



J.P.Morgan

# Enabling Active Indexing and Rebalancing of Institutional-Grade Portfolios Across Multiple Blockchains

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This case study explores the ability to seamlessly manage a multi-asset portfolio across several blockchains

## **Introduction: Portfolio Management Across Blockchain Networks**

The financial services industry is no stranger to the movement of money and assets, which forms the very heart of its operations. While some believe the financial services sector may eventually coalesce around a singular blockchain network tailored specifically for its purposes, the necessity of transferring assets and wealth seamlessly within and across networks remains a fundamental requirement. Moreover, a world where multiple blockchains are in active use seems inevitable due to their appropriateness for certain use cases and jurisdictions. This paper explores the significance of interoperability and how it underpins the ability to actively index and rebalance institutional-grade portfolios across Zones within a single network and across multiple blockchain networks.



## Use Case Example: Project Guardian

Project Guardian serves as an innovative proof-of-concept (POC) illuminating the path to blockchain interoperability for the management of institutional investment portfolios. This collaborative venture, initiated by the Monetary Authority of Singapore in partnership with key stakeholders from the financial services industry, demonstrates the true potential of interoperability. The initiative was designed to explore the feasibility of asset tokenization while maintaining a vigilant focus on financial stability and integrity.

In this project, interoperability is established between Onyx Digital Assets, J.P. Morgan's permissioned Ethereum-based blockchain platform, and a private and permissioned Provenance Blockchain Zone. This arrangement allows for the buying and selling of fund tokens issued by global asset managers, facilitating the active indexing and rebalancing of institutional-grade investment portfolios across multiple blockchain networks.

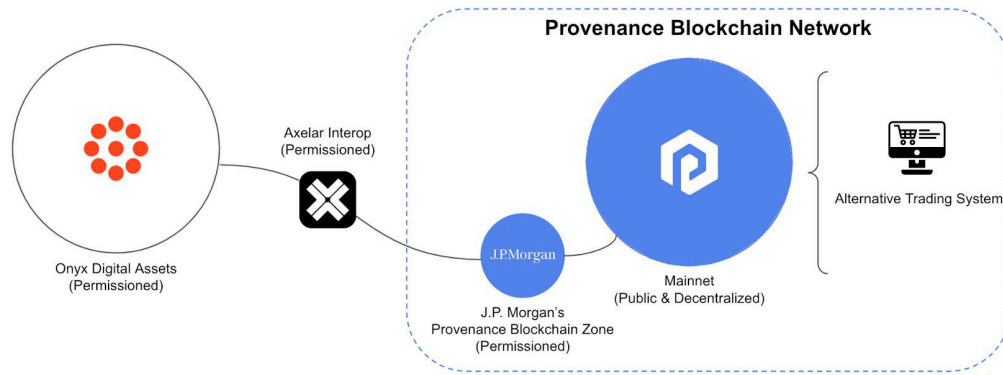
Central to the success of Project Guardian is the conception of interoperable private and permissioned Provenance Blockchain Zones, built by **Provenance Blockchain Labs**. These Zones, integral to the Provenance Blockchain Network, represent sovereign blockchains that leverage the latest protocol release. These Zones also grant operators full autonomy over membership, validators, tokenomics, and Mainnet interaction.

It is essential to understand that Zones are distinct from the public and decentralized Provenance Blockchain Mainnet, allowing Zone operators to establish and collect their own gas fees, as well as to determine their level of interaction with the Mainnet. Zones are a future-proof option for banks and asset managers, offering seamless interoperability with the Mainnet and the broader Interchain ecosystem. ***Learn more about Zones.***

## Operational Framework: Bridging the Divide

The Project Guardian POC demonstrates how blockchain technology is used to manage large-scale client portfolios, execute trades, and enable automated portfolio management with tokenized assets. The POC standardizes transaction settlement processes on interoperable blockchains, laying the foundation for more efficient financial operations on blockchain rails.

By standardizing processes and settling transactions on interoperable blockchains, the first steps could be taken to incorporate assets into portfolios, while reducing reconciliation needs. In a future state, this is expected to improve portfolio quality and drive enhanced transparency for investors through portfolio personalization.



In this system, Apollo used a marketplace platform to tokenize a number of private funds onto a private and permissioned Provenance Blockchain Zone specifically tailored for Onyx Digital Assets. Axelar Network plays a pivotal role in ensuring secure interoperability between the Provenance Blockchain Zone and Onyx Digital Assets, thereby enabling J.P. Morgan to automate the construction and rebalancing of client portfolios across both blockchains.

This next-gen solution aims to reshape the \$5.5T portfolio management business, and democratize access to alternative assets, while also delivering material value, such as:

- Reducing 3000+ operational steps to 1 automated process for wealth managers;
- Reducing portfolio fees ~20% as a result of reducing cash drag through faster, programmatic settlement;
- Enabling \$400Bn annual revenue opportunity for the broader AWM industry.

The details of the POC are accessible through [J.P. Morgan's report](#), which was published on November 15, 2023.

## The Provenance Blockchain Ecosystem

The successful execution of Project Guardian is a testament to the sophistication and completeness of the financial services rail and asset issuers on Provenance Blockchain. The Provenance Blockchain ecosystem participants involved included Apollo, Axelar Network, J.P. Morgan, and Provenance Blockchain Labs.

In the debate of DeFi versus TradFi, it is evident that the true potential lies in its convergence. DeFi has cutting-edge technology, and TradFi brings valuable assets and an extensive client base. This project serves as a testament to the notion that the harmonious collaboration of these two spheres will propel a more modern industry.

The Holy Grail of capital markets operating on-chain is the ability to buy, move and rebalance assets within a network and across blockchains easily, efficiently, and securely. By showcasing the interoperability and the active indexing and rebalancing of institutional-grade portfolios across multiple blockchains, a clear path has been defined for others to follow on Provenance Blockchain.