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Hello again and welcome to another Bitcoin Fiat and Rock and Roll episode, the BFR podcast that helps you to understand the evolution in digital money and digital assets, which focuses on the intersection of traditional finance and the new blockchain world. Today we have another very interesting episode with two interesting guests. We're going to focus on digital asset and specifically tokenized securities in

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Germany. have two guests, which is Marion Spielmann from Deca Bank and Benjamin Schaub from Intas. So hello both. Hi Manuel. Hello Manuel. Thank you for being here. Yeah, thanks for joining again. We've had a first episode, I think last year when the digital asset monitor from Deca and Intas and others was introduced during the ECB trials. That was a lot of happening in Germany. We're going to focus now on the recent episode where you also very

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nice summarized the issuance and the developments in that space. So very, very happy that you came back. However, this episode was in German and hence we're going to somewhat repeat also in the beginning an intro into who you are, into what the digital asset monitor is also for our new English listeners. So I think we can start directly with that. So maybe you give a quick introduction, both of you starting Marion, maybe with you, who you are, what you do.

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And why do you focus on this interesting new area of tokenized securities in Germany? Yes, of course. Marianne, yeah, I'm heading the CEO Fund, Dekabank, for the wholesale business. I'm also responsible for the custody business. But really interesting part of my work is that I also responsible for the digital asset strategy of Dekabank.

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and I asked the Hohner to develop the infrastructure for tokenized assets and I really love it. That's great. And please remind our listeners if they don't know exactly what Decker Bank is. It is a big bank in Germany, but maybe foreigners don't know it exactly. Can you give an overview of what Decker Bank does? Yeah. Decker Bank is part of the German Saving Banks. We are the asset management host, but we're also doing capital markets business for saving banks.

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So whatever a saving bank needs for its own business as an institution or for its retail clients or institutional clients can be provided by Deca Bank. Benjamin, over to you. Give us a bit of background. Yeah, sure. And thank you for having us. My name is Benjamin, Benjamin Schaub. I'm a partner at Intas Tech, which is a consulting firm specializing in the strategic assessment of blockchain use cases, as well as the integration of digital assets into existing

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business models. So on the one hand side, we address crypto related issues. And on the other hand, we focus on the application of blockchain technology and capital markets, which is the subject of today's discussion. Nice. And maybe as a primer in the beginning as well, we are very happy to have you back again and also that you support the podcast because this is really needed to keep this podcast project alive. So thanks a lot for that. Now jumping

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into the content I was already alluding to, we are talking about the German tokenized securities market here and Germany is special, I would say worldwide, interesting and special because Germany has already since a couple of years, a regime regulation for, we

call it crypto securities, right? So tokenized securities, maybe you can give us a high level overview of what that is and what it enables and which

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entities are required, which licenses are required and what the developments in Germany have been over the last years in this regard. think the most important step was that we got a change in law and that the law now allows us to issue crypto securities based on blockchain technology. This was something the German government decided to

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foster the financial market development and over the period of the last two years or three years already we got the possibility to issue bonds, issue equity and to issue funds based on blockchain technology. And I think to add here because Manuel you asked for it right there's a license required and you have to obtain such a license with the

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authority which is BaFin in Germany. This means you can only provide services in this area if you are regulated. This is very important and also important is that it is open to every entity so to speak. So you don't need to be a financial institution in the first place to become a crypto securities registrar, how we call it. It's open to anyone and we can observe both in the market. So we have established financial institutions like Decabank.

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who obtain such a license, but we also see newcomers in the market, fintechs, who have obtained such a license in the last couple of years. And why is it so important that it's a regulated business? Yes, because I think it's very important for the reliance of the investor that the registrar is regulated by Buffett. So the investor can be sure that security demands are fulfilled and can trust.

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in the registrar. And I think to add from my side, what is so interesting is we're not talking about a physical security that resides under custody at a custodian that is then also represented on the blockchain, but rather the native issuance, right? As a token, where a token smart contract on a blockchain really represents the asset, the security. And we have a full regulatory framework now since a couple of years already that enables the issuance.

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but then also the transfer of these securities, right? And also the custody business of such assets. That is correct. So we have a whole chain in the meantime. Yeah, and what you have done, and this is what we want to talk about as well and have talked on the last episode as well, is you are working on a continued basis, on a semi-annual basis, on the digital asset monitor or the monitor that monitors the issuance of

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tokenized securities with a specific focus on securities that are regulated under this electronic securities regime in Germany. And you're doing that together. So Deca, Intas, but also the Frankfurt School Blockchain Center and WM Datenservice, which is a big data service provider in the financial industry in Germany. And you're bringing this digital asset monitor. You're releasing this digital asset monitor. What is it? What is this digital asset monitor? What does it contain?

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May I start with what our motivation is? Because I think when we developed that idea together with Banja, Jumin and the others, yes, we had the impression that a lot of people don't have the overview of what is happening at the moment and that the development with blockchain technology is going very fast and will be a very important thing for the future for the business, not only for us financials, but also for our customers. And for that reason, we thought,

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How can we give people an overview? How can they get in contact with crypto issues? And develop their own viewing on it. And that was the moment we decided to establish the digital asset monitor, which gives an overview over market development, how many securities are issued during the period, what transaction volume do we see.

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but also gives an overview about the development of the regulatory framework, the governance framework. Because when we started, we missed some things we thought which would be necessary to have a good ground for development for crypto business. And we also look on the use technologies. What blockchains are used for the issuance of the securities?

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people can have a really, really short overview but get all necessary information about the development. And that's exactly what I also see when I scroll through the monitor. So we will definitely include the monitor in the show notes. It's a short and very, very precise PDF, five pages long, which contains basically a very, very nice summary of what has happened over the last six months.

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with regards to the issuance of electronic or crypto securities in this regard. Benjamin, or also clearly Marion, what are the main components of the digital asset monitor? There's also an index that you calculate. Why do you calculate that index and also what has happened over the last six months with regards to this index, which is looking quite interesting. Yeah, sure. So as Marion stated in order to

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really captured the development. We developed an index where we tried to measure the activity in the market related to the number of tokenized securities, but also in regards to the issuance volume. And this is mainly the factors we are looking at. for the first half of 2025, we are observing or we observed a decline here. Why? So in terms of the number of issuances in the current period,

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This is quite active, so we see 40 issuances so far this year. However, regarding the issuance volume, we see a strong decrease from around 615 million in the second half of 2024 to now around 100 million in the first half of 2025. And this is due to the reason that at the end of last year, we had the so-called ECB trials where many transactions were executed.

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from established financial institutions. because they involved financial institutions, also the issuance volume was relatively high compared to issuances we observe currently. Currently, we see lesser known companies issuing and using blockchain technology in the capital markets, which is interesting to observe definitely. And also what we observed in the first half of 2025 is that even though

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The Basel framework is approaching with 1st January 2026. believe we will speak about that in a minute. We observed that almost exclusively all issuances are still happening on public blockchain infrastructures. And when scrolling through the monitor, this is definitely also something that pops in the eye, majority on Polygon, So public network, Avalanche, some Stellar, some...

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and then very, very few on private infrastructure. Centuryfuge is one, then this Wyatt infrastructure that is actually also co-owned by Deca, some on R3 Corda. But as you say correctly, it's Polygon, it's public blockchain that has been predominantly used. Can we maybe before jumping into that also focus a bit on the entities that have the license, so the crypto securities registrars.

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which are most active from your perspective and based on the information that you got? Yes, so when we look at that, clearly have CashLink as the most active registrar in Germany in terms of number of issuances. In terms of issuance volume, Deca Bank is leading the space. And then also in terms of issuances, we have a company called Smart Registry, for example, who is in second place.

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one can say that both mainly dominate the market here. We also have around, I would say, eight other entities who are able to obtain such a registry or to execute issuances. However, they are not too active so far. So around 12 registrars in Germany, but the action is really focusing on a few entities here. Nevertheless, also this in the first half of 2025,

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There's a new registrar coming up called Trade First Digital Assets. So it is also observable that there are still new entrants. Most of them started at the beginning of the Electronic Securities Act, but now still every few months we observe a new player. And it will be interesting to see how they differentiate from existing offerings or whether they address other asset classes, because also as Marion rightly said, we track

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development regarding bonds, fund units and shares and by far bonds are dominating the market here so it's more or less I believe 96 or 97 percent of issuance volume in the area of bonds and especially for example I would say that fund units should also be quite interesting for blockchain technology. What is also interesting is that most of the registrars are fintechs yes.

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And I think only Deca Bank is only bank having a registered license. So I wonder when the other banks will come up. That's true. That's a very interesting point to take note of. Cashlink, Smart Registry, those are non-banks that are the most active. And also Cashlink, like quite significant amounts of securities that have been issued. And again, coming back to public blockchains, Marion, I know that you also have a view on that. So what is the current

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regulatory or the future regulatory environment with regards to public blockchains and regulated banks. I mean, this is not relevant for all of the financial institutions, but there are these Basel accords. What do you think or where do you see also in Germany, the developments going into which direction with regards to public or private blockchain adoption and what are the frameworks that affect this decision? That's really interesting because

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When you ask the market, yes, everybody will tell you that the advantages of private blockchains are in view of the regulator. Because at the moment we have the situation that only private blockchains have a, let me say, governance framework which fulfills the requirements of the regulator regarding KYC, regarding the knowledge who is participating, yes, regarding to fulfill some requirements.

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requirements a participant needs to fulfill to be in line with the German laws. And then you see the development from Basel, which exactly put the finger on this point and say that private blockchains or let me say in other way public blockchains who don't have that mechanism will have capital requirements if you issue a bond.

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And this bond is then as a bank I invest in this bond, then I as investor have the higher capital requirements. So it's very important for the financial industry. Yes. Whether it's public or it's private, it's less important for the issuer. What we at the moment see that a lot of the issuance are on private blockchain. It depends on the fact that financial investor do not invest in such issuance at the moment. When we had the

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Siemens on last year, which was really high with 400 million. We saw that a lot of financial investors invested in that product. And for that reason, Siemens was on a private blockchain. And my expectation is that this will influence the development in future. And if issuance is done where you have or where you require financial investors to get it into the market, it will be done on

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And this can be seen also in the digital asset monitor pretty well, right? So 40 issuances have occurred this year. We've already discussed CashLink, Smart Registry, GFK, then as the third biggest one were the most active ones, but not necessarily high volumes of these securities, right? In comparison to what has happened last year, 300 million of Siemens, Carfee also issued, I think, 100 million, if I'm not mistaken, or 50 million.

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And these were then bought by other banks where then this high equity and capital that needs to be put against holding assets on a public blockchain becomes relevant or will become relevant when Basel will be implemented where we expect this actually, yeah, still this year or early. But this is exactly hampering the development here at the moment that we have no regulation in place for it. And everybody is waiting for the final go.

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Yeah, there's also a bit of a confusion in the market, right? I know that IOPPA, for example, also has looked into this and also proposed a different approach. Benjamin, I think you have a good overview what has been discussed in this regard. Yes, of course. So IOPPA maybe to provide some background here is the European Insurance and Occupational Pension Authority. So as the name suggests, they regulate insurance and occupational pension sectors or companies. So

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Alongside the Basel committee, have with Iopa more or less another entity making investments into tokenized capital market products, almost prohibitively expensive at the end. And we recently had the opportunity to support a large issuance of a crypto security here in Germany, where we saw firsthand how significant and relevant the topic of capital requirement is in order to attract the right investor base or institutional investors.

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at all, right? This is the key question currently. So in the coming weeks, updates can be expected from the EBA and ESMA. But clearly, to achieve further progress here in this area, it is essential to establish clarity. I believe it doesn't matter so much in which direction, but we need a clear framework. And currently, it is clearly a key obstacle in the market to observe for institutional players. And now it's not only banks through Basel, it's now also

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insurance sector. are important market player and that business. Big demand side, the buy side. Somebody has to buy those and this is I think a bridge also to the secondary market.

There were some interesting developments also in H1 this year. First of all with regards to the DLT pilot regime but then also to active secondary market transactions that were done OTC, so over the counter, so not necessarily on a

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regulated secondary marketplace. But maybe let's start with the DLT pilot regime. Is the pilot regime, as the name says, of the EU to allow regulated secondary market trading in tokenized securities that also introduces a new role, right? This TSS, this trading and settlement system, where cash and securities can be settled both, which is usually not the case because then MTFs are interacting with

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settlement systems, so SSSs, where the cash and security settlement is taking place separately. But the pilot regime introduces a license and a role that combines it. What has happened in this regard, Benjamin? And where do you see the adoption of these new marketplaces? I mean, in general, there has been little activity since the pilot regime came into force in March 2023, actually.

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However, now all eyes are on 21X, which is clearly gaining momentum. They have announced several partnerships, including stablecoin issuers, for example, to provide also a blockchain-based cash-lack settlement for tokenized securities. And now also as a first step or first issuance, they have a tokenized security that is now available, but as part of an initial primary market transaction on the 21X platform.

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That being said, active DLT-based secondary market trading, like in the meaning of the DLT pilot regime, has not yet started, but everyone is now looking at 21X. And we hope and we believe that we will see some secondary market activity here later this year. Max, all eyes on you. We hope to get 21X soon in the podcast as well to share that story. Yeah, there's high expectations.

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But maybe there's also possibility to do it without a marketplace. Marion, I think you have a good overview of what has happened this year. What has happened? Maybe first say something to Benjamin, because I think it's very important to have a secondary market. It's very important for many investors because they have rules, which oblige them that they only can invest in products which have a secondary market function.

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So, DecaBank would like to foster the secondary market function in 2025 to have good development for the future. And what happened in 2025 is that we had a secondary market transaction between KfW and DecaBank in April this year. The subject was that a blockchain-based mortgage covered bond was bought by KfW.

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and we used our existing infrastructure for the settlement of this bond. What means that KfW didn't need to invest in special blockchain related infrastructure. We offered them the complete infrastructure for the settlement. And we also saw a second transaction in June this year. Berliner Volksbank participated in a further secondary market transaction.

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involving the crypto security issued by Berlin HIP AG. And I think these are the right signs for the market. Go on with that development. Be brave, yes, and go into that asset class. Yeah, and make tokenized securities more liquid, which at the moment is, I think, also still a hurdle that needs to be taken up. Maybe a question on these secondary transactions. How was the cash lag then orchestrated?

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Was it via traditional settlement via the Target2 infrastructure or how was that done? It was done by the traditional way. Unfortunately, the trigger solution we used last year and during the ECB trials is not usable at the moment. Hopefully ECB and Bundesbank will change that soon. I think it's a perfect leeway to the next chapter that we have defined that we want to talk about, which is exactly the

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money side and you've mentioned it already a couple of times in the episode in the podcast now. Last year, mean, also when you look at the digital asset index, it spiked, right? Significantly because of the many transactions that were facilitated by this testing phase and exploratory phase of the ECB where three solutions could be tested, right? The Bundesbank trigger solution to connect blockchains to T2, to target two.

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And then there was a Bank of Italy solution to connect functions to TIPS. But then there was also this native wholesale CBDC token issuance product from Banque de France. All of the three solutions could be tested. The major use case was also the issuance and to some extent the transfer of tokenized securities, which led to the spike in the digital asset index. That has not been the case anymore this year, sadly. What's your current perception of the market?

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Is that needed? What's required? What are the next steps in this regard? I mean, it's absolutely required, right? So we observed that the growing number of market participants strongly asks for a digital payment instrument or infrastructure, including asset managers, banks, issuers. And also we observe, as you just said, currently for issuers, the case is as we don't have a solution in place, like in the ECB trials,

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they say, why should I do an insurance now and go for less? Because it is given that we need a digital railway, so to speak. And currently, financial institutions who are not involved in the ECB trials are waiting for a solution. And then I believe we will see a next wave, a next spike, also observable in the monitor. With that being said, mean, there are various options on the table currently.

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Obviously, the wholesale central bank digital currency plays a huge role and was tested successfully and is expected to be deployed hopefully next year. Then we have stable coins, which is a form of e-money tokens under MiCA. They are also already active, but they are largely being used for crypto related transactions so far or related to the crypto native ecosystem.

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And then lastly, we also have the developments of commercial bank money tokens, where I would say this remains at a more or less conceptual stage currently. Besides, think this one test that you've done with JP Morgan, Kinaxis, that was also done last year with Swiat, that was used for settlement of the security as well. But then clearly this is a bank-centric solution, right? So it's not necessarily multi-bank.

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all the investors need to hold an account with JP Morgan in order to use that. But it was the first transaction we saw on the market, settlement against the stablecoin. And Benjamin, you already mentioned the next steps of the ECB. Marion, do you have an overview on what is now being discussed and what the timeline is on the ECB solutions or the Euro system solutions? I'm very thankful that ECB announced that is Chica solution.

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will be available in the meantime. Yes, regarding CBTC implementation, as Benjamin said in 2026, expected, they have to build up the infrastructure and having the experience of building up infrastructure within Decabank, I know this is sometimes very difficult. Hopefully, ECB will meet the timeline, but I think it's ambitious.

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I think the timeline is for Q3 next year to provide a solution that ultimately combines all the three solutions that have been tested last year and important to say that can also be tested as from now going forward. So they said basically as from now because they also expect that after this pilot phase, which they call Pontus, which will spend until 2028, I think, and they expect that also after that there will be a long-term solution.

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So you can basically say that as of now, transactions can always be settled in central bank money on a blockchain, right? Which is very, very positive. But yeah, until it is provided as per the pilot, which is then this consolidated solution where you have one gateway and can reach basically out to all of the three solutions, Banque de France, Bundesbank and Bank of Italy, you can still test the existing solutions that have been tested last year.

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after going through a short application phase? When you look to the trigger solution, yes, there's one fact. You can only use it if you have a Tug-of-2 connection. And not every market participant who will be active in the crypto business will have a Tug-of-2 connection. So having interoperability with platforms is open for

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every market participant would be the better way. Yeah, I think this is where tips eventually could be used. mean, the target too clearly is only for banks. And I think this was also the case last year where banks were the gatekeepers to all those trials, obviously, which then involves them even further on the blockchain. This is why we also saw the big

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issuances and focus on private chains then. it all comes together. But I was really happy to see how many market participants use the ECB trials to get experience. Absolutely. Great. Yeah. So I think that is a good outlook on next year at least, but also honestly in the interim months because we or the market in general in Europe can also use those other

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solutions as from now that has been tested last year or that have been tested last year. But what are your projections, maybe to summarize, for 2025 and 2026 on the digital asset market, especially on tokenized securities market in Germany under this new electronic securities regime? I see a positive development as we see infrastructure is building up. see secondary market facilities are built up. Yes.

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And as I said before, lot of Marduket participants use ECB trails, so they take crypto assets for serious. And also we see that the government and the European institutions get active in that market. I think the development is going to the right direction and we should use that momentum for the future.

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Yeah, I agree. what Marion said, we have built significant knowledge across Europe, essentially, across a large number of participants within different roles in capital markets. I believe we are leading here because so many participants were involved in the ECB trials. We have seen different asset classes so far. However, we now must really come from, let's say, theory to practice. So I'm...

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I'm really thankful that the ECB now announced their timeline. Marion said it's ambitious and I of course agree here. But now at least the market participants can build towards this timeline, which I think is also helpful and as we stressed before, for me the capital requirements topic is just a huge one. And I really hope that regulators, be it ESMA, EBA,

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or Basel committee provide further guidelines on how to tackle the capital requirement topic. I'm not too much into should it be public or permissioned, but it needs clear guidelines so that financial institutions can build and then really apply capital requirements, whatever they may be. So for me, this is one of the key hurdles. If we can overcome this and have a clear stance here, I still believe we haven't...

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advantage compared to other jurisdictions in the world regarding the tokenization of securities. But we need to speed up not to get overhauled. Yeah, I think this is also something that we discussed in our pre-briefing, right? So the USA with the Genius Act, I mean, it's really focusing on stablecoins at the moment, right? So there's nothing comparable to the electronic securities regime that we have. I mean, they have the Clarity Act as well, which goes a bit into this direction. But I think I would

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Totally agree, Germany, but Europe in general has good frameworks and we really need to deliver now on these new frameworks to showcase the benefit of this new technology in order not to be overtaken again by the US, which is heavily investing now in this new infrastructure. All right, yeah, so we've come full circle basically to give an overview. First of all, obviously who you are, what you focus on, but then also

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what is happening in Germany and why you built this digital asset monitor that provides really a fantastic overview of the market in general, of what has happened ever since the electronic securities regime has been implemented, but then also over the last six months, first half of 2025. I would love to have you back for a renewed discussion, maybe later this year or next year, latest, for how the whole development

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continues here in Germany also with regards to the now available cash settlement solutions again. So thanks a lot for participating and also providing your views and support. It was a pleasure as last time. Thank you Manuel. Looking forward to the next time. Bye bye. Bye bye.