

# Blockchain in asset management

Over the past few decades, the asset management industry has **grown tremendously in both size and complexity**. The variety of fund structures and exposure to underlying asset classes has expanded to meet the investor's demands for **a diverse global set of products**.

To service this global product set the industry makes significant use of service companies that **act as intermediaries between them and the clearing and settlement infrastructure**.

The ability of blockchain distributed ledgers to replace intermediary centralised *systems of record* has attracted real interest in buy-side firms given the potential to **cut cost, reduce delays, provide more timely & accurate data and enhance reporting accuracy**



**Blockchain can have a profound impact on the settlement of securities transactions and afford huge opportunity to reduce the frictional costs of asset managers leading to reduced charges for investors**

**But you don't have to take our word for it...**

- “distributed ledger technology could reduce banks’ infrastructure costs [...] by between **\$15-20 billion per annum by 2022**.”<sup>1</sup>
- “has the potential for [...] **modernizing, streamlining and simplifying** the siloed design of the financial industry infrastructure with a shared fabric of common information.”<sup>2</sup>
- “SETL is to work with Computershare on a joint initiative to establish securities ownership registers using distributed ledger technology for Australia”<sup>3</sup>
- **Over \$1 billion invested** in blockchain companies since the technology’s creation in 2009, with a **59% increase** in the last year.<sup>4</sup>



Potential use cases we have seen clients exploring range from securities settlements to transfer agency to fund valuation.

Lets explore some of these use cases in more detail.

1. *Fintech 2.0* - Santander
2. *Embracing Disruption: Tapping the Potential of Distributed Ledgers to Improve the Post-Trade Landscape* – DTCC
3. Finextra, 28 April 2016
4. CNN Money, KPMG and CB Insights

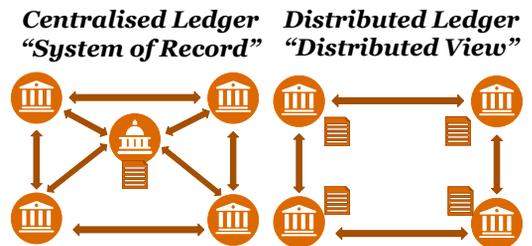
## How blockchain could be applied in asset management

Many of our clients are exploring blockchain's potential to disintermediate, increase speed and reduce cost whilst increasing resilience in their businesses. Here are some examples of blockchain's business applications...

### Settlements

By removing intermediaries and providing a trusted and shared view of permissioned data, blockchain could:

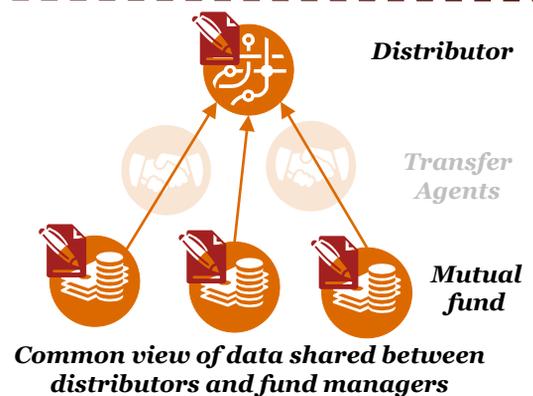
- **Reduce costs** (e.g. fewer reconciliation errors)
- **Speed up settlement** (e.g. faster validation)
- **Increase resilience** (e.g. no single point of failure)
- **Improve transparency** (e.g. easier to monitor)



### Transfer Agency

The prevalence of intermediaries (fund platforms and brokers) operating at an omnibus level changes the role of transfer agents. The prevalence of the omnibus model in the industry has also escalated the debate about increased transparency and risk versus responsibility.

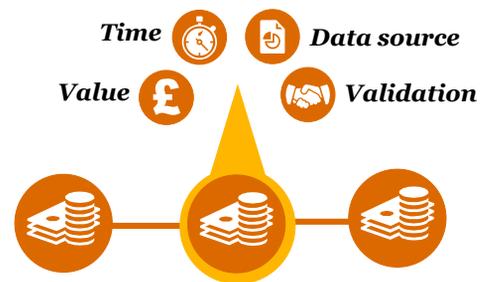
The **increased transparency** afforded by blockchain provides the opportunity to **disintermediate** and create **direct linkage between fund managers and distribution platforms**



### Fund valuations

Blockchain could bring benefits to the valuations process as it:

- **Enhances the accuracy and timeliness** of record keeping
- **A time-stamped**, source of pricing data
- Opportunity to share **common view of data with service providers**



### Choosing the right use cases for your organisation

Blockchain is an **exciting new technology with huge potential** to disrupt and improve numerous industries. But it's **not the answer to everything**.

Understanding which use cases you should pursue requires **business understanding and technology knowledge**, including:

- Your business strategy and process
- The market you operate in
- Technology provider landscape
- Evolution of the technology

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