

MAYER|BROWN

CAPITAL MARKETS  
KNOW-HOW SERIES

DLT BONDS IN EUROPE –  
STRUCTURES AND USE CASES

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## AGENDA

1. What are Digital Bonds?
2. Governing Law Considerations
3. Digital Bonds under German law
4. Digital Bonds under English law
5. Challenges with Digital Bonds – Risks
6. Trading and Settlement Considerations
7. Digital Securities Issuance (DSI) on the D-FMI of Euroclear





01

WHAT ARE DIGITAL BONDS?

## WHAT ARE DIGITAL BONDS? (1/2)

- Specific type of **dematerialised securities**; if it is a security from a civil and regulatory law perspective is subject to local law requirements
- In certain jurisdictions the qualification as a **security** in the strict sense has been established which results in **legal certainty** in this regard
- **Basic concept**: Debt instruments whose register of ownership is stored using distributed ledger technology (DLT)
  - **Distributed ledger**: a collection of data that is spread across multiple nodes (computers) and whose consistency is enforced by means of DLT
  - **DLT**: a technology for recording information through a distributed ledger, enabling nodes in a network to propose, validate and record state changes (or updates) consistently across the network's nodes – without the need to rely on a central trusted party to obtain reliable data
  - **Smart contract**: a computer program on DLT that creates the underlying bonds, records transactional data (amounts, ISIN code, initial and subsequent holders' addresses and corresponding balances and other relevant financial details) and facilitates, verifies and enforces terms and conditions of, and other investor entitlement for, the bonds
  - **Blockchain**: a form of distributed ledger in which details of transactions are held in the ledger in the form of blocks of information; A block of new information is attached into the chain of pre-existing blocks via a computerised process by which transactions are validated

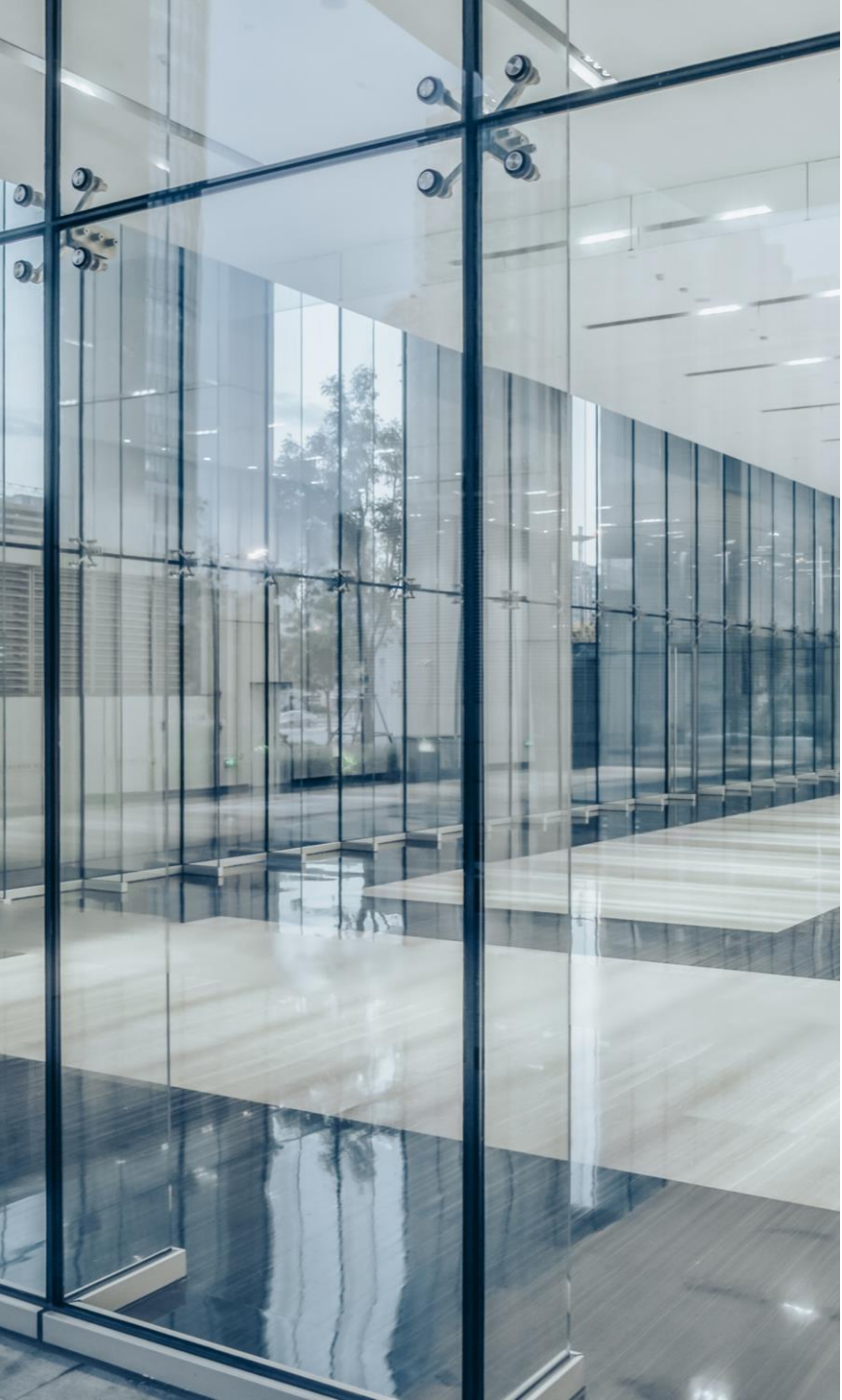


**Decentralised financial technologies**

**Report on financial stability, regulatory and governance implications**

**Crypto-asset markets**

**Potential Channels for future financial stability implications**

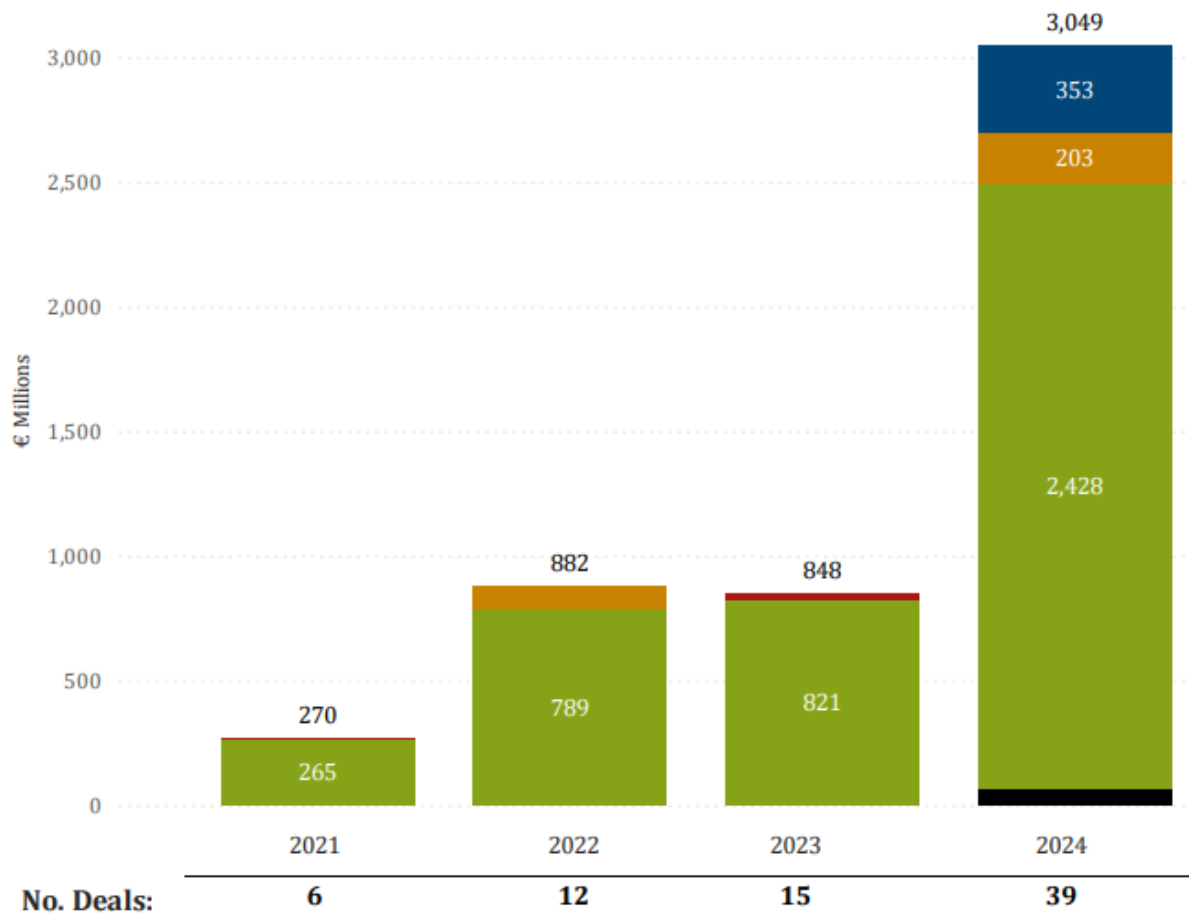


## WHAT ARE DIGITAL BONDS? (2/2)

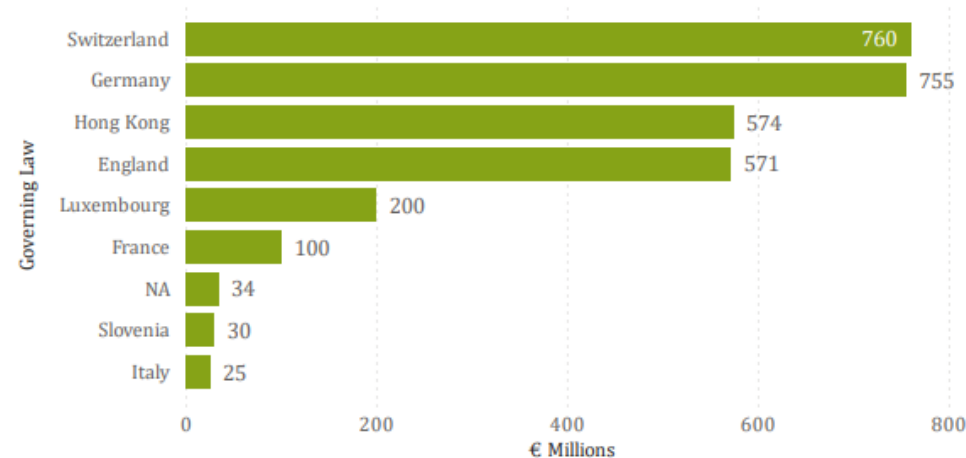
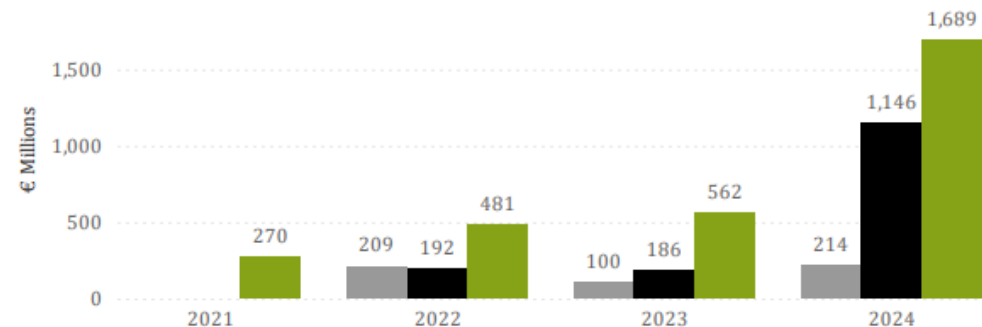
- **Digital Native Bonds** are bonds in **fully dematerialised** form and issued natively onto a distributed ledger or blockchain, with such securities being held and **transferred through the DLT**; based on this technology Digital Native Bonds can be transferred outside of a central securities depository (and other customary market infrastructure)
- Other forms of “electronic” (dematerialised) securities, e.g:
  - German central register securities, i.e. bearer securities registered in a central securities register maintained by a central depository (in such case held in book-entry form) or a custodian
  - bonds which are immobilised before rights relating to those bonds are circulated in tokenised form on a distributed ledger (tokenised bonds)
  - Other dematerialised book-entry securities exist in e.g. in Netherlands, France Italy and Luxembourg

# WORLDWIDE ACCELERATION OF ISSUANCE OF DLT-BASED SECURITIES

● Bill ● Bond ● Commercial Paper ● Covered Bond ● Structured Instrument



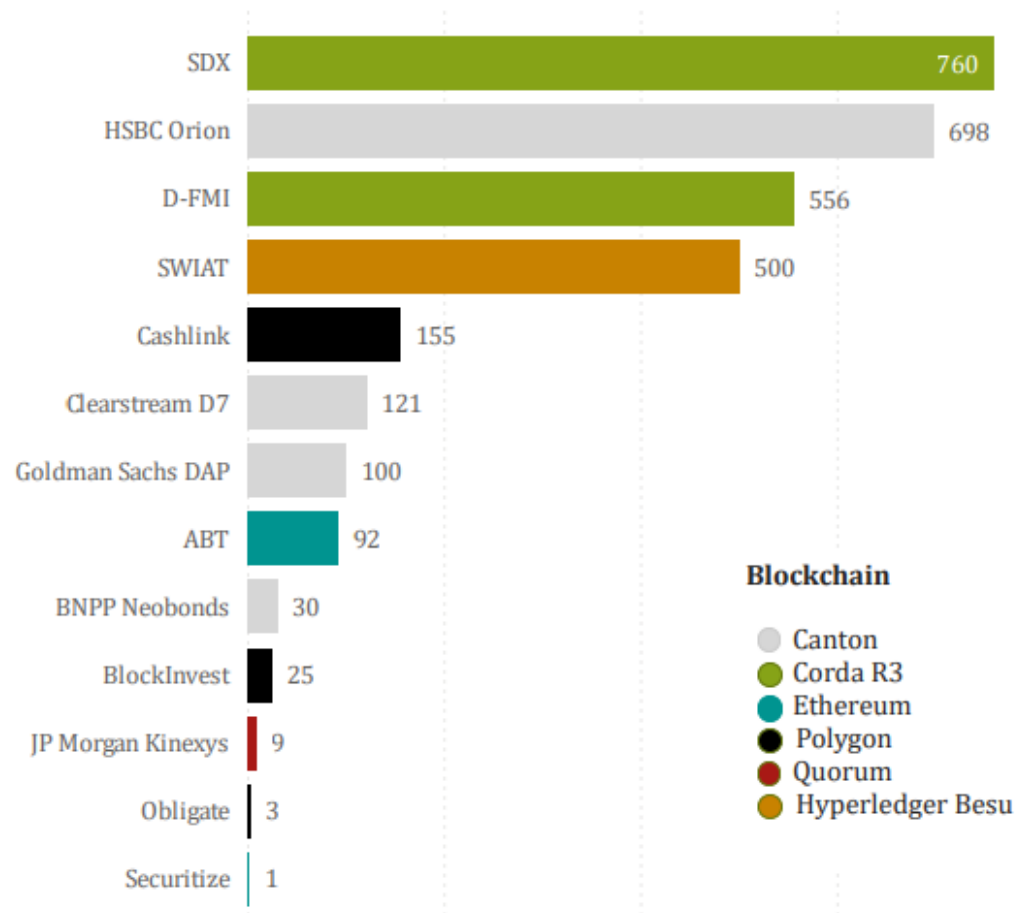
● Americas ● Asia ● Europe



Source: AFME DLT-Based Capital Market Report 2024



## BLOCKCHAINS USED FOR ISSUANCE OF DLT SECURITIES



Source: AFME DLT-Based Capital Market Report 2024



# DLT BONDS ISSUANCES IN 2024

Company	Company type	Company Nationality	Pricing Date	Deal Value EUR (million)	Instrument	Coupon	Rating	Maturity (years)	Platform	Blockchain	Governing Law
European Investment Bank - EIB	Supranational	Luxembourg	22/11/2024	100.00	Bond	2.55%	AAA	5.00	Goldman Sachs DAP	Canton	Luxembourg
European Investment Bank - EIB	Supranational	Luxembourg	19/11/2024	100.00	Bond	2.36%	AAA	3.00	HSBC Orion	Canton	Luxembourg
Intesa Sanpaolo	Financial	Italy	08/11/2024	10.00	Commercial Paper		Na		Clearstream D7	Canton	NA
Caisse des Dépôts et Consignations	Financial	France	07/11/2024	100.00	Bond	3.33%	Na	10.00	D-FMI	Corda R3	France
City of Lugano	Government/Municipal	Switzerland	04/11/2024	128.17	Bond	1.00%	AA-	9.00	SDX	Corda R3	Switzerland
Asian Infrastructure Investment Bank	Financial	China	25/10/2024	183.42	Bond	4.00%	AAA	2.20	D-FMI	Corda R3	England
L-Bank	Financial	Germany	25/10/2024	50.00	Commercial Paper		AAA		Clearstream D7	Canton	Germany
WIBank	Financial	Germany	08/10/2024	5.00	Bond		Na		Cashlink	Polygon	NA
ABN AMRO	Financial	Netherlands	07/10/2024	1.10	Commercial Paper		Na		Clearstream D7	Canton	NA
HSBC	Financial	Hong Kong (China)	24/09/2024	115.54	Bond	3.60%	AA-	1.00	HSBC Orion	Canton	England
Federal State of Saxony-Anhalt	Government/Municipal	Germany	11/09/2024	50.00	Commercial Paper		AA		Clearstream D7	Canton	Germany
Siemens	Corporate	Germany	01/09/2024	300.00	Bond	3.25%	AA-	1.00	SWIAT	Hyperledger Besu	Germany
KfW	Financial	Germany	28/08/2024	50.00	Bond	3.46%	AAA	0.25	Cashlink	Polygon	Germany
Natixis Pfandbriefbank	Financial	Germany	28/08/2024	100.00	Covered Bond		Na		SWIAT	Hyperledger Besu	Germany
Asian Infrastructure Investment Bank	Financial	China	23/08/2024	272.36	Bond	4.00%	AAA	2.40	D-FMI	Corda R3	England
Berlin Hyp	Financial	Germany	06/08/2024	100.00	Covered Bond	2.75%	AAA	3.00	SWIAT	Hyperledger Besu	Germany
Republic of Slovenia	Government/Municipal	Slovenia	26/07/2024	30.00	Bond	3.65%	Na	0.33	BNPP Neobonds	Canton	Slovenia
Cassa Depositi e Prestiti	Financial	Italy	18/07/2024	25.00	Bond	3.63%	BBB	0.33	BlockInvest	Polygon	Italy
KfW	Financial	Germany	04/07/2024	100.00	Bond	3.13%	AAA	1.50	Cashlink	Polygon	Germany

Source: AFME DLT-Based Capital Market Report 2024





# 02

## GOVERNING LAW CONSIDERATIONS

## GOVERNING LAW CONSIDERATIONS (1/2)

- Conflict of laws aspects:
  - Law applicable to claims securitised by the Digital Bonds
  - Law applicable to the transfer of Digital Bonds
  - Generally free choice of law, subject to the requirements of substantial and mandatory laws in the relevant jurisdictions
  - Split law aspects: different laws governing the DLT form possible?
- Legal qualification of Digital Bonds:
  - Subject to the relevant law governing the securitised claim
  - In Germany deemed to be bearer bonds (*Inhaberschuldverschreibungen*), including covered bonds, and, consequentially, deemed to be similar to securities issued with a physical certificate, i.e. German crypto securities are deemed to be property (*Sache*); Transfers, pledges etc. are made/created in the same legal way as bearer bonds with physical certificates; This creates legal certainty
- Supervisory laws aspects:
  - Prospectus laws (such as the Prospectus Regulation)
  - Distribution and market/trading laws (such as MiFID II)





## GOVERNING LAW CONSIDERATIONS (2/2)

- Process to create the security/parties involved
  - Issuance process/registration requirements
  - Nature and responsibility of parties involved in the issuance process
    - Responsibilities of the issuer
    - Responsibilities of the registrar
    - Liability issues
  - Parties involved: “central account keeper” under Luxembourg law, “registrar” under French law, “crypto securities registrar” under German law, “tokenisation registrar” under Hong Kong law

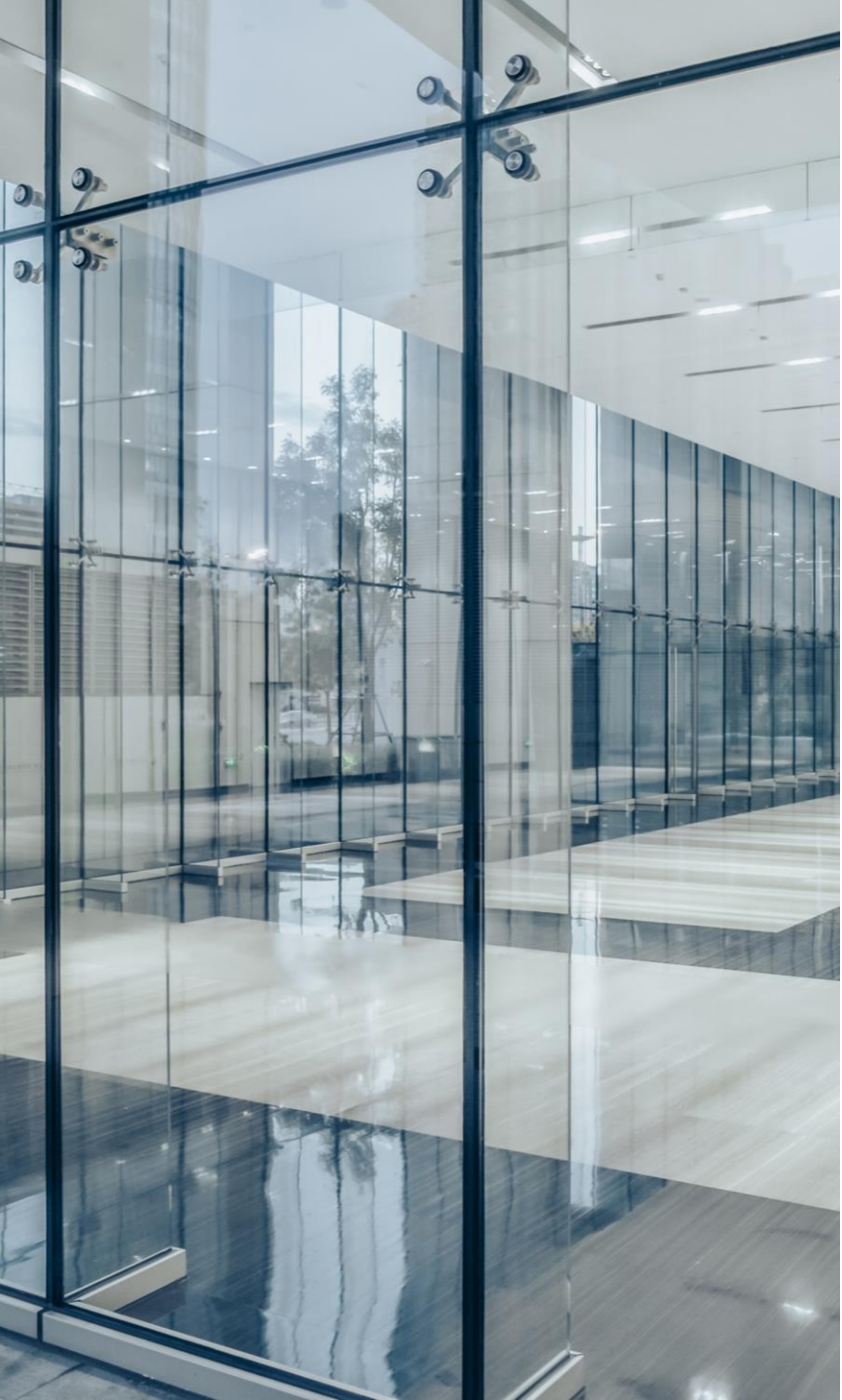




# 03

## DIGITAL BONDS UNDER GERMAN LAW





## DIGITAL BONDS UNDER GERMAN LAW - OVERVIEW

- German Electronic Securities Act (eWpG) provides for the issuance of crypto securities
- **Crypto securities** are securities which are registered in a crypto securities register; deemed to be a **property (Sache)**; no difference to traditional securities in paper form from a legal perspective (legal certainty)
- **Crypto securities registers** have to be maintained on a tamper-proof recording system (i.e. a decentralised association in which control rights are distributed among the entities operating the system) in which data are recorded in chronological order and protected against unauthorised deletion and subsequent modification;
- The **registrar entity** for crypto securities is the entity **designated** as such by the issuer to the holder; Issuer may also act as registrar
- Registrars are responsible for the the confidentiality, integrity and authenticity of the data in the electronic securities register; The crypto securities registrar usually provides the technical infrastructure for the issuance of the crypto security
- The maintenance of a crypto securities register is a **licensable activity** in Germany; The same applies to custody services relating to crypto securities

## DIGITAL BONDS UNDER GERMAN LAW – CREATION OF THE SECURITY

- The crypto security is effected by the issuer by means of a **registration (*Eintragung*)** in a crypto securities register and the **filing (*Niederlegung*)** of the terms and conditions
- Registration (*Eintragung*) means the entry of the prescribed registration information required for the registration of the crypto security in the crypto securities register with a reference to the filed terms and conditions
- Following entities may be registered as a holder of crypto securities:
  - a central depository or a custodian (**collective registration**)
  - natural person, legal entity or joint partnership which holds the electronic security as entitled party (**individual registration**)
- **Filing (*Niederlegung*)** means making the terms and conditions available to anyone in the form of a **stable electronic document** that can be directly inspected at the registrar entity at any time
- Amendments to the filed terms and conditions become valid only upon the filing of amended T&Cs and only in limited circumstances; This does, however, not apply to certain adjustments or amendments based on an adjustment or amendment right in the T&Cs;
- There are limitations on adjustments or amendments without filing of amended T&Cs (similar to the limits for paper form securities)
- The **registration** of the security in a crypto securities register **replaces the securities certificate**



## DIGITAL BONDS UNDER GERMAN LAW – HOLDING AND TRANSFER OF CRYPTO SECURITIES

- Crypto securities are designed to be held in the form of an individual registration (*Einzeleintragung*); Collective registration (*Sammeleintragung*) is also possible and is currently the preferred form in practice
- Crypto securities in collective registration are considered to be collective securities holding (*Wertpapiersammelbestand*)
- **Transfer** of crypto securities follows principles of **property law (Sachenrecht)** as crypto securities are classified as property (*Sache*); Accordingly, same legal principles apply as for securities with a physical certificate
- German property law also applies to the creation of pledges etc. over the crypto security
- Dispositions of securities held by virtue of **individual registration** require a registration or transfer in the electronic securities register; i.e. are visible in the register (**on chain**)
- Crypto securities in collective registration (*Sammeleintragung*) are not held in book-entry form but transfers occur by way of debits and credits within the system of the “holder of the crypto security” (i.e. off-chain)
- There is a statutory extraordinary **termination right** of the holder if functionality of the **crypto securities register is impaired** and issuer has not restored the functionality of the crypto securities register following a notice to noteholders
- Can crypto securities in collective registration (*Sammeleintragung*) be traded on stock exchanges?



## DIGITAL BONDS UNDER GERMAN LAW – FURTHER QUESTIONS

- Can only German law securities be issued pursuant to the German eWpG?
  - No. Dematerialized bearer securities under non-German laws can in principle also be securitised pursuant to the eWpG. Split law constellations (i.e. different governing laws of the claim and the securitisation) are possible; Legal analysis of the individual case recommended
- Can crypto securities be held in a book-entry form pursuant to the CSDR/German Securities Deposit Act (DepotG)?





# 04

## DIGITAL BONDS UNDER ENGLISH LAW

## DIGITAL BONDS UNDER ENGLISH LAW (1/3)

### *Legal certainty*

- UK Jurisdiction Taskforce (UKJT) – Legal statement on the issuance and transfer of equity or debt securities using DLT concluded:  
*‘no difficulty in principle in Digital Securities (whether debt, proprietary or equity securities) being issued, by UK or foreign companies, and governed by English law, using a blockchain or DLT-based system’*
- 2023 Law Commission Report:  
*‘common law well placed to provide a coherent, globally relevant legal regime for existing and new types of digit assets’*
- D’Aloia v Persons Unknown & others (including Bitkub Online Co Ltd) [2024] EWHC 2342 (Ch): English High Court confirmed that crypto-assets are capable of constituting property rights, giving claimants rights to follow/trace misappropriated cryptocurrency





# DIGITAL BONDS UNDER ENGLISH LAW (2/3)

## ***Property (Digital Assets Etc) Bill 2024***

**B**E IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### **1 Objects of personal property rights**

A thing (including a thing that is digital or electronic in nature) is not prevented from being the object of personal property rights merely because it is neither—

- (a) a thing in possession, nor
- (b) a thing in action.

- *Colonial Bank v Winney* [1885] 30 Ch D 261: outlined the two classes of personal property (i) tangible property (a physical item such as a diamond ring, known as a “thing in possession”) and (ii) intangible property (a legal right such as a debt, known as a “thing in action”)

- Digital assets do not fall neatly into these 2 categories
- Bill proposes express statutory recognition that digital and electronic assets (including cryptoassets) can be subject to property rights – no need to prove the existence of a “property right” in the future
- Bill will make it possible for custodians and depositaries to offer secure custody of digital assets

## DIGITAL BONDS UNDER ENGLISH LAW (3/3)

- Challenges for UK domestic digital issuance:
  - UK Companies Act 2006: Formalities for transfer and registration of bonds (including transfer deeds, register of debentures etc.)
  - However, there is no material problem for UK companies issuing digital bonds, where the DLT provides a record of bondholders and that record is maintained by a third-party platform operator acting as principal, but not as agent on behalf of the issuer
  - Uncertificated Securities Regulations 2001: Transfer and registration process of dematerialised bonds through Euroclear UK (CREST) (master register of holders managed by CREST), BUT issuer and holders must be CREST members
  - Law Commission considering reform of Companies Act to remove transfer and registration requirements to support growth of domestic platforms/issuance







# 05

## CHALLENGES WITH DLT BONDS

## CHALLENGES WITH DLT BONDS – RISKS

- ICMA condensed additional risks for DLT Bonds into three categories:
  - Technology risks
  - Legal and regulatory risks
  - Liquidity risks
- **Technology risks:** include cybersecurity risks, outage time risks and connection error risks, exploitable flaws/security breaches, theft of Digital Notes etc.
- **Legal and regulatory risks:** Rapidly evolving regulatory / supervisory landscape (including tax) that may affect security, privacy, buying/selling bonds or require network/documentation updates, lack of comparability/DLT-based debt instruments across globe (risk of fragmentation of markets and systems)
- **Liquidity risks:** Lack of public trust in underlying technology and inability to list/admit to trading DLT-based debt instruments in certain jurisdictions results in no active trading market for the bonds; liquidity issues due to missing trading platforms and the high number of blockchain platforms
- A detailed risk analysis can be found in the white paper "*Building the Digital Asset Securities Ecosystem*" from DTCC, Clearstream and Euroclear







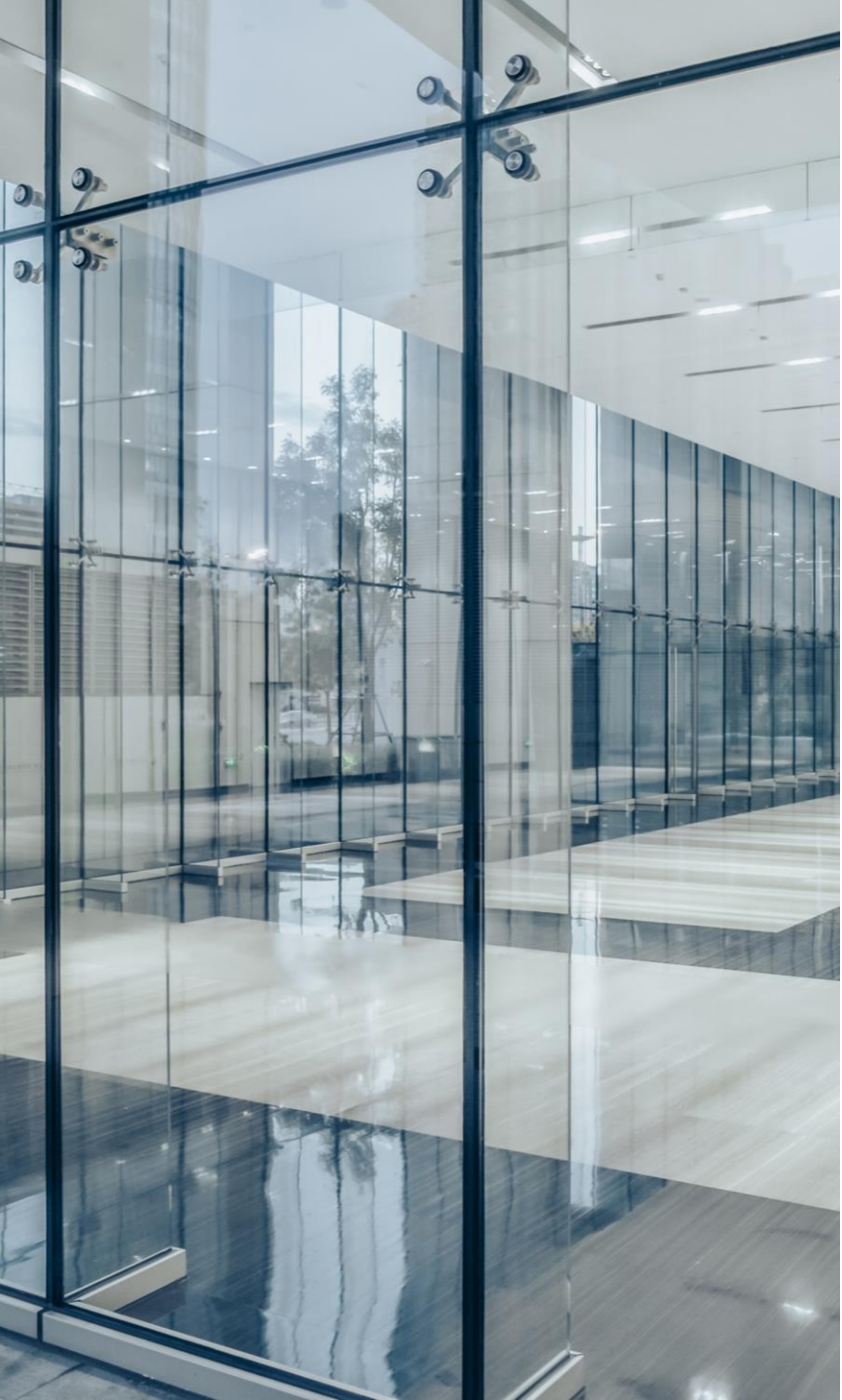
# 06

## TRADING AND SETTLEMENT CONSIDERATIONS

## LISTING CONSIDERATIONS

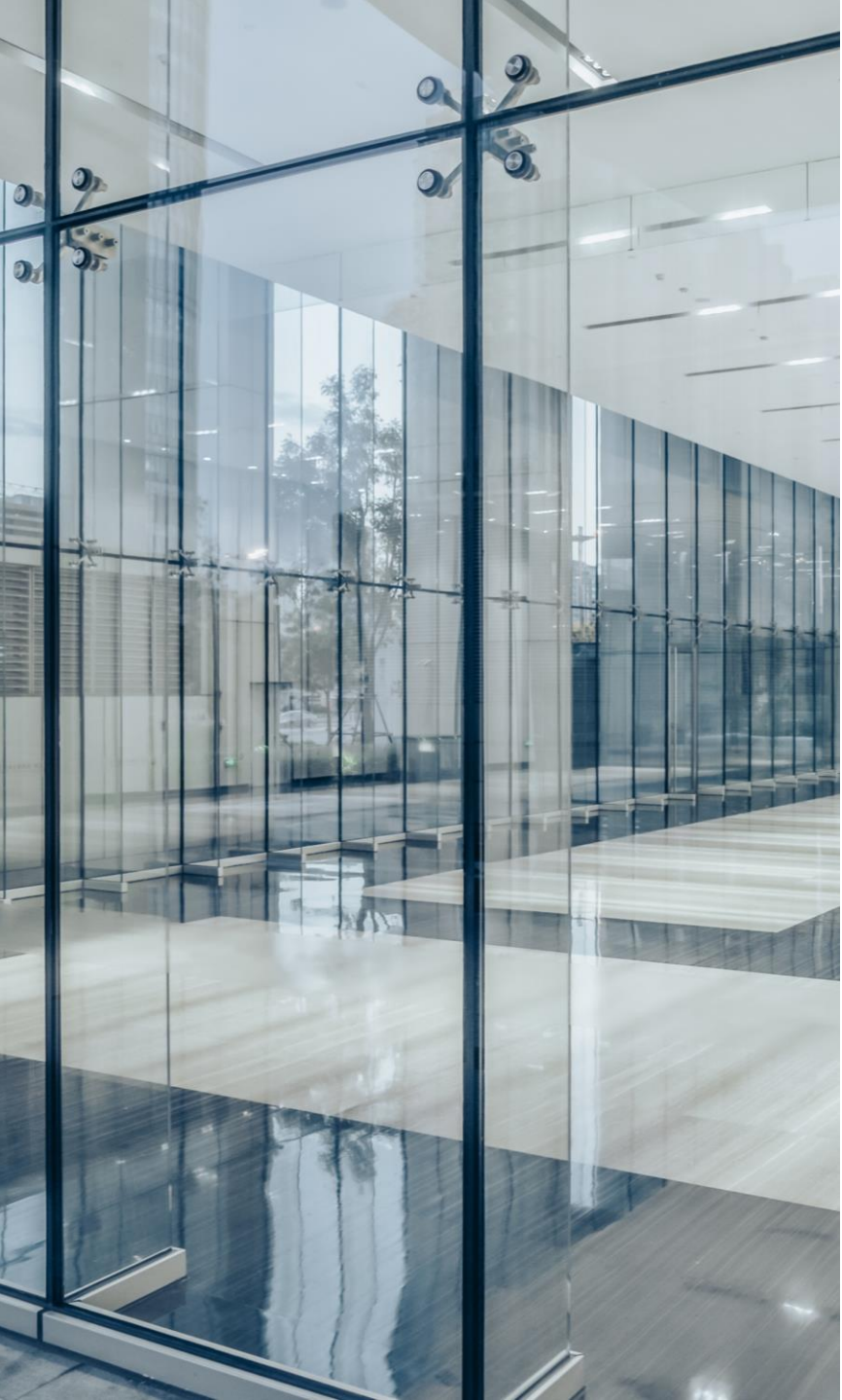
- Is a Digital Bond a “security” in the legal sense?
- Subject to the law applicable to the securitised claim:
  - Under German law: Yes
  - Under English law: Yes
- Prospectus law consideration (e.g. BaFin implemented a broad definition of securities for prospectus law for regulatory purposes)
- Custody and transfer of Digital Bonds
  - Article 3(2) of Regulation (EU) No 909/2014 (CSDR): Where a transaction in transferable securities takes place on a trading venue, the relevant securities must be recorded in book-entry form in a central securities depository (as defined in CSDR)
  - Majority of DLT-based debt instruments are not held in book-entry form (*Girosammelverwahrung*) and can, accordingly, not be admitted to trading on a trading venue in the EU
- Digital Financial Market Infrastructure (the D-FMI platform) operated by Euroclear Bank (a CSD) allows for listing of DLT Bonds on the Luxembourg Stock Exchange's regulated market





## DLT PILOT REGIME IN THE EU – ALTERNATIVES TO BOOK-ENTRY REQUIREMENT (1/2)

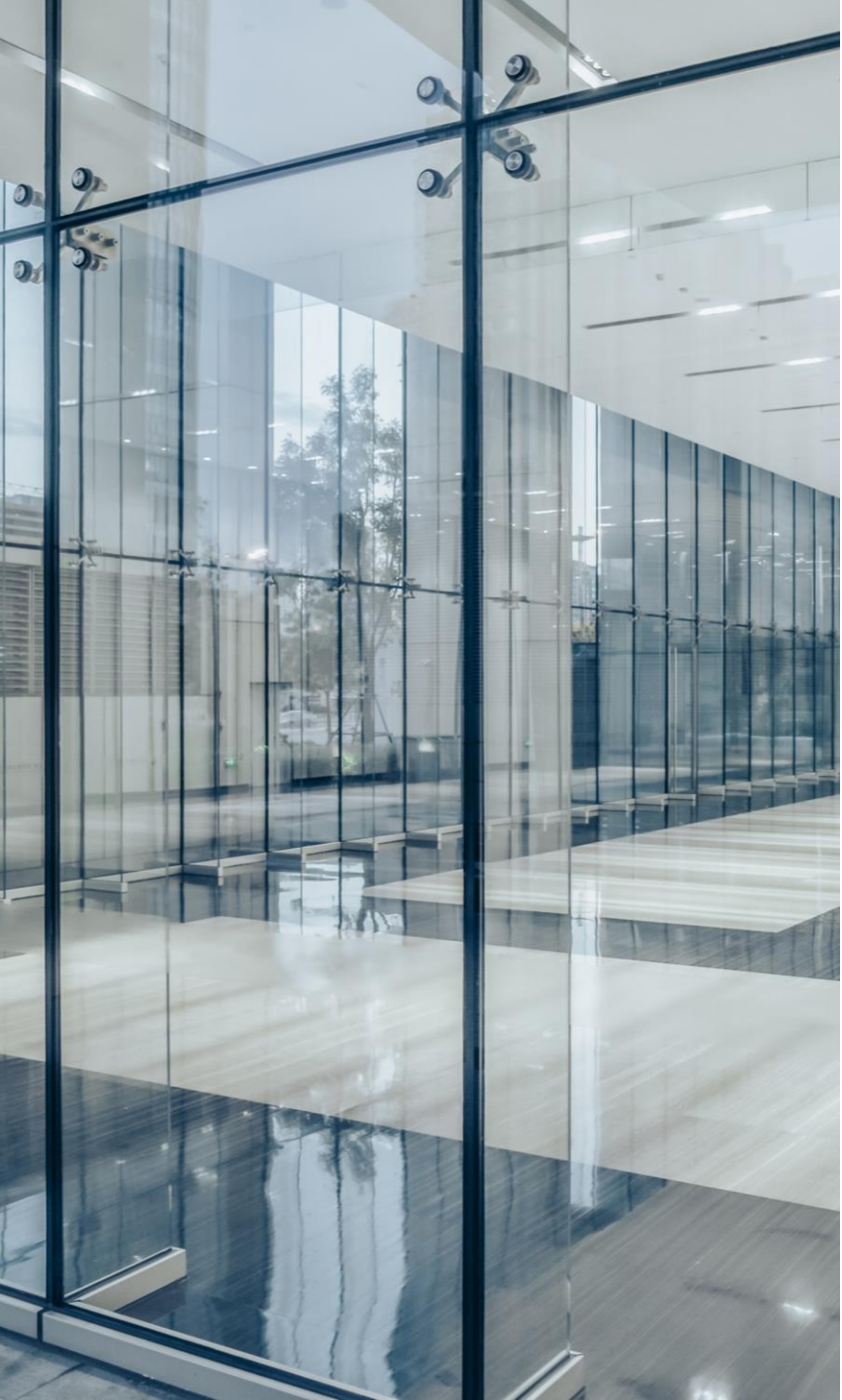
- Provides the legal framework for trading and settlement of transactions in crypto-assets that qualify as financial instruments under MiFID II
- Facilitates the set-up of new types of market infrastructures, including:
  - DLT multilateral trading facility (DLT MTF)
  - DLT settlement system (DLT SS)
  - DLT trading and settlement system (DLT TSS)
- Who is eligible?
  - Authorised investment firms and market operators may apply to operate a DLT MTF
  - Authorised CSDs may apply to operate a DLT SS
  - Both groups may apply to operate a combined DLT TSS
  - New entrants may apply for temporary authorisations as investment firms/ market operators or CSDs



## DLT PILOT REGIME IN THE EU –ALTERNATIVES TO BOOK-ENTRY REQUIREMENT (1/2)

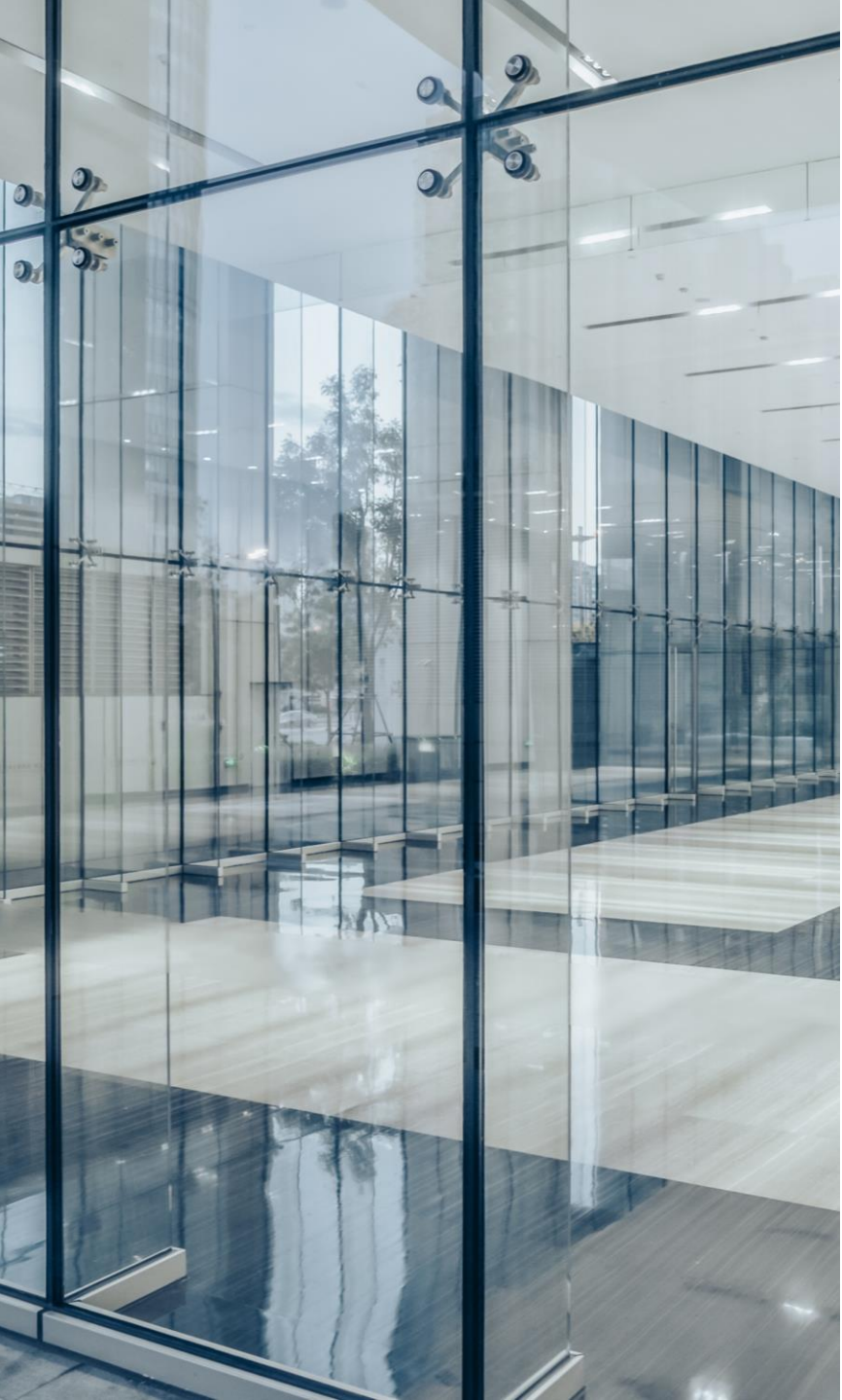
- The DLT Pilot regime provides for various exemptions from MiFID II and CSDR requirements
- The regime was initially set-up for a period of 3 years; however, the Commission indicated that there is currently no intention to terminate the regime
- The types of financial instruments covered by the DLT Pilot may be extended
- The DLT Pilot could be made permanent by amending relevant EU financial services legislation to establish a framework for crypto-assets and DLT market infrastructures
- Currently only one DLT SS (CSD Prague - DLT Register) and one DLT TSS (21X AG) have been authorized; 21X AG is, *inter alia*, exempted from Art 3 CSDR





## UK FINANCIAL MARKETS INFRASTRUCTURE (FMI)/ DIGITAL SECURITIES SANDBOX (1/3)

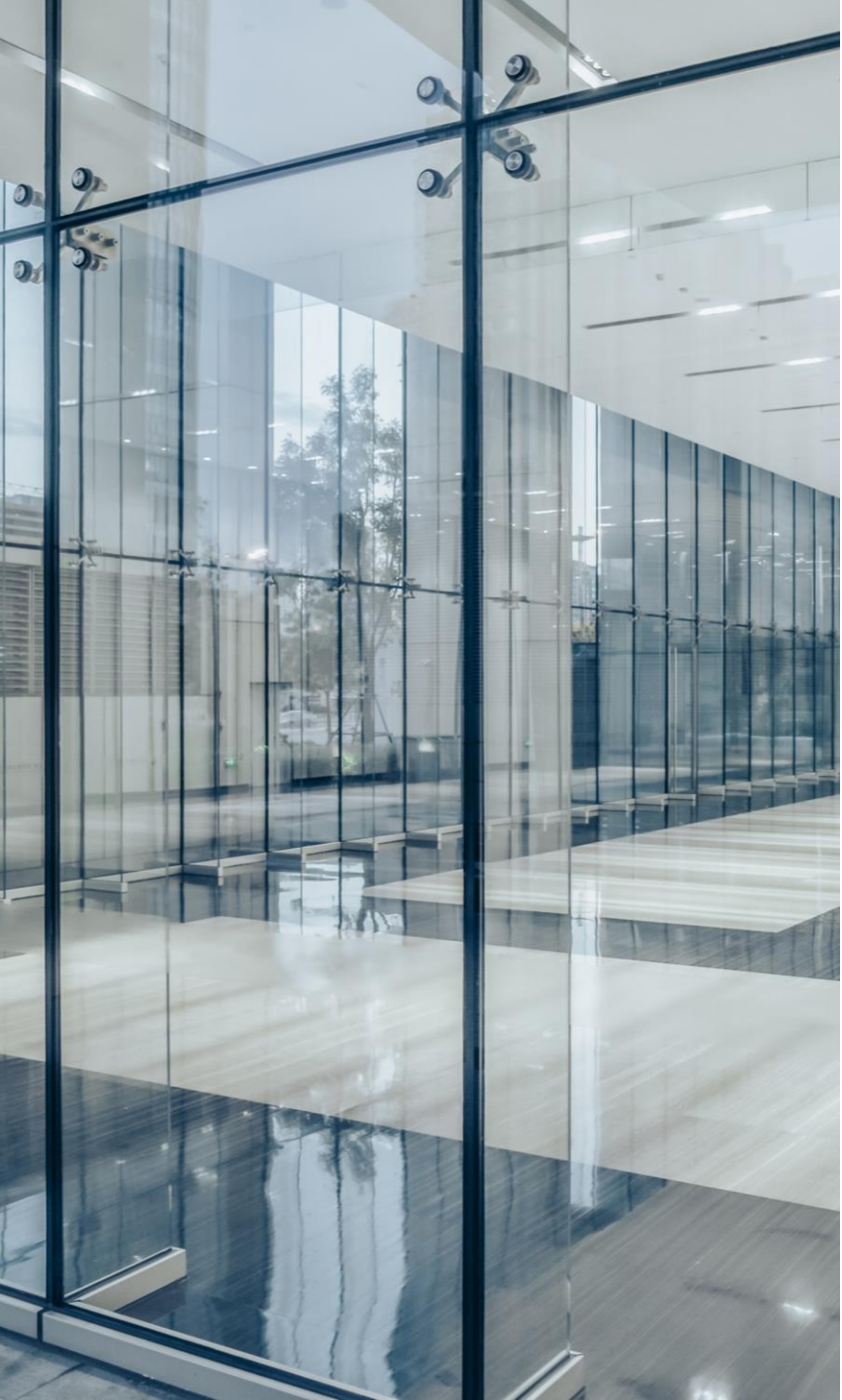
- Financial Services and Markets Act 2023 gave HM Treasury power to introduce FMI sandboxes to facilitate testing of new technologies in financial services
- FMI entities that can participate include:
  - Recognised investment exchanges that are not overseas investment exchanges
  - Recognised central securities depository
  - Operators of MTFs and OTFs
  - Other persons specified in regulations as eligible to participate
- Entrants to DSS need to be established in the UK and supervised by UK regulators
- HMT will legislate to create a sandbox, determine whether one or both of the Bank of England/FCA will regulate it, determine the period of operation of sandbox



## UK FINANCIAL MARKETS INFRASTRUCTURE (FMI)/ DIGITAL SECURITIES SANDBOX (2/3)

- HMT will report back to Parliament on the efficiency/effectiveness of the sandbox arrangement
- HMT has power to make the sandbox arrangement permanent or amend it
- Hosts a variety of innovative projects at preliminary stages (Gate 1 approvals):
  - DLT: use of blockchain for secure and efficient transaction processing, including DLT-based financial instruments
  - Smart Contracts: automation of financial agreements and transactions, reducing needs for intermediaries/increasing transparency
  - Digital Securities: solutions for issuing, trading and settling digital securities, streamlining processes and reducing costs
  - Regulatory Compliance: tools for improving compliance with financial regulations and efficiency and security of financial market infrastructures





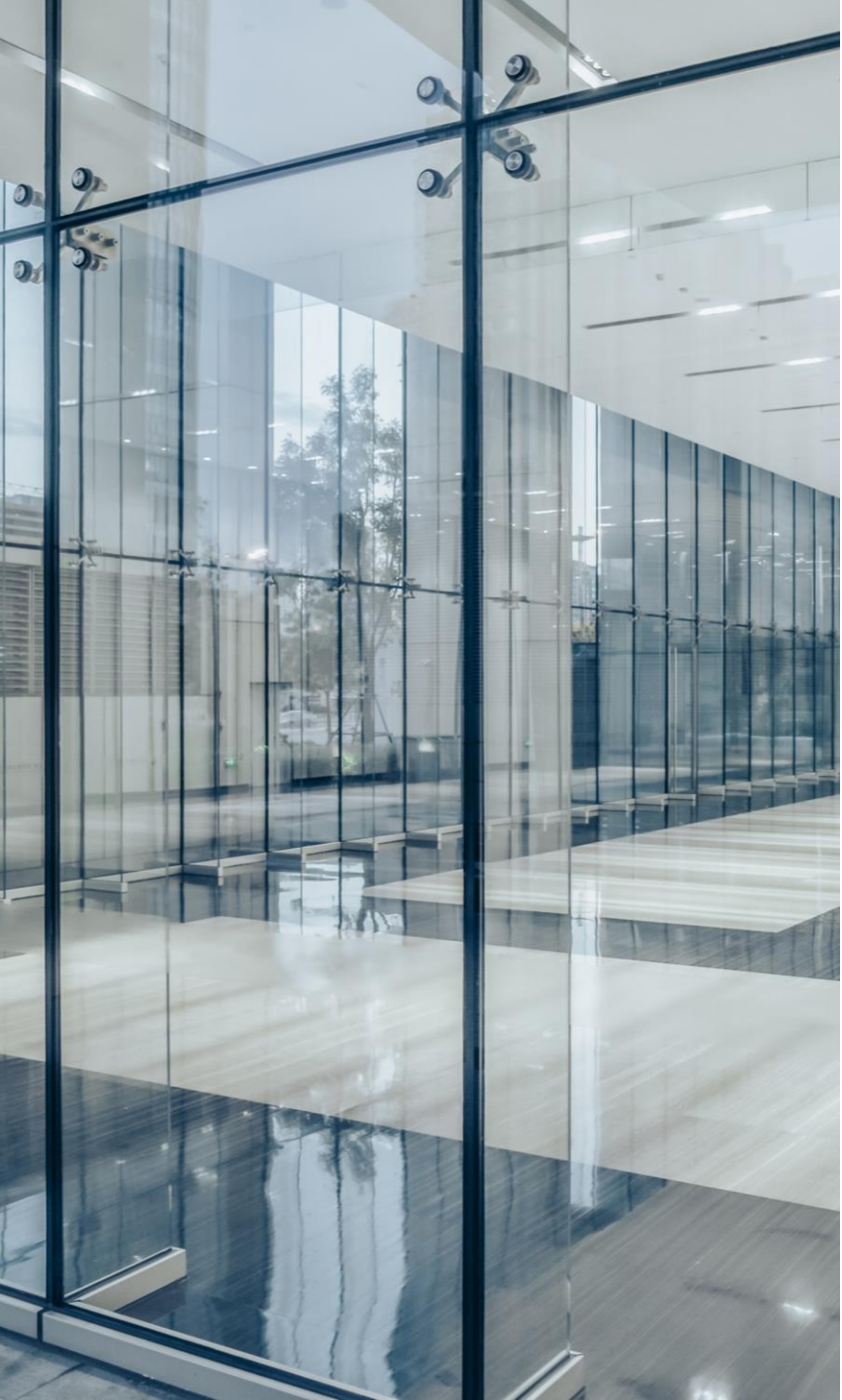
## UK FINANCIAL MARKETS INFRASTRUCTURE (FMI)/ DIGITAL SECURITIES SANDBOX (3/3)

- All relevant assets in scope of the regulatory perimeter, aside from derivatives, are capable of being included in the DSS
- There are no quantitative limits in the legislation and questions of volume have been left to the regulators' guidance/rules
- Comparison to DLT Pilot Regime:
  - Powers granted to HM Treasury can amend, repeal or revoke primary legislation of Parliament and make arrangement permanent
  - HMT can extend a Sandbox indefinitely
  - Accessibility to DSS includes recognised investment exchanges, operators of OTFs and other persons eligible from time to time

## NEW SETTLEMENT INITIATIVES OUTSIDE CSDS - EUROSISTEM'S EXPLORATORY WORK (1/3)

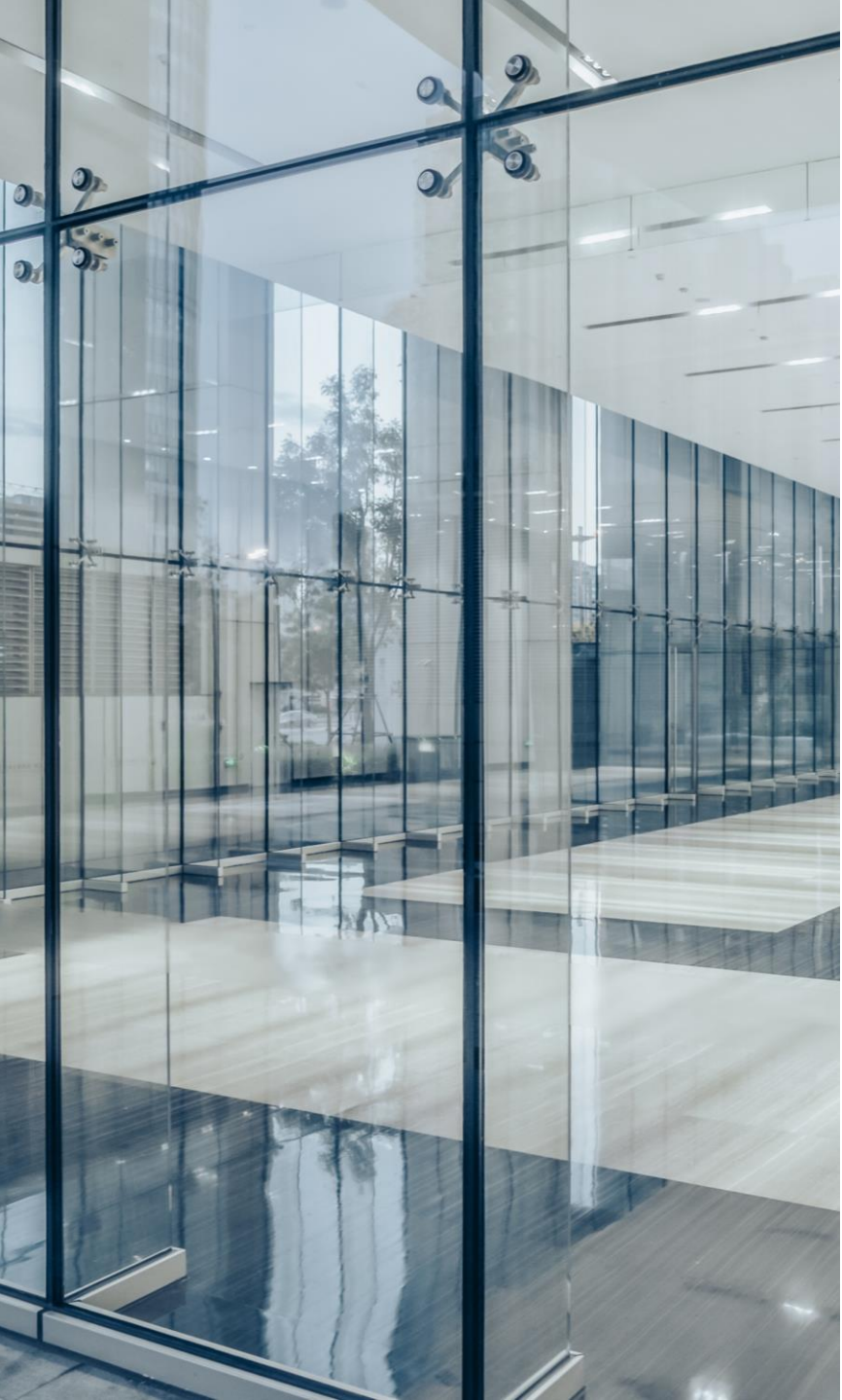
- New solutions for the **cash leg of the settlement** are being tested
- Eurosystem has explored three **interoperability-type solutions** for DLT to settle wholesale financial transactions:
  - Full DLT interoperability solution (DL3S) from Banque de France (tested by 40 entities from nine jurisdictions)
  - TIPS Hash-Link solution operated by the Banca d'Italia (tested by five entities from four jurisdictions)
  - Trigger Solution operated by the German Bundesbank (tested by 25 entities from five jurisdictions)
- Aim of the exploratory work is (i) to consolidate and further develop the ongoing work of Eurosystem central banks in this area, (ii) to gain insights into how different solutions could **facilitate interaction between TARGET Services and DLT platforms**, and (iii) to meet market demand for central bank money solutions for the DLT Pilot Regime
- Tests were completed in November 2024
- Between May and November 2024, the Eurosystem processed over 200 transactions with a total value of €1.59 billion





## NEW SETTLEMENT INITIATIVES OUTSIDE CSDS - EUROSYSTEM'S EXPLORATORY WORK (2/3)

- 64 participants comprising central banks, financial market participants and DLT operators completed over 40 trials and experiments
- Trials included **actual settlement in central bank money**, while experiments were tests with mock settlement
- Use cases with actual settlement included:
  - **Primary issuance of bonds** by financials, corporates and a sovereign, and **settlement with delivery-versus-payment**, as well as lifecycle management of securities (e.g. coupon payment and redemption) and secondary market transactions
  - Margin calls
  - Intraday and overnight repurchase agreements



## EUROSYSTEM'S EXPLORATORY WORK ON NEW TECHNOLOGIES FOR WHOLESALE CENTRAL BANK MONEY SETTLEMENT (3/3)

- Experiments with mock settlement also included:
  - Cross-currency payment-versus-payment transactions with another central bank
  - Interbank deposit token transfers with related settlement in central bank money
  - Automated wholesale payments
  - Settlement of payments related to interest rate swaps via smart contracts
  - Interbank reconciliation of bilateral accounts with settlement of outstanding balances in central bank money
- Lessons learned from the trials and experiments are expected to be discussed in the further course of 2025



# EUROSYSTEM'S EXPLORATORY WORK - TRIGGER SOLUTION

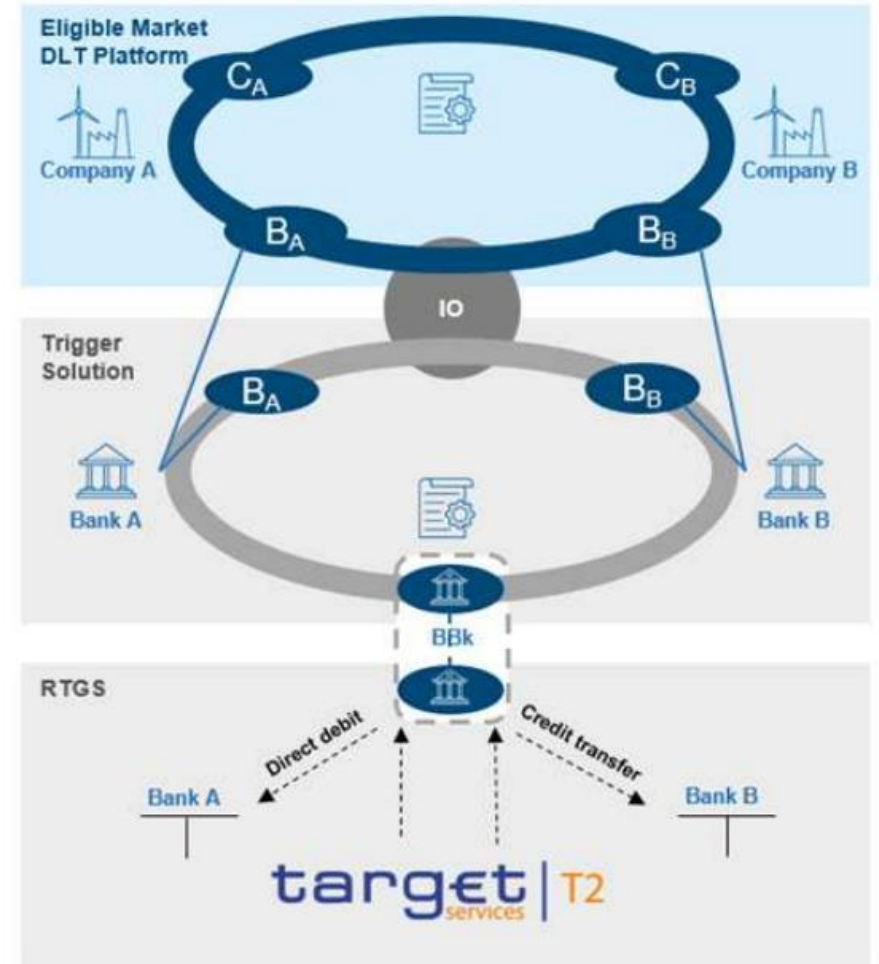
The Eligible Market DLT Platform will be operated by an Eligible Market DLT Operator (as defined by the Eurosystem)

- Eligible Market Participants and companies might participate
- The underlying business transaction (e.g. exchange of securities) takes place in the Eligible Market DLT Platform.
- Eligible Assets will be defined by the Eurosystem

The Trigger Solution is operated by Deutsche Bundesbank

- Only Eligible Market Participants and Eligible Market DLT Operators (as defined by the Eurosystem) participate in the Trigger Solution
- The Trigger Solution is technically agnostic with regard to the business/assets in the Eligible Market DLT Platform.

The settlement of the cash leg takes place in T2/RTGS on the RTGS DCAs of TARGET participants



Source: German Bundesbank



# 07

DIGITAL SECURITIES ISSUANCE (DSI)  
ON THE D-FMI OF EUROCLEAR



## DIGITAL SECURITIES ISSUANCE (DSI) ON THE D-FMI OF EUROCLEAR (1/4)

- D-FMI is a token-based private and permissioned network of Euroclear
- Securities must be:
  - Issued in dematerialised form by supranational-sovereign agency / eligible UK financial institution / Other
  - Governed by English, French or Luxembourg law
  - Denominated in EUR or USD
  - Distributed via non-syndicated distribution model



**World Bank-Euroclear DNNs 'clear next step' in digital issuance evolution**

**GlobalCapital**

## DIGITAL SECURITIES ISSUANCE (DSI) ON THE D-FMI OF EUROCLEAR (2/4)

### **AIIB issues its first digitally native note on Euroclear's D-FMI platform**



- Issuer Agent services the DSI for Euroclear Bank:
  - Holds a business node with its LEI
  - Security and Cash Wallet in D-FMI
  - Security and cash account in Euroclear (legacy platform)
  - Authorises and confirms issuance
  - View security
  - Submit/authorise/view settlement instruction
  - Monitor security/cash wallet balances and movements
- Relevant Dealer (Direct Participant)
  - Holds a business node with its LEI
  - Security and cash wallet in D-FMI
  - Security and cash account in Euroclear
  - Views Notes
  - Submits/authorises/views settlement instructions
  - Monitors security/cash wallet balances and movements



## DIGITAL SECURITIES ISSUANCE (DSI) ON THE D-FMI OF EUROCLEAR (3/4)

- **Issuance:** DNNs recorded in Securities Wallet of Issuer Agent and Issuer Agent then submits instruction to Euroclear (D-FMI Operator) to effect issuance of DNNs:
  - DNNs debited from Securities Wallet of Issuer Agent and credited to Securities Wallet of relevant Dealer (Direct Participant)
  - Cash in Euroclear's legacy environment can be transferred in digital form in the D-FMI
    - Cash for purchase price of DNNs (net subscription funds) debited from Cash Wallet of Dealer and credited to Cash Wallet of Issuer Agent
- **Transfer:** Dealer gives instruction for full amount of the DNNs to be debited from its Securities Wallet and credited to the Securities Wallet of the D-FMI Operator ("Immobilisation Wallet") acting in capacity as a central securities depository
  - DNNs continue to be immobilised in Immobilisation Wallet and held by D-FMI Operator for investors holding and transferring interests in the DNNs through the legacy Euroclear system (transferable by book-entry)
  - Each Dealer gives a standing instruction for an amount of DNNs to be debited from its Securities Wallet and credited to the Immobilisation Wallet on a free of payment basis. The legacy Securities Account of the relevant Dealer in the legacy component is credited an entitlement to the same number of DNNs
  - Title for the Notes remains with the Direct Participant in the D-FMI BUT interests in the Notes may be transferred through the securities clearance account of direct participants in the legacy component of Euroclear

## DIGITAL SECURITIES ISSUANCE (DSI) ON THE D-FMI OF EUROCLEAR (4/4)

- **Holders' Rights and Payment:** Direct participants in the legacy component will be treated as the holders of the DNNs for all purposes other than payment. For payment purposes, the Issuer Agent will pay the D-FMI Operator, and this will discharge the Issuer
- **Continuity Plan:** Conversion of DNNs into Registered Notes on occurrence of a "D-FMI Event" (closure/cessation of platform/impairment (bugs/exploits etc.))





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*The team consists of experienced lawyers as well as young, ambitious and inquisitive talents. This also makes it clear to the clients how important it is to the partners to provide well founded training for the up and coming talent. In addition, all team members are incredibly friendly, so working together is a lot of fun, even beyond the technical side*

THE LEGAL 500 DEUTSCHLAND (Client)

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