

What Chainalysis' mega-round tells us about the crypto industry

Article



Sign of the times: Chainalysis [raised \\$100 million](#) last week for a \$4.2 billion valuation, up from [\\$2 billion](#) in March 2021 just months after reaching [unicorn status](#)—here's what's driving those generous investments.

What does it do? Chainalysis provides data, software, and research to government agencies, exchanges, financial institutions (FIs), and insurance and cybersecurity companies in more

than 50 countries to help them with cryptocurrency regulation compliance.

It will use the funds to expand its resources and data to cover more cryptocurrencies and focus on use cases like [decentralized finance](#) (DeFi).

What's its appeal? Crypto compliance solutions are increasingly in demand as regulatory oversight ramps up and blockchain services become more complex.

- More crypto regulations are on the horizon: The US Securities and Exchange Commission called for **more** crypto-focused legislation, and the **EU** is planning a regulatory framework for 2024. And while US regulators have only imposed **\$2.5 billion** in fines on crypto firms in the 11 years since Bitcoin's inception—a tiny sum compared with the **\$7.49 billion** in fines paid by US FIs in 2020 alone—more regulation will increase the need for solutions like Chainalysis.
- DeFi has been touted as a solution that could bring **greater efficiency** to modern finance, but existing financial regulations typically don't cover DeFi, which results in [hurdles](#) for the technology's wider adoption. The likes of Chainalysis moving into DeFi can help providers conduct business [intelligence](#), such as identifying anomalous transactions and scams.

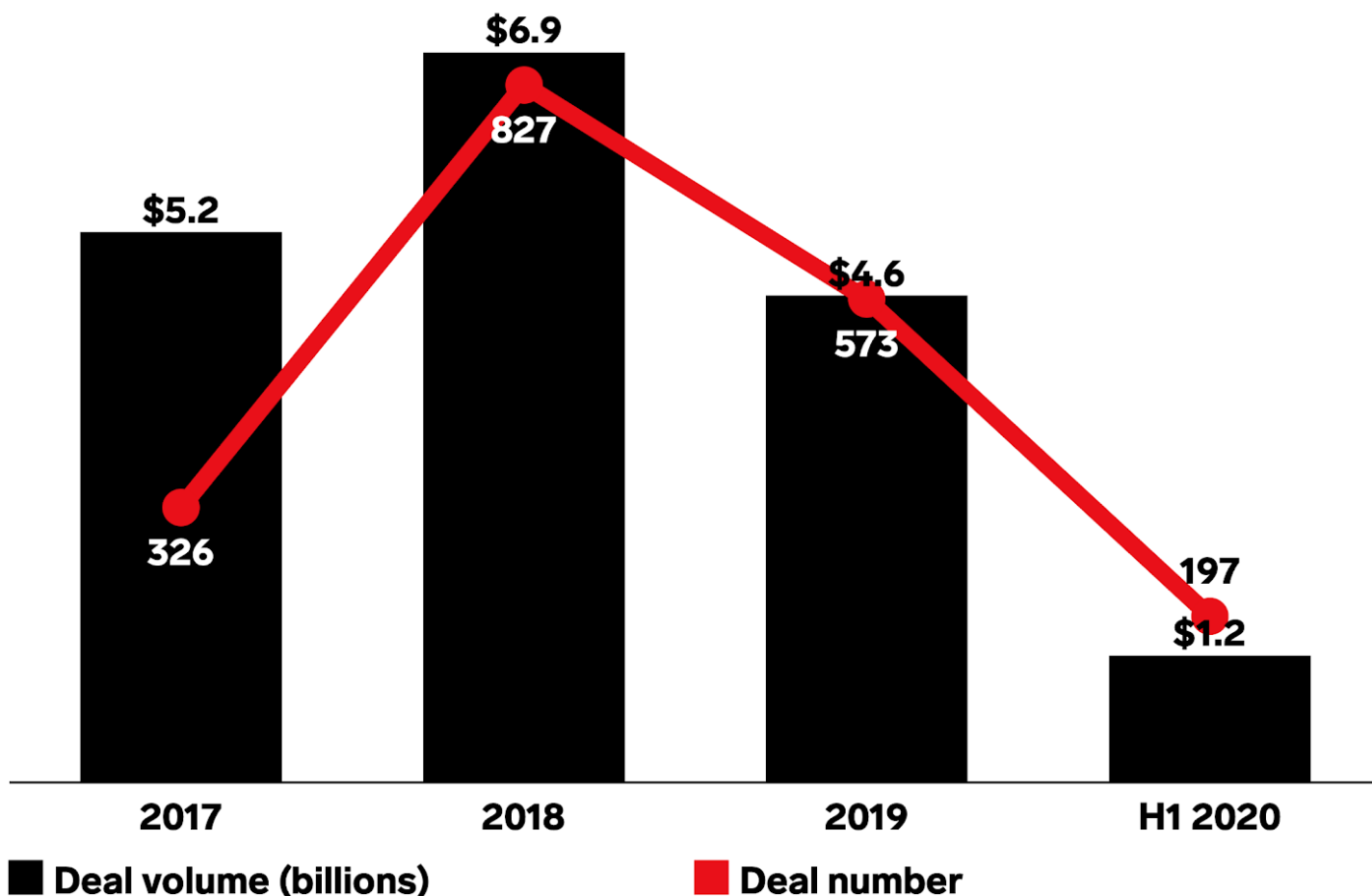
Looking ahead: Chainalysis' raise is one of many recent crypto mega-rounds, which may become even more prevalent in the future.

Peer-to-peer payments company [Circle](#) raised **\$440 million** in May, and in March, crypto exchange [BlockFi](#) and crypto firm [Blockchain.com](#) scooped up **\$350 million** and **\$300 million**, respectively—to name a few.

And interest isn't going anywhere: Venture capital firm Andreessen Horowitz [recently](#) revealed a **\$2.2 billion** crypto fund after reports in [March](#) that it was aiming for a **\$1 billion** fund.

Global Private Investment in Blockchain and Cryptocurrency

includes venture capital, private equity, and mergers & acquisitions, as of June 30, 2020



Note: In H1 2019, deal volume totaled \$1.0 billion across 171 deals.

Source: KPMG, "Pulse of Fintech H1 2020," September 2020

Methodology: Data is from the September 2020 KPMG report titled "Pulse of Fintech H1 2020." The data was provided by Pitchbook Data on July 10, 2020. Due to the private nature of many of the transactions, the data set cannot be definitive, but is an estimate based on information available to PitchBook.

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