

Dapp Industry Report: February 2021

Binance Smart Chain overtook Ethereum in terms of transaction volume and unique active wallets in February 2021.

February 2021 has been an exciting month for the crypto industry, Bitcoin reached an all-time high of \$58,000, while Ethereum peaked at \$2,000. The DeFi ecosystem continued to lead the industry, while there has been increased interest in NFTs and digital collectibles.

High gas costs on Ethereum have remained, and will likely have a bigger impact on the layer-1 and layer-2 competition than initially thought. First of all, several Ethereum DeFi projects are moving to other blockchains. On top of that, increased development on Binance Smart Chain (BSC) has started to pay off.

Binance Smart Chain has now surpassed Ethereum in both transaction volume and unique active wallets (UAWs). However, the total value locked (TVL) is still four times lower compared with the Ethereum DeFi ecosystem.

The rapid growth of BSC also has its flaws. The increased activity has been met with a great number of rug pulls and exit scams. DeFi enthusiasts on the Binance Smart Chain need to double-check before putting tokens into a DeFi platform promising exorbitant return rates.

The NFT sector is becoming mainstream. NBA Top Shots continued leading the space. At the same time, CryptoPunks maintained its hype. Hashmask NFTs were still a hot item at the beginning of the month, replaced by new projects like Euler Beats at the end of February. Art NFTs have also risen to prominence, as Beeple's Crossroad sold on the secondary market for \$6.6 million.

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Key takeaways

- BSC overtook Ethereum in terms of transaction volume and unique active wallets. The blockchain generated more than \$700 billion in transaction volume.
- \$400 billion of the transaction volume on Binance Smart Chain came from Venus, a DeFi dapp.
- Ethereum still stands as the most significant blockchain in terms of Total Value Locked (TVL), which surpassed \$40 billion.
- The rapid growth of BSC has come with downsides as multiple new dapps have come and gone within a few hours. Four of these projects were able to generate around \$10.2 million in transaction volumes.
- The NFT sector had its best month so far. The top 3 NFT dapps grew from \$71 million to \$342 million. NBA Top Shot was responsible for 67% of the transaction volume.

Ethereum rivals are coming

While Ethereum gas fees continue to be an issue, competing blockchains have a window of opportunity to onboard users.

Several Ethereum DeFi dapps are moving to other chains. For example, 1inch.exchange has recently expanded to BSC. While Curve Finance recently announced it will soon be implemented on Equilibrium's Polkadot parachain.



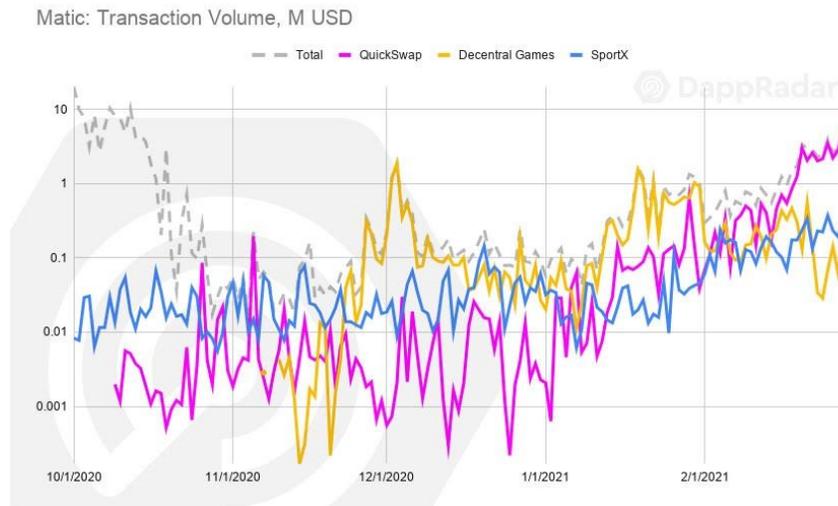
Source: etherscan.io

Meanwhile, Cardano is expecting to go through the Mary hard fork in early March and Cosmos launched Stargate. The development of these blockchain solutions might suggest increased competition for Ethereum in the future.

On the L2 side, Polygon (formerly known as Matic Network) made multiple attempts to become a key player. They have seen a number of major crypto gaming projects, such as Neon District and Blockchain Cuties embrace their chain for scalability purposes.

Furthermore, the network seems to be broadening its scope recently as QuickSwap a decentralized exchange (DEX) was

launched. Even though the numbers are still relatively small, there's significant growth. In the last week of February QuickSwap's 7-day transaction volume increased over [180% to \\$25 million](#).



Source: [DappRadar](#)

Overall, the biggest competitor for Ethereum right now is Binance Smart Chain. In the past month, alone 77 new DeFi dapps were launched, which is two times more than on Ethereum. These developments were pushed by an increase in activity, as Binance Smart Chain became the leading blockchain in terms of active wallets (UAW) and transaction volumes.

BSC surpassed Ethereum in terms of UAW and transaction volumes

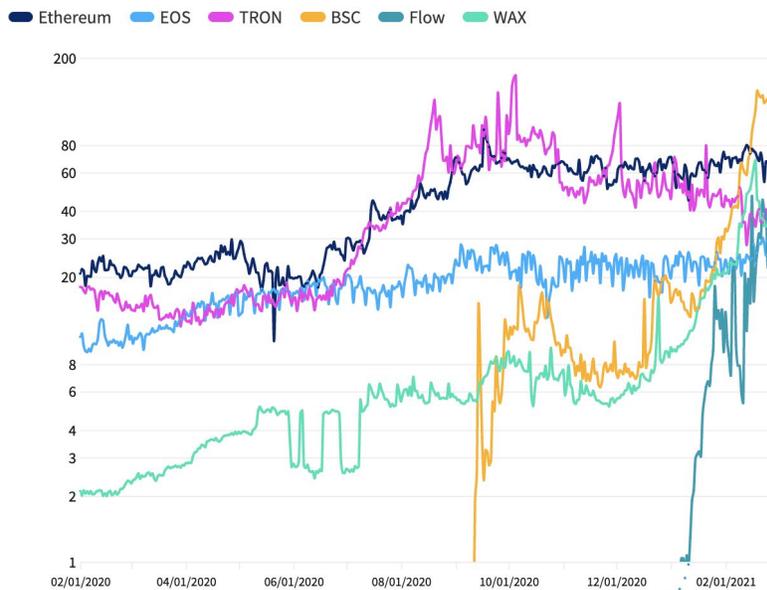
Ethereum has always had competition from other blockchains, for example, Tron and EOS. However, Ethereum always remained king of the hill. Binance Smart Chain is now changing the game, as Ethereum is struggling with its own success.

According to the [DappRadar rankings data](#), there were more than 67,000 unique active wallets at the end of February on the Ethereum mainnet. That's a decrease of 9% compared with January, suggesting a downtrend in user activity.

Comparatively, on Binance Smart Chain there have been more than 108,000 unique active wallets in February, an increase of 27%.

While this difference in active wallets might look impressive, there is a downside. On Binance Smart Chain 60% of all the activity comes from the top 5 dapps. This brings a question of sustainability, as growth driven by a couple of dapps might be fragile.

Unique Active Wallets by Protocol, K

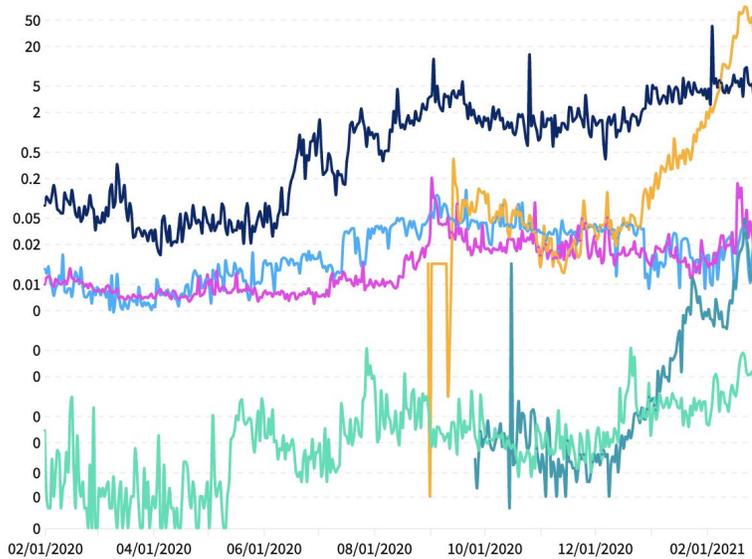


Source: [DappRadar](#)

The transaction volumes followed the same pattern. Overall, the Ethereum blockchain generated more than \$181 billion, while BSC transaction volume surpassed \$700 billion in February. More than half was generated by a DeFi dapp called Venus (\$400 billion).

Transaction Volume by Protocol, Bn USD

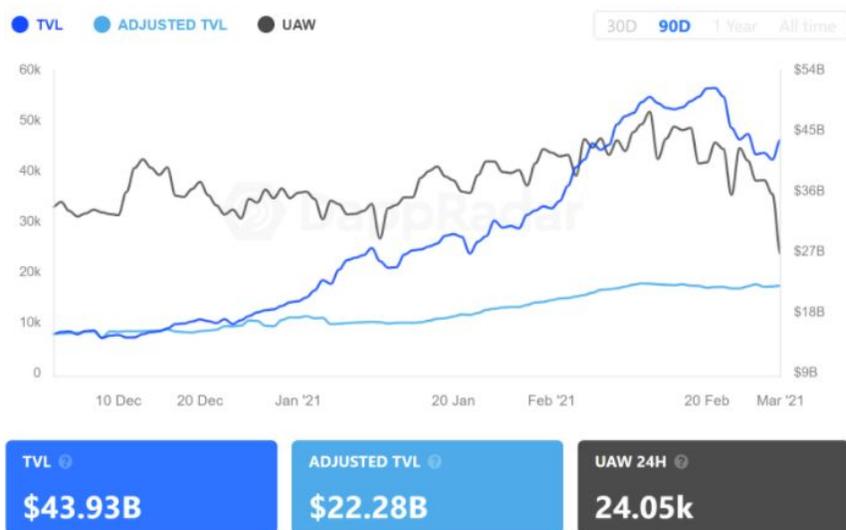
■ Ethereum ■ EOS ■ TRON ■ BSC ■ Flow ■ WAX



Source: [DappRadar](#)

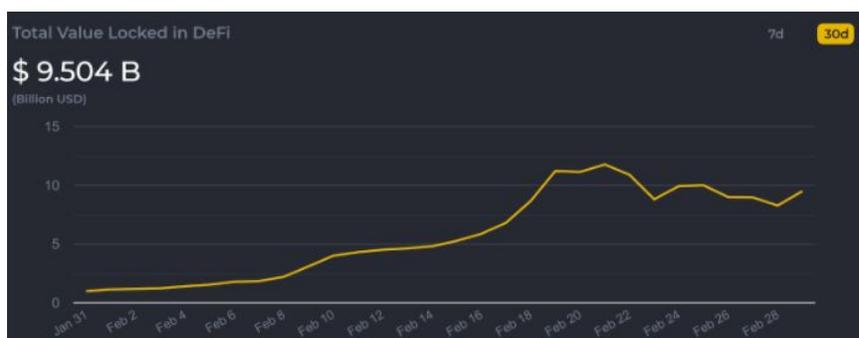
Ethereum is still leading in terms of TVL

Despite losing its leading position on some key metrics, Ethereum did reach a milestone in February. The total value locked (TVL) has passed the \$40 billion mark. The main reason behind this surge was the increase in the value of individual tokens. However, the adjusted TVL improved by \$4 billion within February. This suggests serious growth, and still positions Ethereum as the leading network in terms of TVL.



Source: [DappRadar](https://dappradar.com)

The TVL on Binance Smart Chain continues to mature, even though it's still significantly lower than the figures on Ethereum. Currently, there is \$9.5 billion in total value locked according to defistation.io. This means that the TVL grew 19 times in February alone.



Source: <https://www.defistation.io/>

Naturally, with this type of rapid growth, there are inevitable downsides. There's an increased amount of risk on Binance Smart Chain, as new dapps offer incredibly high annual percentage yield (APY). A percentage of these applications wait until users lock their tokens, and then disappear. Leaving the investor with an empty wallet.

The line between DeFi and High-Risk

There is a category of dapps referred to as high-risk on DappRadar and often these dapps appear relatively similar to DeFi dapps in that they offer high return rates. There were several new dapps launched on BSC that collapsed within a couple of days that gave off a classic 'too good to be true' product description.

The table below shows that Prosper, Bitr Cash, GardenSwap Finance, and BuffetSwap made a total transaction volume of \$10.2 million before disappearing. While the volume itself does not necessarily explain the real money loss, it gives a general picture of the risk level.

BSC: Exit Scams

Image	Dapp	Volume,M USD
	Prosper	5.57
	Bitr Cash	4.43
	GardenSwap.Fi	0.16
	BuffetSwap	0.04

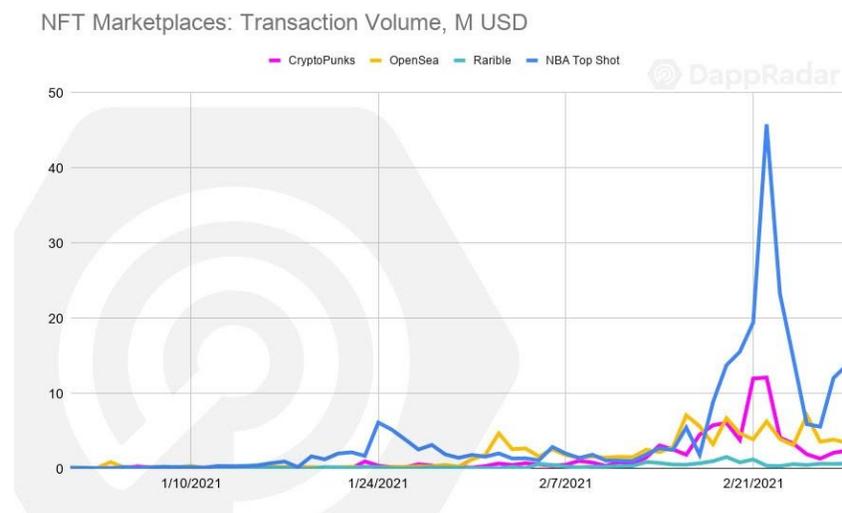
It could be argued that it is quite impossible at first sight to draw a line between DeFi and High-Risk dapps. However, there is one thing that is clear: dapps promising a high return in a very short period of time with limited transparency about the risks could be the first indicator.

NFT sector reaches all-time high sales

The NFT sector had its best month in February 2021. The Top 3 NFT marketplaces are NBA Top Shot, OpenSea, and CryptoPunks. These were good for a combined trading volume of \$342 million.

The most extraordinary sales happened during the last week of February. On the Nifty Gateway secondary market, Beeple's Crossroad artwork was acquired for \$6.6 million.

Furthermore, there's been a serious rise in the interest in [generative art](#). [Art Blocks](#) sold out very quickly and audio project Euler Beats launched on February 15th and generated more than \$10.3 million in transaction volume one week later.

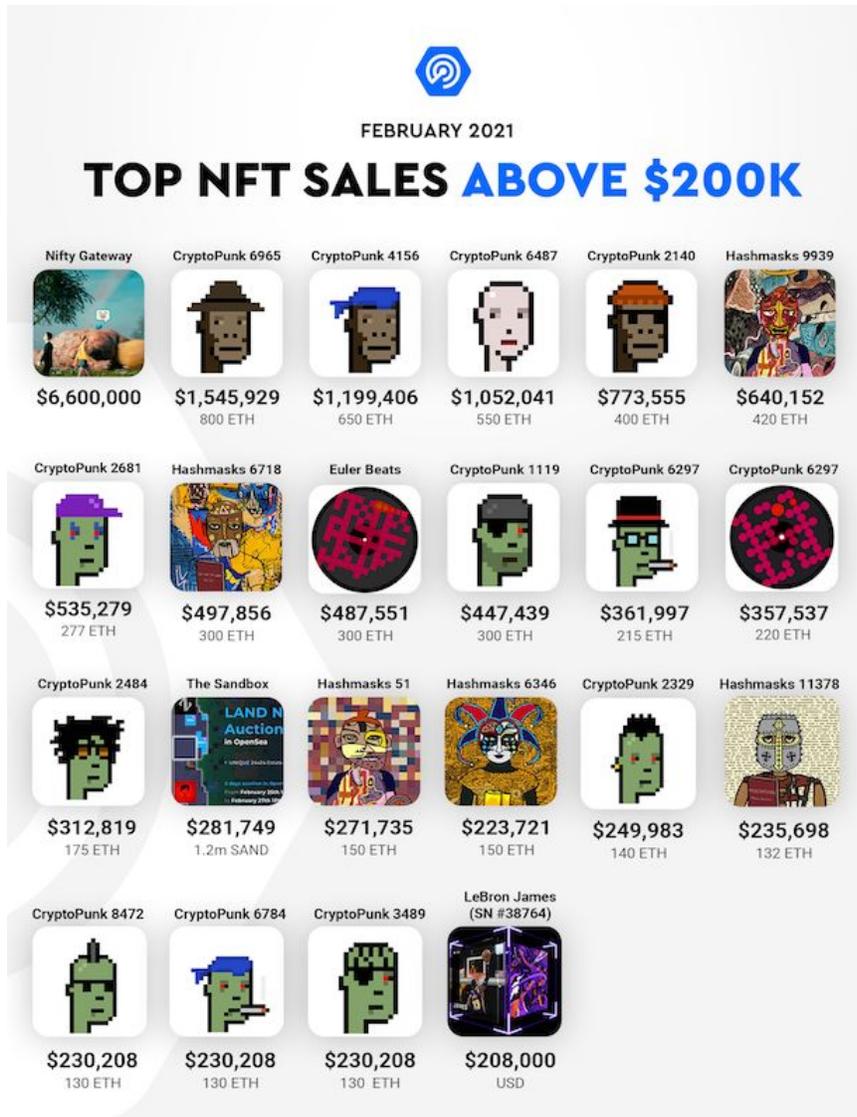


Source: [DappRadar](#)

NBA Top Shot, Hashmasks, and CryptoPunks continue to capture headlines. One Hashmask sold for 420 ETH or around \$640K, placing Hashmasks in the third position in terms of sales volume over the past [30 days, topping \\$33](#) million.

February was a remarkable month for CryptoPunks too as it generated all-time high sales volumes of \$79 million. Furthermore, the floor price of a CryptoPunk has now increased from around

\$10,000 at the beginning of February to more than \$40,000. Currently, it averages around \$32,000.



OpenSea, one of the top NFT marketplaces on Ethereum has also made several announcements that resulted in increased activity. Firstly, the marketplace will now support the Flow blockchain. Secondly, they have begun launching [exclusive digital collectible drops](#).

Last but not least is NBA Top Shot, which reached sales of over \$226 million. This incredible growth in user activity comes with some downsides, as the platform has become a victim of its own

success and frequently needs to solve technical and website issues.

The pitfalls of NBA Top Shot leadership

While most of the crypto gaming world is trying to figure out how to attract users, NBA Top Shot is struggling to deal with over-demand. Most recently, an exclusive pack drop was postponed a couple of times due to increased demand with more than 195,000 users in a digital queue waiting for just over 10,000 packs.

	Product		Sales	Change (30d)	Buyers	Txns
1	 NBA Top Shot	F	\$229,875,473.00	▲ 442.07%	83,119	1,243,471
2	 CryptoPunks	◆	\$81,069,192.18	▲ 1,184.27%	726	2,112
3	 Hashmasks	◆	\$32,979,470.66	▲ 886.81%	1,859	7,352
4	 Sorare	◆	\$9,134,293.10	▲ 312.50%	4,514	36,054
5	 Art Blocks	◆	\$7,029,360.62	▲ 883.70%	791	3,578

Source: [CryptoSlam.io](https://cryptoslam.io)

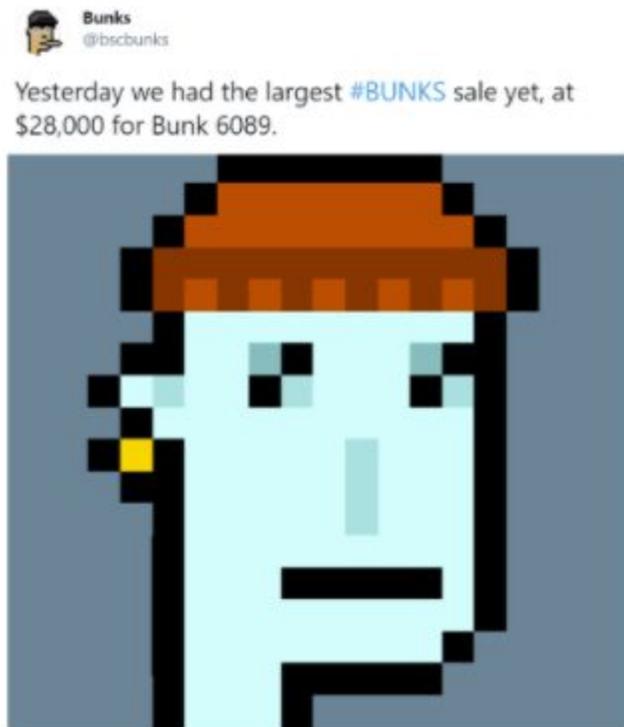
NBA Top Shot is in beta right now, so some issues could be expected. Nevertheless, if issues persist, it could impact the growth of the platform significantly as users become jaded with repeating disappointment.

BSC copycats gather impressive sales

The growth of Binance Smart Chain is impressive in terms of unique active wallets and transaction volume. However, many have questions about the platform's decentralization, its transaction costs, and its path to commercial success. Will BSC be known as a platform for user growth and innovation, or will it fall short of its potential?

While the majority of projects on the Binance Smart Chain are DeFi related, several NFT projects have started to make some noise within the community. For example, Binance Punks, or Bunks, is very similar to Larva Labs' CryptoPunks on the Ethereum blockchain.

Arguably, this project is what started the debate about the current state of the BSC ecosystem, which seems to strongly rely on copying Ethereum projects without adding too much to them. Interestingly, an alien bunk was sold for \$28,000.



Source: [Twitter](#)

The example of Binance Punks isn't an isolated case. Bashmasks is an exact copy of the Ethereum-based art project Hashmasks. At the same time, Musical Beats tries to copy Euler Beats.

The market is getting used to these types of forks and copies in the DeFi space, but it remains to be seen how this will play out with NFT collectibles.

It seems to be that such attempts show the downside of open-source technology. It remains unclear how intellectual property can be protected or how the rise of these copycats could potentially devalue the original NFT collection. Conversely, this activity may just further emphasize the importance of the original creation.



Bashmasks

Become part of digital art and collectibles history

Bashmasks is a living digital art collectible, a unique digital collection of 16,384 unique digital portraits. Employing the world-class blockchain technology provided through Binance Smart Chain (BSC), Bashmasks brings the world of high art within reach of the masses. Through this release the very core philosophies of non-fungible tokens (NFTs), verifiable uniqueness and non-dilutable value, are challenged, and yet hold firm.

Owners of this artwork accumulate BNCT tokens on a daily basis, allowing them to designate a unique name for their Bashmask portraits on the BSC blockchain. With Ethereum fees reaching all-time highs and pricing many eager participants out of the digital art ecosystem, Bashmasks built on BSC is your second opportunity to participate in one of the largest NFT art projects in existence. Bashmasks: Masks for the masses.



Undoubtedly, a big part of the value of an NFT collectible is tied to its uniqueness. This uniqueness is verifiable on the blockchain, as well as the date of creation and the history of ownership.

Therefore there can never be a doubt about which project was first.

Sure, copies might threaten the value of an original, but we've seen many copies in the physical world. For instance, there have been plenty of copies of the Mona Lisa, but these have not affected the price or status of the original at all. One might argue it only strengthens its position as one of the most valuable paintings in the world.

February in-summary

To conclude, Ethereum's scalability issues persist, and as a result, layer-1 and layer-2 solutions have started to strengthen their position within the market.

In February, BSC surpassed Ethereum in both transaction volume and unique active wallets. While Ethereum is still 4 times bigger in terms of TVL.

This growth from BSC was driven mainly by just a few dapps, which might prove to be a fragile foundation in the long run. The NFT sector has started to show its real potential. Not only have well-known projects such as CryptoPunks reached all-time high sales but industry newbies showed impressive performances.

Currently, we are witnessing a trend of copying top Ethereum NFT and DeFi dapps and deploying them on the Binance Smart Chain. There have been mixed responses to this development, and it remains to be seen what the impact will be on the original projects.

Overall, the blockchain industry is rapidly heading to the next growth wave: NFT dapps.

Useful Links:

- [January 21 Dapp Industry Report](#)
- [January Binance Smart Chain Report](#)
- [What are NFTs?](#)
- [What is DeFi?](#)

