

Blockchain Transferred Funds (BTFs): Innovating Pooled Investment Funds

Host:

Rayne Steinberg, CEO, Arca

Featured Guests:

Jerald David, *President*, Arca Labs

David Easthope, *Head of Fintech*, Coalition Greenwich

Jay Biancamano, *Head of Tokenization*, State Street Digital

March 8, 2022



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Meet the Digital Asset Leaders

Host

Rayne Steinberg



CEO & Co-Founder
Arca

Rayne leads Arca's strategic direction and is responsible for securities structuring and risk management.

Previous Experience



Guest:

Jerald David



President
Arca Labs

Jerald leads Arca's innovation division, responsible for creating registered digital asset securities in partnership with financial companies.

Previous Experience



Guest:

David Easthope



Senior Analyst, Head of FinTech
Coalition Greenwich

David is focused on capital markets fintech, market data and analytics—such as cloud computing, AI/ML, and Blockchain.

Previous Experience



Guest:

Jay Biancamano



Head of Tokenization
State Street Digital

Jay is focused on innovating new products and services based on blockchain technologies in addition to running the Digital Product team in the Americas which works to build out State Street's Digital Asset Strategy.

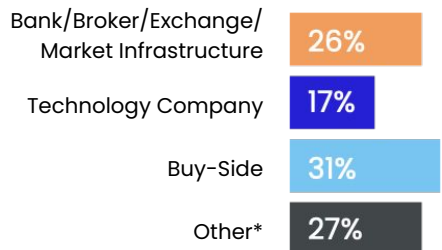
Previous Experience



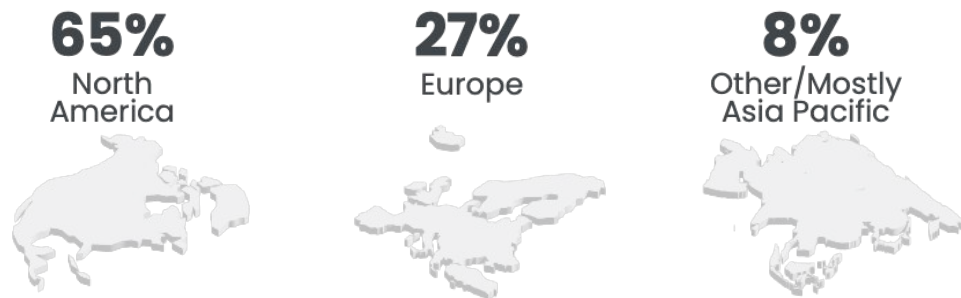
The Future of Securities: A Digital Asset Securities Study

Investors and financiers were surveyed to understand digital asset securities perspectives and adoption

How would you describe your organization?



In what region are you located?



How long have you been active within digital assets and/or blockchain technology?



*Other organizations consist of consultants, law firms, academia, systems integrators, corporates, and other institutional market participants

Digital Asset Securities Survey Findings

77% of participants believe most securities will be digitized on a blockchain in the next 5-10 years

Key Ranking:

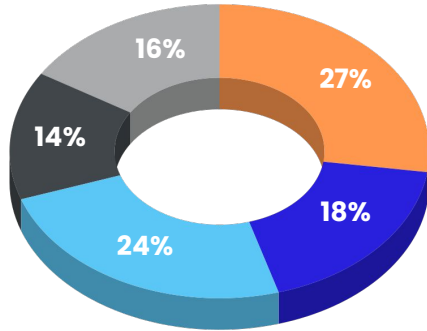
Extremely focused

Very focused

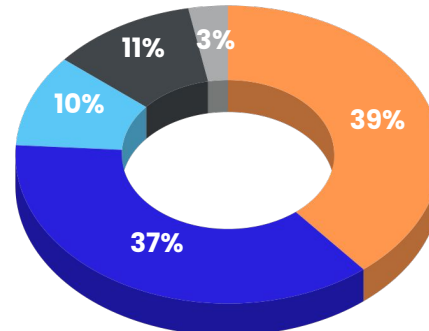
Somewhat focused

Not very focused

No at all focused



69%
of respondents
are focused on
implementing
blockchain for
capital markets



76%
are familiar
with digital
asset
securities

61%

of respondents want to see
investment funds tokenized



» Technological innovation can lead to new investment structures.

Introducing Blockchain Transferred Funds (BTFs)

Integrating blockchain technology into a '40 Act fund to issue shares as digital asset securities

'40 Act Traditional Regulatory Requirements

Assets held in regulated trust

An independent auditor,
administrator, and board of
trustees

Mandatory reporting of annual
audited financials, semi-annual
reports, trade confirmations,
monthly account statements,
daily NAV, and SEC filings on
material events.



BTF Added Benefits

+ Immutable record-keeping

+ Automated execution

+ Programmable security/fund
registration requirements

+ Faster settlement

+ Fractionalization

+ Ability to freeze, cancel, or
replace lost or compromised
tokens

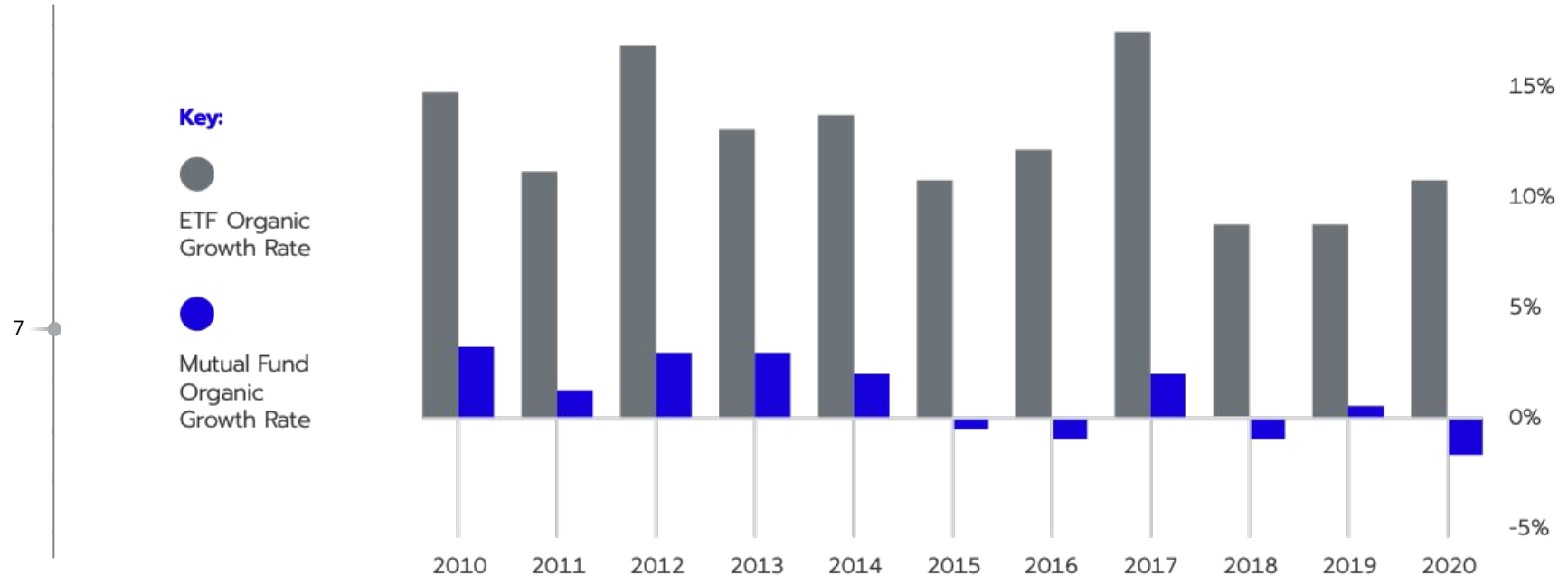
+ Lower fees due to the
elimination of unnecessary
intermediaries

+ Asset ownership and history
transparency

+ Peer-to-peer transference

History of Investment Vehicles

ETFs accelerate while mutual funds stagnate



>> Integrating blockchain into existing pooled investment vehicles is the next iteration of investment funds

Source: Bloomberg Quint

The Evolution of Pooled Investment Funds

ETFs improved upon mutual fund limitations; similarly, new technology improves upon the structural constraints of ETFs.

1924

Mutual Funds

- Broad Diversification
- Professional Management
- Relative Low Cost
- Daily Liquidity

1993

Exchange Traded Funds

- Lower Operating Costs
- Intraday Trading
- Greater Transparency
- Better Tax Efficiency

2020

Blockchain Transferred Funds

- Peer-to-Peer Transferability
- Reduced Need for Intermediaries
- 24/7/365 Market Access
- Utility of Investment and Medium of Exchange

The Utility of Investment Funds

Application and continued exploration for investment vehicle use



North America

Europe

Real-Time Settlement



81%

100%

Transparency



73%

67%

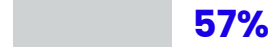
Fractional Ownership



60%

67%

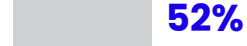
Liquidity



57%

52%

Elimination of Intermediaries



52%

67%

Peer-to-Peer Transfer



40%

33%

Other



4%

4%

>> BTFs offer the additional benefit of being a means of value transfer.

Source: [The Future of Securities: A Digital Asset Securities Study](#),
conducted by Greenwich Coalition on behalf of Arca Labs.

Institutional Use Cases

Collateral Management

Problem

4pm ET market close

Consequences

Companies become undercollateralized throughout the day and run the risk of credit default if re-collateralization is not completed by the close of the market.

Problem

Time and cost of collateral movement

Consequences

Custodians are commonly used to move collateral from one business line to another. Each movement requires fees and trust that custodians will make the trades in a timely manner.

Problem

Counterparty risk

Consequences

Companies are reliant on third parties to buy, price, and sell their collateral, which increases the potential for human error, long timelines, and asset exposure.

Join Us in Building the Future of Financial Services

We believe the benefits of tokenization are profound and the BTF opportunity is vast for those who choose to pursue it.

For more information on BTFs visit
www.ar.ca/btf.

Questions?



ar.ca



info@ar.ca



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