

Reimagine Securities Financing Services

As digital and tokenized assets grow, so too does the opportunity to provide digital services for securities lending, repo, collateral, and margin management

Operating process limitations and decades old systems hinder the ability to use tokenized assets in securities financing

While securities financing enhances liquidity and efficiency to markets, it also involves a complex network of inconsistent and siloed infrastructure across counterparties, intermediaries, market protocols, and risk management strategies.

Additionally, most legacy systems underpinning securities financing services are decades old with operating costs and risk issues, all of which cannot handle new, emerging digital assets and services. For example, a typical securities financing transaction involves seven to eight entities, all of which have different systems and data that require constant reconciliation. Additional pain points include:

- **Risk**, given the potential for delivery fails or default throughout the chain. Settlement risk, due to different time zones and market cut-offs, creates a need for additional margin or collateral and for indemnification.
- **Inefficiencies**, with multi-step, sequential, and chronological processes that cause delays and friction.
- **Multiple data sources**, used across different systems and platforms, require constant validation and reconciliation.
- **Inventory management** is difficult, as borrowers can't see what's available and lenders can't identify what's in demand.
- **Low profit margins and high capital costs**. Narrow loan fees make it uneconomical to provide certain services. High capital charges for agent lenders arise from the need to indemnify the UBO against borrower default. Inflated margin on clearing and collateral stems from settlement risk.

Trends in securities financing

The full demand of securities borrowing is limited with the current technology since only 10% of lendable securities are on loan¹

Securities lending is a \$2.6 trillion industry and plays an important role in the smooth functioning of capital markets²

Market participants often hold the same type of assets across several custodians.³



Opportunity to reimagine securities financing services as a digital ecosystem of interconnected products and services

As more financial institutions grow their digital and tokenized asset products and solutions, securities financing services that support these new asset classes will offer reuse and incremental yield. Meeting the full demand of securities borrowing is limited with the current technology since only 10% of lendable securities are on loan.⁴

“This is a once-in-a-generation opportunity to rethink the use of resources in securities finance. EquiLend and 1Source will result in extraordinary savings industry-wide through technological efficiencies and the opportunity to redeploy human capital into more productive and profitable workstreams.”

Brian Lamb, Chief Executive Officer, EquiLend

Digital Asset

Digital Asset's core technology automates loan and counterparty terms while increasing collateral mobility with imbedded controls in the transaction flow

With Digital Asset's Daml smart contracts and privacy-enabled Canton blockchain, market participants are able to achieve greater efficiency and cost reduction across securities finance lifecycle events

Digital Asset's core technology, Daml, is a unique smart contract language platform for building multi-party applications. By extracting and simplifying business processes, Daml makes data accessible and optimizes workflows using smart contracts. Applications built by Daml lower operating costs for providers and market participants by replacing manual and slow STP processes with automated workflows and consistent standards. The platform also creates an environment where new asset types can be used for collateral through its asset tokenization framework and enables atomic settlement through its locking mechanisms and rights / obligations model for transactions.

Additional benefits for securities financing include:



Flexible trade types and terms. Daml automates loan and counterparty terms at the ultimate beneficial owner and borrower level, resulting in lower costs and more rapid loan structuring.



Improve collateral mobility. Daml increases allocation and reuse through its tokenization model as well as unlocks unused and unallocated collateral across jurisdictions with digital transfer and real-time settlement.



Streamline control and compliance. Daml enables complete legal certaining through the smart contract code where terms of ownership are clearly defined with imbedded controls into the entire transaction flow (i.e., loan and cash reinvestment guidelines, compliance and other controls).

Digital Asset customers are delivering the single source of truth for securities finance lifecycle events

EquiLend 1Source

EquiLend's 1Source platform will create a golden source for trade terms and agreements between all parties, eliminating reconciliation breaks and resultant settlement failures

- Traders spend up to 10% of their time addressing trade and reconciliation breaks, and only 10% of demand is being met for loans, due to legacy system limitations; however, with 1Source, trade decisions will be based on accurate contract terms and golden source reference data, and enable faster settlement times.
- 1Source ensures fewer errors and disputes due to the removal of accrual errors removes the potential for losses based on misinformation.
- The platform reduces fees as there is no longer a need to utilize third-party comparison services to resolve disputes and enhances productivity with traders who spend less time resolving reconciliation breaks and reacting to settlement fails.

“EquiLend's 1Source initiative represents a once-in-a-generation opportunity to propel the industry forward with an innovative new approach to lifecycle management. By leveraging Daml and Canton from the distributed ledger experts at Digital Asset alongside our deep experience and network in the securities finance industry, we are confident that the 1Source initiative will result in a modernized new securities finance industry.”

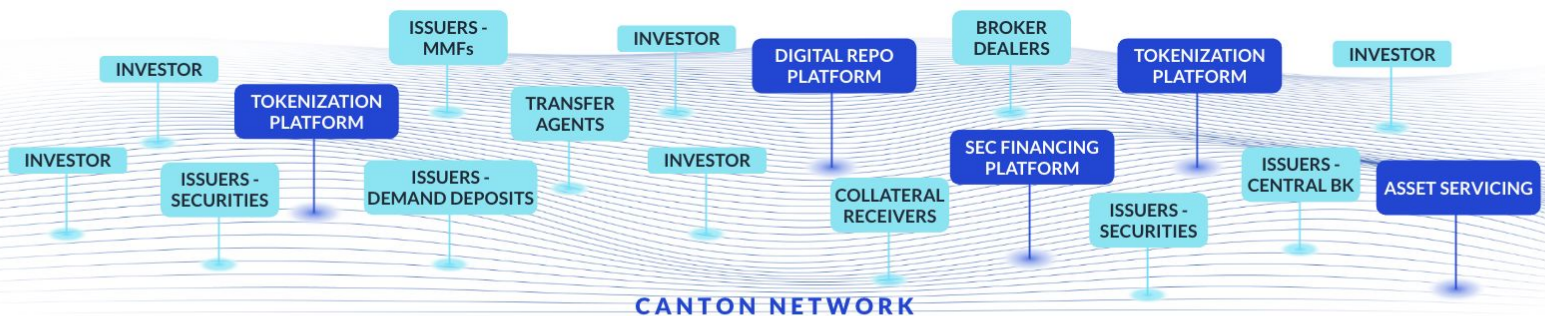
- Ken DiGiglio, Chief Information Officer, EquiLend

Digital Asset

A phased implementation approach to ensure successful delivery

- **Phase One**
 - Establish a foundation for a digital infrastructure with Daml and Canton
 - Create or integrate into a Primary Record System, shared across the new digital platform and legacy platform
 - Create digital data models with initial Daml and connect to your existing Customer Portal and Reporting processes
- **Phase Two**
 - Incrementally build Daml App functionality in the digital infrastructure
 - Retain legacy systems in parallel to leverage integrations and permit 3rd Party Daml Apps to connect to the network
- **Phase Three**
 - Daml and Canton Ledger becomes the distributed ledger record; retire legacy functionality
 - Allow customers and regulators to take Participant Nodes

Join a growing digital ecosystem of global market participants



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| <p>Investors</p> <ul style="list-style-type: none"> ● Invest in tokenized security <p>Issuers - Securities</p> <ul style="list-style-type: none"> ● Issue tokenized securities ● SEC registration ● Licenses Canton Participant Node | <p>Issuers - Cash</p> <ul style="list-style-type: none"> ● Issue tokenized demand deposits ● Maintains FRB or other CB reserves ● Issue tokenized money mkt funds ● SEC registration <p>Tokenization Platform</p> <ul style="list-style-type: none"> ● Provide digital issuance functionality and services ● License Canton Domain Node | <p>Repo Processing</p> <ul style="list-style-type: none"> ● Provide digital repo processing ● License Canton Domain Node <p>Sec Lending Svcs</p> <ul style="list-style-type: none"> ● Provides digital sec lending and collateral management services ● License Canton Domain Node | <p>Collateral Mgmt Services</p> <ul style="list-style-type: none"> ● Provides digital collateral management services ● License Canton Domain Node <p>Asset Servicers</p> <ul style="list-style-type: none"> ● Includes Custodians ● Provides digital post-trade asset services ● Licenses Canton Domain Node |
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Digital Asset

Digital Asset is an enterprise software company that modernizes legacy financial systems with Daml, our smart contract language, and Canton, our privacy-enabled blockchain platform. Together, this platform powers cutting-edge smart contracts and blockchain solutions, helping customers unlock new networks of value with sophisticated applications. Leading financial services, insurance, and healthcare organizations are partnering with Digital Asset to create new, multi-party solutions that transform disparate silos into synchronized networks.

Learn more and view additional case studies at digitalasset.com, or



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