



SMEs testimonial overview

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(ZARATTINI BANK & CO. ASSET MANAGER)
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INTRODUCTION

Our research suggests that asset management companies need to adopt different and disruptive strategies, if they are to rise above the challenges of current environment.

Those include restructuring product portfolios, streamlining operations, and offering digital-inspired customer experiences — especially since Millennials comprise an increasingly-significant portion of the asset management marketplace.

The idea that blockchain will not only benefit the asset management industry, but will also mean obsolescence for certain intermediary roles, is rightfully troubling for some. However, those impacted must not confuse obsolescence with extinction.

The asset management business is all about making the most of opportunities, and those whose roles will evaporate will simply find new opportunities to serve their clients within the expansive blockchain-asset management ecosystem.

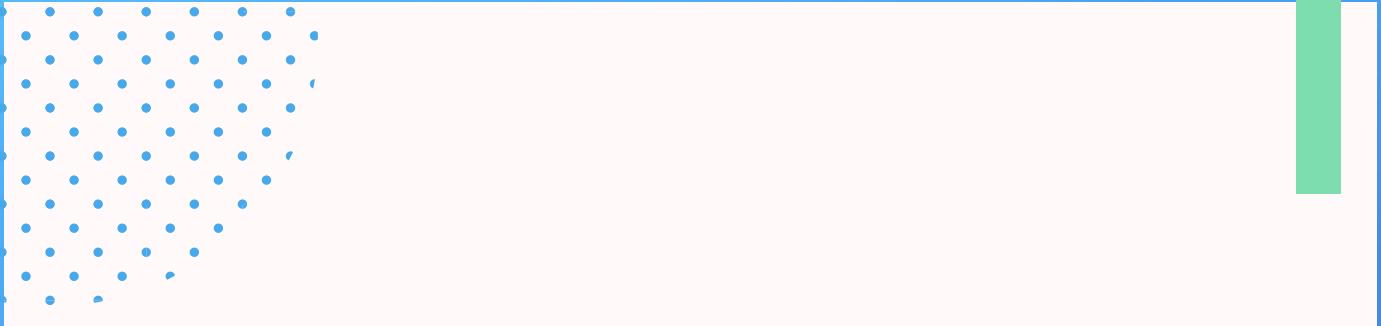
ASSET MANAGER TESTIMONIAL

We had the opportunity to talk with Greggio Vittore, a Swiss asset manager that works for Banca Zarattini & Co. and is a Timeo Neutral Sicav director.

He essentially stated that the product we are developing could be very interesting to include among the assets offered to its customers, particularly in order to offer an innovative product coming from a new sector such as the blockchain financial products and allows investors to yield an higher return compared to traditional assets.

In the last few years, there have been a lot of professionals in the asset management environment that were talking about this new financial products, but they are all waiting for a specific regulation. However, theory must be distinguished from practice: theoretically the instrument could be used by asset managers, but only professionals who operate in jurisdictions with less stringent regulations.

With that said, the main problem is a regulatory problem: regarding the particular case of Vittore, Swiss laws may not yet allow him to include Idle among the products treated by Zarattini Bank. Since there is still a legislative gap for this type of financial products, the conventional practice for asset managers is to not use them, in order to protect their customers.

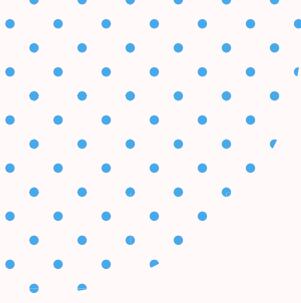


A secondary problem can be identified in the liquidity available in the lending protocols, for which it would be necessary to support large volumes, and at the moment the traffic generated by the banking system would not be possible. When these gaps are filled (hypothetically in the next 1-2 years), it will be possible for him to use Idle.

Quoting Vittore:

"The idea is very interesting and valid, and I would be ready to sponsor it when the regulator will approve an ad hoc regulation for this type of products".





IMPACTS OF BLOCKCHAIN ON FUND DISTRIBUTION

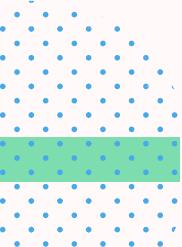
(FROM DELOITTE ANALYSIS)

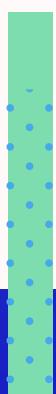
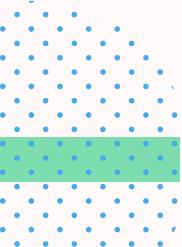
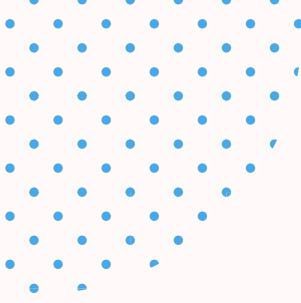
Deloitte is extremely precise, in terms of the transformations that the asset management industry needs to embrace. Interestingly, the three changes they suggest in the article are among the many solutions that a merger of blockchain and asset management can provide.

As with every new growing technology like Ethereum, development solutions offer new benefits, as well as new challenges of its own that we must overcome.

At the top of the list of what blockchain offers asset management is improved data security. Since Ethereum involves grouping transactions into blocks of data, encrypting the data blocks, and linking each data block to all those before it and all those to follow, data tampering becomes a near impossibility.

In the highly-regulated asset management industry, merely onboarding new clients is a time-consuming chore. Validating client identification, asset ownership, wealth sources, marital status, occupation, political ties, business interests, and citizenship can take days or even weeks. While blockchain does not inherently expedite these processes, it provides the structure for development of solutions that can do so.





Inefficiency in the current trading infrastructure limits clearance and settling of trades to two or three days. Since a completion of an Ethereum transaction, for instance, requires approval from all involved parties, blockchain can eliminate the difference between a trade and the clearing of the transaction. This also eliminates counterparty risk, and improves capital availability.

As already mentioned in the previous SME testimonial, ensuring that blockchain asset management platforms are regulatory compliant poses some challenges.

Key to satisfying the ever-increasing burden to comply with government and industry regulations are three main factors: *speed*, *transparency*, and *traceability*.

Lastly, an additional benefit for asset management are smart contracts, that eliminate the need for attorneys in certain situations, while making contract and rule-based executions automatic and nearly instantaneous.

The road to broad adoption across the asset management sector will include a process similar to the following:

- Consortium efforts involving government regulators, financial institutions, and technology providers
- POC testing of blockchain models
- Industry adoption blockchain technology standards
- Interoperability with legacy systems
- Successful use cases
- Proof of scalability
- Proof of security hardness

Experts suggest, further, that institutions begin by applying blockchain technology to internal, back-office processes before attempting large-scale implementation on public-facing systems.

CONCLUSIONS

As reported in the previous sections, regulation is the current main issue for asset managers that want to use DeFi brand-new products, such as Idle.

However, we have noticed the presence of a strong interest in this kind of instrument by financial industry operators, and these have been discussed for years now. Typically, investors purchase a mixture of stocks, fixed income products, and commodities. Ethereum and DeFi space provide a completely new portfolio of financial products available for investment.

While waiting for regulatory process make its course, Idle team will secure the smart contract throughout a certified auditing process. We can also ship a managed solution for non-technical customers that wants to invest in our product but need specific advisory.

All that being said, we are convinced that Idle can become a valid and useful product used by professional investors, as well as retail investors, that seek to optimize their returns.

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