



TAGUS CAPITAL

# CRYPTO and beyond

PROSPECTS FOR THE INDUSTRY

Brazilian Chamber of Commerce  
Crypto Forum

March 2023



Tagus is a venture capital firm focused on delivering unique Web3.0 insights, risk management, and alpha-generating investments in the blockchain and digital asset space.

What makes  
Tagus different  
from other  
Blockchain  
Investors

- 01 Appointed Representative of a UK-regulated firm\*
- 02 Unique approach of value creation vs value capture
- 03 Excellent Deal Flow – private equity + token warranties
- 04 Strong Risk Management
- 05 Great Team with international reach and experience
- 06 3 Theses: Infrastructure, Financial Services, and Metaverse



**Gui Silva, CFA**



20-year experience in corporate finance, capital markets, and technology. Global Head of Capital Markets at Blockchain EQUOS and Head of Blockchain Research Group at the University of Oxford's CTGA. Previously, Managing Director for HSBC in the UK, Spain, and Asia.

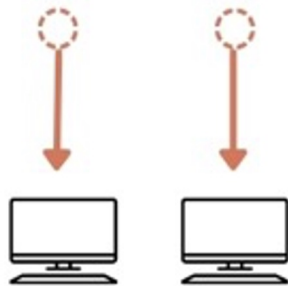


Web 1: 1989

Information  
Economy



Download

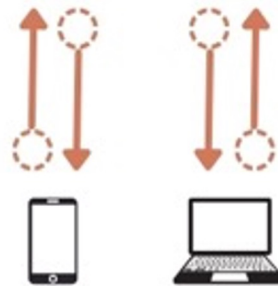


Web 2: 1999

Platform  
Economy



Download/Upload



Web 3: 2009

Token  
Economy



Download/Upload/Own

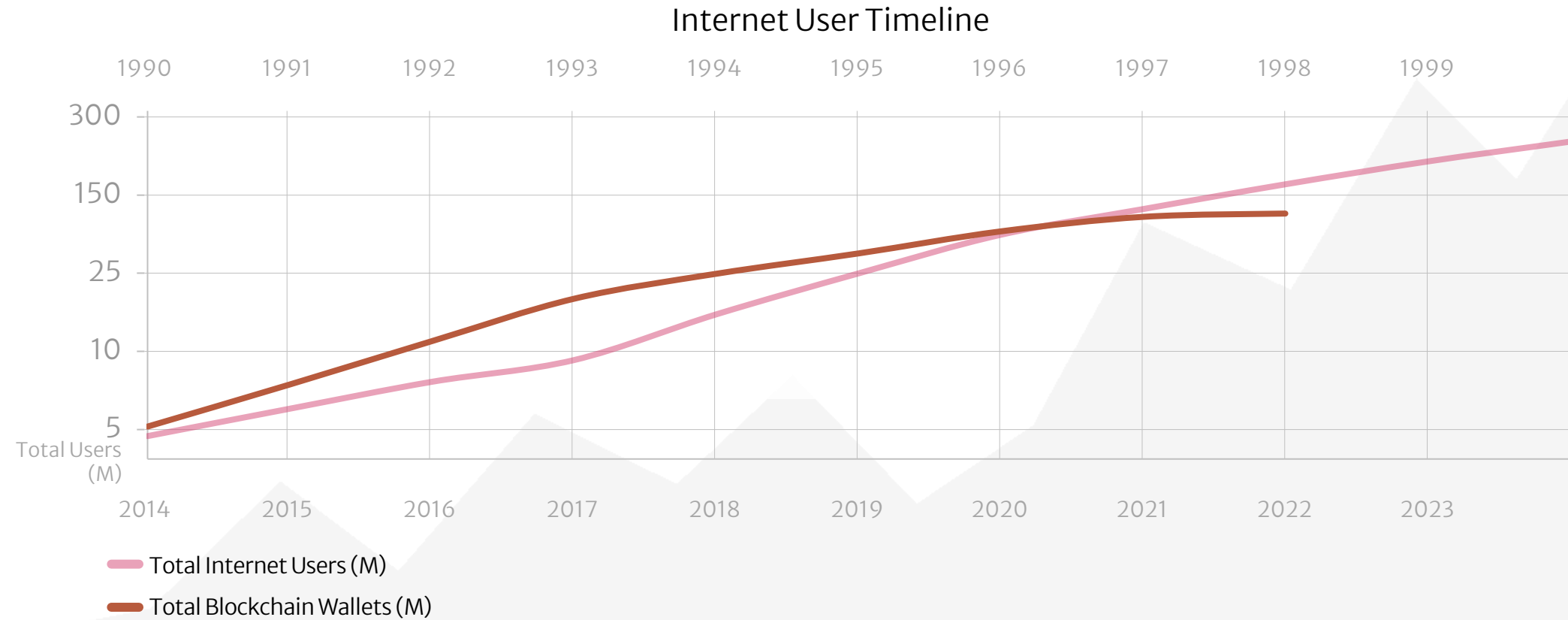




The crypto ecosystem has been growing exponentially and has recently gone mainstream

## Adoption Evolution vs. Blockchain Wallet Users vs Internet Users

Logarithmic scale, from 1990 to 2000 for internet users and from 2014 to 2022 for blockchain users



Sources: International Telecommunication Union ([via World Bank](#)), and [Blockchain.com](#); (September 2022).



### Total Crypto Market Cap Chart

11,457 cryptocurrencies tracked across 684 exchanges





European Central Bank's Director General  
Ulrich Bindseil (Nov 2022)

"[DLT/Blockchain] technologies have so far  
created limited value for society – no matter how  
great the expectations for the future."

"Big Bitcoin investors have the strongest  
incentives to keep the euphoria going. Despite  
the ongoing "crypto winter", VC investments in  
the crypto and blockchain industry totaled USD  
17.9 billion as of mid-July."

"Promoting Bitcoin bears a reputational risk for  
banks". "Bitcoin is rarely used for legal  
transactions [] and is on the road to irrelevance"



**Terra Luna**



celsius



**BlockFi**

**VOYAGER**



Alameda Research



**FTX**

**Genesis**



**GEMINI**



**CORE SCIENTIFIC**



**Silvergate**





Nobel Prize winner in Economics  
Paul Krugman (1998)

“The growth of the Internet will slow drastically, as the flaw in ‘Metcalfe’s law’—which states that the number of potential connections in a network is proportional to the square of the number of participants—becomes apparent: most people have nothing to say to each other!”

By 2005 or so, it will become clear that the Internet’s impact on the economy has been no greater than the fax machine’s.”





Despite a weak macroeconomic environment and market volatility, the adoption of blockchain technology continues at full speed

Web3 Development Report

## Weekly downloads

Ethers.js, Web3.js, and Combined



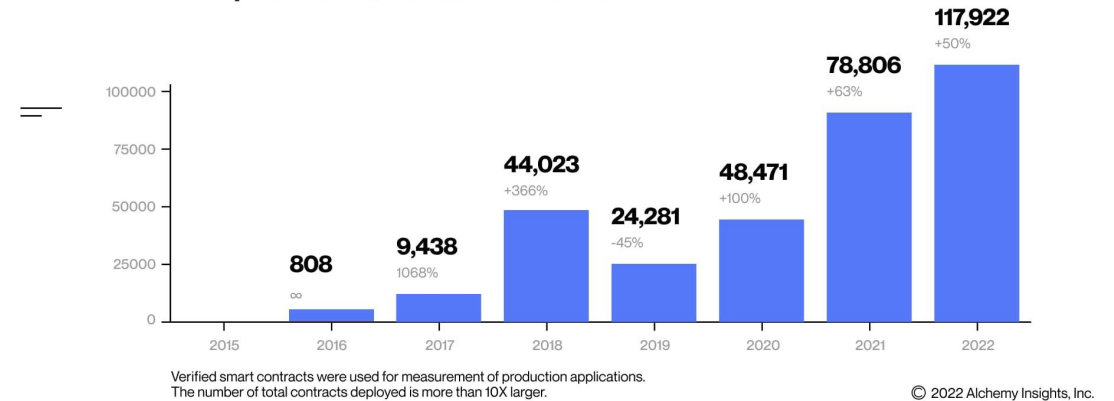
Weekly downloads by developers of web 3 libraries for reading blockchain data have increased 10 times since 2018 and tripled compared to November 2021 crypto highs. These libraries allow developers to build Web3 functionalities, access deposits into DeFi protocols, create NFTs, among others.

## The number of Decentralised Applications (dApps)

across all Blockchain's has increased 1,200% in the last 4 years from 1,000 (2018) to 12,495 in September 2022

Web3 Development Report

## Verified smart contract deployments are up more than 50% in 2022







Banks and Financial Institutions

Technology, Retail and Infrastructure

Pension & Endowment Funds

Fidelity, Cambridge Associates, Barclays, Morgan Stanley, J.P. Morgan, NYSE, Deutsche Bank, Citi, BlackRock, Ameritrade, Noregs Bank, HSBC, Nasdaq, Mastercard, Visa, Goldman Sachs, Swift, BNY Mellon, XP.

ORACLE, intel, SAMSUNG, Walmart, Uber, Twitter, IBM, TESLA, Square, Facebook, Microsoft, Google, WHOLE FOODS MARKET, Starbucks, amazon, DELL, UBISOFT, PayPal.

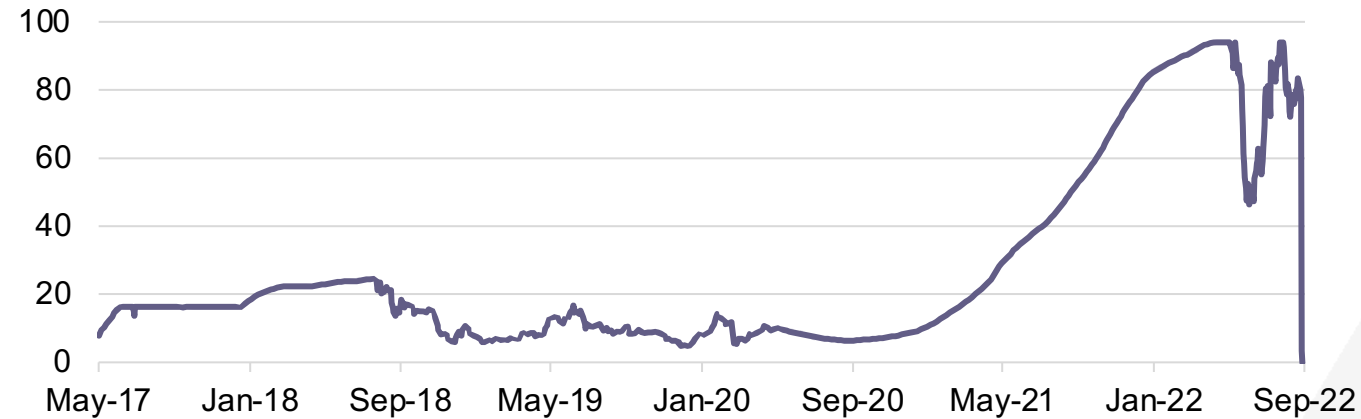
Yale University, HARVARD UNIVERSITY, MIT, DARTMOUTH COLLEGE, UNIVERSITY OF VIRGINIA, THE UNIVERSITY OF MICHIGAN, TUDOR.

# One of the key challenges for adoption has just been solved: energy consumption

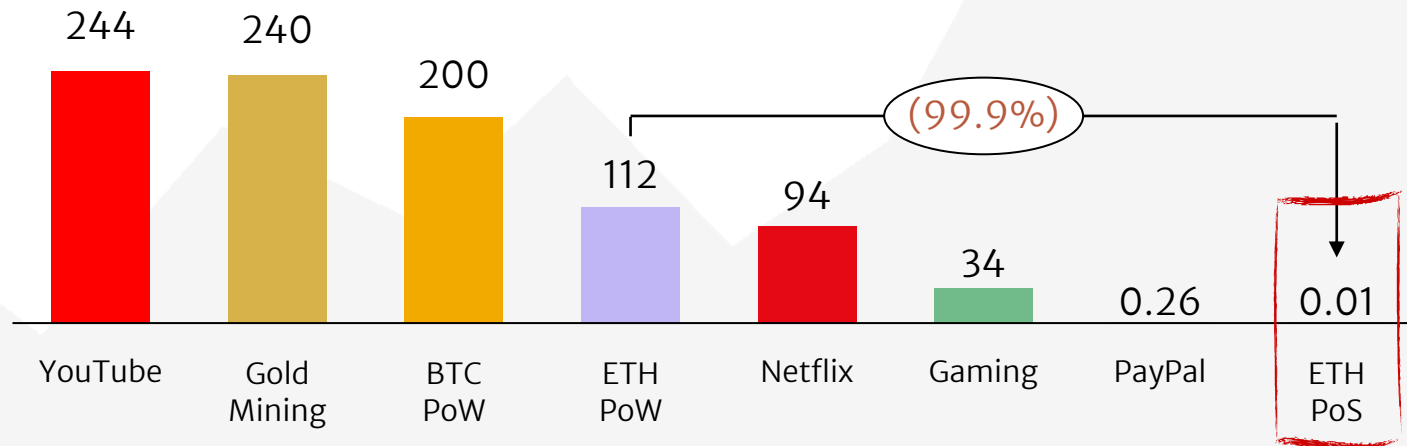


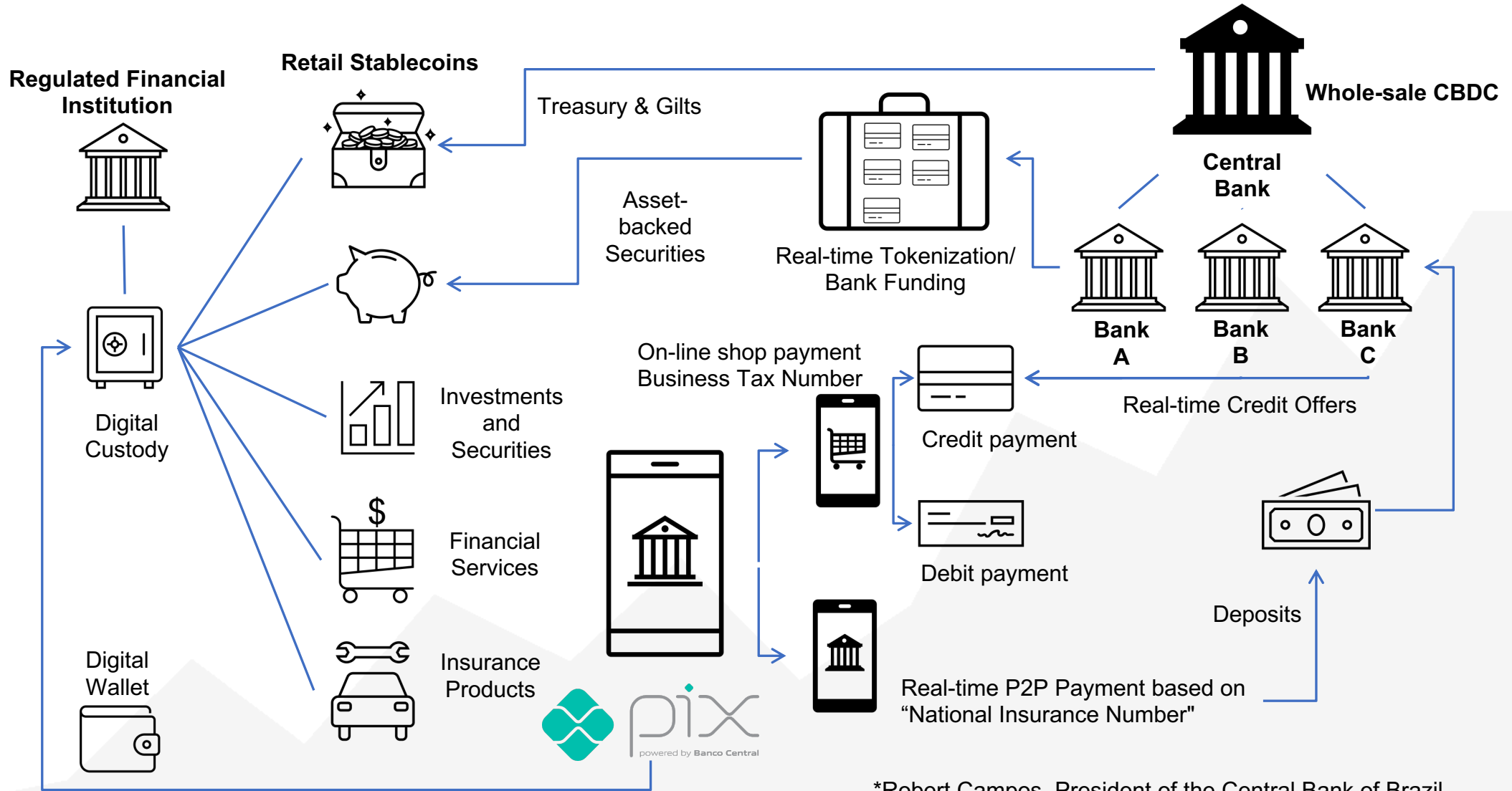
Following its transition from Proof of Work (PoW) to Proof of Stake (PoS) concluded in Sep 2022 (The Merge) the Ethereum blockchain will consume 99.9% less energy

Estimated Ethereum Energy Consumption (TWh per year)



Annual Energy Consumption (TWh per year)





\*Robert Campos, President of the Central Bank of Brazil



## **Crypto regulatory uncertainty to remain in developed countries.**

Regulators' knee-jerk reaction to FTX collapse will end up strengthening the industry and protecting consumers against poorly-run centralized lending platforms and crypto exchanges

Regulators, however, will miss a great opportunity to set standards and provide clarity for the upcoming flood of new Web 3 businesses

## RED FLAG ACT 1865



Charles S Rolls – Peugeot Horseless Carriage



**INNOVATIVE NON-CUSTODIAL BUSINESSES AND SERVICES TO GROW**  
(trading volume in Dex \$50bn/week: 3X higher after FTX issue)

**REAL-WORLD ASSETS MOVE ON-CHAIN**

**REGULATORY ARBITRAGE TO INCREASE** (HK VS SINGAPORE or MiCa Act in the EU and STABLE Act in the USA)

**ASIA TO BECOME A LEADING CENTRE FOR DIGITAL ASSET INNOVATION**

**WEB 3 USER EXPERIENCE WILL GREATLY IMPROVE**

**ADOPTION OF DIGITAL ASSETS BY MAJOR ORGANISATIONS CONTINUE TO GROW**

**DEVELOPING NATIONS SUCH AS INDIA, BRAZIL, AND TURKEY TAKING THE LEAD**

**UK CAN BRIDGE DEVELOPMENTS IN ASIA AND LATIN AMERICA WITH EU AND USA**



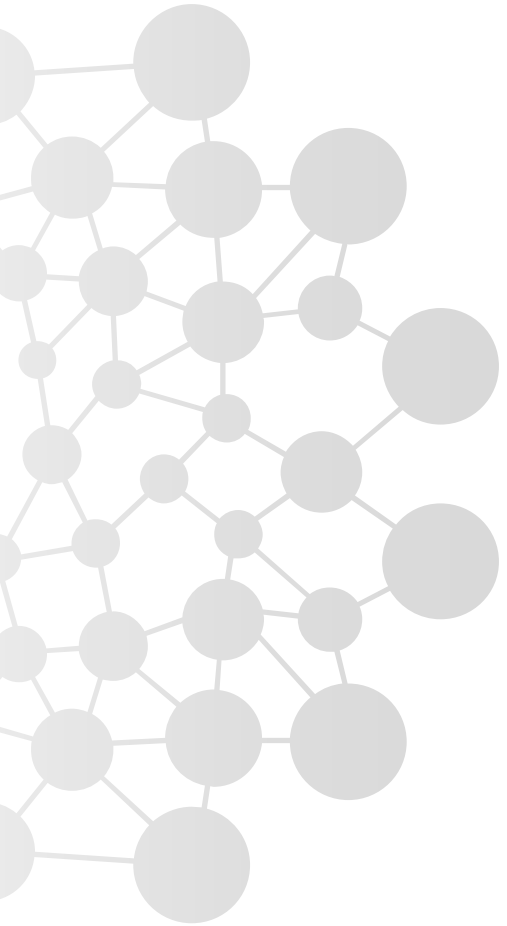
## FINAL THOUGHTS AND THANK YOU



TAGUS CAPITAL

# Thank you

[www.taguscap.com](http://www.taguscap.com)



## APPENDIX



# Tagus combines traditional finance & trading expertise with long-standing engagement with the crypto ecosystem

## Meet our team



**Gui Silva, CFA**

**EQUOS HSBC** 

20-year experience in corporate finance, capital markets, and technology. Managing Director for HSBC in the UK, Spain, and Asia. Previously, Global Head of Capital Markets at Blockchain EQUOS and Head of Blockchain Research Group at the University of Oxford's CTGA.



**Jose Bonchristiano**

**Goldman Sachs** 

Member of Venture Investment Committee and of Risk Management Committee. Serial entrepreneur and investor with successful exits in private and public markets. 10+ years of GP and LP experience in the UK, USA, and Latin America. Previously, Goldman Sachs in NY and McKinsey in Brazil. MBA from the Wharton School.



**Alejandro Lopez**

**EQUOS HSBC** 

15+ years software engineer with expertise in cybersecurity and blockchain technology programming, smart contracts, and computer models for Forex and Commodities trading. Former Head of Innovation, Capital Markets at EQUOS, and Head of FX Sales Desk for HSBC Spain.



**Leon Mirochnik, CFA**

**EQUOS BlackRock**

18-years of asset management and IB experience in Asia & US. Head of Business Development at EQUOS and at EIP, a CITIC CLSA asset manager. Previously, BlackRock in NY and Aristotle Capital in Los Angeles. B.A. degree from University of California, Santa Barbara.



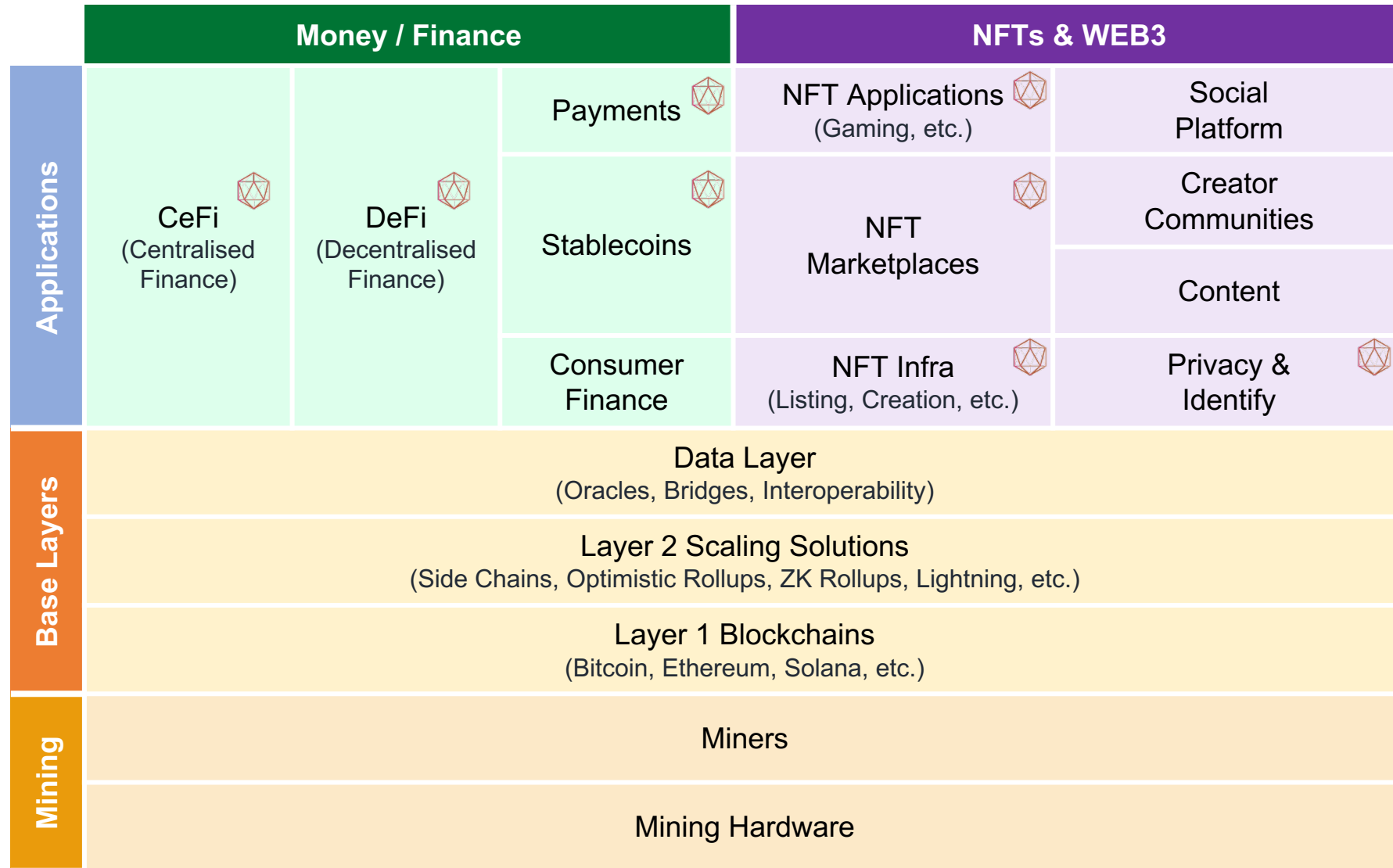
**Marcello Cavalcanti**

**BARCLAYS**  **MERRILL LYNCH**  
A BANK OF AMERICA COMPANY

20+ years of Global Markets experience. Former Barclays Global Head of FX Bank Sales in London and Merrill Lynch derivatives trader in NY. Also former CIO of a systematic hedge fund, trading both fiat and crypto derivatives. MBA from INSEAD.

# Tagus has been focused on most strategic segments of all crypto space

Crypto Asset Flow



## Tagus' Target Segments



## SEED

Seed stage investments involve a 3-Tier selection process that includes: Product, Tech Stack and Team



### Product

**We favor bold teams with a clear vision of the sector**

- Large and thriving markets (TAM/SAM/SOM)
- Product market fit
- Promising competitive advantages



### Tech Stack

**We like to invest in projects with an MVP**

- Strength of the Tech stack
- Scalability of the solution
- Cybersecurity



### Team

**We look for relentless and highly technical entrepreneurs**

- Technical knowledge
- Previous experiences
- Capacity to execute
- Multidisciplinary teams

## GROWTH

Growth stage investments involve a more fundamental analysis, based on Sector, Financials and Team



### Sector

**We look for sectors with strong tailwinds**

- Large and thriving markets (TAM/SAM/SOM)
- Favorable dynamics and regulation
- Not saturated and over-penetrated market



### Financials

**Companies should have most of the following:**

- Healthy margins (gross, EBITDA, etc.) and unit economics
- Technology as the protagonist of expansion
- Growth trajectory and plan



### Team

**We partner with teams that have:**

- Sector / segment experience
- Purpose-driven entrepreneurs
- Leadership skills to take the company to the next level

Sepana is building the infrastructure needed to make Web3's content easily discoverable and accessible; via a forthcoming Web3 search API, the company aims to enable any decentralised application to integrate with its search infrastructure

## Brief History

**SEPANA** Sepana seeks to expand humanity's knowledge by making Web3's content easily discoverable and accessible.



Today, the decentralised web is chaotic, dispersed and unruly. Part Defi, part NFTs, part DAOs, part social.



Founded by two brothers, Daniel and David Keyes, Sepana seeks to make Web3 content, such as DAOs and NFTs, more discoverable through its search tooling.



The company does this via a forthcoming Web3 search API that aims to enable any decentralised application (dapp) to integrate with its search infrastructure.



In the long term, the company is looking to build a fully decentralised peer-to-peer search protocol. This infrastructure will help create information bridges between decentralised applications and protocols to improve search outcomes with privacy at the forefront.

## Investment Thesis

1. As Web3 projects gain adoption it gets harder and harder for users to navigate through an increasing amount data to find what they need.
2. After testing several solutions, Web2 converged into "full-text search", where Google is the biggest representative.
3. There is no such tool for Web3. Sepana is building the infrastructure necessary to make it possible.
4. Through Sepana, users can discover content, transactions, NFTs, DAOs, and people across different blockchains.

## Key People & Last Updates



**Daniel Keyes**  
Co-founder & CEO



\$10 million funding round led by venture firms Hack VC and Pitango First.

Tagus Capital, Protocol Labs, Lattice Capital and Balaji Srinivasan also took part in the round

Binance.US is a crypto platform born from the Binance group. For the first time, Binance.US opened to external investors; the company has been leading discussions with regulators and is already authorised to operate in 46 states and 8 territories in the US

## Brief History



Founded in 2019, Binance.US has become one of the largest (by volume) crypto platforms based in the United States alongside Coinbase, Kraken and Gemini.



It is the first time an entity within Binance group opened to external investors. Binance.US believes having large US institutional shareholders will help it to get closer to US regulators to navigate the strict regulatory environment.



Binance.US is authorised to operate in 46 States and 8 territories and is seeking to obtain licenses in the remaining ones in 2022: NY, VT, TX and HI

130+

Binance.US allows users to trade over 130 different cryptos, stake and offers OTC services.



Tagus saw the opportunity to invest into a top player that can leverage the technological expertise of its parent company. It's an early-stage investment with the expertise of a late-stage company

- Binance.US is well positioned to continue to attract users in the US.

## Key People



**Brian Schroder**  
CEO



**Jasmine Lee**  
CFO



**Norman McKenzie**  
General Counsel



## Last Updates

- ✓ Announced raising over \$200M in capital for its seed round at a \$4.5Bn valuation.
- ✓ Will benefit from users moving money away from FTX.US into remaining top players
- ✓ Eliminated BTC spot trading fees in June 2022. Market Depth improved over 30% after the announcement.
- ✓ Received its Money Transmitter License in Nevada and Puerto Rico.

# Regulators look for the right balance between the promotion of innovation and protection of our society



## AML

Possibility of buying cryptoassets with fiat currency and transferring it P2P across multiple jurisdictions creates challenges to regulators who can lose track of who are behind such transactions. There is the risk that money obtained from illegal trades, drugs trafficking, corruption, and tax evasion are washed and end up in the hands of groups promoting illegal activities and terrorism.



## Customer Protection

Sale of decentralised services and promotion of crypto investments without proper disclosures can lead to poorly-informed decisions by consumers who might not have the necessary knowledge nor experience to understand the risks involved and are left with no access to effective redress mechanisms



## Custody

The use of decentralised ledger technology to record financial transactions and assets balances might not create fiduciary duties among the parties involved despite the implied degree of user's trust on the cybersecurity standards of blockchain network and asymmetrical information between users and smart contract developers who enable the provision of such non-custodial services



## Privacy

In a world where every transaction is public to everyone and on/off-chain data can be verified, the right to privacy might be undermined. The use of services to keep privacy also allows the mixing of potentially identifiable illicit "tainted" cryptocurrency funds with legit funds. Also, the handling and storing of personal information on decentralised networks with no legal personality makes harder for the application of data protection regulations



## Market Stability

Asymmetric information between large (whales) and small participants, limited liquidity for the great majority of crypto assets, siloed markets, regulatory fragmentation, and control of or influence on media channels can lead to artificial supply or demand for cryptoassets, front running practices, and market manipulation



## Monetary Stability

The use of technology to create private money such as Bitcoin and stablecoins competing with money issued by central banks open the possibility of P2P payments outside the banking system. The creation of Central Bank Digital Currencies (CBDC) with individuals having direct accounts with Central banks might make commercial banks redundant and affect credit allocation in the economy

# Uncertainty is part of the game, and a risk-based approach is the best tool to navigate it

As technology advances, regulators do not have the knowledge to guide market participants; Taking calculated regulatory risks is what matters, and Tagus' expertise in regulated industries created a skillset to navigate uncertainty

## Innovation and regulatory uncertainty



There is always regulatory uncertainty in nascent industries, and governments and regulators often don't have the knowledge to guide market participants.



This happened to all inventions empowering people to communicate and transact more efficiently, including trains, cars, the telephone, the internet, and now blockchain.



Although crypto regulations are fluid, the spirit of the laws underlying the regulatory areas that touch crypto will remain and companies must build products and services with that in mind.

## What uncertainties do we have?



Investing in blockchain innovation means having zero appetite for anti-money laundry and market manipulation risks.



It also means understanding that innovative business models might use new technologies such as NFTs as part of their services and that might not perfectly fit current regulations about centralised custody of assets or user identity.



Taking calculated regulatory risks means proactively adding mitigants to address such identified risks and strengthening the company.

## Our approach to regulation



Tagus team has over 100 years of combined experience in regulated industries and has been able to support companies in the transition from pure "tech companies" into potentially "highly regulated businesses".



For instance, after joining the pre-series A round of a fast-growing business, Tagus team helped it to beef up internal procedures for KYC, AML, and client classification.



It also helped hiring new Heads of Compliance, Legal and Risk, and within 18 months the company was looking very different – Tagus was able to partially exit its investment with a 25x return on capital.

Uncertainty is part of the game and will be present differently in every country

Taking calculated regulatory risks is what matters, adding mitigants to address them

**Tagus' expertise in regulated industries created a skillset to navigate uncertainty**

