



Q2 2020: Quarterly Report

I Executive Summary

[Growing and Thriving in the New Normal](#)

With the close of Q2, some of the initial shock of the COVID-19 pandemic has subsided and given way to acceptance of a new normal for business, where all team meetings are video calls, conferences take place on the virtual stage, and home has become synonymous with office. In this re-imagined business model, Stellar Development Foundation is thriving, reflected in Q2 by the growing capacity of the team, including 10 new hires, the expanded [leadership on SDF's Board](#), and the achievements highlighted in this report which demonstrate strategic advances on every core tenet of its [roadmap](#).

In its work to further the robustness and usability of Stellar, SDF delivered on several key milestones this quarter. First, the team completed a major network upgrade with [Protocol 13](#) that brings important new features to the network like fee bumps, fine-grained control of asset authorization, and first-class multiplexed accounts. Second, in a concerted effort to focus on user experience and drive adoption, SDF's technical team implemented [SEP-30](#), a proposed standard for user-friendly key management for Stellar-based wallets, in a live application. SDF also rolled out a comprehensive [update to its developer documentation](#) that streamlined navigation and provides a more modular experience, with documentation organized around different learning paths that can be easily expanded as network use cases evolve.

To foster sustainable use cases on Stellar, SDF announced two strategic investments from its Enterprise Investment Fund. One investment of \$5 million went to [Abra](#), a next generation financial platform, and will facilitate Abra's integration with Stellar as its blockchain back-end and Abra's expansion of financial services that will soon bring an array of new products powered by Stellar. [SatoshiPay](#), a platform for connecting the



world through instant payments and one of the earliest adopters of Stellar, received the other investment for the amount of \$550K. This investment will help SatoshiPay expand their business to tap into a growing B2B cross-border payments market. Q2 also brought the much anticipated beta launch of [Vibrant](#), a wallet that will soon be generally available in Argentina where users will be able to hold, share, convert, and send value.

In its pursuit to be the blockchain people know and trust, SDF focused its efforts this quarter in hosting and participating in virtual events. SDF hosted 20 total events (16 in English, 4 in Spanish) throughout Q2. Building on the success of webinar formats in Q1, SDF hosted two webinars this quarter: [Compliance and the Stellar Network with Elliptic](#) and [Anchor Basics: The Business and Benefits of Being an Anchor](#). SDF's Ecosystem team expanded its virtual event offering as well, running new event series like [Engineering Talks](#), [Roundtable Discussions](#), and continuing [Stellar Workshops](#) and live broadcasts of the [Podcast](#). SDF leadership and Stellar ecosystem partners made appearances at industry conferences like [Coindesk's Consensus: Distributed](#) and [BlockDown 2.0](#). SDF also announced the next installment of its 2nd annual Stellar conference, [Meridian](#), which will be held virtually and available free of charge November 16th to 20th, for a week focused on creating *Global Connection to Solve Real World Challenges*.

Beyond events, SDF joined an important global policy dialogue by becoming a platform partner of the World Economic Forum Centre for the Fourth Industrial Revolution, serving as a member of its Digital Currency Governance Consortium.

[Stellar in the News](#)

[Op-Ed: I'm Still Betting on Blockchain to Improve Economic Opportunity](#)

[What Stellar's Investment In Abra Means For The 'Robinhood Of Cryptocurrency'](#)

[Stellar Foundation and Elliptic Ink Exclusive Deal](#)

[Stellar Development Foundation Adds College Professor and Dropbox Brass](#)

[Stellar trendspotter Jed McCaleb just wants crypto to be useful](#)

[Stellar wants to be the chosen platform for a digital dollar](#)

[Stellar invest in SatoshiPay's B2B Cross-Border Solution](#)

[Untold Stories: The Jed McCaleb Story](#)

[Circle's The Money Movement: Stablecoins and Global Financial Inclusion](#)

[Stellar on the Virtual Stage](#)

[Women in Blockchain: Challenges and Opportunities on the Road to Diversity](#)

[Stellar at Consensus: Distributed](#)

[Jed McCaleb at Consensus: Distributed](#)

[BlockDown Fireside Chat with Jed McCaleb, moderated by Jay Cassano](#)

[BlockDown 2.0 Keynote on Key Management by Denelle Dixon](#)

[BlockDown 2.0 Mastermind Panel on Interoperability with Jed McCaleb](#)

II Network Stats

When comparing a select group of measures quarter over quarter, the growth reflects a healthy, stable, mature network. Total active accounts hover around 4.5 million (see figure 1). The number of total payments from these accounts has grown 38.7% in Q2 (see figure 2). Similarly, there has been an increase in the number of average daily operations (see figure 3), representing strong network throughput. Average daily volume on Stellar's Decentralized Exchanged saw sizable growth, an increase of over 70% from last quarter (see figure 4).

Figure 1.



Figure 2.

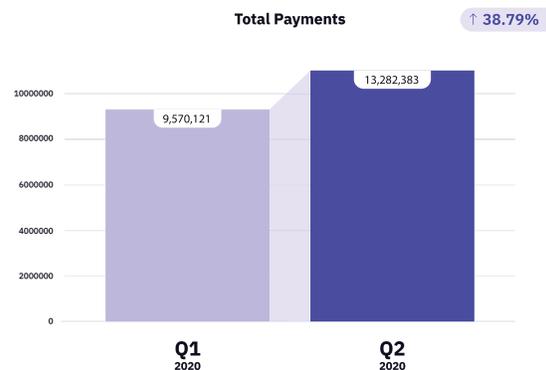


Figure 3

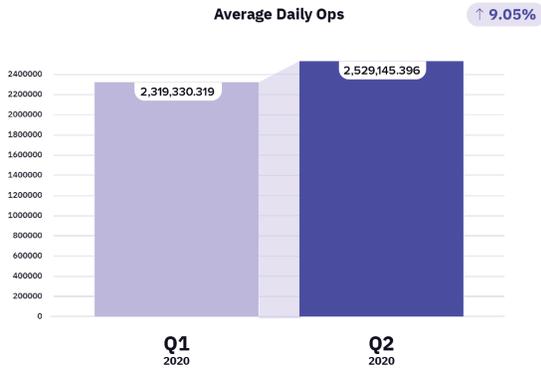


Figure 4.

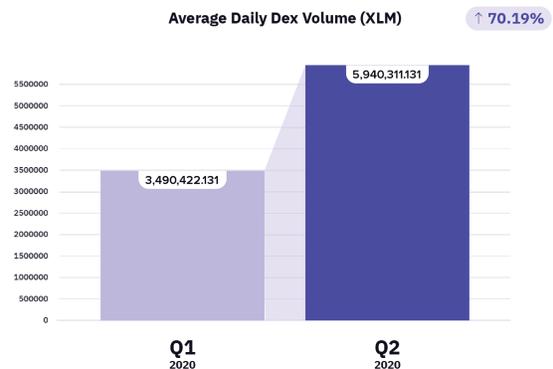


Figure 5.

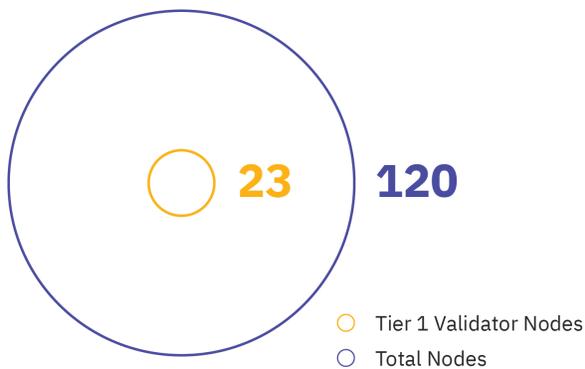


Figure 6.



The decentralization of the network (see figure 5) is consistent with Q1. SDF is actively supporting a pipeline of businesses working towards becoming Tier 1 validators.

III Network Development and Updates

Protocol 13

On June 18, the Stellar public network upgraded to Protocol 13. Like all important network-wide settings, protocol version is decided by validating nodes, who vote for and agree to a new protocol version the same way they vote for and agree to transaction sets. For more on how that works, see our [Upgrading the Network](#) doc.

In addition to some performance optimizations, Protocol 13 introduced three powerful new features to the network:

- Fee bumps ([CAP-15](#)), which empower app-builders to cover user fees to create a better customer experience, and which enable validators to increase the minimum network fee without invalidating pre-signed transactions;
- Fine-grained control of asset authorization ([CAP-18](#)), which grants issuers of regulated assets the ability to approve user transactions on a case-by-case basis without canceling open orders on the books;
- First-class multiplexed accounts are on their way with [CAP-27](#), which lays the foundation for exchanges and custodial services to map a single Stellar account to multiple users without relying on inefficient workarounds.

SEP-30

Key management and recovery represents one of the most discussed challenges facing our industry today. For the beta of the Vibrant product release, a wallet set for general availability in Q4, SDF implemented [SEP-30](#) as a seamless, user-focused solution for key management and recovery. [SEP-30](#) is an ecosystem standard that establishes a non-custodial wallet solution that improves the end user experience by providing them the option of a key recovery service that enables them to maintain full control over funds in their wallet. Learn more about how the solution works by watching [this Engineering Talk](#).

Developer Documentation

This quarter, SDF led a review and update of all its developer documentation, building from the strong foundation of the existing documentation and enhancing it with streamlined navigation, improved design, and updated content to reflect the latest technology advancements. After beta testing and feedback rounds from the community, the revised developer documentation was released in June. The updated documentation has two main sections:

- [Documentation](#), which includes guides, links to tools and software, and definitions of all things Stellar, and is organized around different learning paths, and the ability to add new

paths as network use cases evolve. There are also new high-level explanations to help orient developers, new sections focused on issuing assets and setting up an anchor service to enable deposits and withdrawals, and a new set of tutorials devoted to building and adding features to Stellar apps.

- [API Reference](#), which documents the Horizon API, allows developers to easily look up the resources, aggregations, and errors they may encounter while using it.

IV Ecosystem and Partners

Anchor Development

Over the last three months, SDF continued its focus on building strong anchors in strategic markets. This included bolstering the US anchor ecosystem with the addition of Finclusive, which offers compliance as a service and accounts and payments capabilities, expanding on Cowrie's success in Nigeria, and supporting new anchors such as ClickPesa in Tanzania, AnchorMXN in Mexico, and nTokens in Brazil. These anchors are essential for enabling frictionless movement of value between fiat currencies worldwide.

In its work to grow the anchor footprint, both by supporting existing anchors and bringing new anchors to the network, SDF focused its efforts on businesses where data indicates that the Stellar network can have an outsized impact, specifically for remittance companies serving businesses and individuals, lenders, and payment processors. This strategy will continue into Q3 and beyond by engaging more of these targeted companies to help drive meaningful transactions and in turn drive significant benefit to their businesses. Learn more about the business and benefits of anchors in [this blog and webinar recording](#).

The strategy ahead will also focus on building on the network effects presented by current anchors in Latin America and East Africa, in addition to supporting Argentinian anchor, Settle, with their efforts to bring Stellar-based stablecoins to exchanges worldwide.

Businesses on Stellar

The decentralized and open nature of Stellar means organic growth is continuously happening on the network. SDF knows of 11 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 or been involved in¹.

Stellar-based products launched in Q2 include:

- [DSTOQ](#) launched its Bootcamp app with demo accounts and eLearning courses worldwide in May. On the Bootcamp App, users are able to invest with play money and learn for themselves how easy DSTOQ makes it to buy blue chip shares, such as Tesla or Amazon, as well as bonds, indices and commodities using fiat or cryptocurrencies.
- [Coinqvest](#) launched its Enterprise Cryptocurrency Processing Platform for Online Merchants. The platform gives online merchants the power to accept payments in digital currencies that live on decentralized, cryptographic ledgers, and turn them into traditional currencies in user bank accounts, in seconds.

Partner Spotlight: Elliptic

In Q2, Stellar Development Foundation announced an exclusive partnership with [Elliptic](#), the leading provider of crypto-asset risk management solutions for crypto businesses and financial institutions. Cryptocurrency exchanges, major financial institutions, and government agencies rely on Elliptic's AML compliance software and forensic and investigative services to analyze billions of dollars in crypto transactions every month.

As part of the partnership, Elliptic launched the first XLM transaction and wallet monitoring services, work which also enables the rapid addition of other Stellar-based assets to Elliptic's platform. Elliptic's services combined with the built-in compliance functionality of the Stellar network provides businesses with stronger tools to fulfill their compliance needs, manage risk, and operate with transparency and accountability. Learn

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



more about compliance on Stellar and SDF's partnership with Elliptic in [this webinar recording](#).

V Visibility & Engagement

Events

To promote visibility of the Stellar network, SDF concentrated its Q2 work on virtual events. A major focus of that work was expanding SDF's capacity to host virtual events, which resulted in a total of 20 events (16 in English, 4 in Spanish) throughout the quarter, ranging from webinars, workshops, roundtables, and engineering talks. These included:

- a webinar on [Anchor Basics: The Business and Benefits of Being an Anchor](#);
- [a webinar on Compliance and the Stellar Network](#) supporting [the announcement of SDF's partnership with Elliptic](#);
- an [Engineering Talk on Kelp](#) the free, customizable, open-source trading bot for the Stellar universal marketplace; and,
- [a Roundtable Discussion](#) on ecosystem standards for creating payment corridors which ultimately resulted in the creation of SEP-31 for sending and receiving transactions.

SDF began preparations for its 2nd annual Stellar conference, [Meridian](#). In the context of the ongoing pandemic, SDF announced the event would be held virtually and free of charge November 16th to 20th. The theme of the event is *Global Connection to Solve Real World Challenges*.

SDF also participated in industry events, most notably:

- [Stellar at Consensus: Distributed](#)
- [Jed McCaleb at Consensus: Distributed](#)
- [BlockDown Fireside Chat with Jed McCaleb, moderated by Jay Cassano](#)
- [BlockDown 2.0 Keynote on Key Management by Denelle Dixon](#)
- [BlockDown 2.0 Mastermind Panel on Interoperability with Jed McCaleb](#)
- Denelle Dixon at Road to TiECon June 2020



Marketing

In addition to its aggressive efforts on the communications front, SDF executed a series of paid marketing initiatives to further awareness and understanding of the Stellar network. Two speaking appearances at Coindesk’s Consensus Distributed conference were complemented by sponsorship activation within the virtual conference, as well as within Coindesk’s podcast series. Additionally, SDF advertised on the Unchained podcast, hosted by Laura Shin, and has also begun testing the effectiveness of online search and display media.

Policy

As part of SDF’s commitment to being more vocal in the industry policy dialogue, SDF became a platform partner in the World Economic Forum’s Centre for the Fourth Industrial Revolution. As a member, SDF is serving on its Digital Currency Governance Consortium, a working group of industry stakeholders addressing the key questions and governance gaps posed by new forms of digital currency, including stablecoins.

To strengthen SDF’s capacity to join more policy discussions and forums like this and to raise awareness for Stellar within policymaker and regulatory spheres, SDF hired [a new Head of Policy and Government Relations](#).

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.



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 Q2 of 2020.

Q2 Mandate Status

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

Table 1. Lumen Distribution April 1 - June 30, 2020

Mandate Category	Wallet	Amount	Uses
Direct Development	Various	347,041,761	SDF Operations; Lumenthropy Matching Program
Ecosystem Support	Currency Support	11,823,625	ClickPesa
	Developer Support	1,087,641	SCF, Infrastructure Grants, New York Blockchain Week Hackathon Prizes
User Acquisition	Enterprise Fund	35,960,762	Abra ² , SatoshiPay
	Marketing Support	0	
Use-Case Investment	In-App Distribution	5,535,000	Vibrant, SatoshiPay, Nodle
	New Products	0	

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

Table 2. SDF Account Balances as of July 1, 2020

Direct Development	Direct Development	2,317,181,528
	Jan 1 2021 Escrow	3,000,000,003
	Jan 1 2022 Escrow	3,000,000,003
	Jan 1 2023 Escrow	3,000,000,003
	Direct Development (Hot 2)	16,161,898
Ecosystem Support	Developer Support	959,158,646

² The initial investment in Abra was \$2,000,000, paid in cash. On the payment date, that amount was equal to 27,756,575 XLM. Therefore that amount of XLM was later transferred from the Enterprise Fund account into Direct Development (Hot 2).

	Developer Support (Hot)	847,245
	Currency Support	986,574,988
Use-Case Investment	New Products	2,000,000,000
	Enterprise Fund	7,961,171,115
User Acquisition	In-App Distribution	3,942,029,173
	In-App Distribution (Hot)	26,320,647
	Marketing Support	2,000,000,000