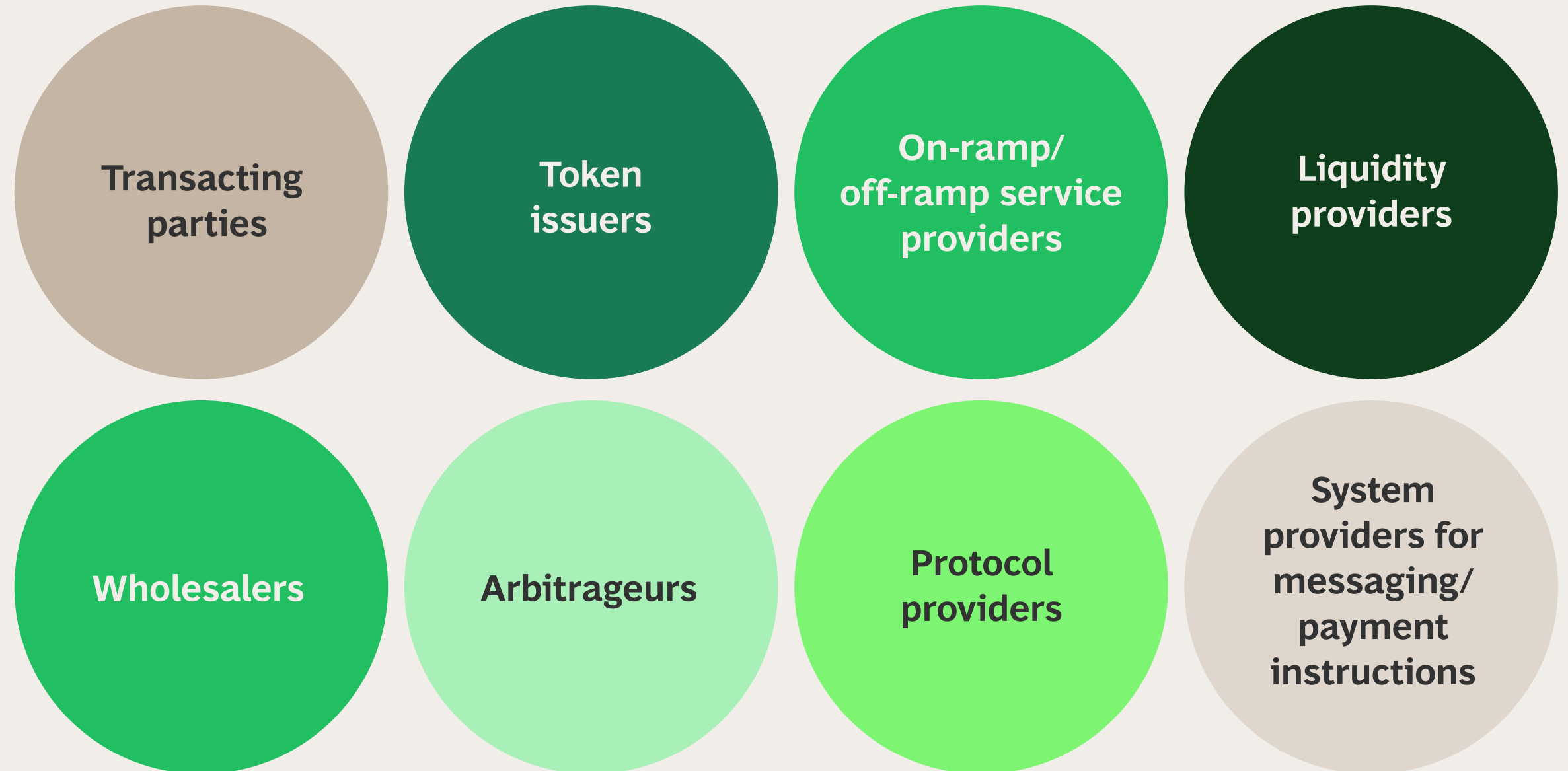
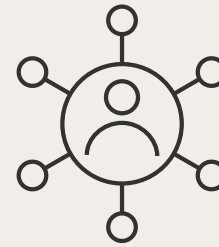


Participants in the cross-border permissioned DeFi model

The eight key participants

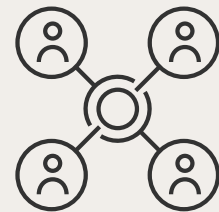


Transacting parties in the cross-border permissioned DeFi model



Role

Transacting parties



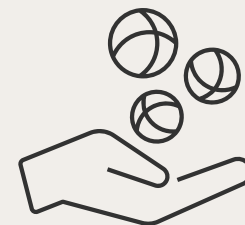
Likely participants

Commercial banks, retail banks, PSPs



Incentive to participate

- Near instantaneous 24/7 settlements
- Transaction data visibility
- Potentially lower costs, no pre-funding



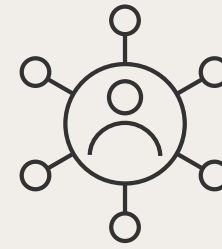
Key considerations

- Wallet infrastructure for custody of tokens
- Connectivity to the DeFi protocols
- AML/KYC/KYT checks

Source: Fireblocks and BCG analysis.

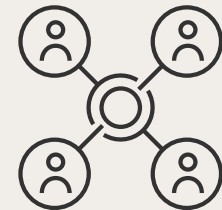
Note: PSPs = payment service providers; AML = anti-money laundering; KYC = Know Your Customer; KYT = Know Your Transaction.

Token issuers in the cross-border permissioned DeFi model



Role

Token issuers



Likely participants

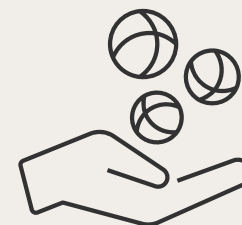
Transacting banks that choose to control the issuance of the token



Incentive to participate

For coin users:

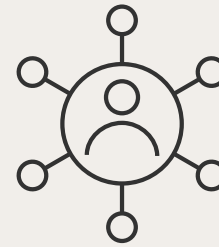
- Revenue from creation and redemption fees and interest income
- Excess reserves can be deployed in liquidities



Key considerations

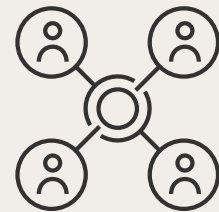
- Token lifecycle management (smart contract design, mint and burn, governance, custody, etc.)
- Token recalling or freezing mechanisms

On-ramp/off-ramp service providers in the cross-border permissioned DeFi model



Role

On-ramp/off-ramp service providers



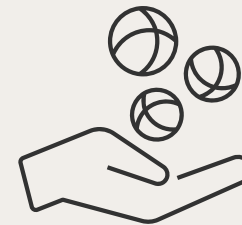
Likely participants

- A digital asset exchange if the token is an open stablecoin
- A regulated bank that issues its own stablecoin
- A non-bank party that issues its stable coin supported by commercial banks



Incentive to participate

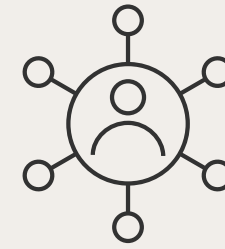
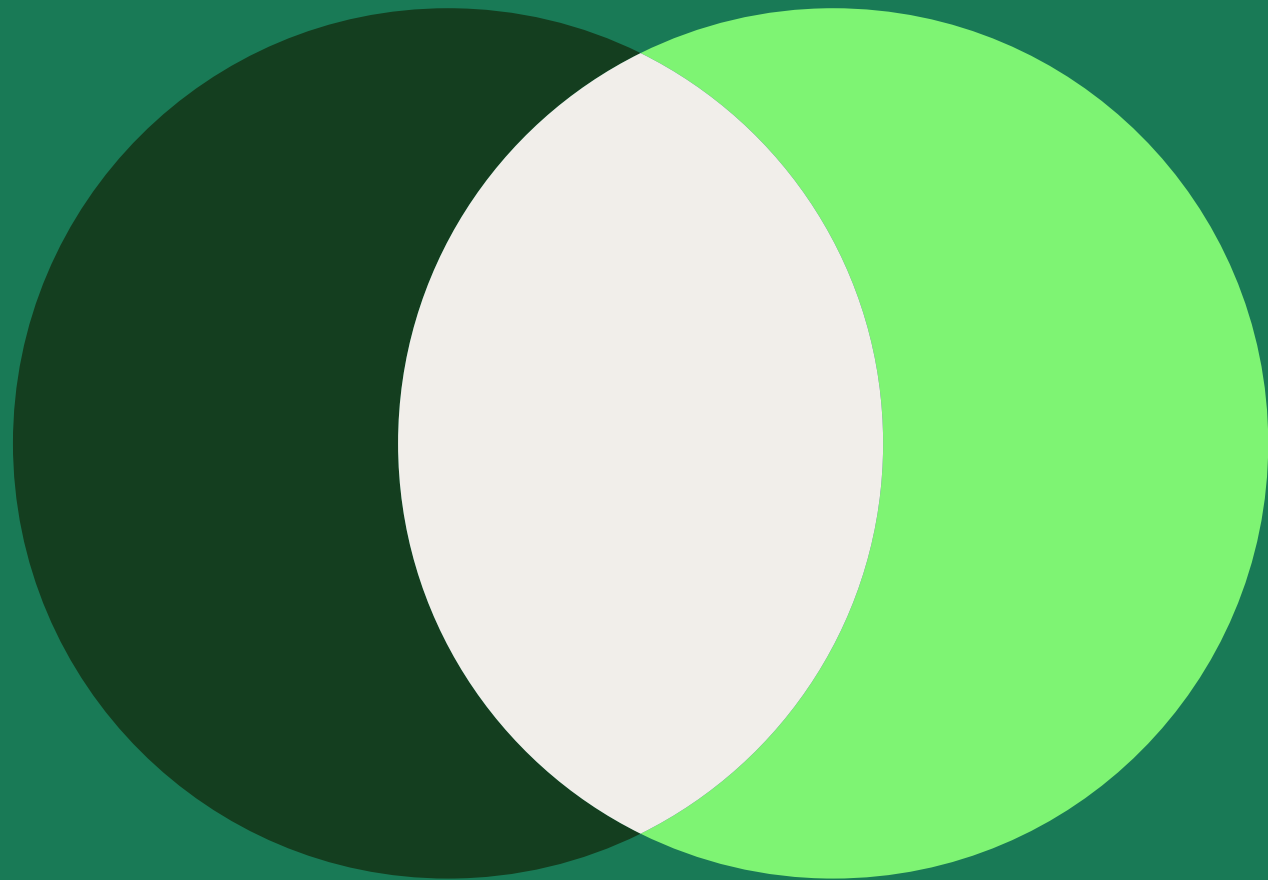
On- and off-ramp fees captured



Key considerations

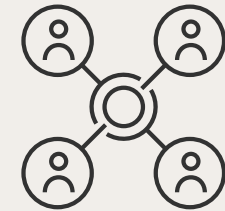
Wallet infrastructure for custody of the tokens on behalf of their clients and their own treasury management

Liquidity providers in the cross-border permissioned DeFi model



Role

Liquidity providers



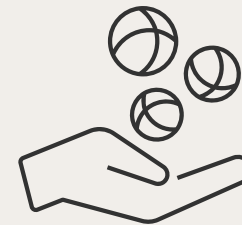
Likely participants

FX market makers, commercial banks



Incentive to participate

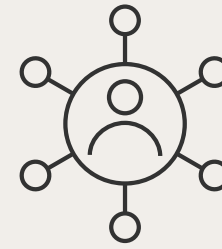
Earn transaction fees by providing liquidity to the model



Key considerations

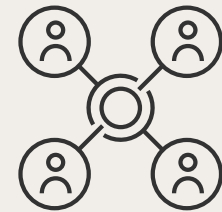
- Wallet infrastructure for custody of tokens
- Connectivity to the DeFi protocols
- Sourcing initial liquidity of the tokens

Wholesalers in the cross-border permissioned DeFi model



Role

Wholesalers



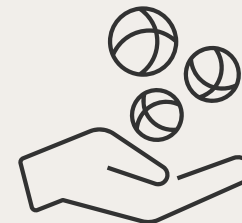
Likely participants

- Transacting parties
- An appointed neutral third party to conduct KYC/AML checks on participants and wallets



Incentive to participate

For third parties and infrastructure providers: potentially earn fees during the wrapping process



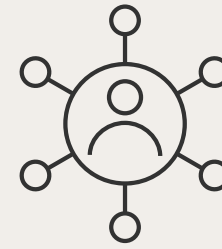
Key considerations

- Compliance framework and requisite licenses
- Connectivity to DeFi protocols

Source: Fireblocks and BCG analysis.

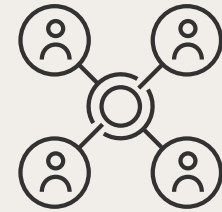
Note: KYC = Know Your Customer; AML = anti-money laundering.

Arbitrageurs in the cross-border permissioned DeFi model



Role

Arbitrageurs



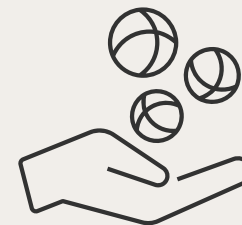
Likely participants

FX market makers



Incentive to participate

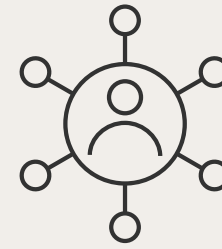
Profits generated from collecting the bid-offer spread



Key considerations

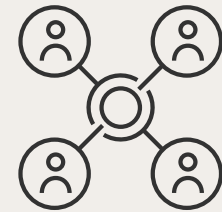
- Accurate price feeds for both on- and off-chain data
- Connectivity to smart contracts
- Custody of tokens
- Access to liquidity venues to trade tokens

Protocol providers in the cross-border permissioned DeFi model



Role

Protocol providers



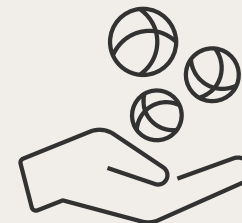
Likely participants

Automate market making protocols



Incentive to participate

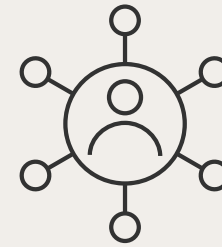
Increased usage and total value of assets locked on their protocol, which leads to increased revenue



Key considerations

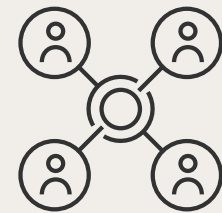
- Governance for the permissioned pools
- Security of smart contracts

System providers for messaging/payment instructions in the cross-border permissioned DeFi model



Role

System providers for messaging/payment instructions



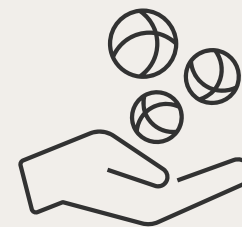
Likely participants

- Messaging networks (SWIFT)
- Oracle networks



Incentive to participate

Future-proofing by offering value-add products to new markets



Key considerations

- Reconciliation of messaging layer and the blockchain-based settlement layer
- ISO 20022 compatibility
- Standardization