

PRÓSPERA 

for **Fintech.**  
for **Banking.**  
for **Startups.**

Seshat Bank 

CASE STUDY:  
**SESHAT BANK**

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*Próspera has been exactly  
what is on the label.*

Sean Pawley | Founder and CEO of Seshat Bank

# EXECUTIVE SUMMARY

Seshat Bank is the first full-service commercial bank in Próspera. With an open API for development, Seshat Bank combines conventional bank offerings with customer-focused applications that tailor the banking capability to each customer. Seshat Bank Founder Sean Pawley chose to locate the company in Próspera due to the regulatory flexibility, access to new industries, and access to local and global clients. The advantages afforded by Próspera gave Seshat Bank the opportunity to get started and grow more quickly than their competitors. Pawley emphasizes that Próspera offered Seshat Bank an opportunity to innovate within an autonomous regulatory regime, and the company's experience in Próspera has proven valuable and positive for the growth of their business.

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*I've been familiar with the charter city space for a long time, and I chose Próspera because it allowed me to do the full gamut of what I wanted to do.*

*The quoted data and opinions expressed in this case study were provided by the subject, in interviews conducted by Erdös Associates, an independent third-party firm. Unless otherwise indicated, all direct quotes are attributable to Seshat Bank Founder Sean Pawley. The study was funded and published by Honduras Próspera, Inc.*

# SESHAT BANK



As the first full-service commercial bank in Próspera, Seshat Bank combines conventional bank offerings with digital, customer-focused applications that tailor the banking capability to each customer. Seshat Bank makes its payment rails available as a foundation upon which businesses can create applications to enhance their banking experience. Since most banks offer only one or two business banking interfaces, each unique business is channeled into the same banking experience regardless of their individual needs.

Seshat saw a need for more custom products for businesses and chose to enable customers to develop software using Seshat's services. This enables Seshat to offer clients the efficiency of a customized experience and enables the user to have programmatic control over their banking ability and interface. As a digital-first bank, Seshat also allows customers to transact in cryptocurrency. The combination of these powerful capabilities is unique to Seshat, and the company chose Próspera as the jurisdiction which would enable them to quickly launch and build their business while avoiding regulatory hurdles and roadblocks present in other locations.

Sean Pawley is the Founder and Owner of Seshat Bank. Pawley spent years working in countries around the globe with a focus on making banking more effective. Pawley is well-read, with an interest in finance and governance. His experience led him to recognize the shortcoming of financial regulations in most countries. He saw ways in which banking could be improved to better serve customers, and how most regulations stifled that kind of innovation in banking. Pawley was aware of the concept of charter cities, and he realized that a jurisdiction with flexible regulatory guidelines could prove immensely valuable for financial companies, especially for a bank.



Seshat Bank combines conventional bank offerings with digital, customer-focused applications

# A BUSINESS-FRIENDLY, FLEXIBLE REGULATORY ENVIRONMENT

After learning about Próspera's business-friendly environment and regulatory framework, Pawley made the decision to locate Seshat Bank there. Pawley began the process of setting up Seshat Bank in Próspera in April 2021, five months before finalizing the company's initial capital raise. His first priority was creating a custom regulatory framework for Seshat Bank.

For Seshat Bank, the regulatory framework is one of the primary benefits of operating in Próspera. While most jurisdictions require companies operating in a specific industry to follow one specific set of rules, Próspera takes a different approach. Companies like Seshat Bank that operate in regulated industries like finance can choose among three options for regulatory compliance in Próspera.

## REGULATED INDUSTRIES CAN CHOOSE AMONG 3 OPTIONS:



**Regulatory Reciprocity:** Companies can choose to operate under the existing regulatory framework for the business in Honduras, the United States, or 19 other top OECD countries. This option can be useful for companies that are already accustomed to specific rules, allowing them to operate in Próspera using the same guidelines as they exist in Honduras, the United States, or other countries.



**Default Regulatory Framework:** (Common Law) Instead of choosing a specific regulatory framework, companies in regulated industries can choose to operate under Próspera's common law legal code, subject to prohibitory and mandatory injunctive relief for any violations.



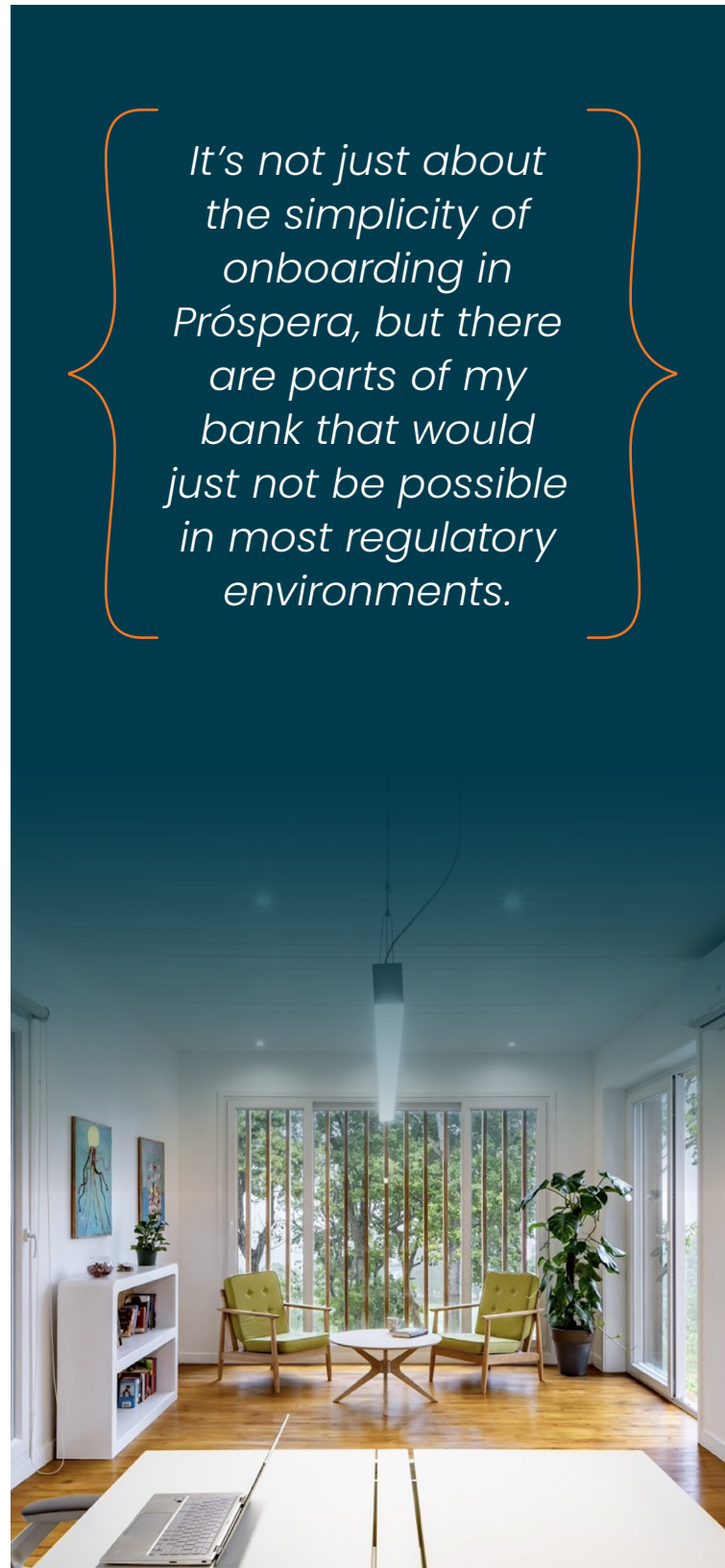
**Custom Regulatory Option:** Companies have the option of proposing a unique regulatory framework to Próspera's governing council, which will then consider the proposed regulatory environment for adoption. If adopted by the council, this new regulatory framework will be among the menu of regulatory options for any other firms operating within the same industry as well.

Pawley opted to leverage his experience in financial regulation to create a custom regulatory option for Seshat Bank. He believed that such a framework would be beneficial for Seshat as well as other fintech companies in Próspera. Pawley worked with Próspera to present and share ideas on how to simplify bank regulations and rely on contract over regulation, whenever feasible. By January 2022, the regulations were approved and Seshat became an active bank.

Seshat Bank's experience in Próspera reflects a common theme among companies operating in Próspera: reliance on contracts and clarity instead of broad-reaching regulation, complexity, and uncertainty. Under any other regulatory framework, Seshat Bank would have difficulty allowing customers to develop software applications using their banking products. The company's core innovation would be impossible to realize in a conventional regulatory environment. In Próspera, they can develop and deploy the capability easily, allowing it to serve as one of the company's core competencies.

**Owing to the business-friendly environment of Próspera, Seshat Bank progressed from raising capital to creating a custom regulatory framework to receiving approval for the framework to opening for business in less than five months.** For a bank, there is no intellectual property development or major value activities to pursue while waiting for a license or charter to begin operations, so bank startups need to happen quickly to begin taking deposits and lending. Próspera enabled Seshat to begin operations on a rapid timeframe, which is unheard of in the financial industry. In the words of Pawley, Seshat Bank was able to get licensed "absurdly quickly" and begin operations much sooner than any other place in the world.

*It's not just about the simplicity of onboarding in Próspera, but there are parts of my bank that would just not be possible in most regulatory environments.*



## A BUSINESS-FRIENDLY, FLEXIBLE REGULATORY ENVIRONMENT

Fintech companies usually face long startup times attributable to regulatory review processes. Próspera enabled Seshat Bank to circumnavigate complex regulations via a quick and thorough review of their regulatory proposal. Pawley describes most banking regulations as rules aimed at accomplishing one of three components: Know Your Customer or Anti-Money Laundering (KYC/AML) procedures, bank liquidation, and risk management. The framework adopted by Seshat Bank utilizes U.S. KYC/AML laws to meet international anti-fraud standards and Honduran bank liquidation laws to connect best with local businesses and practices. Pawley's study of financial risk management practices, especially the works of Mervyn King, led him to adopt a unique risk management policy. In simple terms, Seshat's approach involves

conservative management of short-term liabilities with more creative management of long-term liabilities.

Seshat Bank's approach highlights the flexibility that Próspera affords banks, financial institutions, and fintech operators. Próspera gave Pawley the ability to combine and incorporate three key components into their regulations. These components protect customers while eliminating much of the bureaucratic overhead usually involved in the licensing process. Rather than following a single existing regulatory model, Seshat bank was able to fuse together multiple existing concepts to develop a new product offering. Pawley recognized that even with the complexities involved with creating a new system for bank regulation, Próspera still enabled them to launch faster than anywhere else in the world.



*The ability to work with innovative minds that do not allow you to just run rampant but allow you to be innovative and do the right thing has been an extreme benefit.*

# THE PERFECT LOCATION FOR AN INNOVATIVE FINANCIAL COMPANY

Pawley found the Próspera staff to be extremely responsive and easy to work with throughout the process of setting up Seshat Bank. Próspera’s common law-based governance creates a space to encourage innovation while protecting against bad actors.

A key component to Pawley’s satisfaction in working with Próspera is the local leadership and environment. Seshat Bank is a digital bank and therefore not required to have a physical presence. Pawley chose to have an office in Roatán because they wanted to have a footprint in the community. In addition to the business-friendly environment, having a tropical destination as the bank’s physical headquarters is a net benefit to any company. Accessing local talent allows Seshat Bank to maintain highly-skilled staff on the ground in Próspera.

With a focus on commercial lending and banking, Seshat Bank grasps the benefits of Próspera for business and expects to play a role in that growth as the first commercial banking provider in the jurisdiction. Pawley highlighted the favorable tax rates and lack

of tariffs as policies that benefit business development in Próspera and allow for capital growth. For Pawley, this creates an opportunity for businesses to realize better cash flows than they might in other locations, allowing for access to more credit, enabling companies to scale quickly. Pawley notes that the tax framework specifically offers a competitive advantage for long-term business success, with better rates and compliance steps than any other major location in the world.

Seshat Bank is eager to operate alongside and conduct business with other industries in Próspera. The company sees great potential in offering commercial lending products to the rapidly developing industries in Próspera, including healthcare, construction, and manufacturing. Accessing a rapidly growing market has been a benefit to Seshat, allowing them to tap into a new market with a need for financial services.



**PRÓSPERA** 

1875 Connecticut Avenue  
10th Floor  
Washington, D.C. 20009

+1 (202) 991-0640

[www.prospera.hn](http://www.prospera.hn)