

CMTA successfully completes a dry run of decentralized capital market infrastructures

- **CMTA, supported by Swissquote Bank, Taurus Group and Lenz & Staehelin, organized a dry run to subscribe and trade tokenized shares with the participation of Arab Bank (Switzerland), Hypothekarbank Lenzburg, SEBA Bank, Sygnum Bank and Vontobel**
- **This is a significant step toward simplifying business's access to capital, facilitating the trading of digital securities and strengthening the Swiss economy**

Geneva, 13 August 2020. The Capital Markets and Technology Association (CMTA), an independent Swiss association bringing together actors from the financial, technological and legal sectors, has successfully carried out a full-scale test of decentralized capital market infrastructures using the distributed ledger technology (DLT) for the issuance and trading of securities. The test demonstrates the potential for new market architectures to simplify the way companies can raise capital and market securities to investors.

The dry run detailed step by step

CMTA's successful dry run represents a new step in bringing digital assets into the mainstream. Within this test, leading banks active in the field – SEBA Bank, Sygnum Bank, Arab Bank (Switzerland), Hypothekarbank Lenzburg and Vontobel – acquired tokenized shares issued by a Geneva-based corporation (*société anonyme / Aktiengesellschaft*) and traded these securities both over-the-counter (OTC) and on Swissquote Bank's digital asset trading platform. The trades were settled either in Swiss francs or with DCHF, Sygnum's CHF-pegged settlement token.

The relevant tokenized shares were recorded on the Ethereum blockchain using a so-called "CMTA-20" smart contract, an open-source code developed by CMTA and specifically designed for the tokenization of equity securities. The tokenization and custody infrastructure was provided to the issuer, Arab Bank (Switzerland), Hypothekarbank Lenzburg, SEBA Bank and Vontobel by Taurus Group and the test trading platform by Swissquote Bank. The CHF-pegged settlement token was provided by Sygnum Bank. Lenz & Staehelin advised on the issuance of the shares and the legal steps of the tokenization process. PricewaterhouseCoopers Ltd established a report documenting the transactions that were carried out.

Marc Bürki, CEO at Swissquote Bank, explains: *"A number of Swiss banks successfully deposited, traded and withdrew security tokens, representing shares, on our new trading platform, using blockchain settlement. Swissquote Bank is thrilled to have played a key role in this ground-breaking development for the Swiss*

blockchain world."

Sébastien Dessimoz, Managing Partner at Taurus Group, comments: *"This test demonstrates that we have today both the institutional-grade tools and the infrastructure necessary to issue, transfer and exchange real-world securities on the blockchain. We are proud to have contributed to the success of this test with our unique infrastructure."*

Ariel Ben Hattar, Executive Committee Secretary at the CMTA and member of the capital markets practice of Lenz & Staehelin, adds: *"Our dry run is proof that digital assets and traditional finance are compatible. Not only is it remarkably simple for a company to issue tokenized shares, but it is also possible today to hold and trade them through accounts held with professional custodians."*

CMTA aims to create standards on issuing and trading tokens (securities) using DLT

Since its creation in 2018, the CMTA has created standards for the development of decentralized capital market infrastructures, with the aim of helping businesses raise capital in a simpler, cheaper, and more efficient manner than under existing (centralized) solutions. CMTA's efforts have been directed at developing models making it possible for companies to issue traditional securities (such as equity or debt securities) on DLT-operated infrastructures.

CMTA's works are part of a broader effort by the Swiss financial industry to modernize how securities are issued and traded, a process that has hardly evolved in almost half a century. Banks, brokers and other intermediaries are offering an increasingly broad set of services for the issuance and trading of digital assets and the safe-custody of the associated private keys with a high level of transparency, reliability and legal certainty.

A simplified access to capital markets post covid crisis

Decentralized market infrastructures make it possible to avoid the risks and limitations associated with existing (centralized) securities trading systems, such as single point of failure, limited cross-border interoperability, risk of forgery or restrictions to access associated with user-owned infrastructures. The use of DLT-based infrastructure, such as settlement tokens, paves the way for improved transparency, reduced counterparty risk, shorter settlement times, and greater international integration of financial markets.

CMTA's successful dry run is a significant step toward bringing decentralized capital market infrastructures from the drawing board to real life. It opens up new boundaries for the financial industry. This new development comes at a time when the COVID-19 pandemic creates unprecedented needs for the financial industry to develop simpler and more efficient ways for companies to raise capital and to channel savings into the real economy.

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About the Capital Markets and Technology Association

The CMTA is an independent association aiming to create common standards around issuing, distributing and trading securities in the form of tokens using the distributed ledger technology. Established in 2018 by Lenz & Staehelin, Swissquote Bank and Temenos with the support of EPFL, the association is now composed of 30 leading actors from Switzerland's financial, technological, and legal sectors. For more information, please visit: www.cmta.ch.