Alberta Advisory

Introduction

In our first part of this 3-part series, we proposed setting up a GCC Energy-backed crypto currency (named GC3). We emphasized that as a starting point, GC3 should be used for repatriating some of the GCC crypto investments outflows, facilitating inter-country payment clearing, and promoting Oil Trade growth.

In this part, we endeavor to define the *Business Case* by quantifying the projected benefits in monetary terms. In line with the brief nature of our articles, we limited our analytical models to only two (2), namely- repatriation of crypto outflows and optimization of payment clearing.

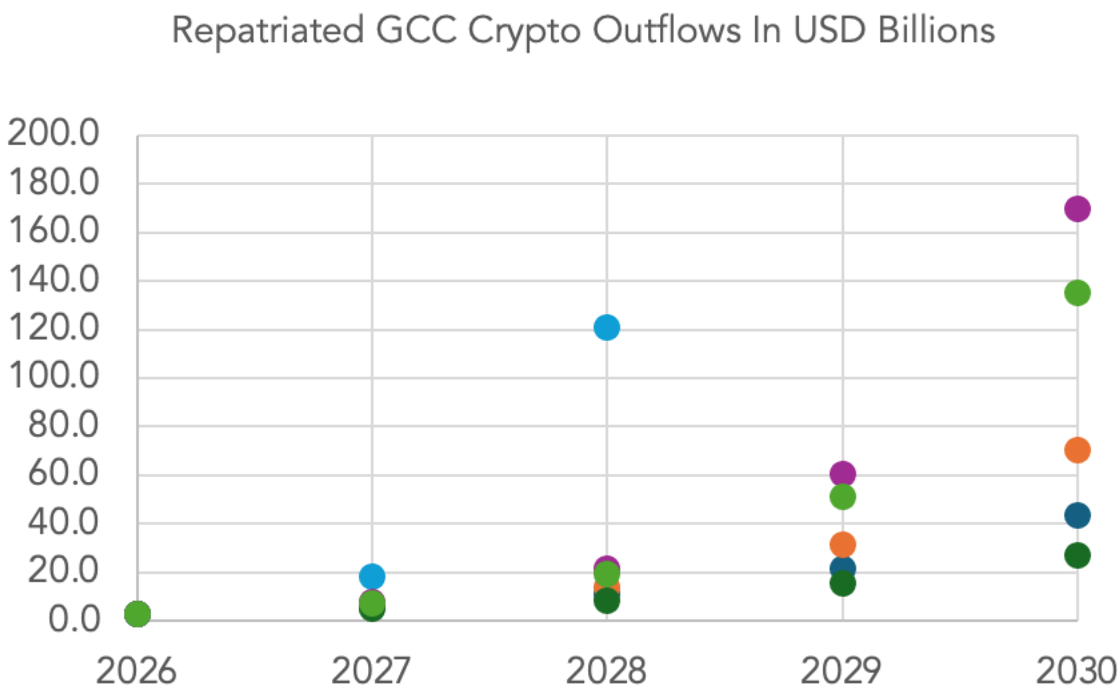
The Repatriation Of GCC Crypto Investments Outflows

As per Triple-A latest report, 6.8% of the world population owns crypto currencies, third of which are in the age bracket of 25-35 years and the annual ownership growth rate is 33%.

Noticeably, UAE tops the chart with ~25% ownership rate and KSA stands at an impressive ~15% rate. The GCC region enjoys relatively young demographics where the median age is 32.6 years falling right in the high interest zone of Crypto Currencies.

We developed an analytical model integrating the above trends with- (i) GCC demographics, (ii) GCC GDP data, (iii) Crypto Exchange trading volumes and (iv) newly launched crypto currencies growth rates to estimate the amount of Crypto Currency investment outflows which can be repatriated to the region through the launch of GC3.

The model suggests GC3 can capture on average USD 100 B in crypto investment outflows within a 5-year time frame as demonstrated in the diagram below. Each dot represents a specific growth scenario tracking one of the widely traded crypto currencies.



It should be noted that the model is quite realistic as it conservatively excludes such factors as-

1. Corporate investment flows.
2. Impact of economic disruptions on the accelerated migration of funds from stocks to alternative assets (i.e. crypto).
3. Adoption peaks triggered by influencers, government programs or intra-day brokers.
4. GCC residents' behavioral tendency towards over-subscribing to regional IPOs.

The Optimization Of Payment Clearing

Banks in the GCC region capitalizes on three (3) payment flows, namely- (i) Inter-GCC trade facilitation, (ii) External trade with key partners of China, India, Japan and South

Korea and (iii) GCC-resident expats remittances to their families back home in India, Pakistan, Philippine and Egypt (predominantly).

According to GCC-STAT, the values of the above payment flows were- USD 131.6 Billion, USD 1,482.4 Billion and USD 160 B respectively for 2023.

The use of GC3 as a central clearing currency will save financial intermediaries on transfer fees, currency spreads, operational overhead and scattered liquidity across many funding accounts.

GC3 Corporate Crypto eWallets can potentially serve as a defacto centralized clearing house across GCC Banks, GCC FX Houses, International Correspondent Banks and Other Financial Intermediaries (e.g. MoneyGram, Western Union).

Our market surveys and data analysis reveal the following contrasting facts about this market.

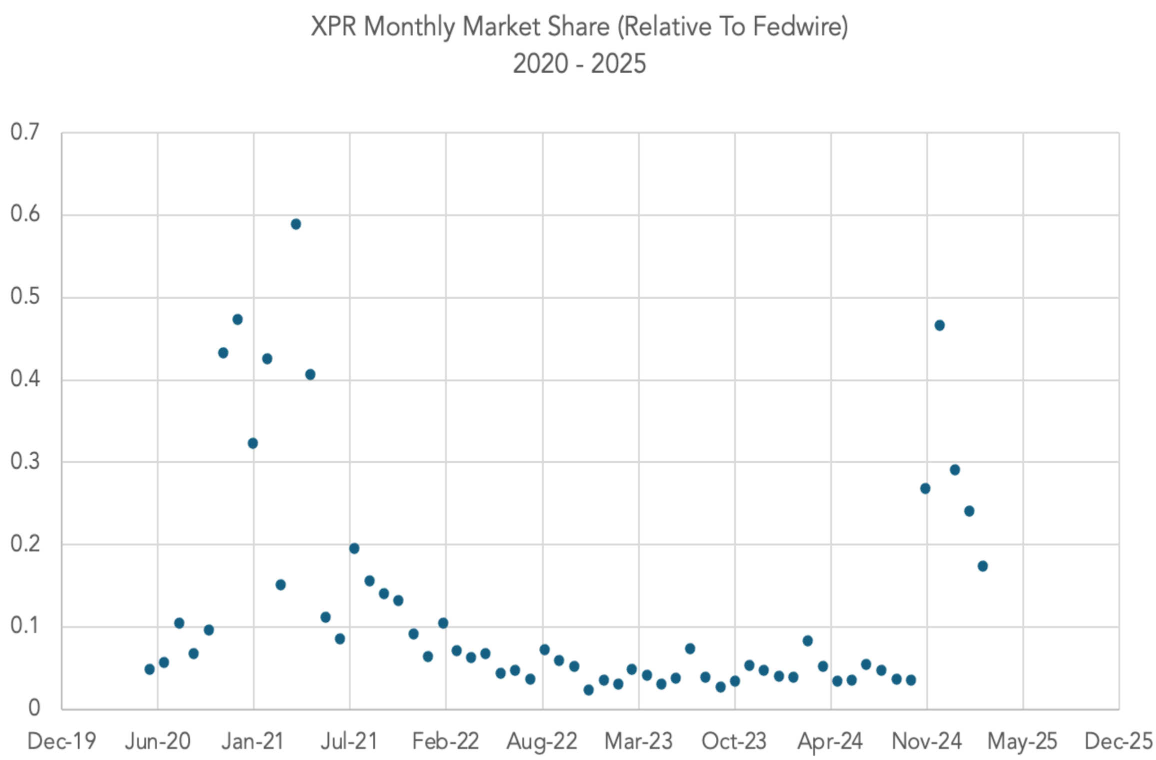
	Money Exchange Networks	**Banks**	**Crypto Exchanges**
Fixed Fees	Assuming (Non-Swift) direct bilateral agreements, transaction fees vary from USD 2 – 18 per transaction.	Swift remittances cost USD 25 – 70 per transaction based on Sender, Intermediary and Receiver banks policies.	Generally, none. RippleNet charges USD 0.001 per transaction.
FX Spreads	The weighted average "Reuters – Retail" currency spreads of GCC's major trading partners 2.55% – 2.94%	1 - 5% spread	A commission of 0.05% – 0.4% often paid in crypto currency

Now lets project the above potential cost savings of GC3 on the GCC payment volumes. To establish a logical estimation of GC3 growth patterns and market share, we will adopt the historical growth dynamics of XPR RippleNet and its market share relative to FedWire processing volumes.

Our choice of XPR is influenced by the facts that XPR/Ripple is-

(i) branded as a Swift replacement for inter-bank clearing,
(ii) used selectively as a cross-country instant remittances channel
(iii) deployed partially by key institutions such as- Santander Bank, Standard Chartered Bank, Westpac and PNC Bank.

Our analytical model below suggests that GC3 can capture 0.63% market share of GCC cross-border payment volumes, providing an annual savings of USD 235 M in FX spreads alone.



It should be noted that the model is quite realistic as it conservatively excludes such factors as-

1. Additional interest income on consolidated bank balances.
2. Transaction fees savings
3. Additional payment flows from neighboring regions for purposes of trading, portfolio diversification and foreign direct investments (FDIs).
4. Growth due to government backing.

Thanks.