

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

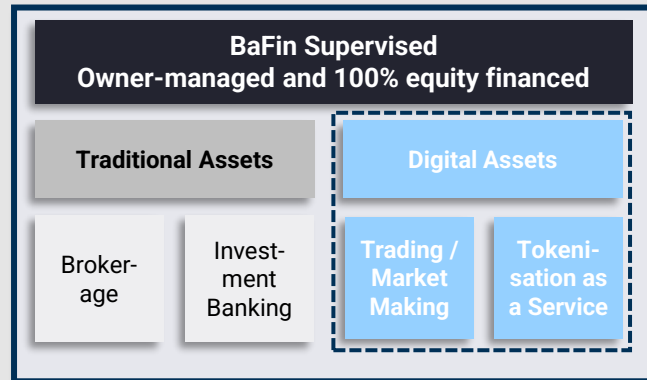
tradius is founded with the purpose to consolidate BHS' Digital Asset activities

2023

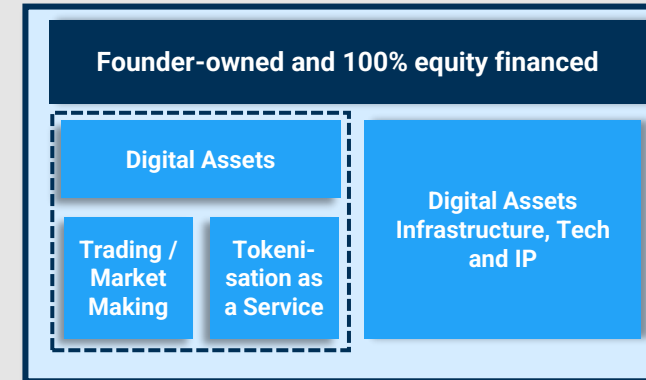
tradius is seeking to strengthen its leading position and accelerate growth with external partners

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

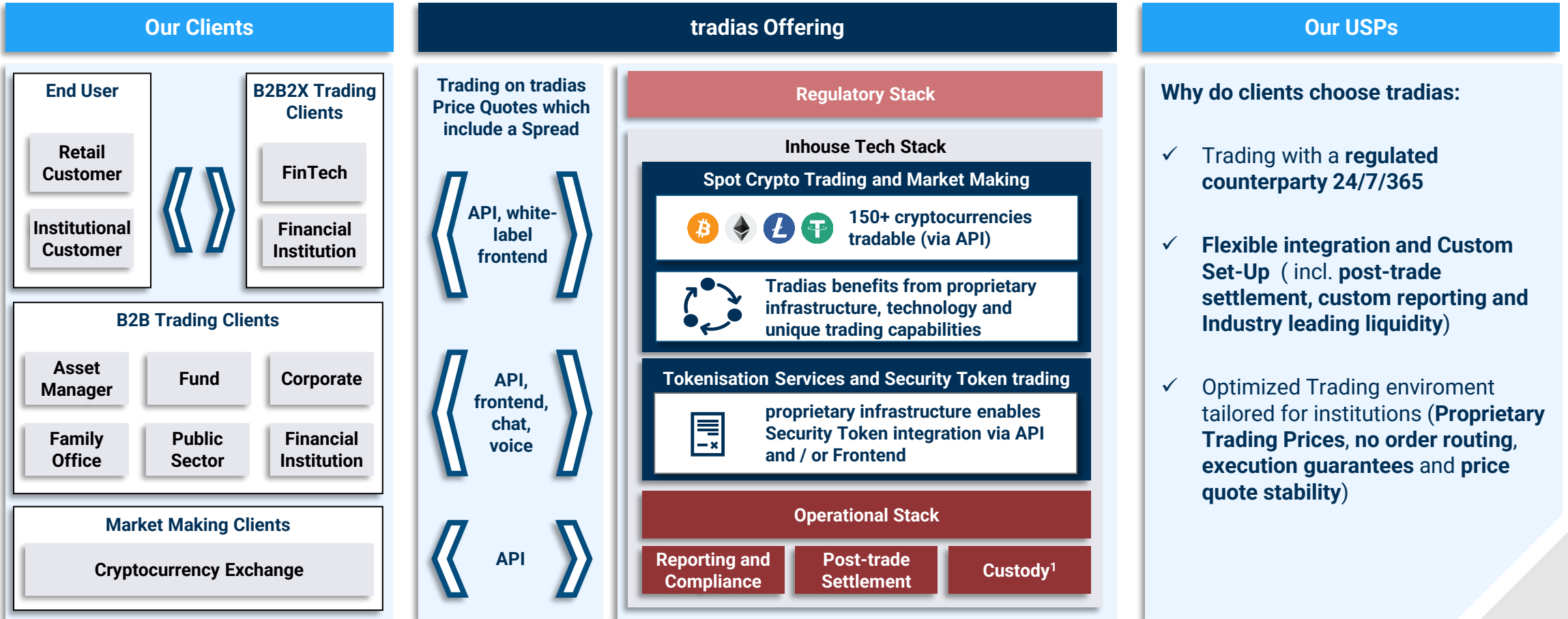
BANKHAUS SCHEICH
WERTPAPIERSPEZIALIST AG



tradius
trading digital assets



TRADING: REGULATED CRYPTO TRADING JUST LIKE IN TRADITIONAL ASSET CLASSES

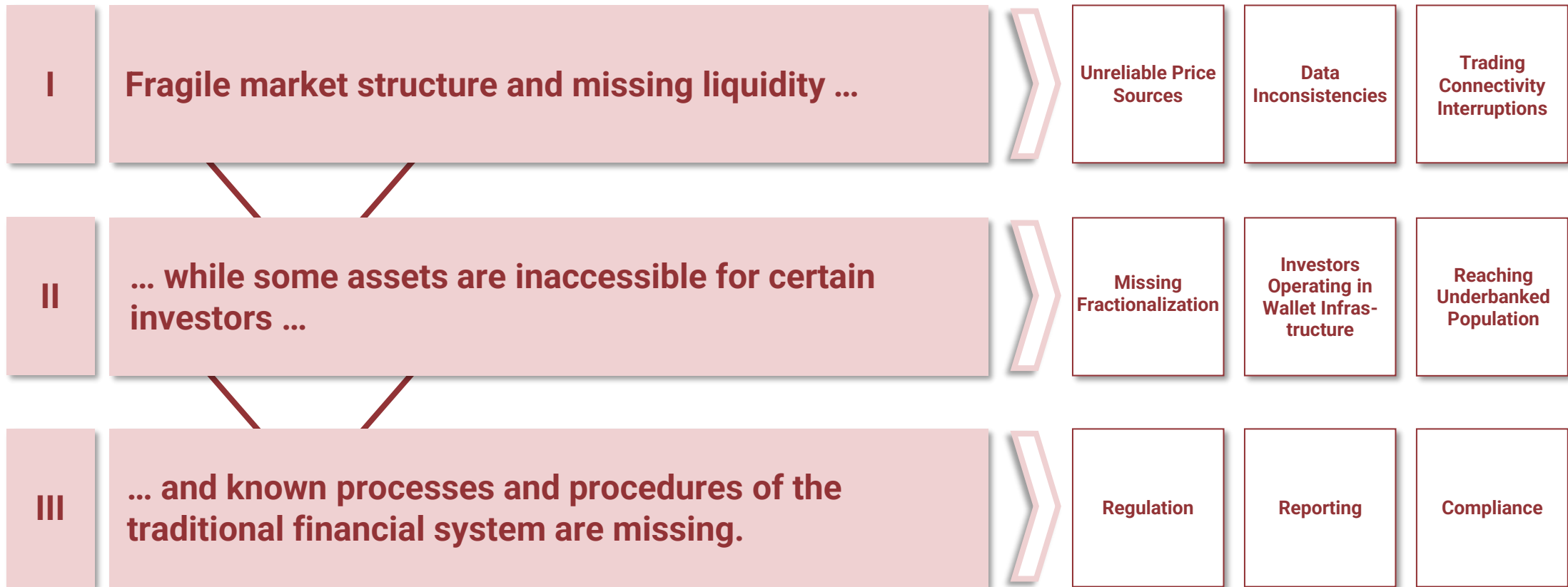


Market Making & Trading Digital Assets

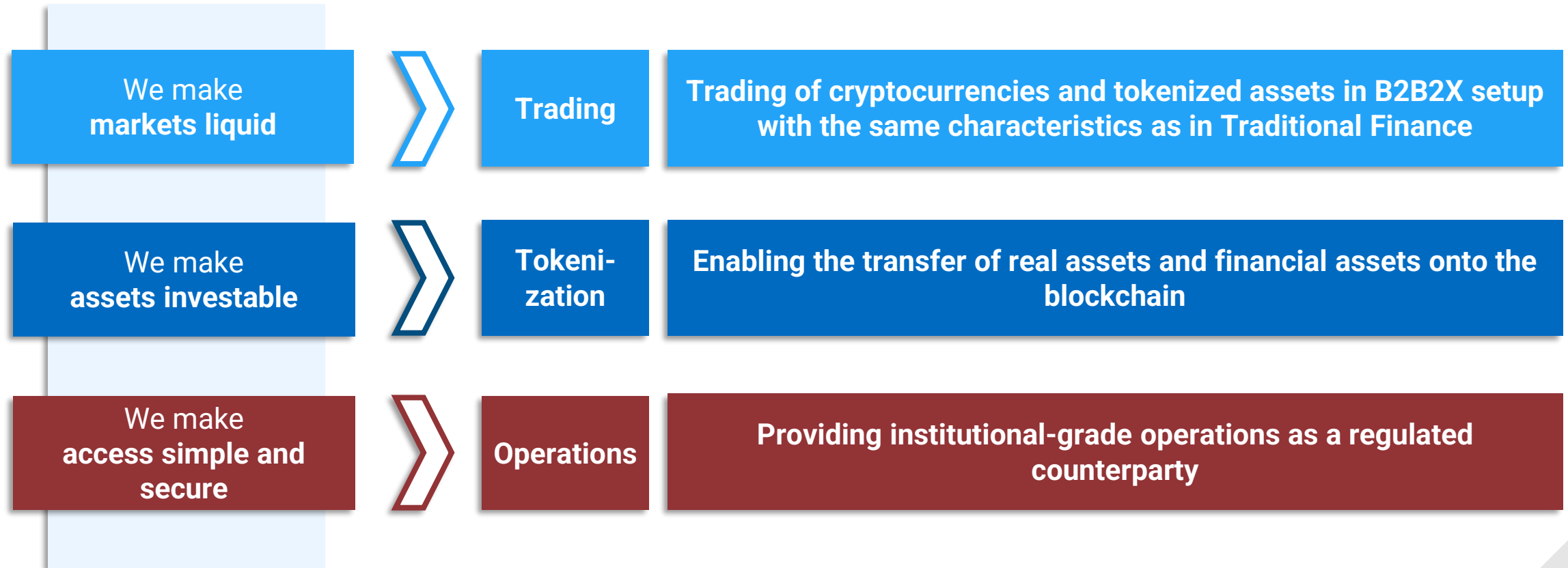
OTC Trading



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)

Market Making & Trading Digital Assets

Exchange Liquidity Provision



CASE STUDY: TRADING FOR PUBLIC PROSECUTOR

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**

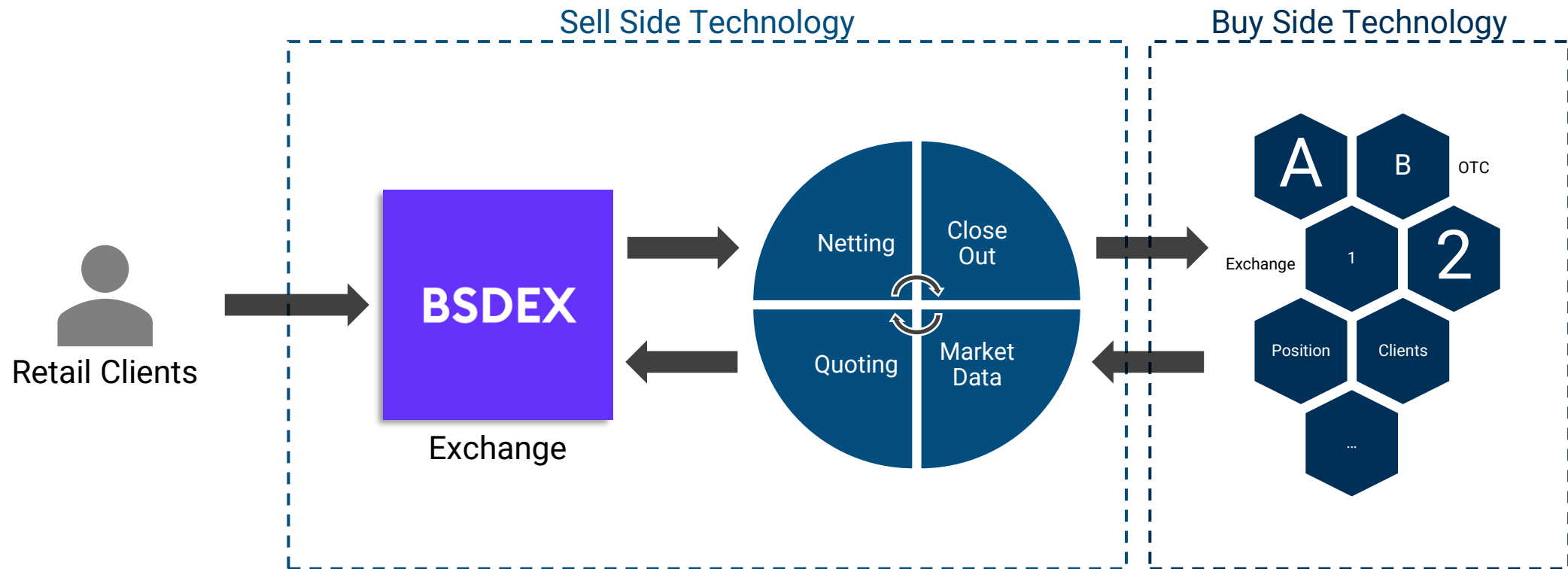
Solution

- 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

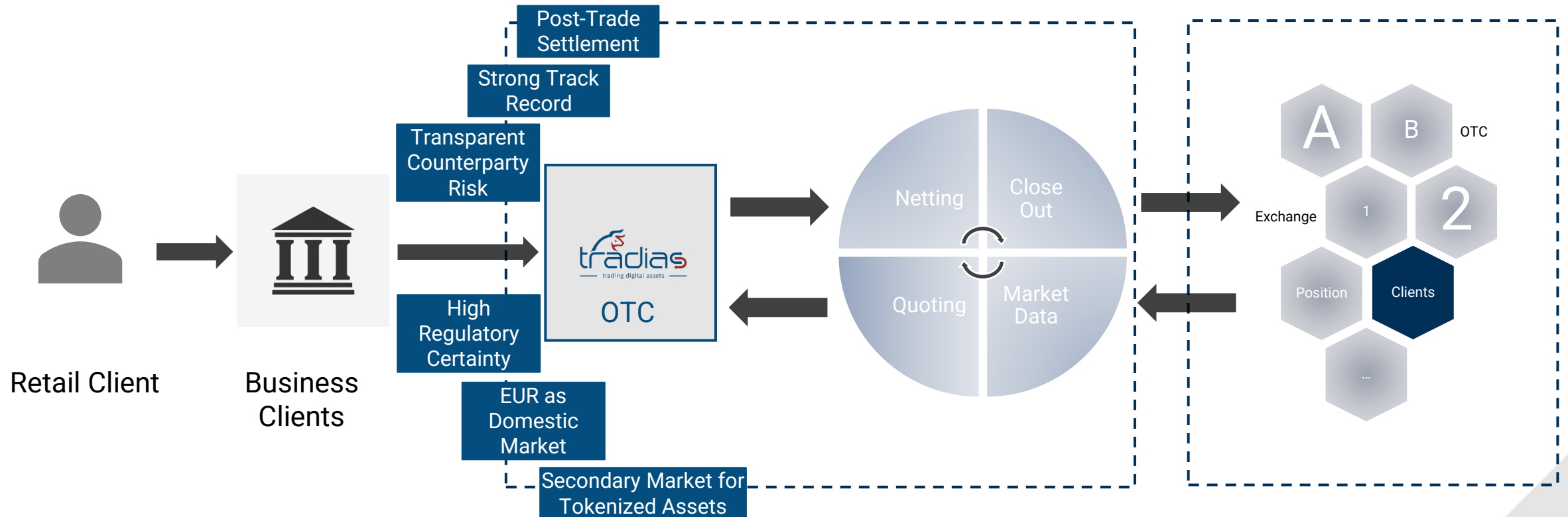
Exchange LIQUIDITY PROVISION



OTC Market Making

Recent Challenges

- FTX, Silvergate, Signature, Silicon Valley Bank, Jane Street
- Decline in USD liquidity



Market Making & Trading Digital Assets

Settlement



Regulated Crypto Trading & Settlement

AML compliant and low risk setup

Regulated Custodian

Regulated custodians are obligated to conduct KYC/KYB and AML monitoring, particularly on-chain address checks and transaction monitoring. Prior to settling crypto assets to clients, BHS ensures that the assets pass through a wallet hosted by a regulated crypto custodian. This significantly minimizes the risk of delivering tainted assets to our clients.

Proof of address

BHS and Tradius request a proof of address from our OTC clients' crypto custodian to ensure that the trading counterpart matches the owner of the addresses being settled with by BHS and Tradius.

Client Deposit Address

Each OTC client has their own individual deposit address within the BHS-owned wallet. As a result, the coverage for liabilities arising from the post-trade settlement setup through transfers to BHS is immediately reflected. This setup is similar to a virtual IBAN setup for bank accounts.

We support individual client 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.

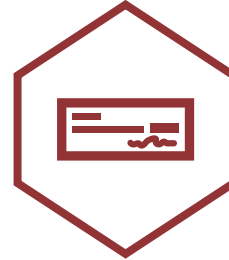
Regulatory regime



"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.

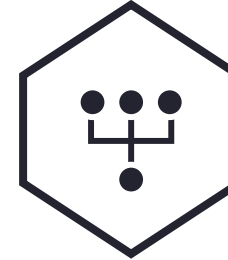
KYC & AML



"...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



Bankhaus-Scheich.de

Tradius.de

BJÖRN WEIGEL

Head of Digital Assets
Bankhaus Scheich

+49 (0) 69 – 25 72 00 – 0
b.weigel@bankhaus-scheich.de

Dr. Johannes Seemüller

Head of Trading
Bankhaus Scheich

+49 179 94 18 65 2
j.seemueller@bankhaus-scheich.de

Jürgen Mäder

Head of CRM Digital Assets
Bankhaus Scheich

+ 49 172 623 48 80
j.maeder@bankhaus-scheich.de

Disclaimer

© 2022. All rights reserved.

This presentation has been prepared by Bankhaus Scheich AG and Tradias GmbH ("Bankhaus Scheich and Tradias") solely for the recipient's general information and discussion of specific topics and is available to the recipient for internal use only.

The information in this presentation does not constitute an offer or solicitation to buy or sell any assets or provide any other financial services. The contents of the presentation do not constitute a recommendation or advice. The statements made reflect current assessments and do not necessarily represent the opinion of the companies mentioned in the presentation. The opinions expressed in the presentation are subject to change without notice. Information on historical performance is not indicative of future performance.

This presentation is strictly confidential and may not be published, reproduced, summarized or disclosed to third parties, in whole or in part, without the prior written consent of Bankhaus Scheich und Tradias. Changes to this presentation or its contents require the prior express permission of Bankhaus Scheich and Tradias.