Q1 2020: Quarterly Report

I Executive Summary

Setting the Foundation for Growth in 2020 Amid Global Uncertainty

The first quarter of 2020, which started unassumingly, rapidly evolved to a world with overwhelmed systems, industries in crisis, and millions sheltered in their homes. In light of the pandemic, the need for global cooperation and connection has never been more necessary. The Stellar Development Foundation's work to use the Stellar blockchain to create equitable access to the global financial system and to connect the world's financial infrastructure is more important than ever. This report lays out the work being done in pursuit of that mission so far in 2020.

In the first quarter, the Stellar Development Foundation focused on laying the foundation for its growth roadmap, making inroads on all three of its strategic growth pillars. Aligned to the first pillar, ensuring the robustness and usability of Stellar, SDF announced the first major release of Horizon, Stellar's HTTP API server. Horizon 1.0 packaged together previous improvements with a new ingestion system that makes Horizon nimbler, more developer-friendly, more efficient, and less dependent on Stellar-Core.

In pursuit of the second growth pillar, being the blockchain people know and trust, SDF joined global conversations to establish Stellar's voice on the world stage. In the context of an evolving regulatory and policy debate, SDF joined the Blockchain Association and the Chamber of Digital Commerce to increase our voice in the discussion about the risks and rewards of blockchain to inform laws and policies based on facts. SDF attended Global Blockchain Business Council's Blockchain Central at the World Economic Forum and participated in a session on global digital asset trends. SDF also concentrated marketing efforts on releasing an updated website with key new features, like a project directory and a live-tracking mandate page, launching a new community podcast series,

SDF

and [hosting a webinar with network partner](#), Cowrie Integrated Systems, on the cross-border payment services they are providing in and out of Nigeria.

To foster sustainable Stellar use-cases, the third pillar of growth, [SDF announced its first investment from the enterprise fund in DSTOQ](#), a Liechtenstein-based FinTech company, who is helping make investing accessible and affordable for people in emerging markets, through a borderless digital interface for security tokens. SDF also helped onboard five anchors in Latin America in preparation for the upcoming launch of a non-custodial wallet. SDF also hosted its first collegiate Hackathon, which awarded three winning student-developed projects.

Stellar in the News

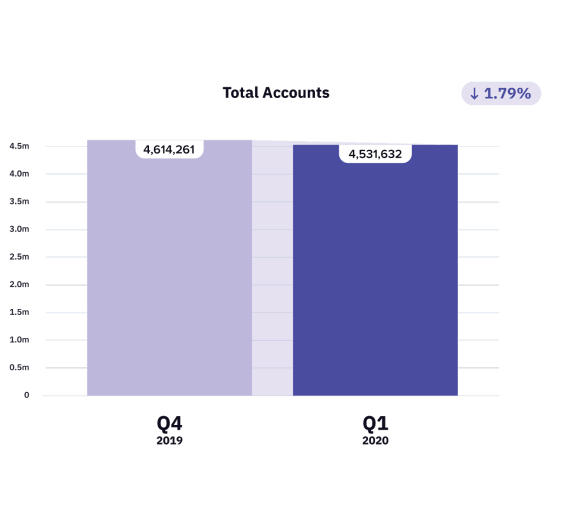[How Blockchain Can Be Used to Promote Gender Equality, Denelle Dixon](#)
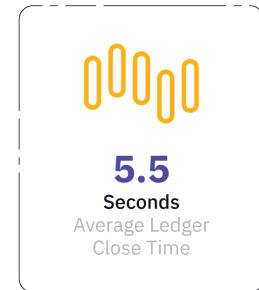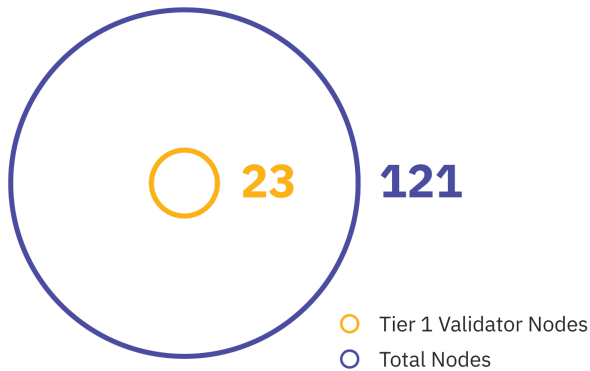[Stellar Invests in Security Token Platform Targeting Developing Markets](#)
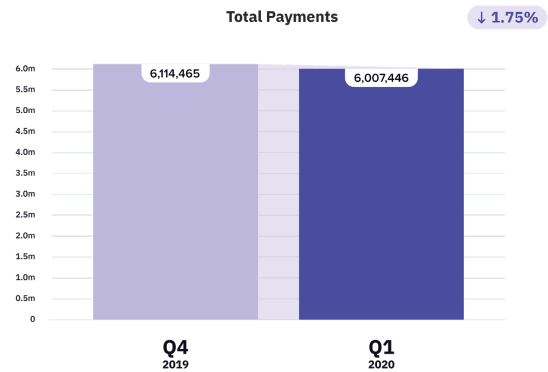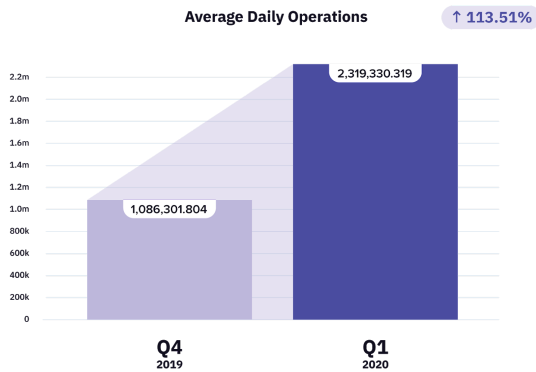[German Bank to Offer Tokenized Securities Based on Stellar](#)
[CoinDesk Podcast: Gender and Income](#)
[Bad Crypto Podcast: Blockchain Will Unlock the World's Economic Potential](#)

II   Network Stats

Total Accounts   ↓ 1.79%

- 4,614,261 (Q4 2019)
- 4,531,632 (Q1 2020)

Average Daily Dex Trading Volume (XLM)   ↑ 8.01%

- 3,231,673.996 (Q4 2019)
- 3,490,422.131 (Q1 2020)

Average Daily Operations ↑ 113.51%

2.2m
2.0m
1.8m
1.6m
1.4m
1.2m
1.0m
800k
600k
400k
200k
0

2,319,330.319

1,086,301.804

Q4
2019

Q1
2020

Total Payments ↓ 1.75%

6.0m
5.5m
5.0m
4.5m
4.0m
3.5m
3.0m
2.5m
2.0m
1.5m
1.0m
0.5m
0

6,114,465

6,007,446

Q4
2019

Q1
2020

23 **121**

○ Tier 1 Validator Nodes
○ Total Nodes

7229
On Chain Assets
as of March 31

5.5
Seconds
Average Ledger
Close Time

III # Network Development and Updates

Horizon 1.0 Release

Horizon, the open-source Stellar API launched in 2015, has steadily added features and improved stability and efficiency over the course of 24 minor versions and dozens of patch releases. On February 24, Stellar Development Foundation packaged those previous updates with a new ingestion system to mark a new milestone in Horizon's development: Horizon 1.0, the first major Horizon release.

This 1.0 release means significant improvements for Horizon. It provides a more developer-friendly environment, improves data consistency, and drastically reduces load on Stellar Core's database. Notable new features include:

- **Accounts for Signers Endpoint:** A popular feature request in our GitHub, accounts for signers, now allows users to look up all the accounts that match a given signer, which makes it easier for Stellar clients to implement multi-sig in a user-friendly way.
- **Offers Endpoint**: This endpoint lists all offers on the network and allows filtering by account or asset.
- **A Faster Path-Finding Algorithm**: To improve path-finding, the new ingestion system now has a built in-memory order book graph of all the offers in the network. By keeping everything in memory, access to data is extremely fast. This decreased the response time of the /paths endpoint for some queries by 10x. It also supports the new Protocol 12 strict-send and strict-receive path payment types designed for remittance applications.

Becoming an Anchor is Easier Than Ever

We've developed a suite of tools to help Anchors build Interactive Deposit and Withdraw flows:

- Polaris is a reference implementation for a transfer server written in Python using the popular Django framework. It serves both as an example and a reusable toolbox for Anchors. It greatly simplifies making an Anchor interoperable with Stellar wallets.
- The Anchor Validator runs dozens of tests (currently 72 and growing everyday) on a testnet transfer server implementation, ensuring that all edge cases are handled by the time an Anchor goes live.
- The SEP24 Demo Wallet shows Anchors what their interactive flow will look like without having to integrate into a production wallet, speeding up initial development.

Thomaz Teixeria, co-Founder at nTokens, says:

> *Using Polaris and the SEP24 demo client, we were able to take our BRL anchor service to production in less than three months. The newly released validation suite helps us ensure that we're always up to spec as we begin onboarding users.*

Payments Missing Memos: a Solution

A long-standing issue has been Stellar account holders sending payments lacking memos to exchanges that require them. These errant payments can take days to track down, and are a headache for users and custodians alike. The Stellar community recently approved [SEP-29](#), which lays out a solution to the problem. Using [data entries](#), an exchange can mark their account as requiring memos. Wallets that upgrade to the [latest Stellar SDK](#) will then refuse to let users send memo-less payments to those addresses.

IV Ecosystem and Partners

Businesses on Stellar

The decentralized and open nature of Stellar means organic growth is continuously happening on the network. SDF knows of 13 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 in. A list of projects built on Stellar known to SDF is available at: https://www.stellar.org/ecosystem/projects.

Two Stellar-based businesses wrote about why they chose the Stellar network:

- CoinQvest shared [why they chose Stellar for payment rails for cryptocurrency settlement](#);
- And Lobstr, a Stellar-based wallet, shared [why they believe Stellar is the best open network for payments](#).

Partnership Strategy

To support product launch of a non-custodial wallet anticipated in summer of 2020, SDF focused its Q1 efforts in onboarding five LATAM anchors ([Settle Network](#), [nTokens](#),

Saldo, AnchorMXN, AnchorARS) and supporting them to develop the technology to grow and scale. The Partnership team began developing plans to address areas of strategic interest to the ecosystem, such as East Africa and Southeast Asia. SDF is actively exploring partnerships for stablecoin issuance in these and other markets to support our growing global footprint. Interested parties can reach out to partnerships@stellar.org.

Partner Spotlight

Cowrie, a FinTech company based in Lagos, provides cross-border payment services for the Nigerian market, powered by Stellar. By tokenizing the Naira and integrating with NIBSS, the Nigerian interbank payment network, Cowrie developed payment rails that enable low-cost and instant payments into and out of Nigerian bank accounts. Their product, NGNT, is available today for cross-border payments and digital asset exchange. Cowrie's customers include Tempo, SatoshiPay, and Coinqvest. NGNT is available in Stellar wallets such as Interstellar.exchange, Lobstr, Solar wallet, StellarX, and DeMars.

Learn more about this Stellar-powered solution in this webinar recording.

∨ 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, and to pay taxes as we do so.

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 our progress towards our goals, more or less in real time. Below is a summary of how lumens were allocated in Q1 of 2020.

Q1 Mandate Status

This quarter, SDF made its first enterprise fund investment for $715k paid in lumens to DSTOQ, a Liechtenstein-based FinTech company. Additionally, SDF provided grants from the ecosystem support account to three of the anchors involved in launching product in Latin America this spring.

The below table summarizes SDF's use of lumens in the first quarter.

Table 1. Lumen Distribution January 1 - March 31, 2020

Mandate Category	Wallet	Amount	Uses
Direct Development	Various	323,955,710[1]	SDF operations
Ecosystem Support	Currency Support	9,332,257	Anchor grant payments to nTokens (BRL), Coinsquare (BTC, ETH), Settle (ARS), and Saldo (MXN)
	Developer Support	14,556,566	Stellar Community Fund awards Infrastructure Grants
User Acquisition	Enterprise Fund	2,868,124	Investment in DSTOQ
	Marketing Support	0	
Use-Case Investment	In-App Distribution	500,000	Nodle grant
	New Products	0	

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[1] Several SCF payments (totalling 1,275,193 XLM) were mistakenly sent out from a Direct Development wallet, instead of Developer Support. This table includes that amount under the Developer Support wallet instead of Direct Development. In April 2020, SDF will move 1,275,193 XLM from the Developer Support wallet to its Direct Development wallet to correct the mistake.

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

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

Mandate Category	Wallet	Balance as of 4/1/2020
Direct Development	Direct Development	2,553,668,002[2]
	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)	1,037,219
Ecosystem Support	Developer Support	972,433,838
	Developer Support (Hot)	113,973
	Currency Support	989,617,675
Use-Case Investment	New Products	2,000,000,001
	Enterprise Fund	7,997,131,876
User Acquisition	In-App Distribution	3,758,473,904
	In-App Distribution (Hot)	26,320,647
	Marketing Support	2,000,000,001

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[2] Direct Development and Developer Support balances adjusted to correct for SCF payments. See previous footnote.