Innovative Applications of Blockchain

Capgemini

In partnership with OASIS PRO

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The adoption of blockchain technology continues to gain momentum in the financial services industry. We at Oasis Pro and Capgemini have seen first-hand the potential of blockchain to evolve capital markets. In this POV, we will be exploring three innovative applications of blockchain:

- Separately Managed Accounts (SMAs)
- Know Your Customer (KYC)/Anti-Money Laundering (AML) use cases
- Capital Financing

Defining a Decentralized Future

With the benefits of blockchain technology apparent, financial institutions are slowly making the transition from Web2 to Web3. But due to the nascency of the space, many lack a proper framework to reach their goals. As Web3 matures and the technology evolves further, understanding the technology will be crucial to developing effective roadmaps.

Capitalizing on blockchain benefits

The crucial innovation that blockchain brings is the ability to create digital, auditable, and immutable data trails of records. The immediate results are more transparency, shorter settlement timelines, lower costs, and greater efficiencies. All these factors together open the door to an incredible range of financial innovations.

"Combining the power of blockchain with AI/ML technology in the tokenization of Real-World Assets (RWA) holds immense potential for transforming the way we manage and interact with tangible assets. AI/ML algorithms can analyze vast amounts of data, enabling predictive analytics and smarter decision-making in asset valuation, risk assessment, and portfolio management."

Gaurav C.Patrikar, VP Enterprise Technology of Oasis Pro

Three aspects of finance that blockchain will change forever

Here are some of the specific benefits that decentralized ledgers can bring to SMAs, KYC/AML, and capital financing.

Administering SMAs on the blockchain

A Separately Managed Account (SMA) is a type of investment account that is owned by an individual investor and managed by a professional asset management firm. It's also known as an individually managed account, a single managed account, or a private wealth management service.

Leveraging the innovation of blockchain technology, a more secure and transparent platform can be created for administering and executing on SMAs. The blockchain-based platform could allow investors to view their account information, transaction history, and profit/loss in real-time. Additionally, the platform would provide alerts and notifications in the event of any discrepancies or irregularities, ensuring up-to-date information on investment performance.

In traditional finance, SMAs usually require a minimum investment, which can be quite high (often $100,000 or more), making them more suitable for high net-worth individuals. Our proposed solution of leveraging blockchain to tokenize SMAs will provide investors with the ability to own fractional shares of high-value assets, such as real estate, artwork, or intellectual property. This increases liquidity, lowering (or eliminating) the need for a minimum investment, and makes SMAs accessible to a broader range of investors. Average, individual investors will thus gain access to the same investment strategies as high net-worth individuals.

Digitizing KYC/AML procedures

With blockchain, we can create a secure and efficient system for identity verification and authentication. The blockchain-based system would allow us to store and manage customer identification documents, such as passports and driver's licenses, in a secure and tamper-proof manner. Moreover, the system would enable us to monitor and track customer transactions, helping us to detect and prevent any suspicious activity.

We are investigating how blockchain can provide individuals with control over their personal data and enable confidential, secure and verifiable digital identities. This could streamline processes such as KYC and reduce the risk of identity theft.

Blockchain technology also digitizes records of customer identities and transaction history with tamper-proof and transparent data, mitigating errors and omissions. This innovation can help financial institutions comply with KYC/AML regulations more effectively and ensure the accuracy and security of customer information.

"The adoption of blockchain in the FinTech industry will not only streamline processes but also enhance security, privacy, and accountability. The future of finance lies in the hands of blockchain, paving the way for a truly decentralized and democratized financial ecosystem."

Viren Khandelwal, CTO and CISO of Oasis Pro

"Blockchain initiatives continue to transform Banking, Capital Markets and Insurance and the emerging use cases clearly show the opportunities to get more efficient."

Sankar Krishnan, EVP, Banking and Capital Markets and Head Digital Assets at Capgemini

Enabling capital financing on blockchain networks

Capital financing against purchase orders on a blockchain offers a promising solution for businesses looking to optimize their supply chain financing, while ensuring transparency and security throughout the process. The benefits of capital financing against purchase orders on a blockchain include improved efficiency, reduced fraud, and increased access to working capital for businesses. The transparency and immutability of data on a blockchain help mitigate the risks associated with traditional financing methods, such as invoice fraud or disputes over delivery.

Blockchain can also automate the artificial intelligence and machine learning financing process through different liquidity providers against the purchase orders (POs). In this use case, an infrastructure provider, like Oasis Pro, will validate the authenticity of POs using Oracles – smart contracts that bridge the blockchain with external systems. We then lock these POs on chain as collateral to provide financing. Once this system is up and running, new forms of investment become possible. In traditional financial systems, this financing runs through large banks, but on a blockchain anyone with money to invest can be the lender and anyone with valid POs can be a borrower. While widening the pool of lenders and borrowers, blockchain also provides more transparency, thus reducing the risk of fraud when raising capital from different lenders against the same collateral.

Businesses looking to raise capital can also leverage the immutability and traceability of blockchain to create a transparent and auditable record of purchase orders. This record can then be used as collateral to secure financing from lenders, such as banks or other financial institutions. By using blockchain, all parties involved in the transaction, including the buyer, seller, and lender, can have real-time visibility into the progress of the purchase order. This transparency reduces the risk for lenders and provides them with greater confidence in extending capital financing.

Furthermore, the use of smart contracts (self-executing programs) on the blockchain allows for the automated execution of financing agreements. Once certain predefined conditions are met, such as successful delivery of goods or verification of payment, the smart contract can automatically release funds to the seller.

Building the infrastructure to blockchain-based finance

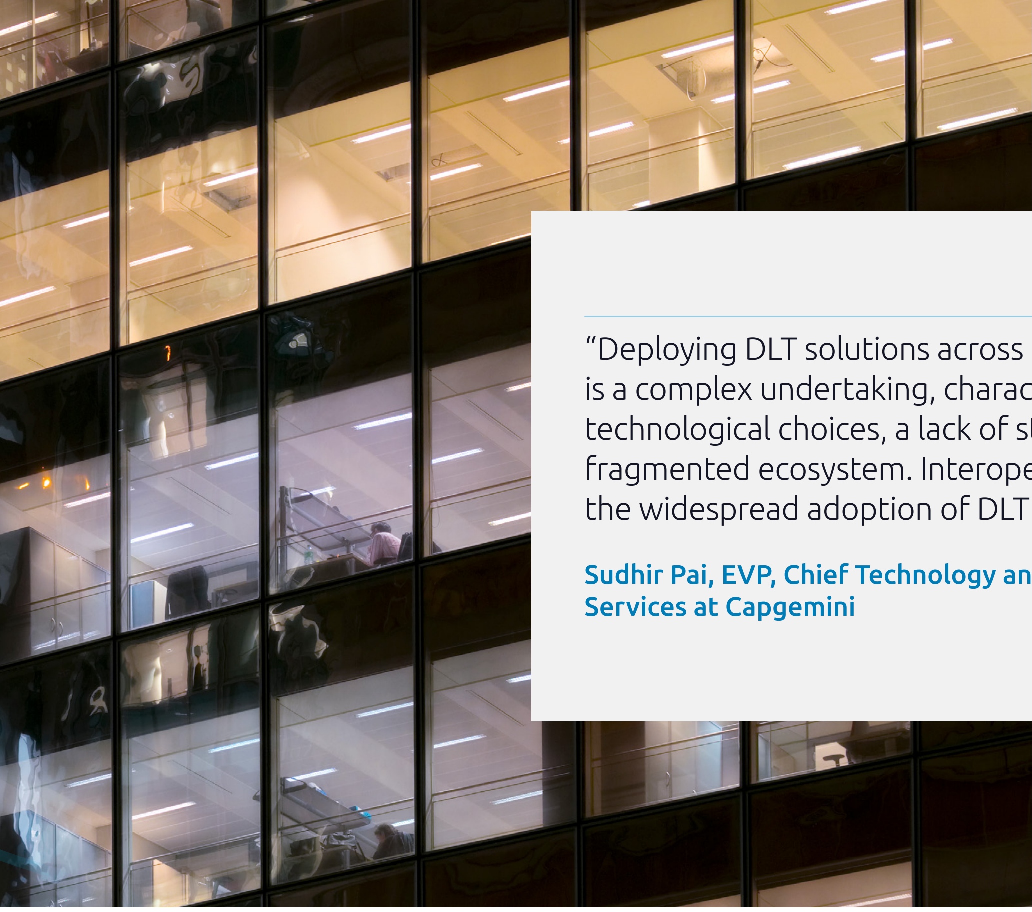
Today, financial institutions of all types are looking for a path towards these benefits, but there are many questions. There are dozens of blockchains out there – how do they differ? How can we ensure that the solutions we choose won't be surpassed by newer, more advanced technologies? What infrastructure do we need? What does a pathway forward look like? Here's a brief look at how we see the transition.

The next step will be for financial institutions to bridge the gap between Web2 and Web3. This means creating a transition for financial services companies into the next evolution of capital markets powered by blockchain technology – similar to the bridge that happened across trading floors when investment bankers leveled up to algorithmic trading. Blockchain technology will not upend financial services, it is an additional innovation to improve upon current systems, thus an infrastructure is needed to connect the legacy systems with the new technology.

Arriving at a more efficient decentralized future

The future of financial services will balance centralized and decentralized financial systems and components, driving constant and rapid innovation, and ensuring regulatory compliance. Blockchain and other distributed ledger technologies (DLT) are at the heart of decentralized futures. When these technologies first emerged, there was a natural period of skepticism, with projects limited in scope to proofs of concept or small pilots. But in the past two years there has been a significant uptick in new blockchain projects deployed at scale, especially within financial services. Web3 will be a key enabler in the convergence of centralized and decentralized finance, creating a smart and autonomous network interface for information exchange, which is open, trustless, and immutable.

> "Similar to previous technological innovations, blockchain requires expert guidance for successful implementation and utilization in the form of intermediaries, such as infrastructure and solution providers."
>
> **Pat Lavecchia, Founder & CEO of Oasis Pro**



"Deploying DLT solutions across the enterprise value chain is a complex undertaking, characterized by a multitude of technological choices, a lack of standardized approaches, and a fragmented ecosystem. Interoperability is essential for enabling the widespread adoption of DLT in industrial applications."

Sudhir Pai, EVP, Chief Technology and Innovation Officer, Financial Services at Capgemini

Decentralizing financial services through blockchain technology opens a world of possibilities, but with this new space being nascent, companies need strong industry leaders to guide them in the evolution. The future of optimized general ledgers is to leverage blockchain technology.

As first movers in the adoption of web3, Oasis Pro and Capgemini have built the knowledge and expertise to guide financial institutions from web2 to Web3, leading companies to transform and manage their business by harnessing the power of technology. Oasis Pro's team is made up of experienced Wall Street veterans and deeply engrained blockchain technology specialists which culminates in a complete end-to-end infrastructure solution to assist financial institutions in the adoption of digital assets. Over the past year, as the industry has evolved from ideas to POCs, Oasis Pro was involved in a project alongside Onyx by J.P. Morgan and Apollo that showcased how tokenization can enhance operational fluidity of alternative and traditional assets and integrate them seamlessly into automatically rebalanced model portfolios across blockchains.

Explore our leading credentials in enterprise blockchain services, recognized by prominent analysts and advisors.

About Capgemini

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About Oasis Pro

Oasis Pro is a global fintech infrastructure provider for real world assets and digital securities bridging the world of traditional finance from web2 to web3. Leveraging our deep Wall Street and blockchain expertise we provide end-to-end solutions to guide traditional financial institutions and sophisticated investors in the evolution of alternative asset investing. Oasis Pro provides a holistic multi-asset trading platform solution for both public and private tokenized securities using digital cash or fiat. Oasis Pro's subsidiary, Oasis Pro Markets, is a FINRA member firm that operates a multi-asset alternative trading system (ATS), OATSPRO, to allow primary issuance and trading of public and private multi-asset digital securities as well as a full-service investment bank. Learn more at www.oasispromarkets.com. Securities are offered through Oasis Pro Markets, Member FINRA/SIPC.

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