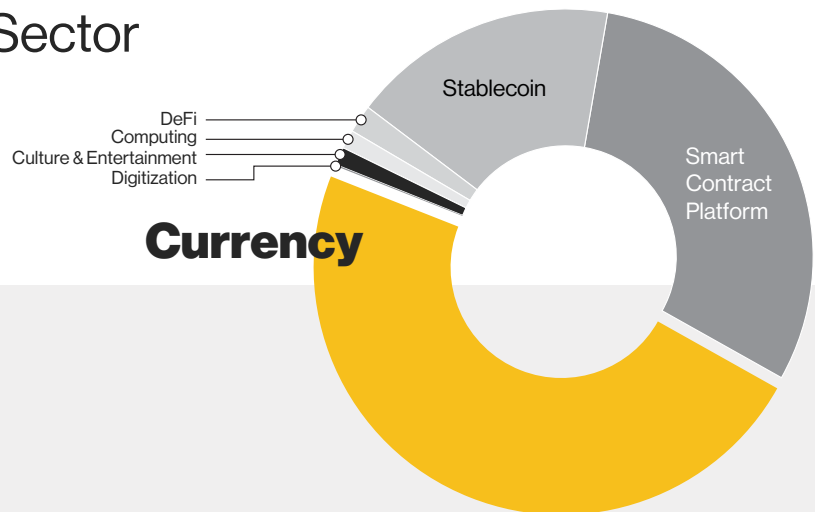


January 2023

Opening the World of Transactions with Advanced Mediums of Exchange

A Primer on the Currency Sector



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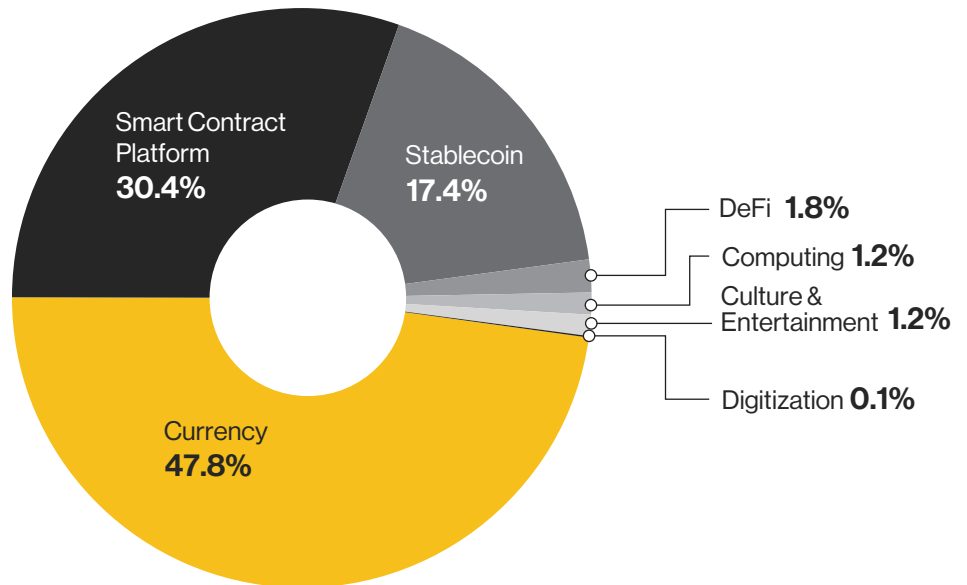
Introduction

In December 2021, CoinDesk Indices launched its **Digital Asset Classification Standard (DACS)** to set the standard for defining the industries of digital assets. Every one of the top 500 digital assets by market capitalization is assigned to an industry, defined by DACS; then at least one industry is assigned to an industry group, and finally, at least one industry group is assigned to a sector.

Currently, there are seven sectors defined by DACS including Currency, Computing, DeFi (Decentralized Finance), Digitization, Culture & Entertainment, Smart Contract Platform, and Stablecoin. The Currency sector is the largest sector in DACS with 110 assets representing 47.8% of the digital asset market, and a market capitalization of approximately \$382 billion as of 12/31/2022.

Exhibit 1

CoinDesk Indices DACS



Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

In this paper, we describe the Currency sector in further detail by discussing its definition, constituents and significance in the broader digital asset space.

Defining the Currency Sector

Currency is the sector with the first digital asset, Bitcoin. Bitcoin was launched in 2009. It paved the way for the development of many other digital assets¹. Fundamentally, the Currency sector represents the purest and most basic form of peer-to-peer payment in the digital asset space, but it can take on other traditional monetary characteristics like stores of value and units of account. As this space evolves, other properties such as privacy and special-purpose permissioned blockchains grow in demand.

The [DACS Glossary](#) defines the Currency sector as follows:

Currency sector refers to any digital asset acting primarily as a medium of exchange and unit of account running on a blockchain network with the ability to complete cross-border transactions without restriction. Digital assets in the Currency sector do not necessarily act as a store of value.

Industry Groups Inside the Currency Sector

The industry assignments of digital assets in the Currency sector can be consolidated into three industry groups: Transparent, Blockchain as a Service (BaaS), and Private.

Transparent is the most traditional type of digital asset in the Currency sector that utilizes an open, permissionless, and trustless blockchain. As opposed to Private currencies, Transparent currencies display the deposit addresses and token balances of both senders and receivers on the ledger. Transparent currencies can serve a range of different purposes, but fundamentally, they empower users to take control over their own finances.

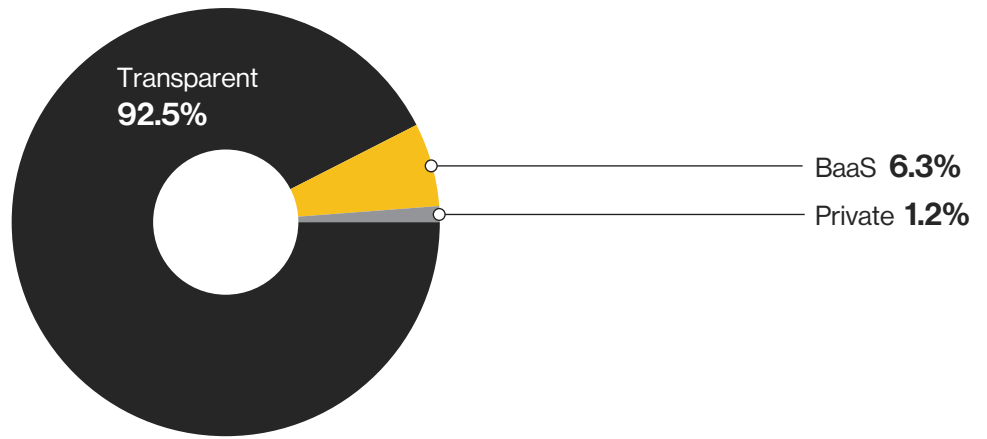
Blockchain as a Service describes protocols that are typically more centralized and utilize permissioned blockchains for narrowly defined purposes.

Private refers to protocols whose primary purpose is to maintain anonymity of users and conceal their wallet balances. While typical blockchains have open, traceable, and transparent ledgers, privacy-focused blockchains like Monero use a range of encryption techniques to obfuscate user-specific information without losing trust in network security, transaction finality and ledger verifiability.

Despite being the oldest type of digital assets, all four industry groups in the currency sector continue to see active growth and development as censorship resistant and cross-border payment needs continue to grow and evolve around the globe.

Exhibit 2

Currency Sector breakdown by Industry Group



Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

Exhibit 3

Industry Groups under Currency Sector

Industry Group	Market Cap (\$)	No. of Assets	% of Market Cap
Transparent	353,741,325,088	61	92.5%
BaaS	24,103,611,429	40	6.3%
Private	4,406,297,510	9	1.2%

Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

Industries Inside the Currency Sector

Each of the 110 assets inside the Currency sector is assigned to a single industry before the industry is assigned to an industry group in the sector. There are seven industries that feed into the four above-mentioned industry groups: Transparent Defi Currency, Transparent Cefi Currency, and Transparent (Other) are the three industries that are assigned to the Transparent industry group. Payments, Supply Chain/Commerce, and BaaS (Other) are the three industries assigned to the BaaS industry group; and Private is the only industry that is assigned to the Private industry group.

The industries that make up the Transparent industry group are

dependent upon how they are distributed and controlled: Transparent Defi currencies such as Bitcoin¹ are fully decentralized, Transparent Cefi currencies are distributed by a central entity; and Transparent (Other) is made up of all digital assets that fall into the Transparent industry group but could not be further classified.

As of December 31, 2022, Transparent DeFi was the largest industry by market capitalization under the industry group, with 28 assets totaling \$343 billion in market capitalization followed by Transparent Cefi and Transparent (Other).

Exhibit 4

Industries under the
Transparent Industry Group

Industry Group	Market Cap (\$)	No. of Assets	% of Market Cap
Transparent DeFi Currency	343,251,370,020	28	97.0%
Transparent CeFi Currency	9,995,872,403	30	2.8%
Transparent (Other)	494,082,665	3	0.1%

Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

In the BaaS industry group, Payments such as Ripple² tend to be geared toward businesses and governments, where decentralization is less of a concern and the blockchain can be streamlined for faster transaction speeds, lower fees, and higher throughput. Supply Chain/Commerce refers to protocols that enable producers, distributors, and consumers to track, process, and distribute goods and services using blockchain technology.

BaaS (Other) is made up of all digital assets that fall into the BaaS industry group but could not be further classified.

As of December 31, 2022, Payments was the largest industry by market capitalization under the BaaS industry group, with 13 assets totaling \$20 billion in market capitalization, followed by BaaS (Other) and Supply Chain/Commerce.

Exhibit 5

Industries under the BaaS
Industry Group

Industry Group	Market Cap (\$)	No. of Assets	% of Market Cap
Payments	19,527,162,921	13	81.0%
BaaS (Other)	2,524,995,648	14	10.5%
Supply Chain / Commerce	2,051,452,860	13	8.5%

Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

Major Assets Inside the Currency Sector

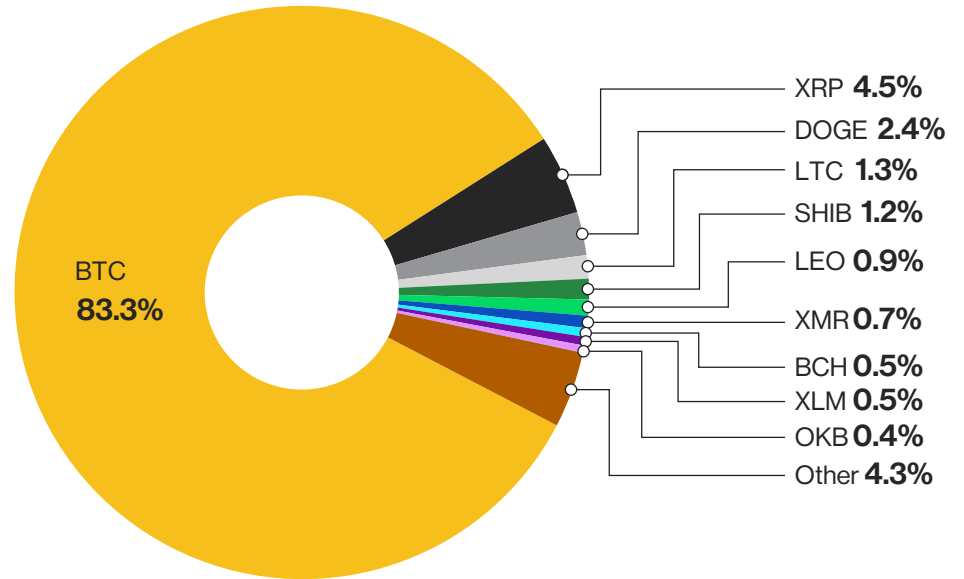
There are 110 digital assets inside the Currency sector with the top asset, Bitcoin (BTC), representing 83.3% of the sector, and the top ten assets representing 95.7% of the sector. There are 61 assets in the Transparent industry group, totaling \$354 billion in market capitalization, with Bitcoin (BTC)¹ being

the largest. There are currently 40 assets in the BaaS industry group, totaling \$24.1 billion in market capitalization, with Ripple (XRP)² being the largest. In the Private industry group, there are 9 tokens totaling around \$4.4 billion in market capitalization, with Monero (XMR)³ being the largest.

Exhibit 6

Top 10 Assets inside the DACS
Currency Sector

CoinDesk Indices DACS Currency Sector Top 10 Assets
January 2023



Source: CoinDesk Indices. 1/13/2023. Market capitalization data is based on 12/31/2022.

Conclusion

The Currency sector is the largest sector, with continuing growth and increasing institutional interest. As the primary means for cryptocurrency payments, innovation in this sector revolves around optimizing some combination of security, transaction speed, and throughput, which takes place either through innovative protocols or scaling solutions. With

bitcoin leading the way, the Currency sector is likely to remain the largest sector by market capitalization for the foreseeable future and the sector with the most institutional demand, both in terms of direct investment in assets and capital investments supporting itcoin related infrastructure.

Relevant Indices

CoinDesk Bitcoin Price Index ([XBX](#))
CoinDesk Bitcoin Cash Price Index ([BCX](#))
CoinDesk Litecoin Price Index ([LTX](#))
CoinDesk Lumens Price Index ([XLMX](#))
CoinDesk Zcash Price Index ([ZCX](#))
CoinDesk Market Index ([CMI](#))
CoinDesk Market Ex Stablecoin Index ([CMIX](#))
CoinDesk Market Select Index ([CMIS](#))
CoinDesk Currency Index ([CCY](#))
CoinDesk Currency Ex Stablecoin Index ([CCX](#))
CoinDesk Currency Select Index ([CCYS](#))
CoinDesk Currency Ex Bitcoin Select Index ([CCYX](#))
CoinDesk Industry Group Select Equal Weight Index ([DIGS](#))
CoinDesk Large Cap Select Index ([DLCS](#))

References

- 1 Bitcoin (BTC) is the world's first cryptocurrency, and the largest by market capitalization. Since launching in 2009, Bitcoin has revolutionized payments with its innovation in blockchain technology, creating a global, borderless, secure, censorship-resistant, pseudonymous, permissionless and trustless medium of exchange. Bitcoin's Proof of Work consensus mechanism makes the Bitcoin network the most secure in the world. When proper security measures are taken, a Bitcoin wallet is effectively unhackable. These features have contributed to an explosion in usage and popularity, and bitcoin has seen a massive influx of institutional and retail adoption, positioning itself as a brand-new asset class and a legitimate store of value.
- 2 Ripple (XRP) is one of the oldest cryptocurrencies and the largest BaaS asset by market capitalization. Ripple is a permissioned blockchain, largely secured by and for banks. This allows it to boast near-instantaneous transaction speeds and near-zero fees. Ripple has positioned itself as a payments and settlements solution for financial institutions, targeting the SWIFT system as a competitor.
- 3 Monero (XMR) is the largest Private cryptocurrency by market capitalization, and one of the oldest. Monero utilizes innovative ring signature and stealth address technologies to fully mask the on-chain identities of senders and receivers, as well as wallet balances. This ensures true anonymity to all network participants while still maintaining a verifiable, immutable ledger. Monero is also secured via a Proof of Work consensus mechanism, though its algorithm is different from that of Bitcoin.



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