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What is Zetachain (ZETA) Coin? Prices have skyrocketed since listing on Coinbase.



Layer 1 blockchain Zetachain (ZETA) is in the spotlight after leading [cryptocurrency](#) exchange Coinbase announced the availability of its native token, ZETA. Previously, Coinbase only supported ERC-20 iterations of ZETA tokens hosted on the main EtherNet, but now the exchange will also offer native ZETA token trading. The news of this listing triggered a surge in the price of ZETA tokens, which on August 9, 2024 rose by nearly 25%.

So, what exactly is Zetachain? Let's dive into this innovative blockchain project and find out about

its potential in the crypto space.

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What is Zetachain?

Zetachain is an L1 blockchain designed to overcome the blockchain fragmentation problem. Its white paper outlines a vision of a “cross-chain capable” system that eliminates the need for external chains to adhere to different protocols or incompatible token standards. By connecting its L1 directly to other blockchain networks, Zetachain enables seamless interaction between its decentralized applications, users, and external blockchains without relying on cross-chain bridges or packaged tokens. This “all-paths interoperability” is achieved by securely hosting assets on external chains using smart contracts.

Built using the Cosmos SDK and powered by the Tendermint PBFT consensus engine, ZetaChain also aims to provide a smart contract layer for [Bitcoin](#) (BTC) as part of its broader interoperability goals. The launch of Zetachain’s mainline on January 31, 2024 marks a significant milestone in its journey to revolutionize blockchain interoperability.

Zetachain Team Introduction

Co-founded in 2021 by Charlie Pyle and Ankur Nandwani, Zetachain has a strong team with roots in cryptocurrency and finance. Nandwani is the co-founder of Basic Attention Token (BAT), and as you can see from the official BAT website, he has a wealth of experience at Coinbase, Lookout, and Qualcomm. Prior to those roles, he worked as a software engineer in San Francisco, where he co-founded Bitmonet, a Bitcoin micropayment tool, according to PC World.

Pyle, on the other hand, has a track record of founding successful businesses, including payment platform Altro and crypto startup Hourglass, as detailed in his LinkedIn profile. The dynamic duo’s latest achievement is raising \$27 million in funding for Zetachain in August 2023 with the backing of Jane Street Capital, Blockchain.com, GSR, Lingfeng Capital and other notable investors.

How does Zetachain work?

Key components of Zetachain include Proof of Stake (PoS) consensus mechanisms, watchers and signers.

Zetachain, as a PoS chain, relies on verifiers to validate transactions, introduce new blocks, and update the state of the network. These verifiers play a critical role in maintaining the integrity and security of the chain. In addition, observers are an integral part of the Zetachain ecosystem. They agree on the occurrences and status of the external chain and deploy external chain-wide nodes to monitor relevant transactions, events, and status at a given site. This feature enhances Zetachain’s interoperability and ability to integrate with other blockchain networks.

Zetachain utilizes key-holding signatories to validate interactions on external blockchains. These keys are distributed among multiple signatories who act in good faith for economic motives. It takes a large majority of these signatories to reach a consensus that ensures the security and reliability of cross-chain interactions. Together, these components form a robust and secure architecture for Zetachain, facilitating seamless integration and reliable transaction validation within the blockchain ecosystem.

Zetachain also has two key components that enhance its functionality and interoperability. First, the Zeta Virtual Machine (zEVM) is an EVM-compatible execution layer that allows Zetachain to support all decentralized applications currently running on Ether. This compatibility ensures a smooth transition for existing dApps, while also allowing smart contracts on zEVM to be chained externally and generate outbound transactions. Second, Zetachain's full chain of smart contracts can be triggered from external chains, providing the ability to host foreign tokens and manipulate them as if they were native to the platform. As described in its White Paper, fungible tokens from external chains are represented by ZRC20 tokens on Zetachain, which are equivalent to ERC20 tokens used for record-keeping purposes. Together, these features make Zetachain a powerful and versatile platform for developing and deploying decentralized applications.

What is the ZETA currency?

The ZETA Token, the native currency of Zetachain, has multiple uses. It is used for pledging, paying gas bills, participating in governance activities and facilitating cross-chain value exchange. Now, let's dive into ZETA's token economy and key market data. As of February 16, 2024, the ZETA token price was \$2.85 with a market cap of \$185 million. When considering a fully diluted valuation, it is valued at \$1.13 billion with an MC/FDV ratio of 0.15.

ZETA Token Economics

ZETA tokens are allocated in a strategic manner to ensure the sustainable growth and development of the agreement. Below is the initial allocation of the tokens:

allocate	Percentage of total initial supply	Token Distribution Schedule
Protocol Library	24%	Release 2% at time of publication After 12 months, the remaining 2.77% will be released each month.
Core Contributors	22.5%	To be released at a rate of 5.5% per month for six months after launch for six months Thereafter the emission rate will drop to 2.77% per month
Investors and Advisors	16%	To be released at a rate of 5.5% per month for six months after launch for six months Thereafter the emission rate will drop to 2.77% per month
Ecosystem Growth Fund	12%	1.5% released at time of publication The remaining 2.38% will be released monthly after six months.
Verifier Motivation	10%	Distribution through 4 years of block emissions
User Growth Pool	10%	4.5% released at launch After the first month, 0.2% will be released monthly for 5 months. Thereafter, 2.77% of the remaining tokens will be released monthly
Mobility Motivation	5.5 %	Release 3% at time of publication Remaining 2.08% to be released monthly

Will the price of Zetachain tokens soar?

The launch of the ZETA Token on January 31, 2024 alongside the Zetachain Mainnet marked a significant milestone. Following the debut of the mainnet, capital flooded into Zetachain. Total Value Locked (TVL) surged from just \$89,000 on February 2, 2024 to over \$5 million in mid-March, according to DeFiLlama. This dramatic growth underscores the platform's early adoption and investor confidence. In addition, Zetachain reported that 1.8 million unique addresses participated in its blockchain in its first month of existence, underscoring the network's strong user activity. Meanwhile, the ZETA token reached an impressive all-time high of \$2.85 on February 16, 2024, reflecting the market's enthusiasm. However, since reaching this peak, the price of the ZETA coin has suffered a downward trend and is currently trading at \$0.5394, down 81% from its peak.

What is the future of the ZETA market?

Going forward, token unlocking is expected to be a key factor influencing ZETA's recent price dynamics. As mentioned earlier, the release of ZETA tokens allocated to [CORE](#) contributors (22.5% of total) and investors (16%) has already begun, with a monthly unlocking rate of 5.5% of each allocation starting in August 2024. Such a large influx of tokens could affect market sentiment and trading patterns.

Criticisms of "low liquidity, high fully diluted valuation" tokens have emerged within the cryptocurrency community. These criticisms center on the perception that such tokens offer limited upside yield potential for retail investors. A key concern raised by these critics is that intentionally lowering the initial circulating supply will create an artificial scarcity effect, leading to a surge in prices during the launch phase. However, as the unlocking of the tokens progresses, the subsequent increase in selling pressure tends to drive down the price of the tokens, a trend that ZETA investors will be watching closely over the coming months.

Conclusion

The mediocre performance of ZETA tokens after their initial buzz echoes a familiar pattern observed in other VC-backed tokens such as Starknet's STRK and Ethena's ENA. However, it is worth noting that Zetachain is still in its infancy. If Zetachain effectively addresses blockchain fragmentation, ZETA has the potential to become a coveted crypto-asset. This early stage of development provides investors with a unique opportunity to get to the bottom of a potentially disruptive technology. Most importantly, while the current price may be disappointing, if Zetachain delivers on its promises, ZETA's long-term future could be bright.