Steakhouse Financial

Overview of BUIDL

BlackRock USD Institutional Digital Liquidity Fund, Ltd

April 2024

Steakhouse Financial Chefs

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Steakhouse Commentary

The landscape of tokenized treasuries has seen considerable growth and diversification since the introduction of our 1st Tokenized T-Bills Review in July 2023. Now, the introduction of BlackRock's "BUIDL" marks a landmark development in this evolution, signifying an important advancement in the institutional adoption of public blockchain technology. Steakhouse Financial has consistently focused on Real World Asset innovation, and BUIDL's launch resonates with our perspective on the potential for a synergistic relationship between traditional finance and decentralized finance.

While hostile regulatory regimes have so far largely impeded the integration of crypto into the broader economy, BlackRock's entry into the market is important for two reasons. First, it signifies the increasing level of comfort legacy institutions have with navigating the regulatory hurdles in bringing tokenized products to market. Second, it's evidence that the transformative potential of blockchain technology is worth pursuing *despite* these regulatory challenges. Although the market is still iterating on the best ways to bring traditional financial products on the blockchain, this product is a testament to the inevitability of tokenization.

Furthermore, BlackRock's choice of Ethereum as the foundation for BUIDL suggests a strong confidence in the network's capabilities – its security, stability, and the vibrant ecosystem that supports it. BUIDL's marketing documents reveal that the Fund is authorized to issue other classes of shares in the future on another blockchain or layer 2 network. Such language indicates that we are not merely witnessing a token gesture, but a strategic move by savvy market players.

One of the most significant new features brought by BlackRock comes in the form of their USDC liquidity facility for BUIDL, representing a watershed moment for on-chain liquidity. This will usher in a new standard, where users can seamlessly and atomically exchange substantial volumes of the BUIDL tokens for USDC, on demand and 24/7. This newly established on-chain liquidity will undoubtedly have ripple effects into the rest of DeFi, encouraging deep integration and adoption by existing protocols and capital pools.

BlackRock's foray into public blockchains with BUIDL isn't merely an expansion of their product line—it's a bold endorsement of blockchain technology by the financial establishment, signaling a new era of institutional investment in public blockchains. It highlights the growing readiness of institutions to engage with public blockchains, navigate the changing regulatory environment, and explore the possibilities within DeFi. As staunch advocates and dedicated participants in the world of DeFi, Steakhouse Financial views this development as an inflection point and a signal that tokenized financial products have reached a new level of maturity and acceptance within the traditional financial sector.

Executive Summary

Product Name	BlackRock USD Institutional Digital Liquidity Fund Ltd (“BUIDL”)
Issuing Entity	A limited company incorporated under the laws of the British Virgin Islands, operating as a professional fund.
Underlying Assets	US Treasury bills, notes, and other securities guaranteed by the US Treasury, repurchase agreements, and cash
Tokens	ERC-20 Tokens on Ethereum
Permissions	Primary and Secondary trading limited to whitelisted investors passing a KYC/AML onboarding process
Yield Distribution	Dividends accrue daily at 3:00pm EST to the Shareholder of record and are distributed in-kind on the first business day of the following month
Liquidity Facility	Smart-contract managed USDC
Fees	Not publicly disclosed

Tokenized Fund Shares

Shares will be issued as digital securities, tracked and transferred using ERC-20 tokens on the Ethereum blockchain. However, the register maintained by the Transfer Agent is the authoritative source of share ownership, taking precedence over any blockchain records in case of discrepancies.

Low-Risk Underlying Assets

BUIDL's assets include cash, US Treasury bills, notes, and other securities guaranteed by the US Treasury, along with repurchase agreements backed by these obligations or cash. The Fund invests in variable and floating rate instruments that are set to mature within three months from their purchase date.

Daily Dividend Accrual

Each Shareholder's dividend is their proportional share of the day's net investment income minus their share of the Unitary Fee. Dividends are calculated daily for shareholders who own shares as of 3:00 p.m. New York time on the day they're declared, accruing from the day a share subscription becomes effective until the day before the shares are redeemed. Dividends are paid in-kind to investors on the first business day of the following month.

KYC/AML Compliance and Whitelist

The Transfer Agent will keep a "whitelist" of investors who have passed checks for suitability, anti-money laundering, or "know your client" verification. Only the whitelisted users can subscribe for or acquire shares on the secondary market. Generally, transfers of shares between these accounts are allowed at any time, even when the Fund is not open for new subscriptions or redemptions.

USDC Liquidity Facility

In order to enhance the immediately available liquidity of BUIDL tokens, BlackRock, in connection with Circle, has established a smart-contract controlled pool of USDC that is exchangeable for BUIDL tokens 24/7, creating atomic liquidity for the Fund. Users may access this USDC pool via the Securitize UI or directly with the smart contract.

DeFi Integration

Rebasing tokens often present problems for integration with DeFi applications. As a remedy, these tokens are typically wrapped in ERC-4626 contracts in order to accrue yield in price terms rather than a rebased notional amount. BUIDL’s monthly in-kind distributions may cause similar integration issues to rebasing tokens but may not be solved by existing solutions. The yield for BUIDL tokens is tracked daily in an off-chain process by the Transfer Agent until an in-kind distribution is made once per month. As a result, new wrapping solutions will need to be engineered specifically for BUIDL in order to accurately capture a users pro-rata yield accrual.

Additionally, since both primary and secondary activity is only permitted for whitelisted addresses, any DeFi application that attempts to utilize the BUIDL tokens will need to have its relevant smart contracts approved by the Transfer Agent prior to their integration. It is uncertain whether these smart contracts can or will be whitelisted by the relevant parties.

1. Structural Analysis

The information herein is sourced primarily from the BlackRock USD Institutional Digital Liquidity Fund Ltd Offering Memorandum and supplementary materials. For a complete description of the Fund, including its risks, please refer to the Offering Memorandum and governing documents directly.

1.1. Structure

Term	Definition
The Fund	BlackRock USD Institutional Digital Liquidity Fund Ltd. is a limited company incorporated under the laws of the British Virgin Islands
The Investment Manager	BlackRock Financial Management, Inc., a Delaware corporation that is a wholly-owned subsidiary of BlackRock, Inc
The Board of Directors	Certain individuals responsible for the management, operation and administration of the Fund
The Shares	Non-voting, participating Class A shares with no par value. The shares will be in the form of digital securities, recorded as ERC-20 tokens on Ethereum
Unitary Fee	Per annum fee applied on the Net Asset Value
US Dollar Redemption	Generally, Shareholders can redeem their shares on any business day
Compulsory Redemption	The Board of Directors, at their discretion, may force the redemption of any shares
Transfer Agent	Securitize, LLC, SEC registered transfer agent and technology service provider
Administrator	The Bank of New York Mellon
Custodian	The Bank of New York Mellon
Placement Agents	Securitize Markets, LLC, a Delaware limited liability company registered as a broker-dealer with the SEC
Auditor	PricewaterhouseCoopers LLP

1.2. Investment Program

The Fund will allocate its assets into cash, U.S. Treasury bills, notes, and other government-backed securities, as well as repurchase agreements backed by these securities or cash. It aims to invest in these types of securities, whether newly issued or in secondary markets, that are due to mature in three months or less from the time of purchase. The Fund may invest in securities with variable or floating interest rates.

Additionally, the Fund might place some of its investments into one or more government money market funds managed by BlackRock or its affiliates. These money market funds also focus on similar types of investments. Any allocation into these BlackRock-managed money market funds is treated as though it is directly invested in cash and those securities.

1.3. Issuance & Redemption Process

The issuance process is as follows:

The Fund will start accepting investments in its shares every business day starting at 8:00 a.m. New York time. For an investment to be processed on the same day, it needs to be properly submitted and the payment, in U.S. dollars, must be received in the Fund's account before 2:30 p.m. New York time. The minimum initial subscription is $5,000,000, with a minimum $250,000 for additional subscriptions. Once payment is received, Investors will receive ERC-20 tokens to their address of choice.

The redemption process (excluding the USDC liquidity facility) is as follows:

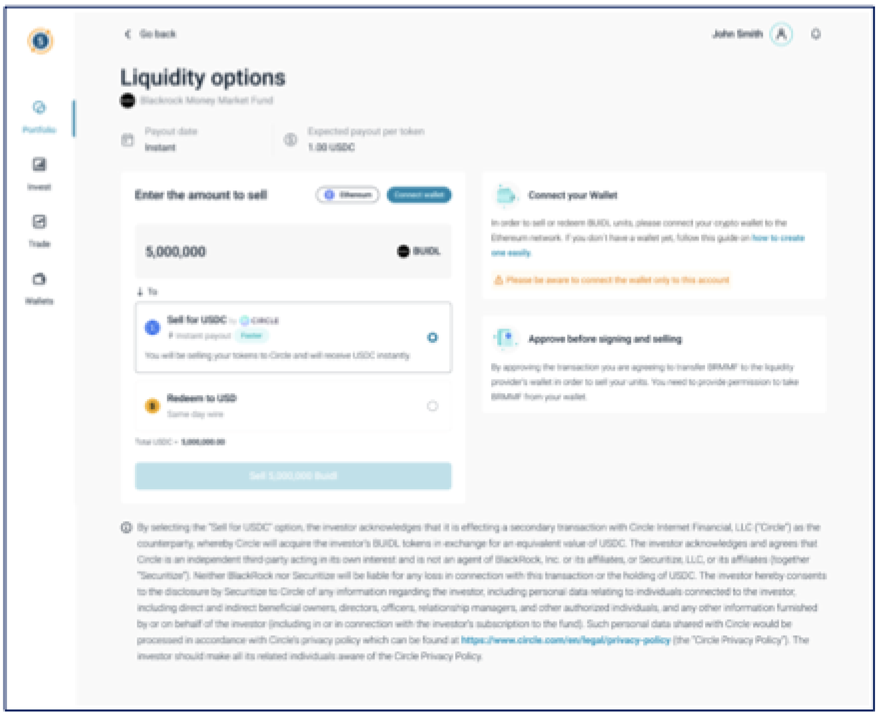
Shareholders can sell back any or all of their shares for U.S. dollars on any business day. For a sell-back request to be considered on time and in proper order, it needs to be submitted to the Transfer Agent between 8:00 a.m. and 3:00 p.m. New York time on the day of sale. Two conditions must be met for the request to be processed: first, the shares must be transferred to the Transfer Agent’s digital wallet on the blockchain, and second, this transfer must be recorded in the Fund’s records by the deadline. Shareholders also have the option (but are not required) to submit their sell-back request online at the specified website. If Shareholders transfer their shares to the Transfer Agent’s wallet without explicitly submitting a request online, it will be considered as if they have submitted a sell-back request.

However, shares cannot be sold back unless their total value is at least $250,000, or if an exception is granted. The Fund reserves the right to buy back all shares from any investor whose total investment does not reach or exceed $250,000.

1.4. USDC Liquidity Facility

In order to enhance the liquidity of BUIDL tokens beyond the methods mentioned in the Issuance & Redemption Process section above, BlackRock, in connection with Circle, has established a smart-contract controlled pool of USDC that is exchangeable for BUIDL tokens 24/7, creating atomic liquidity for the Fund. Users may access this USDC pool via the Securitize UI or directly with the smart contract. BUIDL tokens are exchanged at a rate of 1 USDC per BUIDL token. Any accrued and unpaid interest from the Fund will be distributed on the next payment date in-kind for wallets with remaining BUIDL balances or in USD off-chain for wallets fully-redeeming their BUIDL balance. See the Dividends section below for more information.

Redemptions may only occur if both sides of the exchange can be completed – BUILD tokens sent from the user's wallet and USDC deposited in exchange. Available liquidity may be checked on-chain prior to any redemption attempt. Automatic compliance mechanisms may be leveraged by other smart contracts to provide additional functionality, provided that all parties have been KYC'd and the exchange is compliant with the defined restrictions.



1.5. Dividends

The Fund declares dividends daily when its net earnings from investments are higher than the fees charged for a given day. Each Shareholder's share of the dividends is calculated based on their ownership percentage, subtracting their share of the day's fees from the Fund's net income. Dividends for each share are calculated for Shareholders who own the shares as of 3:00 p.m. New York time on the day the dividends are declared. Dividends start to accumulate from the day an investment in shares is finalized and continue to grow daily until the day before those shares are sold back to the Fund.

The Fund automatically reinvests dividends for its Shareholders, issuing additional shares and tokens equal to the value of those dividends on the first business day of the month after they were declared. However, if a Shareholder has sold or transferred all their shares before the last business day of the month, the dividends for that month will be paid out in U.S. dollars within three business days after the month ends. It's important to note that dividends are not cumulative, meaning new dividends won't be declared on previously declared dividends until after those dividends have been reinvested as described.

1.6. Fees

Shareholders will pay a "Unitary Fee" on their investment in the Fund, calculated as a certain percentage per year of the net asset value of the shares they hold. This fee is taken from the Fund's net investment income that would otherwise be paid to the Shareholder. If the Fund's net income on any given day is less than the fee due, the fee will be reduced so that it does not exceed the day's net income. This fee is calculated daily for each Shareholder.

If the Fund invests in any BlackRock-managed money market funds, the Unitary Fee will be decreased by the amount of any fees and expenses of these funds that the main fund bears.

Any amount of the Unitary Fee that exceeds the Fund's monthly costs (such as organizational, offering, operational expenses, and any fees and expenses related to administration and custody, as well as any fund indemnification obligations) will be paid monthly to the investment manager as per the management agreement.

2. Legal Overview

The BUIDL Fund will offer investors non-voting, participating Class A Shares, issued in the form of digital securities. This section reviews some of the features of BUIDL that have been employed from a legal perspective to bridge the worlds of crypto and TradFi.

2.1 Record of Ownership

Although records of ownership of Class A Shares will be viewable on the Ethereum blockchain (and records of ownership of other classes of Shares may be viewable on a different blockchain), title to and beneficial ownership of the Shares will be reflected on the register of members maintained by the Transfer Agent (see below), which register governs the legal ownership of the Shares in all circumstances and, in the event of any discrepancy between the ownership reflected on such register and on the blockchain, the records reflected on such register will control.

2.2. Key Parties

2.2.1. The Fund (BUIDL)

BlackRock USD Institutional Digital Liquidity Fund Ltd. (“BUIDL” or the “Fund”) is a limited company incorporated under the laws of the British Virgin Islands on 18 September 2023, to operate as a professional fund.

2.2.2. The Board of Directors

The Fund’s Board of Directors and each member of the Board of Directors has overall responsibility for the management, operation and administration of the Fund. Made up of both employees of BlackRock, Inc and non-employees, the Board of Directors is able to delegate certain responsibilities to the Investment Manager or its other duly authorized agents in its sole discretion.

2.2.3. Investment Manager

Pursuant to the Investment Management Agreement, BlackRock Financial Management, Inc., a subsidiary of BlackRock, Inc, serves as the Investment Manager of the Fund. The Investment Manager will provide investment management and/or investment advisory services to the Fund. The Investment Manager acquires portfolio securities for the Fund from issuers or specialized dealers in money market instruments.

2.2.4. Transfer Agent

Transfer agents play a pivotal role in the securities market by ensuring that transactions of the Fund’s shares are executed accurately and efficiently, safeguarding investor rights in the process. Their duties encompass maintaining precise records of shareholders, facilitating the transfer of securities, issuing new securities and providing vital information to investors. Furthermore, they play a vital role in regulatory compliance, ensuring that the issuance and transfer of securities adhere to strict legal standards. By offering these services, transfer agents maintain the integrity of the financial markets, protect the rights of investors, and help companies navigate the complex regulatory landscape of securities transactions.

The Fund has engaged Securitize, LLC, which is an SEC-registered transfer agent and technology service provider, to serve as the Fund’s transfer agent and service provider in creating and disbursing digital asset securities on the blockchain representing the shares. Securitize will also be responsible for investor onboarding, processing subscriptions, redemptions and transfers and maintaining the register of members, and will assist the Fund’s accountants with FATCA and CRS reporting, including but not limited to providing investor data, financial information, and other data required to perform the filings in accordance with the rules.

2.2.5. Administrator

The Bank of New York Mellon will act as the Administrator for the Fund, pursuant to the Administration Agreement. It will perform various essential services under the Administration Agreement, including establishing and maintaining financial accounts, handling the Fund's financial transactions, maintaining accounting records, liaising with accountants, and calculating the daily Net Asset Value (NAV).

The Administrator does not make trading decisions, provide investment advice, or manage the Fund's investments, nor is it responsible for the Fund's performance or compliance with investment objectives and restrictions.

2.2.6. Custodian

The Bank of New York Mellon will act as the Custodian for the Fund, pursuant to the Custodian Agreement, to provide custodial services for the Fund's cash and other assets. The Fund's assets will be kept in one or more accounts under the Fund's name, with the possibility of involving subcustodians and depositories for service execution.

2.3. Suitability Requirements

Each person seeking to invest in the shares must be, among other things, (i) an “accredited investor” and (ii) either (x) a “qualified purchaser” or a “knowledgeable employee,” in each case as defined under applicable U.S. federal securities laws or (y) a non-U.S. person that is outside of the United States at the time it acquires Shares.

Each prospective Shareholder will be required to agree that no shares, nor any interest therein, will be transferred (other than to a Whitelisted Account) without the prior written consent of the Board of Directors, which consent may be given or withheld in its sole and absolute discretion.

2.4. Transfer Restrictions

The Transfer Agent operates a "whitelist" comprising investors or prospective investors who are allowed to subscribe for or acquire shares from Shareholders without needing further suitability checks or anti-money laundering verifications, termed "Whitelisted Accounts." Transfers between these accounts are generally allowed at any time, even when the Fund isn't accepting new subscriptions or redemptions, providing flexibility within a controlled environment.

However, due to the Securities Act and other regulatory requirements, shares cannot be freely traded, pledged, or otherwise disposed of without the explicit prior consent of the Board of Directors or its authorized agent. Any unauthorized attempt to transfer shares, except to another Whitelisted Account, is deemed invalid. Additionally, any share transfer, including those to Whitelisted Accounts, must adhere to the Securities Act and occur at least 24 hours after the issuing Business Day.

Currently, there's no independent market for shares, which are not listed on any digital asset exchanges, indicating that shares are intended for investment rather than speculative trading. Transactions on the Ethereum blockchain require payment of gas fees and the Shareholders will need to maintain sufficient assets to cover them. Moreover, a transfer of shares on the blockchain close to the dividend declaration cut-off may result in dividends being allocated to the transferor, not the transferee, if the transaction is not recorded in time on the Fund's books.

2.5. Additional Resources

- Securitize: A Deep Dive into the Tokenization of Real-World Assets
- Securitize: Crypto Crash Course: Investor Protection Regulations
- Securitize: Transfer Agent 101
- Steakhouse Financial: Tokenized T-Bills Review 2023

3. Financial Analysis

The Fund is composed of cash, US Treasury bills, notes, and other securities guaranteed by the US Treasury, along with repurchase agreements backed by these obligations or cash. As such, this section will provide a comprehensive review of the overall U.S. Treasury market.

3.1. Overview of the Treasury Market

The Treasury market refers to the global market for trading U.S. government debt securities, commonly known as Treasuries. These securities are issued by the U.S. Department of the Treasury to fund the federal government's operations and finance its budget deficits. The Treasury market is considered one of the largest and most liquid financial markets in the world, with investors ranging from individual retail investors to central banks, financial institutions, and large institutional investors.

There are four main types of Treasury securities:

1. Treasury Bills (T-Bills): Short-term debt securities with maturities that span from a few days up to 52 weeks. These are issued at a discount to their face value and do not distribute interest in the form of coupon payments. Rather, investors are compensated by the difference between the original issue price and the full face value delivered upon maturity.

2. Treasury Notes (T-Notes): Medium-term debt securities offered in maturities of 2, 3, 5, 7, and 10 years. T-Notes provide semi-annual interest, often referred to as coupon payments, and refund the face value upon maturity.

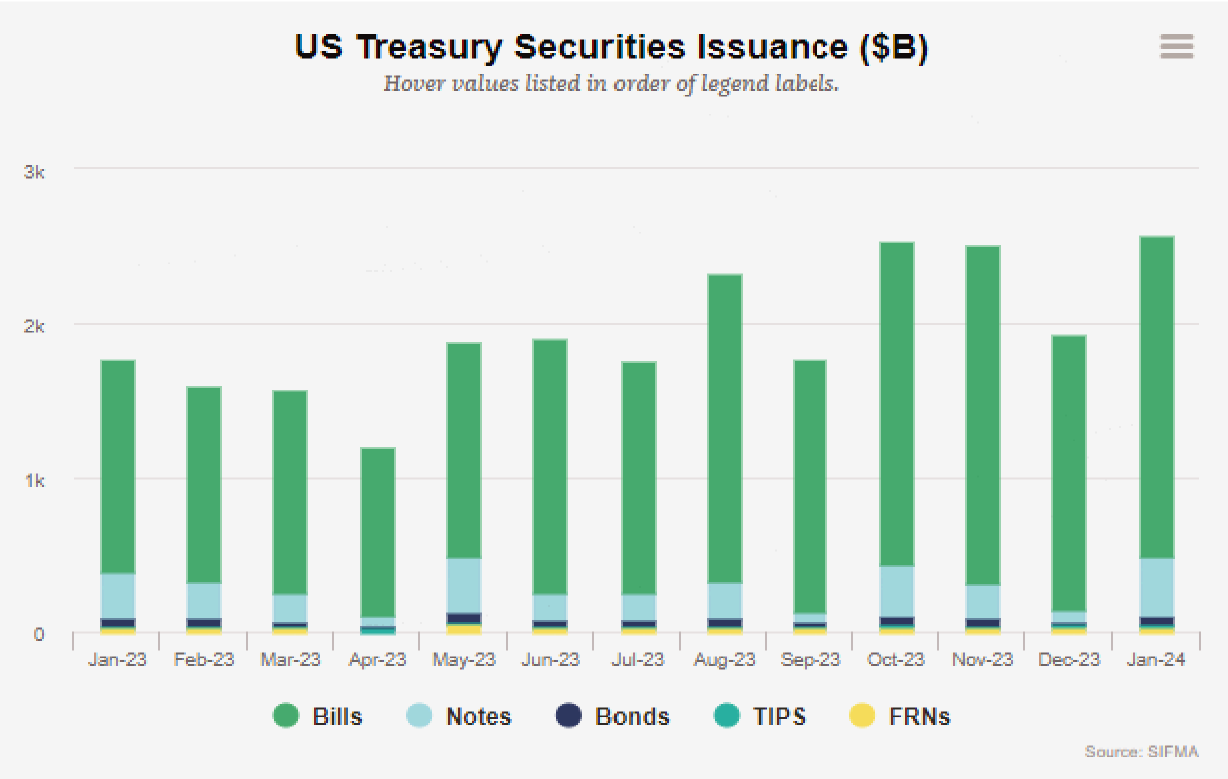
3. Treasury Bonds: Long-term debt securities that come with maturities of 20 or 30 years. Analogous to T-Notes, Treasury bonds also disburse semi-annual interest and repay the face value upon reaching maturity.

4. Treasury Inflation-Protected Securities (TIPS): Inflation-indexed debt securities, available in 5, 10, and 30-year maturities. These securities are engineered to safeguard investors from inflation by adjusting both the principal value and interest payments according to fluctuations in the Consumer Price Index for All Urban Consumers (CPI-U). However, for the purposes of this analysis, this category will be omitted.

The Treasury market plays a critical role in the global financial system, as Treasury securities are often considered safe-haven assets due to the perceived low credit risk of the U.S. government. The prices and yields of Treasury securities serve as key benchmarks for interest rates in other markets, and their performance can influence the overall economy, monetary policy, and investor sentiment.

The U.S. Government is perceived to be the strongest (and lowest-risk) USD creditor as a result of the country's full control over both fiscal and monetary policy. While the Federal Reserve is designed to be independent from the U.S. Treasury, aligned interests in economic stability suggest (and have historically shown) that the Federal Reserve would support the U.S. Treasury market with new base money before any traditional defaults occur. In the current structure, the most likely route to default would be a result of internal U.S. Government dysfunction (e.g. failure to increase the debt ceiling). This issue came to the fore in 2023, when the debt ceiling was hit on January 19th, but the effects were delayed through extraordinary measures until at least June 5th, and then later extended for several more years. There was no dramatic market reaction as this issue has periodically occurred in recent decades.

Treasury securities are issued via regular auctions conducted by the U.S. Department of the Treasury. T-Bills are issued weekly in volumes exceeding $250 billion, while T-Notes see a monthly issuance around $200 billion. Investors have the option to directly partake in these auctions, or alternatively, they can transact Treasury securities in the secondary market through a variety of avenues including brokers, dealers, and trading platforms. Notably, Treasuries are highly liquid, with daily trading volumes usually surpassing $50 billion for Treasuries that have less than a 2-year maturity.

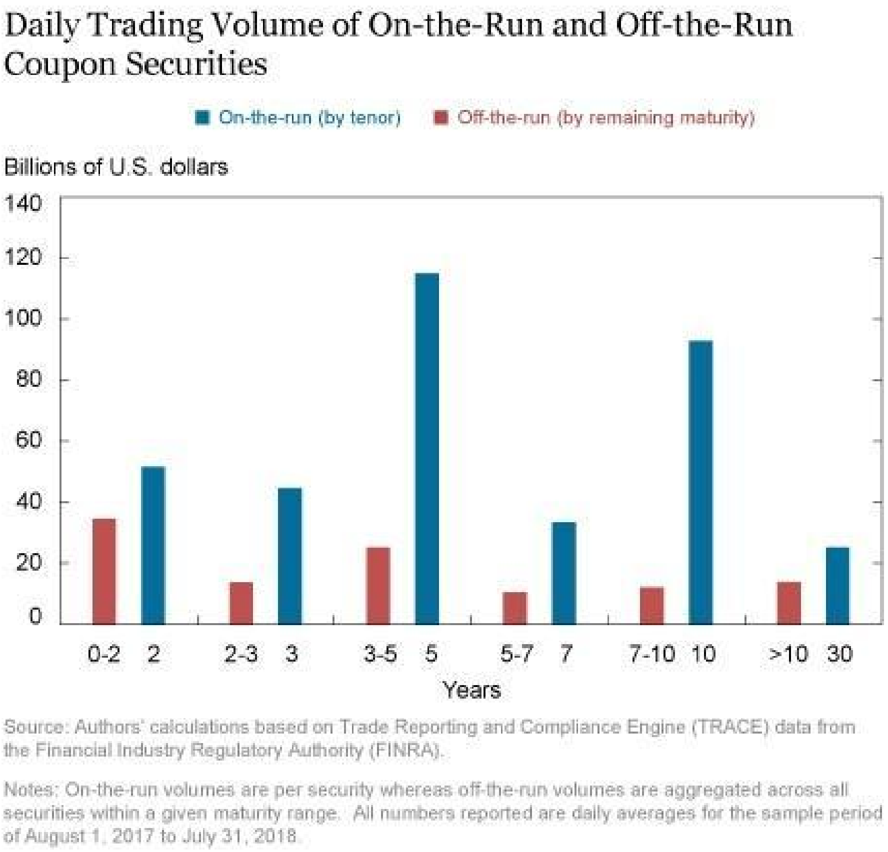


Typically, the market categorizes Treasuries into two groups. On-the-run Treasuries, which represent the most recent U.S. Treasury issues for each respective maturity, serve as benchmarks for pricing and trading fixed-income securities due to their high liquidity and substantial investor demand. Conversely, off-the-run Treasuries are older issues that have been superseded by newer on-the-run issues. As a result, they tend to have lower trading volumes and less liquidity compared to their on-the-run counterparts.

The implications of this categorization are the following:

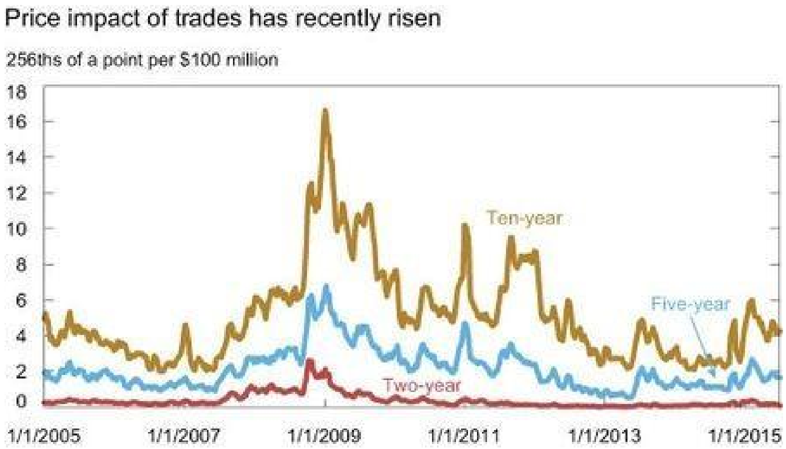
1. On-the-run Treasuries, due to their higher liquidity, typically command higher prices and yield lower returns.
2. Off-the-run Treasuries are less liquid and generally trade at a discount, offering higher yields to compensate investors for their reduced liquidity.

The difference in yield between on-the-run and off-the-run Treasuries, referred to as the "liquidity premium," functions as a barometer of market liquidity and investor sentiment. According to our research, this premium appears to be less significant for short-term Treasuries post-2000s, as demonstrated in the chart below (source).



Also shown below,[1] trading impact on the shorter end of the curve is not material.

[1] Source: New York Fed



Source: Authors' calculations, based on data from BrokerTec.
Notes: This chart plots the four-week moving average of slope coefficients from weekly regressions of five-minute price changes on five-minute net order flow for the on-the-run notes. Price is per $100 par.

3.2. Overview of the Reverse Repo Market

In recent years, overnight reverse repurchase agreements have become an attractive alternative to T-bills for many asset managers. A reverse repurchase agreement, or reverse repo, is a short-term transaction where an entity lends money to a counterparty – the Federal Reserve in BUIDL's case – in exchange for securities, often with the agreement to buy them back at a later date at a slightly higher price.

The surge in the use of reverse repos can be attributed to several factors. Firstly, regulatory changes post-2008 financial crisis, such as the Liquidity Coverage Ratio and Net Stable Funding Ratio under Basel III, have prompted banks to reduce their short-term wholesale funding and improve the quality of their liquid assets. This shift has led to an increased demand for high-quality liquid assets (HQLAs), such as government securities, which are often used in reverse repo transactions.

Secondly, the monetary policy of central banks, particularly the Federal Reserve, has played a significant role. The Fed's use of its reverse repo facility has allowed it to set a floor on short-term interest rates and manage the abundant reserves in the banking system when the supply of similar assets (T-bills) is not sufficient to meet demand. For asset managers, participating in these transactions provides a safe haven for excess cash, while earning a small but predictable return.

3.3. Duration Risk

Although less material compared to longer dated treasury bonds, the primary financial risk associated with T-bills is their duration risk. Duration risk is a specific type of financial risk that stems from the sensitivity of the price of a fixed-income investment to fluctuations in interest rates. The duration of a fixed-income investment measures the average length of time until the investor receives the present value of all the investment's future cash flows, including both coupon payments and the principal amount at maturity. For short-term and low coupon products, the duration is very close to the maturity.

When interest rates change, the present value of the future cash flows of a fixed-income investment changes as well. Duration risk is, therefore, the risk that the price of the fixed-income investment will vary in reaction to changes in interest rates. Generally, the longer the duration of a fixed-income investment, the more sensitive its price is to changes in interest rates.

With a duration of 0.25 (~90 days), an unexpected 1 percentage point interest rate rise (which would be a material outlier) would decrease the NAV of the portfolio by 0.25%. As currently the yield to maturity of short-term government securities is above 5%, it would take roughly 15 days to be compensated for the mark to market loss by the yield to maturity (of 6% after the 1% increase). It's also worth noting that the 0.25% decrease should be considered in conjunction with transaction fees.

Given that BUIDL’s portfolio is very short duration (limited to assets that mature three months or less from the date of purchase), the duration risk would be considered very low and not significant for the average BUIDL investor.

4. Competitive landscape

In this section we review and compare BUIDL with other similar products that are already live. This isn't intended as a complete review of these products, for additional information on similar products providing a yield from T-bills, please see Steakhouse's 2023 Tokenized T-Bill Memo.

4.1. Comparison of Tokenized Treasury Products

Product	Type	Permissionless *	Underlying	Networks	Market Cap
BlackRock BUIDL BlackRock	British VIrgin Islands Professional Fund	No	Treasuries and Repo	Ethereum	-
Backed bIB01 BACKED	Structured product, Prospectus Regulation DLT Act (Swiss)	Yes	IB01 ETF	Ethereum, BSC, Polygon, Gnosis, Arbitrum, Fantom, Avalanche, Base	$31M
Ondo OUSG Ondo	Partnership Interest Private Placement Delaware LLC	No	SHV ETF	Ethereum, Polygon, Solana	$104M
Flux fUSDC Flux	DeFi Repo on OUSG	Yes	OUSG collateral	Ethereum	$25M
Swarm TBONDS01 swarm	Structured product, Prospectus Regulation	No	IB01 ETF	Polygon	$0M ($8k)
OpenEden TBILL OpenEden	Partnership Interest Private Placement BVI Professional Mutual Fund	No**	Treasuries	Ethereum, Arbitrum	$22.5M
Matrixdock STBT matrixdock	Tokens in a Seychelles Issuer	No	85% Repo and 15% Treasuries	Ethereum	$80M

Product	Type	Permissionless *	Underlying	Networks	Market Cap
Maple Cash Pool MAPLE	Delaware LLC	No	Repo and Treasuries	Ethereum	$10M
Franklin Templeton BENJI FRANKLIN TEMPLETON	U.S.-registered mutual fund	No	Treasuries	Polygon, Stellar	$300M
Superstate Superstate	Rebasing Fund tracking short term US treasuries	No	Treasuries	Ethereum	$27M

** Secondary transfers, only fUSDC is permissionless on minting/redemption*
*** Could be enabled for non US citizen*
**** Market Cap as of the date of March 15, 2024*

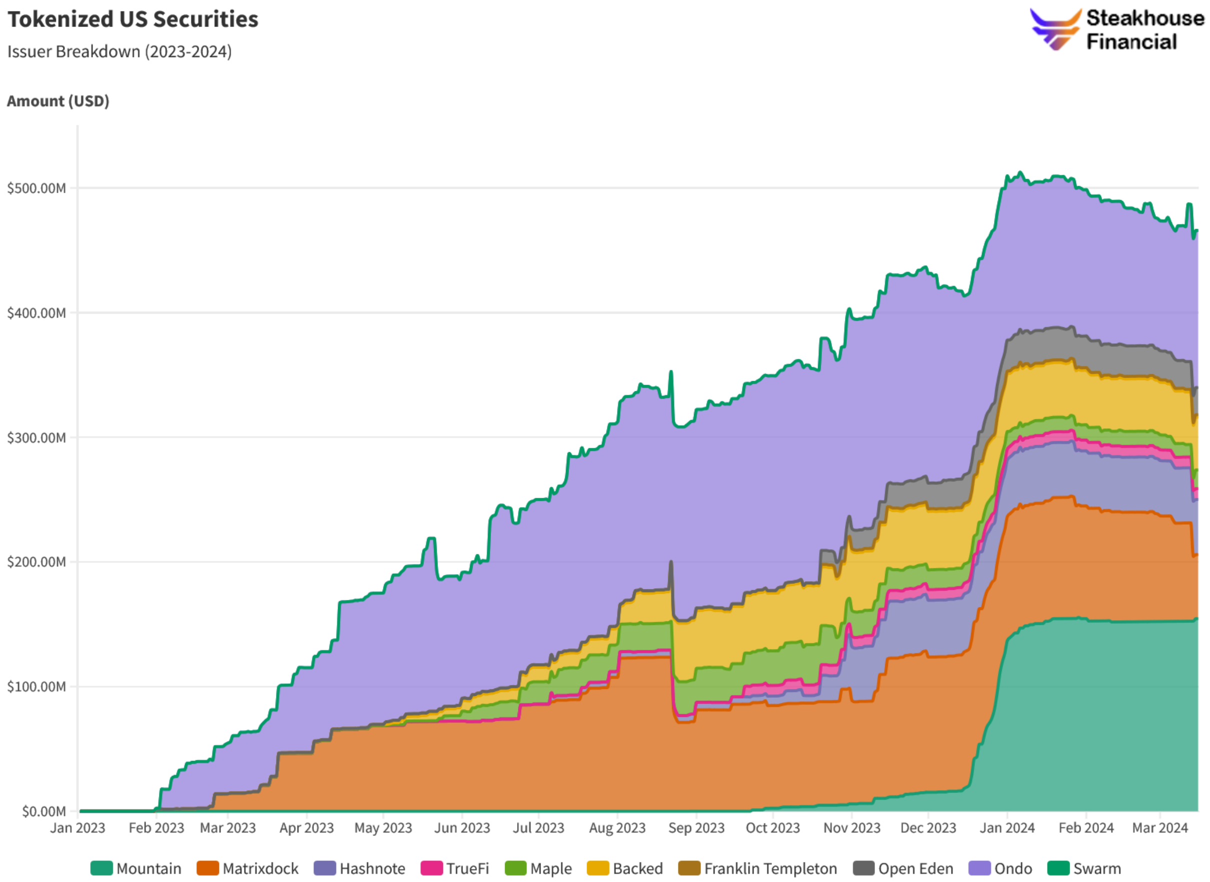
4.2. Fees

Fees are displayed but shouldn't be relied upon as a proxy for performance.

Product	Annual fees	Annual fees structure	Minting/ Redemption fees	Other fees
BlackRock BUIDL	cf. marketing documents	cf. marketing documents	0%	
Backed bIB01	0.07%	0.07% Underlying	0.2%/0.2%	
Ondo OUSG	0.45%	0.15% Underlying 0.15% Mgmt fees 0.15% Ops fees	0%	
Flux fUSDC	0.5%	0.5% target discount on OBFR rate	0%	Target utilization lead to a 10% cash drag
Swarm TBONDS01	0.07%	0.07% Underlying	0.1%	
OpenEden TBILL	0.2% + operating fees	0.20% Mgmt/ops fees (currently waived)	0.05% (currently waived)	

Product	Annual fees	Annual fees structure	Minting/ Redemption fees	Other fees
Matrixdock STBT	0.1% + operating fees	0.1% Mgmt fees	0.0%/0.1%	
Maple Cash Pool	0.5%	0.25% Asset Originator 0.25% Maple	0%	
Franklin Templeton BENJI	0.20%	0.15% Mgmt fees 0.05% Ops fees	0%	
Superstate	0.00%	0.00% fees	0%	0% fees until $200M AUM

4.3. Market Growth



In early 2023, various providers began introducing an array of treasury bill offerings to the market. The 2022-2023 bear market in crypto led to a unique split in interest rates, with off-chain yields consistently surpassing those from on-chain DeFi protocols. This discrepancy spurred a demand for transferring these higher off-chain yields onto the blockchain. T-bills, known for their low risk and high liquidity, emerged as the prime candidates for this transition. By March 2024, the total market value of these offerings had reached approximately $500 million, with Ondo and Matrixdock products initially leading in market share. In late 2023, the launch of Mountain Protocol's innovative yield bearing stablecoin, USDM, marked a significant shift as it quickly rose to prominence, becoming the leading T-bill yield product in the market.

In recent months, token prices have surged, and the sentiment in the cryptocurrency market is now firmly bullish. This has caused the crypto market's focus to shift away from T-bill products, as investors seek more lucrative opportunities with native crypto assets. However, the introduction of BUIDL by BlackRock, the world's largest asset manager, signals a sustained interest in T-bill products and real-world assets.

4.4. Permissions

The market for tokenized T-bill products has adopted diverse strategies to navigate regulatory concerns, including permissions and Know Your Customer (KYC)/Anti-Money Laundering (AML) procedures. Despite cryptocurrency's vision for a more open and trustless financial ecosystem, each product must contend with the regulatory realities shaped by the jurisdiction of its launch and its specific use case. This has led to varied interpretations and approaches among these products.

All T-bill products to date mandate some level of KYC and AML checks for their primary customers—those with the ability to directly mint and redeem tokens. However, approaches to secondary trading vary significantly. For instance, Backed's bIB01, originating from Switzerland, permits permissionless secondary trading, which simplifies its integrations with Automated Market Makers and lending pools, removing the need for special user or smart contract whitelisting. Conversely, most products, including BlackRock's BUIDL, require a whitelisting process for secondary trading.

Some issuers have innovated to bypass these constraints without directly making secondary market trading permissionless. For example, Ondo launched Flux, a lending marketplace that channels a portion of T-bill yields to non-permissioned users via collateralized lending. In this model, permissionless users can offer stablecoins for loans, with whitelisted borrowers providing OUSG as collateral.

This system leverages market forces to ultimately provide lending rates slightly below the standard risk-free rate.

As the tokenized T-bill sector is still nascent, the optimal strategy for success is yet to be determined. Users and issuers around the world will continue to face different regulatory considerations depending on the jurisdictions from which they operate, and as a result, we expect a multitude of strategies will find product market fit in the years ahead.

About Steakhouse Financial

Steakhouse Financial is a boutique crypto-native advisory firm specialized in stablecoins of various types and backings.

Please reach out to us to discuss comments and feedback, including, but not limited to, topics relating to stablecoins and steakhouse restaurants.

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