

Tokenisation as a solution

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Presenting today



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What will we cover?

1. Overall developments
2. The solutions provider's perspective
3. State of play in Luxembourg
4. Rebuilding Ukraine with crypto tokens
5. Tokenisation of real estate
6. State of play in Switzerland

1

Overall developments

Digital Assets, what do they cover?

- Cryptocurrencies
- Non Fungible Tokens - NFTs
- Decentralised Finance - DeFi
- Digitisation of mutual funds, equities, debt, real estate, commodities
- Stablecoins and Central Bank Currencies - CBDC

Digital Assets, what do they cover?

- Fall in crypto prices
- JP Morgan Chase to digitise \$Trillions - DeFi Platform
- AllianceBernstein mutual funds tokenisation
- NFTs - Premier Football league £424million
- BUT caution? FCA definition



"Cryptoassets are cryptographically secured digital representations of value or contractual rights that use some type of distributed ledger technology (DLT) and can be transferred, stored or traded electronically."

CBDCs and Stablecoins

CBDC

- 90% of Central banks running pilots on CBDC
- HSBC FX Everywhere - competitor to CLS bank?

Stablecoins or Pegged? - Digital funds requiring digital payments using smart contracts

- Commodity backed - Santander corn coin
- Fiat backed – Tether, Euro.L
- Seigniorage/algorithmic - Terra

Infrastructure

- Custody – BNY Mellon, Fidelity, Goldman, Northern Trust
- Payment platforms - Visa, Mastercard, PayPal
- Regulated Exchanges – Tokeny
- Digital AML – Coinfirm
- Legislation - Luxembourg



Jurisdictional competition?

- **Luxembourg** Azimut has partnered with Sygnum Bank to tokenize its first portfolio of loans to Italian small and medium enterprises (SMEs).
- **UK Rishi Sunak**: It's my ambition to make the UK a global hub for cryptoasset technology.
- **France** FT: "Macron made it very clear that **France wants** to attract innovation, ... that allow retail traders to make big bets on **digital assets**."
- **Singapore** Bloomberg: "Singapore has begun a project to investigate potential uses of asset tokenisation as the city state looks to establish itself as a hub for decentralised finance".
- **Germany** Swarm Markets a DeFi BaFin licensed exchange.

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The solutions provider's perspective

Introduction to Tokeny

Tokeny is a leading global provider of technology solutions that enable securities issuers, agents and investors to seamlessly issue, manage and transfer digital assets on a secure and efficient blockchain infrastructure.

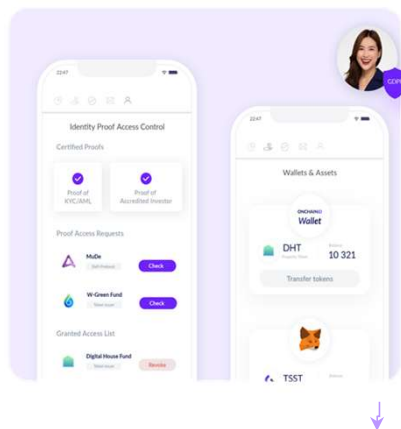
- Europe's sole institutional-grade token issuance platform, and credible value proposition for the secondary market and custody of security tokens
- Use cases include: Funds, private companies' equity and debt, utilities and stablecoins. Real estate is the main underlying asset.
- Working with major financial institutions, key partnerships with major law firms and Big 4
- 39 clients to date, 50+ security tokens issued and a pipeline of institutional clients
- Unique access to financial institutions and distributors via aAPEX and Euronext backing
- Multi-award winning Fintech, recently included in the top 50 blockchain companies globally (CB Insights)

€28bn Assets Tokenised in 2021	+50 Security tokens Issued	1000+ Investors	
€11m Funding raised to date	180+ Jurisdictions	2017 Founding Year	40 Employees
MULTI-AWARD WINNING			
STRATEGIC INVESTORS AND PARTNERS			

We bring compliance and control to public blockchains

ONCHAINID

Identification of stakeholders and assets on the blockchain



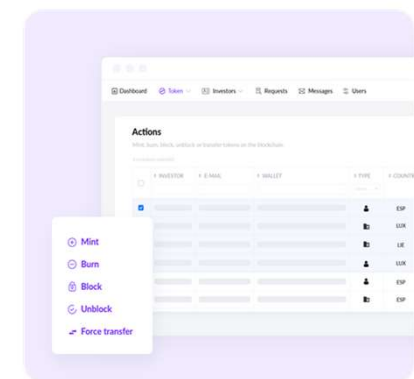
ERC 3643

Compliance framework for permissioned tokens and permissioned DeFi



T-REX Platform

Enterprise-grade platform to issue, manage and transfer permissioned tokens.

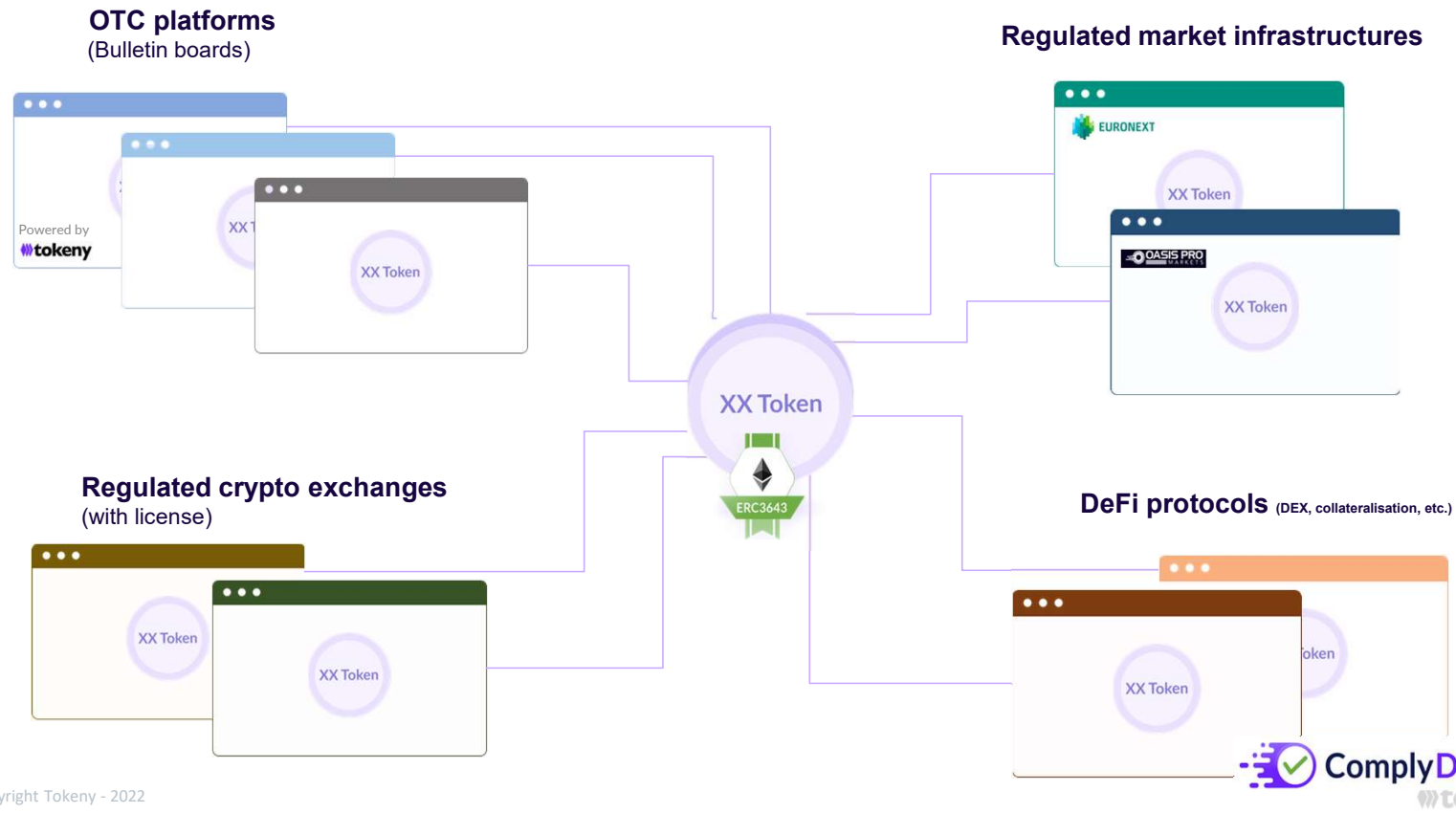


GAP

Ensure compliance and control on public blockchains

Ready-to-use scalable solutions

Creating paths to unlocking liquidity



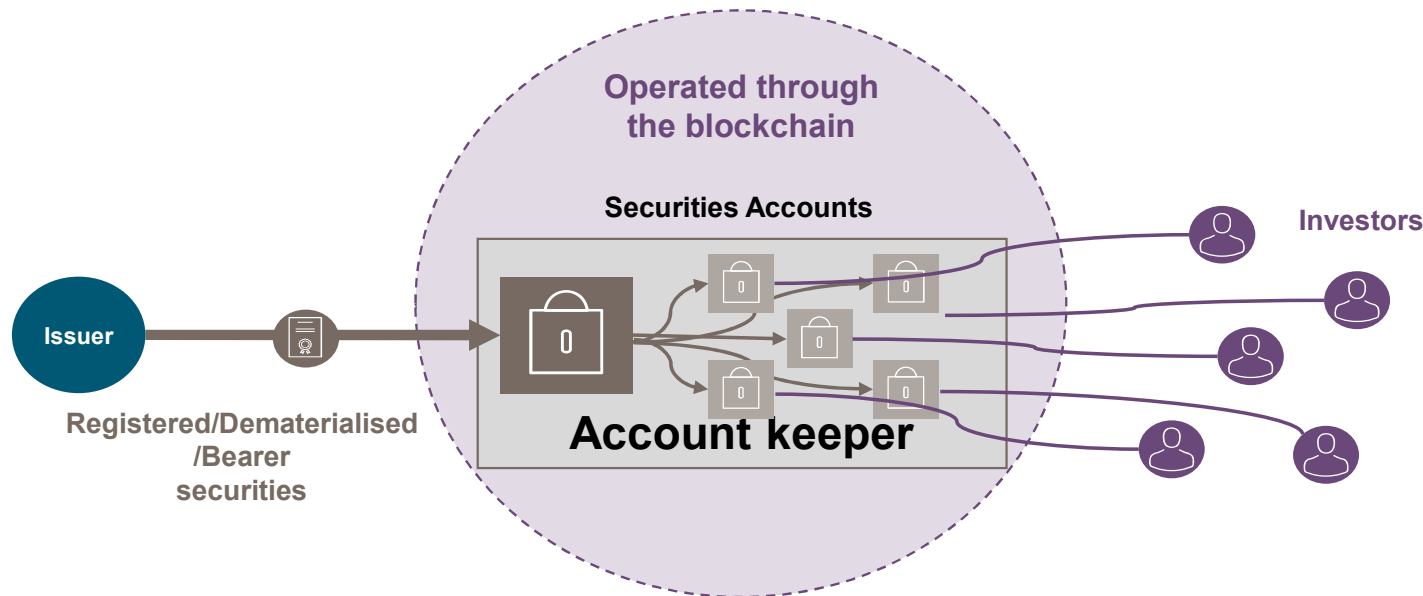
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State of play in Luxembourg

An evolving legal environment – Blockchain laws

Blockchain Law I: Amending 2001 Law on the circulation of securities

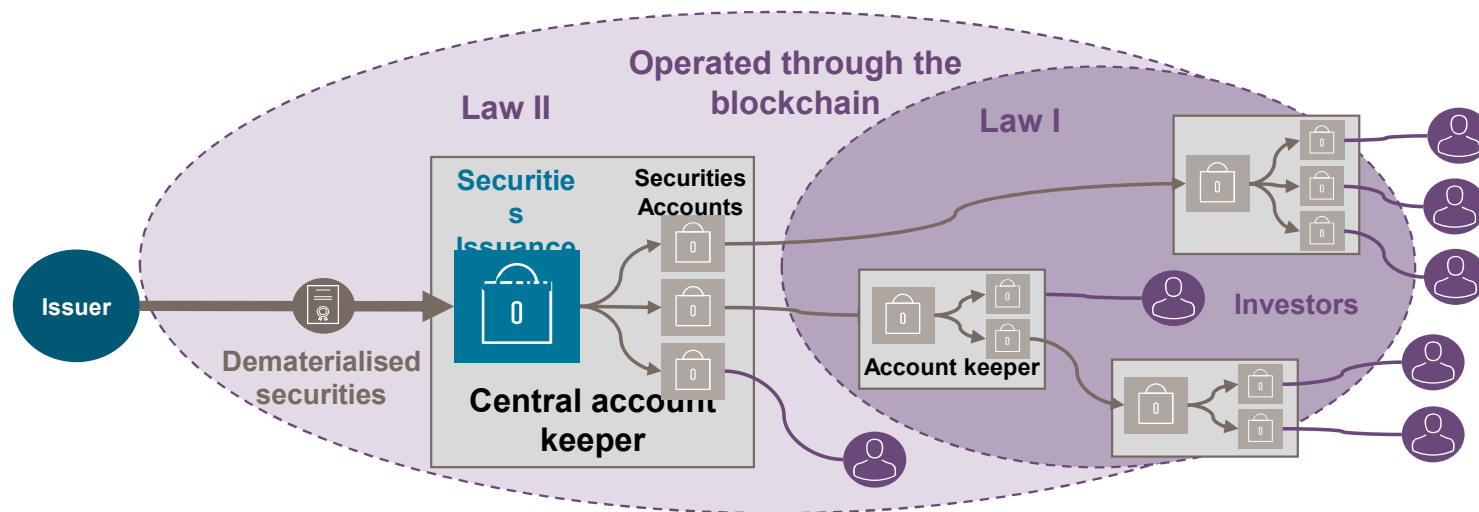
- Securities accounts may be maintained on the Blockchain/DLT
- Credited securities may be transferred on the Blockchain/DLT



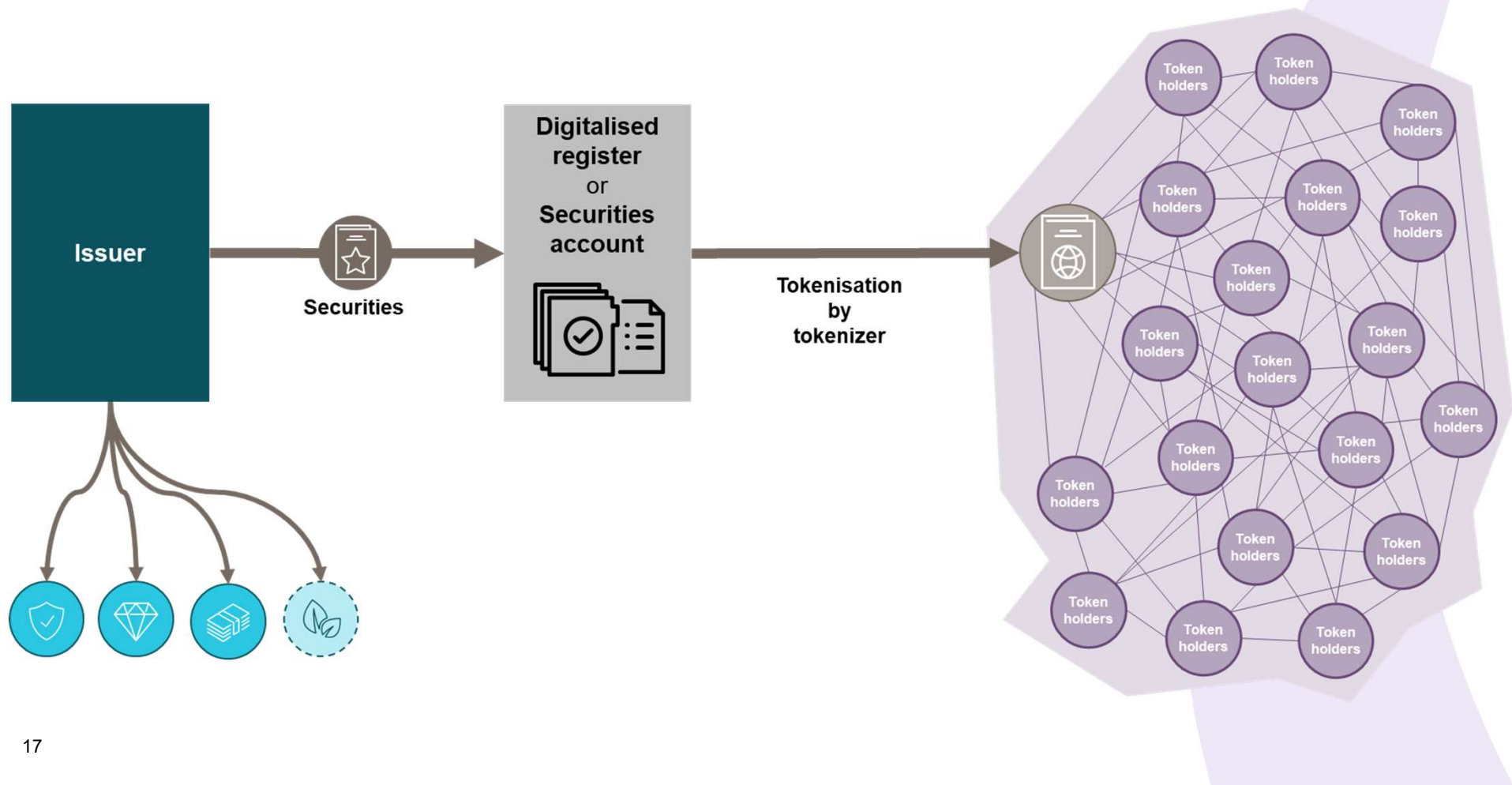
An evolving legal environment – Blockchain laws

Blockchain Law II: Amending 2013 Law on dematerialised securities

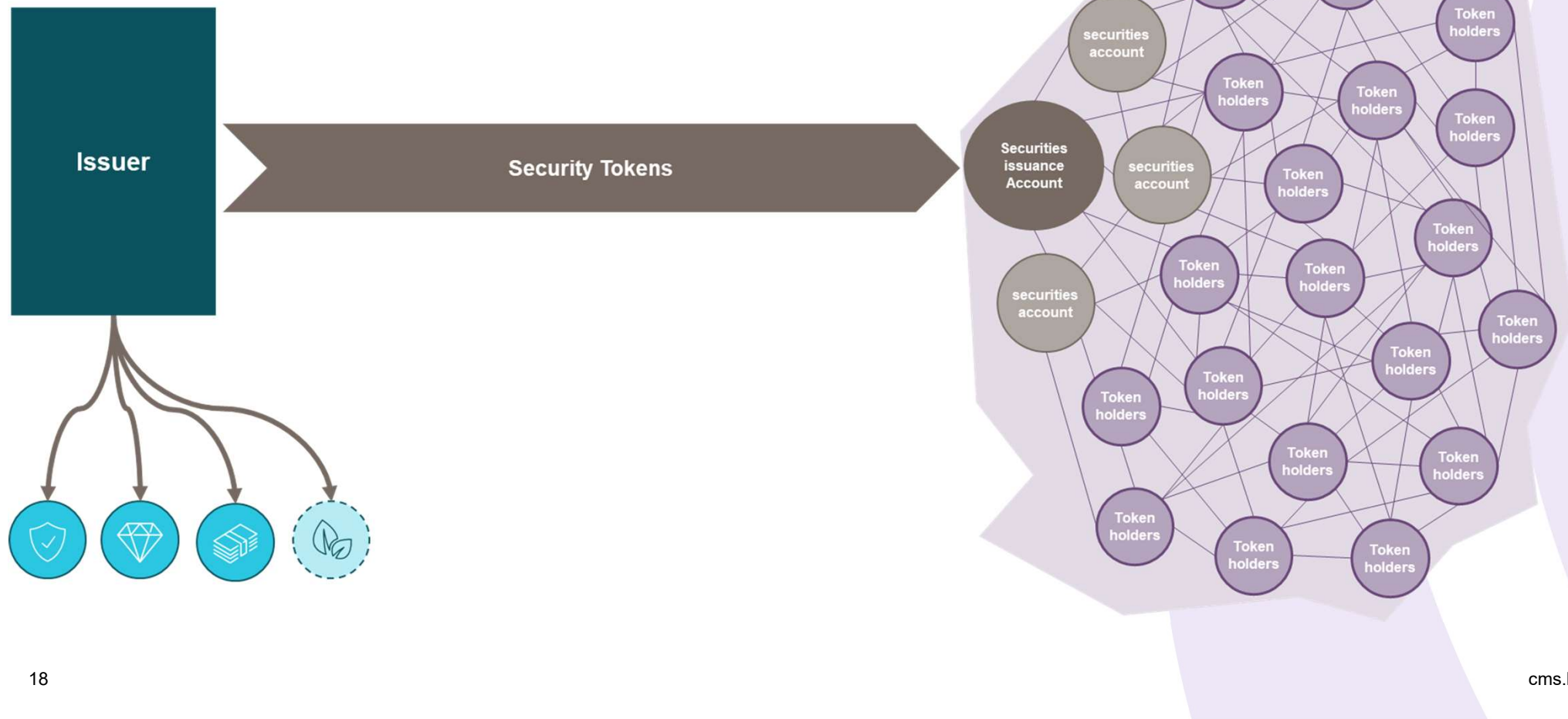
- A securities issuance account may be maintained and the registrations of securities may be carried out within or through the Blockchain/DLT
- Extension of central account keepers status



Tokenisation – Intermediate Model



Tokenisation – Native STO model



Key takeaways from last exchanges with the regulator

Regarding Tokenisation / security tokens

- Tokenisation may easily be implemented by fund administrators: no license extension but update of their processes
- Registration of certain security tokens onto the Securities Official List of the LuxSE

Regarding crypto / virtual assets

- Possible for regulated UCIs except if addressing non-professional customers and pension funds
- Authorised AIFMs must obtain prior authorisation from the CSSF if AIFs investing in virtual assets
- Depositary must put in place organisational arrangements in relation to safekeeping of virtual assets and notify CSSF
- Depositary are not liable for the restitution of assets when a specialised service provider is appointed for “custodian wallet type services”

State of the market & new solutions

State of play in Luxembourg

- No legal nor regulatory hurdles
- Ecosystem adapting to this new environment
=> 2022 as a turning point in the industry
- Institutionalisation of the industry (sponsors, initiators, investors, servicers)

Use cases

- For real assets (real estate, artwork...) => Tokenisation through SPVs, SVs, Funds, feeders listing
- For crypto => crypto funds

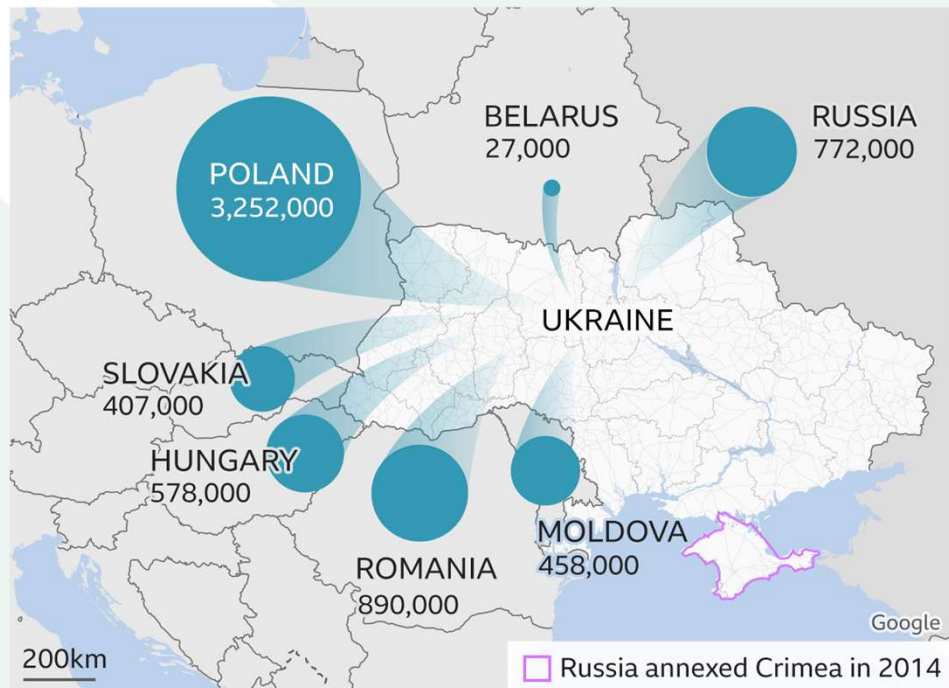
Converging trends: digitisation + retailisation

4

Rebuilding Ukraine with crypto tokens

War impact on business

Nearly 6 million people have fled Ukraine



Note: The sum of country data is higher than the total number of refugees fleeing Ukraine as it includes people crossing the Romania-Moldova border

Source: UNHCR, 11 May

BBC

Destruction of some manufacturing facilities & Logistics troubles



Rebuilding Ukraine. War damage

Infrastructure

USD 100bn including:

- 23,800km of roads worth USD 29.7bn;
- 295km of bridges worth USD 1.6bn;
- Two ports worth USD 622m;
- 11 airports at USD 6.8bn;
- Railway lines worth USD 3.5bn.



Industrial property

USD 10bn

- 195 plants and adjacent properties have been damaged or destroyed.



Warehouses

USD 225m

- only in the Kyiv region, CBRE Ukraine estimates that 325,000sq.m. of warehouses have been ruined – 21% of space in the region.



Environmental and land damage

200 areas of the Emerald Network

(approximately 3m hectares), stated by the Ministry of the Environment and Natural Resource Protection.



Energy sector

USD 2bn² including:

- renewables of USD 860m (of which USD 750m relates to windfarms)³;
- seven CHPs & HPPs worth USD 101m⁴;
- NPP operator losses are USD 1.21bn⁵;
- the Zaporizhzhia NPP (6GW) and Kakhovka HPP (357 MW) are occupied;
- 47 gas distribution stations and gas storages in the east of Ukraine have been shut down.



Malls, kindergartens and public buildings

USD 1bn including:

- 24 shopping malls worth USD 315m;
- 543 kindergartens worth USD 421m;
- 82 public buildings costing USD 449m.



Residential, educational, and healthcare real property

USD 32bn including:

- 33,700 sq.m. of residential property worth USD 29.6bn;
- 940 educational facilities costing USD 1.2bn;
- 231 healthcare facilities worth USD 1.8bn.

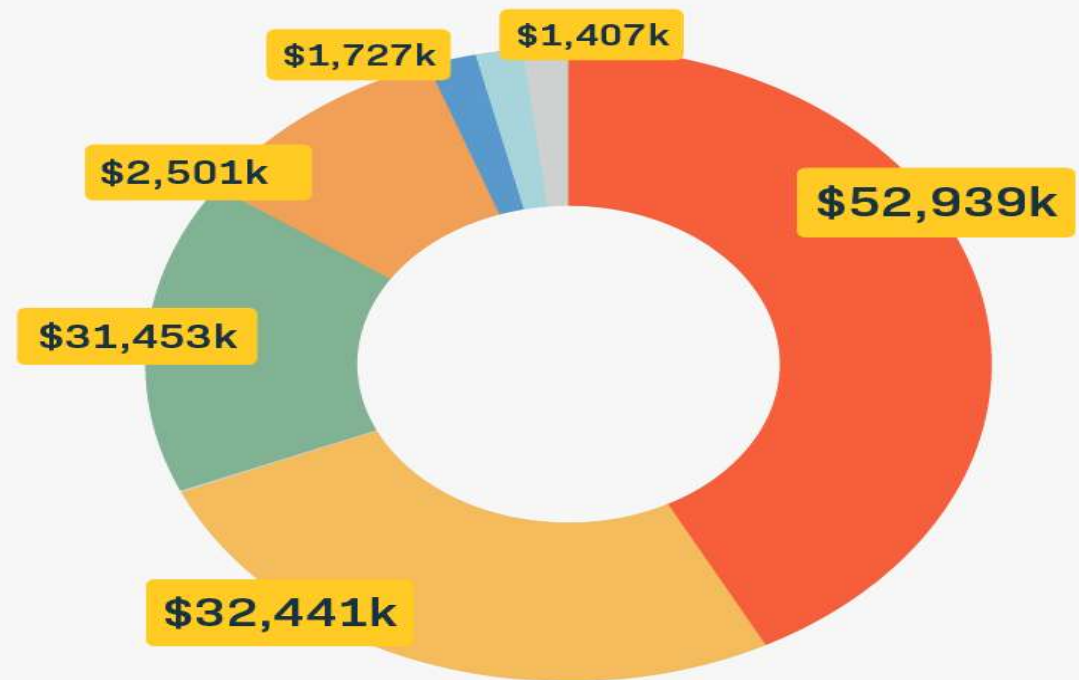
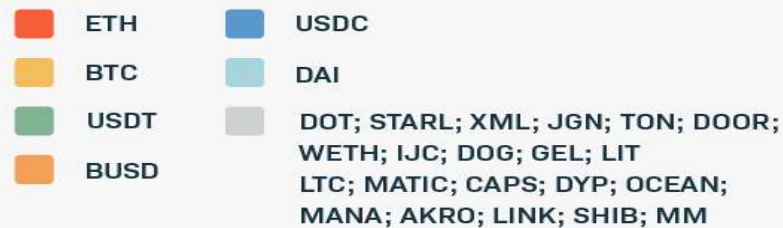


Crypto donations – Statistics



Ukraine donations by cryptocurrency

May 12, 2022

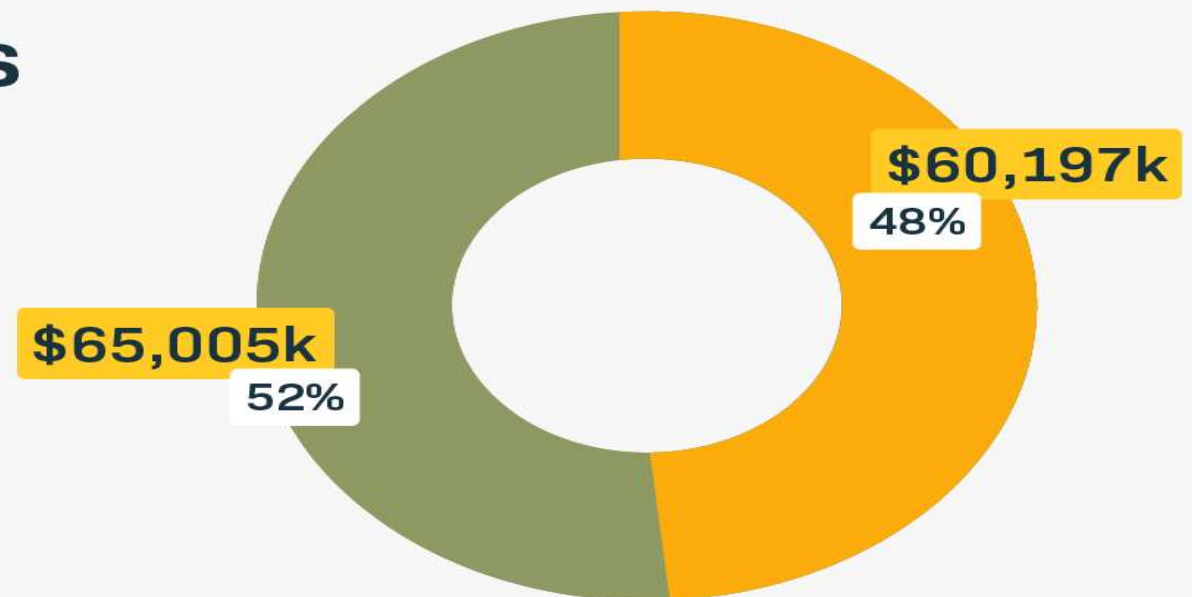


Crypto donations – Designated Use



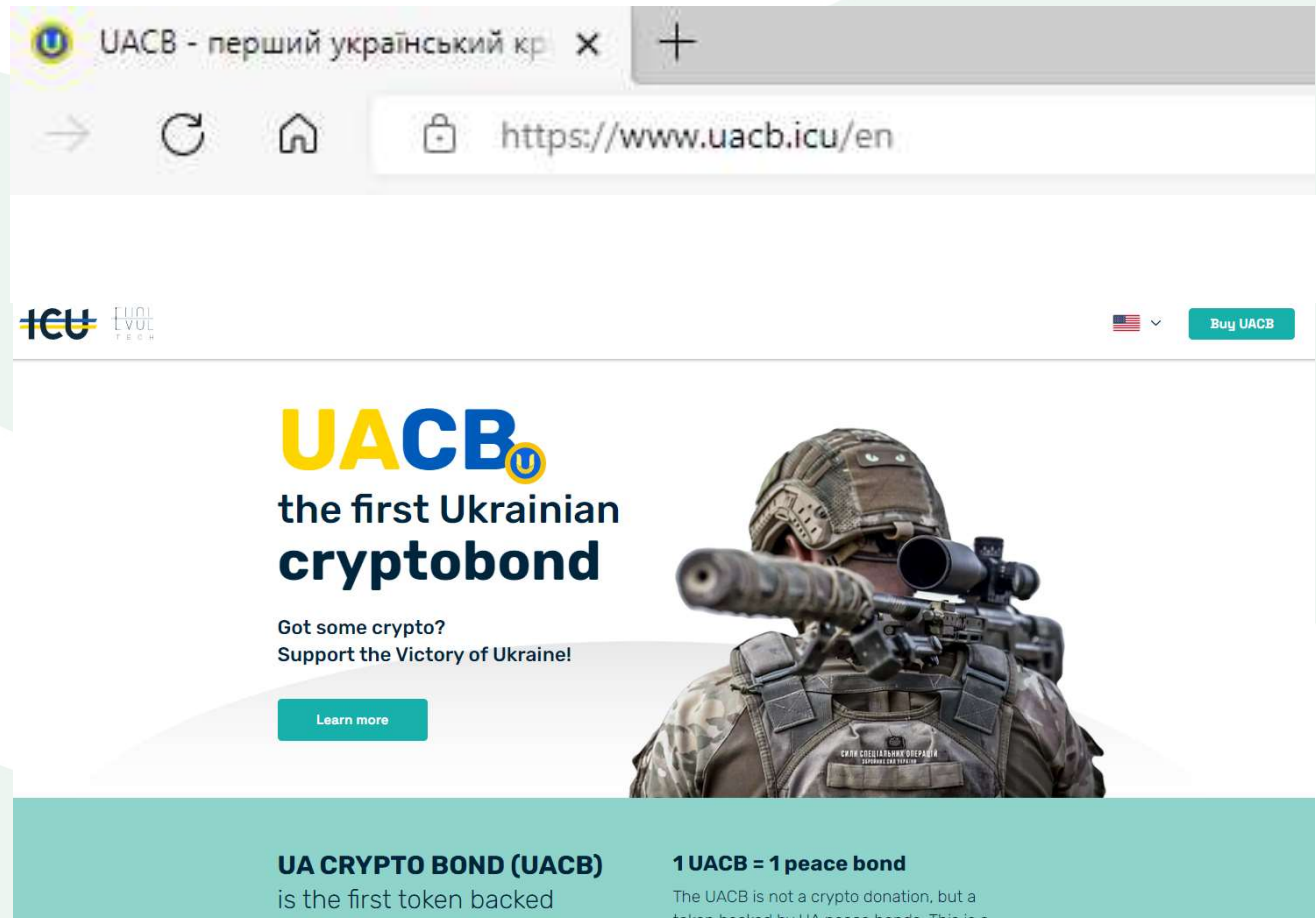
Ukraine donations by type

May 12, 2022



UACB - Crypto war bonds

- To raise the required financing and support the army, the Ministry of Finance of Ukraine systematically issues war bonds that can be purchased by investors who support Ukraine. ICU financial group, together with EVOL.TECH issue the Ukrainian Crypto Bond (UACB), which is backed by government military bonds. **The token will allow investors to invest cryptocurrency in the UACB, which has a government guarantee of return**
- The **UACB is settled in Tether (USDT)**, a cryptocurrency pegged to the dollar. After the government pays the bonds, the UACB can be exchanged for invested USDT. The UACB buyout is scheduled for **November 2022**



The screenshot shows a web browser window with the address bar displaying "https://www.uacb.icu/en". The website header includes the ICU and EVOL.TECH logos on the left, a language selector (USA) on the right, and a "Buy UACB" button. The main content area features the UACB logo (stylized "UACB" with a coin icon) and the text "the first Ukrainian cryptobond". Below this, it says "Got some crypto? Support the Victory of Ukraine!" and a "Learn more" button. To the right of the text is an image of a soldier in camouflage gear aiming a rifle. The footer is a teal-colored bar with two columns of text: "UA CRYPTO BOND (UACB) is the first token backed" and "1 UACB = 1 peace bond" with a subtext "The UACB is not a crypto donation, but a token backed by UA peace bonds. This is a".



Ministry
of Digital Transformation
of Ukraine

[Why donate](#) [Reporting \(Apr\)](#) [Send cash](#) [FAQ](#) [Donate NFT](#)

Help Ukraine with **crypto**, don't leave us alone with the enemy

The community has already raised more than \$60 million

479.8898 BTC 9618.34449 ETH 435632.0453876947 DOT
 7 556 987 USDT 7815.716925441 SOL 1 028 987 USDC

Donate crypto to Ukraine
to support people in their
fight for freedom

Bitcoin (BTC)		Ethereum (ETH)	
Tether (USDT ERC-20)		Tether (USDT TRC-20)	
Solana (SOL)		Polkadot (DOT)	
NEAR Protocol (NEAR)		Cardano (ADA)	

Aid For Ukraine is powered by [Everstake](#), [FTX](#) and [Kuna](#)



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Tokenisation of real estate

DigiShares is a global fintech firm that offers white-label tokenisation solutions to the real estate and asset management industries

Turnkey Solution

01

DigiShares gives asset managers full control over the fundraising process, ongoing corporate management, and trading of real estate and other assets. The platform helps reduce administrative cost, gives access to new investor types, and makes real estate liquid.

Interoperable

02

DigiShares is protocol and infrastructure agnostic and supports most widespread standards, in order to ensure that clients are interoperable with custodians and exchanges.

Compliance

03

Through collaboration with more than 40 legal partners around the globe, DigiShares helps clients ensure full compliance of the tokenisation process.

Crypto Gateway

04

DigiShares constantly monitors new developments in the crypto and DeFi industries to ensure our clients are future-proof. The platform supports the most promising and legally compliant innovations, such as real estate collateralised lending and decentralised trading.

90 clients – 3 offices (US, Denmark, Germany) – 30 employees

Value proposition for real estate

1 Pains

- Costly, paper-based, and time-consuming processes
- Almost zero liquidity

2 Primary gains

- Digitalised and automated processes
- Immediate trading and liquidity (premium: 20-30%)
- Control & flexibility

3

Secondary gains

- Ability to fractionalize/democratize – reduced ticket size – increased diversification
- Access to new types of investors
- Access to new global infrastructure of investors and secondary liquidity
- Programmable tokenised shares for automation of cross-border transfers, lock-up periods, dividend payment, etc.
- Smart “functions”: DeFi lending, atomic swap, etc.
- Increased security by removal of human errors
- Transparency and traceability

Barriers to adoption

Crypto Discomfort 01

- Self-custody of tokens
- On/off ramp
- KYC/AML

Compliance & Legal 02

- Not all countries support tokenisation (more or less)
- North America: Wyoming, Ohio, Delaware
- In Europe: Switzerland, Liechtenstein, Luxembourg, UK, Estonia, Germany
- In Asia: Singapore, Hong Kong
- Notification, registration & approval with regulators

Costs 03

- Legal costs used to be USD 50-100k
- Now 10-20k for the first project
- Costs for marketing, software, investor relations, etc.

Distribution 04

- Few secondary exchanges licensed yet (tZero, Archax, INX, ADDX, ...)
- Low volume on few listed companies
- Very few marketing companies specialising in security tokens



MarketSpace Capital case study

The context

- Based in Houston, TX, MarketSpace Capital is a real estate owner-operator focused on ground up developments and value add investments with over \$400M in AUM
- MarketSpace Capital had its initial close on the Spot @ Myra Park (multifamily property in Dallas, TX) in May 2020; the raise was conducted through a Reg D 506(c) offering (available to accredited investors only)
- 45 investors injected \$6.5M through a limited partnership

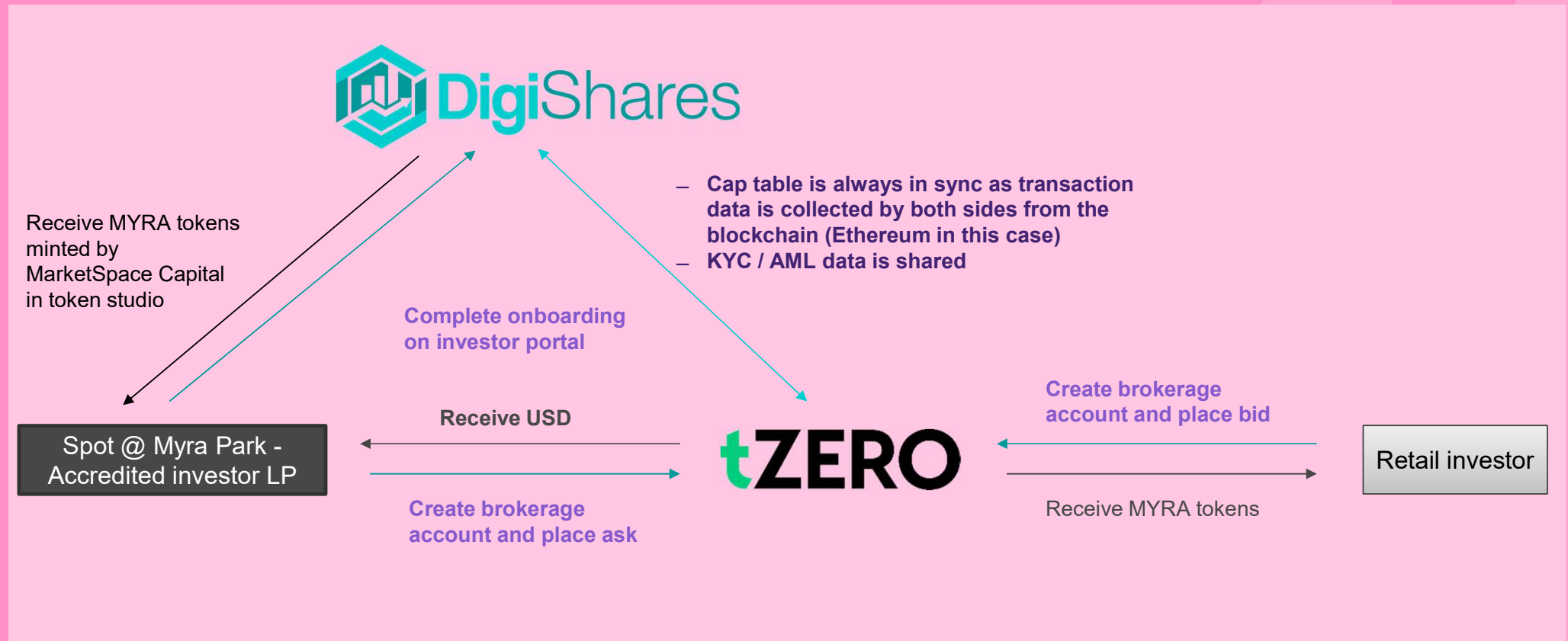
The problem

- Archaic process to provide liquidity options to Limited Partners: the General Partner needs to get heavily involved to manually find a buyer (often using an intermediary) and structure the transaction legally and financially
- There is a discount to Net Asset Value that the LPs systematically need to accept in the context of a secondary sale before the term of the investment (5, 7 or 10 years usually)
- The GP only has Accredited Investors (net worth over \$1M) within their investor base given the current state of US regulations making it much more difficult to raise from retail investors

The solution

- Thanks to the DigiShares platform and an integration with the tZero exchange, MarketSpace Capital can offer liquidity to its LPs, who can potentially exit at or close to NAV without the involvement of the GP, in a fully automated and seamless manner
- DigiShares is fully replacing the legacy investor portal that MarketSpace used beforehand, enabling them to compliantly raise capital and onboard investors directly on the blockchain
- Retail investors can participate in the value creation offered by the GP by buying tokens from the Accredited investor LPs on tZero (after the one-year lock-up period is over) leading to democratisation

MarketSpace Capital case study



The ESG of tokenisation

Environmental

- Preferred use of PoS protocols
- Promote green certified assets

Social

- Democratisation
- Protection against inflation and capital controls
- Equal opportunity access to wealth
- Reducing poverty levels and closing the wealth gap

Governance

- Accountability
- Transparency – tracking & auditing
- Reduced corruption

Sustainable development

As an organisation, DigiShares has the opportunity to impact the following areas:

United Nations Sustainable Development Goals



Industry status

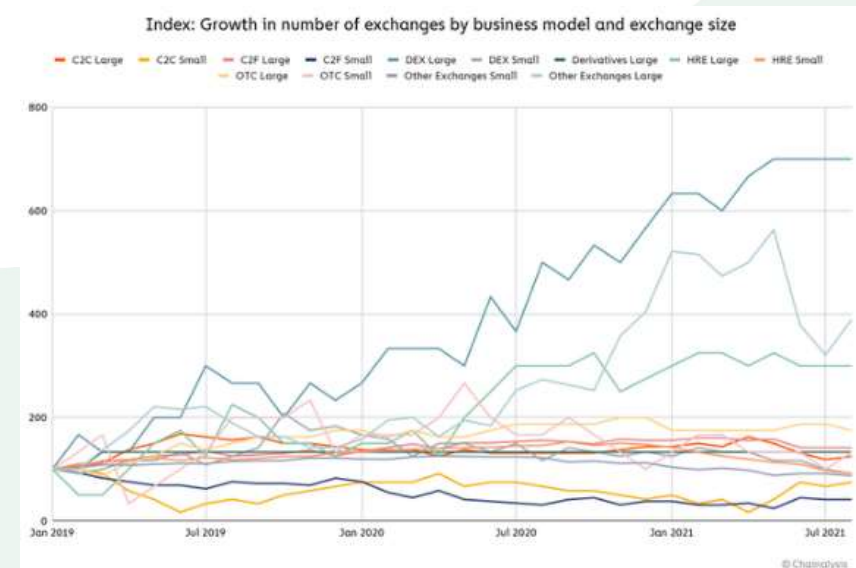
High level trends

- More regulation (but overall positive)
- More decentralisation
- More private capital flowing into markets
- More crypto adoption
- More institutional adoption

Specialised blockchain for security tokens (Polymesh)

Big investments from financial institutions

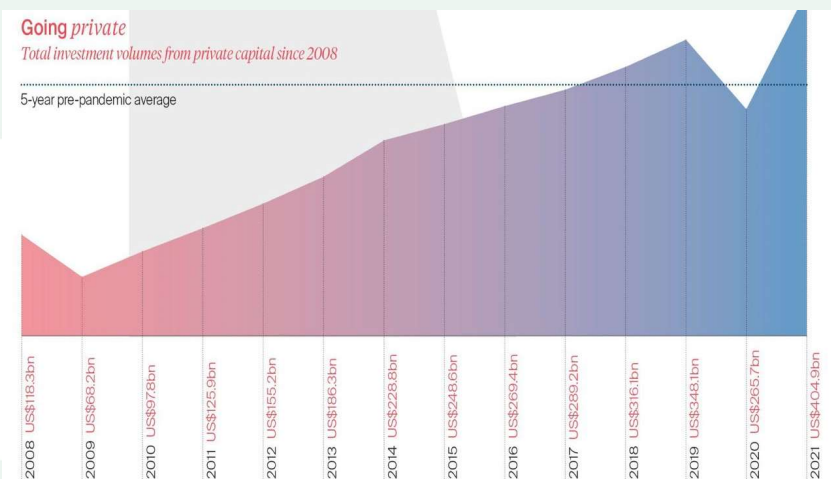
- ICE in tZero
- Morgan Stanley in Securitize



Going private

Total investment volumes from private capital since 2008

5-year pre-pandemic average



Source: RCA

6

State of play in Switzerland

Swiss DLT Legislation - Methodology and Purpose

Blanket framework: specific amendments to various federal acts

Remove barriers for
DLT based
applications

Increase legal
certainty

Reduce risk of abuse

Swiss DLT legislation - Overview

Civil law

Increase **legal certainty** for the **transfer of DLT-based assets** by means of digital registers (**register uncertificated securities**)

Insolvency law

Clarification of the **segregation** of crypto-based assets in the **event of bankruptcy** and **access to data rights** in the case of insolvency

Banking law

Reconciliation of the **bank insolvency law** provisions with the adjustments in **general insolvency law**

Financial market regulation

Devise a new and flexible authorisation category for **blockchain-based financial market infrastructures**

AML law

Explicitly **anchor** the current **practice** of making **decentralised trading platforms** subject to the **AML Act**

Swiss DLT legislation - Register uncertificated securities

- **Register uncertificated securities** (*Registerwertrechte*; CO 973d-973i) are created when entered in an electronic register that meets certain requirements:
 - Functional safety and integrity
 - Transparency of information for parties involved
- **Registration clause:** Contractual clause pursuant to which the security can only be asserted and transferred via the electronic register (e.g. in issuer's articles of associations, the terms of the instrument or general terms of business)
- All rights, which can be securitised in the form of negotiable securities (*Wertpapier*), can also take the form of register uncertificated securities
- **Effect:** Entries in the electronic register have the **same functionality** and entail the **same protection** as negotiable securities
- Further rules on transfer, securities, cancellation, information and liability

Specifically - Tokenisation of Fund Units/Shares

- Tokenisation of fund units/shares **largely possible from a Swiss civil law perspective**
- However, with the exception of the Limited Partnership for Collective Investment (LPCI), collective investment schemes must have a **custodian bank**, which is responsible for issuing and redeeming units/shares
 - As Swiss collective investment schemes law currently stands, this **function of the custodian bank cannot simply be substituted** by the blockchain
- Custodian banks must be connected to blockchain networks in order to be able to issue and redeem fund units/shares in the form of register uncertificated securities
 - Question as to the **form in which the integration** of the custodian bank into the blockchain network must take place cannot be answered conclusively

Key takeaways Switzerland

- Swiss law provides a **robust legal framework** for tokenising financial instruments in general
- Register uncertificated securities largely also **enable direct tokenisation of fund units/shares** from a civil law perspective
- However, **some regulatory stumble stones** still exist
- Swiss Financial Market Supervisory Authority (FINMA) has **authorised a Swiss fund for qualified investors** (*category*: other funds for alternative investments)
- **Various crypto Exchange Traded Products (ETP)** listed on SIX Swiss Exchange



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