

Coin@Metaverse

India and SE Asia are beckoning capital for cryptocurrency despite strong regulatory headwinds

Key Points

- **China's ban on** cryptocurrency trading by the country's private sector has inadvertently directed investors of such assets to other markets in the region, with **India and Southeast Asia** ('SE Asia') recording **exponential growth** during 2021 –

	Deal Sum	
	Jan – 16 th Dec 2021	2020
India	US\$399 m	US\$22.4 m
China	US\$202.8 m	US\$65 m
SE Asia	US\$162.5 m	-

- India: **US\$399 m** in 2021, a staggering **18-fold increase** to that for 2020
- SE Asia: **US\$162.5 m** in 2021, whereas there was **no known** deal sum recorded for 2020
 - **Singapore** is the crypto hub in SE Asia, recording **US\$109 m** in deal sum, that accounts for **67.1% of the deal total** in this economic bloc

- Yet the **crypto dynamics** in these emerging hubs of digital currency **are vastly different** –

Jan – 16 th Dec 2021	India	SE Asia
Largest Deal	US\$260 m in CoinSwift Kuber	US\$100 m in Matrixport Technologies
No. of Unicorns	2	1
Investors' Profile (based on deal value)		
Global Firms/their Asian Affiliates	US\$421.4 m	US\$150 m
Asian Firms	US\$6.5 m	US\$115.5 m
Domestic Firms	-	US\$156.5 m
Active investors	<ul style="list-style-type: none"> • Coinbase Ventures • Andreessen Horowitz 	<ul style="list-style-type: none"> • Lightspeed Venture Partners • A&T Capital



The metaverse hype is gripping the investment industry. Yet one of the earliest inventions in this virtual universe, cryptocurrency, is soliciting divided opinions among key leaders and governmental regulators.

In a recent interview with CNBC, Mr Richard Berstein, an authoritative investment professional on Wall Street, described cryptocurrency as a “monster” bubble. He believes that bitcoin will fall by as much as 90% in value. But Andreessen Horowitz (a16z), among the most celebrated names in Silicon Valley holds a differing view. In June, it launched the largest cryptocurrency fund, at US\$2.2 billion. In commenting on the launch of its fund, a16z said that “the next wave of computing innovation will be driven by crypto”.

In Asia, cryptocurrency has encountered differing receptions from governments. In China, the state

showed no tolerance for the trading of digital currency in the private sector metaverse. According to market reports, Beijing plans to issue its own digital currency, e-yuan, with a pilot scheme said to commence in February to coincide with the Olympics Winter Games Beijing 2022.

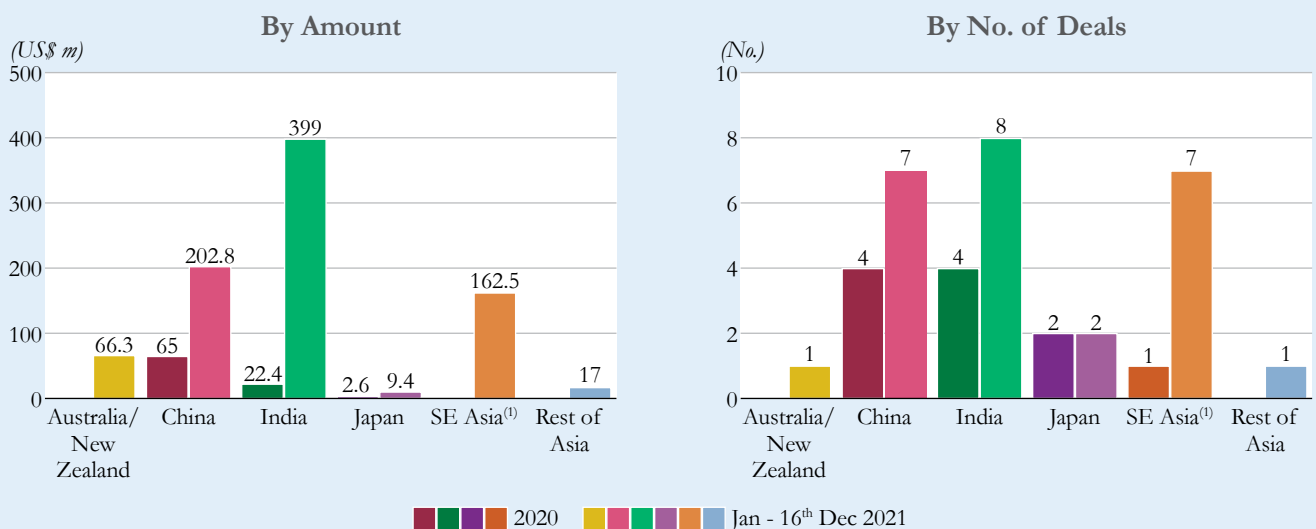
In India, Prime Minister Narendra Modi took a strong stance on the risks of crypto trading. His government recently introduced a bill into parliament that will ban all private cryptocurrencies. Yet under the chill of unwelcoming regulatory winds in India, Singapore-based Coinstore Pte Ltd extended its operations to India.

In fact, Southeast Asia’s largest economy, Indonesia, recently welcomed digital assets with open arms. Just days after Binance, the world’s largest blockchain and cryptocurrency infrastructure provider announced the closing of

its operation in Singapore following its failure to receive regulatory approval from the city-state, Binance unveiled its joint venture with the Indonesian government-related MDI Ventures. It is to develop a new Indonesia-based digital asset exchange.

In Asia’s private equity asset class, investors showed no hesitation in deploying capital to cryptocurrency during 2021. While the total sum invested in virtual coins was negligible in 2020, at less than US\$100 million, in 2021, the US\$857 million in aggregate that was directed to cryptocurrency operations was a staggering near 10-fold increase, with India and Southeast Asia boasting the biggest spikes in capital committed there. Their combined aggregate, at US\$561.5 million, represents 65.5% of the total raised by crypto assets in Asia during 2021 for the entire region (Fig. 7).

Cryptocurrency Deal Pace (2020 - 16th Dec 2021)



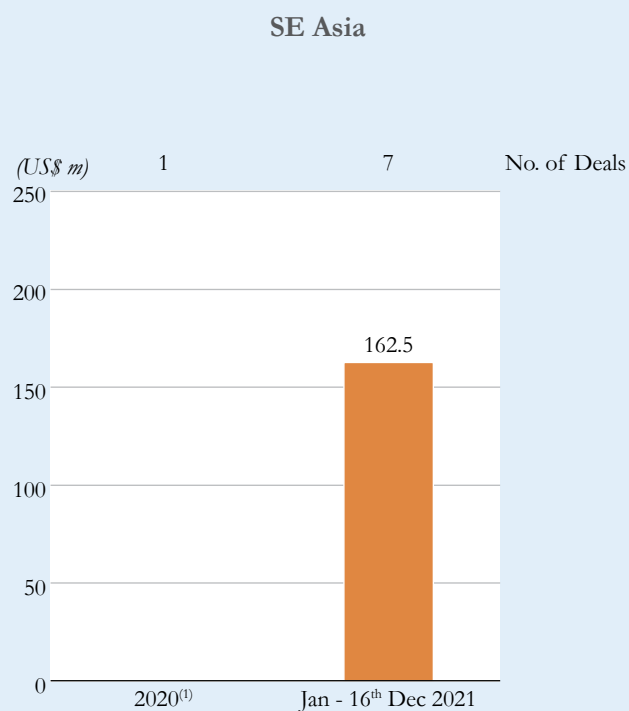
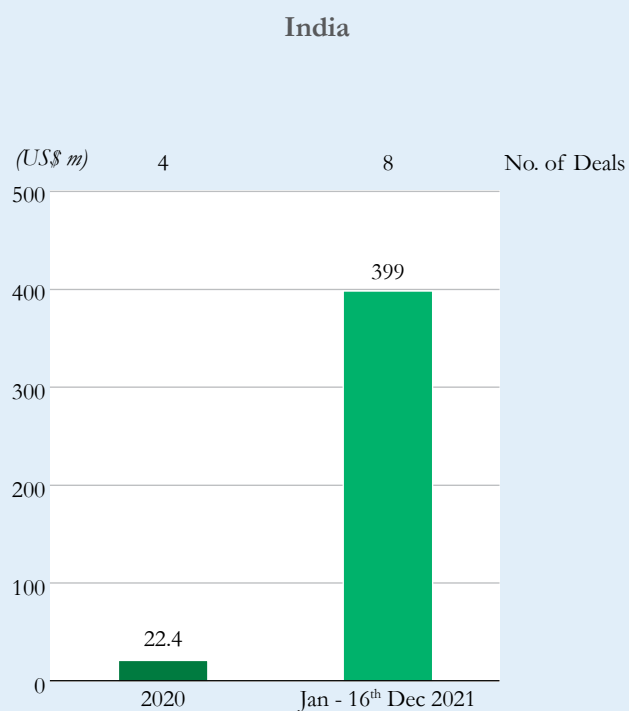
⁽¹⁾ 1 deal in SE Asia with undisclosed deal sum

- In 2021, cryptocurrency enjoyed exponential growth, recording US\$857 m via 26 deals, compared to US\$90 m and 11 deals in 2020
- Investors displayed their absolute confidence in the future growth prospects of virtual coins in the metaverse, with the average deal size in 2021, at US\$33 m each, a 4-fold increase to that in 2020
- Investment landscape in virtual currency changed sharply in the most recent 2 years –
 - 2020: China led all markets, chalking up US\$65 m; India trailed behind, recording US\$22.4 m and ranking 2nd
 - 2021: while the US\$202.8 m attracted by China is a 3-fold increase to that for the preceding year, it is however both India and SE Asia that registered the biggest jump in capital commitments. The US\$399 m in India is a 18-times increase to that for 2020; while in SE Asia, the US\$162.5 m towers over the negligible sum invested in this market in 2020

Fig. 7

Source: APER Data

Cryptocurrency Deal Pace - India & SE Asia



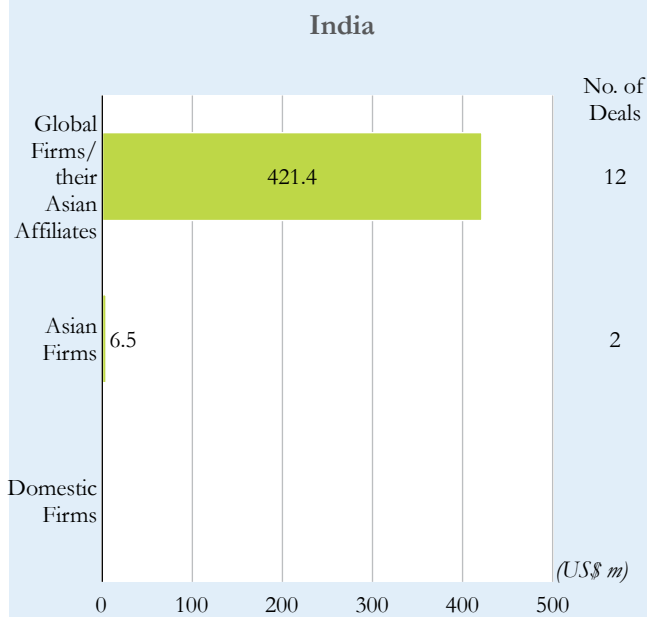
⁽¹⁾ 1 deal in SE Asia in 2020 with undisclosed deal sum

- Investment mood on cryptocurrency in India was **lethargic in 2020** but the deal pace picked up exponentially during 2021. The **US\$399 m** in deal value aggregate participated by private equity investors was a **near 18-fold increase** from that for the preceding year
- During 2021, cryptocurrency achieved 2 significant milestones, boasting the birth of **2 unicorns** –
 - the **US\$260 m** raised by CoinSwitch Kuber from Andreessen Horowitz and others takes the crown as the **largest commitment** to a crypto play in this market. This transaction has propelled CoinSwitch Kuber's valuation to **US\$1.9 bn**
 - CoinDCX** emerged as the **first crypto unicorn in India** when it raised US\$90 m in August from B Capital Group and others valuing the company at **US\$1.1 bn**

- 2021 marked a new era in SE Asia's fintech sector.** The cryptocurrency investment rage catches on after a virtual absence of such investment in digital coins in 2020
- As of 16th Dec 2021, an estimated **US\$162.5 m in deal** value has been participated by private equity investors in this economic bloc with the following being landmark commitments –
 - Singapore-based **Matrixport Technologies** hit unicorn status when it raised **US\$100 m** from DST Global, IDG Capital and others in August this year. The round ramped up its **valuation up to US\$1 bn** in two years since inception
 - Indonesian's **Pintu** raised US\$35 m led by Lightspeed Venture Partners. The deal is seen as a prelude to the country's subsequent decision to launch a digital exchange platform with Binance, a leader in blockchain infrastructure

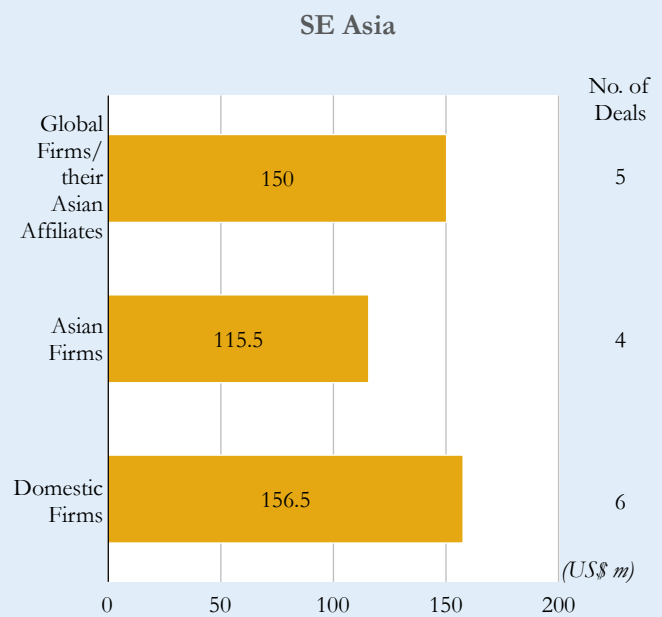
Source: **APER** Data

Investor's Profile (2020 - 16th Dec 2021) - India & SE Asia



NB: Total no. of deals participated by different investor types adds up to more than the actual no. of deals during the period due to double-counting of deals participated by multiple types of investors

- Investment firms with their headquarters based outside of Asia are by far the **most active** in India's crypto market. Of the total US\$421.4 m in deal value committed since 2020, their names are **omnipresent** in all these deals. Among them –
 - Silicon Valley-based **Andreessen Horowitz (a16z)** consummated its **maiden Asia crypto deal in India**. It participated in the US\$260 m raised by CoinSwitch Kuber in Oct 2021, a transaction that placed the target company's valuation at US\$1.9 bn, attaining the unicorn status
 - Coinbase Ventures**, the investment arm of cryptocurrency company Coinbase Global Inc, is **an active investor** in India's cryptocurrency assets participating in **3 of the top 5 largest crypto deals** in India



NB: Total no. of deals participated by different investor types adds up to more than the actual no. of deals during the period due to double-counting of deals participated by multiple types of investors

- Different from the Indian market where global firms from the US dominated, in SE Asia, the **cohort of investors** participating in crypto deals is **quite evenly divided** among those from Asia, from the SE Asia home market as well as those outside of the Asia Pacific region. Of the US\$162.5m in deal value –
 - Global Firms & their Asian Affiliates: participated in 5 deals that represented US\$150 m with the Silicon Valley-based **Lightspeed Venture Partners** being most active, having committed to **2 deals**
 - Asian Firms: participated in 4 deals that represented US\$115 m in deal value with **A&T Capital** being most active, having made **2 commitments**
 - Domestic Firms: by far the most active. Their names were associated with 6 deals that represented US\$156.5 m in deal value with Indonesia's **Intudo Ventures** most active, having **made 2 commitments**
- But compared with India, investors' commitment size to crypto plays in SE Asia is substantially smaller than that for India. The US\$100 m raised by Singapore-based Matrixport Technologies was the largest, a far cry from the US\$260 m raised by India's CoinSwitch Kuber
- While India boasts 2 crypto unicorns, SE Asia has one unicorn, Matrixport Technologies, valued at over US\$1 bn following its financing round in August this year

Source: **APER** Data

Top 3 Cryptocurrency Deals (2020 - 16th Dec 2021)

Company	Date	Deal Size	Investors (Selective)
India			
CoinSwitch Kuber (operated by Bitcipher Labs LLP)	Oct 2021	US\$260 m	Andreessen Horowitz, Coinbase Ventures, Ribbit Capital, Sequoia Capital India, Tiger Global Management LLC
CoinDCX (operated by Neblio Technologies Pvt Ltd)	Aug 2021	US\$90 m	B Capital Group, Coinbase Ventures, Jump Capital, Polychain Capital
CoinSwitch Kuber (operated by Bitcipher Labs LLP)	Apr 2021	US\$25 m	Tiger Global Management LLC
SE Asia			
Matrixport Technologies	Aug 2021	US\$100 m	A&T Capital, C Ventures, CE Innovation Capital, DST Global, IDG Capital, K3 Ventures, Qiming Venture Partners, Tiger Global Management LLC
Pintu (operated by PT Pintu Kemana Saja)	Aug 2021	US\$35 m	Alameda Ventures, Blockchain.com Ventures, Castle Island Ventures, Coinbase Ventures, Intudo Ventures, Lightspeed India Partners, Pantera Capital
Philippine Digital Asset Exchange	Aug 2021	US\$12.5 m	BEENEXT Capital Management

Source: APER Data

Active Cryptocurrency Investors (2020 - 16th Dec 2021)

Investor	Aggregate Deal Sum	No. of Investment Rounds	Companies
India			
Coinbase Ventures	US\$354 m	3	CoinSwitch Kuber, CoinDCX, Stader Labs
Tiger Global Management LLC	US\$285 m	2	CoinSwitch Kuber
Sequoia Capital India	US\$277.5 m	3	CoinSwitch Kuber, Coinshift
Ribbit Capital	US\$275 m	2	CoinSwitch Kuber
Andreessen Horowitz	US\$260 m	1	CoinSwitch Kuber
SE Asia			
Lightspeed Venture Partners	US\$135 m	2	Matrixport Technologies, Pintu
A&T Capital	US\$103 m	2	HashMix, Matrixport Technologies
Coinbase Ventures	US\$41 m	2	Pintu
Intudo Capital	US\$41 m	2	Pintu
Pantera Capital	US\$41 m	2	Pintu

Source: APER Data

Comments

The future of cryptocurrency, despite being among the earliest inventions in the metaverse, remains extremely uncertain. In mid-December, China set another precedent when a court in Beijing dismissed a damage claim on a crypto mining contract as “invalid”. The judicial decision was seen as a move by the state to further distance itself

from the crypto business in the private sector.

In India, the Ministry of Finance also questions on the benefits of cryptocurrency. The Reserve Bank of India expressed its concerns on digital currency’s de-stabilising impact on the fiscal stability of the country. The Bill on Cryptocurrency and Regulation of Official Digital Currency, which is currently under

final review, will spell out New Delhi’s position on cryptocurrency.

Added to this is Asia’s fragmented economic make-up. With each of the governments holding varying opinions on virtual currency, it begs the question as to when digital currency will be deemed as a safe medium of transactions and commonly used. ■