

How will the credit union industry evolve to manage digital assets?



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digital asset management for your mobile enterprise



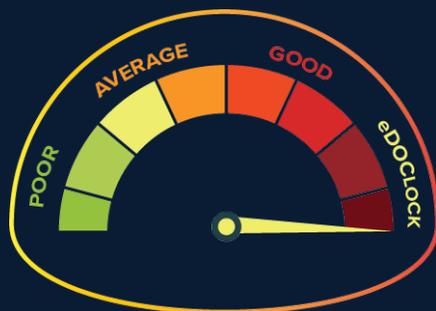
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Background for eDOC's Network Focus Group

On June 30, 2000, Congress enacted the **Electronic Signatures in Global and National Commerce Act (ESIGN)** to facilitate the use of electronic records and signatures in interstate and foreign commerce by ensuring the validity and legal effect of electronic contracts.

Mortgage and consumer lenders began a move towards an electronic lending process, known today as eClosings (the act of closing a mortgage or consumer loan guarantee electronically), and the creation of a new class of assets known today as “eNotes”.

Business impacts of the law:

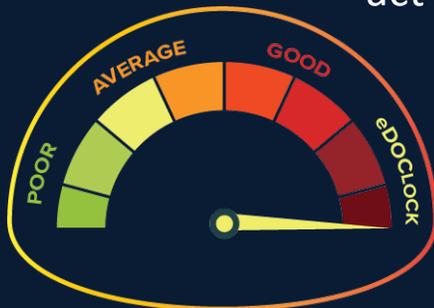


- Technology providers rushed to create new solutions to automate electronic contracting.
- Financial institutions recognized the operational value of electronic processing and began to adopt new technologies.

Business Implications

The accelerating pace of eClosings, and the creation of digital assets, pose multiple considerations:

1. **Digital asset authenticity**
the ability to warrant that a digital asset is “Authentic” and “The Original.”
2. **Digital asset security**
the storage, management and protection of the digital asset in a qualified eVault.
3. **Digital asset collateralization**
the act of offering digital assets as loan security, pledging or grouping of loans, as security for a line of credit,
4. **Digital asset Transferability**
act of transferring ownership of, and/or custodial possession for, the digital asset





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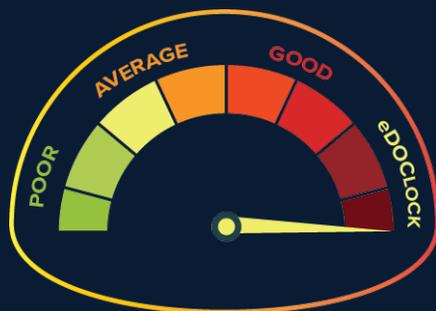
Present Day Outlook

For credit unions, the topic of digital assets has moved closer to home. Although many credit unions have the requirements of mortgage lending, the issue of digital assets has emerged in consumer lending.

In April of 2014, our first awareness of the issue was faced by a credit union who utilized FHLB for its liquidity credit line. FHLB issued an inquiry for digital asset security, and responded to that request by reducing credit limit against the credit union's then digital loan portfolio of \$15M.

Here's what the FHLB said:

“In order for the FHLB to continue to accept e-notes as eligible collateral for borrowings [we must have] assurance of their marketability [and accessibility] should we have to take possession of the notes and sell them to satisfy outstanding advances.”





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Purpose of eDOC's Focus Group

Today the production of digital assets, and the associated business considerations for how they impact a credit union business, has reached a threshold warranting this focus group's time.

Questions to consider:

1. Are there business considerations that have not been identified in the research done to-date?
2. Has the volume of users, and the quantity of digital assets being produced, reached a point of inflection for the credit union industry that warrants the work and effort to build an interface to a 3rd party registry and eVault for compliance and warranty?
3. Has the time come that an effort to build an industry owned platform for digital asset management is warranted? A solution that warrants authenticity, originality, marketability and transferability for electronic contracts?



- a) If the corporate credit union network required digital asset assurances, comparable to what FHLB now does, what outlooks would change? What perspectives would that alter?
- b) If now is the time, does the network have the capacity to serve as an incubator for digital asset leadership in the industry?