



# Q3 2020: Quarterly Report

## I Executive Summary

### [Heads Down, Hard at Work](#)

2020 hasn't been the year many expected at the start, but in one important way, it is living up to its promise: SDF and the Stellar network are in a stronger, more strategic position than ever before. In large part, that is thanks to the accomplishments of this quarter. In Q3, the SDF team has been heads down and hard at work delivering on every measure of its strategic [roadmap](#): ensuring the robustness and usability of Stellar, being the blockchain people know and trust, and fostering sustainable use cases. This report outlines those accomplishments.

In the pursuit of fostering sustainable use cases, one of the most exciting Q3 developments was the work completed to bring USDC, which is becoming the world's leading compliant and regulated digital dollar stablecoin, to Stellar. Working with the Centre Consortium, co-founded by Circle and Coinbase, Stellar is now an official blockchain for USD Coin (USDC) and is expected to be available on Stellar by Q1 2021. SDF also worked with a number of African anchors to build new products and lay the foundation for future corridors, including Flutterwave, Cowrie, and Clickpesa. To support community growth and innovation, SDF launched a redesign of the \$1million [Stellar Community Fund](#) initiative.

To ensure the robustness & usability of Stellar, SDF's engineering team devoted the bulk of this quarter to preparing important technical upgrades for both Stellar Core and Horizon, Stellar's API. The next protocol upgrade, which will introduce two new features that make it easier than ever for Stellar to connect the world's financial infrastructure, will be voted on by validators in Q4 2020. Major improvements to the architecture of Horizon, Stellar's client-facing API server, are driving higher performance.



In its Q3 efforts to be the blockchain people know & trust, SDF CEO and Executive Director, Denelle Dixon represented SDF at the U.S. House Financial Services Committee FinTech Task Force briefing, [Blockchain Technology: Distilling its Functions in Financial Services](#). SDF leadership also continued their strong engagement with the community at virtual, live appearances at Unitize-SF Blockchain Week, TieCon 2020, [LiveChain](#), and [Global Blockchain Business Council's Blockchain Central at UNGA](#). SDF's Head of Ecosystem, Justin Rice, made a concerted press effort, appearing on [Cointelegraph](#), [CryptoCoinShow](#), and Layer1 podcast. In addition, SDF organized 15 virtual events, including 5 engineering talks and 6 events in Spanish. Preparations for Meridian were also a core focus for SDF this quarter, with the launch of [registration](#) and the [announcement of key speakers](#).

### Stellar in the News

[Op-Ed: It's Time for Blockchain to Prioritize Diversity and Inclusion](#)

[6 Questions for Justice Rice of Stellar Development Foundation](#)

[Samsung Doubles Down on Crypto with Support for Payments Blockchain Stellar](#)

[Stellar's Jed McCaleb: Crypto Doesn't Need More Regulation, It Needs Clarity](#)

[Financial Inclusion & the Future: Stellar Development Foundation Head Speaks](#)

[Jed McCaleb & Denelle Dixon on Stellar and its Role in the Digital Assets Ecosystem](#)

[Op-Ed: Crypto and blockchain won't catch on until they're actually useful](#)

### Virtual Events

[Engineering Talks: Turing Complete Contract Proposal for Stellar](#)

[Engineering Talks: How to Build an Anchor with Polaris](#)

[Engineering Talks: Deposits & Withdrawals in Vibrant](#)

[Engineering Talks: Decentralized Community Funding](#)

SF Blockchain Week: Proliferation of Stablecoins, panel with Denelle Dixon

[TieCon: Blockchain for Social Impact, panel with Denelle Dixon](#)

[Webinar: Driving Inclusion Through Compliance](#)

[Engineering Talks: Data Analytics on Stellar](#)

[GBBC Blockchain Central: The Democratization of Finance, panel with Denelle Dixon](#)

## II Network Stats

When comparing a select group of measures quarter over quarter, network performance remains consistent. Total active accounts (see figure 1) grew by almost 3%. The number of total payments decreased slightly, going from a little over 13 million total payments to 12 million total payments in Q3 2020 (see figure 2). The number of average daily operations and average daily volume on Stellar's Decentralized Exchange also dipped (see figure 3 and 4). The decentralization of the network (see figure 5) is consistent with Q1 and Q2. The network saw a 5% increase in unique assets, up from 7893 to 8287 on-chain assets at the end of Q3 (see figure 6).

Figure 1.

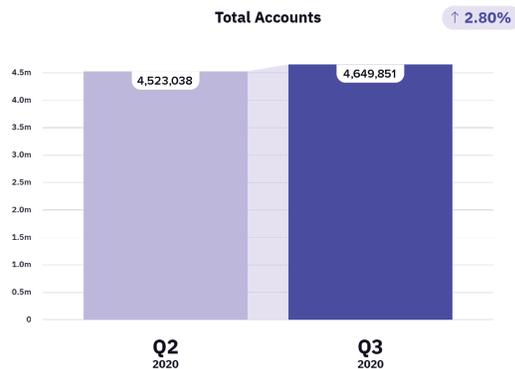


Figure 2.

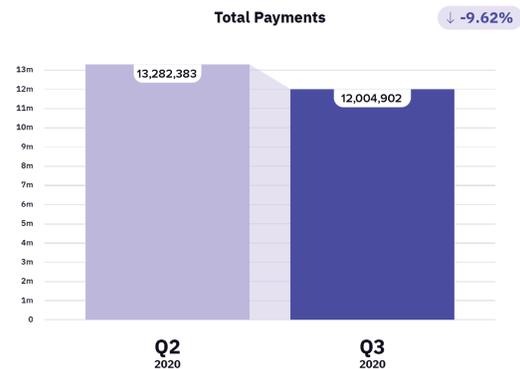


Figure 3

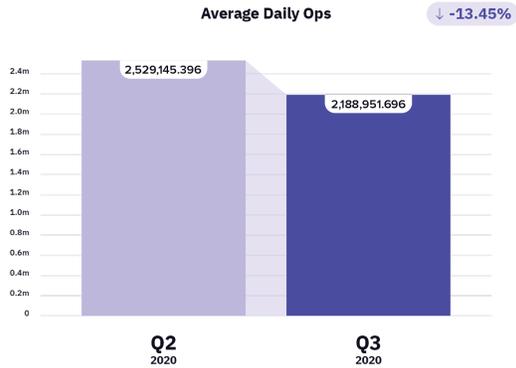


Figure 4.

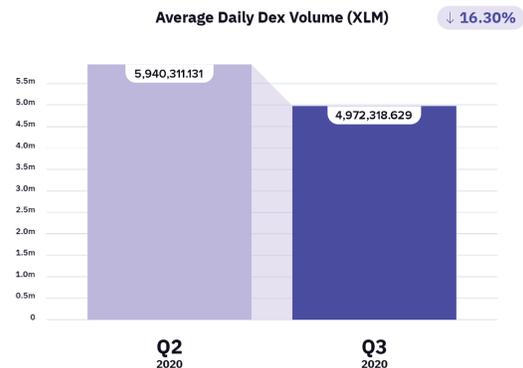


Figure 5.

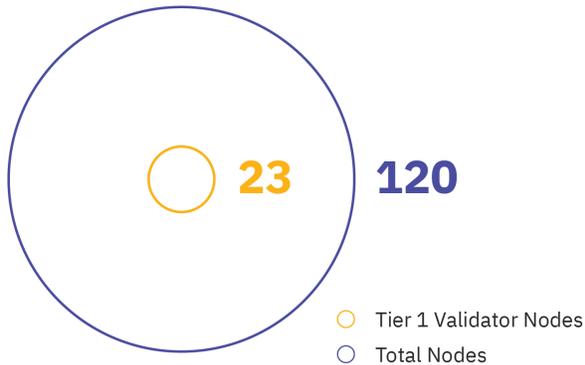


Figure 6.



### III Network Development and Updates

#### Stellar Core Updates

In Q3, preparations were made for the next network update ahead of its validator vote in Q4 2020. Stellar’s next protocol release introduces two new features — Claimable Balances and Sponsored Reserves — that make it easier than ever for Stellar to connect the world’s financial infrastructure. The new features have been over a year in the making, and they will help developers create simpler, better user experiences that abstract away the complexity of blockchain, and do it without losing any of the advantages of a fast, cheap, and permissionless public ledger.



The latest features, combined with Fee Bumps, which were introduced in Protocol 13, allow apps and services built on Stellar to appeal to a broader audience because:

- when launching a product on Stellar, users won't need education about lumens and trustlines;
- Anchors will be able to onboard users without sending them to third-party crypto exchanges; and,
- apps will be able to move everything crypto-related to the background.

Like all important network-wide settings, the protocol version is decided by validating nodes, who vote for and agree to a new protocol version. The vote for the next protocol will take place in Q4.

### Horizon Improvements

This quarter, SDF engineering focused on restructuring Horizon, Stellar's client-facing API server, which included decoupling Horizon from Stellar Core and architecture changes to drive higher performance. While the majority of this work is still experimental, it is available for testing in recent Horizon releases. The changes improve cluster scaling, reduce the storage requirements of Stellar Core by a factor of 100, and dramatically improve the catchup time for new full-history Horizon nodes. We expect to validate this approach in early Q4 before moving to recommend in production.

### Platform Updates

SDF's platform teams launched and began development on a number of key functionalities, including:

- Stellar Laboratory's addition of Protocol 13, which provides the ability to create FeeBump transactions;
- a new account viewer, in development [here](#), that focuses on preventing scams, incentivizing the use of hardware wallets and tools like Albedo, and modernizing the codebase so it's easier to maintain;
- capabilities in Kelp to support more complex trading logic;



- the development of an ETL data pipeline built on top of Horizon’s ingestion system to allow easy export of Stellar data to tools like Google BigQuery and enables the faster release of a public dataset, going from daily updates to approximately every 5 minutes;
- the first major release, 1.0, of [Polaris](#), a reference implementation and python library for building an anchor; and,
- [transfer server validator](#) support for SEP-31, the latest cross border interoperability standard, which allows anchors to test out their implementation early on and to speed up the integration process significantly.

## IV Ecosystem and Partners

### [Stellar Community Fund 2.0](#)

In Q3, SDF launched the [Stellar Community Fund 2.0](#), a redesign of the \$1 million support program for the community of developers and projects building on Stellar. SCF 2.0 addressed issues from previous funding rounds by both refining the current voting system and balancing awards between two developing categories of projects – businesses ready to be developed and smaller, experimental projects. The changes include:

- introducing a nomination panel and quadratic voting. By implementing these two, it eases the burden of participation for those involved while keeping things fair for applicants.
- distributing awards between a Seed Fund, targeted at getting viable and innovative new businesses up and running on Stellar, and a Lab Fund, targeted at experimental use cases, open-source software, or real-market stress tests.

The first rounds of the Seed Fund and Lab Fund launched on August 31, 2020.

### [Anchor Update](#)

Q3 brought continued engagement from fast growing banks and fintech to support remittance, lending, and payment processing use cases. SDF’s Business Development team engaged and supported a number of African anchors to build new products and lay the foundation for future corridors. For example, the team worked with Flutterwave to



enable cross border flows both within Africa and across other continents, starting with the launch of a West African Franc (XOF) stablecoin and associated on/off-ramp. SDF also engaged with Clickpesa, a fast growing point of sale vendor and B2B payment platform in East Africa, to issue Tanzanian Shillings, Kenyan Shillings, and Rwandan Francs on Stellar and provide interoperability with mobile money. Finally, we continued to work with Cowrie Integrated Systems to open up additional B2B and C2C payment corridors with our other anchors.

### Businesses on Stellar

The decentralized and open nature of Stellar means organic growth is continuously happening on the network. SDF knows of 14 new projects that launched on Stellar this quarter, but this figure represents only the fraction of the projects building on the network that we have heard about or been involved in.<sup>1</sup>

Stellar-based products launched in Q3 include:

- [DTransfer](#), by SatoshiPay, launched its instant cross-border payment solution for businesses. The solution is designed for businesses to make local or global payments instantly through one convenient platform while reducing costs and enabling business growth.
- [DSTOO](#)'s investing app went live in the App Store and Google Play with [new features](#).
- [Albedo](#) released a keystore web app and browser extension, currently available for Chrome and Firefox.

### Partner Spotlight: Finclusive

FinClusive, a US Stellar-based FinTech, has a mission to bring secure, compliance-centered financial access to people and businesses worldwide who are excluded or underserved by the traditional financial system, or denied from having access to basic financial services. They facilitate inclusion through Compliance-as-a-Service (CaaS) and digital access to accounts and multi-form payments.

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<sup>1</sup> A list of projects built on Stellar known to SDF is available at: <https://www.stellar.org/ecosystem/projects>.



FinClusive provides a way for Stellar Anchors to achieve compliance while prioritizing financial inclusion. By offering a comprehensive compliance toolkit, serving as an on-off ramp anchor, and connecting organizations to the US banking sector, FinClusive makes it easier for new anchors on Stellar to establish firm roots in the financial markets and ensure they maintain the essential protections to keep their clients and the financial system safe from abuse by illicit actors. Learn more about FinClusive's business model and the value they bring to the Stellar ecosystem in this quarter's [webinar and blog](#).

## V Visibility & Engagement

### Marketing and Communications

Preparations for SDF's largest event of the year, Meridian, took center stage in Q3 with the launch of [registration](#) and the [announcement of key speakers](#), like Reid Hoffman, President Ellen Johnson Sirleaf, and Sir Tim Berners-Lee, among many others. The first view of the [agenda](#) is available, and spans 4 days plus a day devoted to networking and group discussion.

From July through September, SDF participated in 5 external events and organized 15 virtual events, including 5 engineering talks and 6 events in Spanish. SDF leaders also participated in 11 media interviews and wrote two Op-Eds for Cointelegraph: [Crypto and blockchain won't catch on until they're actually useful](#) and [It's Time for Blockchain to Prioritize Diversity and Inclusion](#). SDF also published 14 blogs, ranging from topics like [Stablecoins: The Future of Digital Money](#) and [Driving Inclusion Through Compliance](#).

In addition, SDF's marketing team began to significantly ramp up content marketing efforts, bringing on a dedicated new content creator FTE, along with a new marketing automation and CMS tool for deploying content-marketing campaigns. The team will be leveraging SEO data to begin launching these new campaigns in Q4. There was also a concerted expansion of paid digital media efforts, driving traffic to stellar.org. SDF delivered effective digital media campaigns promoting Stellar Community Fund, Meridian, and the Stellar network overall.

## Policy

The SDF policy team continued active engagement on digital asset policy and regulation in the US and internationally through 25 separate meetings with regulators and policy makers, the submission of a comment letter to the Office of the Comptroller of Currency<sup>2</sup> and by stepping into leadership roles in various organizations including the Chamber of Digital Commerce, the World Economic Forum, and the Blockchain Association.

SDF met with representatives of the Senate Banking Committee, the House Financial Services Committee, the House Agriculture Committee, the SEC, the OCC, FINRA, the Federal Reserve Board, and the Inter-American Development Bank.

SDF CEO and Executive Director Denelle Dixon [briefed](#) the House Financial Services Committee Task Force on Financial Technology on blockchain technology use cases in financial services. She also joined the World Economic Forum’s Global Future Council on Cryptocurrencies and Seth Hertlein, SDF Head of Policy & Government Relations, joined the World Economic Forum’s Digital Currency Governance Consortium.

Also this quarter, Candace Kelly, SDF General Counsel, was appointed to the board of directors of the Blockchain Association and Seth Hertlein became a co-chair of the Blockchain Association’s Diversity & Financial Inclusion Working Group.

## VI Mandate and Distribution

### Mandate Overview

SDF is a non-profit organization whose mission is to create equitable access to the global financial system. SDF has no shareholders, no dividends, and no profit motive. The Foundation is funded by some of the lumens generated by the Stellar protocol at inception. Today, SDF holds roughly 30 billion lumens, and all of those lumens will eventually be used to enhance and promote Stellar.

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<sup>2</sup> Advance Notice of Proposed Rulemaking on the Digital Activities of National Banks and Federal Savings Associations, available at <https://www.regulations.gov/document?D=OCC-2019-0028-0071>



Live accounting of the accounts with those lumens and funds are available on SDF’s [mandate page](#). SDF details exactly which ledger addresses hold those funds and exactly how those funds will contribute to Stellar’s success. Anyone can observe progress towards SDF’s stated goals, more or less in real time. Below is a summary of how lumens were allocated in Q3 of 2020.

### Q3 Mandate Status

The below table summarizes SDF’s use of lumens in the second quarter.

**Table 1. Lumen Distribution July 1 - September 30, 2020**

Mandate Category	Wallet	Amount	Uses
Direct Development	Various	576,683,546	SDF Operations, Lumenthropy Matching Program
Ecosystem Support	Currency Support	944,517,087	Biccoss, Settle, Saldos, Bitbond anchor grants
	Developer Support	982,991,651	Infrastructure Grants, SCF
User Acquisition	Enterprise Fund	5,420,824	DSTOQ investment
	Marketing Support	699,229	DSTOQ marketing support
Use-Case Investment	In-App Distribution	0	
	New Products	0	

The table below reflects the ending balances in SDF’s wallets as of October 1, 2020.

**Table 2. SDF Account Balances as of October 1, 2020**

Direct Development	Direct Development	1,912,181,528
	Jan 1 2021 Escrow	3,000,000,000
	Jan 1 2022 Escrow	3,000,000,000
	Jan 1 2023 Escrow	3,000,000,000
	Direct Development Hot Wallets <sup>3</sup>	61,850,283

<sup>3</sup> SDF maintains multiple hot wallets, which in this chart are aggregated by category. A complete list of SDF accounts can be found on Stellar Expert ([https://stellar.expert/directory?tag\[\]=sdf](https://stellar.expert/directory?tag[]=sdf)) or on the SDF Mandate Page (<https://www.stellar.org/foundation/mandate>).

Ecosystem Support	Developer Support	939,158,646
	Developer Support Hot Wallets	5,358,442
	Currency Support	982,991,651
Use-Case Investment	New Products	2,000,000,000
	Enterprise Fund	7,955,750,209
User Acquisition	In-App Distribution	3,941,999,173
	In-App Distribution (Hot)	26,320,647
	Marketing Support	1,999,828,689