Blockchain Startups in New York - Beyond Bitcoin

Kuperman LLC Corporate Development
In brief

- Only a few dozen Blockchain technology startups operate in New York City
- 70% of the startups have nothing to do with Bitcoin and use Blockchain technology for a growing number of cases
- So far in 2016, investors supported mostly startups offering Blockchain-base middleware and enterprise applications
- Other fields that attract investments include: clearing houses and trading platforms, payments, certifications, and cyber security

Blockchain, not Bitcoin

There are several dozen Blockchain\(^1\) technology companies that are operating in New York City. Most of them are not associated with Bitcoin trade. Blockchain, known as the underlying technology that powers Bitcoin is used by a growing number of companies for different use cases.

The investment flow into Bitcoin startups in NYC stopped in 2016. The state’s regulatory environment could shed some light on these findings. “BitLicense” became effective in summer 2015 and was among the first regulatory framework to effectively enact a virtual currency.

A number of companies allegedly withdrew their service from the state resulting in what some refer to as the “Great Bitcoin Exodus.\(^2\)”

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\(^1\) In this report the terms “Blockchain” and “Distributed Ledger” are used interchangeably.

Where is the funding going, if not on Bitcoin?

Since the beginning of 2016, more than $80MM were invested in Blockchain startups operating in NYC; a growth of nearly 20% annually. This increase in investments is mainly generated by non-bitcoin status in a few categories:

#1 Middleware, Applications and Enterprise Integrations

Startups in this category are developing enterprise solutions for financial services and other enterprises. Solutions vary from middleware platforms to application development. By far, startups in this category have been able to get the most investment in 2016. A few notable companies in this field –

**Digital Asset Holding** recently raised $7.2 MM. Digital Asset is a software company that builds distributed, encrypted straight through processing tools. Their technology improves efficiency, security, compliance, and settlement speed.

**Consensus Systems (ConsenSys)** is a venture production studio building decentralized applications and various tools for Blockchain ecosystems focusing primarily on Ethereum.

#2 Trading and Clearing House

Companies offer issuance, track and trade of digital assets; modeling of complex financial instruments or clearing processes on the Blockchain. A few notable companies in this field –

**Symbiont** focus on the creation of SMART SECURITIES™: self-executing digital contracts that are stored on a Blockchain database. The company raised $7 MM in the beginning of 2016.

**Clearable** is building a new breed of clearinghouse marrying in real-time, and low latency technology with Blockchain innovation to improve clearing and settlement of OTC FX spot and derivative transactions.

#3 Payments, Wallet and Loyalty Programs

There are several startups that are developing platforms that enable digital payments, or customer loyalty and rewards networks. A few notable companies in this field –

**Fluent** is an enterprise Blockchain network offering solutions and applications to financial institutions and global enterprises. Fluent recently raised a seed round of $1.65 MM.

**Loyyal** is a loyalty and rewards platform built with Blockchain and smart contract technology. In the beginning of 2016 Loyyal raised a seed round of $1.5MM.

Investment in Non-Bitcoin Blockchain Startups in NYC 2016 YTD, by sector, $MM:

<table>
<thead>
<tr>
<th>Sector</th>
<th>$MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middleware, Application &amp; Enterprise Integration</td>
<td>67.2</td>
</tr>
<tr>
<td>Trading &amp; Clearing House</td>
<td>7.0</td>
</tr>
<tr>
<td>Payments, Wallet and Loyalty Programs</td>
<td>3.2</td>
</tr>
<tr>
<td>Certification &amp; Authentication</td>
<td>1.5</td>
</tr>
<tr>
<td>Compliance &amp; Security</td>
<td>1.6</td>
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New York-based Blockchain companies operate in six additional categories, making for a total of nine key use-cases for Blockchain technology:

**#4 Compliance and security** companies aim to spot emerging cyber threats to protect digital assets and secure decentralized systems adopted by enterprises.

**#5 Certification and Authentication** services offer public and immutable proof of authenticity and ownership of documents or other digital items.

**#6 Banking** startups leverage Blockchain technology to offer alternative financial products through immediate and secure services such as securities, loans and other financial products.

**#7 Digital Identity** uses Blockchain to issue digitally authenticated records to create identity solutions that are verified and unforgeable.

**#8 IoT** related startups use Blockchain technology to process device data. They enable smart devices to become independent agents, autonomously conducting a variety of transactions.

**#9 Smart Contracts** support digital, secure, private, and efficient contracts. With Blockchain technology, smart contracts can in principle be self-executing and self-enforcing without the need for intermediaries.

**Methodology:**

Over 100 companies were reviewed for this study with only a few dozen making it to the final short list of relevant startups based on the following criteria.

- **NYC operating** required being headquartered in NYC or a NYC physical address present on a corporate website, and at least one employee or representative based in the city.
- **Blockchain** uses block chain technology at the heart of its key offering.
- **Active** companies are those that appear to have fulltime employees or founders, maintain an active website and/or company pages on social platforms.

Category classification and Bitcoin relation of each company were determined by Kuperman LLC based on information from different sources. Investments were analyzed based on the companies’ statements and publications.