DeAsset

MANAGEMENT

RESEARCH REPORT

Privacy: Crypto's Original Use Case Returns

Zcash went from $60 to $1,500 in twelve months on shielded adoption, a Grayscale ETF and the strongest privacy bid in a decade. This report separates the structure from the momentum — and prices the delisting risk.



October 2026

deasset.io

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01 · EXECUTIVE SUMMARY

The decade's most neglected asset had the year's sharpest rally

Zcash (ZEC) traded near **$1,440 in late September 2026**, with a market capitalization of roughly **$24 billion** — a top-10 asset, up about **217% year-to-date** and roughly 90% in September alone, after touching an all-time high of $1,688 on September 27. Twelve months earlier it changed hands near $60 and ranked 82nd by market value. Few comebacks in crypto history have been this vertical, or this improbable: for most of its ten-year life, ZEC flatlined while the market chased everything else.

Three structural shifts underpin the move. First, **shielded adoption is real this time**: about 4.89 million ZEC — 28.9% of circulating supply — now sits in the network's encrypted pools, up from roughly 8% in early 2024, with around 11,700 shielded transactions a day. Second, **institutional access finally exists**: Grayscale's Zcash ETF, launched August 25, drew more than $233 million of inflows and holds roughly $890 million in net assets, while Valour began trading a physically backed ZEC product in Stockholm on September 29. Third, the regulatory overhang lightened when the SEC closed its investigation into the Zcash Foundation in January 2026 without enforcement action.

$1,688

September 27 all-time high (52wk range: $54–$1,688)

28.9%

Of ZEC supply in shielded pools (vs ~8% in early 2024)

$890M

Grayscale Zcash ETF net assets, five weeks after launch

Yet the rally is unfolding against the harshest regulatory backdrop of any crypto sector. Seventy-three exchanges delisted at least one privacy coin in 2025; Binance removed ZEC from its EU and US markets; and the EU's new anti-money-laundering regulation will require licensed exchanges to delist anonymity-enhancing coins from July 2027. **DeAsset view:** the structure — shielded adoption plus regulated access — is durable, but September's vertical price action, $2.84 billion of futures open interest and $79 million of weekly liquidations describe a crowded momentum trade, not an entry point. The investment question is whether privacy becomes an institutional asset class or remains a narrative that spikes and fades. We break down both below.

Price and market-cap figures as of ~29–30 Sep 2026 unless noted. Sources: CoinStats; OKX; The Motley Fool (27 Sep 2026); ZecStats via CoinDesk; Decrypt.

02

Why Privacy Is Back: The 2026 Narrative

For most of its existence, Zcash was crypto's great disappointment. Launched in October 2016 from Bitcoin's codebase with a genuine cryptographic breakthrough — zk-SNARKs, which prove a transaction is valid without revealing sender, recipient or amount — it spent the better part of a decade drifting sideways while lesser technologies captured the market's imagination. Even after its massive 2026 rally, ZEC remains roughly **75% below its 2016 all-time high near $5,942**, a reminder of how deep the neglect ran.

The 2026 turnaround was not one event but a sequence. In **January**, the SEC closed its investigation into the Zcash Foundation without recommending enforcement, removing a cloud that had hung over US institutional participation. The **Ironwood** network upgrade introduced a new shielded pool after a disclosed vulnerability, with some 176,000 ZEC migrating on day one — a vote of confidence in the protocol's maintenance. On **August 25**, Grayscale converted its Zcash Trust into a listed ETF, and ZEC traded above $1,100 for the first time since 2016. In **September**, coinholders voted 99.3% to ship the NU7 upgrade as fast as possible, and Valour's physically backed ETP began trading in Stockholm on the 29th.

Behind the catalysts sits a broader repricing of privacy itself. Surveillance concerns, central-bank digital currency programs and the steady financialization of on-chain activity have made "the right to transact privately" a mainstream talking point rather than a cypherpunk slogan. ZEC now accounts for an estimated **62% of the entire privacy sector's market value** — it has absorbed the narrative almost single-handedly, overtaking both Monero and Dogecoin in the rankings along the way.

> **NARRATIVE VS. USAGE: READ THE RIGHT METER**
>
> A privacy bid can mean two very different things: people actually using shielded transactions, or speculators renting exposure. Both are present. Shielded balances (28.9% of supply) and ~11,700 daily shielded transactions measure genuine usage; $2.84 billion of futures open interest and $79 million of weekly liquidations measure leverage. The first is structural. The second is what makes 12% down-days — like September 29 — possible.

Timeline compiled Sep–Oct 2026. Sources: BSC News; CoinStats; The Motley Fool; Zcash Community Grants (Ironwood migration figure).

03

Zcash Under the Hood: Shielded Pools and Tokenomics

Zcash's privacy is **optional, not default** — and that design choice is the whole investment thesis in one sentence. Transparent addresses work like Bitcoin; shielded addresses use zk-SNARKs to hide sender, recipient and amount while the network still verifies the transaction. Value is private only while it stays in the shielded pools, which gives capital an incentive to remain inside the Zcash network even as it changes hands — and leaves new buyers competing over a thinner transparent float.

The pools have never been fuller. About **4.89 million ZEC — 28.9% of circulating supply** — sits shielded, roughly triple the share of early 2024 (~8%) and nearly double the level of a year ago (~17%). That growth changes the privacy math itself: larger anonymity sets mean stronger privacy for every user, reversing the negative network effect that plagued the small pools of the past. But the adoption is young and its durability untested — during the January 2026 governance dispute, more than 200,000 ZEC unshielded in a single week, a reminder that the pool drains precisely when confidence wobbles.

ZEC monetary schedule (Bitcoin-derived)

Parameter	Value	Note
Maximum supply	21,000,000 ZEC	Same cap as Bitcoin; ~16.87M issued (~80%)
Block reward	1.5625 ZEC / 75-sec block	Since 2nd halving, Nov 2024
Reward split	80% miners / 8% grants / 12% lockbox	NU6 model; no direct dev-fund since 2024
Next halving	~Nov 2028 → 0.78125 ZEC	Coinholders voted to protect the schedule
Founders' Reward	Ended 2020	20% insider allocation is history

Supply and schedule: Datawallet; BSC News; CoinGabbar (Sep 2026). Shielded figures: ZecStats via CoinDesk, ~28 Sep 2026.

Two near-term protocol events matter. **NU7** cuts block times from 75 to 25 seconds (testnet October 6, mainnet decision October 20, targeted activation November 5) without tripling issuance — block rewards adjust down to keep the schedule intact. Separately, coinholders are voting on when to recycle previously removed ZEC back into mining rewards: February 2027 or February 2031. The later date constrains supply longer — a small but real monetary input to watch.

DEASSET VIEW: THE FLOAT IS THINNER THAN IT LOOKS

With ~29% of supply shielded, several hundred million dollars parked in the Grayscale ETF, and a Nasdaq-listed treasury company targeting 5% of supply, the genuinely liquid ZEC float is well below the 16.9 million headline number. That amplifies moves in both directions — it is the mechanical reason a fundamentally thin market produced September's vertical chart. Treat volatility as a feature of the structure, not a bug in it.

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The Money Trail: ETP, ETF and Exchange Listings

For the first time in Zcash's ten-year history, regulated investors can buy it without touching a crypto exchange. The **Grayscale Zcash ETF**, launched August 25, 2026, attracted more than **$233 million of inflows** and holds roughly **$890 million in net assets** — a meaningful absorption of supply for a $24 billion asset, achieved in five weeks. On September 29, **Valour**, a DeFi Technologies subsidiary, began trading a physically backed ZEC product on Stockholm's Spotlight Stock Market, opening a European listed route. And Nasdaq-listed **Cypherpunk** has stated a target of owning 5% of the ZEC supply, the treasury-company playbook applied to privacy.

Regulated ZEC access rails (as of 30 Sep 2026)

Vehicle	Status	Scale / note
Grayscale Zcash ETF (US)	Trading since 25 Aug 2026	>$233M inflows; ~$890M net assets; 3-for-1 split 30 Sep
Valour ZEC ETP (Sweden)	Trading since 29 Sep 2026	Physically backed; Spotlight Stock Market
Cypherpunk treasury (Nasdaq)	Accumulating	Targeting 5% of ZEC supply
Shielded withdrawals (exchanges)	Gemini only (major venues)	No major exchange supports shielded deposits

ETF figures: Decrypt via CoinStats, ~30 Sep 2026. Valour: CoinStats, 30 Sep 2026. Cypherpunk target: Delphi Digital via CoinDoo.

Now the other side of the ledger. While institutional doors open, retail on-ramps keep closing: **Binance removed ZEC from its EU and US markets** citing Travel Rule compliance; Japan and South Korea drove exchanges to drop privacy-coin support entirely; and **Gemini remains the only major regulated exchange offering shielded withdrawals** — every other large venue is transparent-only for ZEC, and none accept shielded deposits. This is the central paradox of the trade: the asset is becoming institutionally accessible and retail-inaccessible at the same time. Which channel matters more for the next leg will decide whether the ETF bid compounds or stalls.

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Monero and the Alternatives

Zcash's revival has a mirror image: **Monero (XMR)**, the privacy coin that never left, is having a solid year of its own — and being left behind anyway. XMR traded near **$540–560 in late September 2026** with a market cap of roughly **$10–10.6 billion** (rank ~12), up about 93% over twelve months but still ~32% below its January 2026 all-time high of $799. ZEC is now worth more than twice as much as XMR and commands an estimated 62% of the privacy sector's total value.

The two take opposite approaches to the same problem. Monero's privacy is **mandatory and default** — every transaction uses ring signatures and stealth addresses — which makes it arguably the stronger privacy product and simultaneously the harder one to regulate. Zcash's privacy is **optional, with viewing keys** that let a holder prove transaction history to an auditor or exchange — the "selective disclosure" model that keeps a compliance path open. That single design difference explains the entire divergence in their 2026 fortunes: one coin can sit in an ETF, the other cannot.

ZEC vs. XMR: the privacy fork in the road

	Zcash (ZEC)	Monero (XMR)
Privacy model	Optional (zk-SNARKs); viewing keys	Default (RingCT, stealth addresses)
Supply	21M cap; ~16.9M issued	No cap; 0.6 XMR tail emission / block
Market cap (~Sep 2026)	~$24B (rank ~10)	~$10B (rank ~12)
Listed ETP/ETF	Yes (US ETF + Swedish ETP)	None; structurally unlikely
Delisting pressure	High but navigable	Severe: EU AMLR 2027, PH ban Jun 2026
Tech trajectory	NU7 (25-sec blocks, Nov 2026 target)	FCMP++ in testing (full-chain proofs)

XMR figures: CryptoTimes, CoinGabbar, Transcript Daily (Sep 2026). Tail emission and FCMP++: CryptoTimes. ZEC figures as cited in §01–04.

DeAsset view: for institutional exposure to the privacy theme, there is no contest — ZEC's selective privacy is the only model with a plausible compliance story, and the market has voted accordingly. XMR remains the purer privacy instrument, and its community and usage are genuine, but its regulatory trajectory points one way: the Philippines banned it outright in June 2026, and the EU's 2027 rules will push it off every licensed

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Regulation: The Delisting Risk

No crypto sector faces a harsher regulatory climate than privacy coins, and the numbers are stark: **73 exchanges delisted at least one privacy coin in 2025, a 43% increase over 2023**. The mechanism is almost always the same — the FATF Travel Rule, which requires virtual-asset service providers to transmit originator and beneficiary information with transfers. A shielded Zcash transaction, by design, carries none of that data. Faced with building expensive compliance tooling or simply delisting, most exchanges chose the latter.

The calendar now has a hard date on it. The EU's Anti-Money-Laundering Regulation, taking effect **July 1, 2027**, will require regulated exchanges to delist anonymity-enhancing coins — a direct threat to XMR and a complication for ZEC's European liquidity. Japan and South Korea already drove their domestic exchanges to drop privacy-coin support entirely. In the US, the picture is mixed but improving for Zcash specifically: the SEC's January 2026 decision to close its Zcash Foundation investigation without enforcement was the single most important regulatory event of the year for the sector.

THE KEY QUESTION: CAN SELECTIVE DISCLOSURE SATISFY THE TRAVEL RULE?

Zcash's answer is the **viewing key** — cryptography that lets a holder reveal transaction history to a chosen party without exposing it publicly. A funded grant project ("Shielded Compliance Bridge") is building exactly this into an audited toolkit: exchanges ingest a viewing key, reconcile shielded activity against a KYC'd account, and produce Travel Rule beneficiary data without ever gaining spend authority. If this works at scale, ZEC keeps its exchange rails. If it doesn't, the delisting wave of 2025 was a preview, not the event.

Investors should frame this as **regulatory duration risk**: the July 2027 EU deadline is known, its implementation details are not, and the eighteen months between now and then will be priced continuously. Any position in privacy assets should be sized for headlines, not just fundamentals.

Delisting data: Zcash Community Grants "Shielded Compliance Bridge" application (GitHub), citing 2025 figures. EU AMLR: The Motley Fool, Jun 2026. SEC: BSC News.

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Key Risks

Momentum reversal. September's ~90% monthly gain, $2.84 billion of futures open interest and $79 million of weekly liquidations describe a crowded long. ZEC fell nearly 12% on September 29 alone. Thin-float assets correct violently when leverage unwinds — the same structure that amplified the rally works in reverse.

Regulatory escalation. The EU's July 2027 delisting requirement is the known risk; the unknown is whether other jurisdictions follow, and whether US policy — currently the constructive outlier — survives political cycles. A single major-economy ban would reprice the entire sector.

Shielded-adoption fragility. The 28.9% shielded share is a 2026 phenomenon, and January 2026 showed it can reverse fast: 200,000+ ZEC unshielded in a week during a governance dispute. Privacy that evaporates under stress is worth less than the headline number suggests.

Governance and execution. Zcash's funding now runs through coinholder votes, community grants and a protocol lockbox — democratic but slow. NU7 must ship cleanly in November; the recycled-ZEC vote (February 2027 vs. 2031) is a live monetary-policy decision with real supply implications.

Valuation. A top-10, ~$24 billion valuation prices in a great deal of future adoption. The "still 75% below the 2016 high" argument cuts both ways: it shows how far the asset fell out of favor, not how far it must rebound. Narrative assets that disappoint their story rarely drift — they gap.

Risk factors compiled Oct 2026. Futures and liquidation figures: CoinStats, ~30 Sep 2026. Unshielding event: Zcash Community Grants research (Jan 2026 episode).

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Conclusion: What It Means for Investors

Zcash's 2026 is the rare crypto story where the technology, the usage and the market structure all moved in the same direction at once: shielded pools tripled as a share of supply, a Grayscale ETF turned a decade-old cypherpunk experiment into a regulated holding, and the strongest privacy bid in years arrived just as the protocol's governance matured past its founders. That is a genuine fundamental repricing — not merely a chart.

But repricings overshoot, and this one has the classic markers: a vertical September, record leverage, and a valuation that now assumes the good news continues. Three positions follow from this report:

- **Own the structure, not the spike.** Shielded adoption and ETF access are durable; a 90% month is not an entry signal. Any accumulation should be staged, with the expectation of 20–30% drawdowns as leverage clears.
- **Prefer ZEC over XMR for institutional exposure.** Selective privacy with viewing keys is the only privacy model that survives contact with regulated finance. XMR is the stronger privacy tool and the weaker investment vehicle — the EU's 2027 rules make that distinction binding.
- **Size for the delisting cycle.** July 2027 is eighteen months away and will be priced the whole way there. Treat a privacy allocation as regulatory-duration risk: smaller than conviction suggests, revisited quarterly.

We will revisit this assessment quarterly — watching NU7's November mainnet activation, ETF flow persistence, whether shielded supply holds above 25%, and how the EU's 2027 implementation takes shape. Privacy was crypto's first use case. In 2026 it became an investable one. Whether it stays that way is now a regulatory question more than a technical one.

Next scheduled review: Q1 2027.

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