**TheFundschain – Paas business model**

In this note, we develop how TheFundsChain could operate a cloud platform to handle funds. Running PaaS operations could thus become the core business model for DLT Shift. We investigate a few pricing ideas about such services.

**PaaS: platform as a service**

TheFundsChain: an Hyperledger platform to operate investment funds, deployed and operated by DLT Shift on trusted cloud bare metal infrastructure (e.g. AWS, …). Some participants (e.g. banks) could join in with their own cloud.

Cello (an Hyperledger project: see <https://github.com/hyperledger/cello>) is the tool of choice to operate this kind of service.

Note: to be figured out how such a platform would compete with / supplement IBM Blue Mix.

**TheFundsChain: participants**

Here is a sample pay plan according to the role of the participants. Since infrastructure actors are badly needed to run the funds and only slightly benefit the new infrastructure, let’s provide access to such actors as a give away. Issuer and distributors benefit most from the new infra, so they should have an incentive to pay for it.

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| --- | --- | --- |
| **Business role** | **Membership** | **Pricing policy** |
| Issuer | Full membership | Pay plan |
| Transfer Agent | Full membership | Free |
| Fund Custodian | Full membership | Free |
| Fund Accountant | Full membership | Free |
| Fund Distributor | Full membership | Pay plan |
| Investor’s custodian | Full membership | Free |
| Clearer | Full membership | Free |
| Regulator | Full membership | Free |
| Investor (institutional) | Full membership | Free |
| Caretaker | Full membership | Free |
| LEI authority | Full membership | Free |
| Smart Contract Certification Auth. | Full membership | Free |
| Investor (retail) | Sponsored membership | Free |
| Service provider | Sponsored membership | Pay plan |

**TheFundsChain: pay plans**

|  |  |
| --- | --- |
| **Pay plan** | **Yearly fees (example)** |
| Issuer | 0.25 bp AUM |
| Distributor | 0.25 bp AUD |
| Service provider | 5% of service fees |

1 bp = 1 per 10 000

This suggests a break-up, declining pricing scheme. See our Excel simulation:



Example: NAM, 300 bn AUM: EUR 4,25 m – and similar amount from distributors.

**TheFundsChain - PaaS: which services?**

**Idea**: one-stop shop for issuers and distributors

* Client-oriented (top slice of the value chain).
* Driven by new, personalized services

How about infrastructure actors:

* Only custodians and clearers really get a role
* Pure TA / Centralisateur: figure out some added value or die
  + Lux. TA compliance: STP
  + TA may act as a clearer
* Registrars / CSD: pure fiduciary role (no economical added value)
  + Confined to regulatory filings (STP-isable)

Our focus:

* **Issuers**: legal, compliance (investors) and direct investments streamlined
  + Streamlined product issuance – STP issuer to regulator
    - Direct distribution
  + Automatic compliance for intermediated distribution (KYC, AML, ratios)
  + Streamlined compliance for direct distribution (do it once and for all)1
  + Mandate & managed accounts for fund investments
  + Frictionless feeder vehicles
  + Frictionless legal filings (VLs, AUM, KIID…)
  + Custody & Administration agreements
  + Distribution agreements, STP relationship issuer to distributor
  + Effortless issuance and management of funds with registered form shares
* **Distributors**: compliance, order management platform
  + Fund referencing: STP
  + Document management: marketing & promotion material
  + Reporting / Facts & Figures on product lines
  + Institutional investors, wealth management: white-labelled order passing platform
  + STP sub-distribution agreements, fees calculation and invoicing
  + Broad range of investment advisory services
    - Connect investors to value-added services (robo advisors, translation services…)
* **Service providers**
  + Seamless access to accurate master data (funds, VL…)
  + With distributor’s agreement, access to customer data
  + On-platform service billing system (fixed fee, service-usage based, transaction based, holdings based)

**TheFundsChain - PaaS: ancillary revenues**

* Acting on behalf of an actor not yet connected to the platform (e.g. regulator, some authority)
* Certifying new, personalized, chaincodes
* Developing new products &services as chaincodes
* Integration services with members (API’s, database links…)

**TheFundsChain - PaaS: next, to the moon?**

Unless Elon is establishing for good on Mars, our most ambitious plan to date is to move forward with assets-related processes.

This means covering the whole class of processes which are connected to the assets balance sheet & ledger of a fund.

1. Fund management& trading
2. Order Management
3. Compliance (on assets)
4. Asset valuation & fees calculation
5. Custody & fund accounting
6. Reporting

Yep. Once this is done, an asset manager the size of NAM could gladly hand us over EUR 50-100m a year, close most of its IT department and middle-office department, renegotiate fees with most of its fund administration partners. Yeah, that’s a lot.

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If such an objective is eventually achieved, the outcome is that most industry actors have by then relinquished their core IT- which has been “cloudified on the blockchain”. For the industry, IT is reduced to purely corporate needs (such as accounting, HR, and various reporting / business intelligence platforms).