

# Market Making & Trading Digital Assets

challenges & solutions in a BaFin regulated environment



# BHS / TRADIAS

## AT A GLANCE

1985

Over the past four decades, Bankhaus Scheich (BHS) has developed into one of Germany's leading regulated trading boutiques

2018

BHS begins to explore blockchain technology and starts trading and issuing digital assets

2020

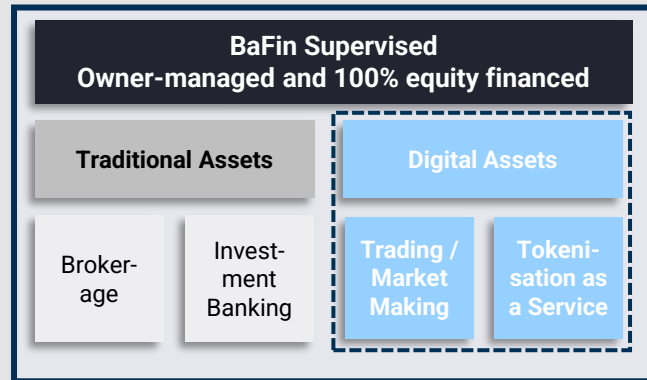
tradius is founded with the purpose to consolidate BHS' Digital Asset activities

2022

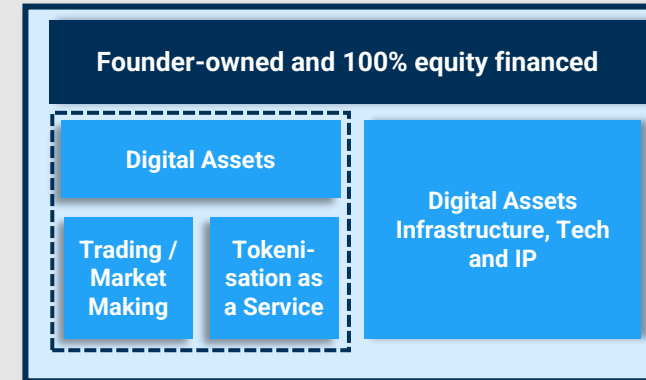
tradius is seeking to strengthen its leading position and accelerate growth with external partners

**tradius Provides the Infrastructure and Services to Enable Institutional Investors to Access the Enormous Potential of Digital Assets in a Regulated Environment**

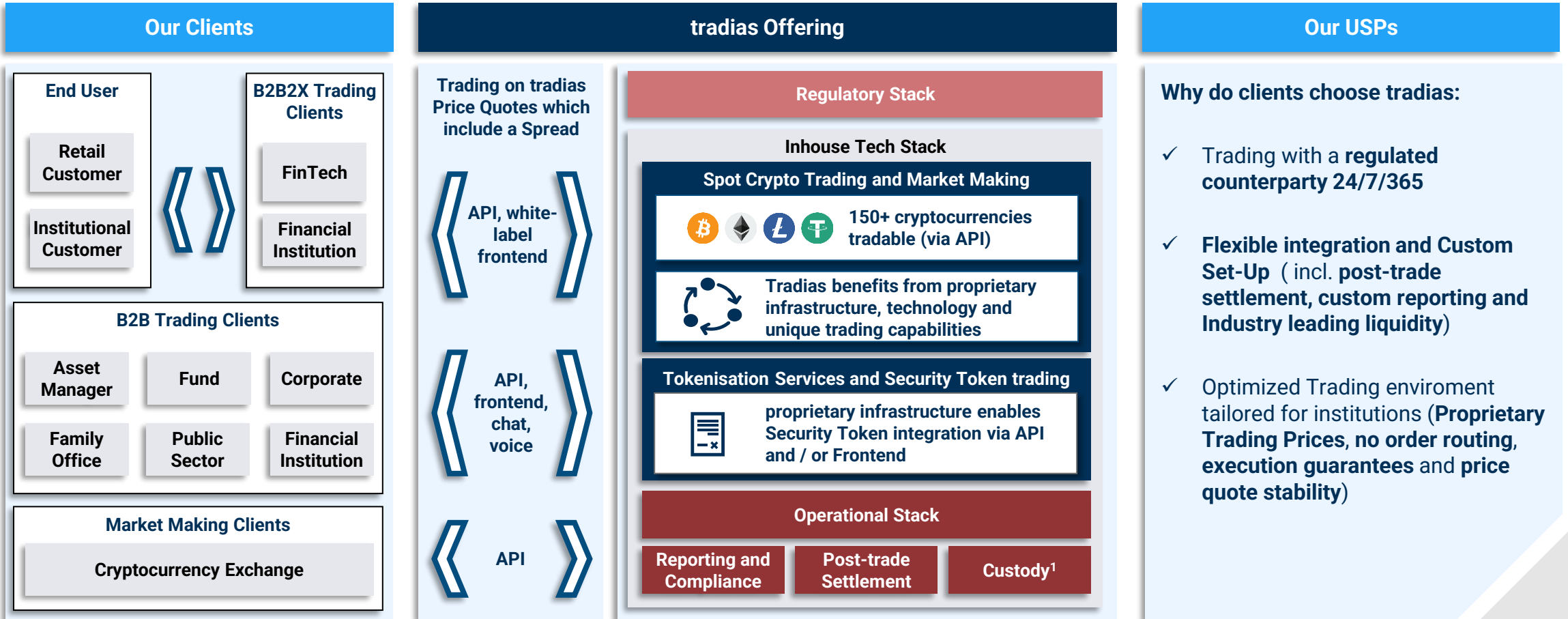
BANKHAUS SCHEICH  
WERTPAPIERSPEZIALIST AG



tradius  
trading digital assets



# TRADING: REGULATED CRYPTO TRADING JUST LIKE IN TRADITIONAL ASSET CLASSES

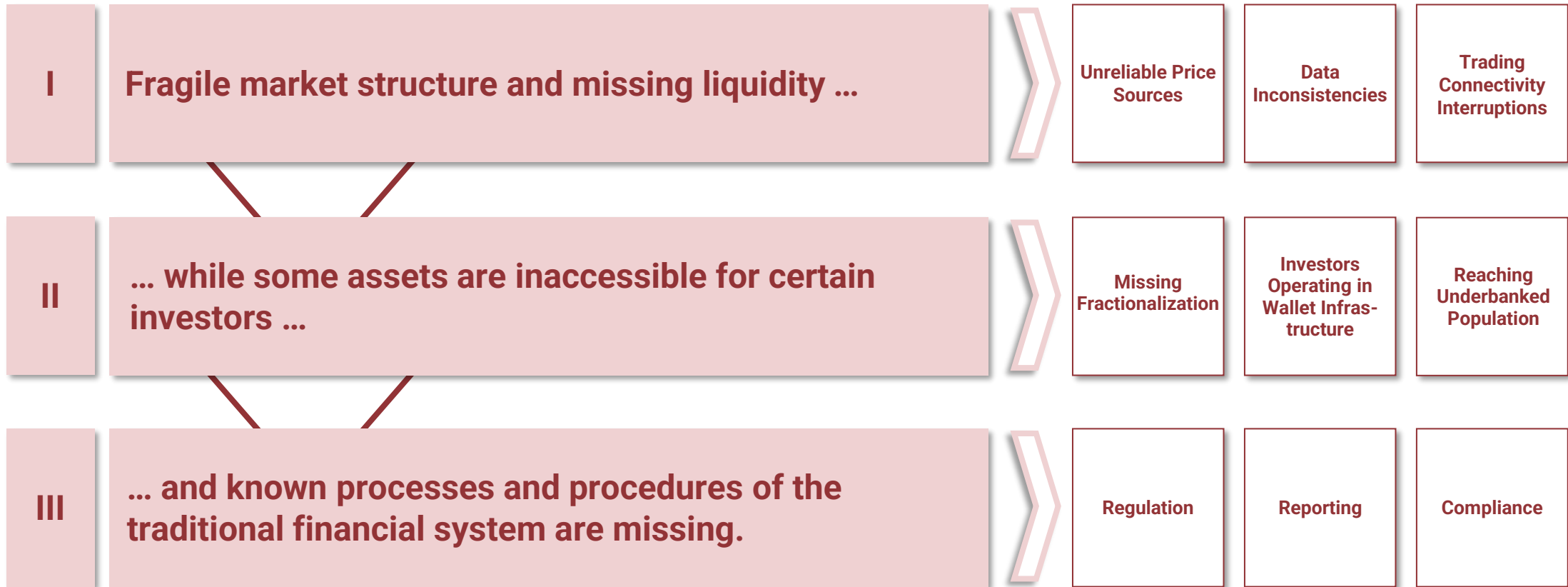


# Market Making & Trading Digital Assets

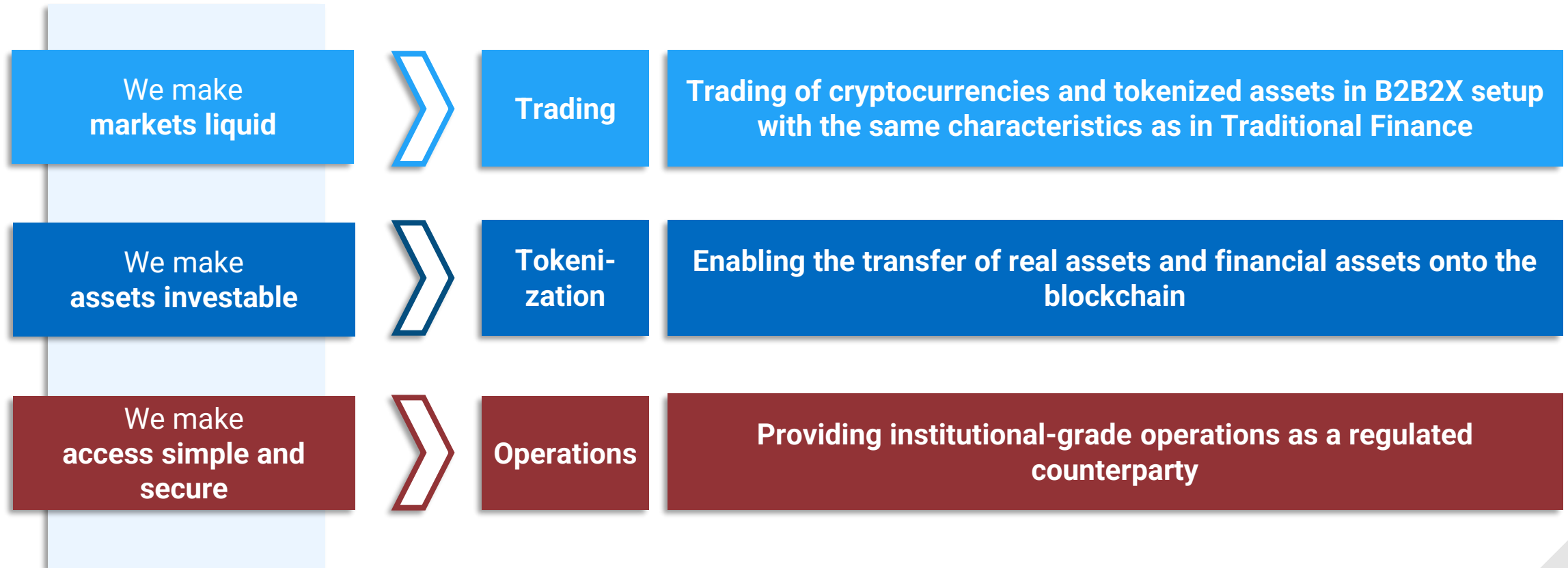
OTC Trading



# LACK OF SUITABLE PARTNERS PREVENTS INSTITUTIONAL ADOPTION OF DIGITAL ASSETS



# tradius PROVIDES REGULATED ACCESS TO DIGITAL ASSETS REQUIRED BY INSTITUTIONALS



# SERVICES

## Business model and set-up

- ✓ German regulated OTC market maker
- ✓ Pure B2B business model, end customer is not known to BHS
- ✓ Individual pricing to optimize the customer business case
- ✓ Bank and crypto custodian independent setup, flexibly expandable
- ✓ Multi-asset capable platform (e.g. for security tokens and tokenized real assets)
- ✓ Pipeline of further products through broad range of services (e.g. asset management)

Note: Order routing possible (if desired)

## Trading

- ✓ Prices for >100 cryptocurrencies in EUR
- ✓ 24/7 trading, >99,5% live
- ✓ Trading via API, trading frontend, voice, chat, email

## Prices

- ✓ Own prices with execution guarantee ("market maker guarantees")
- ✓ Guaranteed tradable price, no slippage
- ✓ Best execution proof through post-trade market conformity checks

## Settlement

- ✓ Post trade settlement and netting with different cycles (T+x) possible
- ✓ Various methods for cash settlement available (HELABA, BCB Group among others)

# CASE STUDY: TRADING FOR PUBLIC PROSECUTER

## Situation

- BHS **sold cryptocurrencies** worth around **EUR 100 million** for the state of Hesse
- The project was a very rare example of **cooperation between the state and the private sector**

## Challenges

- Most **exchanges** are **unregulated** and **focus on retail client volume**. Therefore, a volume of EUR 100 million cannot simply be sold through exchanges, no one else was able to do that in a short timeframe
- **10 cryptocurrencies** were involved. Most service providers offer only a fraction of the required coins in EUR
- The **coins** were used in illegal activities and are therefore labeled as **contaminated**

## Solution

- BHS has established a **new market standard** and process that **allows government agencies to sell seized cryptocurrencies** from criminal activity for recovery purposes in a straightforward, market-friendly manner in line with market conditions
- Through our network, we have contacted all relevant on-chain AML service providers and **established a whitelisting process**, which allows to clean up coins that have been flagged as contaminated

## Scalability

- **Long-term cooperation** with prosecutor concluded
- **Several discussions with prosecutors from other states initiated** as reaction of successful placement

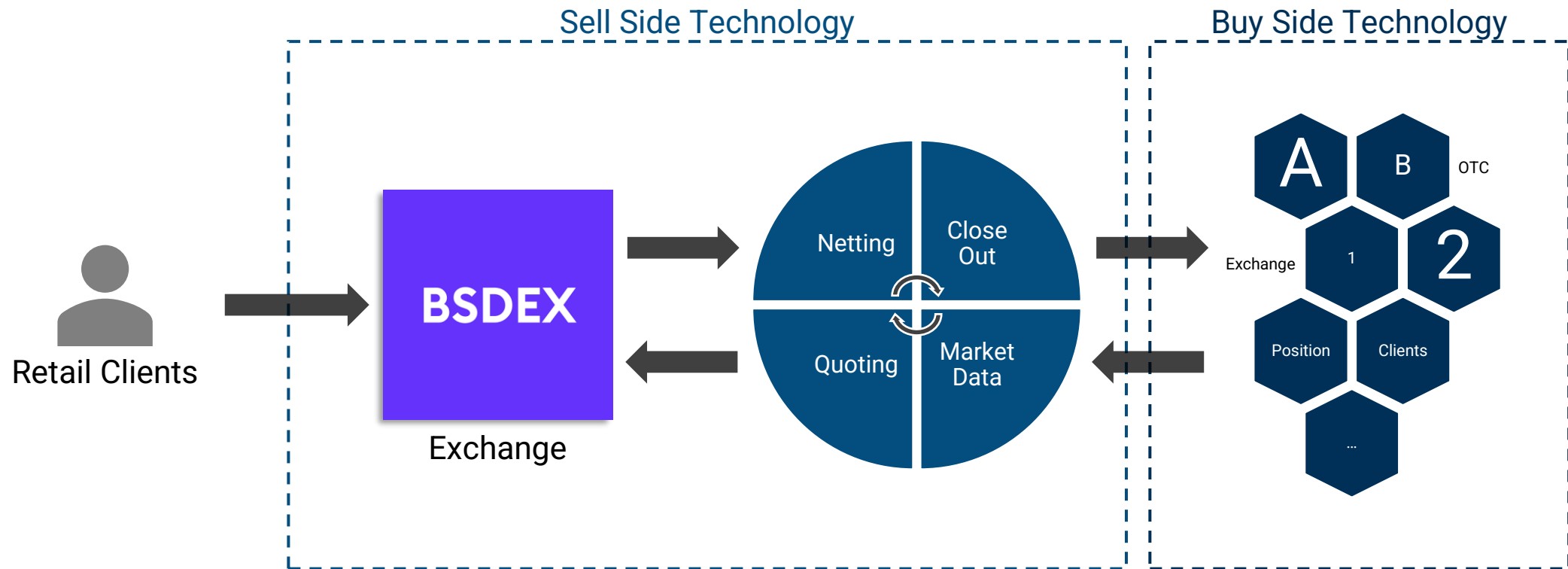


# Market Making & Trading Digital Assets

Exchange Liquidity Provision



# Exchange LIQUIDITY PROVISION



# Market Making & Trading Digital Assets

Settlement



# Regulated Crypto Trading & Settlement

AML compliant and low risk setup

## Regulated Custodian

Regulated Custodian are forced to execute KYC/KYB and AML monitoring, especially on-chain address checks and transaction monitoring. Before BHS settles to clients the crypto assets run through a wallet which is hosted from a regulated crypto custodian. Therefore the risk is reduced to minimum that tainted assets will be delivered to our clients.

## Proof of address

BHS and Tradius request a proof of address from our OTC clients crypto custodian to ensure that trading counterpart is equal to the owner of the addresses BHS and Tradius are settling with

## Client Deposit Address

Each OTC client has an own individual deposit address within the BHS owned wallet. Therefore the coverage from liabilities out of the post trade settlement setup via transfers to BHS will immediately reflected. This setup is very close to a virtual IBAN setup for Bank Accounts

**We support client individual settlement cycles and cut-off setups**

# REGULATORY & LEGAL FRAMEWORK

Bankhaus Scheich is your bridge to the world of digital assets with standard processes from the world of securities



"How do you ensure regulatory-compliant process design?"

As a securities company, Bankhaus Scheich is subject to supervision by BaFin and Bundesbank. This means that all processes must be compliant with MaRisk and BAIT, among others.

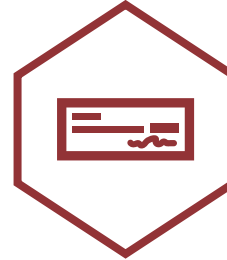
**Regulatory regime**



"How are the KYC processes designed?"

KYC required exclusively for the financial commission agent, not for the end customers. In case of multiple business partners handover/sharing of KYC documents possible

**KYC & AML**



"...liability regime and what warranty provisions..."

Bankhaus Scheich grants market maker guarantees to its trading partners. SLA penalties or liability amounts depend on the trading volume and the pricing model.

**Liability & Warranty**



"...money litigation/settlement litigation..."

Bankhaus Scheich offers post trade settlement and netting against provision of collateral (e.g. 20%). A settlement of T+0/T+1/T+2 on EUR value days can be achieved.

**Money litigation**



# TRADIAS.

**WE ARE BUILDING THE BRIDGE  
FROM THE TRADITIONAL FINANCIAL SYSTEM  
INTO THE WORLD OF DIGITAL ASSETS**

# Contact

For further inquiries



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