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Please note that One River Digital, a subsidiary of One River Asset Management, was acquired by Coinbase as of March 3, 2023. Read more [here](#).

market notes: Some Roads Need a Bridge



5 MAY 2023

DeFi protocols came through last year's stress test with flying colors for engineers at the expense of investors. Proof of concept is established. But it is incomplete. Our Onebridge platform builds on DeFi strengths and integrates into the regulatory mainstream. We see EIP-4337 as an unlock to user experience. The future starts

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coinbase ASSET MANAGEMENT

One River Digital Asset Management has been acquired by Coinbase and is now Coinbase Asset Management. Additional details on the transaction may be found on the [Coinbase blog](#). References to One River Asset Management and One River Digital Asset Management may be contained herein during the transition period but are subject to change.

market notes: Some Roads Need a Bridge
5/5/23 - Shaun Martinak, Marcel Kasumovich, Hans Bhatia

1. “Before discussing today’s meeting, let me comment briefly on recent developments in the banking sector. Conditions in that sector have broadly improved since early March, and the U.S banking system is sound and resilient,” Fed Chair Powell led with his [press conference](#). Signature Bank, Silicon Valley Bank, and First Republic Bank build a snowman of equity losses that are nearly as great as the 2008 downturn (Figure 1). Yet, credit markets remain strong. Such is the power of consolidation – assets to large banks, losses to taxpayers.
2. Today’s banking crisis is just like Decentralized Finance (DeFi) last year, you say? Quite the contrary. DeFi took the opposite tradeoff of traditional banking, sacrificing short-term value for long-term stability. MakerDAO made [record](#) earnings in January 2022 by liquidating the collateral of clients to preserve financial stability.* And when financial stability issues arose, open forums engaged on appropriate policy responses for all to see and decide in almost real-time. It worked. Yes, [MKR](#) is one-tenth its peak value. But the protocol never stopped working.
3. Destruction, when creative, propels humanity to new heights. That’s the lesson from last year’s downturn in DeFi. Proof of concept. But the model is incomplete absent regulatory discipline. That’s a lesson in history, too. The UK led the Industrial Revolution not because of geographic advantage or raw materials. Integrating values like property rights was the [unlock](#) for entrepreneurial exploration. Merging digital asset technologies and their platforms into the regulatory mainstream requires a bridge.
4. So, we built it – [Onebridge](#).
5. Onebridge is a digital asset platform that brings traditional financial activities into the digital world. Regulatory frameworks are a design feature, not a friction. Onebridge integrates contract law, the default/ recovery process, securitization, and secondary trading capabilities natively into a blockchain (Figure 2). The Onebridge beta version provides an AML/KYB’d environment, with protocols to enable digitally native Commercial Paper, the tranching of real asset cash flows, and a means to tokenize off-chain assets.
6. In the past year, we demonstrated Onebridge to governments, policy organizations, financial intermediaries, non-financial corporations, and investors. The feedback universally focused on the efficiency of user experience. At best, the current interaction between digital wallets and smart contracts is clunky. Want to execute familiar financial workflows with smart contracts? It is click, click, and double-click on

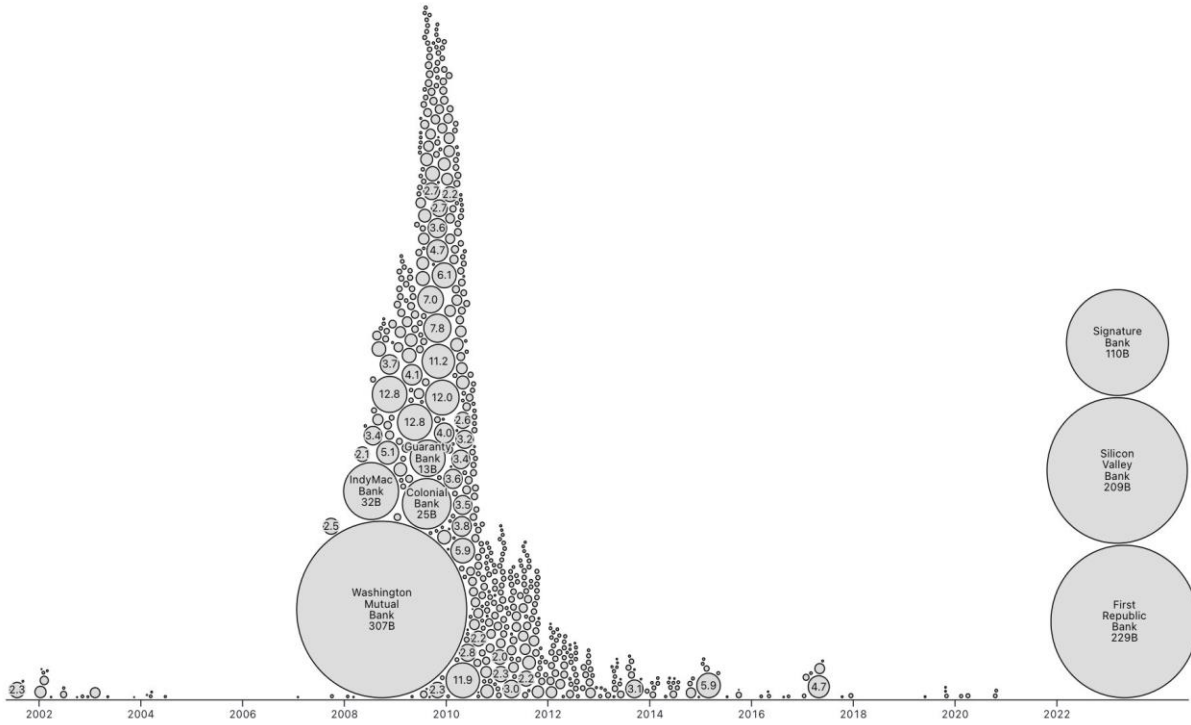
wallet infrastructure that must sign every operation and wait for a new block to proceed (Figure 3). Smart contract safety and security requires it.

7. Then [EIP-4337](#) arrived. A new standard called “account abstraction” that allows users to create and run smart contract wallets. Hans teaches you all about it in his [Medium](#) post (Figure 4). This improvement greatly increases the flexibility around the user experience – without consensus-layer protocol changes – making it far more efficient to implement. What’s the unlock for EIP-4337? Integration of immutable logic meeting regulatory standards (AML/KYC), one-click batch transactions, ability to pay Ethereum gas in regulated stablecoin, or use a platform that pays for you.
8. It's early days, but the value of EIP-4337 is integrating into Onebridge version 2.0. We listened to the feedback and leveraged the features of account abstraction to generate four key improvements to user experience.
9. First, it is one-click shopping. Wallet interactions are now reduced to a single click, like the current Web2 user experience.
10. Second, investors are no longer required to hold ETH in their wallets to pay for gas. The costs of creating instruments, clearing auctions, and settling cashflows are directly integrated into the platform.
11. Third, auction bids reserve prices are now private. With EIP-4337 integrated, private information is held in an off-chain component waiting to clear the auction. The results, and the integrity of the auction process, are printed to the blockchain.
12. Fourth, capital efficiency is considerably improved. If a bid does not have sufficient capital at the time of auction it is removed. Penalties are seamlessly applied and the auction proceeds, establishing a new price without delinquent bidders.
13. Calling all issuers, investors, central bankers, and policymakers. Onebridge is a platform that has the capacity to bridge digital and conventional markets. CBDCs, stablecoin, bonds, windmills, mining cash flows – Onebridge is building a standard and the standard will be defined by the network. The future is now.

PS – And we can’t wait to show you the unlocks from [Base](#).

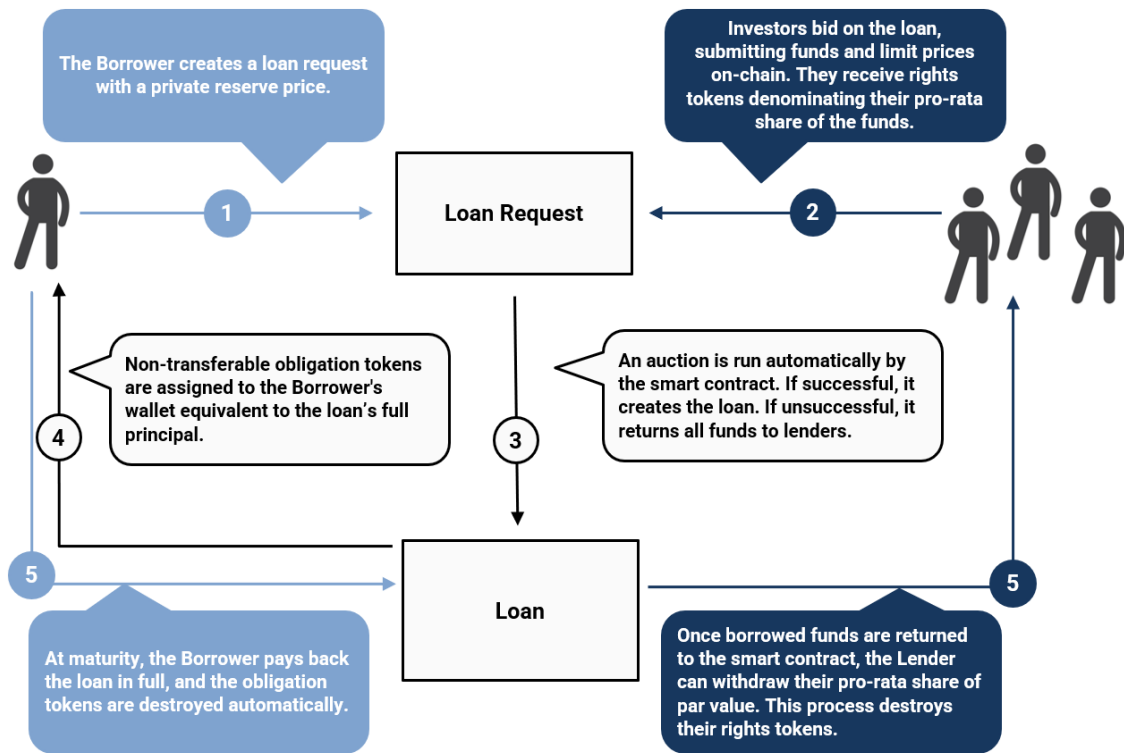
*As compared with earnings from inception to April 2023 in the “[Detailed P&L Chart](#).”

Figure 1: Assets of Bank Failures



Source: Financial Times.

Figure 2: Onebridge Flow of Funds, Integration into the Regulatory Mainstream



Source: Coinbase Asset Management.

Figure 3: Onebridge Onchain Final Settlement

The screenshot shows the Etherscan interface for a transaction on the Sepolia Testnet Network. The transaction details include:

- Transaction Hash:** 0xd3ac745a6849d1fc50fa133f5e550bd02e5cac8c27872b19c5a72ce4855d7f112
- Status:** Success
- Block:** 2862140 (2 Block Confirmations)
- Timestamp:** 29 secs ago (Feb-08-2023 11:15:48 PM +UTC)
- From:** 0xe581f08c75ecaaf5918b952c3138bbef2c208ba9
- Interacted With (To):** Contract 0x6c0c63d0cb5ca507ad5891b905d4d569b9a5f384

The transaction details also show ERC-20 Tokens Transferred:

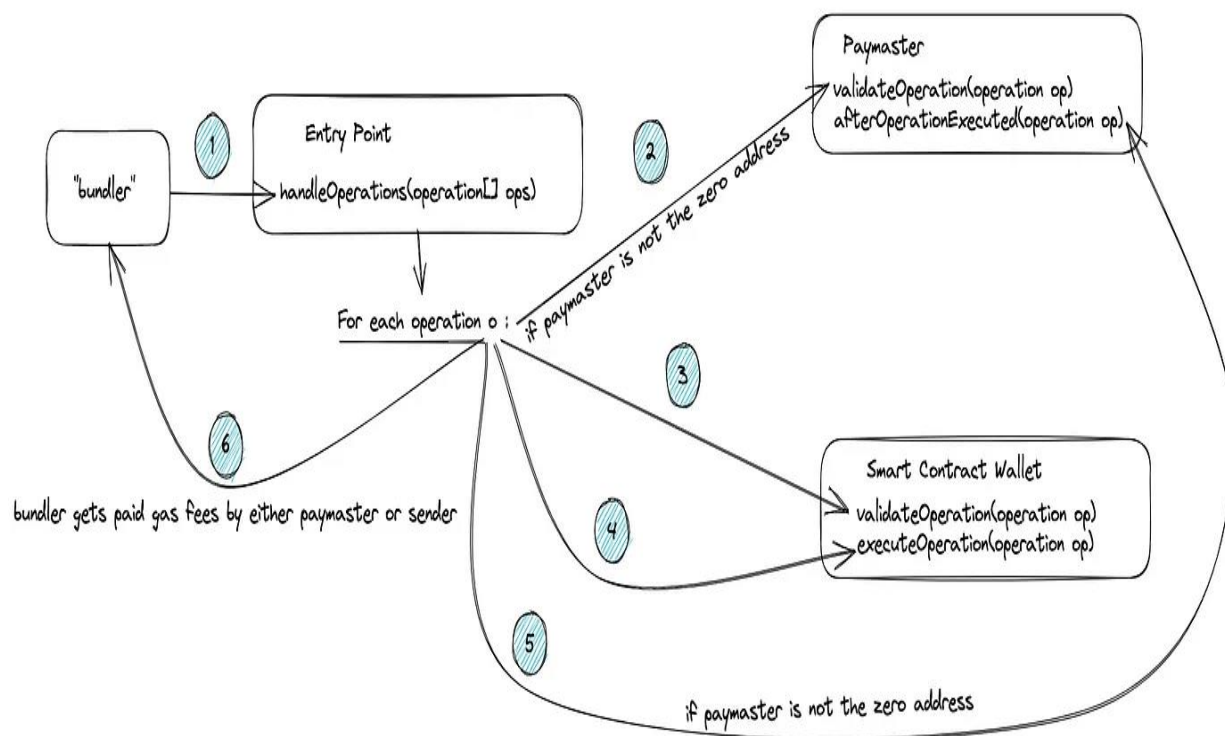
- From 0xe581f08c75eca... To 0x87cb85e5e6769... For 199,999,900 oneBridgeUSD (obUSD)
- From 0xe581f08c75eca... To 0x0000000000000000... For 199,999,900 ObligationTo... (OT-62)
- From 0xa634cf696c39c7... To 0x0000000000000000... For 97,044,216.18375 RightsToken... (RT-62)
- From 0x87cb85e5e6769... To 0xa634cf696c39c7... For 97,058,775 oneBridgeUSD (obUSD)
- From 0x4a3fc59fff02ffc8... To 0x0000000000000000... For 102,925,683.83125 RightsToken... (RT-62)
- From 0x87cb85e5e6769... To 0x4a3fc59fff02ffc8... For 102,941,125 oneBridgeUSD (obUSD)

The repayment modal on the right displays the following information:

- Repayment Info:**
 - Borrowed Amount: \$199,999,900.02
 - Interest Incurred: \$29,999.98 (0.015% over 1 days)
 - Annualized Interest: 5.400% annualized rate
 - Maturity Date: 2/9/2023
 - Repayment Amount: \$199,999,900.00
- Instructions:** The Ethereum Network requires two (2) wallet signatures in order to repay the biz.
 - Approve Repayment
 - Repay
- Buttons:** Cancel, Approve

Source: Coinbase Asset Management.

Figure 4: How EIP-4337 Works



Source: Coinbase Asset Management. Adopted from Hans Bhatia [explanation](#).

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