

WHITE PAPER

2021



NAAV

connect the market

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CHAPTER 1

1. THE COMPANY

WHO

The New Asset Allocation Vehicle NAAV

NAAV Ltd (NAAV) is a Swiss registered company operating in Switzerland. It works in close collaboration with a major Swiss law firm specialized in blockchain technology and asset management/banking law.

WHAT

Connect the market

NAAV is an innovative platform acting as a link between the blockchain and the asset management industry. It allows people to invest in mutual funds without the need of having a bank account; therefore, providing investors with direct access to portfolio managers.

Switzerland has developed an expertise in the private banking and asset management industry for many years. It has also become, more recently, a center for ICOs and blockchain projects. NAAV combines expertise in these two areas in order to provide people with wealth management services at a lower cost.

WHY

NAAV wants to change the financial status quo.

NAAV wants to give everyone an equal chance to grow their savings at a fair and transparent cost. By reducing intermediaries and increasing efficiencies, NAAV wants to provide access, at a reduced cost, to asset management expertise to everyone, from smaller investors to large institutionals.



NAAV is creating a platform allowing investors direct access to the mutual funds industry.



How

NAAV responsibilities include:

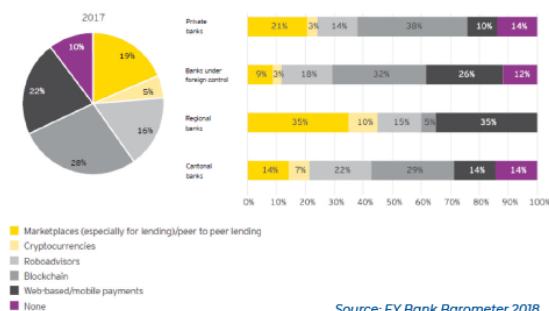
- **Fund tokenization:** through IT development and licensing, NAAV will be able to tokenize fund shares and offer them to the public. This implies transferring the custody from banks directly to the investor allowing greater control over the funds and custody at no cost. Moreover, smart contracts have been developed in order to fully automate the fund subscriptions and redemptions process, making access to mutual funds more efficient and less expensive.
- **Compliance:** through its automated compliance tool, NAAV will make sure that investors' funds are legitimate and do not breach any AML rules (including FACTA, AEOI, anti-sanctions rules, etc.). High compliance standards will be applied, fully in line with Swiss regulation.
- **Investment suitability:** through its automated suitability analysis tool, NAAV will be able to monitor whether investments made through the platform matches the investor risk profile, when legally required.
- **Monitoring:** NAAV online interface will allow people to monitor all their investments done through the platform, contact portfolio managers directly, generate statements and to get regular updates on funds' performance.

Automation will allow NAAV to provide access to mutual funds (and other products at a later stage) at a lower price, further facilitating fund access to smaller investors. **Moreover, crypto holders will no longer need to convert their crypto holdings themselves nor open a bank account in order to access the financial industry.** The smart contracts will enable the automation of processes that are done manually today.

Blockchain as a game changer

In its later report, the Swiss government describes the potential uses of blockchain and distributed ledger technology (DLT) in wealth management.

- **Publication of information:** Like other financial intermediaries, asset managers must also publish information (e.g. regulatory reporting, traded prices, etc.). DLT could enable or at least simplify the storage of data as well as the paperless transmission thereof appropriate to the addressee.
- **More efficient processes:** Smart contracts might be used to automate the onboarding of clients, document management, dividend transfer, etc.
- **Tokenization of fund units:** if fund units were structured in the form of tokens, payment into and out of the fund could be simplified and made directly via DLT. This would make it easier for funds to appeal directly to retail clients and thus make them less dependent on intermediaries. Tokens would also be tradable on the secondary market.
- **DLT-based asset management:** A combination of the examples mentioned above could be used to represent a completely DLT-based asset management business model. However, this would necessitate only DLT-based assets to be invested. Should the tokenization of assets continue to increase, a wide range of investment opportunities might arise in the future.



2. FOR WHO

Who will benefit from this solution?

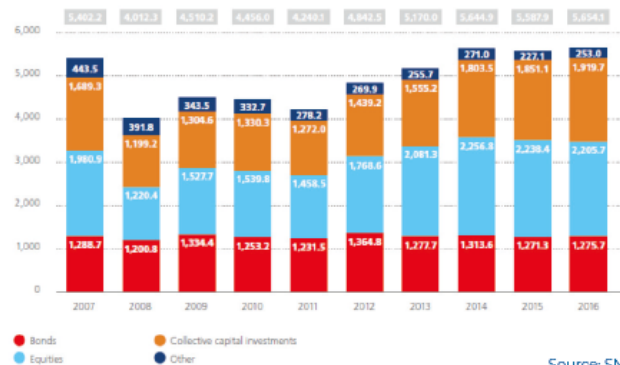
- investors who want to avoid custody and transactional fees
- smaller investors who don't have access to fund managers
- companies who are looking for cash management solutions
- companies who hold ETHs and want to have them managed
- people all over the world who have limited access to banks

3. THE FUND INDUSTRY

NAAV is a platform connecting investors to the investment fund industry directly.

« Rising demand for collective capital investments: accounting for a 34% share, collective capital investments, consisting primarily of investment funds, were the second-largest securities category. They increased to CHF 1'920 billion in 2016 . »

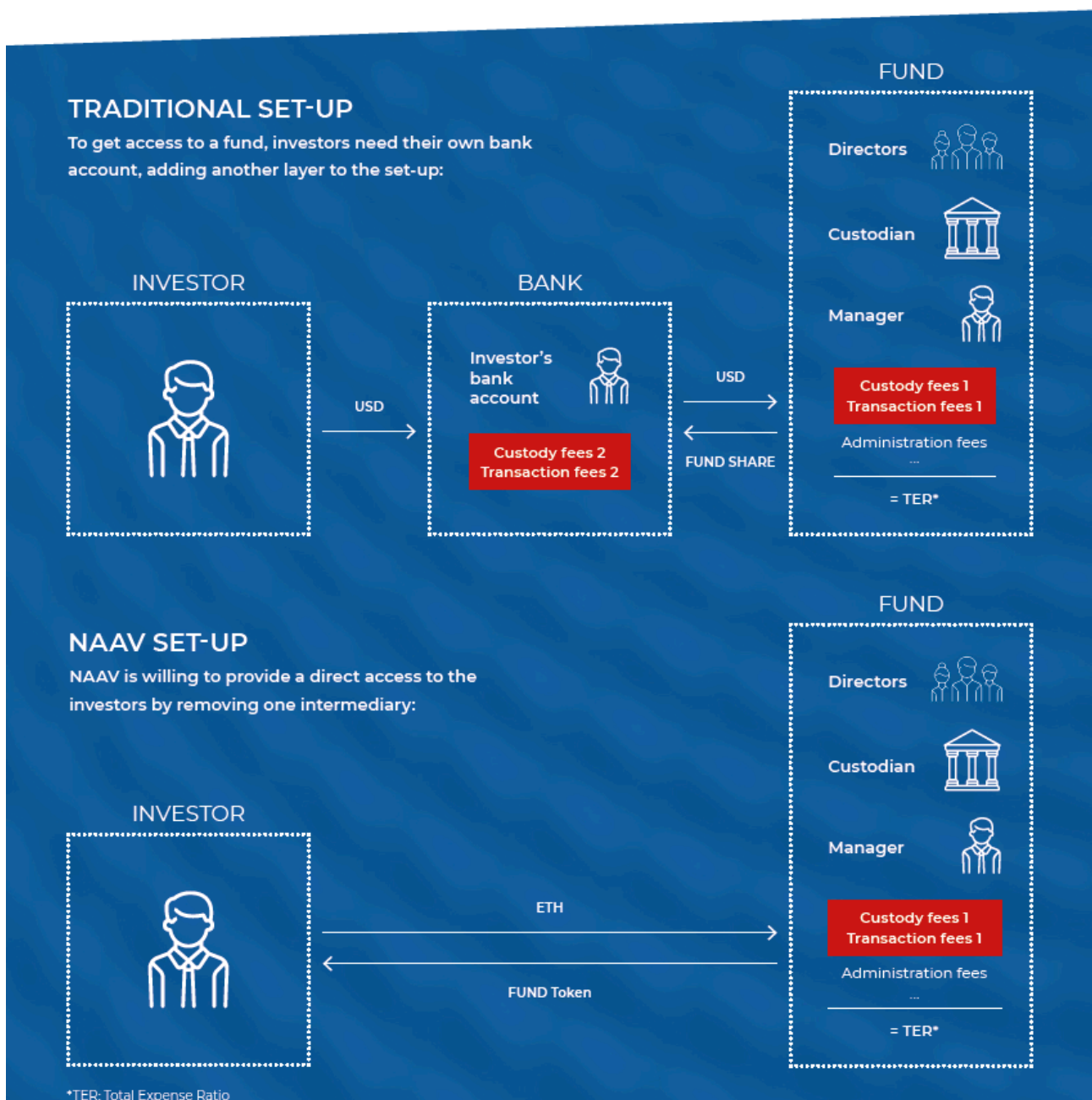
Securities holdings in customer custody accounts by type in CHF bn



Source: SNB

The parties involved in a fund:

1. **The fund manager** takes investment decisions for the fund according to his predefined mandate and strategy. This mandate can be found in the official fund prospectus.
2. **The bank** acts as a custodian for the securities and cash on behalf of the fund. It will execute the trades transmitted by the fund manager. The bank also verifies that the management mandate is followed strictly.
3. **The fund directors** have among others the authority to choose the fund manager and the custodian bank. They are also responsible for the fund towards the investors and the regulator.



4. THE DOUBLE FEE LAYER PROBLEM

When investing in a fund, the investor faces the double fee layer problem twice.

1. Firstly, when the investor wants to subscribe to the fund or redeem shares;

The investor will ask the banker to subscribe to the fund. The banker will charge a subscription fee for this service. However, the fund itself is already paying transaction fees when it purchases or sells securities. Direct subscription through the blockchain will eliminate one layer of fee as there won't be a subscription fee anymore.

2. Secondly, when the investor needs to custodize the fund shares within his bank:

The shares of the fund will be deposited on the investor's bank account where custodian fees will be charged. However, the fund itself is already paying custody fees to its own custodian for securities purchased. Direct subscription through the blockchain will eliminate the custody fee as the shares will be tokenized and kept in the investors' e-wallet.

The double fee layer problem solved

We believe that in a transparent world, investors should only pay the portfolio manager expertise and the costs associated to the fund management. Moreover, this cost should be clear and transparent. Hence, NAAV offers an efficient way to solve the double fee layer problem

	CURRENT SITUATION		WITH NAAV SOLUTION	
	Transaction fees	Custody fees	Transaction fees	Custody fees
At the fund level	YES	YES	YES	YES
At the investor level	YES	YES	NO	NO

5. PROOF OF CONCEPT

NAAV is launching a new asset allocation fund accessible by cryptocurrencies.

The fund will be distributed by NAAV and accessible via the NAAV platform. This mutual fund, with its shares **tokenized** under the name **FUND**, will allow anyone to participate to the traditional market performances while limiting the losses on the downside.

This fund will be NAAV's proof of concept. The objective being to expand the fund offering on NAAV platform and to provide more investment possibilities at a later stage. NAAV will accept other mutual funds and asset managers on its **platform** with all kind of different strategies. One element will remain for all though: fees transparency.

NAAV utility token will enable investors to vote for the next fund to be implemented on the platform according to investors' preferences.

NAAV Ltd (The Company)



NAAV's first tokenized fund



NAAV: PLATFORM FOR FUND MANAGERS AND INVESTORS

INVESTORS

FUND
MANAGERS



EQUITIES



BONDS



MULTI-ASSETS



REAL ESTATE



OTHERS...





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