

FUNDS COMPLETE FIRST SECONDARY MARKET SECURITIES TRADE ON ILSBLOCKCHAIN SET UP BY GUERNSEY ICC

12 DECEMBER 2017

Two funds have now performed a secondary market trade in what are believed to be the first notes ever to have been digitised on a private blockchain set up by Guernsey ICC [Solidum Re](#).

In August Guernsey-domiciled ILS reinsurance transformer, and incorporated cell of Solidum Re, Dom Re IC Limited issued a series of notes which were created on and settled through a private blockchain known as the 'ILSBlockchain', thereby replacing the traditional role of Euroclear or DTC for this note issue.

Dom Re issued \$14,800,000 Principal-at-Risk Notes, due 2023, an asset-backed securitisation of a reinsurance contract, to a total of six investors. Solidum Re acts as the paying agent and common depository of the permanent global note, as well as the blockchain permission grantor and sponsor.

[Artex Risk Services \(Guernsey\) Limited](#), acting as trustee for assets on the ILSBlockchain, recently cleared a new participant to join the ILSBlockchain by performing the required know-your-client (KYC)/anti-money-laundering (AML) procedures. With its own newly-created node, the new participant paid US dollars (USD) into the trust account with Artex, who credited USD to the participant's wallet on their node.

Moving on to the next stage, [Solidum Partners AG](#), on behalf of one of its funds, set up a trade on the ILSBlockchain wishing to sell some of its holdings. In setting up the trade, the ILSBlockchain software produced a cryptographic key representing the trade. Solidum Partners then 'advertised' the trade, complete with the key required to execute the opposing side of the trade, on a platform set up and run by Solidum Re. This triggered emails to be sent to all registered participants on the ILSBlockchain.

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Solidum Re Director Cedric Edmonds

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Participants who wished to react to the offer were able to download the key from the advertising platform and enter it into their node on the ILSBlockchain where they could 'decode' the offer. A participant who held sufficient USD was then able to directly execute the trade on the ILSBlockchain which, within a single 'Atomic' transaction, debited their wallet with the required USD assets and credited their wallet with the notes. Conversely, within the same transaction, the ILSBlockchain debited the Solidum fund's wallet of the offered notes and credited the wallet with the USD.

Solidum Re Director Cedric Edmonds said the trade was created, executed and confirmed on the ILSBlockchain in

a matter of minutes.

He said: “The transaction was simpler, quicker and more efficient than a standard DTC/Euroclear trade. We were delighted at how everything worked effortlessly and flawlessly as planned. Solidum can now, via the trustee, arrange for the USD assets its fund now holds on the ILSBlockchain to be wired to its fund’s ‘real-world’ custody account.

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Trades on the ILSBlockchain can equally be performed using a broker-dealer if desired and nodes on the ILSBlockchain could equally be held by custody banks to hold securities on the ILSBlockchain in custody for their clients.

Guernsey Finance Chief Executive Dominic Wheatley said: “With this trade, we are seeing an example of the evolution of the future of finance. Guernsey is a specialist centre for insurance-linked securities and is a jurisdiction well-renowned for its innovation. This latest step forward in the advancement of blockchain is testament to that and we look forward to seeing more trades follow in this way.”

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WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Dominic Wheatley, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

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