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Empowering Self-Custody on Coincheck

A Smart Contract Wallet Approach for USDC

Agenda

Introduction & Purpose

The Beginning to a 3iQ x Coincheck Partnership

Coincheck's Opportunity: Opening the Stablecoin Market

By offering a self-custody solution for USDC, Coincheck can open the stablecoin market to its users under favorable regulatory conditions.

The Japanese Regulatory Issue: Segregated Stablecoin Custody

Japanese regulations require stablecoin issuers and exchanges to segregate custody. A user-controlled (self-custody) wallet structure eliminates or minimizes custody risk for Coincheck.

The Solution: Smart Contract Wallets

- Regulatory-Aligned: User holds the keys, not Coincheck.

- User-Friendly: Easy onboarding, gas-fee subsidies, social recovery.

- Future-Ready: Enables direct on-chain functionality (lending, staking) once the wallet is in place.

3iQ's Role

Technical Guidance
Recommend and assist through wallet integration process with Coincheck
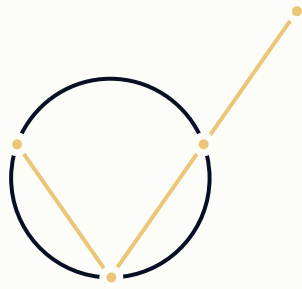
On-Chain ID
Assist and ensure institutional compliance and access across self-custodied wallets

Future Products
Sow seeds for partnerships in stablecoins & yield bearing products in the future
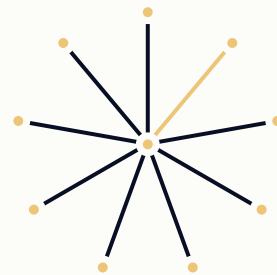
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Smart Contract Wallets

A Brief Evolution on Wallets and Why Self-Custody Matters

Why Smart Contract Wallets?

- <u>Regulatory Clarity</u>
  Users hold private keys, which reduces Coincheck's custody exposure over USDC.

- <u>Enhanced Trust & Security</u>
  Users have full control of funds, lowering the risk to Coincheck in the event of hacks or insolvencies.

- <u>Seamless Access to On-Chain Services</u>
  Self-custody wallets plug directly into DeFi-like functionality, allowing for:

  - Stablecoin lending
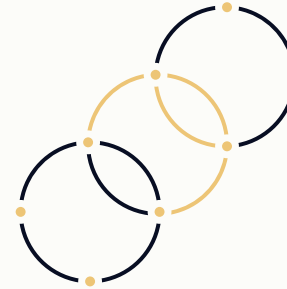 - Staking
  - Other on-chain financial services

Self Custody

The original wallet. User had full control over assets but were left with limited functionality and interoperability.

Exchange Custody

Exchanges offered custody where users gave up control over assets but gained access to exchange services including trading and staking.

Smart Contract Wallets

Newest evolution, where users have full control over assets while maintaining many convenience and safety features.

Self-custody is not just a compliance box to check.
It can enhance user offerings.

Types of Self-Custody Wallets

An Overview of the Self-Custody Wallet Landscape by Category

Feature	Externally Owned Account (EOA) *Metamask*	MPC *GK8*	Smart Contract Wallets *Coinbase Smart Wallet*
Self Custody	✓	✗	✓
Programmable Recovery	✗	✓	✓
Gas Subsidization	✗	✗	✓
SSO/ Biometric Support	✗	✗	✓
Multichain	✓	✓	✓
On Chain Access Controls	✗	✓	✓
Best For	Personal Use	Institutional	**Retail Self-Custody**

EOA: Like cash in your pocket.
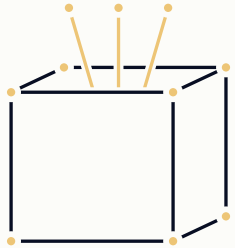
MPC: Two halves of a single bill.

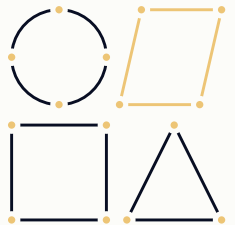**Smart Contract Wallets:** Securing the cash in a wallet with features.

Why Smart Contract Wallets Fit Coincheck

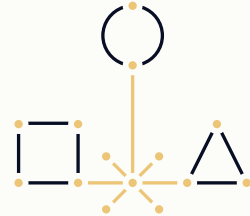Smart Contract Wallets are Ideal for Coincheck's Use Case

Best UX + Self Custody

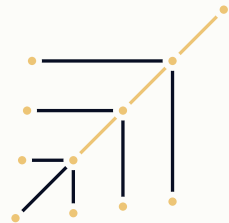Smart contract wallets can hide complicated concepts like seed phrases from end-users if desired

Gas Fee Subsidies

Coincheck can absorb or batch gas costs, creating a smooth user experience

Easily Programmable

Extra logic can be added to handle auto-lending, time locks, or advanced on-chain products in the future

Regulatory Advantage

The user, not Coincheck, holds the private key logic on-chain, which aligns with Japan's stablecoin requirements

Why not EOA?

- Limited functionality
- Degraded user experience
- Lower security

Why not GK8?

- Not True Self-Custody (could conflict with Japan's definitions)
  - If Japanese regulations require that only the user truly controls the wallet keys, an MPC solution could pose compliance questions (because pieces of the signing key are still stored with the service provider).

- Requires external dependencies – which would hamper the user experience
  - Slows down user actions. Smart contract wallets align more cleanly with "the user holds their own keys" narrative.

- Smart contracts have better user experience, including easier adding or removal of signers & personalized backup options using web2 functionality (i.e. passphrase saving to local phone).

The Coinbase Smart Wallet

An Open Source, Smart Wallet Solution for Coincheck

A Free, Open-Source Solution Built with UX In Mind
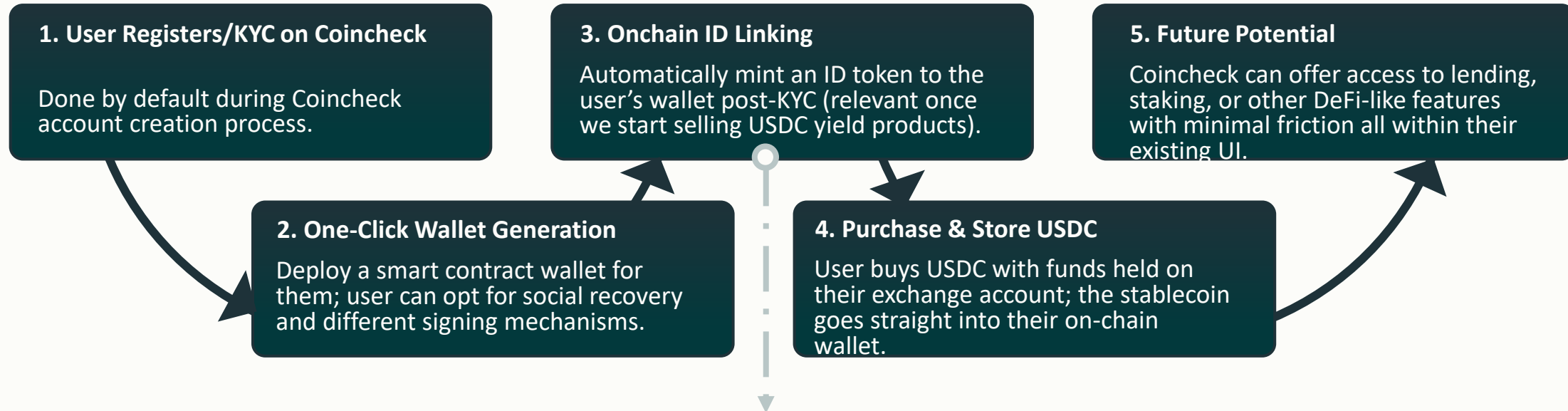
- Open-Source & MIT Licensed
  - Coincheck can fork the code → No reliance on Coinbase's infrastructure.
- Not Tied to Coinbase APIs
  - Despite the name, there are no ongoing fees or forced partnership.
  - Coincheck could white label the technology if desired
- Optimized for Exchanges
  - Built with exchanges in mind
  - Easy user onboarding and potential integration with existing KYC flows.
- Smart Contract-Based built for a seamless use experience.
  - Social recovery, meta-transactions, multi-sig, etc.

See Demo → www.smart-wallet.xyz

Coincheck User Flow with Coinbase Smart Wallet

Ensuring Stablecoin Regulatory Compliance for Coincheck while Offering a Seamless Experience for Users

1. User Registers/KYC on Coincheck

Done by default during Coincheck account creation process.

2. One-Click Wallet Generation

Deploy a smart contract wallet for them; user can opt for social recovery and different signing mechanisms.

3. Onchain ID Linking

Automatically mint an ID token to the user's wallet post-KYC (relevant once we start selling USDC yield products).

4. Purchase & Store USDC

User buys USDC with funds held on their exchange account; the stablecoin goes straight into their on-chain wallet.

5. Future Potential

Coincheck can offer access to lending, staking, or other DeFi-like features with minimal friction all within their existing UI.

Onchain ID: Frictionless On-Chain Compliance for Coincheck, Provided by 3iQ

Proposed Use Case

- Definition: A non-transferrable identity token linked to a user's wallet.
- Purpose: KYC gating and compliance on-chain (e.g., requiring an ID token to access certain services).
- Flow: Upon user KYC at Coincheck, an Onchain ID is minted and tied to the user's newly created wallet.

Future Use Cases

- Lending products that require verified identity.
- Restricting certain tokens/offers to KYC'd participants only.
- Validating that a wallet using these products was signed/attested to by Coincheck, resulting in the ability to prove that EVERY wallet using these products is validated.

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How 3iQ Can Help
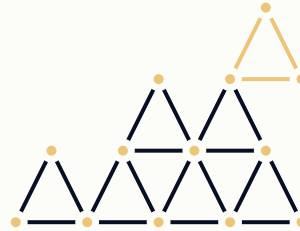
The Beginning of a 3iQ x Coincheck Partnership
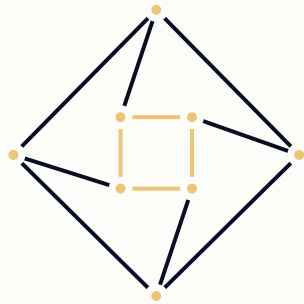
Wallet Integration

Assist with forking and customizing the Coinbase Smart Wallet open-source code.
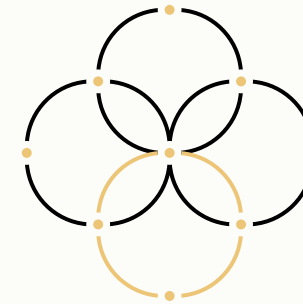
Onchain ID System

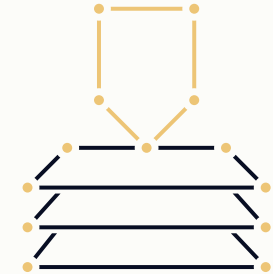Provide implementation guidance, ensuring it aligns with Coincheck's KYC data.

Tokenized Products

When ready, help design and launch on-chain lending or other stablecoin-yield offerings.

Ongoing Web3 Support

Best practices for contract upgrades, gas strategies, user experience improvements.

The Immediate Focus

Getting the self-custody wallet live for USDC.

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Next Steps & Conclusion

Immediately Actionable to Begin the Coincheck x 3iQ Collaboration

Next Steps

1. Confirm Wallet Approach

Work with Coincheck to confirm fit with Smart Contract Wallets vs. MPC

2. Technical Implementation

Assist with user flow, Onchain ID, and launch beta to pilot group

3. Expand Future Offerings

Introduce USDC-based yield products once wallets are live

Key Takeaways

- Smart contract self-custody meets regulatory needs, fosters user trust

- 3iQ can help Coincheck build, launch, and grow this on-chain ecosystem

We recommend forking the Coinbase Smart Wallet solution. 3iQ will support with planning, integration, and future product expansions.