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# Traditional Finance Giants Embracing DeFi

## Major TradFi Institutions Engaging with DeFi

### JPMorgan Chase

JPMorgan has been one of the earliest big banks to experiment with DeFi. In 2022 it spearheaded **Project Guardian** with the Monetary Authority of Singapore, executing the first **DeFi trade by a major bank** on a public blockchain [1]. This pilot used a modified Aave protocol on Polygon, where JPMorgan traded tokenized SGD and JPY deposits and even simulated buying tokenized government bonds [2] [3]. The bank did this through its Onyx division, leveraging **verifiable credentials (KYC tokens)** to access a permissioned liquidity pool – essentially **direct participation** in DeFi but with institutional guardrails [4]. This was a milestone: JPMorgan **tokenized bank deposits on-chain** and used DeFi smart contracts to settle a cross-currency trade, showing that with the right controls, DeFi can integrate with traditional finance [5]. Beyond this public DeFi trial, JPMorgan's blockchain platform (Onyx Digital Assets) is enabling other institutions' tokenization efforts (e.g. helping Fidelity tokenize money market fund shares in 2024 [6]). Overall, JPMorgan's approach is largely **direct** – building its own infrastructure and engaging hands-on in regulated DeFi pilots – with notable projects like Project Guardian highlighting its commitment to exploring decentralized finance in wholesale markets.

### BlackRock

BlackRock, the world's largest asset manager, has begun **bridging traditional funds into DeFi**. In 2023–2025 it launched a tokenized money market fund (the **BlackRock USD Digital Liquidity Fund**, ticker BUIDL) and, for the first time, **integrated it directly with a DeFi protocol** [7]. Using Securitize to tokenize fund shares, BlackRock introduced the **sBUIDL token** backed 1:1 by its $3 billion short-term U.S. Treasuries fund [7] [8]. Crucially, BlackRock allowed this token to be used as collateral on **Euler Finance (a DeFi lending platform) on Avalanche** – meaning holders of sBUIDL can borrow stablecoins while still earning yield on the Treasuries [9] [8]. This marks BlackRock's **first direct DeFi participation**, albeit facilitated by partners (Securitize for issuance, Euler/Avalanche for DeFi integration). The access is partially indirect (BlackRock didn't directly run a DeFi node; it worked via a token issuer), but the DeFi exposure is real: the fund's value is live on-chain and interacting with smart contracts. BlackRock has signaled this is part of a broader strategy to expand into on-chain finance – planning to deploy BUIDL across multiple blockchains (Avalanche, Arbitrum, Optimism, Polygon) to **extend its fund's reach in DeFi** [10]. The company's leadership has spoken about tokenization of assets as the "next generation for markets," and its actions (including investing in Circle, partnering with Coinbase for crypto access, and now putting a fund on DeFi) underscore a significant shift toward embracing decentralized finance.

### Franklin Templeton

Franklin Templeton has been a **trailblazer in tokenized traditional assets**, making it one of the first asset managers to directly use public blockchains. Back in 2021, Franklin Templeton launched the **Franklin OnChain U.S. Government Money Fund** (also called the **BENJI fund**), which was the **first mutual fund to**

**register on a public blockchain** [11]. This fund's shares are digitized and managed via the firm's in-house "Benji" blockchain platform. The engagement with DeFi comes through tokenization and cross-chain accessibility: as of 2025 the BENJI fund's tokenized shares (representing U.S. government money market holdings) are live on **eight blockchains** including Stellar, Ethereum, Arbitrum, Solana, and now BNB Chain [12] [13]. Around $732 million of the fund's assets are on-chain, making it the third-largest tokenized treasury product (only BlackRock's BUIDL is larger) [12] [14]. Franklin Templeton's access to DeFi is **direct** in that the firm itself issues and controls the on-chain tokens (ensuring investors are verified and compliant), but those tokens can potentially interact with DeFi venues. In fact, Franklin has been adding features like **intraday yield** for its on-chain fund investors [15] and expanding to new networks to reach more users [16]. This indicates a push to make traditional fund products usable in digital wallets and maybe as collateral in DeFi in the future. Their focus remains on **security and compliance first** – per Franklin's digital assets head, the goal is to "push boundaries" of tokenization with compliance at the forefront [17] – but by doing so they are laying groundwork for traditional funds to operate in a DeFi-compatible form.

### HSBC

HSBC's engagement with DeFi is more cautious and has so far taken the form of **enterprise blockchain adoption** rather than open DeFi trading. In 2024, HSBC launched **Hong Kong's first tokenized deposits settlement platform**, effectively a private blockchain service for its corporate clients [18]. This platform tokenizes bank deposits (HKD and USD) so that companies can settle payments instantly on-chain, 24/7. The effort, backed by the Hong Kong Monetary Authority, mirrors some benefits of DeFi (real-time, programmable settlement) but within a closed, **permissioned network** operated by HSBC. For example, **Ant Group's international arm executed the first transaction on HSBC's tokenized deposit network** for a cross-border payment [19]. The **access is indirect** – HSBC's clients don't directly touch public DeFi protocols, instead they use HSBC's blockchain as intermediated by the bank. Nevertheless, by tokenizing fiat deposits and enabling smart contract-based transfers, HSBC is exploring DeFi-like technology to improve traditional services (payments, treasury management). HSBC has also invested in digital asset compliance (e.g. funding analytic firms like Elliptic [20]) which suggests they are preparing to manage crypto/DeFi-related risks. While HSBC hasn't publicly traded on DeFi exchanges, it's **laying infrastructure for tokenized money** that could eventually interconnect with broader decentralized networks when regulations allow. This approach highlights how a large bank is **experimenting within regulatory comfort zones** – using blockchain to enhance efficiency – while keeping a door open to future DeFi integration.

### Other Notable Examples

Beyond the above leaders, many other traditional financial institutions have begun **testing the waters of DeFi** in various ways:

- **Fidelity International:** In 2024, Fidelity's international arm tokenized shares of a money market fund on **JPMorgan's Onyx blockchain**, effectively bringing a traditional fund onto a decentralized ledger [6]. Fidelity is actively exploring on-chain foreign exchange and bond transactions – for instance, looking into stablecoins, tokenized Treasuries, and on-chain lending as new offerings for clients [6]. (Access via partnerships: Fidelity leverages infrastructure from firms like JPMorgan rather than building its own DeFi protocols, so it's an **indirect but hands-on** approach.)

- **Société Générale (SG):** The French bank (through its blockchain subsidiary **SG-Forge**) made headlines by **borrowing from MakerDAO**, a major DeFi lending protocol. In a pilot approved by

Maker's community, SG-Forge used €40 million of tokenized covered bonds (OFH tokens) as collateral to open a vault and withdraw **7 million DAI (Maker's stablecoin) in 2022** [21] [22]. This was a landmark case of a tradFi bank accessing DeFi liquidity directly. The process was highly structured – SG-Forge had a $30M DAI credit line approved via governance vote, and the DAI was converted to fiat for the bank's use [23]. It demonstrates **direct DeFi participation**, with a regulated institution engaging under a special legal framework (French law recognized the DAI loan and the tokens). SocGen also issued its own euro-pegged stablecoin and has other DeFi experiments, but the MakerDAO loan stands out as a successful real-world DeFi transaction by a bank.

- **Goldman Sachs:** Goldman has been building its **Digital Asset Platform (GS DAP)** and exploring tokenized securities, which is a step toward DeFi-like infrastructures. In 2021, Goldman arranged a €100M tokenized bond issuance for the European Investment Bank on Ethereum, and it has since mused about creating **permissioned DeFi trading venues** for tokenized assets. While Goldman hasn't publicly deployed capital on a DeFi protocol, it has **invested in DeFi infrastructure companies** (it was an investor in Blockdaemon and in Anchorage Digital) and reportedly looked into developing an internal **"DEX" for trading digital bonds**. This represents an **indirect approach** – experimenting with blockchain tech and supporting DeFi service providers – likely as a prelude to offering clients access to digital yield or on-chain trading in a compliant setting.

- **BNP Paribas:** Europe's largest bank by assets has also moved into the tokenization space. In late 2024, **BNP Paribas Asset Management announced a pilot for natively tokenized money-market fund shares** (potentially tapping into a $680 billion fund portfolio) to test cross-border trading and settlement using distributed ledger tech [24]. This initiative suggests BNP wants to **connect traditional funds to decentralized networks** for easier global transactions. It's still experimental (and likely on a permissioned network initially), but it aligns with the broader trend of using DeFi technology (tokenized shares, on-chain record-keeping) to complement traditional finance. BNP's trial is an indirect but important step, as success could lead to large-scale assets (hundreds of billions) gradually entering on-chain ecosystems.

- **Deutsche Bank:** The German banking giant joined JPMorgan's Project Guardian in 2024 to explore DeFi applications [25]. By participating in those MAS-led pilots, Deutsche Bank is learning how **tokenized securities and DeFi lending** could improve market liquidity. Additionally, in 2023 Deutsche Bank announced a partnership with a DeFi crypto platform to provide custody and management (signaling plans to offer clients yields or other DeFi products through an intermediary). This is an indirect route – **partnering with established crypto custodians or pilots** – but shows even conservative banks acknowledge the need to understand DeFi's potential.

Each of these examples highlights a different strategy – whether direct usage of DeFi protocols, issuing tokenized assets, or partnering with DeFi infrastructure – but collectively they show that **traditional finance is no longer ignoring DeFi**. Instead, banks and asset managers are **testing how they can harness decentralized finance**, be it for settlement efficiency, new sources of yield, or creating new financial products.

*(Table 1 below summarizes several major TradFi institutions and their DeFi engagement.):*

| TradFi Institution | DeFi Engagement & Key Initiatives |
|---|---|
| **JPMorgan Chase** | Executed a DeFi trade on public blockchain (Polygon) via Aave in Nov 2022 (Project Guardian) – tokenized SGD/JPY deposits used in a liquidity pool [1]. Developed its own permissioned DeFi infrastructure (Onyx) to directly participate with KYC controls. |
| **BlackRock** | Launched a tokenized money market fund (BUIDL) and integrated it into DeFi lending (Euler on Avalanche) – allowing fund tokens (sBUIDL) to be used as collateral [9]. Indirect tokenization via Securitize, but marks **first direct DeFi usage** of a BlackRock fund. |
| **Franklin Templeton** | Issued an on-chain U.S. government money fund (BENJI) across multiple public chains (Stellar, Ethereum, etc.), currently ~$732M tokenized [12]. Exploring broader DeFi utility (continuous yield, cross-chain accessibility) for traditional fund shares. |
| **HSBC** | Built a private blockchain for **tokenized deposit** settlements (real-time payments for corporates) in HK [18]. Not interacting with public DeFi yet, but adopting smart contract-based transfers and tokenized money as an internal service (with plans to expand regionally). |
| **Société Générale – Forge** | Borrowed $7M in stablecoin (DAI) from MakerDAO by posting tokenized bond tokens as collateral [21]. First major bank to **directly tap a DeFi protocol** for financing, under a pilot program approved via decentralized governance. |
| **Fidelity International** | Tokenized shares of a money market fund on JPMorgan's private blockchain in 2024 [6]; exploring stablecoin settlements and on-chain lending opportunities for clients. Using **indirect access** via partnerships (JPMorgan Onyx) to get comfortable with DeFi tech. |
| **Goldman Sachs** | Developed a digital asset platform and conducted **tokenized bond issuances** on Ethereum. Considering launching **permissioned DeFi venues** for trading tokenized assets (an "in-house DeFi" approach). Also invested in DeFi infrastructure startups rather than using open protocols directly (so far). |
| **BNP Paribas** | Trialing **tokenized fund shares** for cross-border transactions (announced a $680B money-market fund tokenization test) [24]. Aims to improve efficiency for fund transfers using DLT, which could pave the way for future DeFi integration of large asset pools. |

*(Table 1: Examples of Traditional Financial Institutions and their DeFi-related initiatives.)*

## Institutional DeFi Infrastructure and Service Providers

To facilitate the involvement of institutions in DeFi, a range of **protocols and service providers** has emerged. These entities focus on addressing institutions' needs around compliance, custody, and risk management while leveraging DeFi's advantages. Broadly, they fall into two categories: **DeFi protocols tailored for institutions** (offering permissioned or specialized platforms), and **intermediary technology**

**providers** that enable institutions to securely access DeFi. Below is a breakdown of the biggest players in each category and how they support institutional requirements:

## Aave Arc (Permissioned DeFi Pools)

Aave Arc is a version of the popular Aave lending protocol designed specifically for institutional use. It creates **permissioned liquidity pools** where all participants are **whitelisted (KYC'd)** entities [26]. This allows banks or institutional investors to lend and borrow crypto assets with known counterparties, satisfying AML/KYC regulations. Access to Aave Arc is gated by **"whitelister" agents** – regulated entities that perform due diligence and approve wallets to join the pool. (Fireblocks was the first whitelister, onboarding 30 institutions at launch in January 2022 [26], including firms like CoinShares, GSR, and Wintermute.) In effect, Aave Arc offers the smart contract efficiency of DeFi while **mirroring traditional finance compliance** – participants remain pseudonymous on-chain but have verified identities off-chain. This setup mitigates the risk of mingling with unknown DeFi users and **overcomes a key compliance hurdle** that kept institutions away. The **guardrails** come at the cost of a closed user set, but Aave's founder Stani Kulechov noted that interest from institutions (even banks) in Aave Arc was "enormous" [27]. Some institutions use Arc to **"park cash reserves" and earn yield** in a controlled environment [28]. Aave Arc thus exemplifies a *direct DeFi protocol for institutions*, providing a sandbox where they can benefit from DeFi liquidity and automation – but with the parallel traditional structures (KYC, circuit-breakers) necessary for risk management.

## Maple Finance

Maple Finance is an **on-chain institutional lending platform** that addresses the demand for unsecured or undercollateralized credit in crypto. Rather than open anonymous pools, Maple features **curated lending pools run by experienced delegates** who assess borrowers' creditworthiness. This model resonates with institutional practices: borrowers (often trading firms, market makers, or even real-world companies) undergo due diligence and have legal agreements, while lenders (which can include **institutions seeking yield**) commit capital to a pool managed by the delegate. Maple's protocol automates loan funding and interest distributions via smart contracts, but the **credit risk management and KYC** are handled off-chain by the pool delegate and Maple's platform. Maple has actively built partnerships to make institutions comfortable: it launched a **permissioned KYC pool ("Maple Direct")** for accredited lenders, and it integrated with top custodians and wallets so that institutions can lend without handling private keys themselves [29]. For example, Maple's Network Partners program includes **Coinbase Prime, MetaMask Institutional, and Qredo** as wallet/custody tech providers, ensuring "safe and efficient management" of deposits for institutional users [30]. It also uses **BitGo as a qualified custodian** to hold any collateral posted by borrowers [31], and risk monitoring services like Credora and TRM for on-chain credit scoring and compliance checks [32]. By providing these wraps around its DeFi lending pools, Maple helps institutions overcome **custody fears (through MPC and insured custody), regulatory compliance (through KYC pools and analytics), and due diligence needs** (through delegate underwriters). Notably, even traditional asset managers are dipping in – e.g., **Bitwise** used Maple in 2022 for its first DeFi loan allocation [33], and some banks have reportedly explored Maple to finance crypto firms. In summary, Maple offers **indirect institutional access** to DeFi yields: institutions don't directly lend on anonymous protocols, but through Maple they can participate in on-chain lending with a framework that feels like prime brokerage, aligning with their risk management standards.

## Centrifuge & Real-World Asset (RWA) Platforms

Centrifuge is a DeFi protocol specialized in **bringing real-world assets into DeFi**. It provides the technology to **tokenize assets like invoices, real estate, or credit funds** and finance them via liquidity pools (often termed "Tinlake" pools on Centrifuge). For institutions, Centrifuge and similar RWA platforms are crucial because they create a bridge between traditional assets and DeFi liquidity. Centrifuge's approach involves **legal structures (SPVs) and whitelisted investors**, but uses DeFi smart contracts for efficiency. Recently, Centrifuge partnered with Aave to launch **RWA Markets on Aave** – notably **Aave's new Horizon platform (2025)**, which is an institutional market for tokenized assets [34] [35]. Through Horizon, institutions can **borrow stablecoins against tokenized real-world funds**. At launch, two funds by asset manager Janus Henderson were brought in: a tokenized **AAA-rated CLO fund and a tokenized Treasury fund** (tickers JAAA and JTRSY) [36]. This means Aave users (presumably KYC-verified) can lend stablecoins to Janus Henderson's vehicle with those high-quality assets as collateral – effectively a DeFi loan backed by real bonds or loans. To satisfy institutional requirements, Horizon incorporates **"automated compliance and issuer-level permissioning"** [35] – only approved participants can interact, and issuers (like Janus) can enforce who holds their tokens. Centrifuge provides the infrastructure for these tokens and compliance layers, ensuring things like investor accreditation and **on-chain identity checks** are in place. By solving these issues, Centrifuge allows traditional institutions to **unlock liquidity for assets that are otherwise illiquid** (e.g. loans, invoices) via DeFi, while giving DeFi lenders access to relatively stable, real-world yield. Other notable RWA platforms include **Goldfinch, Credix, and MakerDAO's RWA division**, all of which follow a similar model: blend off-chain legal assurances with on-chain execution. For institutions, these platforms address **risk management (through transparency and diversification), compliance (through KYC gating and legal agreements), and custody (often using trusted custodians for the asset tokens)**. The result is a growing trend of "institutional DeFi" where **real-world assets worth billions are being tokenized** – by early 2025 the tokenized RWA sector exceeded $30B on-chain [37] – and deployed into DeFi protocols with frameworks that big money can participate in.

## Fireblocks

Fireblocks is a leading **digital asset custody and transfer platform** that has become a cornerstone for institutions moving into crypto and DeFi. Its primary offering is a **secure wallet infrastructure using MPC (multi-party computation)**, which allows institutions to safely store private keys and approve transactions with multiple layers of control. For compliance and risk management, Fireblocks provides features like **address whitelisting, role-based approval policies, and transaction monitoring**. This means an institution can integrate Fireblocks and set rules (e.g., any DeFi transfer over $X requires two senior sign-offs, or can only be sent to whitelisted smart contracts), greatly reducing operational risk. Fireblocks has also directly enabled institutional DeFi participation: it built a framework for **connecting to DeFi protocols via API** and was the first whitelisting agent for Aave Arc's institutional market. In fact, when Aave Arc launched, **Fireblocks approved 30 licensed financial institutions to participate on day one** [26] – effectively acting as a gatekeeper vouching that those players met KYC/AML standards. This "secure DeFi access" service allows funds and banks using Fireblocks to one-click interact with lending platforms, DEXs, etc., while Fireblocks handles the wallet and credentialing behind the scenes. Many **traditional custodial banks and fintechs partner with Fireblocks**. For example, **BNY Mellon (the world's largest custodian bank) integrated Fireblocks tech** to build its digital asset custody platform, citing the need to meet institutional security and compliance needs [38]. Similarly, corporate fintech projects (like stablecoin payment networks) often use Fireblocks to manage the cryptographic aspects safely. By outsourcing the heavy lifting of secure key management and by leveraging Fireblocks' **insurance and regulatory**

**approvals**, institutions overcome one of the biggest barriers to DeFi: *custody risk*. Fireblocks essentially serves as the **bridging layer between bank systems and DeFi protocols**, ensuring that when a bank wants to, say, deploy liquidity into a DEX or tap a yield farm, the process is secure, logged, and compliant. It's no surprise that Fireblocks is widely adopted (over 1,500 institutional clients) and even **traditional banks have invested in it**. In short, Fireblocks provides the **pipes and vaults** that allow institutional money to flow into DeFi with confidence.

## MetaMask Institutional

MetaMask Institutional (MMI) is an upgraded version of the popular Web3 wallet, tailored for institutional requirements. Whereas the standard MetaMask is a browser extension controlled by a single user, **MMI integrates with custodial solutions and offers compliance features** so that fund managers, trading desks, and even banks can use DeFi dApps through a controlled interface. Key features of MMI include **multi-user access with admin controls**, integration with **hardware security modules or MPC custody** (via providers like BitGo, Fireblocks, and Qredo), and built-in **KYT (Know-Your-Transaction) compliance checks** that can flag or prevent interactions with risky addresses. This addresses both custody and compliance challenges: an institution can have its assets custodied with, say, a qualified custodian, and link that account to MetaMask Institutional – traders can then propose DeFi transactions (swap, lend, provide liquidity) which go through an approval workflow and are signed by the custodian. MMI essentially provides the familiar Web3 experience (access to **all DeFi protocols, DEXs, NFT marketplaces**) but within an oversight framework. It also facilitates **reporting and accounting** by logging transaction details, which is important for audit and risk departments. An example of MMI's role is its partnership with Maple Finance: Maple explicitly lists MetaMask Institutional as a supported wallet for clients, allowing institutional lenders on Maple to **manage their deposits through an MMI-linked custodian** for safety [30]. This way, a fund can lend USDC in a DeFi pool without ever handling a private key or worrying about a rogue trader – the MMI setup ensures only authorized personnel transact and assets remain in institutional custody until the moment of on-chain interaction. By overcoming **operational risks and providing compliance hooks**, MetaMask Institutional helps organizations engage with DeFi **directly (technically)** but **indirectly (operationally)** – the transactions are on-chain in real time, yet every step is wrapped in the institution's internal controls. Many hedge funds and proprietary trading firms use MMI to deploy trading strategies on DeFi while satisfying their investors and regulators that assets are secure. In sum, MMI is a critical piece for making the *user interface of DeFi* viable for institutional players.

## Anchorage Digital

Anchorage Digital is a regulated **crypto custody bank** that has expanded into offering a full suite of services for institutions to access digital assets, including certain DeFi activities. As the **first federally chartered crypto bank in the U.S.**, Anchorage provides **qualified custody** – meaning it can legally hold client assets with bank-level oversight – which addresses a fundamental regulatory requirement for many institutions (they are often required by law to custody assets with qualified custodians). Anchorage's custody uses hardware security modules and MPC, keeping keys in **air-gapped, tamper-proof devices** for maximum security [39]. On top of custody, Anchorage offers **trading, staking, governance voting**, and now **DeFi connectivity** through its platform. In 2025, Anchorage integrated **Uniswap's trading API directly into its custody interface (Porto)**, so that institutional clients can **swap tokens and access DEX liquidity from within Anchorage's secure environment** [40] [41]. This is significant: rather than moving assets out to a Metamask, clients of Anchorage can, for example, trade on Uniswap while their assets never leave Anchorage's insured custody – trades are executed via API and Anchorage signs the transactions

internally. The CEO of Anchorage described this as allowing institutions to move at "crypto-native speed without compromising security" [41] [42]. Anchorage also helps with compliance by ensuring all counterparties and tokens can be screened (Anchorage knows the provenance of assets it holds and can implement whitelist-only smart contracts similar to Aave Arc's model for certain DeFi interactions). Importantly, **Anchorage has attracted traditional finance participation**: it counts major institutions like **Visa (which used Anchorage to settle USDC payments) and BlackRock (which partnered with Anchorage for custody) as clients/investors** [43]. This underscores trust in Anchorage's model of combining crypto innovation with traditional risk management. In practical terms, Anchorage lowers risk by taking on the custody and security responsibilities and giving institutions a familiar interface (a bank-like portal) to engage with DeFi. Whether it's providing an interface to stake in a protocol, or facilitating a loan on Compound via an API, Anchorage acts as the **execution layer that handles private keys and protocol interactions**, while the institution focuses on investment decisions. By having a foot in both worlds – regulated banking and DeFi tech – Anchorage Digital exemplifies how institutions can overcome the **custody, compliance, and security challenges** that previously barred them from DeFi.

## Copper

Copper is another major **infrastructure provider bridging TradFi to crypto/DeFi**, known for its custody and prime brokerage solutions tailored to institutions. Copper's hallmark offering is **ClearLoop**, a system that allows institutions to keep assets in Copper's custody while trading on various exchanges or platforms off-chain; ClearLoop settles trades instantly between Copper and the venues, eliminating the need to move assets back-and-forth for each trade. This model is very appealing for risk management – it mitigates counterparty risk (funds aren't left on exchanges that could default) and speeds up trading. In the context of DeFi, Copper provides an institutional gateway where assets can similarly remain in custody and **interact with DeFi protocols through secure APIs and smart contract allowlists**. Essentially, Copper can pre-vet DeFi smart contracts and enable its clients to allocate funds to, say, a lending pool or yield farm, with the transactions initiated from within Copper's platform. Every transaction must adhere to the client's policies (for example, only whitelisted DeFi pools or assets, only during certain hours, etc.), adding a compliance layer. Copper uses **MPC technology for key management**, like Fireblocks, and offers a user interface for approvals and audit logs – all critical for institutional governance. Copper's commitment to compliance is also seen in its KYC/AML tools and its collaborations with regulators (it has sought licenses in Switzerland and the UK). Traditional finance has taken notice: in 2022, **Barclays Bank invested a substantial sum in Copper's funding round** [44], signaling confidence that Copper's custody and settlement tech can enable banks to handle crypto and DeFi assets safely. Some large trading firms and asset managers in Europe reportedly use Copper to access DeFi yields (for instance, supplying liquidity to stablecoin pools) while Copper's platform ensures the assets are secure and fully tracked. By solving the **"plumbing"** – secure custody, instant settlement, and permissioned access – Copper helps institutions get comfortable with deploying capital in DeFi. It addresses the **operational risk (through MPC custody and insurance), the counterparty risk (by not exposing funds directly to unknown smart contracts or exchanges), and compliance risk (through full visibility and controls)**. In summary, Copper acts as a trusted custodian that sits between institutional investors and the chaotic, open DeFi world, giving those investors a way to dip into DeFi opportunities **indirectly, via a secured and supervised conduit**. This intermediary role is crucial for institutions that want the benefits of DeFi (higher yields, 24/7 markets, innovative products) but need to adhere to strict risk and compliance standards.

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**Conclusion:** The involvement of traditional finance in DeFi is no longer theoretical – it's happening through concrete pilots, investments, and new product offerings. Whether via **direct participation** (like JPMorgan trading on-chain or SocGen borrowing from Maker) or **indirect routes** (like BlackRock tokenizing a fund, or banks using Fireblocks and Copper to access yield), the trend is clear: **institutional DeFi is emerging as a parallel ecosystem**. Key infrastructure – from permissioned DeFi pools (Aave Arc) to custody-integrated wallets (MetaMask Institutional) – is maturing to meet the needs of large financial players. These tools are solving for compliance (KYC/AML integrated by design), custody (secure key management and legal accountability), and risk management (credit assessments, whitelists, and insurance). In doing so, they are enabling **traditional institutions to engage with decentralized finance confidently and at scale**. The coming years will likely see even more convergence, with **tokenized real-world assets and institutional liquidity transforming DeFi** into a blend of open and permissioned markets. The groundwork laid by the entities profiled above suggests a future where the lines between TradFi and DeFi blur, as banks and asset managers become active users of decentralized protocols – all under the hood of robust institutional safeguards. The partnership of TradFi experience with DeFi technology could unlock new efficiencies and liquidity in global markets [45] [35], ultimately benefiting both ecosystems through greater adoption and innovation.

**Sources:** Citations are provided throughout the report in the format 【source†line】 linking to the referenced materials.

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