Report on Safe

2023

Contents

TL;DR

An exceptional 2023 cemented
Safe`s position as market leader.

New Accounts	Transactions	Projects
4.1M	**18.3M**	**200**
⚒ 355% YoY	⚒ 463% YoY	
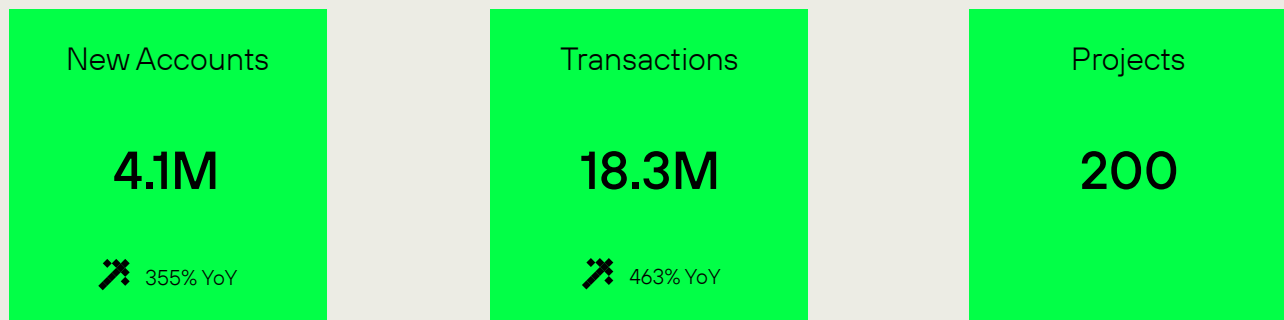
A rapidly growing user base... ▟ **...is way more active...** ▟ **...in an expanding ecosystem.**

- **Growth trajectory:**
  Over $75B in assets are stored in more than 5.7M Safe smart-accounts marking a 475% YoY growth. Stablecoins domi-nate the assets held in Safe accounts, accounting for over 60% of the total value secured.

- **Market expansion:**
  Safe is shifting its public perception toward an Account Abstraction wallet and infrastructure layer for self-custody of funds rather than a multi-signature wal-let allowing Safe to target a wider market. Meanwhile, the additional onboarding of three prominent Layer-2 chains allows users to store assets across multiple blockchain ecosystems: Base, Polygon zkEVM, and zkSync Era.

- **Product differentiation:**
  The Safe Protocol splits into Safe{Wallet} and Safe{Core}: Safe{Wallet} focuses on treasury management and infrastructure provision; Safe{Core} concentrates on improving user interaction safety and fle-xibility.
  This split gives Safe a promising foundation to attract more third party developers to its core product while also maintaining its wallet interface for easy end user interactions.

- **Monetization:**
  SafeDAO achieves key milestones for SAFE token transferability and listing is on track for Q2/2024.

Safe's Year in Review
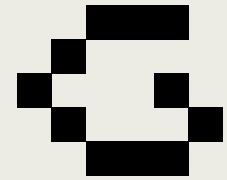
With more than $75B of assets stored in more than 5.7M Safe smart-accounts, Safe has further established itself as the go-to-solution for smart contract on-chain asset ownership. Safe successfully deployed on three additional chains, namely Base (the L2 blockchain launched by Coinbase), Polygon zkEVM, and zkSync Era. So far, Safe is primarily used as a multi-signature wallet, allowing users to self-custody their funds. To expand its core offering Safe announced an organizational split of the Safe protocol into Safe{Wallet} and Safe{Core}. Safe{Wallet} focuses on treasury management and providing teams with the necessary infrastructure. Safe{Core} aims to create a comprehensive infrastructure layer to enhance user interactions' safety and flexibility within Safes' smart-account ecosystem.

Stats and Growth

Throughout 2023, Safe managed to grow in multiple areas, namely smart-accounts created, transactions sent, and assets stored within Safe smart-accounts. Safe continues to make strides in decentralized finance (DeFi), solidifying its position as a trusted platform for secure and efficient digital asset management. Safe accounted for 0.8% of all cryptocurrency transactions across chains it operates on during Q4/2023, averaging 0.735% during the year - a significant increase from just 0.4% in January. Starting from 0.5% in Q1/2023 and peaking in Q3/2023 with an impressive 1.4%. The Q4 decrease is explained by an overall increase in total transactions. This includes all major EVM-based chains, namely Ethereum, Arbitrum, Polygon, Optimism, Base and Gnosis.

Overall Transaction Share in 2023
Source: Dune

- ■ Avg. Safe transaction share in % (left-hand scale)
- ■ Total txs (right-hand scale)
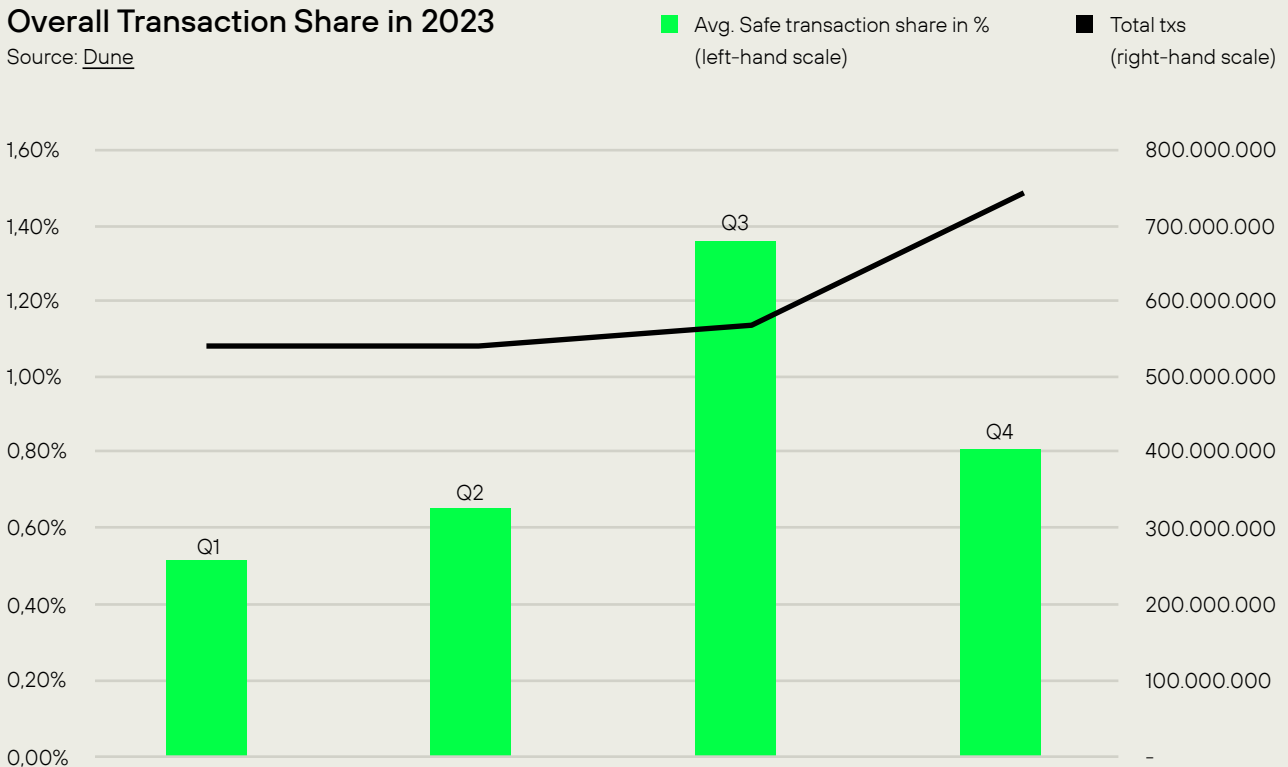
The spike in transaction share and overall Safe usage coincided with several key technological advancements implemented by the Safe team, including enhanced support and onboarding for popular Layer-2s (L2) scaling solutions, improved interoperability with leading DeFi protocols, and streamlined onboarding processes to reduce friction for first-time users. L2 solutions gained traction during 2023 due to their potential for addressing scalability challenges inherent in existing public blockchains. The proportionate share of overall transaction volume attributed to Safe transactions is a valuable indicator of its market presence.

This upswing can be partly credited to rising interest in DeFi applications, which often leverage L2 networks to circumvent prohibitive costs and latency issues associated with base layers.

L2's experienced growth of 247% in 2023, starting with an average 12.6M transactions per day and ending the year with 31.1M transactions per day. Prominent examples of L2's include Optimism, Arbitrum, Polygon, Loopring, and zkSync, among others. It becomes apparent that user behavior is critical in driving transactional activity.

Safe Usage Across Chains in 2023
Source: Dune
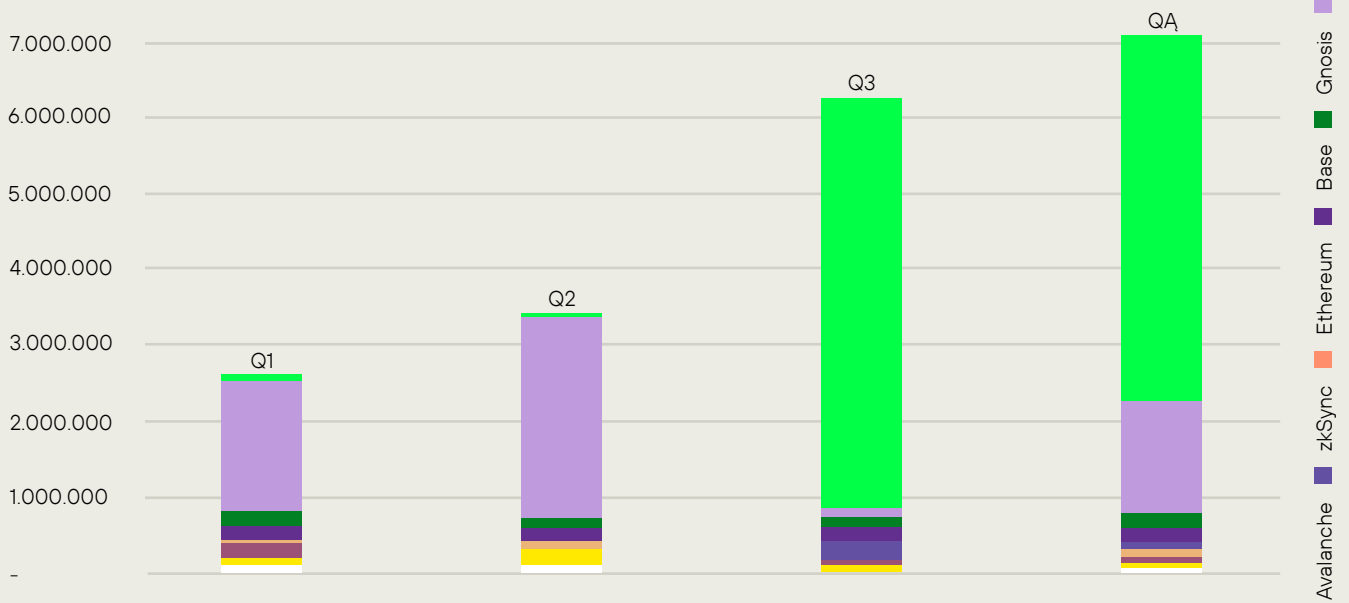
In essence, this metric represents Safe's market share within the broader context of the crypto ecosystem.

Amidst the flourishing landscape of (L2) networks, transaction volume has witnessed considerable growth throughout 2023. Safe accounted for 18.3M transactions across all chains that Safe is deployed on, denoting a Year-over-Year (YoY) increase of 463%.

As novice adopters become increasingly comfortable managing their assets independently, they are likely to engage in higher frequencies of token swaps, yield farming, staking, and other interactive functions native to decentralized applications (dApps).

Safe's transaction count on Optimism stood out amongst its peers after witnessing a significant surge in transaction counts in the second half of 2023.

Spearheaded by Worldcoin's decision to deploy Ethereum-based smart contract wallets on-chain, quarterly tallies soared beyond the 5.3M mark, eventually settling at 4.8M by year-end. This solidifies Optimism's position as a force to reckon with in the race towards mainstream L2 adoption.

Many new Safes have been created through Worldcoin's efforts to identify and verify unique individuals with its iris scanning technology. At this point, it's worthwhile to highlight that uniquely identifying its users guarantees that all Safes created through Worldcoin are unique users based on Worldcoin's value proposition. In contrast, one user might control several accounts otherwise or in the case of a group multi-sig several users control one account.

Worldcoin, created by OpenAI CEO Sam Altman, introduced its cryptocurrency and digital identification system called World ID on July 24.

The World ID uses in-person iris scans conducted through Worldcoin's orb device to confirm users are humans rather than AI bots. Cryptography ensures user data remains private and secure. A uniquely generated World ID may be crucial in diffe-rentiating genuine individuals from AI sys-tems in the era of advanced AI chatbots.

Safe experienced a notable uptick in the number of new smart-accounts created. The total number of newly generated Safe accounts in 2023 surpassed 4.1M, marking a substantial YoY increase of approximate-ly 355%. This trend was observed across multiple geographic regions and demo-graphics, suggesting broad appeal for Safe's unique combination of usability, security, and flexibility.

The rise in Safe smart-account creation does not necessarily correlate directly with active user engagement or transaction volu-mes. Nevertheless, the magnitude of new accounts suggests a healthy influx of new users entering the decentralized economy.
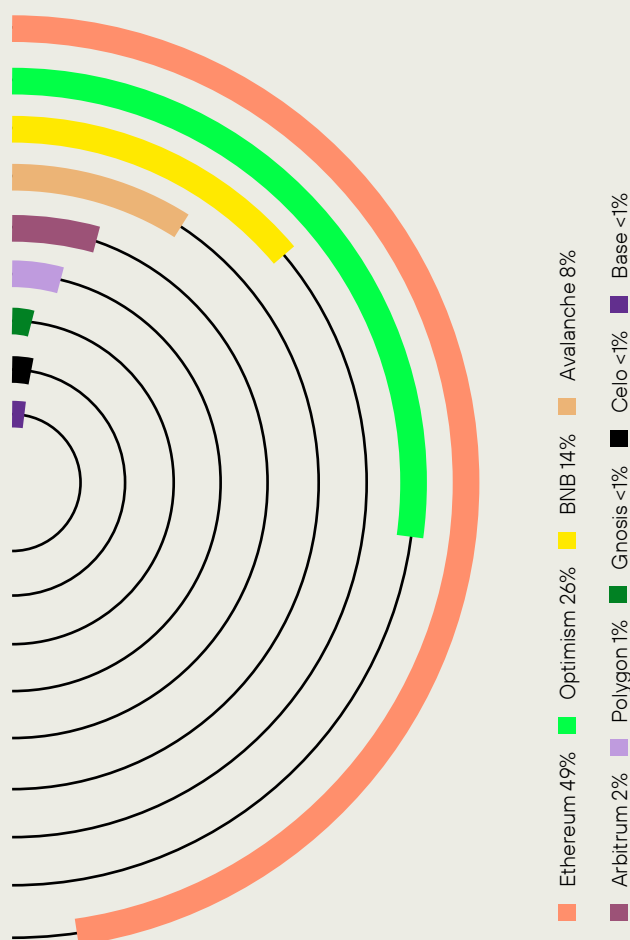
Safes Created in 2023

Source: Dune

The outlier in Q2, especially on Optimism and Polygon, can be explained by the launch of Worldcoin. The crypto-backed biometric identity network generated many accounts already in its pre-launch beta phase. Compared with Safe's transaction count one can observe the creation of Safes in Q2, with a following increase in the number of transactions on Safe in Q3 and Q4 suggesting that the accounts created through Worldcoin in Q2/2023 were actively used in the later part of the year. As previously mentioned, more than $75B worth of assets are presently secured within Safes, underscoring the significant trust bestowed upon this self-custodial solution. Safes support multichain interoperability, allowing users to store assets across multiple blockchain ecosystems effortlessly. Beyond Ethereum, prominent supported networks include Optimism, Binance Smart Chain (bnb), and Avalanche, among others. This versatile design caters to a broad array of preferences, encouraging wider adoption.

Upon closer examination of the composition of assets housed within Safes, a clear predominance of stablecoins, namely USDT, DAI, and USDC, can be observed. These three assets constitute over 60% of TVL in Safes, attesting to their popularity as reliable stores of value and mediums of exchange. Meanwhile, decentralized exchange (DEX) tokens such as UNI, CAKE, SUSHI, and CRV occupy substantial portions of the remaining balance, reflecting strong engagement with automated market makers (AMMs) and liquidity mining initiatives. Furthermore, considering the substantial amount of assets under management stored in Safes across various blockchains provides insight into the potential value of Safe accounts.

Assets Stored in Safes per Chain in 2023
Source: Dune

Avalanche 8%   Base <1%

BNB 14%   Celo <1%

Gnosis <1%

Optimism 26%   Polygon 1%

Ethereum 49%   Arbitrum 2%

Consequently, Safe not only stands to benefit from reduced Gas costs on L2 networks but also holds untapped value within its ecosystem. With proper monetization strategies, Safe could capitalize on this potential and create new revenue streams while continuing to offer secure and efficient account-abstraction functionality.

Business Development & Deployment

In 2023, Safe made considerable strides in terms of development, establishing itself as a leading player in the DeFi landscape, enabling 5.7M users to take ownership of their assets into their own hands. Throughout the year, Safe exhibited consistent progression marked by rising user adoption, increasing

transaction volumes, and intricate feature sets tailored to address emerging use cases. To transcend its current status as a mere multi-sig wallet provider, the Safe team introduced the Safe{Core} Protocol whitepaper, highlighting the goal of Safe{Core} to take a vendor-agnostic approach to securely extend the capabilities of smart-accounts. In its initial design, the Safe{Core} Protocol emulates an app store by introducing a unified interface standard and enabling developers to build Modules (e.g. plugins, hooks, function handlers, signature verifiers). That is, plugins can be regarded as individual apps that are approved based on the standards set by a registry. A designated manager mediates interactions among accounts, registries, and modules.

These design choices set up Safe{Core} Protocol to function more as a platform rather than a standalone product: module developers can distribute their features via Safe{Core} Protocol to smart contract account users.

Using the custom plugins provided by this framework, developers can spin up user accounts equipped with the application-approved set of plugins.

Moreover, Safe boasts deployments across four L2's in 2023 in addition to the ones already onboarded: zkSync Era, Polygon zkEVM, and Base. Empowered by the Safe{Core} Account Abstraction SDK and Safe{Wallet}, project teams effectively administer their on-chain assets using Safe solutions.

Monetization Strategies

Safe needs to develop a path to monetization and determine how to best incorporate the SAFE token into the protocol. As part of the roadmap, introducing fee mechanisms remains a priority for Safe{Core} Protocol. Although currently in the conceptual phase, Safe encompasses various possible strategies (see table below).

Vehicle for Monetization	Description
Subscription or Usage Fees	Implementing fees mirroring conventional Software-as-a-Service models, where developers levy charges either periodically or per resource utilization such as computational power or transaction volume.
Activation Fees	Imposing one-off costs upon users during setup.
Security Fees	Ensuring robustness and reliability of plugins necessitates charging fees for security assessment and maintenance services, likely linked to registry administration.

Safe and the Greater Gnosis Ecosystem
Safe greatly benefits from the wider Gnosis ecosystem that it originally was spun out of.

GNOSIS PAY

Gnosis Pay is the world's first Decentralized Payment Network (DPN) built on top of the Gnosis chain. Its goal is to streamline fiat-crypto transactions, leverage existing infrastructure, introduce new monetization rails and empower self-custodial infrastructure by connecting Safe smart-accounts to traditional payment systems such as Visa and SEPA. Gnosis Pay uses Safe as its custody infrastructure. In 2023, Gnosis Pay offered a Visa debit card for pre-orders and has just started to ship them to first users, enabling them to pay with their crypto-native assets, held in their Safe smart wallet.

The Gnosis ecosystem offers easy-to-use onboarding and offboarding solutions that help attract new users. For instance, Gnosis provides fiat-to-crypto ramps through partnerships with Transak and Moonpay, allowing users to purchase cryptocurrencies using traditional payment methods like credit cards or bank transfers. These collaborations enable Safe users to easily fund their accounts with minimal friction, making the platform accessible to a broader audience. Furthermore, by leveraging Gnosis's offramp capabilities, Safe users can convert their digital assets back into fiat currency effortlessly, fostering greater flexibility and convenience.

COMPLEMENTARY PROTOCOLS WITHIN THE GNOSIS ECOSYSTEM
Safe also gains strategic advantage by being part of the Gnosis ecosystem due to complementary protocols developed by the respective teams. Some notable examples include:

- **Gnosis Protocol:**
  A decentralized prediction market platform where users can create and trade contracts based on the outcome of events. Integration with Safe enables secure management and execution of funds related to prediction markets, opening up new use cases for Safe users.

- **Conditional Tokens:**
  An innovative framework for creating tokens whose value depends on external data sources or conditions. With Safe integrated, users can manage conditional token positions efficiently and securely, unlocking additional functionalities and potential investment strategies.

- **CowSwap:**
  A decentralized exchange aggregator designed to minimize slippage and improve price discovery for traders. Through Safe, users can interact with CowSwap directly, ensuring optimal trades across multiple liquidity pools and DEXs.

By capitalizing on synergies provided by the Gnosis ecosystem, Safe strengthens its position as a versatile and secure self-custody solution tailored for DeFi users. The ability to leverage Gnosis Pay, streamlined onboarding and offboarding processes, and complementary protocols contribute significantly to Safe's overall value proposition, setting it apart from competitors and solidifying its role as a trusted player in the rapidly evolving world of decentralized finance.

Safe Grants Program

Spearheaded by SafeDAO, the Safe Grants Program (SGP) represents a concerted initiative to cultivate and strengthen the Safe ecosystem community. With a primary focus on financing ideas, projects, and integrations, the SGP operates predominantly through Safe{Build} and Safe{Growth} grants. Undertakings like these aim to galvanize top-tier talent and inspire active participation within the SafeDAO realm.

Throughout 2023, the inaugural two rounds of grant approvals unfolded, allocating approximately $1M per wave. To strike an effective balance, the SGP strives to adhere to distribution guidelines (see table below). In essence, the Safe Grants Program acts as a vehicle for fostering transformation and advancement within the Safe ecosystem. Through tactical financial support directed towards human creativity and innovation, the SGP paves the way for sustained growth and robustness. As a result, the initiative encourages highly skilled professionals to collaborate, contributing their expertise to architect the evolving landscape of decentralized finance.

Allocation & Type of Grants	Objective
40% Build Grants	Allocated towards constructive endeavors to expand the Safe ecosystem's infrastructure and toolset. Successful proposals typically involve developing novel components, refining existing systems, or devising solutions tailored to specific challenges faced by the community.
30% Growth Grants	Targeted at propelling the Safe network forward by increasing awareness, engagement, and collaboration. Applicants often present ambitious yet feasible plans involving content production, event organization, or creative marketing techniques capable of resonating with broader audiences.
20% Research Grants	Devoted to advancing theoretical understanding and practical implementation of cutting-edge technologies integral to the Safe ecosystem. Recipients frequently demonstrate prowess in areas such as cryptography, consensus algorithms, formal verification methodologies, or economic modeling, thereby driving progression and ensuring long-term sustainability.
10% Governance Grants	Focused on nurturing responsible self-governance principles intrinsic to thriving decentralized networks. Grant recipients might contribute by designing sophisticated voting systems, implementing transparent reporting structures, or proposing improvements to decision-making processes, thus empowering participants and fortifying communal bonds.

Driving Security Standards

The Safe Foundation recently unveiled ERC-7512, an innovative Ethereum Request for Comments (ERC) standard targeting the establishment of a universal format for on-chain representations of security audit reports. This breakthrough allows smart contracts to efficiently parse exhaustive evaluations, reviewing essential details concerning the examined contracts' dependability and safety features.

A key aspect of ERC-7512 is its standardized structure for presenting complete audit findings on-chain, enabling seamless data extraction and comprehension across platforms. Furthermore, the proposition fuels the formation of reputable auditor frameworks based on track records. Such developments encourage high-quality assurance initiatives throughout the sector, reinforcing confidence in the industry.

Governance

The Safe Ecosystem Foundation and the SafeDAO are two separate entities within the Safe ecosystem, each playing distinct roles in fostering the growth and sustainability of the ecosystem.

Safe Ecosystem Foundation

Established as a Swiss non-profit, the Safe Ecosystem Foundation aims to foster the Safe ecosystem while safeguarding key aspects such as intellectual property, domain names, and GitHub repositories. It is responsible for developing the Safe ecosystem, administering the grants program run by the Safe DAO, holding IP rights, and entering into software development agreements with various service providers. As the ecosystem matures, its importance is expected to decrease, similar to the Ethereum Foundation.

SafeDAO

The SafeDAO is responsible for governing the Safe ecosystem. It manages the distribution of SAFE tokens, which are used to govern and curate essential infrastructure components of the Safe ecosystem, such as protocol interfaces, on-chain assets, tokenomics, and more. The DAO is governed by a decentralized collective of core contributors, backers, GnosisDAO, users and ecosystem contributors i.e. Safe Guardians. It manages the on-chain assets of the Safe community and builds out appropriate governance structures and mechanisms that guarantee the sustainability and robustness of the ecosystem. It is also responsible for laying out the role of the SafeDAO and its contributions to achieving the overall mission through R&D, ecosystem initiatives and funding.
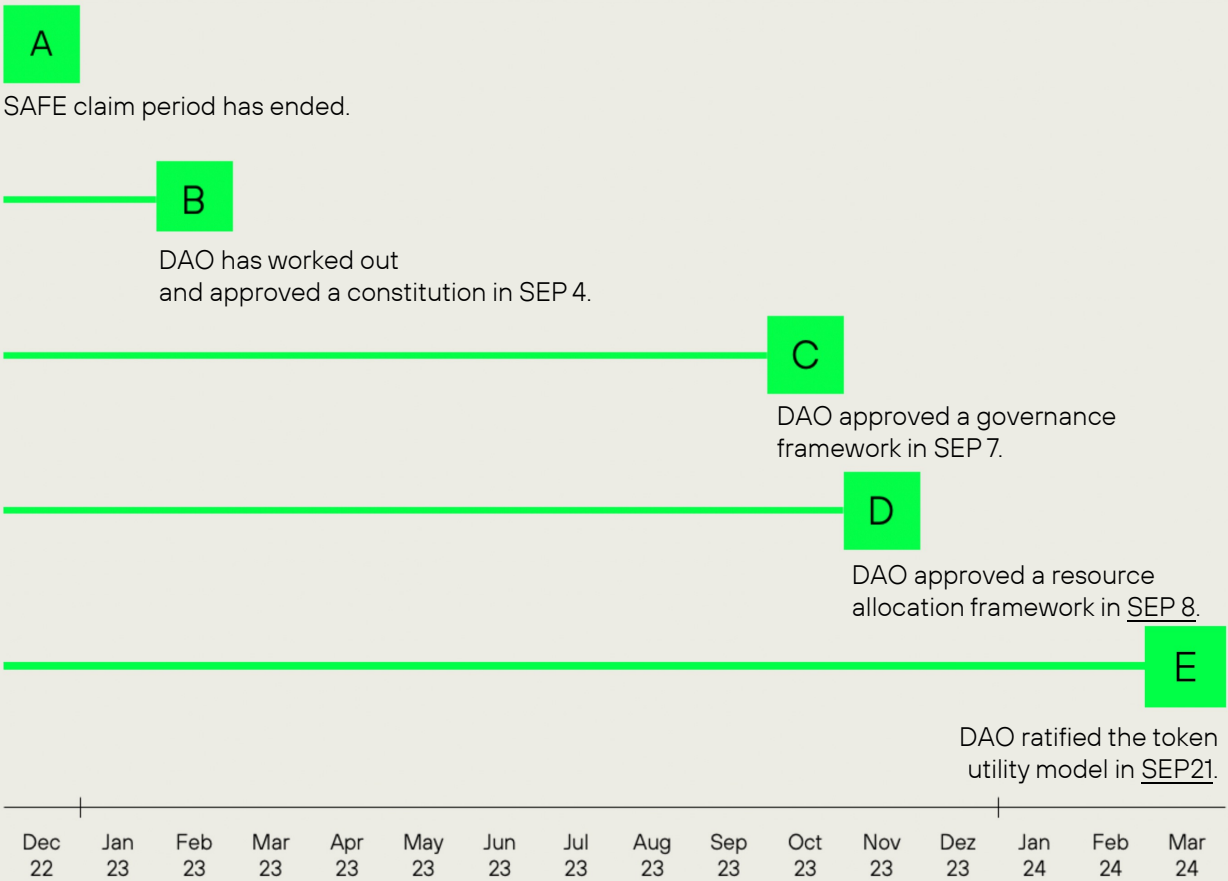
Despite being separate entities, the Safe Ecosystem Foundation and the SafeDAO maintain a mutually beneficial relationship, supporting each other in achieving their respective goals within the Safe ecosystem.

The SafeDAO initially made the SAFE token non-transferable upon its launch in September 2022. However, transferability will unlock various use cases and improve token distribution. It would open up new opportunities for the ecosystem and further solidify the position of the SAFE token as a valuable asset within the greater crypto ecosystem.

In order to activate token transferability the SafeDAO agreed on five milestones in the Safe Enhancement Proposal 3 (SEP) that must be met, before a governance vote on transferability could be brought to a vote again (see roadmap illustration on next page).
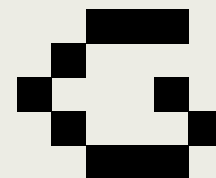
Road Toward SAFE Token Transferability

The token utility model passed a DAO vote in March'24, making way for SEP 22 to enable transferability. This proposal was brought to a vote in April'24. In case of approval by the SafeDAO the SAFE token is expected to be listed on April 23 the earliest.

A

SAFE claim period has ended.

B

DAO has worked out
and approved a constitution in SEP 4.

C

DAO approved a governance
framework in SEP 7.

D

DAO approved a resource
allocation framework in SEP 8.

E

DAO ratified the token
utility model in SEP21.

| Dec 22 | Jan 23 | Feb 23 | Mar 23 | Apr 23 | May 23 | Jun 23 | Jul 23 | Aug 23 | Sep 23 | Oct 23 | Nov 23 | Dez 23 | Jan 24 | Feb 24 | Mar 24 |

■ Milestone

Outlook

Safe has solidified itself as a prominent player in the DeFi ecosystem, providing secure, versatile, and user-friendly multi-signature wallet solutions, peaking at nearly 1.4% of overall transaction share on relevant chains. The surge in the usage of Safes represents a rising popularity in its product offering for both individual and institutional investors alike. With its robust security features, intuitive interface, and seamless cross-chain compatibility, Safe offers unparalleled convenience and peace of mind to anyone looking to manage their digital assets in a self-custodial way.

Safe's usage growth mirrors broader trends pervading the cryptocurrency space, characterized by heightened interest in self-sovereign financial management and diversification across numerous blockchain landscapes.

Seamless integration with dApps throughout the crypto ecosystem is a milestone envisioned for 2024. Through standardization initiatives and API improvements, Safe strives to streamline interactions with lending platforms, yield farming tools, decentralized exchanges, and insurance providers. These refinements facilitate smoother user experiences, reduce friction points, and encourage widespread adoption. The Safe Grants Program also incentivizes founders and developers to independently develop integrations and use cases based on Safe.

Advancing governance features of Safe's governance framework remains crucial for maintaining relevance and ensuring long-term sustainability.

Anticipated updates include improved voting mechanisms, better representation models, and increased incentives for participation.

Safe's biggest opportunity for 2024 is the development of a monetization strategy. Options include take rates on transactions via DeFi integrations, premium modules and features, and charging for ongoing network support.

Enabling Token Transferability

Unlocking token transferability for SAFE offers multiple advantages, chief among them being the activation of utility functionalities integral to the SAFE token. This action enables token holders to further engage in critical governance decisions regarding platform development, resource allocation, partnerships, platform monetization, and strategy. We expect the SAFE token to launch on top-tier centralized exchanges (CEX) thus capitalizing on this opportunity. Establishing the SAFE token on these esteemed platforms promises widespread visibility, increased user acquisition, accelerated mainstream acceptance and ultimately an opportunity to realize the latent financial value that is inherent in its ecosystem.

Overall, unlocking token transferability marks a transformational inflection point for Safe.