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Community Driven On-Chain Compliance.

A push to getting the next 100M users into the crypto ecosystem.

Start Highlighting ☐



We're pumped.

At Wyre, we're on a mission to help lower the barriers to entry for FinTech entrepreneurs by offering them compliant ports into a regulated fiat world. As part of an ongoing effort, today we are excited to share our interpretation of on-chain compliance. We feel this can help open the ecosystem to more users, and can push the ecosystem forward to help accelerate financial innovation.

The compliance landscape is pretty exciting, and we have had a really keen eye on it for the past few years. Identity isn't a requirement to use any blockchain, it's an even playing field to all that have an internet

connection, regardless of location. The main reason for incorporating compliance is an entrepreneur's natural enthusiasm to pour out a huge amount of resources into legal stuff instead of building cool products. Slight sarcasm there 😏.

Personally, I wouldn't wish the requirements/expectations on any entrepreneur because it is incredibly stressful, distracting, and expensive (not just money, more importantly a team's time to market). But to play ball in any given jurisdiction, companies have to report to and comply with local regulatory bodies. It's also important to note that for now, we're focused on on-chain compliance, not on-chain identity—more on that in future posts!

In an ecosystem full of open and secure technologies, current compliance processes are archaic and isolated within some of the leading regulated service providers. With the introduction of various new on-chain innovations, we're presented with the opportunity to help reduce the barriers-to-entry while increasing security and compliance, allowing for broader institutional participation.

As part of our release on Tuesday, Wyre, a regulated service provider, will allow verified users to opt-in to receive an ERC-721 compliance token. This token is minted from licensed parties, e.g. Wyre, and applied to a verified user's Ethereum wallet of choice. The token is similar to the blue checkmark on Twitter and is our first step towards bringing compliance on-chain.

For a first use case, this token will allow users to compliantly trade on a growing list of decentralized exchanges .

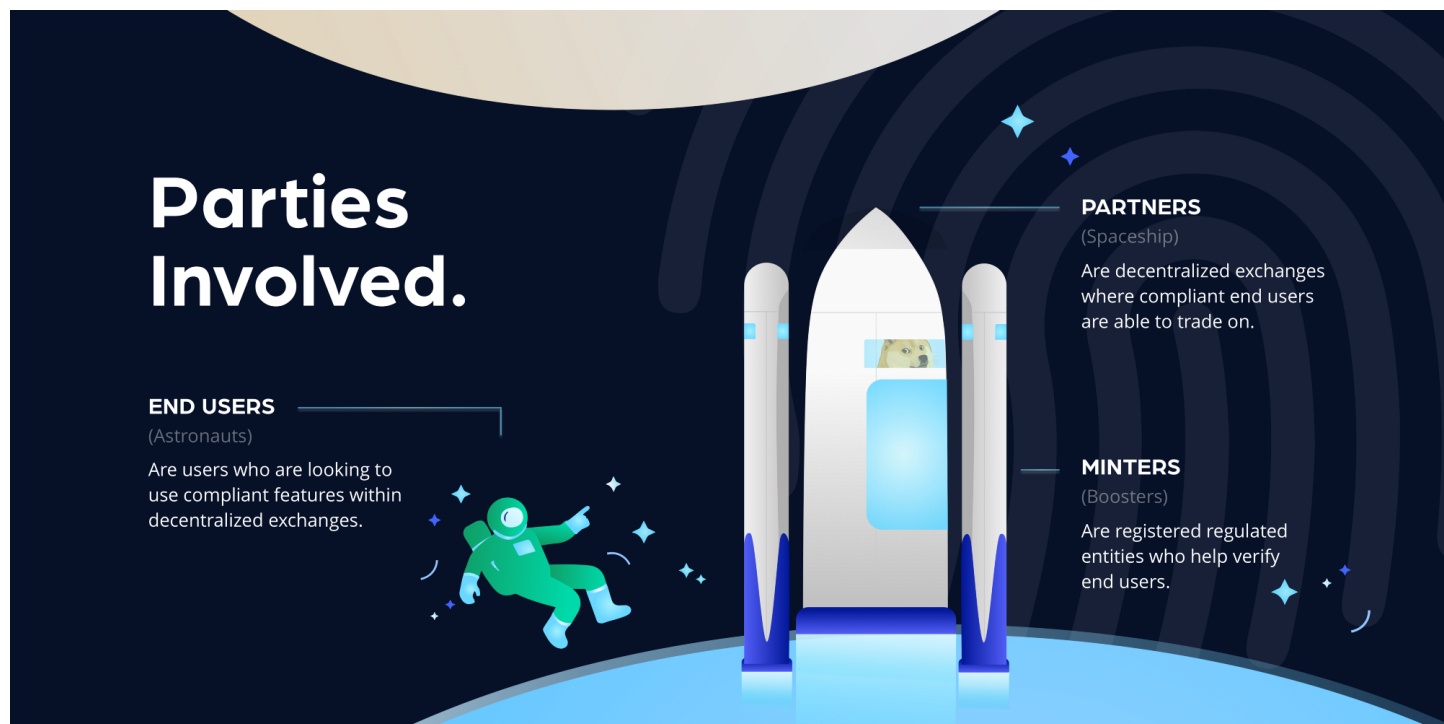
We understand that we can't do this alone, it needs to be community driven, and we're happy to announce that a growing list of industry leaders have signed up to support this initiative.

For further reading, we have published a few posts to help articulate some of the complexities around compliance:

- [KYC/AML For FinTech Entrepreneurs \(Crypto or non-crypto\)](#)
- [How Banks work with MSBs and why it's important](#)
- [Why the current compliance model does not fit in a decentralized world](#)

How does this work?

Using the example of trading on a decentralized exchange, there will be three parties involved:

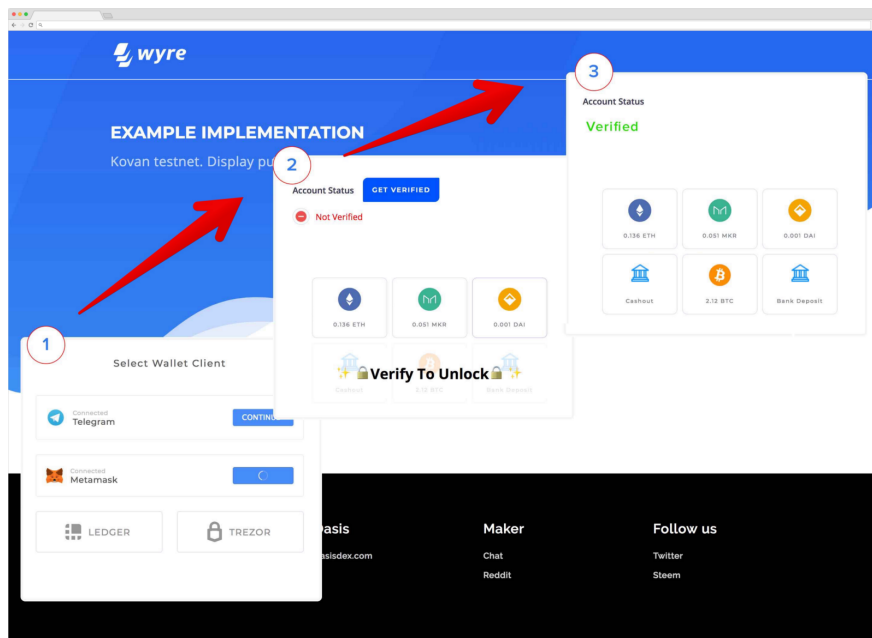


For partners/platforms

The partner is a decentralized exchange that looks at the smart contract to determine whether a user is verified by a regulated service provider, or not. Here's a quick flow of how it could work for them:

1. Identify the contract where the tokens are minted.
2. Take the visitors address using web3.js
3. Call the *balanceOf* function on the contract.
 $balanceOf \geq 1$ // User is verified—show verified trading functionality
 $balanceOf < 1$ // User is not verified—don't show additional features

No personal information is disclosed to the partner, only a yes/no as to whether they're verified or not. It's important to note that the partner is NOT a regulated entity—they are a startup that's looking to innovate.



Example before/after of a DEX that could increase service offering to customers.

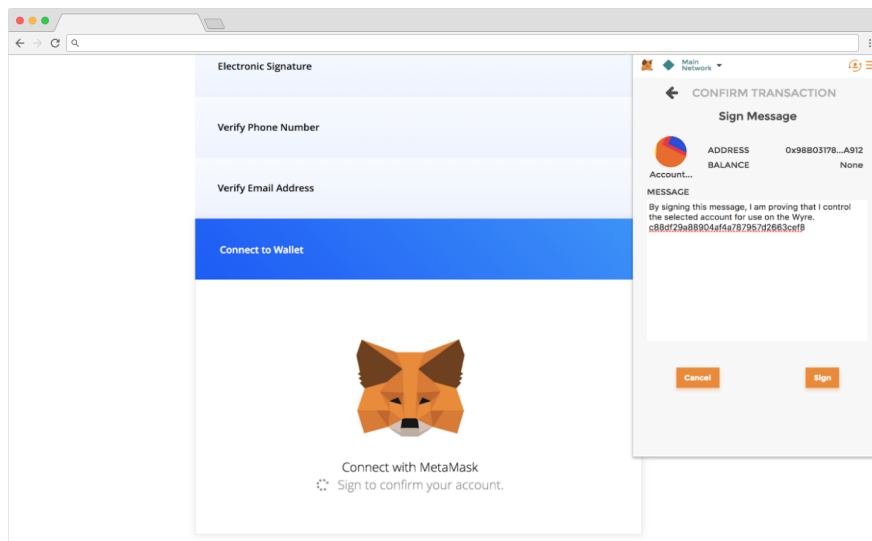
For users

The users are retail traders and institutional market makers, the latter of which need to know that whoever is on the other side of the trade has been KYC/AML'd by a regulated service provider, thereby trading compliantly without counter-party risk on a decentralized exchange.

Below are some steps that the user might take to opt-in:

1. Verification is completed by the regulated service provider, the “minter”.
2. Upon completion, the user will be able to designate an address to be verified.
3. The regulated service provider then mints a non-fungible token (ERC-721 compliant) to the designated wallet address.

The user can then enter a decentralized exchange, and be exposed to additional features and services. When they sign-in with that device / Metamask, partners will be able to see that their identity has been verified and open up additional features (permissioned liquidity, fiat cashout, etc).



An example of how user confirms their Ethereum wallet to their account on Wyre's platform. Once user is approved by a regulated service provider in Wyre, an NFT is airdropped to their address.

For minters

Minters are regulated service providers who mint tokens from specific ERC-721 compliant contracts. For this first version, minters will be able to do the following:

1. User completes onboarding procedure, and designates their verification address.
2. Compliance team completes their checks, and if satisfied, marks the users accounts from *pending* to *completed*.
3. Minters then call the *mint* function on the contract and issue a token to the users address specified. The tokenId given when minting is some reference to an internal ID.
4. The minter can also call the *burn* function to remove the token if something happens to the account.
5. Nobody other than the minter or the user can transfer the token. Minters can mint/burn.
6. Minters are then able to see what wallets have been issued a token and who the issuer of the token was.

During this first alpha, Wyre will be the first minter and by the end of September, we're on target to having an open procedure for becoming a minter.

Additionally, we will we have an aggressive roadmap on where this can go! Using existing technology, we're able to decentralize compliance

from file storage to the messaging protocol.

Additional Notes + FAQ

We're ironing it out and calling this an alpha. We'd love your feedback/support in moving things along with this—please message us directly at onchain@sendwyre.com.

Is this an ICO? Can I buy a token?

- This is not an ICO, don't even entertain the thought. This is a more efficient and transparent way for current businesses to work together. Our goal is not to flood the network with tokens. It is to build a very steady, and organic distribution.

Is this done by one company? Or multiple?

- This is intended to be an industry initiative. It was bred by internal frustrations at Wyre, a regulated MSB founded in 2013, by two people with zero compliance experience and an enthusiasm for Bitcoin. We planned on the contract reflecting that.

Is it open to anyone? Who can do what?

- Please email us at minter@sendwyre.com to learn more about how you can help become a minter.
- Users, the people that are receiving the token—This is open to any user that wishes.

Is it a MUST for end-users to receive a token if the platform is a participant in minting tokens?

- You don't have to get a token if you don't want to. It's your choice. Opt-in only.

Do you store all the user's information out on the public blockchain?

- The token doesn't contain any personal and sensitive information. That would be more akin to some sort of 725/735 attestation structure. We believe that has merit, although it's not as lightweight, and a little premature for right now.

Who has control over the token?

- The end-user who gets verified can transfer the token, and so is the “minter”. Don’t transfer it to anyone other than yourself. This is your way of presenting yourself, and it only pays out into your bank account. There’s no benefit for you to want to hand it over to someone other than yourself.

Is this available for all chains? Or just Ethereum?

- The design is aimed to be something that everyone can leverage in the ecosystem. Not just Ethereum, but crypto more broadly. With that said, Ethereum was the natural fit, given the coverage through web3.js implementations on browsers.

How does this affect my privacy?

- This is a privacy *optimization*. We consider this as progress, not a solution. Current setups have multiple counterparts holding multiple datasets and personal information which are just duplicates of other exchanges holding that same data.

Thank you!

Kind regards,

Michael.

