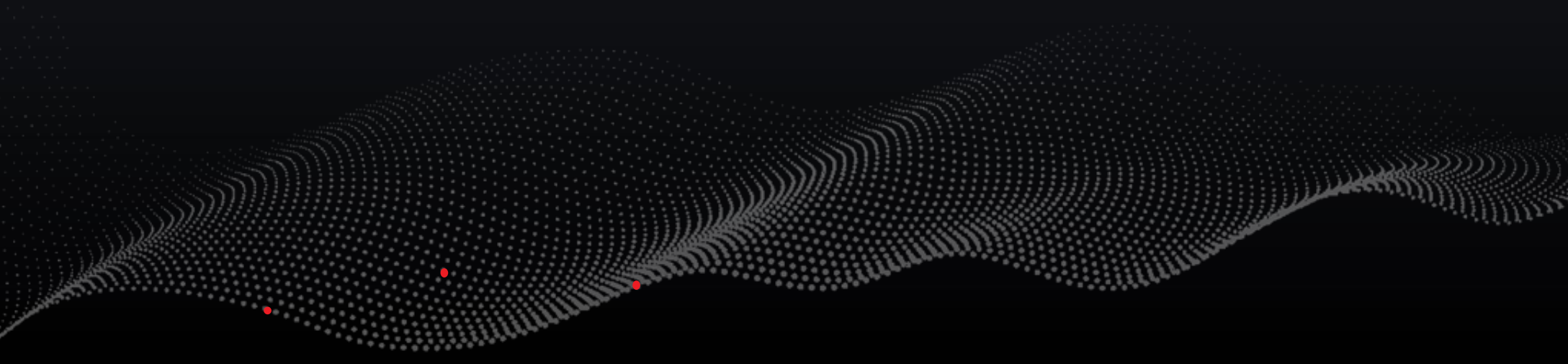




# DLT in Capital Markets: Where are we?

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# Who are R3: Leading technology provider for distributed ledger technology

## ECOSYSTEM of 400+ CLIENTS

R3's vast network of companies from various industries has resulted in the development of over 400 CorDapps



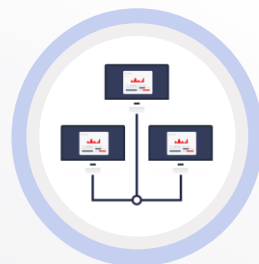
## STANDARD OF EXCELLENCE

IEEE recognized Corda as the only enterprise blockchain platform that meets NIST requirements for security and privacy



## COMPETITIVE ADVANTAGE

Trust technology focused on regulated markets solutions across the capital markets ecosystem



## PRODUCTION

- DTCC – Post trade settlement systems
- Wells Fargo – live digital cash solution for interbank settlement
- HQLAx – live regulated market with Deutsche Börse
- SIX Digital Exchange – FINMA-regulated live digital assets exchange
- Spunta – 91% of the Italian banking sector live on inter-bank reconciliation app
- Archax – 1<sup>st</sup> FCA-regulated exchange for fractionalized & tokenized digital assets



## About R3

- R3 was founded in 2015 as a consortium of 42 leading financial institutions to explore blockchain technology



- In 2018, R3 launched Corda Enterprise, a scalable solution to meet the service and multi-party network infrastructure requirements of highly regulated industries. Our customers include:

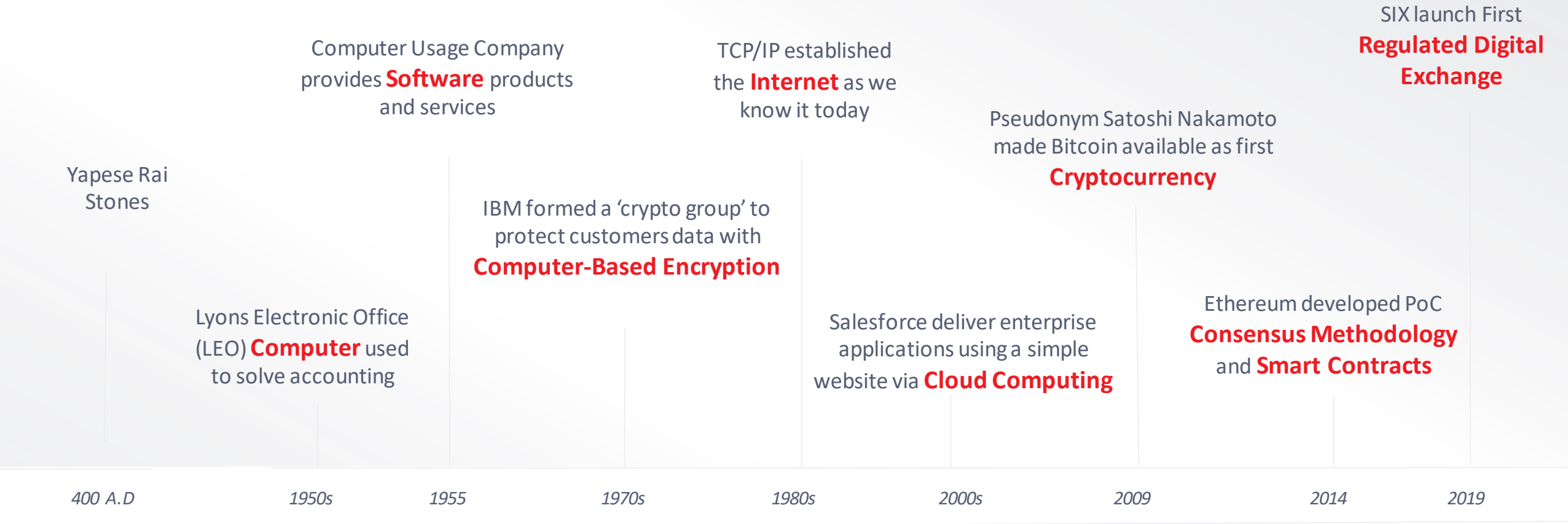


## A distributed ledger is not a new concept...



- The Yapese people have been using Rai Stone currency since 400 A.D as an exchange of value
- Being too impractical to move, they established a mental distributed ledger and notified the community whenever a stone changed hands

...today's Capital Markets DLT has been enabled by an evolution of capabilities over time ...



Each development evolved with...

1. Tech adaptation to Capital Markets

2. Interoperability standards established

3. Catalyst(s) for widescale adoption



# ...so where are we today? DLT focused regulatory changes to ensure stability and attract activity...

## Market led tokenised asset activity

Live.



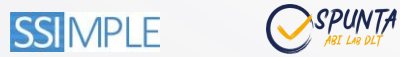
Illiquid Asset Issuance



Collateral/Liquidity Mgmt.



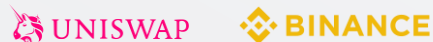
Post Trade



Treasury/Payments



Retail Markets/ Web 3.0

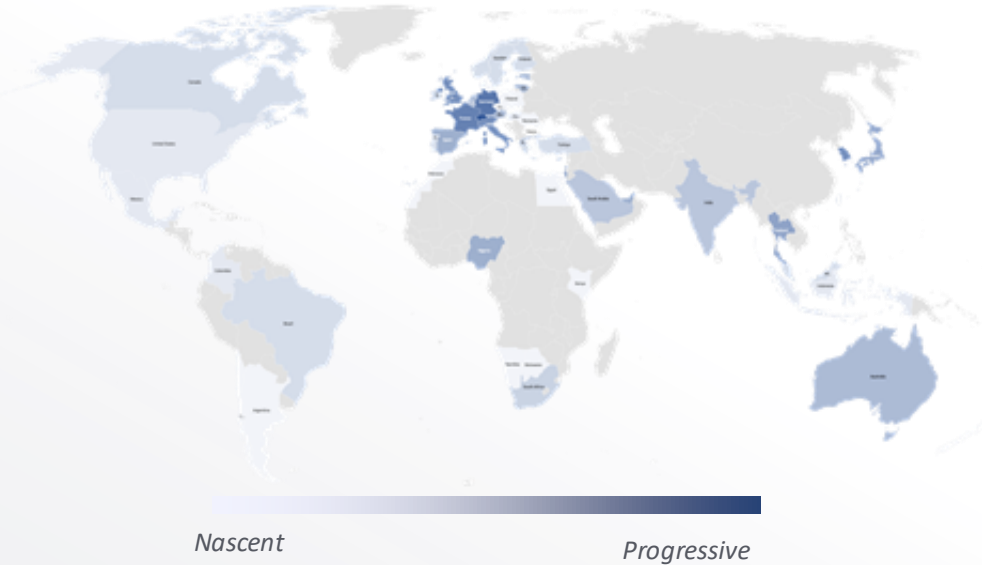


## Regulatory Developments

20+ Government Agendas to foster innovation in Digital Assets

22+ Countries with DLT specific regulations or clarifications

## R3 DLT Readiness Score



## DMI Progress

Live.



50% of FMIs plan to execute DLT Strategy within 18 months

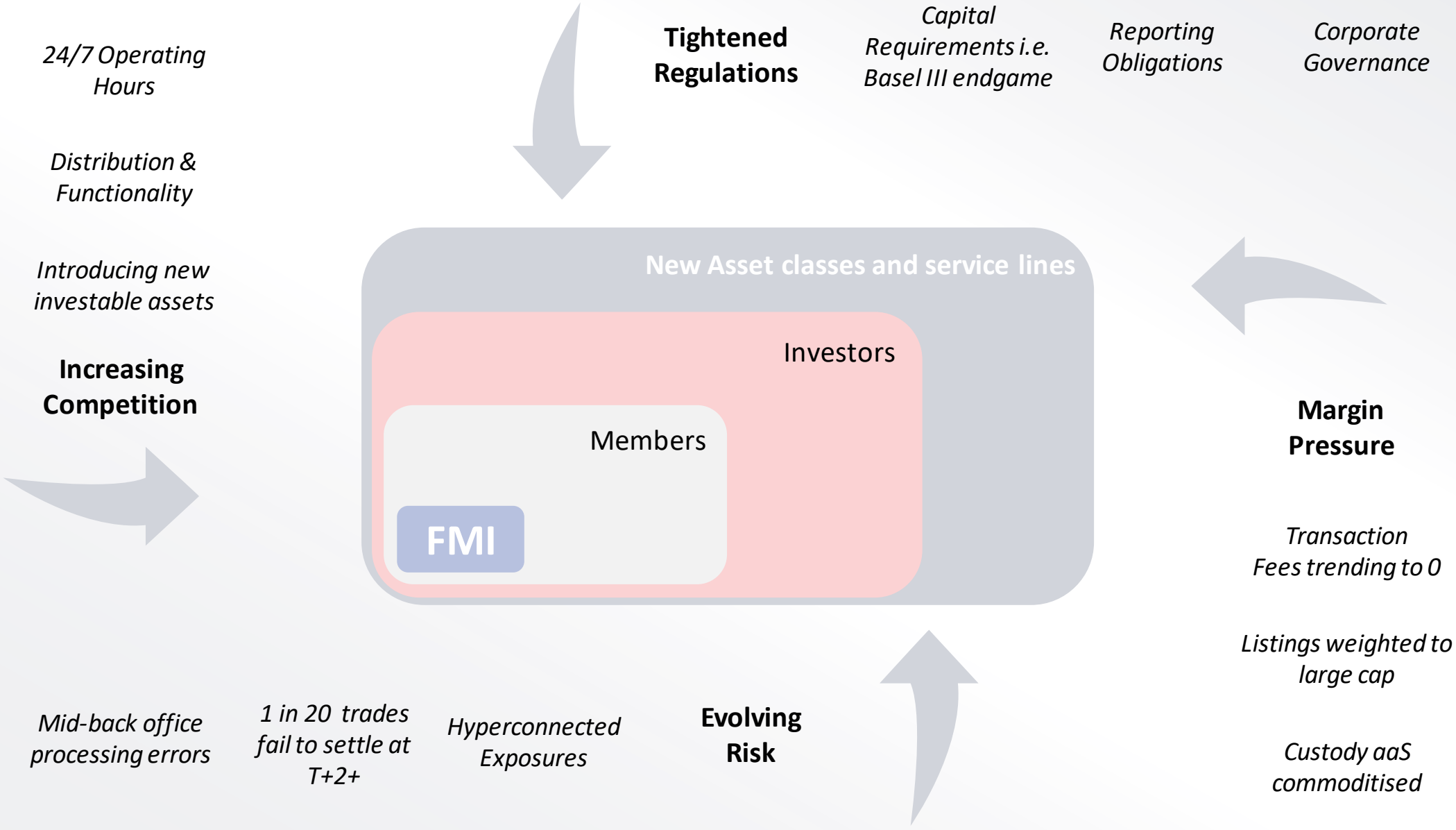
Digital Assets

CBDCs

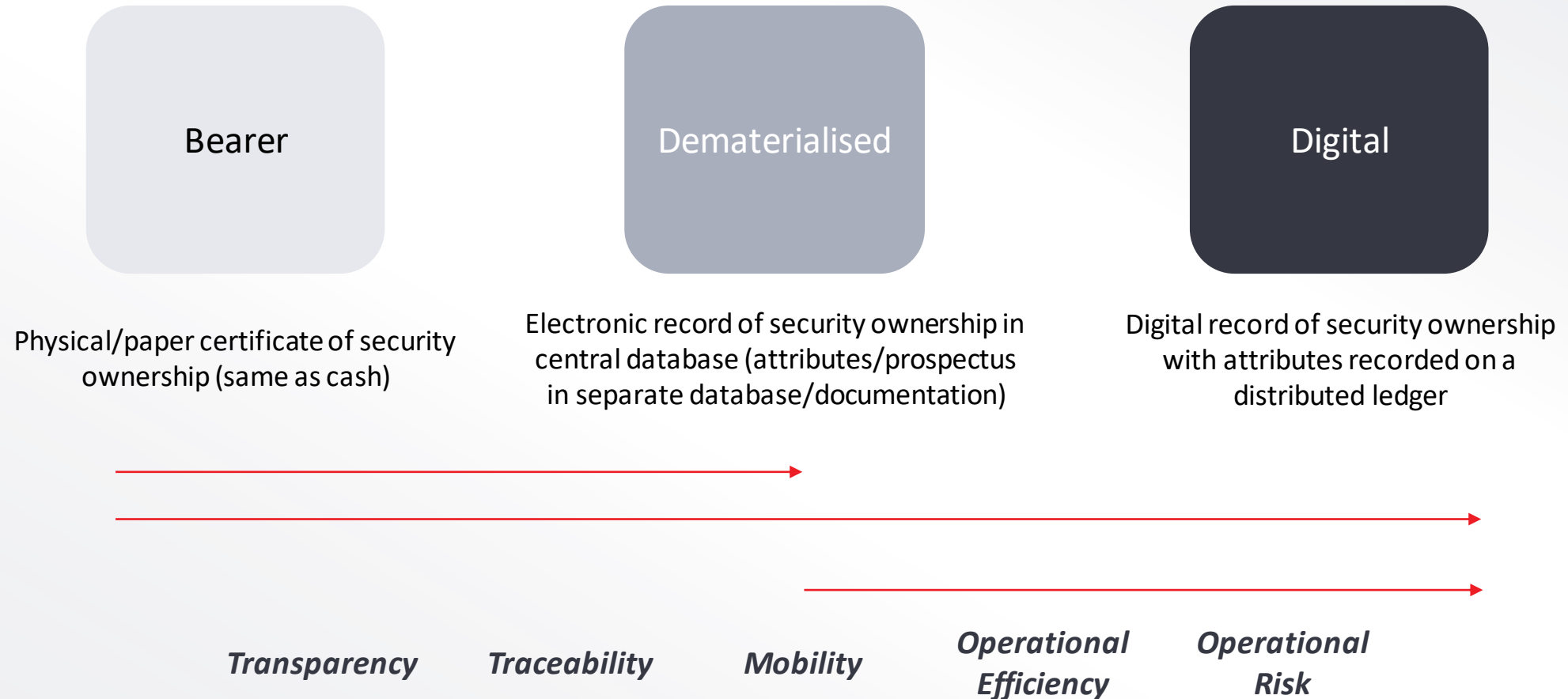




...but why so much activity? Reduce resource required for core activities and expand value proposition...



...why tokenise? The same reasons we dematerialised securities and future proof for T+N...



...what problems are they solving? Three example paths to solving capital market problems using DLT...

Point Solutions Targeting Specific pain point      New Market Structure Solutions      Digital Securities Issuance



Reduced operational risk and costly reconciliation process bilateral trades

Offer Intraday and immediate access to collateral Management service

Reduced time and cost to issue and settle primary allocations

- ✓ Back-office reconciliation with 98.2 automatic matching of approx. 200mn per month
- ✓ Multi-party *daily* workflow with transparency and immutability
- ✓ Leads to standardization with shared matching algorithm

- ✓ Real Time legal ownership transfer
- ✓ Reduce operational risk of failed settlement
- ✓ Reduce liquidity buffer (est. up to 25% with 100bps opportunity cost) with proactive intraday management

- ✓ Onboarding, origination, issuance and distribution for digital securities
- ✓ Streamlining primary market workflow and set up for digital asset services
- ✓ Delivery vs payment on ledger for accelerated primary market settlement

✓ Integrates into existing mission critical infrastructure



# ...what is the role of FMIs? Enable new market models that are built on existing trusted market principles...

Medium to long term focus

## Multi-asset class higher value services

*(phased implementation to minimize risk)*

FMI & Short-term focus



End to end Digital Exchange



Accelerated settlement



Digital Issuance



Collateral Management

New Models

Allow Multi-Party STP Workflow and Automation

Ownership, asset lifecycle and transactions in lockstep

Decentralised Commoditised Business areas and operations

**GOVERNANCE**

**SECURITY**

**BUSINESS CONTINUITY**

**RESILIENCE**

**CAPACITY**

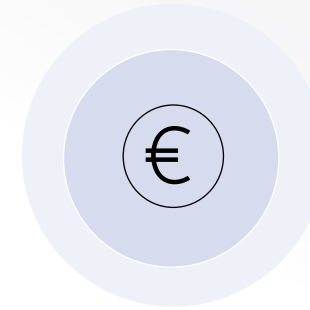
...what are our near-term priorities and challenges to overcome?



Scale Proven Use Cases



Harmonise Regulations



Wholesale CBDC

...what's the long-term vision? R3 is committed to enabling Central Bank and FMI DLT success....

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“The integration of DLT in asset issuance is a critical step forward in the evolution of our ecosystem’s digital capabilities, as we continue to deliver on our goal of becoming a **fully digital and data enabled Financial Market Infrastructure.**”

*Lieve Mostrey, Euroclear group CEO*



“Central banks know that they have a responsibility not only to keep pace with the digital age, but to lead innovation to ensure that it serves the public good. **CBDCs are central to this effort.** It is increasingly clear, at least to me, that **these new forms of money will sit at the core of the future financial system.**”

*Agustin Carstens, Head of the BIS*

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# Thank you •



www.r3.com



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