SDX Go-Live Event
10. November 2021
Agenda

1. From Financial Market Infrastructure to Digital Market Infrastructure
2. Regulatory Framework
3. Digital Market Infrastructure
4. A peek around the corner
5. Q&A
David Newns
Head SIX Digital Exchange
David Newns – A brief introduction

In October 2021, David joined as Head SIX Digital Exchange. Prior to his position, David was Senior Managing director at State Street and Global Head of GlobalLink Execution services. In this role he has been responsible for Currenex and FX Connect, GlobalLink’s core execution and trading platform businesses. Previously, he was Global Head of Currenex and SwapEx and prior to that, held the roles of Chief Operating Officer for State Street Global Exchange Trading & Clearing and State Street eExchange EMEA. He has more than 20 years of experience in the eFX industry, having joined Currenex in 2001 as a founding member of Currenex’s London operation. Prior to joining Currenex, David held several positions in technical services at MicroStrategy, a leading global provider of enterprise software platforms for business intelligence.

10.2021 – Head of SIX Digital Exchange
2017-2021 – Head of Global Link Execution Services
2014-2017 – Global Head of Currenex and SwapEx
2011-2014 – Chief Operating Officer State Street eExchange
2007-2011 – State Street acquisition - Currenex Head of EMEA
2000-2007 – Currenex
1996-2000 – Microstrategy
1. From Financial Market Infrastructure to Digital Market Infrastructure

David Newns, Head SIX Digital Exchange
SIX Digital Exchange enables industry-wide digital transformation

Expansion into the digital ecosystem with SDX

1. **New capital markets products/ solutions/ geographies**
   - Bonds, equities, etc.
   - Private market assets, other non-bankable assets, etc.

2. **Existing capital markets products/ solutions**
   - Digital Bonds, IDOs, etc.
   - SDX’s focus is to generate incremental revenues for its clients through new – commercially viable – products and solutions in the digital asset space

3. **An additional focus for SDX is to enable a streamlined transition of existing business into the digital framework for the industry, for intermediaries and for the infrastructure**
SIX continues to break new ground, establishing SIX Digital Exchange as first fully regulated and integrated infrastructure for digital assets.

**2021**
- Cross-border wholesale CBDC
- LICENSE APPROVAL
- Client onboarding
- Initial bond transaction

**2020**
- SDX build-up
- Project Helvetia
- ADX

**2019**
- Strategy definition
- SDX build-up

**2018**
- Start of journey

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**LICENSE APPROVAL**
- Stock Exchange
- Central Securities Depository
- Digital assets (Bonds & Equities)

9 September 2021
SIX Digital Exchange gets regulatory approval from FINMA

Today, SIX Digital Exchange (SDX) formally received the FINMA go-ahead to operate a stock exchange and a central securities depository for digital assets in Switzerland.

This authorization enables SDX to go live with a fully regulated, integrated trading, settlement, and custody infrastructure based on distributed ledger technology for digital securities. With these licenses, SDX can now offer the highest Swiss standards of oversight and regulation.
## SIX’s Motivation to Invest in Innovation Based on Distributed Ledger Technology

|   | Acceleration of digital transformation | • Emerging technologies continue to gain scale  
|   |                                          | • Client demand for digital assets grows  
|   | Sustained cost pressures across the value chain | • Ongoing need to realize substantial efficiencies  
|   | Balance sheet capacity continues to be a constraint | • High scrutiny where/how scarce financial resources are allocated  
|   | Increased competition from both traditional players and new entrants | • Intensifying competitive landscape  
|   | New product and service offerings | • Desire to add new product and service offerings both as differentiator and source of new revenues  
|   | • Increasing adoption and comfort with DLT |  
|   | • DLT as potential enabler for automation more efficient collaboration to unlock cost efficiencies |  
|   | • DLT-based solutions to improve balance sheet management |  
|   | • Increased demand for DLT solutions with clear and differentiated client benefits |  
|   | • Need for traditional finance institutions to apply and integrate with DLT-based technologies |  

01 Form FMI to DMI
A First stepping stone to overcome limitations seen in the market today

What happens in the global context...

Selected international banks and issuers that have experience with digital assets on DLT

...and what are limitations today?

- **No ecosystem** that is open to a broader set of market participants and drives standardization
- **Fragmented pilot projects** that cover only parts of the entire value chain
- **Absence of an official digital currency** for settlement and automation of corporate actions
- **No availability of** regulated and trustworthy digital infrastructure providers

The regulated and trustworthy digital infrastructure will facilitate collaboration across currently fragmented pilot projects in the digital assets space. It’s a first stepping stone to introduce the ‘digital asset age’ in a risk-controlled way

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1 Please be aware that this is public information and that this statement does not relate or confirm any business relationship between the parties mentioned and SDX.
2. Regulatory Framework

Nathan Kaiser, General Counsel
3. Digital Market Infrastructure
Mathias Studach, Head Finance, Risk and Org. Development
SIX Digital Exchange aims to streamline the value chain, drive efficiency gains and reduce cost over time.
Reinvention of currently separated processes

Traditional Exchanges like

- Clearing via CCP
- Settlement in T+2
- Securities in form of Bucheffekten in SECOM
- Settlement via SECOM/ SIC
- No CCP needed anymore
- Atomic settlement (not T+2)
- Securities in form of Bucheffekten on decentralized ledger
- DvP Settlement on the DLT

Exchange
- Multilateral trading
- Securities
- Contract conclusion along non-discretionary rules
- Listing of securities

CCP
- Provides a central counterparty and netting function between counterparties of a securities transaction to reduce risk and increase liquidity.
- Operation of a central securities depository
- Operation of a securities settlement system
- Creation of intermediated securities ("Bucheffekten") according to BEG

CSD
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Atomic Trading & Settlement
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CSD DLT
- Operation of a central securities depository
- Operation of a securities settlement system
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A perspective on different DLT/Blockchain models in the market

### Centralization

#### Private and Centralized
- **End clients**
- **Comments**
  - Centralized industry
  - Clear hierarchical structures

#### Distributed and Permissioned
- **End clients**
- **Comments**
  - Permissioned B2B network (Corda)
  - SDX as notary function and provider of network infrastructure
  - No disintermediation

#### Distributed and Permissionless
- **End clients**
- **Comments**
  - Permissionless end client network
  - Financial institution disintermediation

**Regulated institutions**

- End client KYC + AML conducted by financial institutions

**End-clients**

- Infrastructure provider and notary
- Regulated financial institutions (e.g. banks)
The CSD and Exchange form the heart of the new ecosystem and make key innovations immediately available to participants.
SDX as known and trusted partner to build a Digital Asset Ecosystem and explore new opportunities

<table>
<thead>
<tr>
<th>Lifecycle</th>
<th>Issuance &amp; Listing</th>
<th>Atomic Trading &amp; Settlement</th>
<th>Asset Servicing &amp; Custody</th>
</tr>
</thead>
</table>
| ▪ Digital assets  
  - smart contracts represent a single source of truth for securities  
  - tokenized currency is the foundation for value exchange (CHF for MVP) | ▪ Listing  
  - instant and simple process  
  - a basis to model and automate complex securities  
  - access both primary and secondary markets | ▪ Atomic trading and settlement  
  - eliminates market-risk  
  - removing the need for a CCP  
  - Peer to peer transactions  
  - increased efficiency and risk reduction | ▪ Asset servicing logic can be performed until end-clients’ custody accounts  
  - Simplify corporate event handling such as coupon and dividend payments  
  - Relevant transaction details are known on need-to-know basis |

High level impact:  
- Revenue  
- Cost and Risk  
- Cost and Risk
SDX’s initial offering focuses on securities tokens settled and custodied on a private, decentralized infrastructure.

SDX initial offering includes digital bonds and equities

- Asset tokens
- Utility tokens
- Payment tokens
  - Crypto currencies
  - "Stable coins"
  - CBDC

Examples:
- Digital Bonds/Equites
- TaelPay
- Bitcoin
- SDX TCHF
- Project Helvetia

SDX go-live scope

- Initially Digital Bonds and Equites can be traded on the exchange and settle in the central securities depository run on DLT.
- Supporting both Public and Private placements.
- Governing law of the issued security is Switzerland.
- The settlement happens in tokenized CHF, which reflect FIAT currency that is stored in an SDX account at SIC.
- Banks and securities dealers as participants of exchange and CSD being the link to issuers and investors.
- Based on uncertificated securities becoming intermediated securities (973c Swiss code of obligation).

1) Tokenized commercial bank money
4. A peek around the corner

Dr Peter T. Golder, Global Head of Commercial
5. Q&A
Disclaimer

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