

## Special Report

# Sharing Economy Governance Model Beyond Self-Regulated Real Estate Ecosystems

By Hassan Baan, 3/1/2024

**Can the centralized conventional business models of economic institutions and associations which can only rule in the limitation of their respective country borders fulfill the economic needs of members of their society around the world? The answer is clearly a ‘NO’, hence the need for a new business model for make force the participating the Crowd of Professional & Experts (CPE) of the professional institutions.**

Achieving governance compliance in a decentralized digital world results to the rise of regulatory technology (regtech) in the global financial institutions, but what about non-financial institutions in the case of contributing the CPE?

Nowadays regtech is more than a catchword that is already having an impact on governance compliance. It is not about regulatory reporting, risk management, identity management & control or transaction monitoring but a solution for Technical compliance by the CPE that includes real time monitoring and tracking of current state of Technical compliance and upcoming regulations in real estate ecosystems and PropTech platforms. The current centralized pyramid structure of real estate associations and institutions and the passive role of their members and stakeholders (CPE) could not fulfill the Professional compliant needs.

The Experts RegTech in new PropTech platform, especially in the decentralized market places as a platform is a solution for:

1. Technical regulatory reporting through big data analytics, (such as decentralized crowd rating in projects)
2. Real time reporting and cloud,
3. Detect Technical compliance and regulatory risks,
4. Assess good/bad risk exposure,
5. Anticipate future threats in real estate trades and projects financing,
6. Facilitate counterparty due diligence across the world,
7. Know-your-products (KYP) procedures, including conditions like age, risks, entitling, and so on.
8. Solutions for real time transaction monitoring, especially in property tokenization, DeFi, and crowdfunding and
9. Auditing especially when we trade across two parties from different countries.

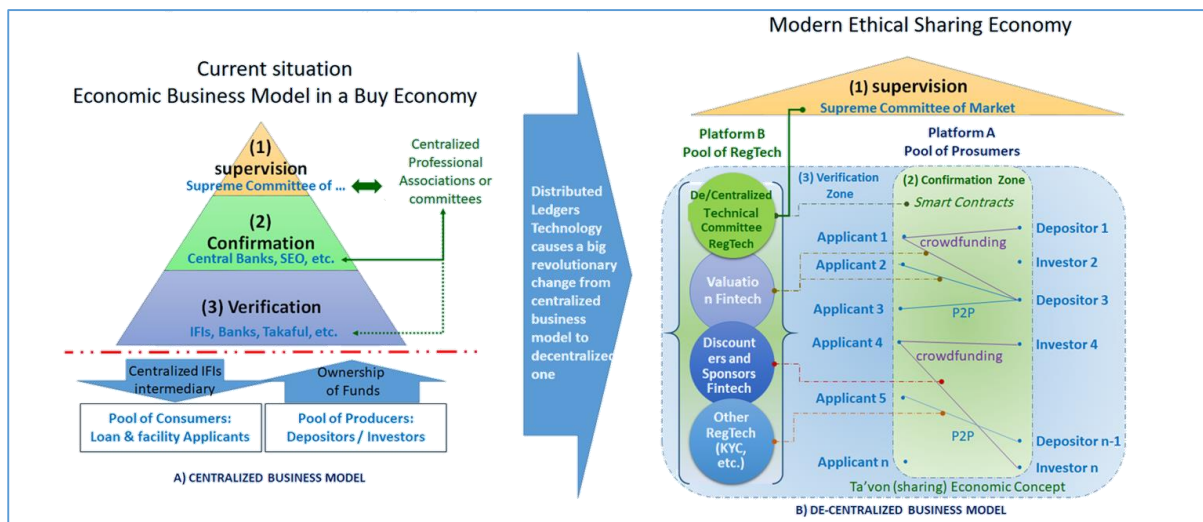
These aims are possible, but not through the current scheme of isolated real estate ecosystems. It can be made possible by leveraging the benefits of distributed ledgers through blockchain technology and cryptocurrency (a stable token based on real properties or projects) in associations with majority or even minority CPE. The first and the most important is scaling up the Crowd of Professional & Experts (CPE).

## Governance and compliance in centralized and decentralized ecosystems

Diagram 1, left-hand side, shows the governance of a common conventional centralized ecosystems and its customers outside its structure. With some regulation professional associations or institutions provides financial services to their customers and to the market players. Compliance will be catch up in their board of director level, or even in supervisory authority institutions (such as central banks or SEC of the country). This old fashioned

business model of work could not be able to scale up beyond the borders unless using Fintech / PropTech as its channel of connection to the new customers, which causes them to be not agile and not able to scale up.

**Diagram 1: Centralized ecosystem and decentralized ecosystem’s Governance Business Models**



Source: Author’s own

In both models, there are three pillars in "Ecosystem Governance Design" those are (1) Supervision (Orange Color), (2) Confirmation (Green Color) and (3) Verification (Blue Color), hence the targeted point of effect in "professional association" inside the ecosystem has been changed in this two models. Other different between two governance business models is listed in table 1.

**Table 1 different of centralized and decentralized Governance business models in ecosystems**

Governance Model Roles/ Points	Centralized Linear / Pyramid Organizations	De-centralized / Platform
(1) Supervision	Supreme Committee of Market/ ecosystem	Supreme Committee of Crowd of Professional & Experts (CPE): Platform owners in associations
(2) Confirmation	Central Bank, SEO, Central Insurance, etc.	Platform Confirmation Zone
(3) Verification	IFIs, Banks, Takaful firms, etc.	Platform Verification Zone
Outside Stakeholders / customers	1) Pool of Producers (Depositors, Investors, buyers, etc.) 2) Pool of Consumers (loan or facilities Applicants, sellers, etc.)	1) A Pool of Prosumers (Mix of producers and consumers) 2) RegTech (CPE, Compliance, KYC, KYP, Risk, Accounting, etc.)
Technical Committee	Centralized associations with limited trustee members	Decentralized with all scholars and Crowd of Professional & Experts (CPE)
Main contract in firms	agency	factoring
Main role of firms	Intermediary	Decentralized marketplace as a Platform of sharing economy (Peer to Peer, crowdfunding, crowdsourcing, crowd judgment, etc.)

Diagram 1, right-hand side, consists of a decentralized ecosystem. In the decentralized governance business model, members of society of the ecosystem play a role in verifying and/or confirming a transaction or a report, such as credit report for technically approved services. In other hand, all scholars, professionals and experts have access to the market through Regtech.

In other words, Stakeholders (RegTech and Prosumers) in both platforms in diagram 1 has two tasks: Verification & Confirmation and they receive intensive for their task. Also, Stakeholders in both platforms in diagram 1 has

two roles: Producers of funds and values (depositors and or Investors and or buyers) & Consumers of funds or values (Loan or facilities applicant and or sellers). Based on some regulations (indicated in Smart Contracts such as the protocol of NeoMaskan 1400 standard), the platform provides services through its stakeholders, but the question is who approves its services as right or wrong?

Firstly, the new business model of sharing economy, like crowdfunding and/or crowdsourcing, is not based on ownership of assets in the balance sheet of a firm or institution. There is also no simple agency contract between the firm and its customers, as this is common in centralized conventional business models. The new business model that is based on a special agency contract, called "fee-for-service" or "factoring" has no assets in the balance sheet of the modern decentralized marketplace as a platform.

Secondly, the centralized business model in Diagram 1 will sooner or later be transited to the distributed ledgers of the decentralized platform. So there is no implemented committee even association in this platform, and all governance committees in ecosystem such as supervisory, auditing, compliance and such, will be outsourced to the RegTech companies including PropTech RegTech (modern Professional compliant associations) or to Artificial Intelligence (AI). The de-centralized business model could easily scale-up its services to all Members of society.

### **What is decentralized Crowd of Professional & Experts (CPE) based on distributed ledgers?**

Real Estate Professional Technical Compliant RegTech, that leads by professional associations, can be defined in two business models for:

- a) modern digital banking (such as platform and virtual banking in real estate trade or project financing);
- b) investments (combination of debt and equity financing) in modern sharing economy (Peer to Peer, crowdsourcing and crowdfunding) platforms.

Sharing economy includes two sectors (a) social/technical sharing — crowd sourcing and (b) economical sharing — crowd funding. Before the 2010 technology revolution, all financial institutions played intermediary roles in sharing economy and after 2010, the concept of Decentralization was implemented without any intermediaries.

The implementation of the above two Professional compliant PropTech/RegTech models require the application of the following to achieve technical compliancy and technical control before and after signing contracts between stakeholders:

- smart contract and blockchain for Professional compliant PropTech/RegTech (crowd-wisdom, in both linear and decentralized private ledgers),
- calculation
- reminders
- allocation of Tax
- differentiating between commonly used regulation from others by smart filtering or artificial intelligence

### **Conclusion**

As we are stepping into the third millennium along with the digital revolution and AI, new business models of Technical supervisory are needed. Since the current models of the Real Estate Associations will be upgraded to decentralized ones, it is the right time for the members of real estate society to receive reassuring measures from CPE scholars in their daily digital e-commerce. This is the best time to change and switch the power from the hands of a minority in the associations to the hands of the majority of scholars. The only available instrument to de-centralize the Crowd of Professional & Experts (CPE) is to implement blockchain through wisdom of the crowd among real estate scholars.

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