Executive Summary

Problem Statement: "The Exchange-Traded Funds cobra effect"

Passive investments in a low-cost, specific benchmark strategy created a perverse incentive that corrupts securities and exchange-traded funds. This is lucrative for the financial industry, but devastating for John Doe's pension.

Investigated deep roots. Four strategic ignorance areas:

1. Broken Investment business.
2. An accidental fraud demand.
3. Cursed potato Ponzi game.
4. Global shadow asset market.

Sharpened action tools. Five strategic T-shape vision bills:

1. Digital asset disclosure bill.
2. Institutional ambitions bill.
3. Institutional archive for institutional investments bill.
4. Digital assets fair play bill.
5. Anti cobra effect qui tam bill.

SEC's goals achievement. Three strategic inspiration trends:

1. Reshaped institutional buy-side.
2. Reshaped companies sell-side.
3. Investment frontier fraud-hunters.

Four strategic ignorance areas

- Ignorance map - the opposite of a knowledge graph. Connected dots of what you don't know about how the cobra effect corrupts securities and exchange-traded funds.

Broken Investment Business

1. “Hype is loud - IPO sold out” scheme is legal.
2. “Inflation-of-estimations-as-a-service” for investment supply chains is legal.
3. "Don't-look-don't-see-audit-service" is legal.

An Accidental Fraud Demand

1. Short-term and long-term shares ownership conflict of interest.
2. Institutional investors and family offices conflict of interest.
3. Capital owner's and manager's conflict of interest.
4. Personal venture profit - corporate and investor's losses.

Cursed Ponzi-Potato Game

1. Deny or downplay shareholder's loss strategy by management.
2. Index investing helpless against index fraud schemes.
3. Digital assets OKR-KPI-based autopayouts are the basis of misconduct.
4. The last investor becomes a cash-cow for the previous.
5. The investor who initiates the investigation becomes the final one for this asset.

Global Shadow Asset Market

1. Legitimate operations as a derivative on fraud operations.
2. Fraud operations as a derivative on legitimate operations.
3. Platform-mimicking fraud-as-a-service.
4. Imitation-of-digital-audience-as-a-service.
5. Cross-border supply chain for any fraudulent digital assets.
6. Algopayments-based fraud.
7. Complicated fraud-beneficiaries ecosystem.

Five strategic t-shape vision Bills

- T-shape vision for rulemaking activity and SEC’s strategic partnership. The horizontal bar on the letter *T* is the cross-industries collaboration for the next bill. The vertical bar on the letter *T* represents the depth and powerful act.

Digital asset disclosure bill

1. KYIM - Know Your Investors' Money. / KYIB - Know Your Investments Beneficiaries.
2. AAL - Anti-Asset Laundering Policy.
3. KYPP - Know Your Platform Partners / KYPU - Know Your Platform Users.
4. Institutional reinsurance for institutional investments.

Institutional ambitions bill

1. Separate business-unit and team’s securities instead of shares of a mix of apples and oranges with millions of classic shares.
2. Securities based on CAPEX and OPEX budget share across an industry in a view of long-term risks and return for a region of institutional investors.

Institutional archive for institutional investments bill

1. Traceable payouts public archive for platforms and their partner supply chain.
2. Declaration of conflict of interest across business-models public archive.
3. Derivative operations asset evaluation public archive.
4. Asset's landromat-type operations public archive.

Digital assets fair play bill

1. Digital bid rigging for Ads, Tokens and Assets platform’s responsibility.
2. Dual-use business-models, tech, assets, landromat platform’s responsibility.
3. Ban of prepaid Ads. Probable result means probable payments. Declare Era of click-precision Ads Investment Insurance.

Anti cobra effect qui tam bill

1. Qui Tam and False claim act for cases of assets funded by institutional investors.
2. Digital assets fair play cases means permanent investigation of the tech-ecosystem.
3. Precedent KPI-based fraud must cause mandated whole industry investigation.

Three strategic inspiration trends

- Investors have never been interested in securities 'per se', but exactly in participation in the business model and a team of talented entrepreneurs.
- Based on new rules SEC will be able establish the basis for the Era of Direct-to-Consumer securities minted by demand and Direct-to-a-Project Institutional investments.
- Good Institutional Investor Securities Handling (GIISH) is a set of guidelines similar to Good Manufacturing Practice (GMP). GMP ensures that products such as pharmaceuticals are consistently produced and controlled according to quality standards. GIISH aims to achieve the same for investment deals.

Reshaped institutional buy-side

1. Low-cost, granular digital securities investments on demand.
2. Investments based on the business model and teams of the unit.
3. Project beneficiaries in the supply chain of business-impact-based investments.

Reshaped companies sell-side

1. Low-cost, on-demand fundraising for granular digital securities.
2. Investment beneficiaries supply-chain business impact-based fundraising.
3. Business-model and teams based fundraising for units.

Investment frontier fraud-hunters

1. The Qui Tam activist investigation ecosystem.
2. Mandated sell-side and buy-side disclosure of beneficiaries in the chain of deals.
3. Non-profit audit of business models for both assets and securities.
4. Personal responsibility throughout the lifetime of institutional investment deals.
5. Investigations into the manipulation of ROI and business model misconduct.

About

Author's profile

Vlad's years of experience in media relations, business analysis and software development have been transformed into the audit of digital assets. Advertising fraud, e-commerce fraud, investment fraud reports were covered by: WSJ, USA Today, BBC and other broadcast and infosec media. Now Vlad focused on digital assets risks for institutional investors.

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Dedicated Exchange-Traded Funds cobra effect page.

https://www.linkedin.com/showcase/exchange-traded-funds-cobra-effect/

References

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