

Press release

For business editors
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Commerzbank, Credit Suisse and UBS execute first live transactions on the Deutsche Börse-HQLA^X securities lending platform

- **Successful launch of DLT-based operating model**

Deutsche Börse and HQLA^X successfully launched their jointly developed Distributed Ledger Technology (DLT) solution for frictionless collateral swaps in the securities lending market. The live transactions were executed by Commerzbank, Credit Suisse and UBS on the Eurex Repo F7-trading system.

As part of these transactions, ownership of a basket of German government bonds and a basket of corporate bonds was swapped between UBS and Commerzbank, both using Clearstream Banking S.A. as custodian. This was followed by a cross-custodian swap between UBS and Credit Suisse, in which ownership of a basket of corporate bonds at Clearstream Banking S.A. and a basket of German government bonds at Euroclear Bank was exchanged without the need for securities to be physically moved between the collateral agents. Instead, the change in ownership was recorded on the digital collateral registry, which is one of the four layers of the HQLA^X operating model and was built on Corda Enterprise, the commercial distribution of R3's blockchain platform.

The successful launch of the platform is an important milestone for the implementation of DLT in the securities lending market. "The go-live of the HQLA^X operating model demonstrates the power of innovation that DLT is already bringing to the financial services industry," said Jens Hachmeister, Head of New Markets at Deutsche Börse. "It proves how new technology can successfully be combined with trusted market infrastructure – and the positive reception of the model in the market speaks for itself. We look forward to continuing our fruitful collaboration with HQLA^X."

The three pioneer banks, Commerzbank, Credit Suisse and UBS, have been working with HQLA^X since the start of this digital transformation initiative. "HQLA^X have come a very long way in a relatively short period of time," said Guido Stroemer, CEO of HQLA^X. "The launch of our production platform is the culmination of strong collaboration, not only with our strategic partner Deutsche Börse, but also with R3 and several global banks with which we began our journey less than three years ago in an R3 lab. Our mission statement from the very beginning has been to deliver solutions for specific pain points in the market, and so we worked very closely with a core group of banks to deliver an operating model that was designed by the market, for the market."

Peter Schmidt, Co-Head, Repo Desk Treasury at Commerzbank, said, "HQLA^X delivers a fascinating approach to overcome the fragmented post-trading landscape. It enables treasury departments to manage their collateral pools more efficiently by significantly reducing the settlement cycle and avoiding

resource-intensive collateral movements. It is a first but important step toward a new ecosystem where tokenised assets can be traded in a DLT environment.”

Romain Dumas, Managing Director in the Global Liquidity Group at Credit Suisse, added, “These first production trades constitute a major step toward unlocking the operational value we see in technology. We are delighted to have worked with HQLA^X since the very beginning and look forward to collaborating with them in the future.”

Gareth Allen, Head of UBS Treasury Assets, said, “It’s very exciting to help bring DLT into the secured funding markets via the HQLA^X platform. We hope that innovative ideas like this bring more liquidity to the secured funding markets and allow them to operate more efficiently. We look forward to our continued collaboration with HQLA^X and its growing ecosystem of custodians and market participants to help shape strategic innovation in the securities lending market.”

In addition to Commerzbank, Credit Suisse and UBS, over 15 market participants, including CIBC, Citi, Goldman Sachs and ING, are currently engaged in different phases of onboarding to the HQLA^X platform. Meanwhile, J.P. Morgan is in the process of becoming the third tri-party agent in the HQLA^X operating model, alongside Clearstream Banking S.A. and Euroclear Bank. This will add another important custody/collateral location to the solution, further increasing collateral mobilisation efficiencies for participants.

Earlier this year, Deutsche Börse also acquired a third tranche of shares in HQLA^X.

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About the HQLA^X operating model

The HQLA^X operating model facilitates more efficient collateral management of high-quality liquid assets (HQLA) – which are in heightened demand under Basel III regulations – and it allows market participants to connect to the platform via existing, well established interfaces. The digital collateral registry layer enables delivery-versus-delivery (DvD) ownership transfers of baskets of securities, eliminating the operationally onerous requirement to move securities across fragmented securities settlement systems. The other layers are the leading Eurex Repo F7-trading system where transactions are executed, the participating custodians/tri-party agents where the securities are deposited and the TTP which connects the custodians/tri-party agents to the digital collateral registry.

Continuing with a guiding principle of leveraging feedback from market participants to deliver valuable use cases, HQLA^X and Deutsche Börse are already developing further functional enhancements and new business features, including digital collateral record re-use, intraday trades, delivery-versus-payment (DVP) trades and support for various types of pledges.

About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in nearly 50 countries. The Bank's two business segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services precisely tailored to their customers' needs. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The Bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products. Its subsidiaries, Comdirect in Germany and mBank in Poland, are two of the world's most innovative online banks. With approximately 800 branches going forward, Commerzbank has one of the densest branch networks in Germany. The Bank serves more than 11 million private and small-business customers nationwide and over 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. Its Polish subsidiary mBank S.A. has around 5.6 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2018, Commerzbank generated gross revenues of €8.6 billion with approximately 49,000 employees.

About Deutsche Börse

Deutsche Börse Group is one of the largest exchange organisations worldwide. It organises markets characterised by integrity, transparency and safety for investors who invest capital and for companies that raise capital – markets on which professional traders buy and sell equities, derivatives and other financial instruments according to clear rules and under strict supervision. Deutsche Börse Group, with its services and systems, ensures the functioning of these markets and a level playing field for all participants – worldwide.

About Credit Suisse

Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as "Credit Suisse"). Our strategy builds on Credit Suisse's core strengths: its position as a leading wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We seek to follow a balanced approach to wealth management, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets, while also serving key developed markets with an emphasis on Switzerland. Credit Suisse employs approximately 47,440 people. The registered shares (CSGN) of Credit Suisse AG's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

About HQLA^x

HQLA^x is a financial technology innovation firm that specialises in delivering liquidity management and collateral management solutions for institutional clients in the global securities lending and repo markets. www.hqla-x.com.

About UBS

UBS is the world's largest global wealth manager. UBS provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. Headquartered in Zurich, Switzerland, UBS is present in all major financial centers worldwide.