



**FAC**

**Digital Funds**

# **FAC Introduction**

**The Story So Far**

**May 2021**



# The current industry model works, with major challenges

## Industry challenges



## Operational inefficiencies

- The current model works but is sub-optimal with inefficiencies across operations (tech and process)
- Costly legacy technologies with multiple registers

## Inefficient use of capital

- Unnecessary capital expenditure (CAPEX) on, non-differentiating, fragmented, IT infrastructure and solutions
- Decreasing margins delaying the required CAPEX for change
- Securing CAPEX in current environment is a challenge

## Lack of innovation and collaboration

- The lack of industry collaboration is holding back the adoption of non-competitive innovation

## Margin and revenue erosion

- Fund Managers witness decreasing margins and risk an exodus of investors from regulated mutual funds to new cost-effective investment platforms

# These challenges span the entire industry value chain...



## Revenue

- Competition is driving **fees downwards**
- Investing in funds is **expensive** and **opaque**
- Extended settlement = **time** out of market
- **Low margins reduced** even further by industry pressures
- **Lost Opportunity:** New entrants are looking to monetise tokenised cash exchange

## Cost

- **Unnecessary oversight costs** from having to ensure data accuracy from multiple service providers
- **Lost Opportunity:** Faster, and automated, settlement and reconciling by adopting innovative platforms
- Legacy IT infrastructure drives complex operations
- **Lost Opportunity:** Capital efficiency and reduced time to settle, again, through innovation

## Complexity

- Long chain of hand-offs leads to **additional cost, risk and time** for distribution and cash management
- Antiquated industry processes **driving away** digitally-savvy **investors**
- Challenges of layered-on **complex legacy technology**
- Lack of standards, multiple providers per customer. Customers locked in.
- **Lost Opportunity:** Adopting DVP and Atomic Settlement and the ability to significantly diminishes the complexity associated with settlement.

# FAC have designed and built an innovative DLT platform

The platform 'tests the concept' of shared DLT based infrastructure

- **FAC connects fund market participants**

investors, distributors, fund managers, regulators and service providers

- **on a distributed ledger-based market infrastructure**

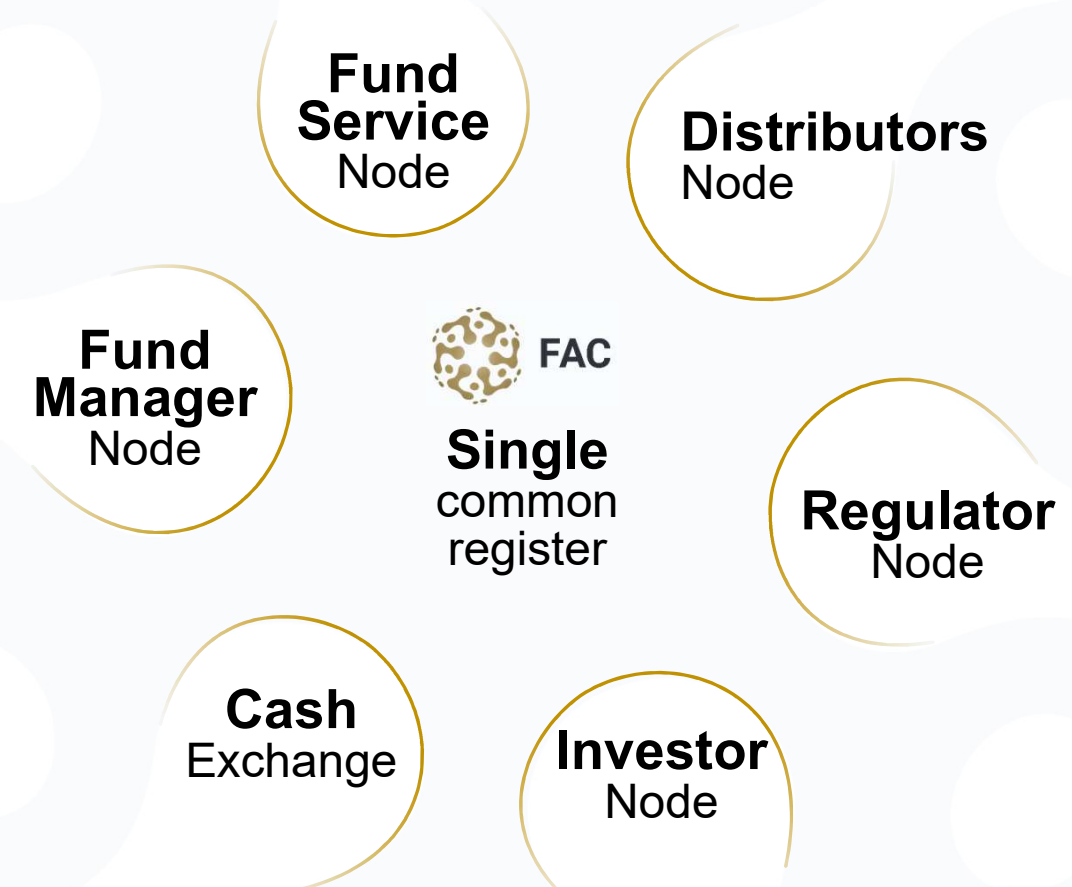
allowing them to share the same information on ownership and transactions at the same time

- **resulting in an single common industry register**

to record the owners of fund assets, manage the subscription, redemption and transfer of those assets to simplify fund register administration

- **and acting as a platform to digitalise assets, cash and transactions**

reducing the layers of intermediation between the investor and the product



# FAC is uniquely positioned to help the industry transform

Transitioning onto a bespoke, next-gen, infrastructure with a transformative commercial model

## Why? FAC have no existing revenue to protect

- We are in a position to deliver a premium operating model, for all participants, by building a platform that suits the whole industry

## Why? FAC have no pressure to increase shareholder value

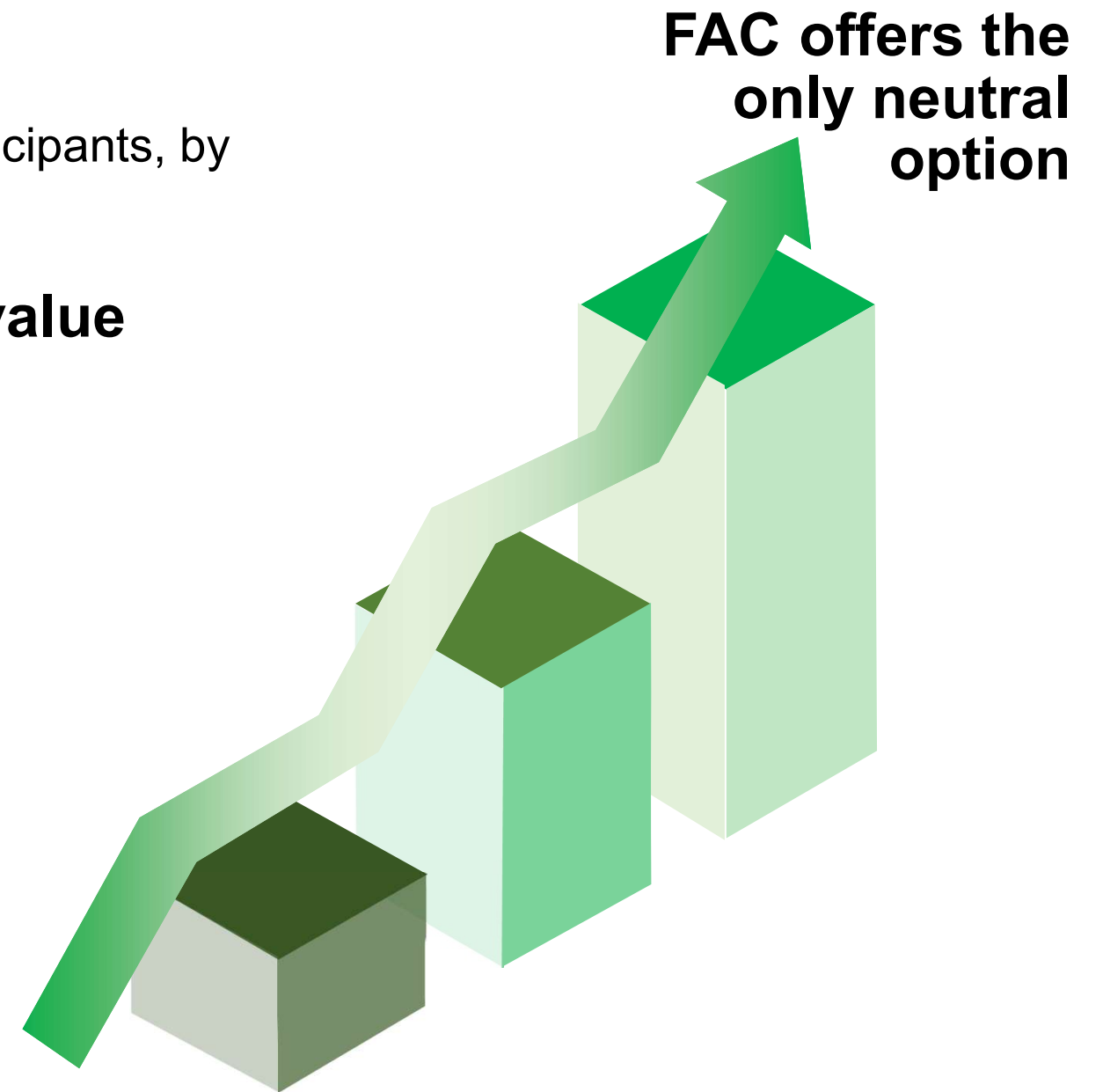
- We are in a position to deploy a mutually beneficial, transformational, commercial model

## Why? FAC won't disintermediate your customers

- We are in a position to deploy a platform that uplifts the industry, not undermine your relationship with your customers

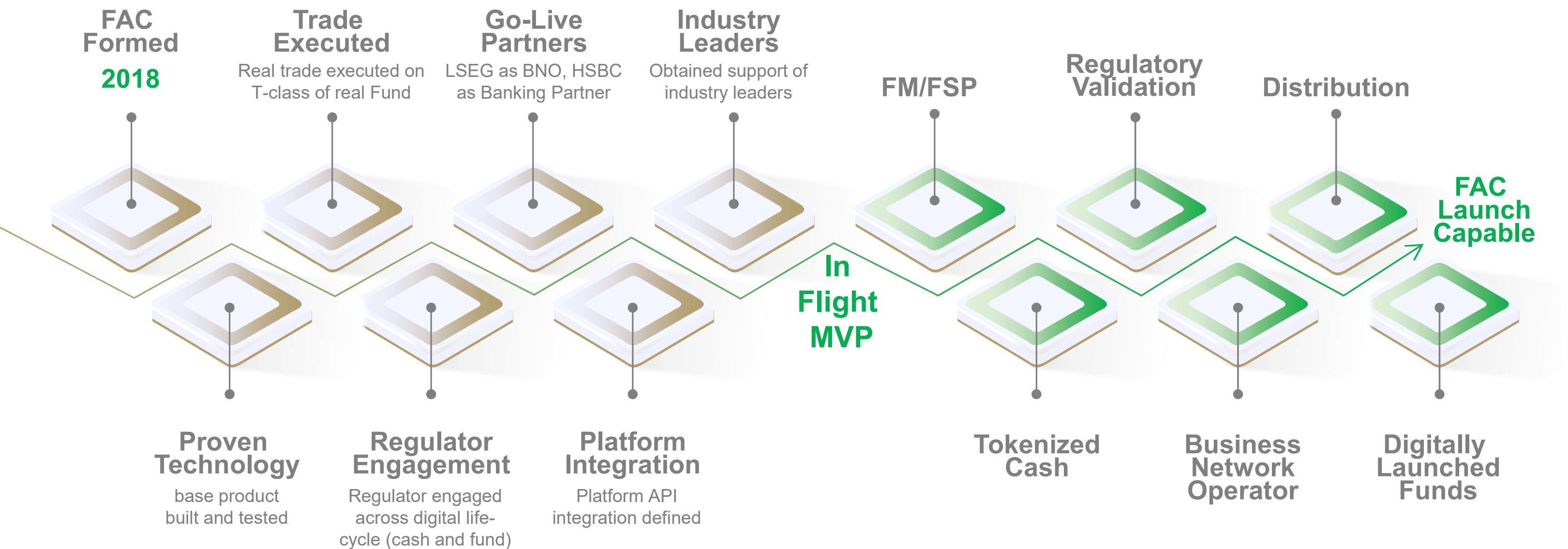
## Why? FAC are deploying revolutionary technology

- We are removing messaging, reconciliation costs and your internal technology ultimately delivering headcount reduction



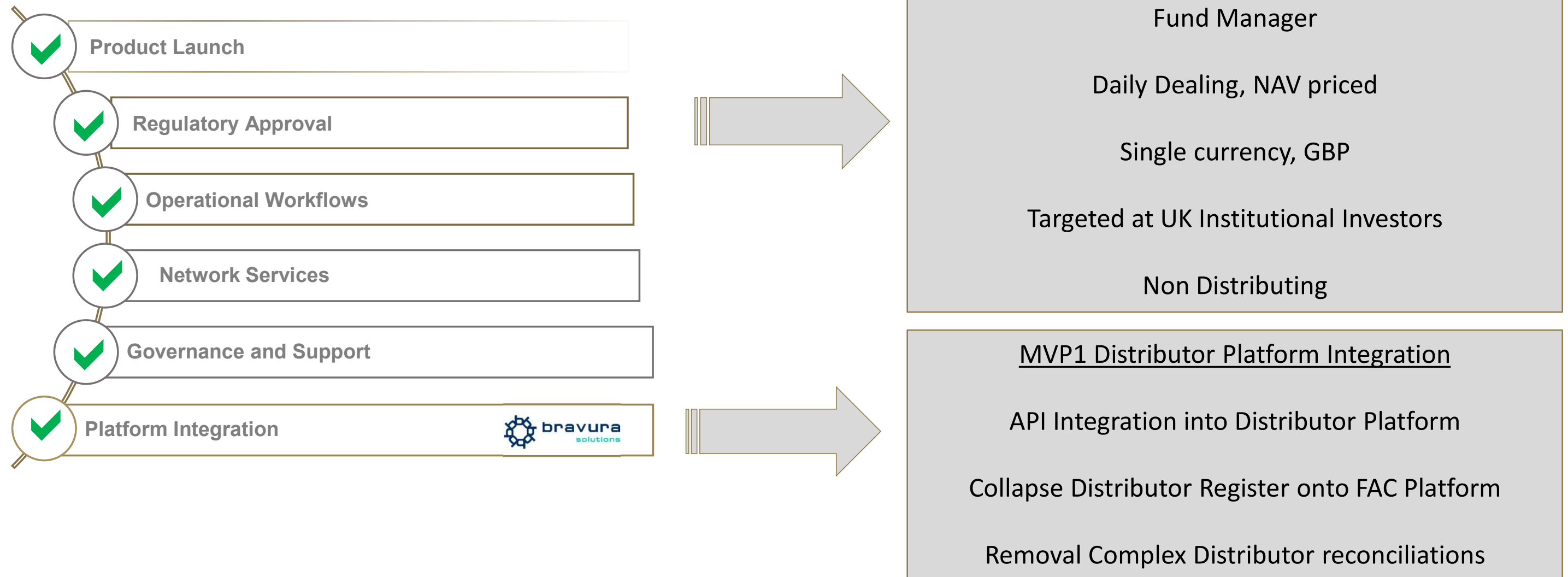
# Foundations for transformation are now in place

Over the last 2 years FAC have initiated an industry transformation towards a better (more cost effective and efficient DLT-based) future for both Fund Managers and Fund Service Providers.



# Recap UK MVP1: What is it?

**Minimum Viable Product Version 1** - the first version of the FAC product to go into production with a minimum set of product features and capabilities necessary for operational and regulatory viability and delivering business benefit.





# MVP Approach

