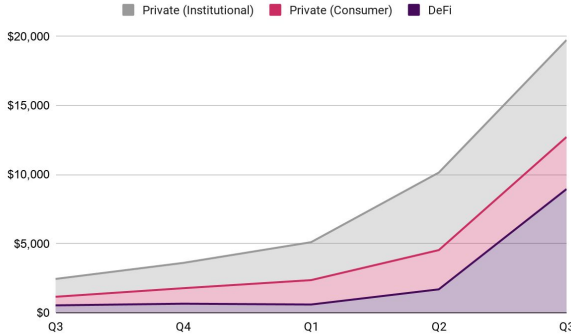
Q3 '19 - Q3 '20	Q3	Q4	Q1	Q2	Q3	Q3/Q4	Q4/Q1	Q1/Q2	Q2/Q3
<b>Active Debt (MM)</b>	<b>\$1,158</b>	<b>\$1,791</b>	<b>\$2,582</b>	<b>\$5,179</b>	<b>\$8,204</b>	<b>54%</b>	<b>44%</b>	<b>100%</b>	<b>58%</b>
Private	\$1,015	\$1,663	\$2,430	\$4,632	\$6,280	63%	46%	90%	36%
Defi	\$141	\$129	\$152	\$536	\$1,924	-8%	18%	252%	259%
<b>Active Collateral (MM)</b>	<b>\$2,451</b>	<b>\$3,615</b>	<b>\$5,111</b>	<b>\$10,151</b>	<b>\$19,747</b>	<b>47%</b>	<b>41%</b>	<b>98%</b>	<b>95%</b>
Private	\$1,913	\$2,955	\$4,512	\$8,453	\$10,790	41%	66%	87%	28%
Defi	\$539	\$659	\$599	\$1,698	\$8,957	21%	-9%	183%	428%
<b>Interest Generated (MM)</b>	<b>\$20</b>	<b>\$29</b>	<b>\$43</b>	<b>\$71</b>	<b>\$138</b>	<b>45%</b>	<b>48%</b>	<b>65%</b>	<b>94%</b>
Private	\$17	\$26	\$40	\$64	\$106	54%	51%	60%	66%
Defi	\$3.7	\$3.4	\$3.1	\$7	\$32	-9%	-7%	125%	357%

## Charts (Numbers in Millions | Q3 '19 - Q3 '20)

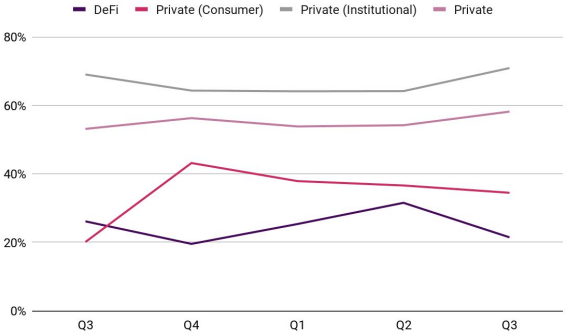
### Active Debt



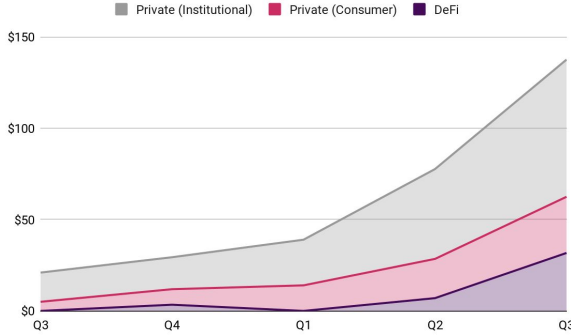
### Active Collateral



### LTV



### Interest Generated



## Industry | Commentary

Overall industry saw similar growth from Q2 to Q3 as was seen in Q1 to Q2. The continued frenzy over yield farming<sup>1</sup> in DeFi saw debt and collateral in the sector increase by well over 100% for the second consecutive quarter. In the past year, the crypto lending industry has grown by over 600%.

In Q3, active debt increased by 58% and active collateral increased by 95%. Collateral value

<sup>1</sup>explained in DeFi section.

increase continues to outpace debt as collateral continues to be composed of volatile assets such as BTC and ETH while as borrow rates for stablecoins rise at a healthy rate.

Across both Defi protocols and retail/institutional firms, stablecoins and cash equivalents are making up a larger proportion of loan books. On the low end, stablecoins compose around 35% of loan books while some firms have 95% of their outstanding debt in stablecoins.

Announcements from a variety of firms and companies showing support for crypto assets has helped drive up the price. Large investment firms such as Grayscale and public funds like Norwegian Oil announced adding crypto assets to their portfolios. Fintech companies, Square, announced a large purchase of BTC while Paypal announced that they now support buying, selling and holding cryptocurrencies, bringing one of the largest payment platforms in the world by user base into the digital asset ecosystem.

While the overall market cap for crypto assets remains too small for the largest firms to buy in without distorting the price, overall sentiment is bullish on crypto as notable figures, like Paul Tudor Jones have made public<sup>2</sup> statements supporting crypto assets. If the price of BTC continues to climb, it is increasingly likely that some of the biggest traditional finance firms enter the crypto lending industry, a thought that seemed impossible only a few years ago.

One interesting trend was the shift of institutional money flowing into Defi as investors looked to capitalize on the high returns from various yield generating products<sup>3</sup>. Genesis' Q3 report details a portfolio shift away from BTC towards ETH, Alt-coins and USD equivalents. From Q2 to Q3, the percentage of loans using BTC fell from 50% to 40% while USD equivalents went from 32% to 34% and ETH loans rose from 7.5% to 12.4%. The report states that this shift can partly be attributed to the demand by institutional investors to lever up on liquidity mining strategies based in the DeFi ecosystem.

## Private Lending

We are reporting consumer and institutional lending as two separate categories<sup>4</sup>.

---

<sup>2</sup>

<https://www.cnbc.com/2020/10/22/-paul-tudor-jones-says-he-likes-bitcoin-even-more-now-rally-still-in-the-first-inning.html>

<sup>3</sup> Explained in detail in the DeFi section of this report.

<sup>4</sup> **Consumer** lending refers to firms that allow individuals to borrow and deposit relatively small amounts of crypto. **Institutional** lending refers to verified institutions making large, market making trades and borrowing or lending large amounts of crypto.

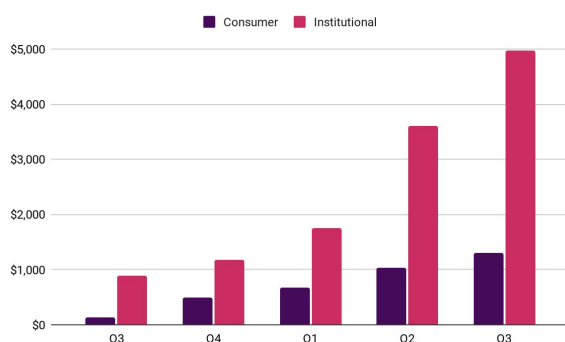
Please note that we use the price of assets at the end of the quarter to calculate USD values<sup>5</sup>.

## Private Lending | Q3

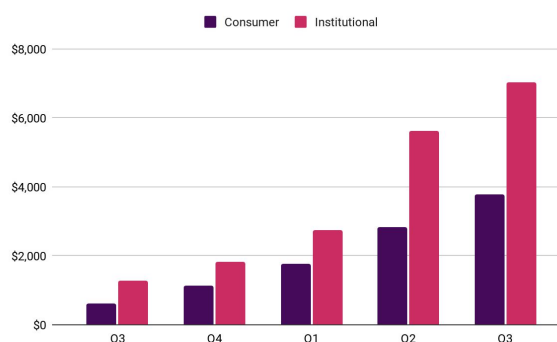
	Q3 '19 - Q3 '20	Q3	Q4	Q1	Q2	Q3	Q3/Q4	Q4/Q1	Q1/Q2	Q2/Q3
<b>LTV</b>		<b>59%</b>	<b>56%</b>	<b>54%</b>	<b>55%</b>	<b>58%</b>	-	-	-	-
Consumer		27%	43%	38%	37%	35%	-	-	-	-
Institutional		74%	64%	64%	64%	71%	-	-	-	-
<b>Active Debt (MM)</b>		<b>\$1,016</b>	<b>\$1,663</b>	<b>\$2,430</b>	<b>\$4,642</b>	<b>\$6,280</b>	<b>63%</b>	<b>46%</b>	<b>90%</b>	<b>35%</b>
Consumer		\$125	\$485	\$669	\$1,040	\$1,300	291%	37%	55%	25%
Institutional		\$891	\$1,178	\$1,761	\$3,602	\$4,980	32%	49%	100%	38%
<b>Active Collateral</b>		<b>\$1,913</b>	<b>\$2,954</b>	<b>\$4,512</b>	<b>\$8,453</b>	<b>\$10,790</b>	<b>41%</b>	<b>66%</b>	<b>87%</b>	<b>28%</b>
Consumer		\$621	\$1,123	\$1,766	\$2,841	\$3,768	42%	99%	60%	34%
Institutional		\$1,292	\$1,831	\$2,746	\$5,612	\$7,022	41%	50%	104%	25%
<b>Interest Generated (MM)</b>		<b>\$21</b>	<b>\$26</b>	<b>\$39</b>	<b>\$64</b>	<b>\$106</b>	<b>54%</b>	<b>51%</b>	<b>60%</b>	<b>66%</b>
Consumer		\$5.0	\$8.5	\$14	\$21	\$31	66%	65%	50%	48%
Institutional		\$16	\$17	\$25	\$42	\$75	48%	44%	68%	79%

## Charts (Numbers in Millions | Q3 '19 - Q3 '20)

### Active Debt

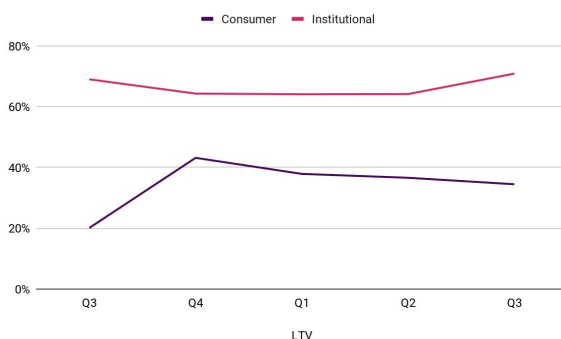


### Active Collateral

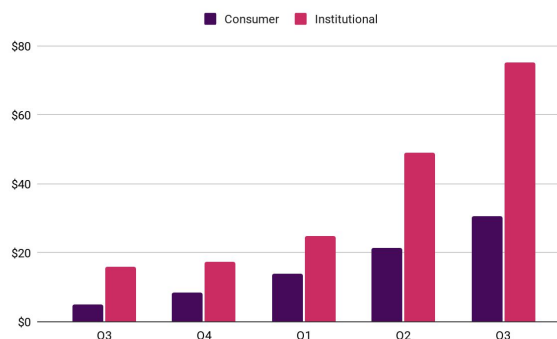


<sup>5</sup> On July 1st, BTC was trading at \$9,135 and on September 30th it traded at \$10,779. Prices off Coinbase.

## LTV



## Interest Generated



## Private Lending | Q3 | Commentary

The private sector continued to grow, but not nearly at the same rate as Q2 which saw 90% and 87% growth in debt and collateral respectively. Total collateral grew by 28% while active debt grew by 35%. However, the price of BTC increased by 17% between Q2 and Q3 compared to 50% between Q1 and Q2 explaining part of the decrease in debt and AUM growth this past quarter.

Over the last year, private lending firms have seen collateral grow by 464% and outstanding debt grow by 518%. As more traditional financial firms like Paypal enter the industry, the crypto lending industry can expect similar growth as both institutions and individuals seek to maximize their profits by putting their digital assets to work.

Institutional investment has taken major steps forward. In addition to the firms listed in this report, we estimate that there are approximately 40 - 50 firms mainly consisting of OTC desks, and exchanges each managing crypto assets in the range of \$5-\$10 billion. While we have not received numbers to verify this claim, we estimate that this puts the total crypto lending market above \$100 billion dollars in regards to assets held by firms as collateral for loans.

Additionally, the diversity of firms looking to borrow and lend crypto continues to grow. Remittance companies, crypto hedge funds and traditional financial firms continue to enter the industry as crypto continues to outperform other assets.



## DeFi

We define DeFi as the collection of permissionless protocols that are built on smart contracts. Their data is publically available on the Ethereum blockchain.

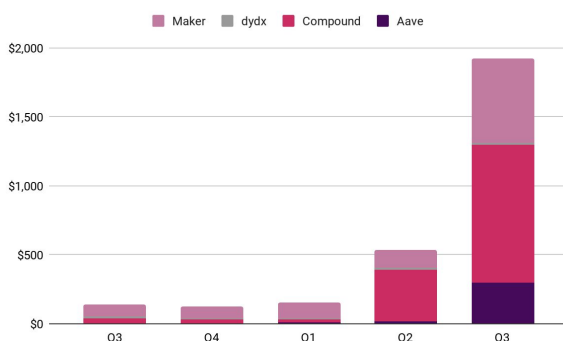
Some of our analysis groups data by protocol types: *lending* and *liquidity*. The remaining data looks at platforms that offer loans as a product. Lending protocols include Compound, dYdX, Maker, nüo, Aave, and Fulcrum/Torque. Protocols that are strictly liquidity providers include Synthetix and Uniswap.

### DeFi | Q3

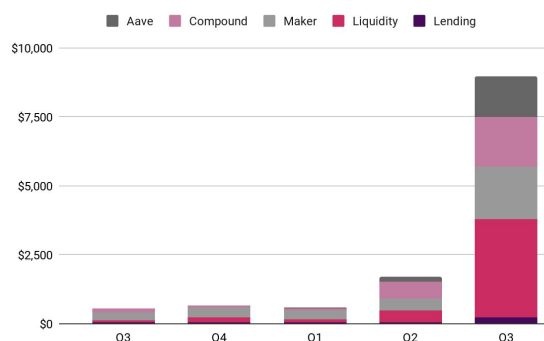
	Q3 '19 - Q3 '20	Q3	Q4	Q1	Q2	Q3	Q3/Q4	Q4/Q1	Q1/Q2	Q2/Q3
<b>Active Debt (MM)</b>	<b>\$141</b>	<b>\$129</b>	<b>\$152</b>	<b>\$536</b>	<b>\$1924</b>	<b>-8%</b>	<b>18%</b>	<b>252%</b>	<b>259%</b>	
Compound	\$40	\$24	\$19	\$373	\$1,000	-40%	-20%	1860%	168%	
Maker	\$84	\$90	113	\$127	\$613	7%	25%	12%	383%	
Aave	XXX	\$3.5	\$11	\$20	\$300	XXX	214%	82%	1400%	
dYdX	\$13	\$9	\$8	\$16	\$11	-31%	-11%	100%	-31%	
<b>Active Collateral (MM)</b>	<b>\$539</b>	<b>\$659</b>	<b>\$599</b>	<b>\$1,698</b>	<b>\$8,957</b>	<b>22%</b>	<b>-9%</b>	<b>183%</b>	<b>428%</b>	
Compound	\$145	\$85	\$78	\$620	\$1,800	-41%	-8%	690%	190%	
Maker	\$268	\$341	\$334	\$446	\$1,920	27%	-2%	33%	330%	
Aave	XXX	XXX	\$29	\$160	\$1,460	XXX	XXX	452%	813%	
Liquidity	\$77	\$194	\$114	\$432	\$3,534	152%	-41%	279%	718%	
Lending	\$49	\$39	\$42	\$40	\$243	-20%	8%	-5%	508%	
<b>Interest Generated (MM)</b>	<b>\$3.7</b>	<b>\$3.4</b>	<b>\$3.1</b>	<b>\$7</b>	<b>\$32</b>	<b>-8%</b>	<b>-8%</b>	<b>125%</b>	<b>357%</b>	

## Charts (Numbers in Millions | Q3 '19 - Q3 '20)

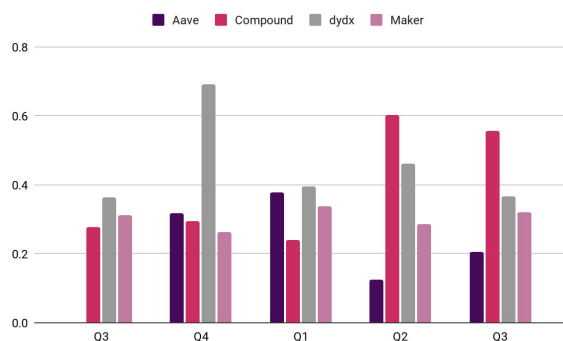
### Active Debt



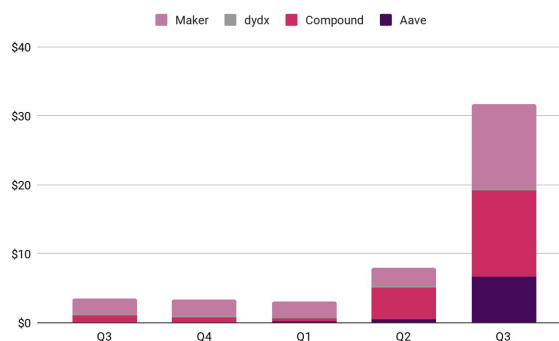
### Active Collateral<sup>6</sup>



### LTV



### Interest Generated



## DeFi | Q3 | Commentary

DeFi saw another record setting quarter in Q3. Active debt increased by 259% while collateral increased by 428%. Rising ETH prices coupled with an huge influx of capital from institutional investors, as described in Genesis' report, pushed total collateral locked in DeFi to just under \$9 billion.

Compound, Aave, Maker and CREAM have established themselves as the main lending platforms as their loan books compose X% of DeFi's nearly \$2 billion outstanding debt. CREAM finance is a fork of the Compound contracts and utilizes the same wrapper structure used in Compound.

<sup>6</sup> 'Lending' in this chart refers to the combined collateral of dYdX and CREAM finance.

Unlike Compound, CREAM aims to be available across multiple chains. CREAM also acts as an decentralized exchange and offers rewards for providing liquidity for a variety of assets supported by the platform.

Flash loans<sup>7</sup> continue to be immensely popular in Defi. This feature allows savvy users and automated contracts to use the loans to take advantage of various arbitrage opportunities across exchanges and return the borrowed assets while keeping profits within one transaction. Flash loan attacks have also played big parts in many exploits. Certain markets on exchanges are extremely illiquid and the use of flash loans can distort prices and subsequently cause extreme liquidations on platforms relying on a price feed distorted by the large transaction.

dYdX, Compound and Aave have all processed huge volumes of single day loans followed by near immediate repayments. On July 2nd, dYdX and Compound saw \$100 million and \$666 million of loans originated respectively followed by \$100 million and \$400 million in repayments on the same day. September 19th saw similar volumes for loans originated and repayments. By the end of Q3, Aave had issued over \$500 million in flash loans, which makes up 20% of loans originated through the third quarter of 2020.<sup>8</sup>

Yield farming continued to experience rapid growth as firms yearn. finance, Compound, Balancar, Sushiswap and Curve saw collateral held on their platforms grow by 12,000%, 53%, 245%, , 4300% 2300% respectively. Broadly speaking, yield farming is an effort to gain the maximum return on your crypto assets. An example would be an investor shifting their assets from liquidity pool to liquidity pool depending on the yield from each.

The introduction of governance tokens further incentivises users to use a particular protocol. Compound, for example, distributes COMP tokens based upon how much of an asset an investor has contributed to the pool. With the recent rise in the value of COMP tokens, this is almost free money for investors and in turn has driven a huge amount of capital into Compound. To further gains, investors take out loans on Compound and then deposit those funds right back into the platform.

---

<sup>7</sup> Flash Loans enable you to borrow instantly and easily, no collateral needed provided that the liquidity is returned to the pool within one transaction block.

<sup>8</sup> <https://aavewatch.com/borrows>

## Lenders

We currently categorize our lenders as follows: *DeFi* and *private*. Private lenders are further broken down by their target customers: *consumer* and *institutional*.

Detailed descriptions of each lender can be found at <https://credmark.com/the-industry/lender-appendix>.

	DeFi	Consumer	Institutional
bZx Protocol	✓		
CREAM	✓		
Balancer	✓		
Bancor	✓		
dForce	✓		
Compound	✓		
dYdX	✓		
Aave	✓		
Maker	✓		
nüo	✓		
Synthetix	✓		
Uniswap	✓		
Bankera		✓	
BlockFi		✓	✓
Cred		✓	✓
Celsius Network		✓	✓
Constant		✓	
Helio Lending		✓	
Nebeus		✓	
Nexo		✓	✓
Ledn		✓	✓
SALT		✓	✓
Unchained Capital		✓	✓
YouHodler		✓	
DrawBridge			✓

Genesis Capital	✓
Lendingblock	✓
Trinito	✓

## Data Sources<sup>9</sup>

Source	Publisher	URL
DeFi Pulse	Concourse	<a href="https://defipulse.com/">https://defipulse.com/</a>
Coinbase	Coinbase	<a href="https://coinbase.com">https://coinbase.com</a>
Genesis Report	Genesis	<a href="https://genesistrading.com/about/insights/">https://genesistrading.com/about/insights/</a>
Makerscan	InstaDApp	<a href="https://makerscan.io">https://makerscan.io</a>
MKR Tools	Mike McDonald	<a href="https://mkr.tools">https://mkr.tools</a>
LoanScan Dashboard	LoanScan	<a href="https://loanscan.io">https://loanscan.io</a>
Aave Dashboard	Aave	<a href="https://aave.com/">https://aave.com/</a>
Dune Analytics	Dune Analytics AS	<a href="https://duneanalytics.com">https://duneanalytics.com</a>
Synthetix Dashboard	Synthetix	<a href="https://dashboard.synthetix.io/">https://dashboard.synthetix.io/</a>
Celsius App	Celsius	<a href="https://celsius.network/get-the-app/">https://celsius.network/get-the-app/</a>
Messari	Messari	<a href="https://messari.io/article/aave-announces-credit-delegation-enabling-uncollateralized-lending">https://messari.io/article/aave-announces-credit-delegation-enabling-uncollateralized-lending</a>
Trinito Dashboard	Trinito	<a href="https://trinito.io/pool">https://trinito.io/pool</a>
Glassnode	Glassnode	<a href="https://studio.glassnode.com">https://studio.glassnode.com</a>
Bytetre		<a href="https://terminal.bytetre.com/bitcoin">https://terminal.bytetre.com/bitcoin</a>
Blockchain Whispers		<a href="https://blockchainwhispers.com/bitmex-position-calculator/#">https://blockchainwhispers.com/bitmex-position-calculator/#</a>
Bincance		<a href="https://academy.binance.com/economics/the-wyckoff-method-explained">https://academy.binance.com/economics/the-wyckoff-method-explained</a>
Aavewatch		<a href="https://aavewatch.com/borrows">https://aavewatch.com/borrows</a>

<sup>9</sup> In addition to the many vendors who contributed their data for this report. See “Acknowledgements” below for a partial list.

---

Cointelegraph		<a href="https://cointelegraph.com/news/3-reasons-bitcoin-price-could-be-on-the-verge-of-a-new-uptrend">https://cointelegraph.com/news/3-reasons-bitcoin-price-could-be-on-the-verge-of-a-new-uptrend</a>
Coindesk	Coindesk	<a href="https://www.coindesk.com/defi-yield-farming-comp-token-explained">https://www.coindesk.com/defi-yield-farming-comp-token-explained</a>
NEWSBTC		<a href="https://www.newsbtc.com/2020/07/14/data-bitcoin-accumulation-phase-10k/">https://www.newsbtc.com/2020/07/14/data-bitcoin-accumulation-phase-10k/</a>
Article	Lendingblock	<a href="https://lendingblock.com/guides/collateral-management">https://lendingblock.com/guides/collateral-management</a>

---

## Acknowledgements

The following people contributed data, insights, or other content to this report. Not all reporting vendors chose to be acknowledged.

Contributor	Organization	Title
Abraham, Jarrett	SALT	Director of Corporate Development
Ahmad, Momin	Credmark	Lead Analyst
Alluri, Vamsi	Maker	Integration Engineer
Beach, Charlie	Lendingblock	COO
Cho, Young	Celsius	CFO
Di Bartolomeo, Mauricio	Ledn	Co-founder, CSO
Geiger, Phillip	Unchained Capital	Director of Product Marketing
Jasukaitis, Paulius	Bankera	Project Manager
Kelly, Joe	Unchained Capital	CEO
Kono, Kai	Liquid	Managing Director
Le, Claire	Constant	Business Development Manager
Leon, Daniel	Celsius	COO
Manolov, George	Nexo	Business Development Executive
Mashinsky, Alex	Celsius	CEO
Murphy, Paul	Credmark	CEO
Olson, Mats	Dune Analytics	CTO
Patel, Roshun	Genesis	Analyst
Petterson, Kelly	Lendingblock	CMO & Head of Business Development
Prince, Zac	BlockFi	CEO
Reeds, Adam	Ledn	Co-founder, CEO
Roper, Chris	Constant	Communications Manager
Saint-Donat, Paul	dlab/SOSV	Program Manager
Sato, Asahi	Credmark	Graphic Designer
Shapiro, Max	Bitmex	Associate
Swain, Steve	Lendingblock	CEO & Co-founder
Torrey, Dan	Genesis	Head of Institutional Sales
Trenchev, Antoni	Nexo	Managing Partner
Verma, Siddharth	nüo	Co-founder
Yin, Zhuoxun	dYdX	Head of Operations
Yoo, Eric	Trinito	Chief Strategy Officer
Zumwalde, Neil	Credmark	CTO