



MEAG's experience with Blockchain Technology Proof of Concept of a security trade in DLT

Thomas Triebel | Investment Forum München | 14.11.2019



MEAG

is the asset manager of
Munich Re (Group)

Size, expertise and reliability make us the ideal partner for private and institutional investors.

- **278** billion euros of assets under management
- of which **17** billion euros from private and non-Group investors

Highly innovative

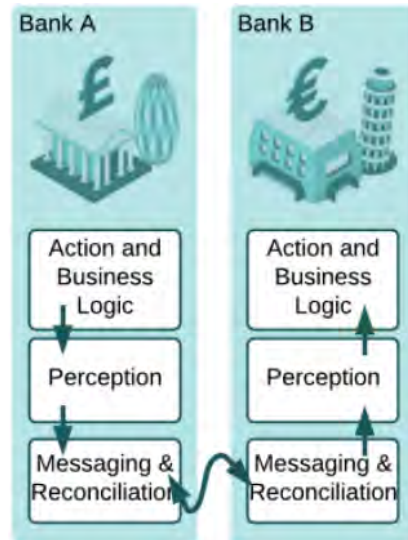
We generate value for our clients with innovative investment solutions.

We have opened up entirely new asset classes and are today invested in renewable energies and infrastructure, and in the more traditional fields of sustainability such as forest and agriculture.

We invest in new technologies like block chain, setting milestones within the finance industry.

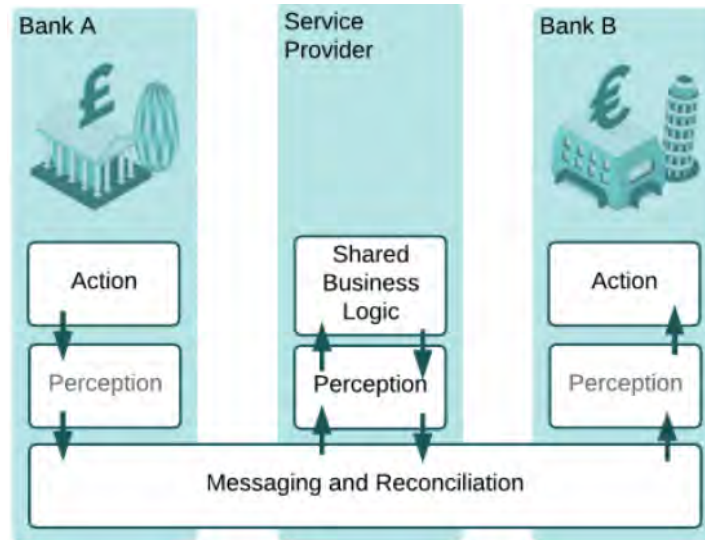
A (very) short introduction on the idea of Distributed Ledger Technology

1. Bilateral Reconciliation



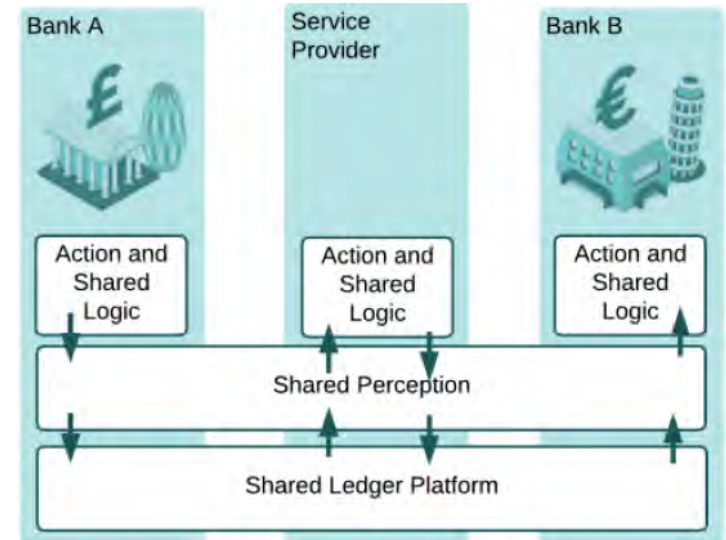
- Parties manage their own records and create duplications
- Individual perceptions require reconciliation

2. Third Party Reconciliation with Market Infrastructure



- Parties delegate control and responsibility to 3rd party
- Matched perception created by centralized utility

3. Shared Ledger with no need for Reconciliation



- Parties collaborate to maintain a shared record
- Consistent perception by shared ledger

DEVELOPMENT

MEAG DLT Pilot is pioneering a trade and complete settlement of a security in Distributed Ledger Technology

Facts

- Digital issuance of Asset Bucket Commercial Paper by Weinberg with program volume of € 5 bn
- Purchase of a partial amount of € 1 Mio on Feb. 14th 2019 with duration of 5 days
- Complete process of purchase and redemption successfully executed in a Corda DLT (in R3)
- Positive rating of digital security by Fitch & Moodys similar to previous rating (F1 & P1)

Features



INCREASED EFFICIENCY

Acceleration of settlement from t+2 to t+0 leads to increased efficiency & raised performance

LEGAL VALIDITY

Trade of digital ABCP realized according to Irish law and regulations

CASH* ON LEDGER

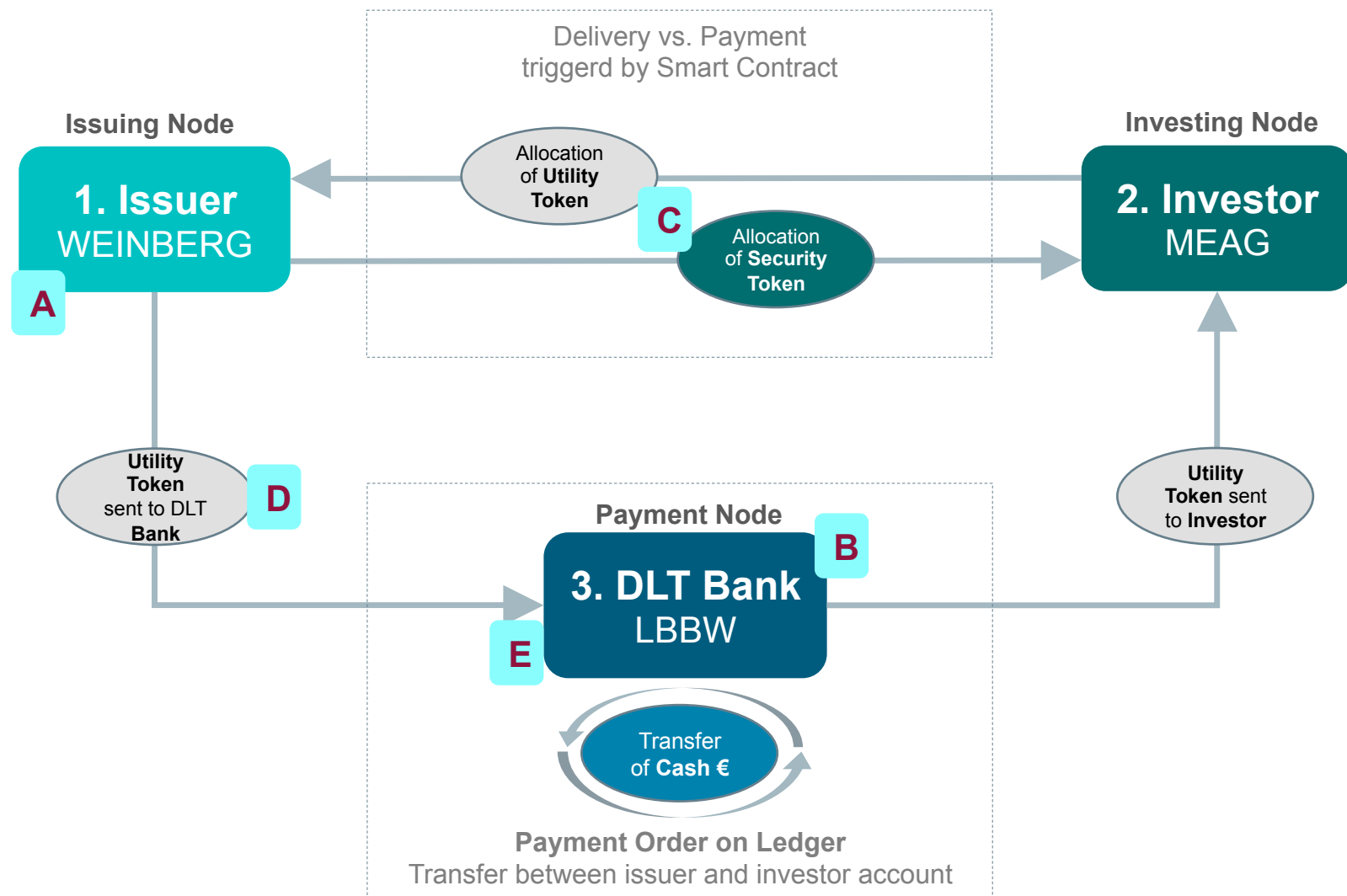
Settlement included cash transfer triggered out of DLT by exchange of cash vs. security token



LB=BDW

With the asset management company of Munich Re and ERGO

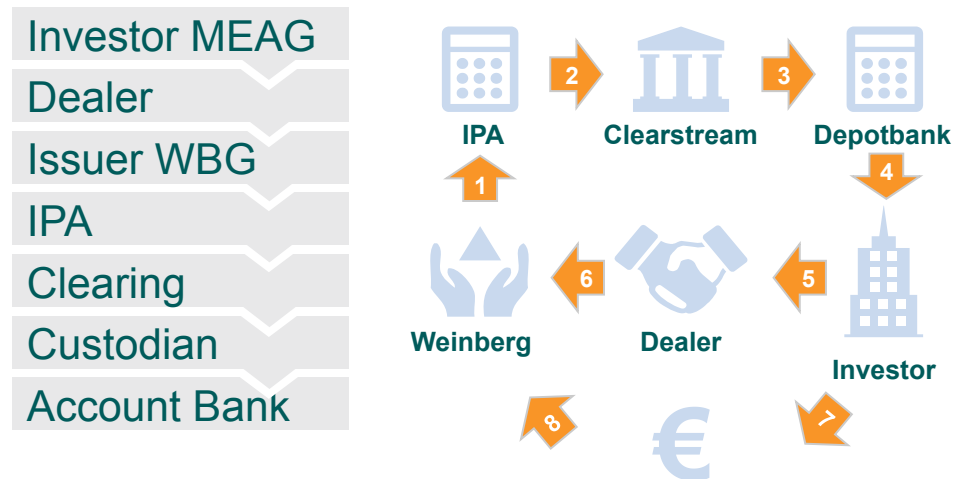
Process in DLT with three nodes



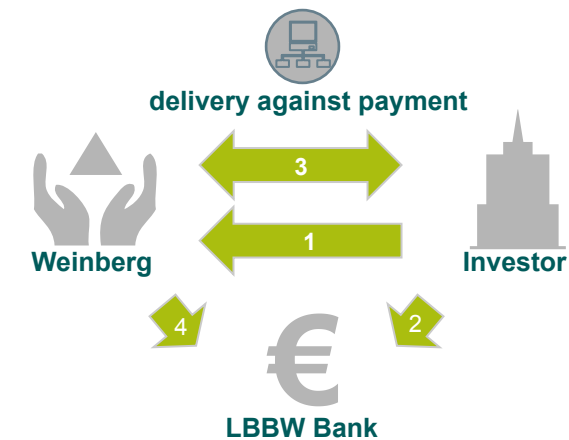
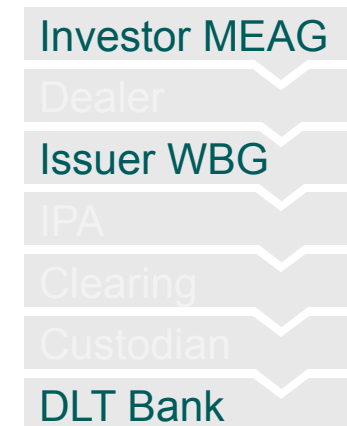
- A** Creation of **Security** Token by Issuer
- B** Cash funding by investor and creation of **Utility (Cash)** Token by DLT Bank
- C** Exchange of **Utility** Token vs. **Security** Token after confirmations
- D** **Utility** Token sent to DLT Bank by issuer
- E** **Utility** Token triggers transfer of € amount

DLT radically decreases number of intermediaries in a trade process *

Roles in **conventional** process



Roles in **DLT** process



*eg. issuance and primary trade of a ABCP

R3 Corda DLT interface / screenshots

Details

Trade ID

Issuer **Weinberg Capital DAC**

Investor **MEAG** ⓘ

Token-Owner **MEAG** ⓘ

Investor IBAN

Issuer IBAN

Aggregate Nominal Amount

DLT CP Purchase Price

Issue Date

Maturity Date

rate* % ⓘ


issue price* ⓘ


tenor* ⓘ

Confirmations Purchase ✓✓✓

Confirmations Redemption ✓✓


* for information purposes only

 Cancel

 **WEINBERG DLT**

Username or email

Password



DLT

operational benefits



DLT reduces settlement time

Traditional issuance of commercial paper involves a number of parties, including dealers, issuing/paying agents and clearing systems. As a result, the **settlement process** typically can take up to **two days**.

In contrast, the process for DLT ABCP notes takes **less than one hour**, because the transaction consists of an electronic exchange of tokenized items through the DLT platform.

DLT improves efficiency

In addition, the DLT platform makes the process more efficient by reducing the likelihood of **errors** arising from the complexity and number of **intermediate parties** involved in the traditional process.

Given that maturing ABCP are usually rolled-over, i.e. repaid with the issuance proceeds of new ABCP notes, a more streamlined issuance and settlement execution also allows for a **smoother refinancing** process.

Benefits of trading securities in a DLT

1

Increase of performance & optimized conditions on buy side

due to lean issue- and sale- processes

2

Minimized settlement & counterparty risks

due to immediate settlement

3

Interest advantages: Payment of interest on investment starts immediately

due to settlement $t + 0$



Future of DLT in the investment industry

OUTLOOK

- Emerging asset-class-specific DLTs in the next 1-5 Years
- General shift from conventional to DLT Market will require some time

CHALLENGES

- Legal framework
- Interoperability among platforms and between applications
- Standardization of platform technologies and DLT specific documentation (eg. security identifiers) will support acceptance
- Interfaces to legacy systems



Contact

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