

1CAD-A ART TOKENIZATION PROTOCOL

Treasury Management for Fine Art: DeFi Collateral, Provenance & Strategic Resilience

International Digital Asset Association (IDAA)

First Compliance Digital Asset - Art (1CAD-A) May 2026

EXECUTIVE SUMMARY

The global fine art market reached \$57.5 billion in sales in 2024, yet collectors hold trillions in art with minimal liquidity options. Art-backed lending grew to \$24-36 billion in outstanding loans, demonstrating institutional appetite for art as collateral.¹

1CAD-A Protocol transforms art into productive financial instruments while maintaining 100% ownership - no token sales to external investors required. Galleries and collectors deposit Art-NFTs as collateral in traditional art lending or DeFi protocols, borrowing at 3-7% APR (compared to 10-15% unsecured business loans).²

Unlike NFT marketplaces focused on digital art speculation, 1CAD-A targets institutional treasury management through legally-resilient dual-layer architecture.

Critical Distinction

Process	Action	Capital Flow
Tokenization	Create Art-NFT digital passport	No money changes hands
Token Sale	Sell fractions to investors	Capital raised

Tokenization != Fundraising. Treasury management, not dilution.

ROLE MATRIX FOR ART MARKET

1CAD-A Protocol orchestrates four specialized entities separating physical custody (Web2) from digital infrastructure (Web3):

Entity	Role	Legal Domain	Key Output
Gallery / Freeport	Physical custodian	Property law	Climate storage + authentication
SPV Platform	Technical issuer	Digital assets	Art-NFT (ERC-3643)
EXCH Consulting	Legal architect	Banking compliance	Title Memo
IDAA (London)	International auditor	MiCA compliance	1CAD-A Certificate

1. Gallery / Freeport (Physical Custodian)

Climate-controlled storage (18-22°C, 45-55% RH), insurance, physical security. Operates exclusively in traditional property law.

Examples: Geneva Freeport, Singapore Freeport, Le Freeport Luxembourg, Private Vault Monaco

2. SPV Platform (Technical Issuer)

Issues Art-NFTs (ERC-3643 security tokens), manages smart contracts. Absorbs all blockchain risks. Legal structure: Luxembourg SA or Delaware LLC.

3. EXCH Consulting (Legal Architect)

Creates Title Memo - legally-enforceable proof that NFT holder can demand physical painting delivery or sale proceeds. European bank compliance departments understand this document (unlike raw smart contracts).

4. IDAA London (International Auditor)

Verifies provenance, conducts AML/KYC, issues 1CAD-A Art Attestation Certificate with QR code linking to blockchain proof. MiCA requirement: Annual audit confirming Art-NFTs backed 1:1 by physical artworks.

CLIENT INTERFACES (WEB2/WEB3)

Client Type	Interface	Payment Method
Traditional Collectors	Web2 portal	SWIFT/SEPA bank wire
Crypto Investors	Web3 DEX	USDC/USDT stablecoins
Private Banking	Bank app integration	Custodial NFT wallet

Traditional Collectors (Web2)

Collector logs into portal, clicks "Buy 10% of Basquiat (\$300k)", enters bank account. System creates hidden wallet automatically. Collector never sees blockchain.

Crypto Investors (Web3)

Investor opens Uniswap, swaps USDC for ART-BASQUIAT-001 tokens, receives NFT in MetaMask. Automated Market Maker (AMM) pool with 2-3% trading fees.

Private Banking Integration

UBS Private Banking client sees Art-NFTs listed alongside stocks/bonds in portfolio. Bank performs KYC/AML, holds NFTs in custodial wallet. Art-NFTs become bankable assets.

TREASURY MODELS (WITHOUT FUNDRAISING)

Model 1: Art-Backed Lending (Traditional + DeFi)

Traditional Art Lending Market Size: \$24-36 billion outstanding loans (2024).³

Interest Rates: 3-12% annually depending on artwork liquidity and borrower creditworthiness.⁴

Standard LTV: 50-70% (blue-chip artworks).⁵

Structure: Gallery owns €100M art collection -> Tokenizes via 1CAD-A -> Deposits Art-NFTs as collateral with traditional lender or DeFi protocol -> Borrows at 60% LTV with 4-7% APR.

Benefits:

- €60M immediate liquidity without selling artwork
- 4-7% interest vs 10-15% traditional unsecured business loans
- No equity dilution - gallery retains 100% ownership

- Flexible repayment terms

Example Economics:

Lending Type	Interest Rate	Annual Cost on €60M
Traditional art lender	4-7%	€2.4M - €4.2M
Unsecured business loan	10-15%	€6M - €9M
Annual savings		€1.8M - €4.8M

Model 2: Digital Provenance Enhancement

Problem: Artworks with provenance gaps suffer 20-40% market discount, costing collectors millions.

Solution: Record every event on blockchain:

- Authentication by Christie's/Sotheby's (IPFS certificate)
- Exhibition at Tate Modern (exhibition catalog, dates)
- Restoration documentation (before/after photos, materials)
- Ownership transfers (blockchain transaction hash)

Value Impact: Research suggests comprehensive provenance documentation can increase artwork value 15-30% by eliminating uncertainty.⁶

Example: Picasso with complete blockchain provenance potentially sells for \$13M vs \$10M with paper-only records = \$3M value increase.

Model 3: Internal Fractional Ownership

Gallery tokenizes artwork, uses Art-NFT fractions for internal payments: logistics partners, curators, acquiring new pieces from artists. Tokens circulate within ecosystem without public sale.

Example:

- Gallery acquires Banksy print (\$500k)
- Pays artist: 50% cash (\$250k) + 50% Art-NFT fractions
- Gallery conserves \$250k cash for operations

STRATEGIC RESILIENCE

1CAD-A Protocol designed for geopolitical fragmentation. Dual-layer legal architecture ensures investor rights survive blockchain network failure.

Scenario: Blockchain Network Collapse

Trigger: Polygon blockchain shut down by regulators. Smart contracts frozen.

Recovery: EXCH Consulting's Title Memo (paper document) remains legally valid. NFT holders present Title Memo to SPV, demand physical painting delivery or sale proceeds distribution through traditional legal system (courts, arbitration).

Scenario: Payment System Fragmentation

Trigger: SWIFT disconnects regions. Cross-border art sales impossible via traditional banking.

Solution: Art-NFT transfers P2P (wallet-to-wallet) continue functioning. Physical painting stays in Geneva Freeport. Swiss/Singapore property law enforces physical custody rights regardless of blockchain status.

Key Insight: Physical paintings protected by local property law, not blockchain consensus. Legal rights survive

technology failure.

IMPLEMENTATION ECONOMICS

Setup Costs (One-Time)

Item	Cost
Legal audit (provenance verification)	\$15,000
Smart contract deployment (ERC-3643)	\$10,000
Title Memo creation (EXCH Consulting)	\$8,000
1CAD-A Attestation Certificate (IDAA)	\$12,000
IDAA Corporate Membership (annual)	\$10,000
TOTAL SETUP	\$55,000

Potential Annual Value (Example: Gallery with €100M Collection)

Source	Conservative Estimate
Art lending savings (4% vs 10% unsecured)	€3.6M/year
Provenance value enhancement (15% on €50M)	€7.5M one-time
Operational efficiency gains	Variable

Note: Actual results depend on specific collection composition, lending terms negotiated, and implementation scope. Conservative lending savings calculation: €60M borrowed at 6% difference = €3.6M annual savings.

CONCLUSION

1CAD-A Protocol provides institutional infrastructure for art-backed treasury management:

- Dual-layer legal architecture (blockchain + Title Memo)
- MiCA compliance framework
- Banking integration via recognized documentation
- Geopolitical resilience through property law backup

The question is not "will art be tokenized?" The question is "who builds treasury infrastructure first?"

SOURCES & REFERENCES

1. Art Basel & UBS. (2025). Global Art Market Report 2025. Retrieved from <https://www.artbasel.com/news/the-art-basel-and-ubs-global-art-market-report-2025>
2. Deloitte. (2023). Art & Finance Report 2023. Art-backed lending growth projections.
3. Fortune. (2024). "Art lending market surpasses \$36 billion." Retrieved from <https://fortune.com/2024/08/16/rich-art-market-collateral-cash-loan-debt>
4. MOMAA. (2026). Art-Backed Lending and Liquidity Solutions. Interest rate analysis. Retrieved from <https://momaa.org/art-backed-lending/>
5. Fincul. (2025). "Art as Collateral: How Banks Leverage Cultural Assets." LTV ratio benchmarks. Retrieved

from <https://fincul.com/art-as-collateral-banking/>

6. Industry analysis based on Christie's, Sotheby's auction premiums for works with comprehensive provenance documentation vs. incomplete records.

NEXT STEPS

Contact IDAA for 1CAD-A Accreditation:

- Corporate Membership: \$10,000/year
- Includes: Protocol license, smart contracts, Title Memo template
- Support: Legal guidance, DeFi integration, banking partnerships

© 2026 INTERNATIONAL DIGITAL ASSET ASSOCIATION

Company No. 17223770 71-75 Shelton Street, Covent Garden, London, United Kingdom, WC2H 9JQ

Non-profit organisation established for the promotion and regulation of standards for digital asset verification, compliance documentation, and consumer protection in commerce and professional practice.

Web: <http://idaa.uk>

Mail: compliance@idaa.uk