Deep Dive into the unprecedented DeFi Growth

Prepared by ConsenSys
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Liz Mathew
Head of Strategic Sales, US
DeFi is not just copying existing traditional financial products. DeFi’s interweaving set of protocols and applications delivers powerful new patterns of creating and distributing value for communities.

01. Decentralized Finance has grown up

02. ConsenSys’ role in DeFi

03. What we have built

04. Capital Markets is being rebuilt
01. Decentralized Finance has grown up
Why is DeFi Incredibly Interesting?

DeFi enables a set of arbitrarily composed and atomically executed interactions with self-sustainable economic abstractions, each of which operates in a predefined and tamper-proof fashion and has liveness.

- Economic Abstractions
  - Lending / Borrowing
  - Staking / Liquidity Providing
- Composability
- Atomic Execution
  - Hedging
  - Swapping
  - Yield Farming
Decentralized Finance (DeFi) is already challenging the industry

<table>
<thead>
<tr>
<th>Use case</th>
<th>Decentralised Finance</th>
<th>Traditional Finance</th>
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Programmable money & DeFi are already challenging the industry
Opportunities for businesses and financial institutions

Businesses developing highly automated, interoperable products on low-cost decentralized protocols could be immensely disruptive and catalyse innovation and accessibility of financial services.

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<tr>
<th>Traditional Finance Model</th>
<th>CeFi/DeFi Model</th>
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<tr>
<td>Centralized Finance Organization (For-Profit)</td>
<td>Centralized Finance Organization (For-Profit)</td>
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<td>Centralized Financial Infrastructure (For-Profit)</td>
<td>Decentralized Finance Infrastructure (Nonprofit)</td>
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<td>Central Bank (Nonprofit)</td>
<td>Blockchain Protocol (Nonprofit)</td>
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Manufacturing cost to 0

Reduced Time to Market

Reduced # of Intermediaries
Decentralised Finance (DeFi) is full of opportunities

The Ethereum DeFi ecosystem has reached **$100B in collateral**. Cryptocurrency funds, custodians, and professional traders increasingly seek **exposure and access** to the diverse decentralized finance opportunities that compose Web3.

### DeFi Users (2018-2021)

### Key Projects

(Top 10 DeFi Tokens by Market Cap - Source: coinmarketcap - October 2021)

1. Terra (LUNA) - A blockchain protocol that uses fiat-pegged stablecoins to power price-stable global payments systems.
   - MC: $16.8B
2. UniSwap (UNI) - A popular decentralized trading protocol, known for its role in facilitating automated trading of decentralized finance tokens.
   - MC: $16.7B
3. Wrapped Bitcoin (WBTC) - A tokenized version of Bitcoin that runs on the Ethereum blockchain.
   - MC: $14.5B
4. Avalanche (AVAX) - An umbrella platform for launching DeFi applications, financial assets, trading and other services.
   - MC: $13.6B
5. Chainlink (LINK) - A decentralized oracle network which aims to connect smart contracts with data from the real world.
   - MC: $12.9B
   - MC: $6.4B
7. Fantom (FTM) - A directed acyclic graph smart contract platform providing decentralized finance (DeFi) services to developers.
   - MC: $6.1B
8. Tezos (XTZ) - A blockchain network that’s based on smart contracts, in a way that’s not too dissimilar to Ethereum.
   - MC: $6.1B
9. Pancake Swap (CAKE) - A decentralized exchange which uses smart contracts to create markets for any given pair of tokens.
   - MC: $4.7B
10. Aave (AAVE) - A decentralized finance protocol that allows people to lend and borrow crypto.
    - MC: $4.3B

### Collateral Deployed (2020-2021)

The Ethereum DeFi ecosystem has reached **$100B in collateral**.
02. ConsenSys’ role in DeFi
We enable users and developers to access the internet of value.
Access to Web3 and DeFi is still cumbersome

Using custodial accounts is still an **inefficient process**, which requires multiple connections and transfers of crypto assets from secured “cold” wallets to “hot” wallets that don’t always have access to the latest web 3 and Defi apps.

**Main Pain Points:** One trader holds all assets or traders require constant signs off.

- High operational expense
- Time consuming
- Multiple wallets and multiple keys - high risk
- Prone to errors
Introducing MetaMask Institutional

The DeFi wallet and Web3 gateway for crypto funds, market makers, and trading desks

We've built an **SDK** and an **API** that plugs MetaMask into a Custodian.

By integrating natively between **Third Party Custodians** and Metamask, three fundamental user needs are solved:
1. **Unrivalled access to DeFi**

MetaMask serves over **15M monthly active users** and is integrated with almost every DeFi dapp.

Only we offer direct access to tens of thousands of venues for trading, staking, lending, borrowing, derivatives, asset management and more.
2. Risk management

- Institution-compliant custody solutions
- Multi-sig approval
3. Operational efficiency

FROM THIS:

Typical DeFi Investment Process

Step 1
Assets in cold storage

Step 2
Approve transfer to a hot wallet

Step 3
Connect hot wallet to MetaMask for transaction signing

Step 4
Connect hot wallet to Dapp

Step 5
Initiate transaction from hot wallet

Step 6
Sign transaction with MetaMask

Step 7
Broadcast to mainnet for mining

Transaction complete
3. Operational efficiency

TO THIS:

DeFi Investment Process with MetaMask Institutional

**Step 1**
Assets held by custodian

**Step 2**
Connect to Dapp. Initiate and confirm the transaction with MetaMask Institutional

**Step 3**
Transaction is sent to the custodian for approval before signing and broadcast to Mainnet

**Transaction complete**
03. What we have built
The capital allocation stack

- Research and analysis
- Pre-trade compliance
- Execution
- Monitoring
- Reporting & accounting
- Custody
AML/CFT Compliance - MMI Compliance

- Research and analysis
- Pre-trade compliance
- Execution
- Monitoring
- Reporting & accounting
- Custody

Decentralised Finance offers a range of investment opportunities. Yet, unknown counterparty risks are a large concern for institutional investors. Codefi Compliance is the only tool that exists today that offers you analysis and risk management capabilities across an entire pool - allowing you to actually understand and manage the risk.
Best execution - Institutional MetaMask Swaps

Vertical Stack

- Research and analysis
- Pre-trade compliance
- Execution
- Monitoring
- Reporting & accounting
- Custody
Custody

Vertical Stack

- Research and analysis
- Pre-trade compliance
- Execution
- Monitoring
- Reporting & accounting
- Custody

MPC (custody tech)
HSM (custody tech)
HSM (qualified custodians)
Integrated Custody Solutions

- **Global leader in custody and security solutions with over $40B in assets under custody.**
- **Pioneered the multi-signature wallet and is the first digital asset company to focus exclusively on serving institutional clients.**
- **Secures approximately 20% of all on-chain Bitcoin transactions by value and supports more than 400 digital assets within its platform.**
- **More than 500 institutional clients in 50 countries, including many regulated entities and the world’s top cryptocurrency exchanges and platforms.**

- **Offers decentralised crypto custody secured by Multi-Party Computation (MPC).**
- **Supports institutions—from small-cap crypto funds to global asset managers—that are very active in their DeFi yield farming.**
- **Its Layer 2 blockchain also enables seamless, low-cost access to a growing ecosystem of cross-chain trading and liquidity opportunities.**

- **Trust company based in Hong Kong with over USD10 billion in assets under custody.**
- **The third-party institutional custody service provided by Matrixport, Asia’s fastest growing digital assets financial services platform.**
- **Offers cold and warm storage, enterprise crypto management features, and DeFi connectivity for miners, corporates, funds and projects.**

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04. Capital Markets is being rebuilt
DeFi creating new institutional players

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<th>DeFi</th>
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<td><strong>Buyer &amp; Sellers</strong></td>
<td>Real Money Investors, Leveraged Investors, Corporates, Banks &amp; Financial Institutions</td>
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<td>CSDs, FMIs</td>
<td>Cryptographically secure execution layer and consensus layer (Public Network/Ledger)</td>
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Thank you

Reach me @ elizabeth.mathew@consenysys.net / @liz_mathew Telegram