

Case Study

Global liquidity for real-time payments with Arf and USDC

The opportunity

Cross-border payment companies must prefund accounts in destination countries to enable same-day settlements for their clients. This not only ties up their working capital and exposes them to financial risks but limits their ability to invest in growing their operations.

The solution

Arf leverages USDC, a regulated, fully-backed digital dollar issued by Circle, to provide short-term liquidity to licensed cross-border payment companies so they can settle with their international partners in real-time, avoid prefunding and grow their operations without the need to raise additional working capital.

Cumulative USDC-based liquidity volume in Arf's first year of operation

Annual capital turnover recorded by Arf



See how Arf uses USDC to make short-term working capital loans to licensed money service providers to enable real-time settlement and avoid prefunding.

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Navigating the prefunding challenge

Cross-border payment companies typically depend on traditional banking rails, such as correspondent banks and SWIFT, for global transactions. This process can take days for the funds to reach the destination country, conflicting with the expectation of many senders for same-day receipt by their recipients. To overcome this, providers pre-deposit funds in the destination country, a method known as prefunding, ensuring availability for same-day payments.

However, prefunding has its downsides: it locks up working capital, limits the growth of the companies, and introduces financial risks. With an estimated \$4 trillion tied up in prefunded accounts globally, the payments industry is in pressing need of more efficient liquidity solutions.

ARF STORY

Arf is a regulated global transaction services platform that offers USDC-based liquidity and settlement services to licensed financial institutions globally. Regulated in Switzerland, Arf provides a scalable USDC liquidity solution for its clients from all around the world in the financial sector.



Transactional daily liquidity with USDC

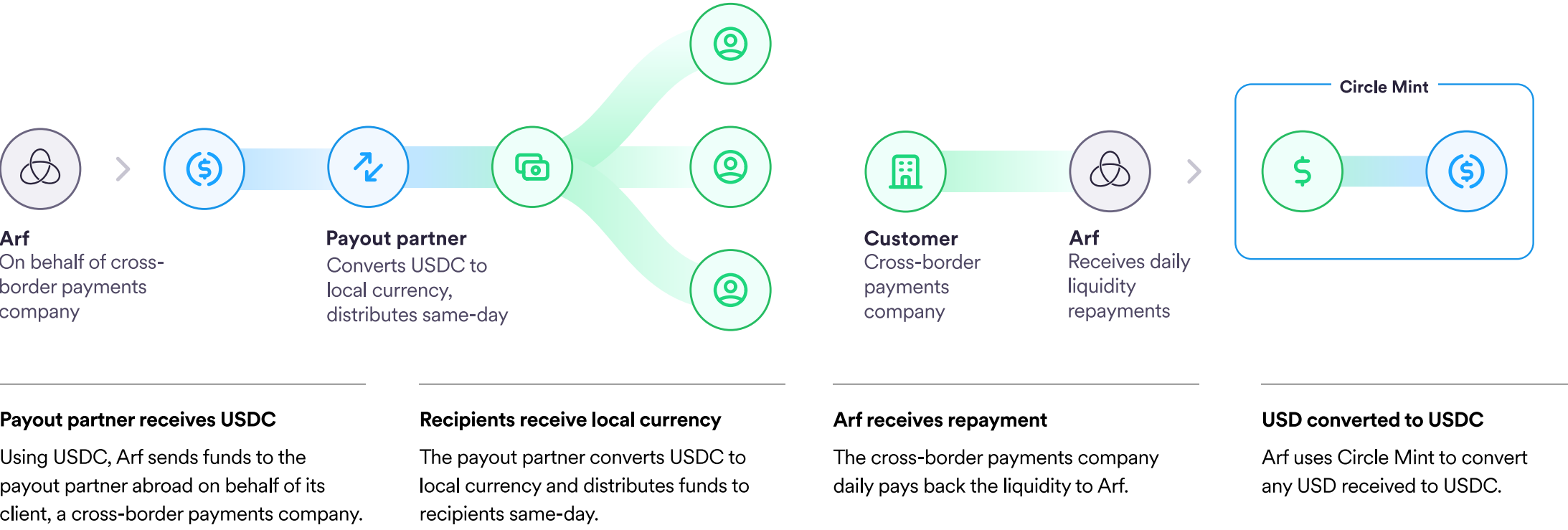
Arf Liquidity is a transactional, stablecoin-backed liquidity solution designed to improve the efficiency of cross-border payments. By using stablecoins and sending international payments on the blockchain, Arf circumvents the often slow and expensive process associated with traditional banking rails including SWIFT and correspondent banks, and delivers a better experience for its clients.

First, Arf onboards their cross-border payment companies by assessing their business operations and financial health to determine creditworthiness. Based on this assessment, Arf customizes transactional and revolving daily liquidity, repayment terms, and applicable fees. Arf utilizes a combination of traditional and alternative data, a proprietary credit engine, and an in-house credit score to allow for optimized risk-adjusted pricing and providing Arf's clients with a customized and streamlined financial experience.

When a cross-border payments company receives a new payment order, it relays to Arf for liquidity in the pre-agreed corridors. Arf immediately sends USDC on their behalf to the payout partner of the payments company. The payout partner accepts USDC as settlement currency and starts facilitating same-day payouts to recipients from their own local treasury. The client repays the liquidity and any applicable fees to Arf in 1-5 days. Once repaid, the liquidity is reinstated, allowing the cross-border payments business to process new payments on a revolving basis.

Arf partners with Circle to leverage USDC, a secure, transparent, and fully-reserved digital dollar, for issuing liquidity in real-time. By sourcing USDC via a Circle Mint account, Arf achieves faster, more cost-efficient transactions compared to third-party alternatives, delivering value to their clients while maintaining compliance throughout the transaction journey. In addition to speed, the transparency of on-chain stablecoin settlement helps Arf manage its operations efficiently. Because stablecoins settle on the blockchain, financial activities, including liquidity provision, repayment and overdue payments, are accurately represented and fully transparent. Lastly, stablecoin settlement through USDC eliminates the need for financial intermediaries such as correspondent banks, providing cost savings to Arf and its clients.

How it works



The results

Arf helps clients optimize their cash flow, minimize fees and improve their financial stability through on-chain liquidity. In turn, Arf generates returns, expands their liquidity and client base and enjoys transparent and timely repayments. Arf has already supplied more than \$1 billion in on-chain liquidity in the first year of operation and has propelled growth and fostered the adoption of blockchain technology in financial transactions.

BY THE NUMBERS

Cumulative USDC-based liquidity volume in Arf's first year of operation

Annual capital turnover recorded by Arf

“The visibility of USDC at any stage in the payment process combined with the 1:1 redeemability with US dollars strengthens trust in our services and unlocks exponential growth on both the demand and supply side. Embracing stablecoins and blockchain for transactional working capital in global payments will unlock substantial capital and usher in a new era of adoption and innovation in the financial sector.”



Ali Erhat Nalbant, Co-founder & CEO, Arf

*Circle Ventures, an affiliate of Circle Internet Financial, LLC, has invested in Arf.

Since the publication of this case study, Arf has merged with Huma, a leading tokenization platform for real world impact. The main goal of the merger is to develop RWA-backed, bankruptcy-remote, stablecoin based lending vehicles, not only for web3 world but also for traditional lenders and asset management companies worldwide.

Circle Ventures, an affiliate of Circle Internet Financial, LLC, has invested in Huma.

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