

WORKING PAPER PRESENTATION

Decentralised Corporate Finance: An Economic and Legal Perspective

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ABSTRACT

The emergence of decentralised finance (DeFi) – defined here as a system allowing for the provision of financial services based on distributed ledger technologies (DLTs) – may disrupt the corporate finance field by offering a cheaper, simpler and less time-consuming funding alternative for companies. DeFi may, therefore, improve access to the financial markets. The paper seeks to test whether this premise is indeed accurate by comparing the process of a traditional international bond issue with that of a bond issue using DLTs and analysing, from the perspective of the issuer, certain legal and economic matters that could impact its decision to issue on the blockchain: the holding structure of the bonds issued, the settlement process, the risks borne by the issuer (maxime, settlement risk and operational risk) and the costs incurred. The study suggests that, presently, DeFi does not introduce substantial time/cost efficiencies or simplicity in the issuance process, although the automation enabled by the employment of smart-contracts and DLTs will likely yield such benefits in the future. Moreover, it was found that DeFi is not certain to eliminate the intermediated nature of the bonds issued (nor is it necessarily desirable for the issuer that it does) and operational risk is still widely present in a bond issue under DeFi (in the form of legal uncertainty and technological failure). The paper concludes that DeFi is already a funding alternative to be considered by companies for, inter alia, enabling a more efficient settlement process and diversification of the investor base, as well as for reputational reasons. These conclusions are, however, limited in scope since they are based on a single type of financial transaction and may be impacted by the analysis of further legal and economic issues (such as those related to tax, insolvency, transferability matters) and by the consideration of quantitative data (in particular concerning the costs incurred with the transactions).

ABOUT THE SPEAKER



Catarina is a Research Associate at the Centre for Banking & Finance Law of the National University of Singapore. Prior to joining the Centre, in 2020, Catarina was awarded an LLM degree with specialisation in Commercial Law by the University of Cambridge, from which she graduated with first class honours. She also holds an LLB awarded by the Catholic University of Portugal, after completing their undergraduate program in law in the 5th position in 2015. Between 2015 and 2020, Catarina practised as a legal counsel in the Finance & Governance department of the Portuguese law firm Sérvulo & Associados, where she currently holds the position of Consultant. She has extensive experience in advising both financial institutions and companies in national and cross-border financial and M&A transactions. As a legal practitioner, she also generated policy recommendations, drafted financial legislation and regulation for distinct jurisdictions, and was seconded to the legal department of investment banks. Her main area of interest is financial law, with a particular focus on debt issuance in the capital markets, structured finance, syndicated lending and transfer of loans.

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