



Welcome to the FAC pilot induction resources.

In these folders you will find documents and links to online resources to introduce you to the application of distributed ledger technology in the funds industry. Understanding the key concepts, the regulatory environment and how FAC is applying this technology to transform funds servicing will ensure you will get the most out of your participation in the pilot and collaboration with the FAC team and other industry contributors.

We are more than happy to answer questions, provide demonstrations and lead one to one or small group sessions to help explain, reinforce and dive deeper into this material. Please just ask, contact details can be found at the bottom of the page.

Brian McNulty, Founder and CEO

Guidance on using our induction resources

Please start by reading the short introduction notes below, then please work through the documents in the individual directories at your own pace.

1. **Background** - If you are not familiar with blockchain, distributed ledgers or Corda then the resources here will introduce you to the key concepts and the technology we use to build FAC.
2. **Legal and Regulatory** - Understand the legal and regulatory guidance relating to the use of crypto assets, tokenisation and smart contracts. This material provides useful context but unless you have a particular interest in legal and regulatory matter we recommend reading the FCA Policy Paper and then simply familiarising yourself with the other documents.
3. **Tokenisation** - A deeper dive into tokenisation, its benefits and implications. The first article gives a general overview with the other two documents provided for a deeper understanding.
4. **About FAC** - The origins and vision of FAC. Not surprisingly we have a lot to say about ourselves! The first document is a report that provided the background to the formation of FAC and then use the next three to familiarise yourself with the company and its progress. The remaining documents provide more information on specific topics, dip into these to as necessary.
5. **The Pilot** - Information about our pilot exercise.

Contact Us



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Introductory Notes

FAC believe the Fund Management industry is facing a crisis, Fund Managers are seeking ways to improve performance to justify fees and charges to a changing investor community looking for better value. Part of the problem is the high cost of Fund investment compared to alternatives, largely due to the extended fund value chain made up of numerous intermediaries, each adding cost, time and risk.

Distributed Ledger Technology has the potential to profoundly change the way business operates. Over 50 years technology has driven transformational change. First computerisation and then the internet radically redefined the way businesses work and Distributed Ledger is at the same level. This is the next generational leap forward that will produce a step change in the way not just individual companies work but the functioning of entire industries and markets.

The deployment of innovative Distributed Ledger Technology (DLT) provides a unique opportunity for the funds industry to achieve significant cost of operation, settlement timing, data timeliness and client service improvements.

FAC and its partners (you) are at the heart of this change, designing and building the core solution and building the network of required participants for such a collaboration to succeed.

As part of the preparation for your participation in the pilot there is some essential background knowledge we need to pass on. An outline of the knowledge areas required is provided below:

Focus Area	Content
Distributed Ledger Technology Primer	Background information to introduce enterprise blockchain and the wide range of use cases it being applied to
Introduction to FAC network and vision	General overview and background with and introductory demonstration.
Core concepts	Deeper briefings into distributed ledger, tokenisation, issuance and settlement, key management/custody
TA2.0 – Future of funds servicing	Outline future operating model and workflows and contrasting to today
FAC technical overview	Light touch intro to build team, explain nodes and network structure. Define future role of BNO.
Legal and regulatory context	Briefing on the legal and regulatory issues and work of LRF group
Business Case	Background and overview of the business case and cost model / metrics for pilot
Pilot	Briefing on the pilot and how we want to work together and next steps.

Because this is a challenging time to start up a new initiative and to collaborate across a new and multi organisation team we need to be flexible about how this is achieved. We will provide resources, answer questions and set up targeted individual and small group sessions as required.

Next Steps

Once participants are familiar with distributed ledger technology and how this can transform the funds industry, we will work together to prepare for the pilot. Further preparations will be progressed through joint workshops and through the work of the legal and regulatory working party.

Introductory Notes

The following three ‘deep dive’ workshops are planned:

1. Roles and workflows for the pilot
2. Fund launch and operational / oversight requirements
3. Detailed test planning

Overview of Pilot Process

FAC will deploy a dedicated instance of an FAC Distributed Ledger to support the funds-servicing pilot

The objective is to launch a fund onto the FAC platform, with legal terms and prospectus based on a distributed ledger model with tokenised share issuance and conduct ‘true-to-life’ fund operations on with the active collaboration of all parties involved in the fund. The aim is to replicate as far as possible the end-to-end workflows of the fund involving off ledger parties where necessary (i.e fund accountant and custodian) so that the impact of the distributed ledger model can be fully evaluated

The pilot exercise will be broken down into four steps of approximately 2 weeks each.

- Step 1 – Operational readiness. Trial runs to ensure the network is properly configured and all participants are ready to embark on the testing process.
- Step 2 – Fund launch and operation across a number of consecutive business cycles.
- Step 3 – Additional testing to evaluate a wider range of operational conditions and exceptions.
- Step 4 – Contingency and closure of launch fund.

Testing will follow the ‘day in the life of a fund’ workflow, from investors placing orders, through cut-off, valuation, pricing and settlement with all the associated controls, checks and decision points that are part of this process. Detailed test planning will be based on the scope defined in the table below:

Test scenario	Rationale / Benefit
Setup and maintain a fund.	Demonstrates improvement in time to market for launching new funds. Customer experience and revenue opportunities.
Convert Investor and Fund fiat currency at the Cash Exchange and issue cash tokens onto the network.	Exercises the role of the Cash Exchange and its relationship to the bank. Revenue generation from operating digital exchange
Issue tokenised units for the fund onto the network.	Demonstrates the simplicity of fund issuance without the creation of a conventional asset
Setup and maintain investor records.	Provides investors and service providers with experience of fund holding on FAC
Place, track and complete investor buy, sell, transfer and switch operations with tokenised cash and assets on-ledger. Price a fund	Demonstrates operational efficiency, cost reduction, reduced settlement risk and elimination of reconciliation.
Produce daily cash flow information against a cut-off point, load NAV prices and prices orders.	Demonstrates operational efficiency and cost reduction.
Demonstrate required controls and reports for regulatory oversight	Evidences adherence to regulatory requirements
Validate the accuracy and integrity of investor and fund cash and asset balances across a multi-day business cycle.	Validates integrity of register. Demonstrates risk reduction and improved regulatory oversight, and builds confidence in product and vision.

Introductory Notes

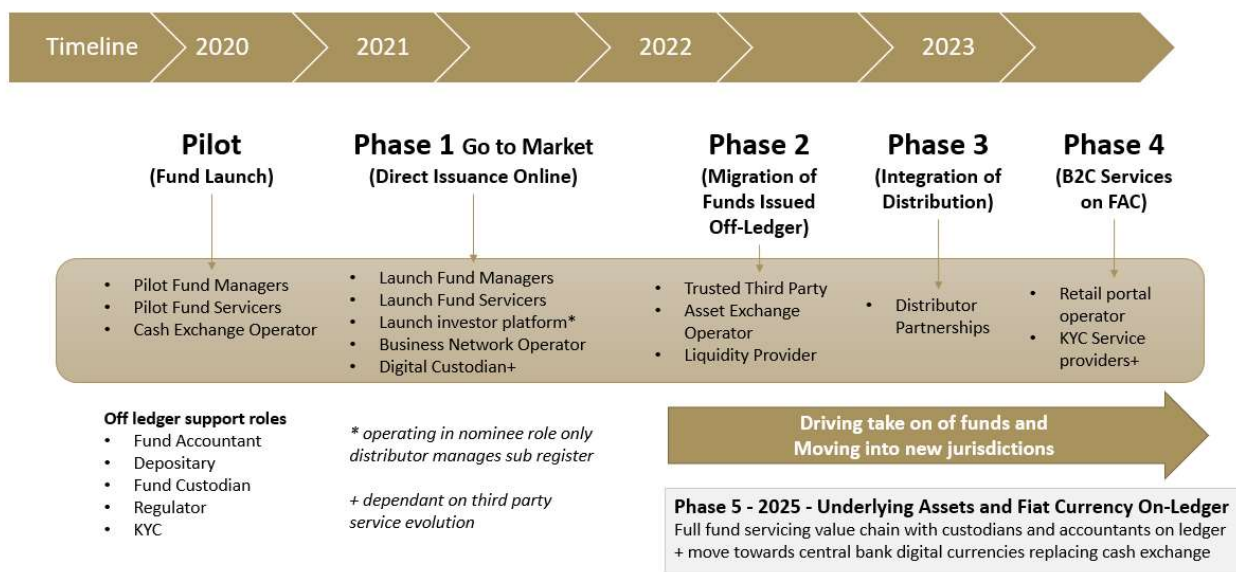
FAC Road Map (participation and deliverables)

The pilot is the first step of a road map to build out and evolve the FAC network over a period of time. The outcomes of this pilot will feed directly into the ongoing build plan and the pathway to the first production version and subsequent product evolution.

FAC Roadmap - Participation



Who needs to join our journey and when?



FAC Roadmap - Milestones and Deliverables

