

# “Think Tech Different! “

## PRESS RELEASE DRAFT

### Centotrenta Servicing reshapes structured finance with IBM Blockchain Platform

**Milan, November 20th, 2019** – Centotrenta Servicing - one of the major securitization master servicing companies on the Italian financial market (around 200 SPVs managed) announces a project of an “end-to-end” platform for securitization transaction management, based on blockchain technology.

Centotrenta Servicing S.p.A. is a servicer registered in the Register of Financial Intermediaries and carries out activities of mere "Master servicing", thus representing a guarantee role in the context of structured finance transactions pursuant to Law No. 130/1999. This guarantee function can be effectively exercised without any conflict of interest, as no company in the Centotrenta group carries out collection and / or investment activities on the market.

#### **The project**

The project goes under the name of HyperMast STS (the “STS” acronym identifies the new European legislation on simplification and transparency of securitization transactions, Simple Transparent Standard) and is intended to provide the financial markets with a safe and reliable set of tools in order to connect the entire ecosystem of originators, servicers, intermediaries, banks and investors and to allow them interacting a transparent, secure and traceable way during the different phases of the securitisation operations.

For all these reasons, the purpose of the Hypermast STS platform is to extend to the European context, pursuing the harmonization of financial markets (see STS); it follows that, in order to make this integration feasible, the technical requirements of the platform cannot but meet the recent EBA guidelines on outsourcing (EBA-GL-2019-02), which also govern cloud services, and recent developments in the field GDPR.

Hypermast will allow to radically transform the securitisation "core" processes by transferring them on a DLT (Distributed Ledger Technology) infrastructure and thus determining actual advantages in terms of data quality, process security, flow traceability, reduction of processing time and number of interactions between the stakeholders of the securitisation operation.

The use of blockchain technology, will increase the sharing of processes and therefore their degree of "assurance"; moreover, this is completely coherent to manage Simple, Transparent and Standard securitization operations in observance of Law 130/99. This law is in fact the ideal tool for conveying, on the same portfolio / asset of credits, private and public resources and different risk assessments (ie tranching of securities) instead of the classic methods of financing where the bank operates in accordance with the risk profile associated with the financed individual or subject.

Hypermast's development plan envisages both the gradual extension towards the origination processes (with consequent benefit in terms of global quality of the information set supporting the securitization operations) and the integration in the platform core of the processes related to servicing and payment reports

### **Hypermast Team, project plan and activities**

The Hypermast project has been designed with the clear and precise mission of involving all the necessary skills to set up a business network right from the start; actually, it would be useless to set up such a blockchain infrastructure and platform without taking into account the necessary ecosystem of stakeholders and roles which normally take place into the typical securitisation processes.

Being aware of this, Centotrenta Servicing and several business partners (law firms, banks and technicals) formed a team consisting of the professional skills necessary to build the first pilot project, in July 2018. The pilot project was successfully completed in October 2019.

Being aware of this, Centotrenta Servicing and several business partners (law firms, banks and technicals) formed the team described below, consisting of the professional skills necessary to build the first pilot project, in July 2018:

- IBM, undisputed technological leader, promoter and developer of IBM Blockchain Platform, DLT permissioned hosted on its cloud platform (IBM Cloud) and based on the Hyperledger Fabric engine
- Blockchain Reply, a company belonging to the Reply group, specialized in innovative projects on DLT technology and responsible for the analysis and development of the HyperMast platform.
- Jones Day (legal advice)
- Gattai, Minoli, Agostinelli & Partners (legal advice)
- BNP Paribas Securities Services (paying agent)
- Deloitte, advisor appointed by 130 to analyze and implement the business model of the Hypermast STS platform

The team was not randomly chosen, but and relies on punctual evaluations, instead:

- The IBM Blockchain platform, thanks to its intrinsic characteristics of robustness and reliability, allows the creation of permissioned DLT environments that combine efficiency and versatility, in accordance to a real hybrid cloud model.
- Blockchain Reply has extensive and consolidated experience on projects involving blockchain technology, in particular Hyperledger engine, and expresses technical skills of absolute excellence
- Jones Day and Gattai Minoli Agostinelli & Partners, are two prestigious legal firms, leaders in major structured finance transactions and for some time now active on emerging technologies, security, data privacy and digital signature
- BNP Paribas Securities Services is the leading Agent Bank in Italy and in Europe for credit securitization transactions

- Deloitte is the advisor who more than any other has evaluated possible applications of new technologies, and in particular the blockchain, studying the possible benefits for the financial market.

The Hypermast team has set itself from the beginning the objective to arouse interest among the operators of the financial markets, while maintaining a sober and controlled approach, avoiding to feed unwelcome enthusiasm and realizing a pilot project capable of showing the advantages of blockchain technology applied to the securitization, and, most important, to give a message to the market on the concrete and actual possibility of realizing an integrated platform of this type in the short term.

The team has then identified the primary set of processes/phases of a securitization operation which the blockchain technology needs to be applied to in order to be able to measure the actual benefits deriving from the adoption. It has therefore been decided to implement the processes for editing and signing of the initial contracts (transfer block) and of the contracts underlying the activities of notes issuance (issuance block) through the definition of "smart contracts", thanks to the contribution and advice of the legal firms involved in the team.

The prototype then has addressed the issue of interfacing with Bank of Italy systems (Infostat, FE129) along with the issues relating to security and user profiling, data protection management and digital signature mechanisms that allow the various parties to sign the regulation document of Hypermast platform and carry out onboarding each one according to its own role.

To date, the prototype envisages the use of a blockchain network composed of the main stakeholders involved in the phases relating to the sale block and issuance block:

- Arranger: node which the origination of the operation starts in
- SPV: central organization of the securitization transaction and main junction point of contract negotiation and signing activities
- Servicer: counterparty node of the SPV in which the activities of negotiation of the transfer block contracts are defined
- RON: node defining the noteholders' representative interfaces with the SPV for trading and signing operations
- Bank: represents the account bank / paying agent
- Calculation Agent: sub-node of the Servicer, interfaces with the SPV in setting up the contracts underlying the notes payoff reports

### **Industrialization of the Pilot Project**

The pilot project was successfully completed in October 2019. Starting from December 2019, the Hypermast project will enter an industrialization phase. New improvement and development items have already been identified (origination events in particular); this will lead to a structured update/evolution of both the data model and the type of information flows that the platform will be able to manage, such as granular revolving performing operations, in place of typical NPL.

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