

## A new Class of Digital Assets with Trust Built in

**Digital Cognate has built an innovative architecture that embeds trust in every process and transaction. It provides a robust solution to the risk management, governance and compliance challenges faced by global asset managers and simultaneously provides them an unprecedented opportunity to define, build and create their own digital assets.**

### *Back to basics, before it's too late*

Digital Cognate has done this by injecting some sorely needed business logic into our technology platform. We decided to go back to basics.

What are the basics in today's global, instantaneous, anonymous world? No matter how powerful the technology, no matter how sophisticated the buyer, no matter how persuasive the seller, the answer comes down to a few simple questions that we always ask ourselves before completing a transaction:

- *Trust* - Who are you? Can you confirm your identity whenever you need to?
- *Provenance* - What is it that you're selling? Can you confirm its value, title and transactional history?
- *Transaction Integrity* - How is the transaction captured for audit and compliance purposes and to manage dispute risk?

### *Unprecedented growth and concentration of assets creates unprecedented risk*

Assets under management have grown exponentially since the GFC and markets are awash with liquidity "searching for yield". At the same time, public and private debt are in many cases at unprecedented levels. The larger the quantum of assets and liabilities, the greater the systemic risks. These risks are enhanced when there is a lack of trust in identity, provenance and transaction integrity.

For asset managers, the key to success is having a single source of universal truth. Efficient markets require equal access to information, and that information must be trustworthy.

### *Technology can create opportunities in equitable markets*

The technology already exists to:

- facilitate identity management
- share sensitive data with appropriate controls and permissions
- confirm the source and use of funds
- implement robust processes for validating the integrity of a transaction,
- enable computationally secure methods of settlement
- immutably archive all aspects of the transaction for dispute resolution and to enable the evolution of best practice to enhance future performance.

*Distributed ledgers - why do we need them?*

Distributed ledgers are the enigma of our time. They provide a new definition of finality. Mistakes cannot be corrected and fraudulent transactions cannot be reversed out. Equally, there is no certainty as to the quality of the original inputs: mystery in, enigma out!

As trade covers ever wider distances at ever greater speed, there is an ever-greater need for trust in identity and shared data, and confidence that governance and compliance processes have been followed. But third party intermediaries, never an integral part of a traditional value chain, add opacity and are not part of the solution. When things go wrong, by accident or as a result of deliberate fraud, anonymity does not allow for redress. With each advance allegedly offered by crypto, another problem is created - from unregulated marketplaces to “double spend”.

Distributed technologies have given rise to a number of sophisticated and highly valuable technologies, but they face other challenges, nowhere more than in the financial space. Crypto mining based on “proof of work” is energy intensive at a time when the world is committing to reduce carbon emissions. Crypto currencies have no intrinsic value, in markets which are unregulated, unpredictable and lacking in substance.

*Neither traditional monopoly nor distributed anonymity is the answer*

If to some, traditional banking is the problem, crypto isn't the solution. As the sage advises, if you can't understand it, don't invest in it.

There is an alternative solution, in which transparency is the creator of opportunities at a previously unimaginable level. It's a solution which promotes competition, innovation, agility, growth and equitable access.

*What are Digital Cognates?*

*Digital Cognate is a secure, immutable representation of any assets that you and others define and support by aggregating its consensus-based affinity data. Digital Cognates allow the equitable-by-accord monetisation of an infinite range of tangible and intangible assets!*

Digital Cognates enable any organisation (business or government) or individual to define, capture and manage their own measures of value using an inviolate centralised archive that protects the owner's digital rights and assures trusted, auditable transactions.

Processes, people and data represented in the Digital Cognate are captured in a GDPR-compliant centralised, “forever” immutable database with version control and permissioned access.

Digital Cognates link any asset to its consensus-based affinity data, giving the Digital Cognate intrinsic value for a given user group and for all others who choose to subscribe to a similar set of value creators.

As a result of their built-in immutability, Digital Cognates allow an *equitable-by-accord* monetisation of any tangible and intangible assets. Digital Cognates are enhanced non-fungible tokens; they are a trusted and legally binding method of value transfer without the need for third party intermediaries.

The denominated value can be wrapped in a legally binding machine-readable *and* natural language contract.

While the Digital Cognate platform is centralised and cloud-based, Digital Cognates can also be used as a “centralised gateway” for transferring “intrinsic value” using “distributed ledgers”. The Digital Cognate platform’s centralised architecture assures certainty of value creation, while the distributed ledger provides finality of value transfer. This centralised-distributed bridge brings new levels of trust and provenance to high-value transactions.

#### *Digital Cognates enable a New World of Efficiency Trust and Integrity*

*For Business* - Digital Cognates can be used by companies to define, create, capture and manage the value of assets such as: *people, processes, capital assets, contracts, customers, cash flows, balance sheets, approvals, certifications, governance and compliance regimes, goodwill, brand, history, IPR, ESG assets and initiatives, and any other assets which contribute to its value.*

Using this defined and captured value, the company can create new resources, rehabilitate existing resources to achieve competitive advantage, acquire competitors, enter new markets, manage liquidity, support due diligence processes, transfer title without settlement, underwrite new business lines, secure borrowings, list new forms of security and perform other business functions.

*For Governments* - Digital Cognates can be used by governments to define, create, capture and manage the value of assets such as: *people, their skills, land, forests, water supply, coastline, fisheries, mineral and energy resources, highways, ports, rail networks, the power grid, public buildings, universities, laws, regulatory environments, history, electromagnetic spectrum, sea lanes, and any other attributes that constitute its widest definition of value.*

This defined and captured value can be released via auctions and various public private partnerships to underwrite new services for citizens, the rehabilitation and building of new infrastructure to gain a national competitive edge, to deliver better education, healthcare

and housing to underprivileged citizens, to expand into new markets, to manage fiscal liquidity, to control monetary policy with asset backed “money” and to secure borrowings.

*For individuals* - Digital Cognates can be used by individuals to define, create, capture and manage the value of their assets such as: identity, property, land, shares, bonds, pensions, insurance policies, academic and professional credentials, voting rights, citizen-based privileges (voting, passport, licenses, constitutional rights), healthcare, education, housing, ancestry, family history, family events and all of the other attributes that constitute value.

This defined and captured value can be used to form groups of like-minded people for buying groups, to make acquisitions, to start new businesses, to fund SMEs, for political action groups, to protect local and national resources, to take class action legal prosecutions, to protect themselves from illegal or unfair expropriation.

### *The good news*

Digital Cognate is here - and it works.

For businesses and governments, the Digital Cognate platform delivers an inviolate record for real-time transaction and operational control, and for risk management, audit, governance and compliance processes.

Digital Cognates can also function as transferable NFTs with encapsulated evidence of title and rights, as well as the elements that evidence claimed value. This introduces a new level of certainty to transactions which in turn materially improves private, corporate and government controls and enhances liquidity.

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