



Digital Securities
Tokenizing Shipping Debt

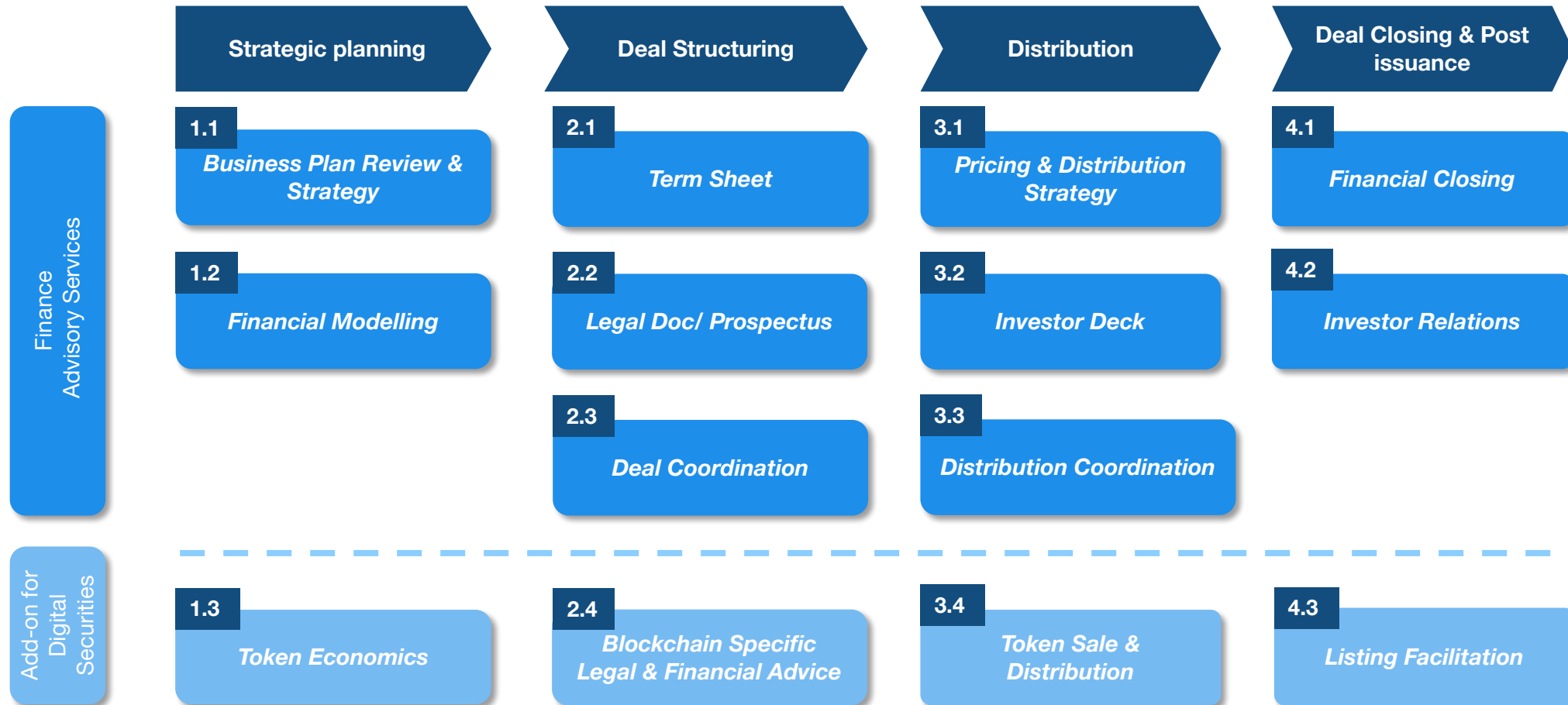
Structured Finance & Digital Securities

AltfinPartners is an **independent advisory firm developing innovative structured finance solutions**

- ✓ Unique combination of structured finance and DLT expertise
- ✓ Project launched in 2017 by two ex bankers, each with 15 years experience in finance : 125+ deals closed and \$15bn capital raised
- ✓ Fact findings
 - Increased capital needs for structured finance
 - Banking red tape
- ✓ Solutions offered by the DLT/regulated digital securities
 - Open up new **sources of funding**
 - Optimize **issuance and post-issuance management**
 - **Reduce transaction costs**

Our services

International structured finance standards & blockchain expertise made available for your project
A comprehensive & flexible offer of advisory & execution blocs adapted to your needs



A widening funding gap in structured finance

Combination of structural changes for banks leading to **capital scarcity & reporting complexity**

Capital intensive industries become less attractive for banks

New banking regulations drive capital to investment grade projects and increase reporting burden

Limited liquidity on the secondary market for asset-backed loans



Funding issues

Costly & inefficient post-closing reportings

Digital Securities can help to break existing funding barriers and simplify reporting/KYC burden

Shipping Finance: new funding sources needed

- ✓ **Approx \$100bn in annual recurring funding needs**
- ✓ **Orderbook : \$225bn ; 2nd hand transactions : ~\$25bn /year**
- ✓ **Debt driven market** in a non investment grade environment
- ✓ **Bank financing : 40% today vs. 80% 10 years ago**
- ✓ **Since 2011 : Top 40 lenders exposure = - \$100bn**
- ✓ **Leasing, secured/unsecured bonds, PE & dedicated funds are emerging to fill the gap**
- ✓ **Largest funding sources are now in the Far East**
- ✓ **This remains insufficient for small and midsize shipowners**

Top 40 banks' lending to shipping
2008 – 2017 – in US\$bn

PETROFIN RESEARCH
www.petrofin.gr



* Figure based on 26 banks ** Figure based on 32 banks

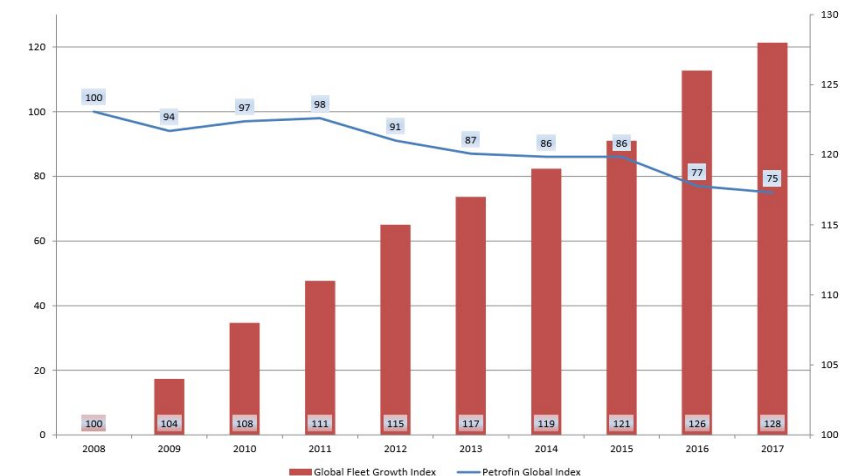
Source: Petrofin Bank Research ©

September 2018

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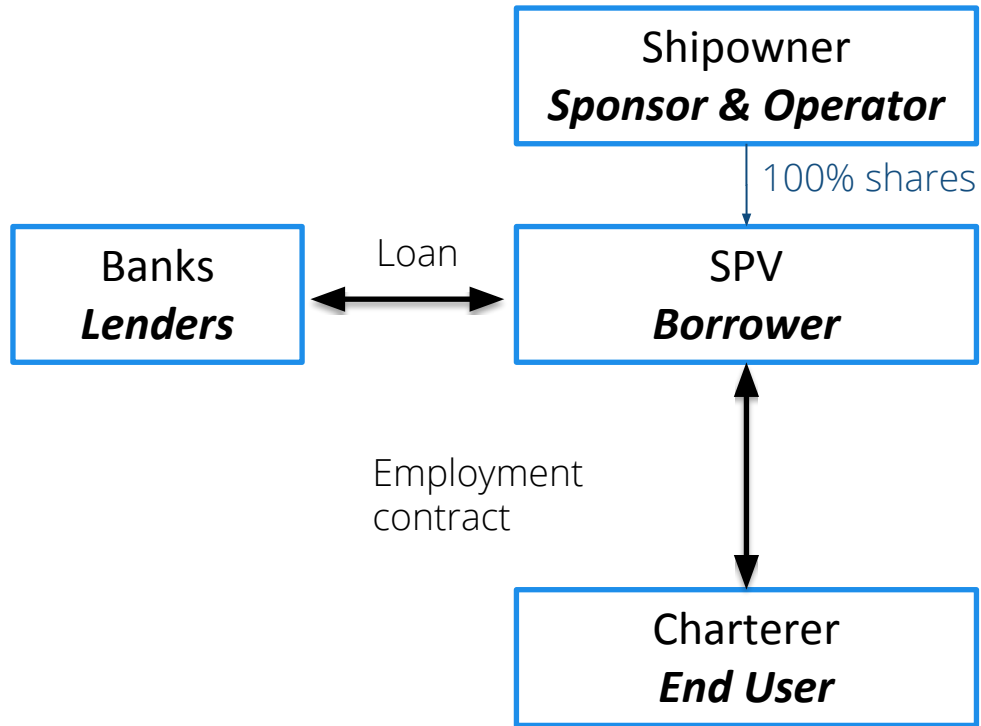
The Petrofin Global Index, compared to the indexed growth of the global fleet



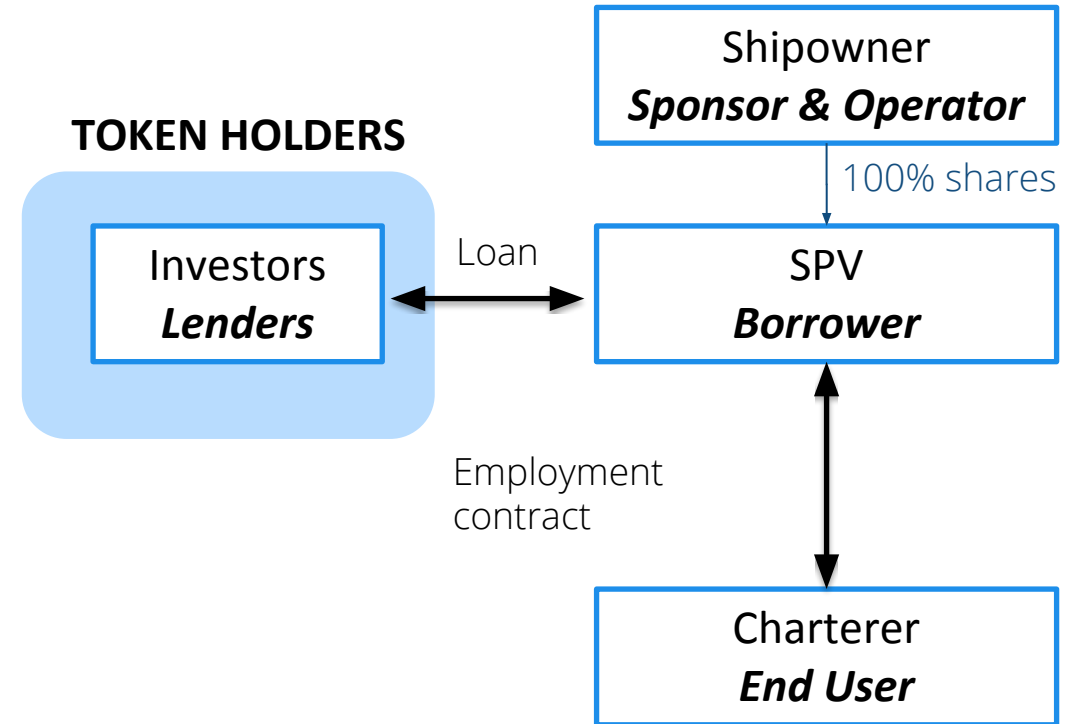
Source: Petrofin Bank Research © and Clarksons' World Fleet Register

Case Study: Shipping Finance

TODAY - CONVENTIONAL DEBT



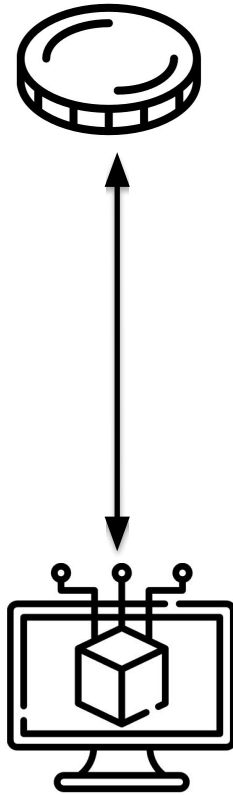
WITH A DLT SOLUTION



ISSUANCE OF AN HYBRID TOKEN AS A NEW ASSET CLASS

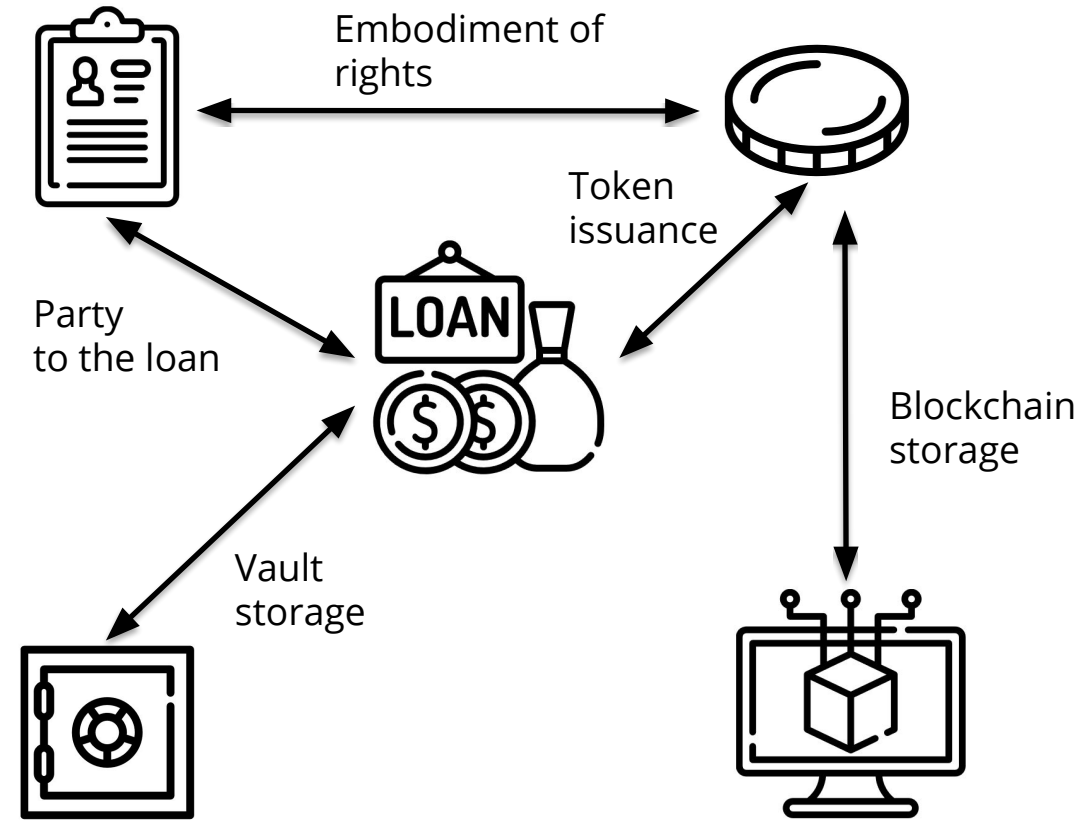
Native vs. Hybrid Token

NATIVE TOKEN



Native tokens are directly created and stored on a DLT

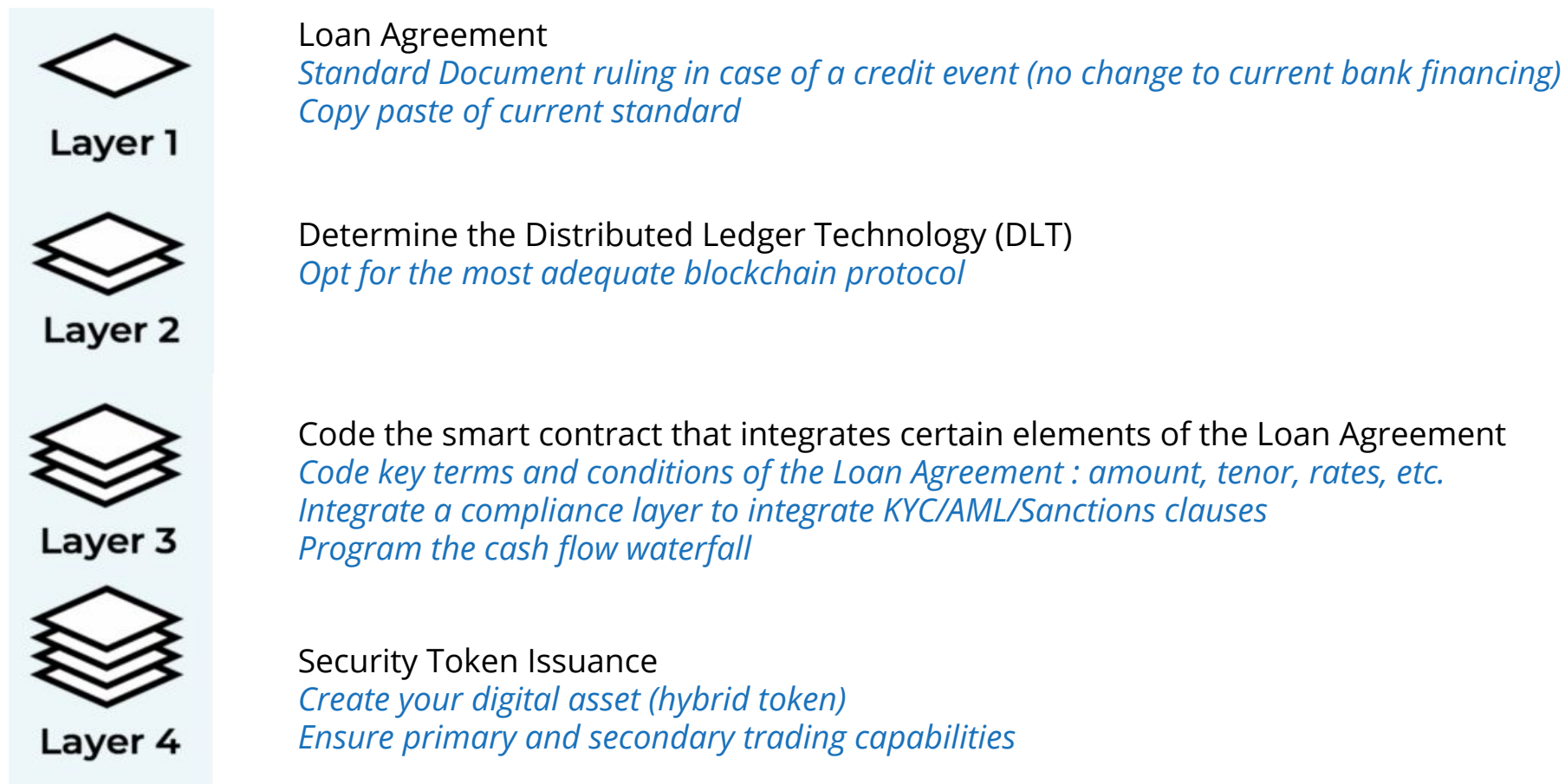
HYBRID TOKEN



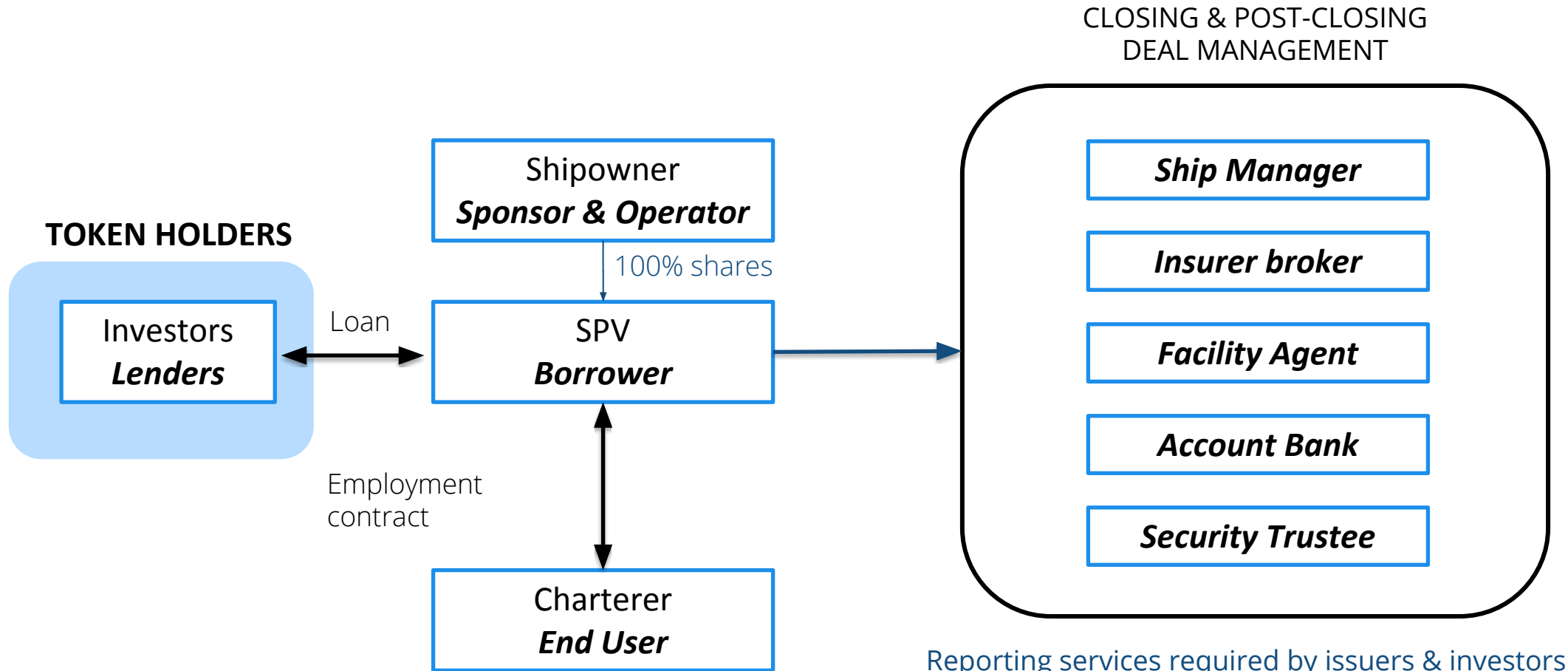
Hybrid tokens are a digital representation of an underlying right/asset

How it practically works

The base principal is to add a technological layer on top on the existing loan documentation to facilitate post-closing loan administration and facilitate secondary trading



Case Study: Shipping Finance



Reporting services required by issuers & investors

Management of financial & information flows

Securities and valuation gatekeeper

Case Study: Shipping Finance

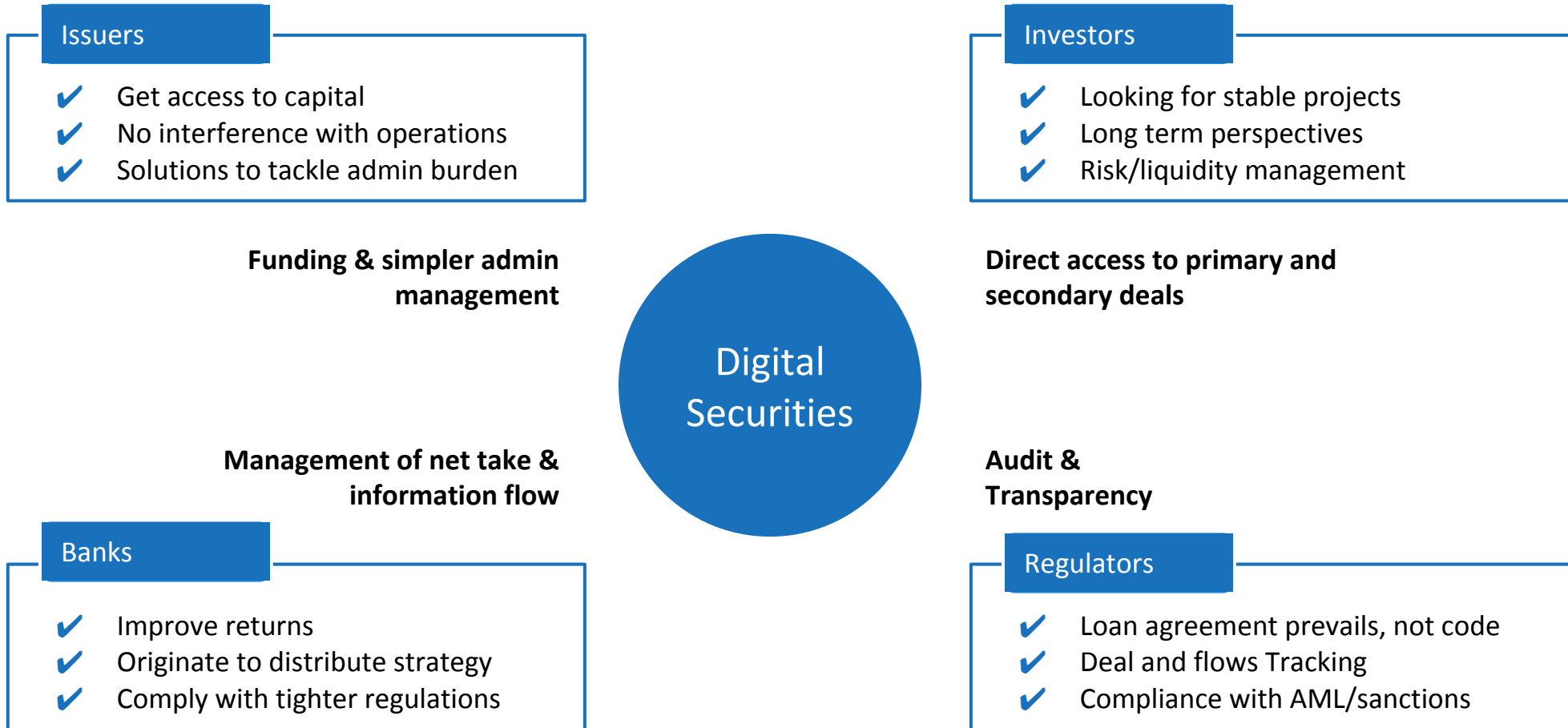
Loan administration is critical for the issuer credibility and ultimately its issuance ability. Yet the process is :

- ✓ Time-consuming & Expensive
- ✓ Complex & Opaque
- ✓ Non-scalable & sources of errors due to human intervention

Digital securities leverage on the distributed ledger technology to :

- **Save costs** : process automation (important for a cost driven industry)
- **Save time** : Instant communication to all parties
- **Improve trust** : Fully transparent & auditable flows
- **Enable better liquidity** : Scalable solution facilitating the listing & trading

Digital Securities will reshape structured finance



AltfinPartners focus

Small to Mid-cap projects

- ✓ Capital intensive businesses
- ✓ Non-investment grade
- ✓ Asset or Cashflow-backed
- ✓ \$[10-50]m funding needs

Private Debt rather than Equity

- ✓ Market depth
- ✓ Standardization, scalability and liquidity
- ✓ Global environment versus local laws for equities
- ✓ Shorter deal/risk analysis leadtime

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Case Study: Shipping Finance

Rights on the asset are captured into a digital asset built using the DLT

A dedicated smart contract is written to onboard key terms and conditions and automates deal management

	BEFORE	AFTER
Contractual commitments	Loan Agreement	Loan Agreement (unchanged)
Securities	Mortgages, relevant guarantees, account pledge, etc.	Mortgages, relevant guarantees, account pledge, etc. (unchanged)
Form of ownership	NA	Dedicated token
Evidence of rights	Party to the Loan Agreement (primary) or accession deed (secondary)	Token holders
Communication to lenders	Through the Agent Bank	Direct access via the platform
Point of contact	Agent Bank	Security Trustee
Cash Waterfall	Manual	Automated (Partly or fully with stable coins)
Project Accounts	Bank Accounts	Dedicated wallets