

Digital wealth management in the 21st century

A blockchain-type approach to recording data on tangible assets

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In asset management, tangible assets such as real estate, fine art, watches, jewellery, yachts, aircraft, cars and wine commonly fail to achieve their maximum potential due to the generally poor data quality, provenance and authenticity associated with them. The start-up Valorchain AG, based in the “Crypto Valley” in the Swiss canton of Zug, is going to change this by introducing a fraud-proof digital identity for tangible assets.

The inadequacy of the data recorded about tangible assets makes it hard to keep track of the cost of asset ownership or manage liquidity and overall asset portfolio risk effectively. Offering asset owners the best possible advice is difficult because of this as well. However, Thomas Belohlavek, Managing Director at Axa Art Switzerland, believes this can change: “Imagine what it would be like if it were possible to trade tangible assets of any class in the same way as shares and to track asset costs, performance and hedging through a kind of data cockpit. That would mark a huge step forward in the comprehensive management of asset portfolios.” And not just Axa Art, but anyone could benefit from a solution like this.

Incomplete data

Axa Art is the world’s foremost specialist insurer for exclusive assets such as real estate, fine art collections and jewellery. The company provides cover against financial risk through loss, diminished value or damage to tangible assets. However, there is a commonly recurring problem when it comes to preparing insurance solutions: Assets’ histories are rarely documented in full.

An asset’s records on file might include contracts, receipts or warranty certificates, plus details of repairs, maintenance and value-enhancing investments, but no proof that these records are in any way complete.

Costly research

This means that putting together a comprehensive risk-management plan and bespoke insurance package can involve costly research. The costs could be much lower – and the quality of the data all the higher – if assets like real estate, fine art, watches, jewellery, yachts, cars or wine all had a traceable digital identity in the same way as bankable assets. Then, the groundwork involved in creating an insurance solution would be reduced to little more than a few mouse clicks. This would also result in greater emphasis being placed on the advice given to asset owners. Plus, assets could be managed on the basis of a comprehensive picture of the portfolio as a whole.

Fraud-proof data record

The start-up Valorchain has set out to solve the problem of poor data quality in connection with tangible assets. Founders Stefan Bachmann and Pierre Mangers are applying blockchain principles to create a digital platform on which comprehensive, fraud-proof data records spanning the entire lifecycle of non-bankable assets can be kept in one place. The goal is to enable asset owners and their financial-services providers not just to tap the full financial potential of tangible assets, but to do so affordably. Besides streamlining existing value chains, this will also drive the

development of new business ideas in asset management aimed at clients with portfolios of any size.

Axa Art is convinced by the potential of actively managing tangible assets. The high levels of investment in this asset class in recent years, along with promising market projections, mean the need for such a solution is there. “We are convinced about Valorchain’s innovative approach and are keen to play an active part in its development”, says Thomas Belohlavek, CEO of Axa Art Switzerland. “We want to open up new possibilities in terms of customer service and excellence. But that’s something we can only accomplish jointly with our partners and customers”, he adds.

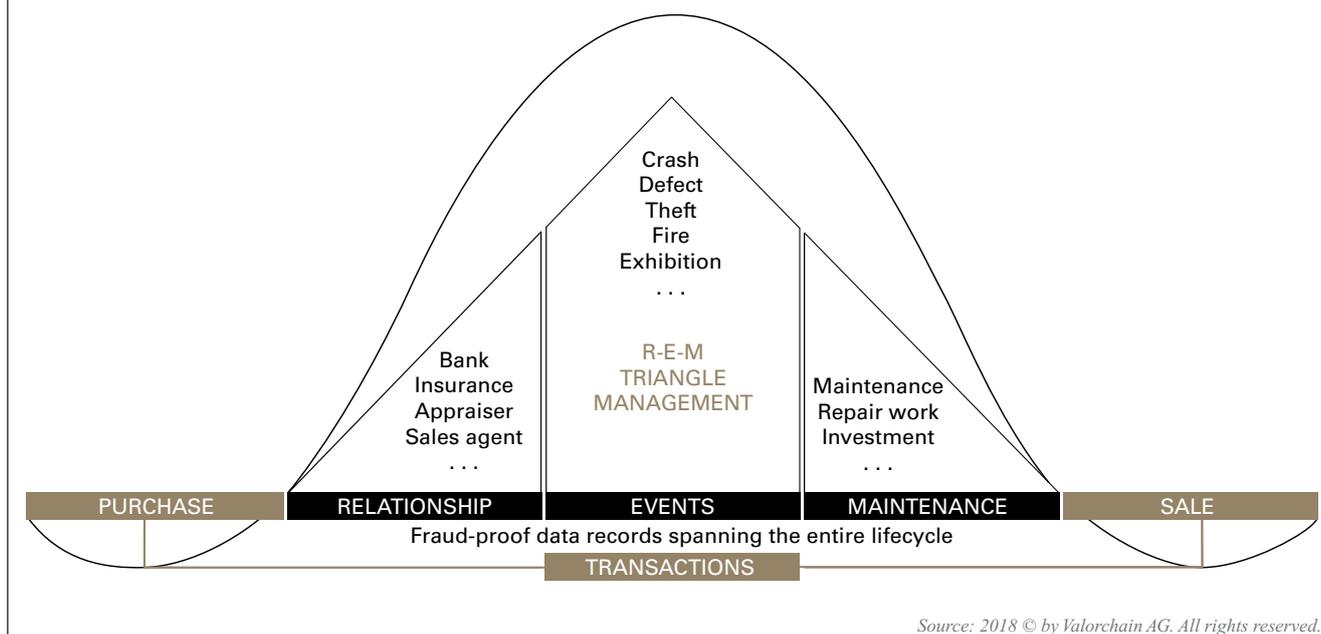
Making tangible assets bankable

Valorchain founder Stefan Bachmann explains: “We are confident that a globally standardized and recognized digital data-management system could make real estate, fine art, watches, jewellery, yachts, aircraft, cars, wine and other tangible assets bankable. Valuations would then be clear and incontrovertible, allowing generally illiquid assets like these to serve, say, as lending collateral or to secure loans quickly for a given term. The assets would also be easier to buy and sell. And the value of an individual or a family’s overall portfolio would be much easier to ascertain, and with far greater precision.”

A digital identity for every asset

This is at the heart of the Valorchain approach: Like the identification numbers used with bankable assets, every item recorded on the digital platform is

Manage the entire lifecycle of tangible assets in one place



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assigned a unique identity – a *smart-TASIP™* or Tangible Asset Secure Identification Protocol. “When an item is initially registered, its net present value (NPV) must be determined by a recognized valuation organization”, says Bachmann. “Every valuation-relevant event occurring over an asset’s lifetime is recorded securely and in fraud-proof form in the digital identity protocol”, Pierre Mangers adds. Examples include purchase transaction details and price; item-specific relationships and activities involving banks, insurers, public authorities and other service organizations; occurrences such as exhibitions, accidents, fires or defects; maintenance, value-enhancing investments or repairs; and sale transaction details and price (see graphic “Manage the entire lifecycle of tangible assets”). Any authorized party can access an item’s lifecycle history at the click of a mouse.

A revolution in tangible assets

Valorchain’s platform aims to drive a revolution in the way tangible assets like real estate, fine art, watches, jewellery, yachts, aircraft, cars and wine are managed. It is expected to deliver four key advances (see graphic “A solution which allows tangible assets to become smart”).

First: Assigning a digital identity and tracking all value-relevant events in a single, secure, fraud-proof digital

repository makes tangible assets exceptionally simple to inventory and manage. In addition, it allows data on items to be shared with authorized parties whenever necessary. At present, this kind of crucially important data tends to be spread across countless files all over the world.

Second: The platform will enable the valuation of items that have been registered digitally.

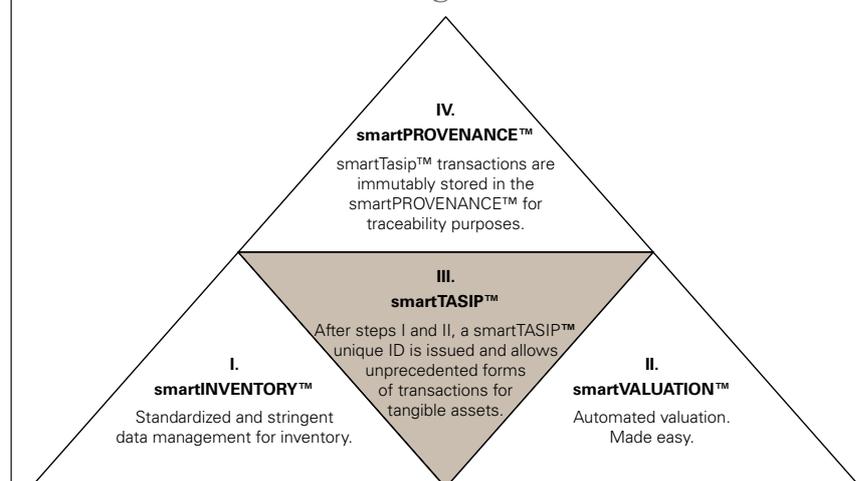
Third: Thanks to their unique digital identity and data record, tangible assets will be able to be lent and traded, just like bankable assets. In addition, insuring them for a given period of

time will involve little more than a few mouse clicks.

Fourth: Recording comprehensive digital information on tangible assets in a single location is not just exceptionally easy and cost-efficient, it assures maximum transparency, too. Services and markets for tangible assets will become more open for lower net-worth individuals as well – particularly if the platform can be accessed using a simple smartphone app.

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A solution which allows tangible assets to become smart



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