Impact of Digital Assets for financial institutions
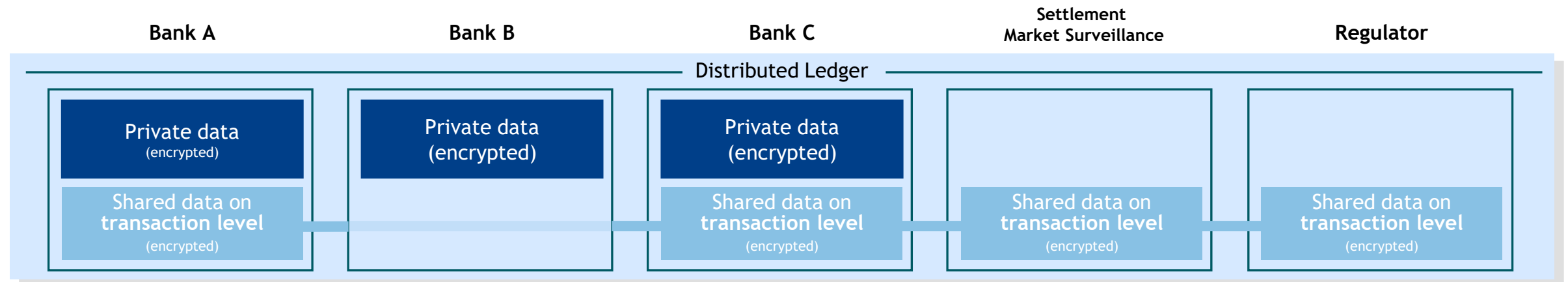
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July 2021

Digital assets, digital cash and ownership information are building the foundation for the future digital marketplace

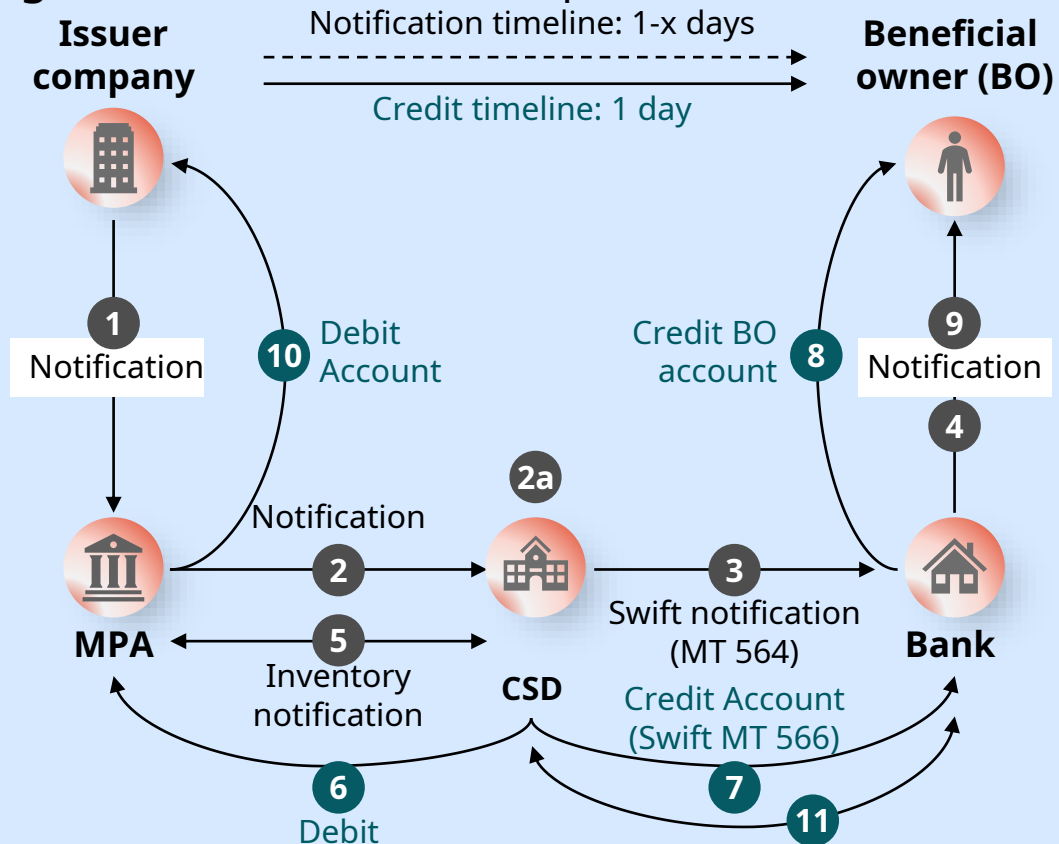**Digital Assets are the golden source of information**

- Full Beneficial Owner Information[1]
- Other Bank specific data

- Asset identifier
- Asset class, properties,…
- Asset servicing logic
- Member ID,…

Ownership information

Digital Cash

Digital Assets

DLT gives us an integrated bank & CSD ledger allowing **Beneficial Owner** segregation

Bank A	Bank B	Bank C	Settlement Market Surveillance	Regulator
Distributed Ledger				
Private data (encrypted)	Private data (encrypted)	Private data (encrypted)		
Shared data on **transaction level** (encrypted)	Shared data on **transaction level** (encrypted)	Shared data on **transaction level** (encrypted)	Shared data on **transaction level** (encrypted)	Shared data on **transaction level** (encrypted)

Current Asset Servicing Example

Asset servicing for traditional domestic assets: Today's process requires multiple interactions and reconciliation efforts between involved parties...

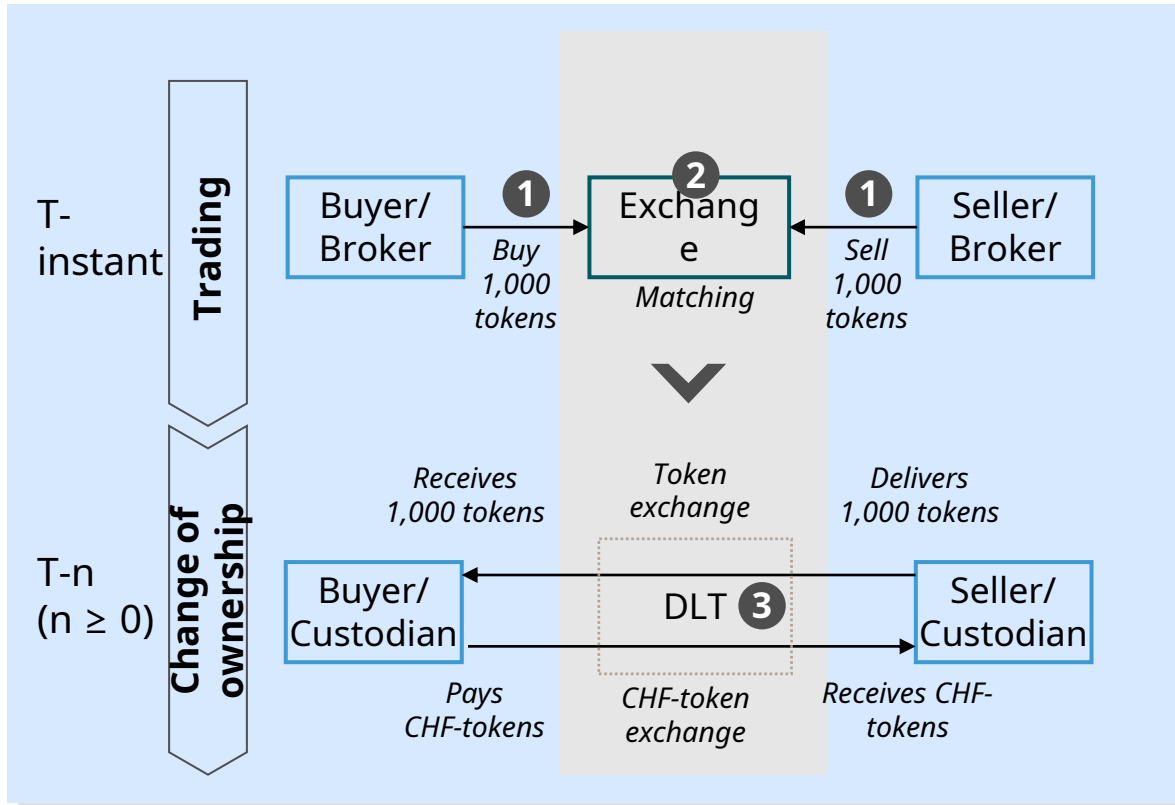**Example: Asset servicing of domestic dividend at CSD (e.g. SIX in Switzerland)** (simplified)

Issuer company
Notification timeline: 1-x days
Credit timeline: 1 day
Beneficial owner (BO)

1 Notification
10 Debit Account
2 Notification
2a
3 Swift notification (MT 564)
5 Inventory notification
MPA
CSD
Bank
6 Debit
7 **11** Credit Account (Swift MT 566)
Credit BO account **8**
9 Notification
4

Perspectives on today's process

1 Issuer company informs Main Paying Agent (MPA) about upcoming dividend payment

2 MPA informs CSD about upcoming dividend payment

2a CSD performs pro-active manual checks (SHAB, Publications) to capture issue announcements

3 CSD informs its banking clients via a Swift notification about upcoming dividend payment

4 Bank informs BO about upcoming dividend payment

5 CSD informs MPA on holdings

6 CSD debits MPA SIC account of dividend amount

7 CSD credits client banks omnibus account with respective dividend amount

8 Bank credits accounts of beneficial owners

9 Banks notifies BO of dividend pay-out

10 MPA debits issuer company's accounts

11 Reconciliation of differences

Future Asset Servicing Example

Trading digital assets: In tomorrow's DLT based ecosystem trading and settlement can take place instantaneously

Example: Digital assets trade flow both parties with instant change of ownership (simplified)

Perspectives on tomorrow's draft process

1 Clients places buy/sell order and transaction is checked by the exchange to ensure (Availability of funds/tokens need to be available)

2 Buy and sell orders of 1'000 tokens are automatically matched within trading engine

3 The matched order is settled instantly (atomic swap) on a shared DLT ledger by updating the trading parties accounts

Key benefits of a DLT solution (vs. current)

- **Reduced cost of capital**: no more clearing collateral needed
- **Instant availability** of assets: through instant settlement
- **Increased liquidity**: ability to trade partial shares (divisibility)

Asset Optimisation – Higher Efficiency and Business opportunities from Origination to Distribution

Sell Side

Financial Intermediaries

Buy Side

Bankable Assets
- Balance Sheet based
- Asset based
- Cash-Flow based

Bankable Assets ctd.
- Broader Client base
- Broader Asset base
- …

Non Bankable Assets
Currently an estimated 70% of Global Value is locked and can not be efficiently transferred

Originate – Structure - Distribute

Balance Sheet

Hold Warehouse Trade

1 Efficiency
- Financial Cost
- Operational Cost
- Data Cost
- Transaction Cost

2 Business Opportunity
- Broaden Asset Universe
- Primary and Secondary Market
- Private Market
- Global client Access

- Increase efficiency at transactional level
- Increase efficiency at data level
- Increase efficiency in Operations
- Increase financial efficiency

- Opportunity for pioneers to take position in a new market
- Bring new assets to clients
- Acquire new client base

Institutional

HNWI

Retail

…