

The world's decentralized
credit infrastructure



irresident.io

P R I V É
PRIVATE CREDIT
ON BLOCKCHAIN

DISCLAIMER

This document describes the Prive software platform. At the time of writing, the Privé software platform is in an early stage of development. Any forward-looking statements contained in this document, as well as statements declaring what Privé platform is or does, constitute descriptions of Privé's business requirements and its desired features; they do not presently assume any particular level of completeness or availability of the same. This document does not constitute investment advice of any kind.

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At a Glance

From credit origination to debt service to collateral management and trading, Privé renders the world of private credit accessible to everyone.

	OLD SCHOOL	ATS / MTF / BROKERED	PRIVÉ
ORGANIZATION	Decentralized	Centralized	Decentralized
MARKET REACH	Agent/sourcing networks	Regional, proprietary	Global
CREDIT ORIGINATION	Direct or intermediated	Direct or intermediated	Peer to peer
TRADING	Direct or intermediated	Intermediated	Peer to peer
DEBT SERVICE	Intermediated	Intermediated	Built-in
PERFORMANCE ANALYSIS	Data vendors	Data vendors	Built-in
PLATFORM ACCESS	N/A	Restricted	Free

> UNCORRELATED TO PUBLIC MARKETS

> PORTFOLIO DIVERSIFICATION

> ABOVE AVERAGE RETURNS

> PARTICIPATION IN UNIQUE DEALS

P R I V É



Private Credit

Flexible terms for borrowers
Stable and predictable cash-flow for lenders

➔ BENEFITS TO SOCIETY AT LARGE

In contrast to bank lending, private credit is a balanced and systemically stable form of debt financing. It is only the investors who bear the risk of a potential loss, not the tax payers⁽¹⁾ nor the unsuspecting depositors⁽²⁾.

By definition, private credit is all unregistered credit. Private credit is a flexible and systemically sustainable alternative to bank loans. For private companies, it is often the only alternative.

From an investor's perspective, private debt is a highly sought-after asset class for mid-to-long term investment strategies. However, private credit typically competes with banks and public bond markets over a limited group of large corporate borrowers with the overhead costs for smaller transactions outweighing the expectations of potential returns.

We at Irresident view this phenomenon as a direct consequence of the present intermediary-centric financial system architecture.

Our view is that a decentralized credit infrastructure may contribute to substantial cost reduction and help the private credit market

accommodate transactions of all sizes. Given a proper technological base, we believe that a platform that turns debt financing into a utility accessible to borrowers and lenders of all sizes is both required and achievable.

Ethereum is that base and Privé is the platform.

(1) Government-sponsored bail-outs

(2) Government-enforced bail-ins, see Cyprus crisis 2013

Problem

Private credit is decentralized in nature as it is based on direct deals between borrowers and lenders. The centralized solutions have helped the market gain traction and grow in liquidity and size, especially since the easing of regulations in the US and Europe⁽³⁾. However, the centralized access points are now becoming an obstacle to future exponential growth.

→ RESTRICTED ACCESS

The private credit market is effectively out of reach for the vast majority of US and EU companies. Access to centralized platforms is restricted to “sponsored” or QIB-intermediated deals only.

→ LIMITED INVESTABLE UNIVERSE

An investor’s ability to diversify in private debt is dependent on the availability of high quality assets. Without a broad base of borrowers, the investment options are very limited.

→ DATA MAPPING

Loan (collateral) performance analysis is central to credit investors. Proprietary solutions require constant mapping of credit data from disparate sources. The data is not available in real time.

→ REGULATORY FRAGMENTATION

Owing to the fusion of diverging regulatory frameworks with the centralization of market access, there exists no single marketplace where credit demand is met by global supply.

→ COST

The notable costs of centralized solutions and their integration with intermediaries are transferred to market participants. The costs include fees for admission, transaction structuring, data feeds, and payment and disbursement intermediation.

(3) SEC adopting amendment to Rule 144A permitting resale (trading) of private debt to Qualified Institutional Buyers, EU allowing direct institutional lending to SMEs.

SUPER SENIOR DEBT

SENIOR SECURED DEBT

SECURED DEBT

SENIOR UNSECURED DEBT

SUBORDINATED DEBT

CONVERTIBLE BONDS

PREFERRED STOCK

Solution: P2P is the New Private

→ **BORROWERS**

Freely access the global private credit market and make the deal that suits your business goals best.

→ **LENDERS**

Engage in credit strategies of choice and build diversified portfolios of high quality assets.

→ **AGENTS**

Easily find clients in need of your investor network, expertise, and regulatory status.

All market participants have free access to the Privé platform.

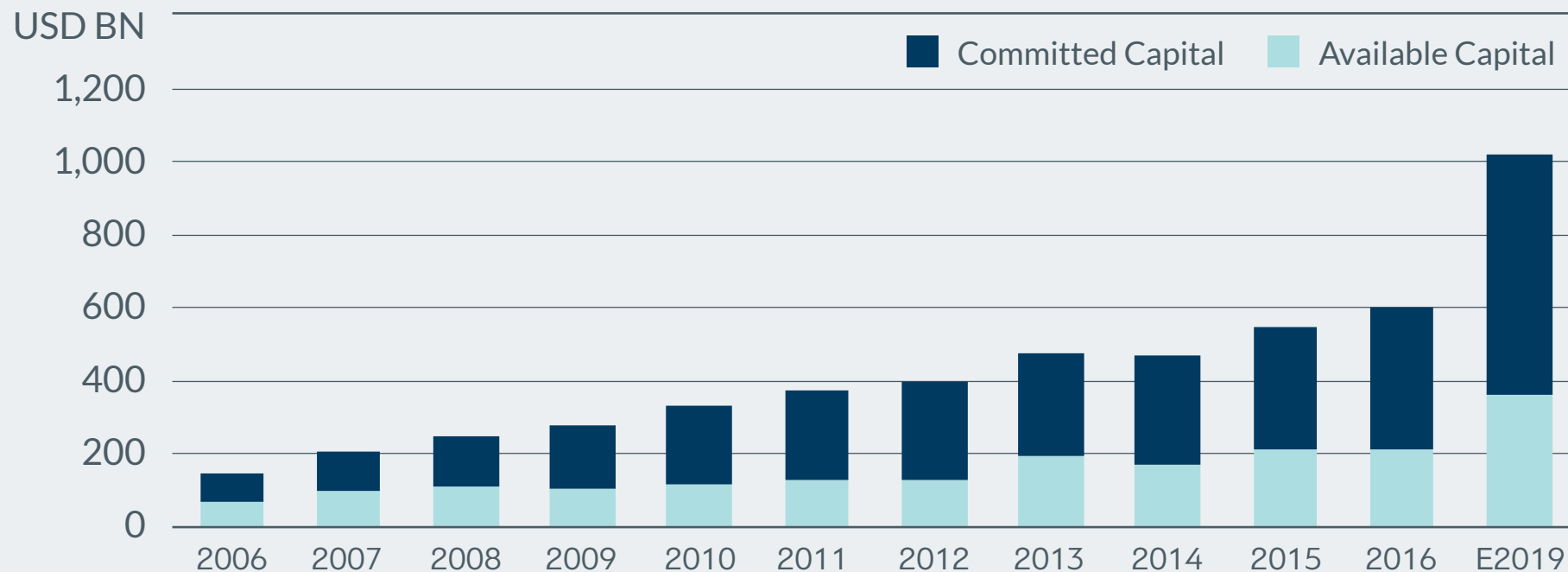
Users benefit from the Privé RegTech layer assisting them in taking optimal regulatory routes for private debt placement or trading across different jurisdictions.

Debt servicing is built in, and the distribution of principal and interest is automated.


Investors gain access to loan performance data in near real time. The borrower's privacy is secured.



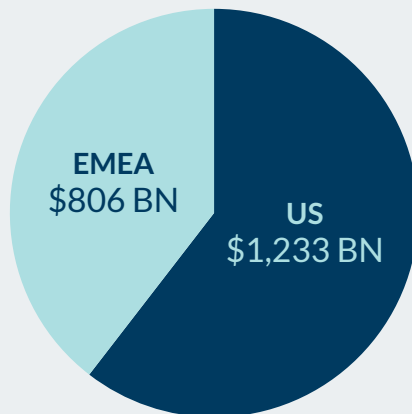
Private Credit Market Size



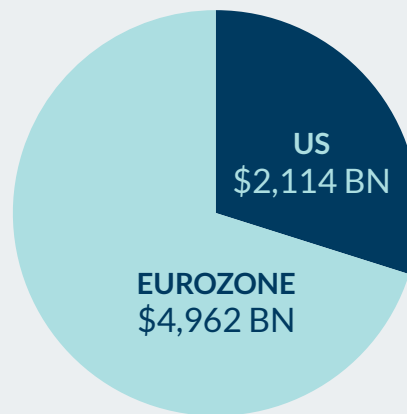
→ Private credit AUM is estimated to reach \$1 TN by 2020

 [US] Companies will need to refinance an estimated \$4 trillion of bonds over the next five years, about two-thirds of all their outstanding debt.

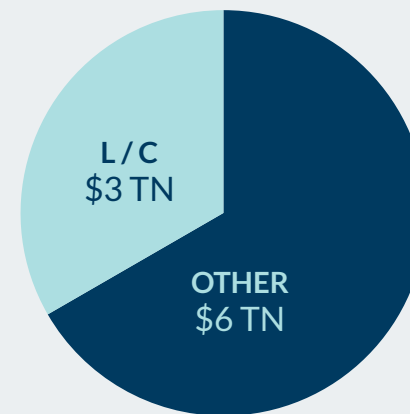
Beyond Private Credit



HIGH YIELD BONDS
US + EMEA = \$2 TN




COMMERCIAL LOANS
US + Eurozone = \$7 TN



BANK INTERMEDIATED TRADE FINANCE
Total ~\$9 TN

SME Financing Gap
~\$2.6 TN

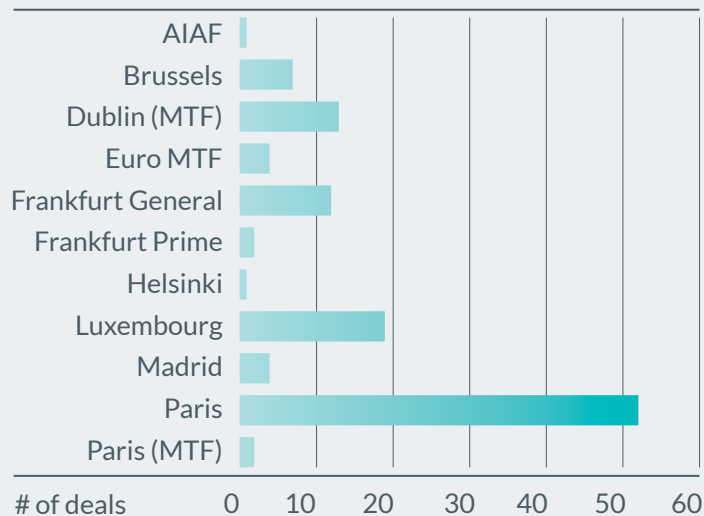
 The rise of interest rates and the necessity for businesses to refinance their not-so-cheap-anymore debt will see the application of Privé expand well beyond the present private credit boundaries.

- > BORROWERS OF ALL SIZES
- > PRIVATE LENDERS OF ALL SIZES
- > PLACEMENT AGENTS
- > CREDIT FUNDS
- > STRUCTURED VEHICLES
- > BANKS AND BANK SYNDICATES
- > INSTITUTIONAL INVESTORS

Market Validation

€22 BN issued

Place of listing of Euro-PPs



Between 2012 and 2016, the Euro Private Placement Initiative involved 299 deals of privately placed mid-to-long term debt issued by mostly French companies amounting to a total of €22 BN, according to Boston Consulting Group*. The individual transactions ranged from as low as €4 million all the way up to €600 million while as much as 69.7% of the total issuance was unlisted (i.e. originate and hold).

In addition to the Euro PP, there is also the Schuldschein market for privately placed debt in the DACH region (Germany, Austria and Switzerland). According to Bloomberg, €35 BN worth of Schuldschein were sold in 2017.

* BCG analysis based on Dealogic 2017

In the US, private placement of senior, typically investment grade debt represents a significant share of insurers' bond portfolios.

Market Validation

PORTFOLIOS as of 2016

18.2%

LIFE INSURANCE

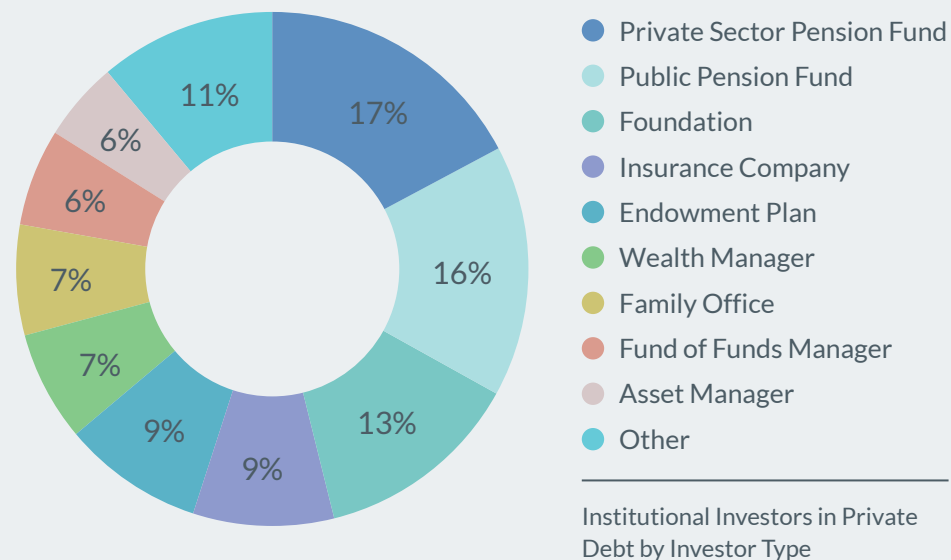
11.8%

PROPERTY / CASUALTY

11.7%

HEALTH INSURANCE

The prolonged period of near-zero interest rates has been driving institutional investors toward the more attractive opportunities in the SME bond market. The regulations in Europe have softened to allow institutional investors to directly lend to SMEs without credit rating or listing.





Market Validation

Spectrum of Issuers Accessing the PP Market in 2017

POWER / INFRASTRUCTURE / PROJECT FINANCE



£230m



€155m



€240m



\$300m

INDUSTRIALS



€225m



€350m



\$300m



£55m



\$750m



A\$200m



£300m



\$200m



\$50m



€360m
/ £127,5m



\$355m



UBM
\$370m

REAL ESTATE



€650m



£225m



£100m

CONSUMER / RETAIL



\$176m



£200m



€220m

OTHER INDUSTRIES



\$150m



\$585m



\$275m



WORKSPACE®

£200m



Places
for People

£75m



\$2,500m



\$243m



\$400m



GOODENOUGH
COLLEGE

£40m



\$585m



Arthur J. Gallagher & Co.

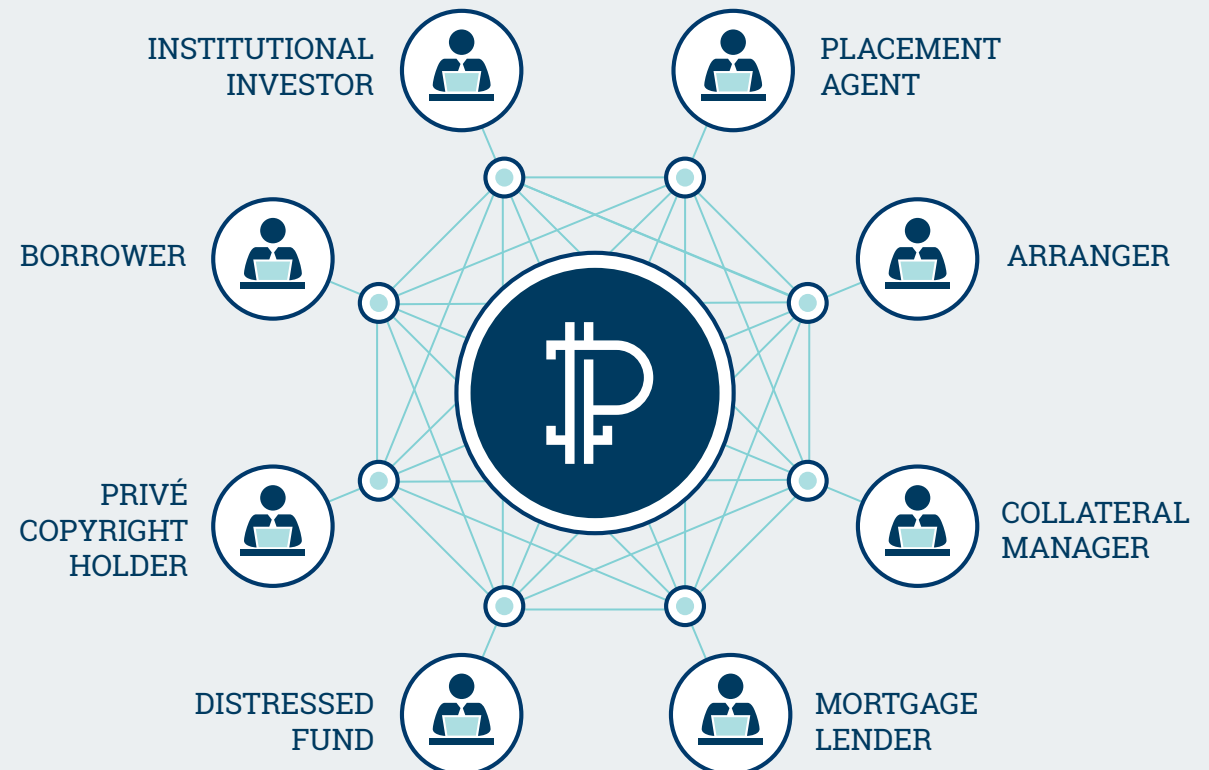
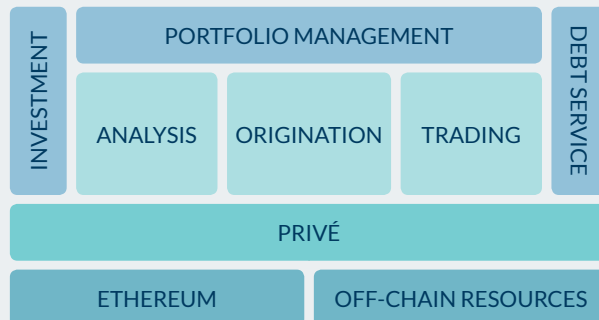
\$550m



The Privé Platform

Privé deals are regular private credit deals, denominated in a fiat currency and secured with real assets. Fund transfers are settled in digital assets of choice or through a Privé enabled third party Fiat Relay service that bridges fiat to blockchain and blockchain to fiat transactions.

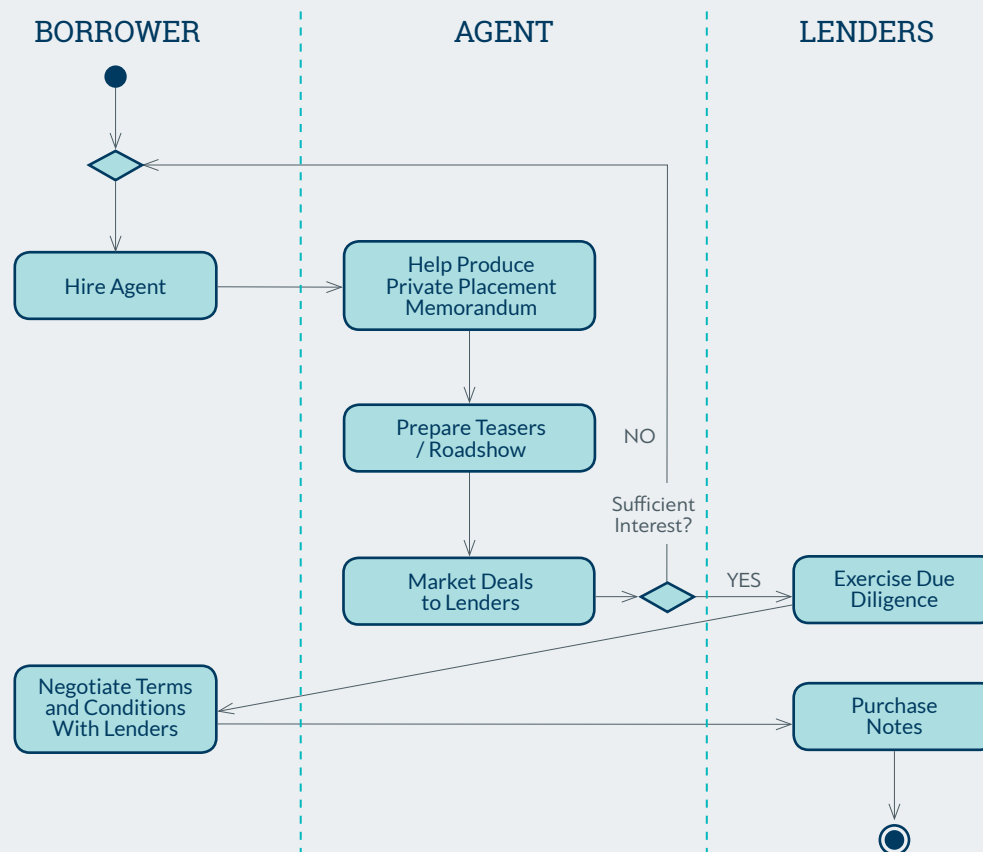
Private deal data are protected by encryption.



- Privé gives rise to a single global marketplace of credit deals, therefore reducing the need for costly intermediary networks traditionally required by lenders and borrowers alike.



Private Placement: A Borrower's Perspective



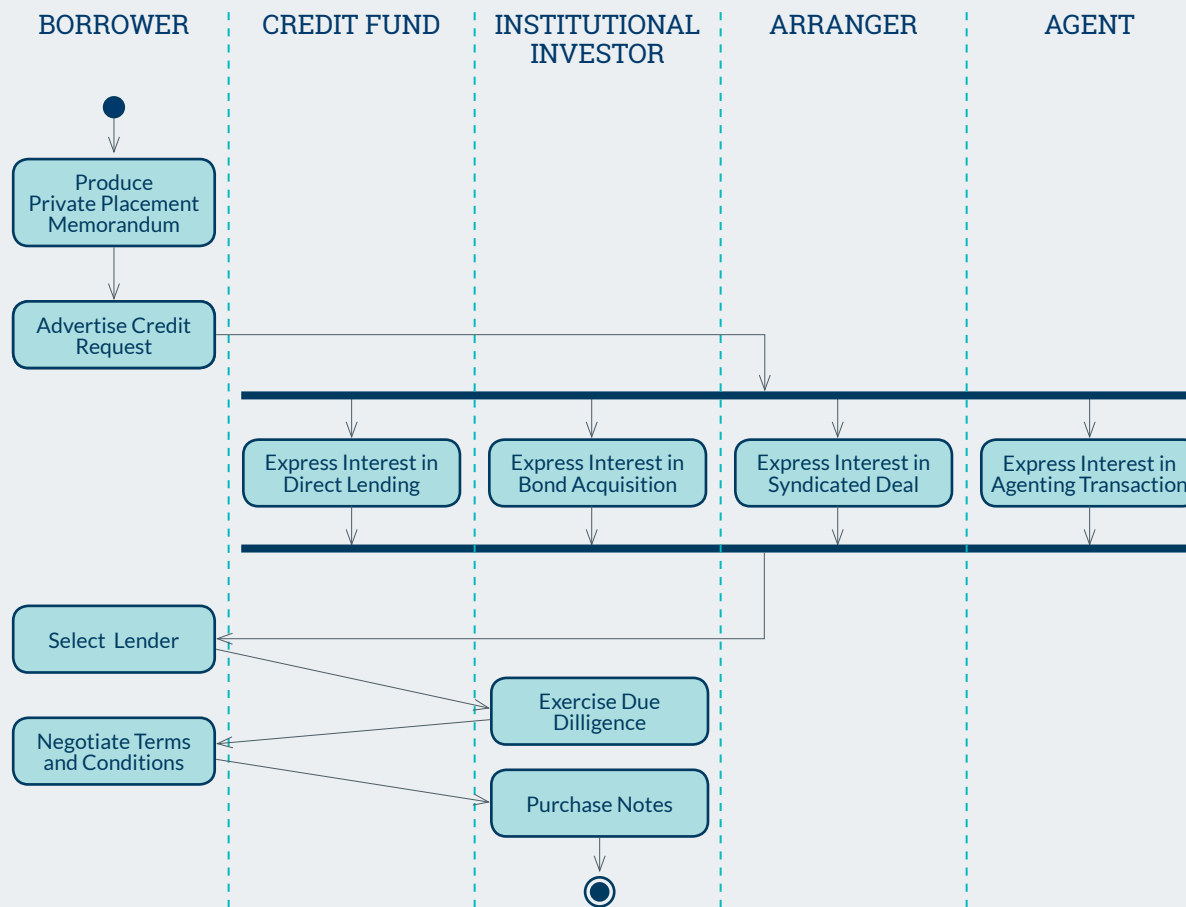
TRADITIONAL APPROACH

Before approaching lenders, the borrower typically hires a placement agent and relies on their assistance to produce the required documentation and market the bond issuance to the agent's investor network. The agent offers no guarantees of the placement success. All risks and costs associated with attracting lenders' interest and closing the deal are entirely the borrower's.

Conversely, as much as a borrower may require placement agents to approach potential lenders, lenders are reliant on their sourcing networks to identify attractive deals.

Upon closing a deal, the loan is disbursed or the bonds acquired with the parties involved reflecting the changes in their books.

Private Placement: A Borrower's Perspective



PRIVÉ-FACILITATED DEALS

A borrower uses Privé to issue their bonds or advertise their loan request to a network of Privé registered credit investors. Regulatory compliant procedure templates are at the borrower's disposal in which to record parameterized data and formalize the placement documentation.

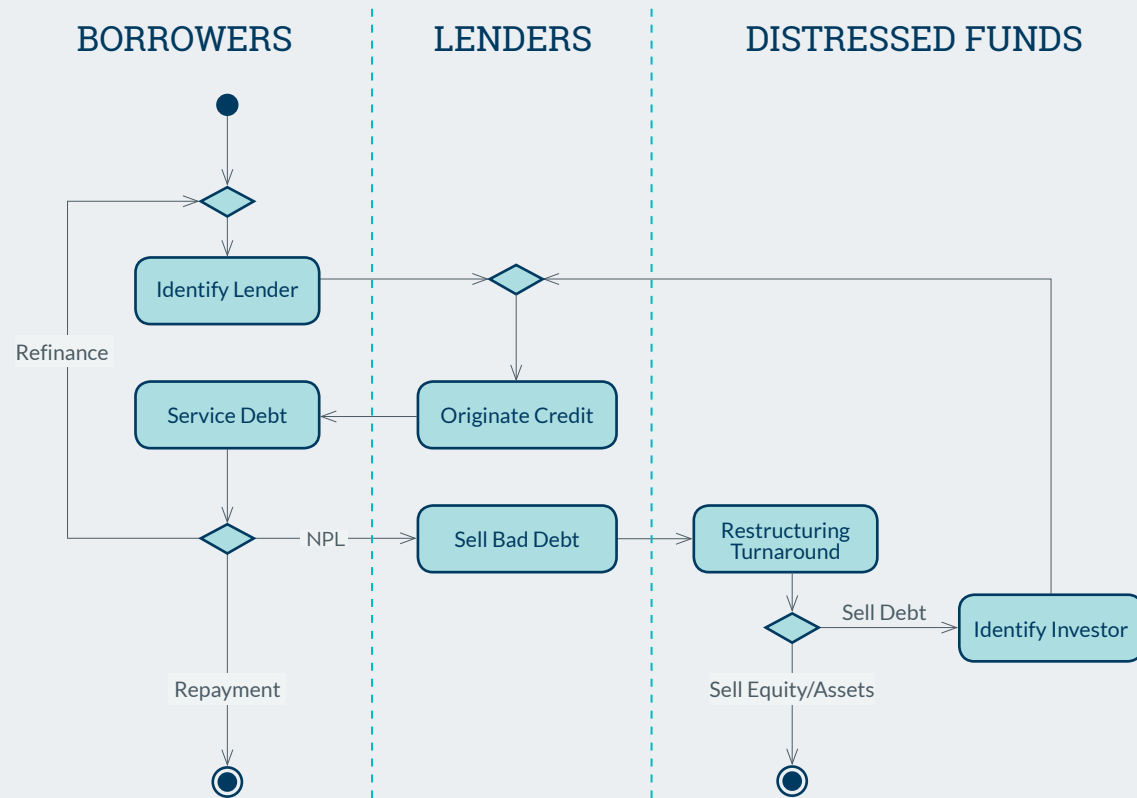
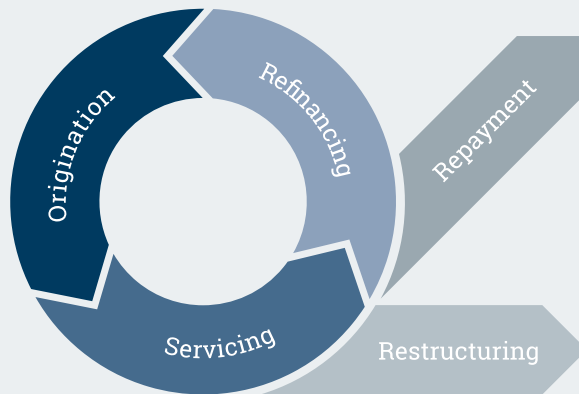
The procedure may involve advertising to a particular placement agent or even a group of agents. Even with an agented deal, the costs will likely be at the lower end amid increased agent and lender competition and the cost-free deal advertising and listing on the platform.

Once a deal is closed, the funds are transferred on the platform or through a Fiat Relay service. Debt is serviced on the platform as well. The loan balance is later used for real time default detection, structured credit origination, and loan performance analysis.

The Credit Lifecycle

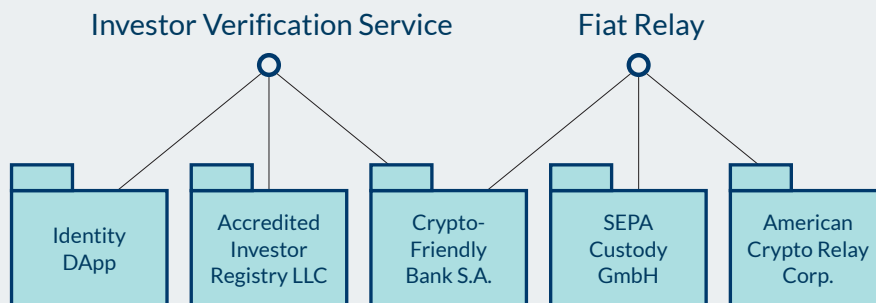
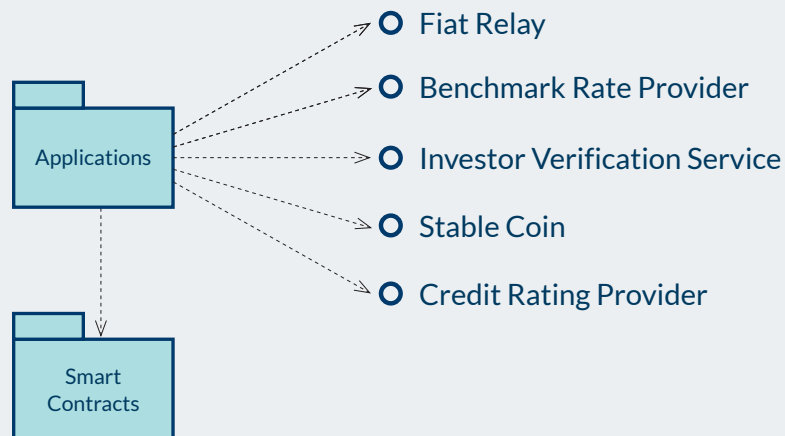
Privé provides support to borrowers and lenders for their activities throughout all stages of a credit lifecycle.

Credit origination, debt servicing, and trading of debt instruments are all available to users on a single platform that unifies the entire private credit spectrum.





Data and Service Providers



Privé is a fully decentralized platform. Its dependencies on external data or service provision are configurable at the application level so that the end users can choose among different providers, whether themselves decentralized applications or specialized businesses.

Stable coins are one such use-case. Irresident is developing its own fiat-reserves backed stable coin as part of the Refuel project. However, Privé lets its end users rely on other major fiat-equivalent stable coins as well.

Many Privé users come from either the real economy or finance and are not familiar with blockchain technology. They are expected to opt for traditional money transfer methods, instead. For this purpose, Privé provides a Fiat Relay mechanism⁽⁴⁾ that helps users transfer their funds without the necessity for fiat-to-blockchain-and-back conversions.

Other external services include benchmark rate providers (LIBOR, SOFR, EURIBOR, etc.), credit rating services, investor verification and others. For instance, if an issuer wants to make sure they are advertising their private deal to qualified institutional buyers only, they will simply choose one or more investor-verification services that Privé will rely upon when fetching and displaying the deal data to end users.

(4) Basically a communication protocol between Privé and the external money transfer services

Competitive Landscape



→ Privé is the only decentralized platform for credit secured with real assets.

Core Team

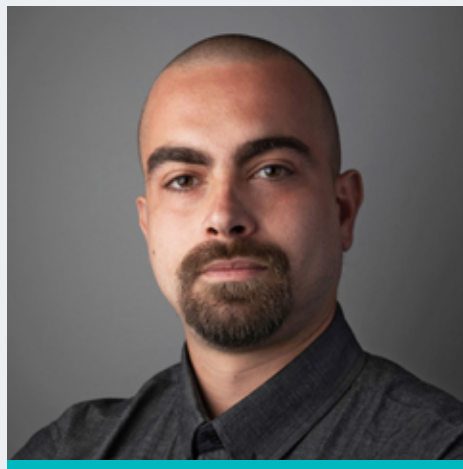
P R I V É



DAMIR PETKOVIC
Co-Founder and CEO

With over 20 years in software development, Damir has served as software architect and project manager on large-enterprise projects throughout Europe.

Prior to going all in with Privé, Damir spent 10 years in financial and capital markets providing his sourcing services to distressed asset funds and private investors.



LUKA ARVAJ
Co-Founder and CLO

Before joining forces and founding Irresident Limited with Damir, Luka served as a corporate lawyer. Luka served over 7 years of experience in corporate law and corporate finance law.

In addition to his professional career, Luka is also passionate about international law and was the founder of the first-of-its-kind, not-for-profit private arbitration court in Croatia.

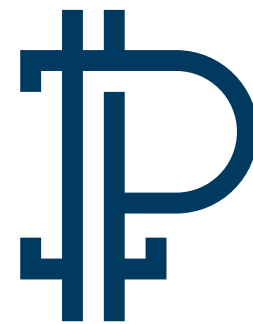


HRVOJE VELIC
Software Architect

Hrvoje is a long-time associate of Damir and a brilliant software developer with a track record of quality spanning more than 20 years. Hrvoje has served on various large-scale projects in Europe, including projects in the banking industry and telecommunications.

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