

Sequoia Capital

What is Sequoia Capital?

- **Sequoia Capital** is one of Silicon Valley's most prestigious and long-standing venture capital firms. ([Wikipedia](#))
- It traditionally backs early-to-growth stage tech companies across many sectors (software, biotech, fintech, etc.). ([CB Insights](#))
- In recent years, Sequoia has formalized a **crypto / digital-asset investment strategy**, including a dedicated “Sequoia Crypto Fund.” ([Blockchain News Group](#))

Sequoia's Crypto Strategy & How They Operate in the Blockchain Space

1. Dedicated Crypto Fund

- a. In 2022, Sequoia launched a *crypto-focused fund* (the Sequoia Crypto Fund) with a target size between **\$500-600 million**. ([Blockchain News Group](#))
- b. This fund is designed to invest not just in crypto startups (equity) but also in **liquid tokens**, meaning Sequoia can buy, stake, trade, and hold tokens. ([Blockchain News Group](#))
- c. The structure allows Sequoia to take part in governance and other token-asset dynamics, not just traditional equity upside. ([Blockchain News Group](#))

2. Shift in Focus / Fund Reduction

- a. In mid-2023, Sequoia **cut the size** of its crypto fund significantly — from **\$585 million down to ~\$200 million**. ([CoinDesk](#))
- b. According to Sequoia, this cut is part of a refocus on *early-stage crypto startups* (seed) rather than deploying into larger, later-stage deals. ([TechCrunch](#))
- c. They also reduced their broader “ecosystem fund” (which invests in other funds) — signaling a general pullback or rebalancing. ([Cointelegraph](#))

3. Infrastructure-First / “Bets on Silence” Approach

- a. More recently, Sequoia seems to be leaning into **infrastructure projects** (blockchain core, scaling, middleware) rather than speculative consumer tokens. Some reports call this a “bets on silence” strategy. ([Kanalcoin](#))
- b. This suggests Sequoia believes long-term value in crypto may come from foundational protocol infrastructure rather than hype-driven applications.

4. Flexible Fund Structure & Long-Term Holding

- a. Sequoia restructured its fund model: it created a more flexible vehicle that can hold public companies and crypto assets for longer than the traditional 10-year fund cycle. ([CNBC](#))
- b. This change gives them more optionality — they don’t necessarily need to “exit” quickly, which aligns with holding volatile tokens or taking part in long-term protocol governance.

Key Crypto / Blockchain Investments & Portfolio Highlights

Sequoia has invested across a broad range of blockchain use-cases: infrastructure, scaling, DeFi, token protocols, and more. Here are some notable examples and themes:

- **StarkWare** — Sequoia backed this ZK-proof-based scaling company. ([CB Insights](#))
- **Iron Fish & Espresso Systems** — Sequoia participated in rounds for these ZK-tech L1 projects. ([CB Insights](#))
- **Fireblocks** — Sequoia backed this digital-asset custody and infrastructure platform. ([CB Insights](#))
- **FTX** — Sequoia famously invested in FTX in its growth stage; this turned into a major write-down. ([Wikipedia](#))
- **Polygon (MATIC)** — Through its India or growth funds, Sequoia has exposure to scaling projects like Polygon (reported by trackers). ([Reddit](#))

Impact on the Cryptocurrency / Web3 Industry

1. Capital for Infrastructure

- a. By investing in ZK-proofs (StarkWare, Iron Fish) and other foundational tech, Sequoia helps push forward **scalable blockchains**. These investments support more efficient, privacy-preserving, and scalable networks.

2. Legitimacy & Institutional Signal

- a. Sequoia is one of the most respected VCs in the world. Its continued bets in crypto (especially via a dedicated fund) send a strong signal to other institutional investors that blockchain remains a core technology.
- b. Their decision to scale back rather than exit entirely suggests a long-term belief in crypto even after market turbulence.

3. Support for Founders

- a. With its deep network, Sequoia provides not just capital, but mentorship, connections, and long-term patience — helping early blockchain startups weather crypto cycles.
- b. The restructuring to hold public companies / tokens means Sequoia can support founders through token volatility and longer time horizons.

4. Risk Example: FTX Write-Down

- a. Sequoia's high-profile investment in FTX — and the write-down to zero — is a cautionary tale about risk in centralized crypto businesses. ([Wikipedia](#))
- b. This loss may shape how Sequoia (and other VCs) underwrite centralized exchanges or high-risk platforms going forward.

Risks, Criticisms & Challenges

- **Volatility & Fund Performance:** Crypto is inherently volatile. Even for a firm like Sequoia, timing and exposure matter; shifting fund size indicates response to risk.
- **Due Diligence Risks:** The FTX collapse raised questions about Sequoia's vetting process. One partner said they felt "misled." ([The Coin Republic](#))
- **Regulatory Uncertainty:** Crypto regulation remains very fluid globally. Sequoia's infrastructure bets may face both technical and legal hurdles.
- **Capital Efficiency:** Reducing the crypto fund suggests Sequoia may believe that deploying large sums into crypto is less attractive now, or that focusing on smaller, early-stage deals provides better risk-adjusted returns.
- **Opportunity Cost:** By narrowing their crypto fund, Sequoia might miss out on large-scale, later-stage crypto winners — but they may weigh that against preserving capital or focusing on durable infrastructure.

Why Sequoia Capital Matters in Crypto

- **Bridge Between Tech & Capital:** Sequoia is not “just another crypto fund.” It brings institutional-grade funding, deep entrepreneurship experience, and the ability to back both protocols and token-native companies.
- **Strategic Long-Term Orientation:** Its shift to flexible fund structures and infrastructure investments shows a belief that blockchain is not a short-term play, but a foundation for future computing / finance architectures.
- **Influence on the Ecosystem:** Sequoia’s moves likely influence other VCs. When it grows or shrinks crypto allocations, it can affect how much capital flows into startups and protocols across Web3.
- **Risk & Learning:** Its FTX experience is a real-world example of risk in centralized crypto plays — and how even the biggest VCs can miscalculate. Their continued investment, but with more caution, is instructive for founders and investors.

Citation

General Background Sources

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Crypto Strategy & Fund Structure

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Crypto Fund Reduction & Market Shift

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Investment Examples

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FTX & Portfolio Risk

11. *Sequoia Capital and FTX. Wikipedia.* Overview of Sequoia’s involvement and write-down.
12. The Coin Republic. “Sequoia Capital Moves to AI After Failed FTX and Twitter Investments.” *The Coin Republic*, 2023.