The 2024 U.S. Election and Crypto: A Potential Shift from Regulation to Innovation



Cointelegraph Research

HTX Ventures

Cointelegraph Research Report

October /2024

Content

Introduction 3

1. Background for Cryptocurrency Becoming a Key Election Issue 4

1.1 Bitcoin's Significance for the U.S 4

- Growing Demand to Hedge Against Inflation 4
- Strengthening the Global Influence of the U.S. Dollar 6

1.2 Voters' Rising Interest in Cryptocurrency 7

1.3 Biden Administration's Regulatory Crackdown on Crypto Companies 8

1.4 Donations from Crypto Companies Play a Central Role 9

2. Impact of the Election 10

2.1 Policy Propositions of the Candidates 10

- Harris 10
- Trump 10
- A Potential "Divided Government" 10
- Likely Change in SEC Leadership Team 12

2.2. Macroeconomic Liquidity: Unavoidable Volatility and Decisive Role of the QE Level 13

2.3 How the Election Affects Crypto Startups 15

- Web3 Prediction Markets Surpass Web2 Competitors 13 15
- How Prediction Markets Operate 14 15
- Product Iteration of Prediction Markets 16 17
- Prediction Markets Break Boundaries and Enter the Mainstream 16 17
- Future Directions for Prediction Markets 19

2.4 A Trump Victory Could Encourage Listings of Crypto Companies in the U.S 19

3. DeFi and BTCFi Will Benefit First 21

4. About Us 23

5. Reference 24

Disclaimer 24

Introduction

Since its debut, Bitcoin has gone through three election cycles and become a key issue in the 2024 US presidential race. As the Bitcoin concept outlined in Satoshi Nakamoto's white paper takes root, its supporters now represent a voting bloc to be reckoned with in US politics. This article analyzes various factors behind the rising importance of Bitcoin and cryptocurrency in the election, including real wage erosion caused by inflation, challenges to the dollar's global dominance, US voters' increasing interest in cryptocurrency, and the incumbent government's regulatory strategies for the crypto industry.

The article further explores presidential candidates' different stances on cryptocurrency and how their attitudes may shape future policies and market expectations. Meanwhile, it also discusses the role of prediction markets, particularly the role of Polymarket in the election, potential innovation paths for prediction markets, and how the election may influence the crypto market through macroeconomic liquidity.

Finally, this article forecasts the election result's potential impact on crypto companies. If Trump wins, a clearer and more relaxed regulatory environment is expected, which would support crypto startups' incubation and growth. This environment would also open up IPO pathways for crypto companies, provide guarantees for the exit of traditional investment institutions, enhance wealth effects, and improve the funding environment. At the same time, DeFi will enter the mainstream financial market more quickly, and innovation and development in BTCFi will gain momentum.

1. Background for Cryptocurrency Becoming a Key Election Issue

1.1 Bitcoin's Significance for the U.S.

• Growing Demand to Hedge Against Inflation

A Forbes survey revealed that inflation-adjusted real wages in the US have barely budged since the mid-1980s. After adjusting for inflation, today's average hourly wage in the US has just about the same purchasing power it did in 1978. This has exacerbated wealth inequality: while the upper class grows wealthier by holding large amounts of assets, the working class's wealth dwindles.

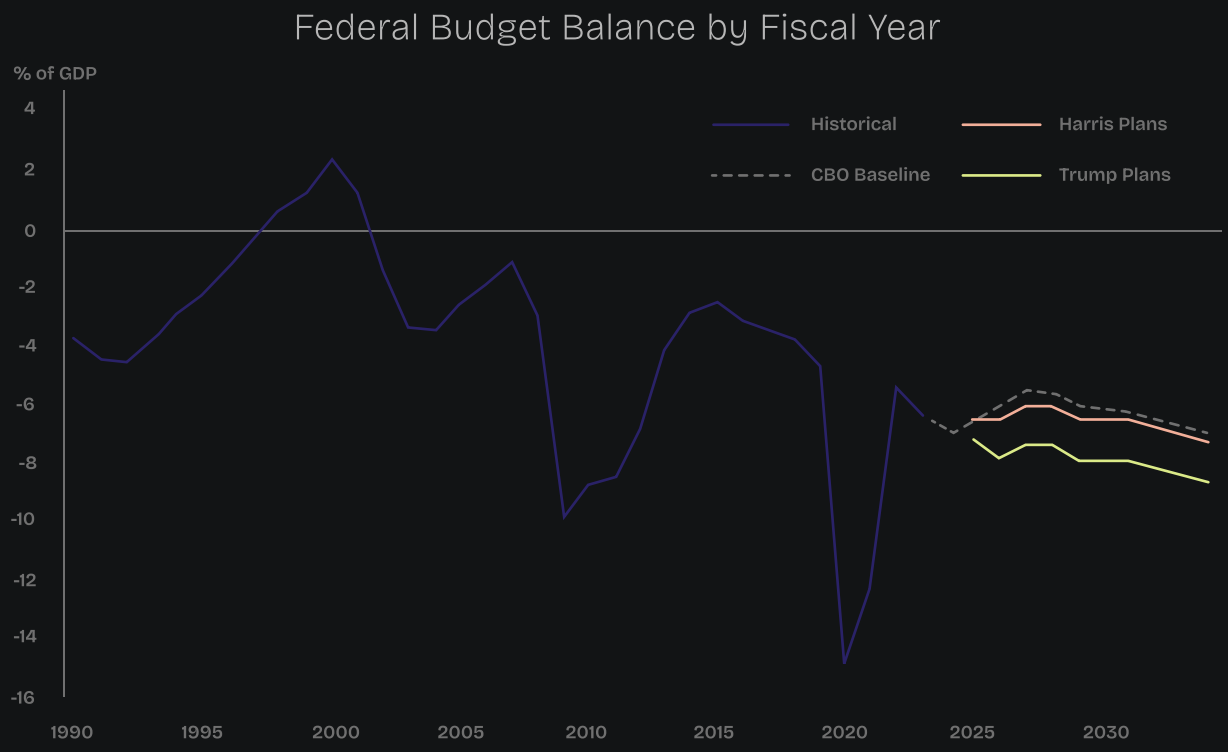
Since the 2008 financial crisis, Bitcoin has been viewed by a growing number of people as a potential hedge against inflation and economic uncertainty. In particular, it offers the middle-class hope for financial independence. Despite government and central bank interventions, Bitcoin's decentralization and limited supply make it an alternative asset.

Although the US dollar remains the world's reserve currency, Bitcoin's appeal continues growing as investors demand greater hedge assets. It is deemed an effective tool to hedge against inflation, especially for the increasingly burdened working class.

Regardless of whether Donald Trump or Kamala Harris wins the presidential election, US fiscal policy could lead to greater budget deficits.

The Congressional Budget Office projects an average federal budget deficit of 6.2% of GDP over the next decade (Figure 1). If Trump reinstates his 2017 tax cuts and lowers tax rates further, the deficit might climb to 7.8% of GDP. By contrast, Harris plans to raise the corporate tax rate to 28%, but her other reform proposals may still push the deficit to 6.5% of GDP.

Figure 1: Federal Budget Balance By Fiscal Year



Note: Shading indicates US recessions. Source: CBO, PWBM, Grayscale Investments. Data as of October 2024. For illustrative purposes only.

Source: Grayscale Investments

Over the past 25 years, the US federal debt has surged from 40% to 100% of GDP, and this percentage could climb to between 124% and 200% in the next 10 to 30 years. The upcoming presidential election could trigger a "Minsky moment" as the bond market recognizes the gravity of the debt issue and thus demands higher returns to offset financing risks. Such a moment could result in a collapse in the bond market, thus triggering a financial crisis.

Both Trump's tax cuts and Harris's tax hikes could further worsen the US deficit and debt burdens, increasing the risk of financial market turbulence. There are limited options to address such high debt, and debt dilution through inflation may be the US government's only way out of this plight.

However, inflation's adverse effects will erode the purchasing power of the working class and exacerbate wealth inequality.

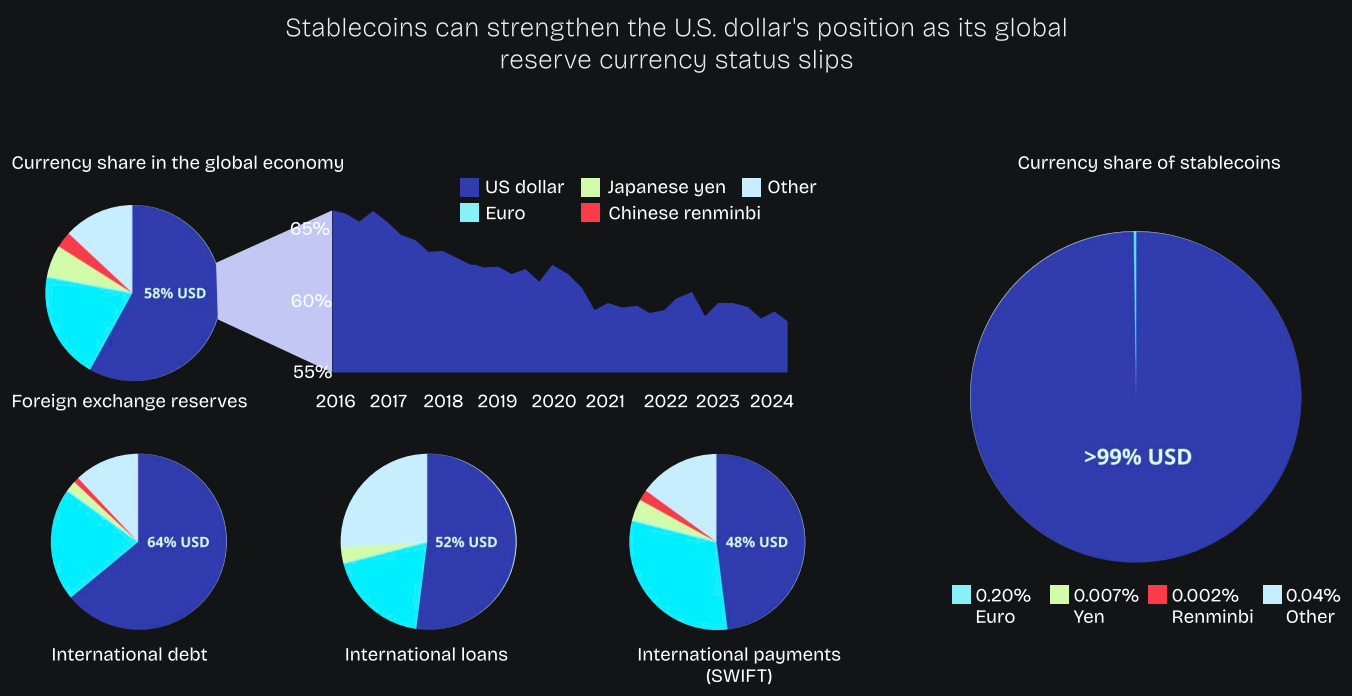
It is worth noting that the Bitcoin Act that awaits Congress's approval could offer a new approach to addressing the US debt issue. Aiming to incorporate Bitcoin into the broader financial system, this act could potentially attract considerable amounts of private and institutional capital to help stabilize the US debt structure. It might even bring stability to the global financial system. As a decentralized and scarce asset, Bitcoin can serve as an effective tool for governments and investors to hedge against inflation and risk. In particular, it holds potential strategic significance in the face of debt and inflation pressures.

Strengthening the Global Influence of the US Dollar

As one of the most popular cryptocurrency products today, stablecoins have become the center of policy discussions, and the US Congress is reviewing several related bills. One key factor driving these discussions is the recognition that stablecoins can help expand the international influence of the US dollar in the context that its status as the world's reserve currency is declining.

Currently, over 99% of stablecoins are denominated in US dollars, far exceeding the second most-used currency, the euro, which accounts for only 0.20% (Figure 2). The exponential use of stablecoins further consolidates the US dollar's dominance in the digital asset market while providing the US with a new method to maintain its advantage in the global financial system.

Figure 2: US Dollar Currency Share In The Global Economy Vs US Dollar Currency Share Of Stablecoins



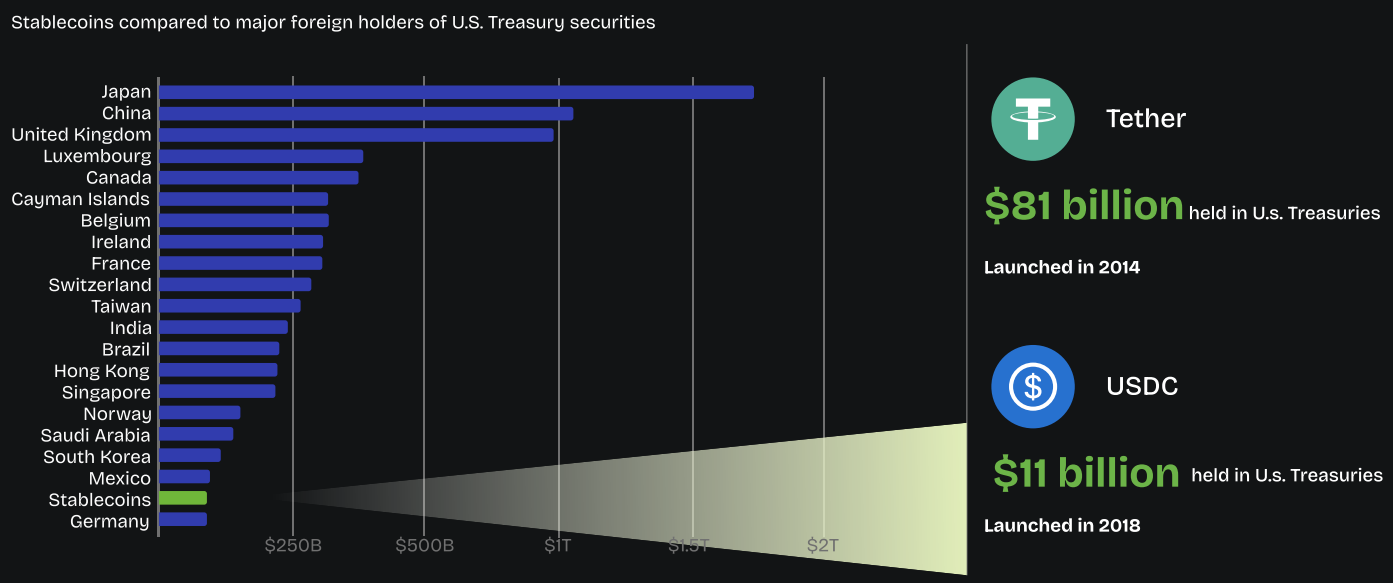
Source: a16zCrypto Report

Apart from enhancing the dollar's international influence, stablecoins may also solidify the US domestic financial base. Although stablecoins were launched only 10 years ago, they have already become one of the top 20 holders of US Treasury securities, surpassing countries like Germany.

This suggests that stablecoins not only expand the dollar's global dominance but are also integral to the US financial system by absorbing large quantities of Treasury securities, thereby offering additional liquidity support for the economy.

Figure 3: Stablecoin Comparison To Major Foreign Holders Of US Treasury Securities

Stablecoins are only a decade old - now they're a Top 20 and rising holder of **U.S. debt**



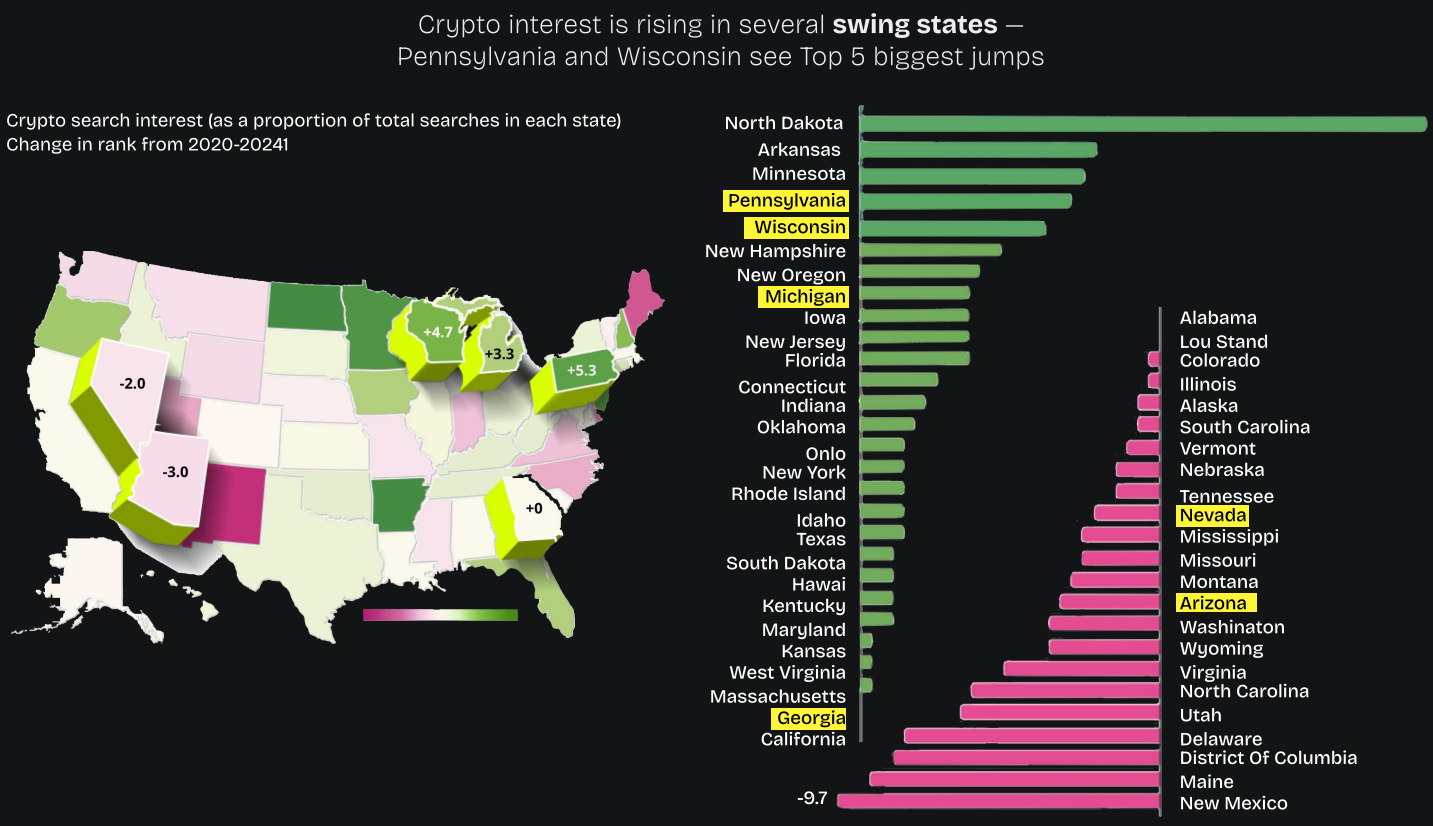
Source: a16zCrypto Report

1.2 Voters' Rising Interest in Cryptocurrency

A national survey conducted on Grayscale's behalf by The Harris Poll shows that more than half of voters are more likely to vote for a candidate who is "informed about crypto" compared to one who is not.

At the same time, interest in cryptocurrency has also surged among voters in swing states. Since the 2020 election, the two key battleground states expected to see intense competition, Pennsylvania and Wisconsin, have jumped to fourth and fifth in terms of crypto search interest on Google. Michigan, on the other hand, ranks eighth in this regard (Figure 4).

Figure 4: Crypto Search Interest By US State (As A Proportion Of Total Searches In Each State)



Source: a16zCrypto Report

1.3 Biden Administration's Regulatory Crackdown on Crypto Companies

Since its early days, the Biden administration has worked to tighten crypto regulations and committed to creating a stricter regulatory framework, with measures including filing an action against Ripple on unregistered securities offering, imposing additional tax reporting requirements on crypto companies and Bitcoin miners, and collecting capital gains taxes. Following FTX's collapse, the government intensified its efforts to bring major crypto companies to justice, achieving several legal milestones.

For example, Changpeng Zhao, the former CEO of Binance, the world's largest crypto exchange, was sentenced to four months in prison for lawsuits in the US and internationally. Shortly afterward, the US Securities and Exchange Commission (SEC) charged Coinbase for operating its crypto asset trading platform as an unregistered securities exchange. If it succeeds, this lawsuit could pose a major threat to Coinbase's business model. Other accused companies include the crypto exchange KuCoin.

1.4 Donations from Crypto Companies Play a Central Role

In 2024, crypto companies have become the main contributors to political donations in the US. Coinbase and Ripple are among the biggest corporate political donors this year, contributing nearly 48% of total corporate donations. Fairshake, a super PAC established in 2023 by former aide to New York Governor Josh Vlasto, has raised over $200 million to support pro-crypto candidates, making it the highest-spending PAC this election cycle. Aiming to elect pro-crypto candidates and defeat skeptics, Fairshake has been backed by companies such as Coinbase, Ripple, and Andreessen Horowitz.

These funds not only influence presidential candidates' policies but also push for congressional election strategies in favor of cryptocurrency. As a result, the crypto industry has moved from behind the scenes into the public eye, becoming a vital force in US politics.

A typical example occurred in March this year. Representative Katie Porter, the star of progressive Democrats, raised over $30 million in the California Senate election and was expected to win.

However, because she took Elizabeth Warren's political stance and had previously sided with Harris on banking regulations, Fairshake labeled her as an "ally of anti-crypto crusaders."

During the California primaries, Fairshake spent over $10 million to oppose Porter, eroding her support base among young voters. Through Hollywood billboards and comments targeting her, Fairshake claimed that Porter misled voters into supporting pro-corporate legislation. As a result, her campaign funds were impacted, and she trailed behind fellow Democrat Adam Schiff, failing to advance to the fall's general election.

For this reason, many Democratic candidates have featured crypto support sections on their campaign pages, signaling to crypto PACs for funding support. Crypto PACs now have significant influences on candidates' positions.

2. Impact of the Election

2.1 Policy Propositions of the Candidates

• Harris

Harris has made limited statements on crypto policies, only saying her administration will "encourage innovative technologies like AI and digital assets while protecting our consumers and investors." Recently, in response to lower-than-expected support among Black male voters, she introduced a series of economic security plans, including a pledge to establish a regulatory framework for cryptocurrency aimed at protecting Black men's crypto investments. However, this framework is directed solely at Black voters and lacks clear regulatory details or specific policy stances. Thus, it has been criticized by the crypto community as insincere, seeing it as merely using cryptocurrency to win votes.

The current Biden-Harris administration has taken a more adversarial regulatory approach toward the crypto industry, adopting actions such as initiating multiple lawsuits, restricting traditional banking services, and vetoing bipartisan legislation. The administration also continues to consider capital gains taxes on cryptocurrencies.

Although Harris's crypto policies may be friendlier than Biden's and could improve the industry's regulatory environment, she remains cautious on key issues such as taxation, Bitcoin mining, and self-custody and is far less pro-crypto than Trump.

• Trump

The Republican Party has always emphasized individual freedom, and its values are somewhat aligned with crypto's decentralization principle. The Republican National Committee includes a commitment to crypto in its official party platform, stating that Trump will defend the right to mine Bitcoin and "ensure every American has the right to self-custody of their Digital Assets, and transact free from Government Surveillance." In contrast, Democrats tend to advocate for greater government authority and regulation and may have ideological friction with the crypto community.

Trump has shown strong interest in the digital asset industry, claiming that he aims to make the US the "crypto capital of the planet and the Bitcoin superpower of the world."

He supports Bitcoin mining and has pledged to protect self-custody rights. Moreover, during his campaign, Trump once bought burgers using Bitcoin for diners and criticized the SEC's hardline approach toward crypto, vowing to appoint a pro-crypto chair if reelected. Trump has even launched his own DeFi project, World Liberty Financial.

Trump has proposed a series of crypto policy proposals, including:

- **Creating a Strategic Bitcoin Stockpile:** Trump has stated that his administration would "keep 100 percent of all Bitcoin the US government currently holds or acquires in the future" as the "core of the strategic national Bitcoin stockpile." It was estimated that as of October 2023, the US government held over $5 billion worth of Bitcoin, primarily seized during criminal investigations. However, it remains unclear how this Bitcoin stockpile might be utilized, its feasibility, and whether it would be widely accepted by the crypto industry.
- **Establishing a Crypto Presidential Advisory Council:** Trump pledged in Nashville to appoint a "Bitcoin and crypto presidential advisory council" and indicated that "industry enthusiasts" rather than "crypto skeptics" would make rules for this advisory council.
- **Barring the Federal Reserve from Issuing a Digital Currency:** While many countries are progressing with central bank digital currencies (CBDCs), this trend faces resistance within the US crypto community. Although the Federal Reserve has not decided on issuing a digital dollar, it released a report in January 2022 outlining the possible costs and benefits of a CBDC. Trump has repeatedly and openly opposed this idea, calling it a "dangerous threat to freedom." In May 2024, the House passed a bill barring the Fed from issuing a CBDC, though there is still much to do for this bill to become a law.

It should be noted that while Trump is pro-crypto, his tariff policies could cause economic uncertainties. The long-term influence of his policies on the market and the crypto industry remains to be seen.

A Potential “Divided Government”

Table 1: Analysis Of The Roles’ Impact On Crypto Legislation In The US Government

Issue	Analysis
Role of the President	• The next president will set the agenda for crypto policy. • Nominating major regulatory agencies (including the SEC, CFTC, and Federal Reserve). • Deciding on the directions of economic policies (such as taxation, spending, and tariff policies).
Role of the Senate	• The Senate is responsible for confirming heads of key regulatory agencies appointed by the president. • Bills concerning the regulation of crypto assets are subject to uncertainties, so Senate oversight of these regulatory agencies is particularly important. • Currently, the Democrats control the Senate with the power of the committee chair and legislative priorities. • If Republicans win control of the Senate, it may be favorable for crypto innovation.
Role of the House of Representatives	• The House determines whether the government is unified or divided. • It is responsible for approving changes to fiscal policies and crypto-related legislation alongside the Senate. • Republicans have shown stronger support for crypto acts (such as the FIT21 Act, with 208 Republican representatives voting in favor and only 71 Democratic representatives voting in favor, including former Speaker Pelosi and Democratic Whip Clark) • If bipartisan cooperation fails, established fiscal policy goals may not be achieved, potentially resulting in a government shutdown. For example, the 35-day shutdown in the Trump era severely impacted the US economy.

As of Oct. 25, Polymarket data indicates varied probabilities for each party winning in the presidential, Senate, and House elections. The only result with a relatively high possibility is that Republicans will take control of the Senate.

At the same time, a “divided government” is highly probable –– meaning the presidency and Senate would be controlled by different political parties. A divided government was last seen during Obama’s term, while Biden and Trump both governed without it.

Such a political landscape typically leads to policy gridlock, as the president and Senate have to compromise on major legislation and appointments. If Republicans secure a full victory, they could enact new laws within three to six months, which will be a favorable outcome for the crypto market because they tend to advocate for a more lenient regulatory framework for crypto.

On Wednesday, Sept. 25, the US Congress passed a temporary government spending bill that keeps government agencies funded into December to stave off a shutdown. This bill delays the final spending decision until after the presidential election on Nov. 5. In other words, the government's fiscal budgets will be restricted to a certain extent from December until the swearing-in of the new Congress on Jan. 3. It suggests that during this transitional period, the presidential power may have limited influence on fiscal policies and a formal budget can only be passed once the new House is seated.

- **Likely Change in SEC Leadership Team**

Since Gary Gensler took office as SEC Chair, his tough regulatory stance has triggered a backlash in the crypto community. Although he has made some achievements in cracking down on illegal securities offerings, his stringent enforcement has been protested by many crypto companies.

Trump once openly stated that, if reelected, he would "fire" Gensler and push for a more crypto-friendly approach at the SEC.

Traditionally, SEC chairs often resign when a new president takes office. It would not be surprising if a Harris administration were to adopt a similar stance to the opposing side in an attempt to win support from the industry. Therefore, the SEC leadership team will likely undergo major changes, regardless of whether Harris or Trump wins.

2.2 Macroeconomic Liquidity: Unavoidable Volatility and Decisive Role of the QE Level

When the Federal Reserve cuts rates and global capital liquidity rises significantly, Bitcoin (BTC) prices often trend upward, indicating that macroeconomic liquidity still has a decisive impact on the crypto market (Figure 5).

In 2020, in response to the COVID-19 pandemic, the Trump administration launched an unlimited quantitative easing (QE) policy to inject substantial funds into the crypto market.

On March 15, 2020, the Federal Reserve lowered the federal funds rate by 1 percentage point to between 0% and 0.25% and initiated a $700 billion quantitative easing program. Later, the Fed further announced the removal of QE limits and committed to asset purchases on an "as needed" basis, thereby launching unlimited QE. This initiative has brought tremendous fund liquidity to the crypto market.

On Oct. 21, 2024, during a town hall in Lancaster, Pennsylvania, Trump reiterated that he would substantially lower US interest rates if reelected on Nov. 5. This commitment may once again drive up crypto assets like Bitcoin, especially as liquidity further increases.

Figure 5: Quantitative Relationship Between Bitcoin And Global Liquidity



Source: CrossBorder Capital

2.3 How the Election Affects Crypto Startups

Web3 Prediction Markets Surpass Web2 Competitors

Since its launch in 2020, Polymarket has risen rapidly to become a leader in this field. It has secured 80% of the volume brought on by wagers on the US presidential election. As an application developed in an onchain environment, Polymarket competes in traditional markets and holds the largest market share, which is extremely rare. Polymarket allows users to speculate and place bets on the outcomes of future events related to sports, politics, business, science, and other events. The platform gained its first significant traction during the 2021 US presidential election, facilitating 91% of the total betting volume or $3.5 million worth of bets.

Polymarket has faced many challenges, including a $1.4 million civil monetary penalty settlement with the US CFTC, after which it ceased official operations in the US, and American users were blocked from accessing the site through geofencing. CFTC Chair Rostin Behnam warned that if their "footprint" in the US is big enough, they must register their derivative contracts or risk facing enforcement actions.

Prediction markets are gradually evolving into a broader financial tool, going beyond mere speculation.

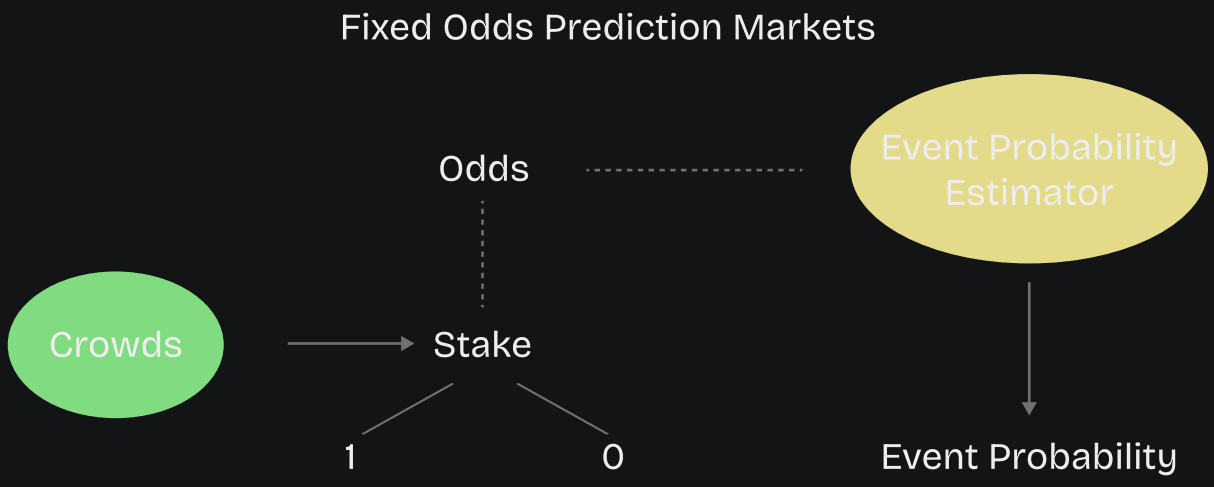
As Polymarket expands, prediction markets' impact has extended into various fields such as public opinion, financial hedging, and business decision-making.

How Prediction Markets Operate

Prediction markets are a type of derivatives market where participants bet on the outcome of events. These markets often use binary options. For example, in a binary market, a question like "Will a spot Bitcoin ETF be approved?" could be answered with "Yes" or "No." The price distribution of "Yes" or "No" is decided by the predictions and bets of market participants, with the sum of both prices being one dollar or slightly over one dollar. When the event outcome is revealed on the expiration date, the stock price converges to $0 or $1. Participants who predict correctly receive a payout of $1, while those with incorrect predictions receive $0. This is how profits and losses are determined (Figure 6).

Apart from cryptocurrency, offshore centralized providers often cap the amount that can be wagered on specific outcomes, which is similar to sports betting. This limits individuals from making full use of their insights, and the final outcomes are often controlled by centralized operators. Onchain prediction markets eliminate these barriers, as smart contracts and decentralized ledgers create transparent global markets, thus ensuring that these platforms are fair and tamper-proof.

Figure 6: Fixed Odds Binary Prediction Markets

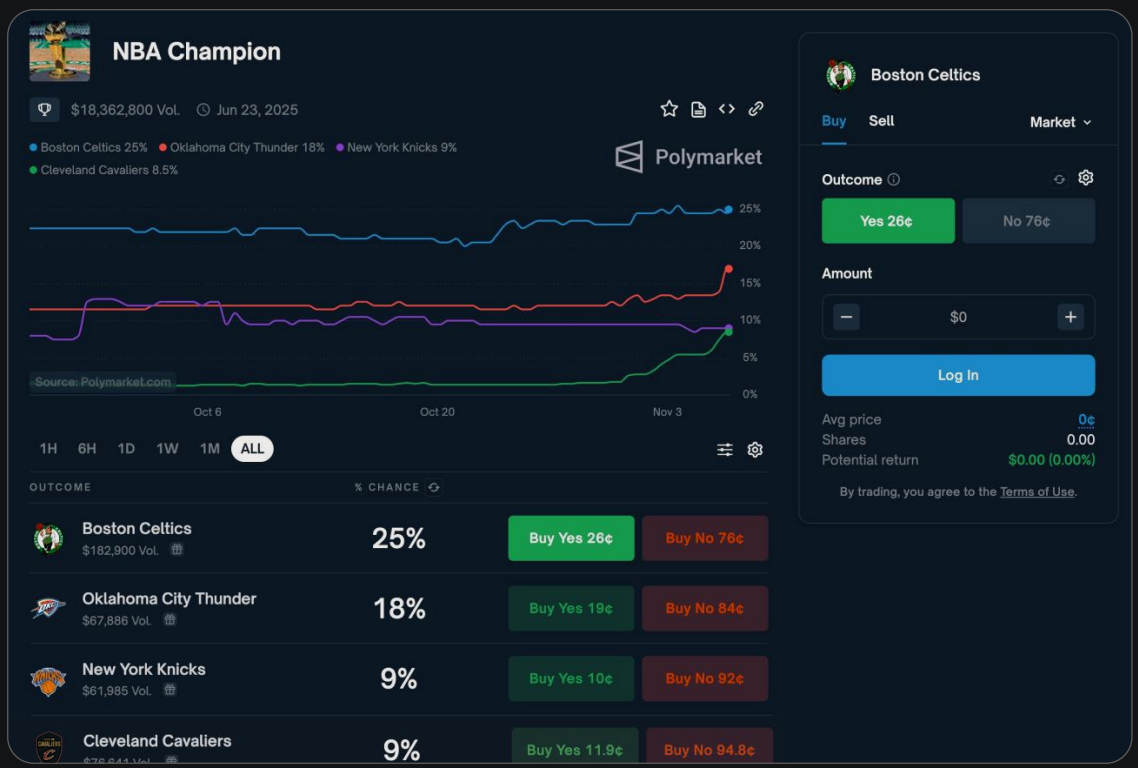


Source: Wikipedia

Polymarket's order book adopts a hybrid decentralized model. Orders submitted by users are sent to Polymarket's operators, who match and place the orders offchain.

Underlying the exchange system is a custom Exchange contract that facilitates atomic swaps (settlement) between binary Outcome Tokens and a collateral asset (ERC-20) according to signed limit orders (Figure 7).

Figure 7: Example Of Polymarket Prediction Event



Source: Polymarket

In addition to binary markets, as shown in the above example, Polymarket also offers categorical and scalar markets. Categorical markets allow betting on multiple options, with each option determined as either $1 or $0 based on the outcome. For example, a market predicting the 2025 NBA championship might include options such as the Celtics, Thunder, Knicks, and Nuggets.

Since the regular season has just begun, nothing is certain, and users can choose to bet on multiple teams. Scalar markets operate somewhat differently from the other two types, with profits and settlement based on where the final outcome value falls within a predefined range.

• Product Iteration of Prediction Markets

Augur is one of the earliest blockchain prediction markets. By 2018, it had achieved $400,000 in trading volume, a notable figure given the onchain activity at the time. It fully demonstrates market demand for onchain prediction markets. However, Augur failed to maintain a stable user base due to complex mechanisms and malicious attacks.

Unlike Polymarket, Augur allowed anyone to create a market by staking REP, their governance token. Augur's system was designed to invalidate markets if errors were detected in their fundamental components (market definition, expiration time, or decision conditions) during market creation. Thus, attackers may deliberately create flawed markets with the intent to force invalidation and profit from the chaos.

At the same time, Augur's permissionless market creation also led to several controversial events, such as creating markets for predicting "when a singer will die."

To focus on attracting users during initial application development, Polymarket centralized market creation internally. By offering a user-friendly market and a socially beneficial strategy without ethical controversies to the best of its ability, Polymarket established a stable base of initial users. This selective centralization strategy was chosen to help successfully engage early users as long as transparency and traceability are ensured in core trading activities.

• Prediction Markets Break Boundaries and Enter the MainstreamPrediction Markets Break Boundaries and Enter the Mainstream

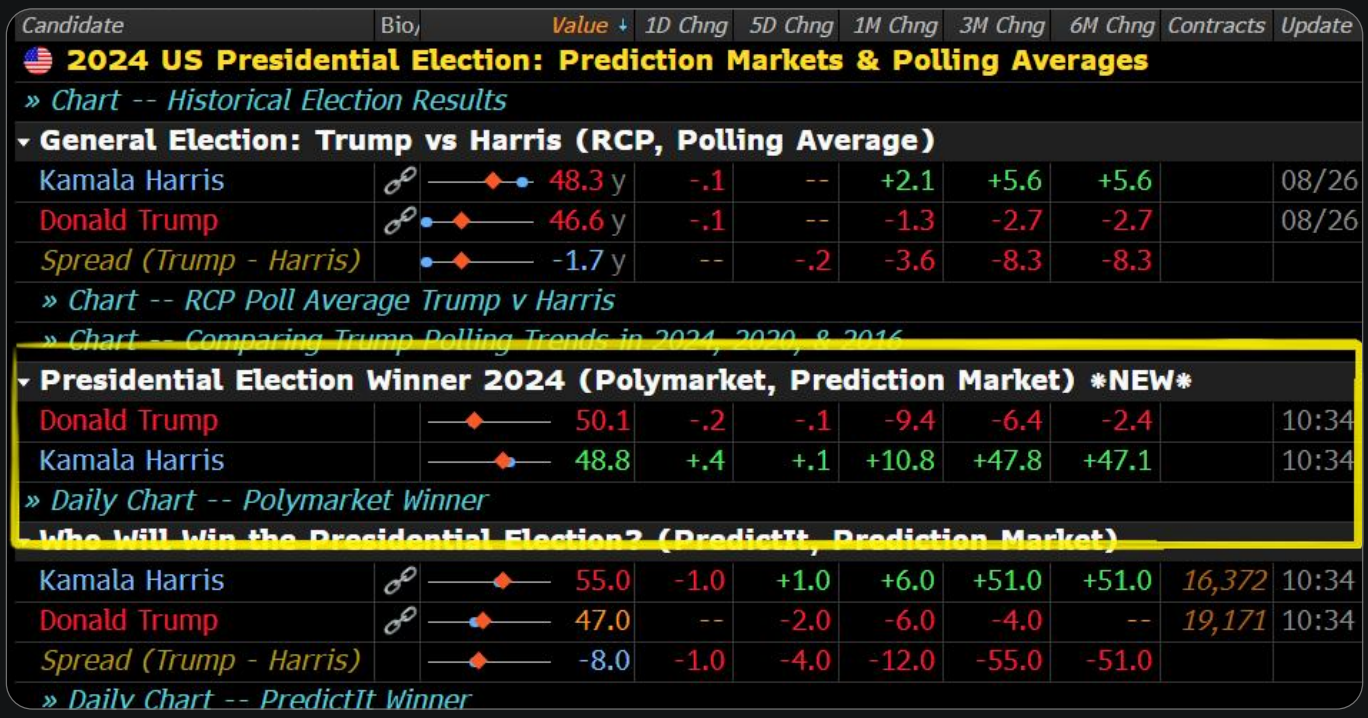
According to the efficient market hypothesis, asset prices in capital markets quickly and fully reflect all information available to market participants. Therefore, prediction markets are always efficient, so they have the potential to address inaccurate predictions, i.e., market inefficiency, and achieve accurate predictions.

Polymarket's founder noted that the platform was launched to counter widespread mistakes and misinformation during the pandemic. In fact, Polymarket has effectively transformed market participants' speculative needs into a tool for gathering data on public sentiment.

For example, it predicted that Kamala Harris would become the Democratic nominee and J.D. Vance would become Trump's running mate well before official announcements. For this reason, it has been extensively adopted by multiple mainstream media outlets (even crypto-skeptical mainstream media in mainland China) as an alternative news source.

Bloomberg Terminal, widely purchased and used, even began incorporating Polymarket data into its panels in August 2024 (Figure 8).

Figure 8: Polymarket Integration With Real-Time Market Data Giant, Bloomberg



Source: Altcoin Buzz, Bloomberg

Polymarket is also integrating with content platforms. On July 30, Substack, a famous content subscription platform, announced embeds for prediction markets from Polymarket, launching its new "Substack The Oracle by Polymarket."

On The Oracle, readers can find insights and analysis drawn from thousands of active markets on the Polymarket trading platform. Polymarket's The Oracle regularly aggregates notable markets and key statistics and analyzes some of today's hottest issues in-depth.

- **Future Directions for Prediction Markets**

Currently, Backpack Exchange has introduced prediction tokens for the US presidential election. SynFutures and dYdX have launched leverage trading products related to the election and introduced advanced order features (such as limit and stop-loss orders) to help users manage risk.

This leverage trading enables users to leverage larger positions with a small initial investment, thus amplifying potential returns.

dYdX is particularly focused on Trump Prediction Market Perpetuals, allowing traders to participate in the market by going long or short with up to 20x leverage.

Such a flexible trading structure allows users to capitalize on each market fluctuation and potentially earn significant returns in the short term. In summary, the combination of leverage trading and prediction markets remains complex for ordinary users and is better suited for professional traders.

2.4 A Trump Victory Could Encourage Listings of Crypto Companies in the U.S.

Under a Trump administration, there will be a clearer regulatory framework and a more relaxed regulatory environment, which will reverse the current trend of crypto companies fleeing the US and blocking US IP addresses. Meanwhile, according to Bloomberg, several crypto-related companies, such as Circle Internet Financial, Kraken, Fireblocks, Chainalysis, and eToro, may go public within the next couple of years, and other qualified crypto companies are also expected to pursue standard IPO procedures.

Looking back at the Biden administration, due to the tough regulatory stance of current SEC Chair Gary Gensler, there have been just a few crypto IPOs in recent years. As a result, it has become harder for crypto companies to secure mainstream institutional funding. While the massive wealth effect of Coinbase's listing in 2021 attracted many traditional funds to establish crypto divisions, Coinbase remains the only crypto project featured on the Forbes 2024 Midas List (Figure 9).

Figure 9: Forbes' Midas List

RANK	NAME	FIRM	NOTABLE DEAL	HEADQUARTERS
1	**Alfred Lin**	Sequoia	OpenAI	San Francisco, United States
2	**Micky Malka**	Ribbit Capital	Coinbase	Menlo Park, United States
3	**Neil Shen**	HongShan	ByteDance	Hong Kong, China
4	**Navin Chaddha**	Mayfield Fund	Poshmark	Saratoga, United States
5	**Satish Dharmaraj**	Redpoint Ventures	Snowflake	Saratoga, United States
6	**Chris Dixon**	Andreessen Horowitz	Coinbase	Menlo Park, United States
7	**Fred Wilson**	Union Square Ventures	Coinbase	New York, United States
8	**Reid Hoffman**	Greylock	Airbnb	Palo Alto, United States
9	**Vinod Khosla**	Khosla Ventures	OpenAI	Portola Valley, United States
10	**Hemant Taneja**	General Catalyst	Applied Intuition	Palo Alto, United States
11	**Roelof Botha**	Sequoia	MongoDB	Menlo Park, United States

Source: Forbes

3. DeFi and BTCFi Will Benefit First

Although only 4.3% of WLFI tokens from Trump's own DeFi project, World Liberty Financial, has been sold, and the project is criticized for lacking utility, it reflects his interest in DeFi.

BTCFi stands out within DeFi as the easiest to build consensus and gain legitimacy, providing it with a stronger foundation and ensuring its sustained development.

BTC remains the greatest common ground between the crypto industry, Wall Street, and the SEC. The core of BTCFi lies in leveraging BTC through various businesses such as staking, lending, trading, and derivatives. Over time, BTCFi will grow to a multiple of BTC's value, mirroring the trends seen in other major asset classes. However, this development requires a favorable external environment over a relatively long term. This process could be accelerated if Trump wins the election.

Crypto companies developing BTC financial tools will be motivated and have access to a more relaxed regulatory environment, solidifying BTC's position as a foundational asset.

On the other hand, BTCFi innovation will be dominated by developers, pushing for a range of breakthrough applications based on Bitcoin's programmability (Figure 10).

For example, Bitcoin's 2025 upgrade, another upgrade since Taproot in 2021, is expected to implement OP_CAT. Once OP_CAT is enabled, developers will be able to use high-level Bitcoin native programming languages like sCrypt to develop decentralized, transparent smart contracts directly on the Bitcoin mainnet. sCrypt is a TypeScript framework for writing smart contracts on Bitcoin.

It allows developers to write smart contracts directly in TypeScript, which is one of the most popular high-level programming languages. Bitcoin's current layer 2 solutions could also transition to ZK-rollups, and BTCFi's total market potential is expected to be over ten times BTC's current market cap.

Figure 10: BTCFi Project Fractal's X Podcast



Source: Forbes

Many projects are already exploring how to use sCrypt for development around OP_CAT. For instance, Fractal Bitcoin, a parachain of Bitcoin, already supports OP_CAT and has launched the CAT protocol. Currently, Babylon, a restaking project developed using Bitcoin script, and Shell Finance, a stablecoin lending platform, are considering relevant development following OP_CAT's release to achieve full decentralization and more complex onchain functionalities, relying on the Bitcoin consensus mechanism to fully ensure security.

4. About Us

This article is a product of diligent work by the HTX Research Team, which is currently under HTX Ventures. HTX Ventures, the global investment division of HTX, integrates investment, incubation, and research to identify the best and brightest teams worldwide.

With a decade-long history as an industry pioneer, HTX Ventures excels at identifying cutting-edge technologies and emerging business models within the sector. To foster growth within the blockchain ecosystem, we provide comprehensive support to projects, including financing, resources, and strategic advice.

HTX Ventures currently backs over 300 projects spanning multiple blockchain sectors, with select high-quality initiatives already trading on the HTX exchange. Furthermore, as one of the most active FOF (Fund of Funds) funds, HTX Ventures invests in 30 top global funds and collaborates with leading blockchain funds such as Polychain, Dragonfly, Bankless, Gitcoin, Figment, Nomad, Animoca, and Hack VC to jointly build a blockchain ecosystem.

Company Website

https://www.htx.com/en-us/ventures

5. References

1.https://a16zcrypto.com/posts/podcast/state-of-crypto-stablecoins-ai-us-election-builder-energy/

2. https://foresightnews.pro/article/detail/65606

3. https://www.panewslab.com/zh/articledetails/0ygov37p347p.html

4. https://foresightnews.pro/article/detail/62075

5. https://foresightnews.pro/article/detail/69666

6. https://foresightnews.pro/article/detail/67050

7. https://mp.weixin.qq.com/s/ZlIR88qAd8HkYP9YpAc8iA

8. https://foresightnews.pro/article/detail/68230

9. https://mp.weixin.qq.com/s/4NEOiYHyJPmlaQ4zHyZ3iA

Disclaimer

1. The author of this report and his organization do not have any relationship that affects the objectivity, independence, and fairness of the report with other third parties involved in this report.

2. The information and data cited in this report are from compliance channels. The sources of the information and data are considered reliable by the author, and necessary verifications have been made for their authenticity, accuracy and completeness, but the author makes no guarantee for their authenticity, accuracy or completeness.

3. The content of the report is for reference only, and the facts and opinions in the report do not constitute business, investment and other related recommendations. The author does not assume any responsibility for the losses caused by the use of the contents of this report, unless clearly stipulated by laws and regulations. Readers should not only make business and investment decisions based on this report, nor should they lose their ability to make independent judgments based on this report.

4. The information, opinions and inferences contained in this report only reflect the judgments of the researchers on the date of finalizing this report. In the future, based on industry changes and data and information updates, there is the possibility of updates of opinions and judgments.

5. The copyright of this report is only owned by HTX Ventures. If you need to quote the content of this report, please indicate the source. If you need a large amount of references, please inform in advance (see "About HTX Ventures" for contact information) and use it within the allowed scope. Under no circumstances shall this report be quoted, deleted or modified contrary to the original intent.

ADDITIONAL CONTACTS

Questions, Comments or Customer Service



research@cointelegraph.com