

KYC Token for Stellar built on Soroban

Real World Asset Building Block Framework - KYC Token



 Building Block Framework

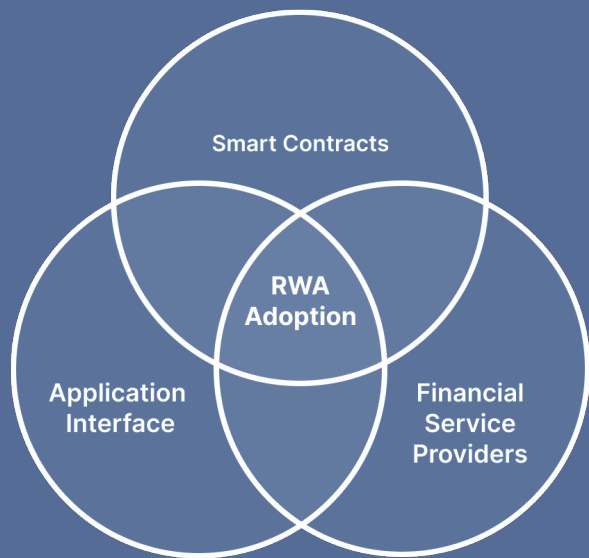
OVERVIEW

Stellar Asset Contract - KYC Token

The Goal of the KYC Token is to allow for regulated financial Real World Asset (RWA) transactions on the stellar network.

Enabling Financial Service Providers (FSP) to verify identity in a method that is compliant with local regulatory financial rules to accelerate Financial Service provider adoption of Stellar Asset Contracts for Real World Assets to reduce barriers to global financial for US real world assets and other assets around the globe.

Build the KYC Token as part of the larger Building Block Framework



What is the Building Block Framework - BBF

- The Goal of the Building block Frameworks is to accelerate Adoption of Real World Assets by Financial Institutions and Financial Service Providers.
- The BBF goal is to solve the Need for Hybrid tokenized Asset Infrastructure to enable Financial Services Providers, whether they are banks, Brokers, Fintechs or other Financial Organizations to utilized Blockchain solutions for Real World Assets that are regulated by the jurisdiction where the assets are located.
- The Building Block Frameworks concept is a suite of Stellar Asset Contracts that that meet the regulatorily required functions that Financial Service Provider must perform to issue Real world assets.
- Essential component of the BBF are user interface applications that enable Financial Service Providers to adopt the Sellar Asset Contracts for the Real World Assets.



Building Block Framework

INTRODUCTION - What is Know-Your-Customer

Know-Your-Customer (KYC) regulation is a set of guidelines designed to verify and authenticate the identity of clients by businesses, particularly in the financial sector. Its primary goal is to prevent money laundering, fraud, and terrorist financing. KYC requires Financial Service Providers and Organizations to gather relevant information about their customers, such as identification documents, and proof of address, ensuring transparency and accountability.

Financial Service Providers are required to implement KYC procedures, so that they can assess and manage risks associated with their customers, and comply with legal obligations. KYC regulations are implemented in global jurisdictions with the goal of safeguarding against illicit activities and maintaining the integrity of financial systems where Real World Assets reside.

OVER
\$1.5B

SPENT ON e KYC
In 2022¹

OVER
950K

Financial Professionals have
to comply with KYC^{2,3}

OVER
40K

Registered Financial
Firms⁴

WHY A KYC TOKEN

NEED

Financial Institutions and Financial Service Providers need a method of applying their KYC policies to link and Individual to a Wallet to enable Tokenized Real World Assets Offerings, transactions and settlement.

WHY

Financial service providers are the final responsible party for KYC.

EXAMPLE

“Binance and CEO Plead Guilty to Federal Charges in \$4B Resolution”⁵



SOLUTION STELLAR ASSET CONTRACT - KYC Token

Create a Stellar Asset Contract on Sorban that enables a Financial Institution or Financial Service Provider to fulfill their centralized KYC process on an individual, associate a wallet to that individual, and issue a Token for a specific duration of time.

The KYC Token can then be used by other Building Block Framework Stellar Asset contracts that have been issued by the Financial Institution or Financial Service Provider to streamline KYC verification and allow for automated execution of an offering, transaction, or settlement.

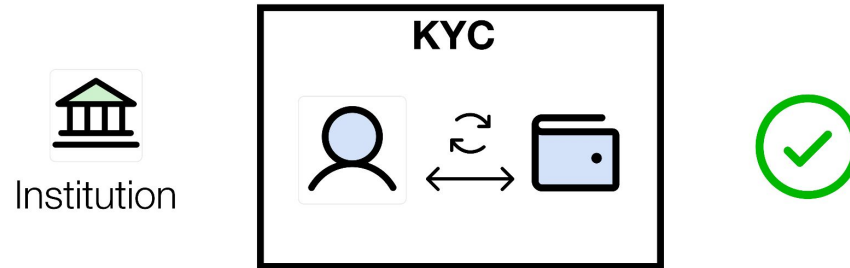
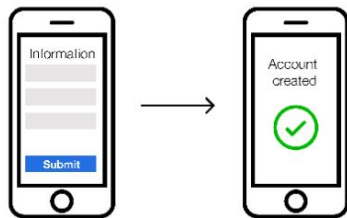


Figure 1. KYC Process Requirement

KYC Token - Feature Diagram

User KYC

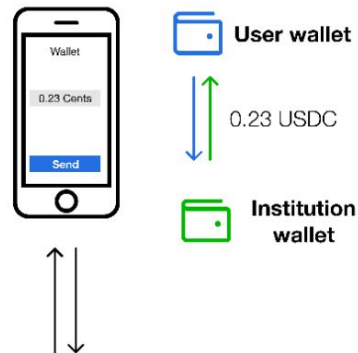
User interface



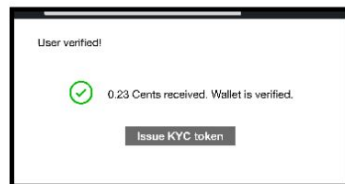
Administrator



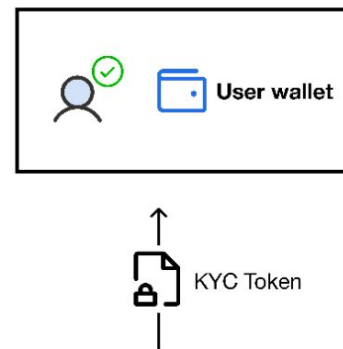
Wallet Verification



Administrator



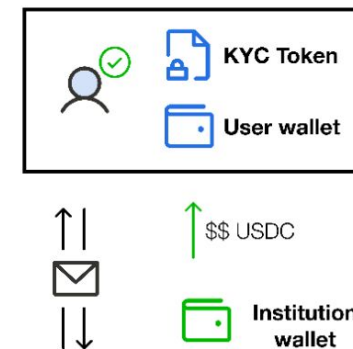
Issue KYC Token



Administrator



Sample Function



Administrator

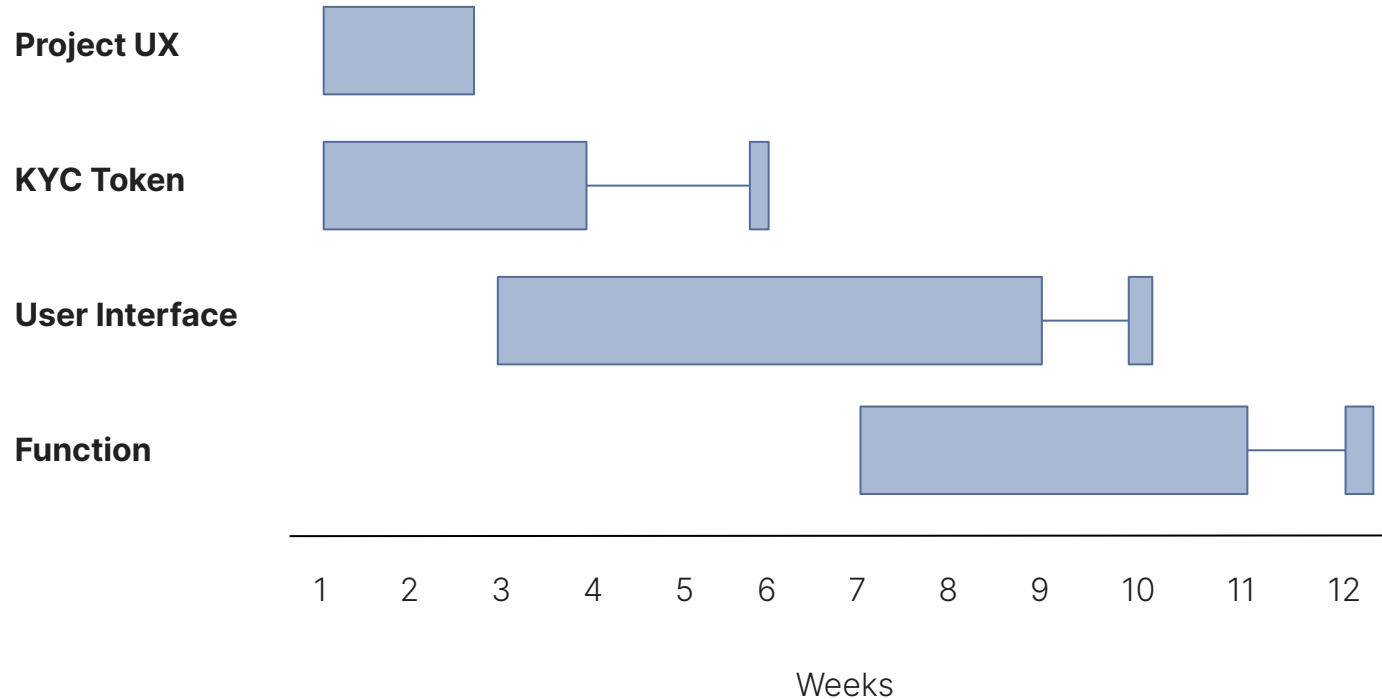


Figure 2. KYC Token and UI Workflow

GRANT PROJECT SCOPE

- UX/UI - KYC Token Management Dashboard
- KYC Token
- KYC Token Management Application
- KYC Compliant USDC Distribution

Development Timeline: 10 -12 Weeks



Why Stellar Protocol & Stellar Asset Contracts?

The federated Byzantine agreement (FBA) model of the Stellar Consensus Protocol (SCP) addresses some critical regulatory and market issues faced by financial service providers (FSP) in the United States. These advantages include:

Flexible Trust - The ability of a regulated institution to trust any combination of parties and an understanding of who the participants in the network enable each FSP to have confidence in the network that is validating the financial transaction.

Environmental Impact - As referenced in the network evaluation study done in partnership with audit firm PWC, the SCP network has one of the most negligible environmental impacts in comparison to other Proof of Work (PoW) and Proof of Stake (PoS) protocols.

Securities Risk - As the SCP grows organically through participation, there are no staking rewards associated with SCP compared to other PoS protocols. A significant concern for FSP is that staking rewards may trigger other regulatory compliance. The FBA used by SCP rather than a rewards-based model, FSP can avoid additional regulatory risk dependent on regulatory requirements of the offering.

Community - The Seller Foundation community is measured not measured the number of participants but by the quality of anchor participants, including Franklin Templeton, Coinbase, circle, MoneyGram, and Wisdomtree. FSPs are more likely to use tools that other institutions use with confidence.

Low Cost - The SCP has one of the lowest transaction costs. Unlike the reward mechanisms in other PoS protocols, the SCP use of FBA decreases the financial transaction costs for FSP, expanding the number of HTA products that can be created.

REFERENCES

1. Binance and CEO Plead Guilty to Federal Charges in \$4B Resolution - <https://www.justice.gov/opa/pr/binance-and-ceo-plead-guilty-federal-charges-4b-resolution>
2. AML/KYC SEGMENT SHARE & SIZING - 2022 - <https://tpicap.com/burtontaylor/reports/2022AMLKYC>
3. Occupational Employment and Wage Statistics - <https://www.bls.gov/oes/current/oes132052.htm>
4. 2022 FINRA Industry Snapshot - <https://www.finra.org/sites/default/files/2022-03/2022-industry-snapshot.pdf>
5. Q4 2021 RIA Data Report - <https://www.fintrx.com/blog/fintrx-q4-2021-ria-data-report>