



# EB5 FUND TRACKING USING BLOCKCHAIN

A Spectrum7 Case Study

## Abstract

Application of a private permissioned blockchain to track funds for EB5 visa processing

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# Executive Summary

Proxy is the first financial services company of its kind, in that it solely caters to special purpose financing (“SPF”). SPF is a financing in which the funds must be used in accordance with written contractual terms and/or certain federal, state, or local laws. Common examples of SPFs are EB-5 funds, municipally bonded funds, venture capital funds, Initial Coin Offering funds, and not-for-profit funds. Funds such as these exist to provide financing for a known, and limited purpose. Whereas more traditional private equity funds receive investment capital to be used at the discretion of the fund manager, SPF funds raise investment capital that must be used for an agreed-upon or regulatory purpose, limiting the SPF fund manager’s discretion over those funds.

Proxy provides custom administration, monitoring, and reporting solutions for private, alternative capital markets. Emerging, alternative capital markets are most popular with younger, tech-savvy investors who seek heightened transparency and accountability. Proxy bridges the gap between traditional asset management services and next generation investors by implementing a blockchain technology platform further protecting interests involved.

Initially, Proxy Capital Partners Blockchain Technology Platform will be built to provide EB-5 fund administration and monitoring services that streamline NCE operations and balance potential conflicts of interest in EB-5 deals. Proxy’s new system of services and platform technology will convert traditional financial oversight into a dynamic, customized deliverable to the client on the backbone of blockchain technology. This infrastructure makes it clearer and easier to identify how EB-5 capital flows through a project from the perspective of all stakeholders in the deal.

## Why Blockchain

The current architecture available in the market necessitates a single trusted entity that functions as the custodian of all data. Developers, investors and various other bodies including banks, auditors and government agencies need to implicitly trust this centralized entity. Such an architecture can be easily manipulated by one or more entities by colluding with each other.

Further, investors do not have a microscopic view of their funds being deployed and are always left at the mercy of the centralized authority to “tell” them where their fund is being consumed.

To alleviate these problems, blockchain was chosen to provide:

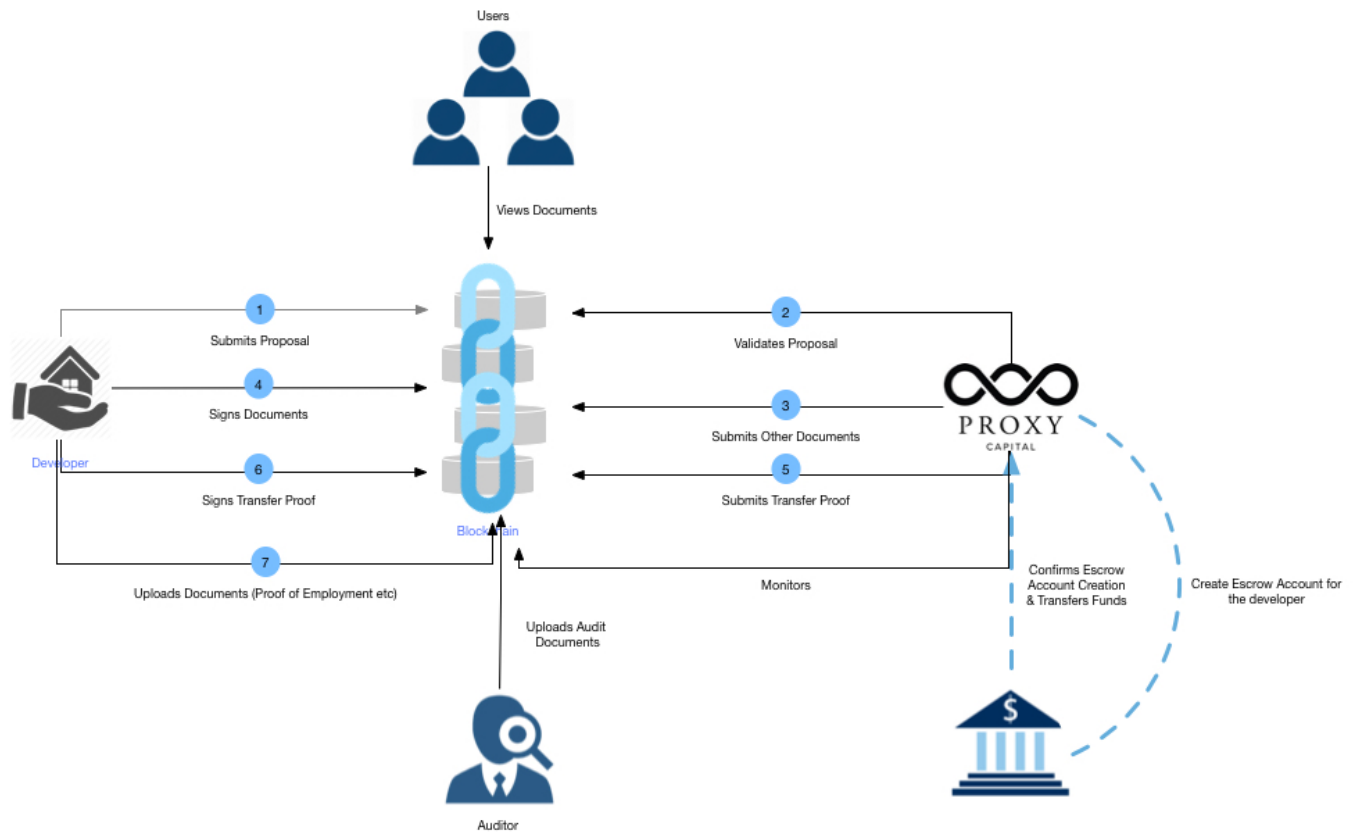
De-centralized and federated architecture that empowers each party to “own” and “control” their data. A central data repository is removed and each party has access to real time data from all other relevant parties.

Each entry into the system is signed with a 256 bit cryptographic key thereby ensuring veracity and providing means to track provenance of the assets.

Proxy Capital Partners has partnered with Spectrum7 to design and build the blockchain platform as described above.

After considering multiple options, it is proposed that the blockchain be private and permissioned. The technology chosen for implementing the same is Hyperledger-Fabric.

# Architecture



The above diagram illustrated one channel or project. The interested parties – developer, investor, Proxy Capital Partners, Auditors, Banks and Government Bodies are all treated as peers – having equal access to data.

Each peer has its own virtual machine on AWS and owns its data.

Data is exchanged between each other using TLS.

Each transaction is cryptographically signed with that entities private key to prove veracity of the data.

Government bodies as well as auditors can see the data at any time and can determine the authenticity by examining the origin of the data.

The investors would know where each dollar is spent by the developer ensuring that their visa is delivered on time.

Job creation reports are tracked and verified by the government bodies to allow faster visa processing for the investors.