**HL INFLUENCERS:**
**DIGITAL TRANSFORMATION**
TRANSCRIPT
**SONIA CHAWLA**, SCHRODERS// **STEFANO DALLAVALLE,** R3
**MAX BOONEN**, PV01// **LAWRENCE WINTERMEYER**, GDF

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**Part 1:** Sonia Chawla, Head of Legal, Investment Transactions, Schroders, and Michael Thomas

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| | Welcome back to part 3 of the Hogan Lovells GDF Digital Asset Summit. Hope you're enjoying the day, lots more to come. |
| MICHAEL THOMAS | For the benefit of the audience, I'm joined here today by Sonia Chawla, Head of Legal for Investment Transactions at Schroders. Thank you for joining me, Sonia. |
| SONIA CHAWLA | Thank you for having me. |
| MICHAEL THOMAS | So why don't we start by you telling me a bit about yourself and your role? |
| SONIA CHAWLA | I head up the Global Investment Transactions Team at Schroders, which means any trading done by Schroders in any products in any jurisdiction is covered by my team. |
| MICHAEL THOMAS | What do you see as the opportunities for the financial industry when it comes to adopting digital assets? |
| SONIA CHAWLA | There are so many efficiencies that can be made. Operational efficiency is probably the biggest one and one of the things that we're looking at currently is to use money market funds to assist with liquidity. As we all saw with the pain of the guilt crisis, we were scrambling around trying to ensure that the money market funds will be able to use for liquidity purposes and there was like a T+1, T+2 delay on those. And if we can use DLT platforms, blockchains to support money market funds, we think that will go down to T+0. That would not only assist with speeding up operational efficiencies, but it would also assist with the cost efficiencies for our underlying clients. That's the biggest thing that we can do right now. |
| MICHAEL THOMAS | So, speed, efficiency and cost are the keys benefits. By contrast, what do you think are the challenges that still need to be addressed to enable this to really happen? |
| SONIA CHAWLA | There are a few challenges. There are certainly issues around the brokers that are still building out their platforms, many of them still in proof of concept. We're having a lot of conversations with them and we are testing a lot of platforms and we are still having hindrances. With one of the platforms we tested, particularly for the money market fund, there was an issue with the fact that the underlying fund had repos and |

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| | there was an issue with the regulators on the other side with the US regulators. This was the US Institution, so that had to be shelved. That's the biggest challenge we're having at the moment - the coordination of those regulators globally; cross-border issues are a huge impediment, as well as the cost. These banks are building out these platforms and their side of the desk at the moment as well as the buy-side as well, we are testing all of these platforms and they take a huge amount of time and resource. |
| MICHAEL THOMAS | I think that's a consistent message we're getting from across a number of different people, you know, the regulators, different approaches, uncertainties, it adds to the cost and time and uncertainty but then these are things that can all be fixed. |
| SONIA CHAWLA | Yes. So, we're working with the Monetary Authority of Singapore, as part of Project Guardian, which I'm sure you're familiar with, and there are now a number of regulators that have joined that particular project. We're spearheading and chairing the Asset Management Association Task Force. The reason that particular task force is important is because we are working across the globe with regulators, including the FCA, to assist with cross-border issues. And I think the regulators really need to be aligned on these issues. We can't have these silos. The US can't be these outliers of not really wanting to come to the table to have these conversations, whereas Europe, certainly APAC, Dubai are spearheading some of these conversations and putting in place these regulations and talking to the players in the market to find out what the hindrances are and how can we overcome them. |
| MICHAEL THOMAS | I think that's a good message to end on, really. I think the regulators need to look at this podcast and the other messages that we've been talking about. Thank you very much for coming in and talking to us today, and thank you very much for supporting our digital assets summit. |
| SONIA CHAWLA | Thank you, Michael. |

**Part 2:** Stefano Dallavalle, Head of Product, R3, and John Salmon (04:17)

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| JOHN SALMON | I'm delighted to have Stefano here from R3. Stefano, do you want to introduce yourself and tell us what you do? |
| STEFANO DALLAVALLE | Hi. Yes. Good to meet you. My name is Stefano. I'm head of product at R3. Previously coming from more of a traditional financial background. I spent a few years at MarketAxess, building out their fixed income trading platforms and then more recently their multi-assets EMS, a flex trade, before moving into the exciting world of digital finance, R3. |
| JOHN SALMON | It's great to have you here and thank you very much for taking part in our podcast and more importantly our Digital Assets Summit. So, Stefano, what do you see as the kind of key opportunities in digital assets right now? |

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| STEFANO DALLAVALLE | Yeah, I think there's lots of opportunities for digital assets right now in financial markets, data management, capabilities, post-rate processing, reduced counterparty risk, enhanced collateral management, but perhaps the most important one at the moment for DLT, is the huge cost reduction for financial firms.<br><br>Taking settlement, as an example, DTCC recently announced that just with a global failure rate of just 2% of trades, results in costs and losses up to $3 billion, which is quite significant. So, DLT that enables atomic settlement 24 hours a day, seven days a week. Not saying that we're there yet and that's the kind of the golden bullet, but that's definitely the capability. More recently, in June this year, Fnality and HQLAx completed the first end-to-end test trade of an intraday repo. Not only did that show atomic settlement, but it also showed interoperability between an Ethereum-based network of the cash and Fnality, but also with HQLAx which is a Corda-based system as well.<br><br>So, you know, we're making strides in the right direction, but definitely the cost reduction is a big one.<br><br>Also, a lesser explored application of DLT is around the fulfilling regulatory and compliance obligations. The financial industry recently estimated a spend of around $180 billion per year on financial crime compliance and regulation, with 66% of payments executives saying that this is a real kind of issue that they want to tackle. You know, by improving the data and transparency of that data on the DLT ledger, it can really improve the reporting and oversight of what's going on in the markets for sure. |
| JOHN SALMON | What do you see is the flip side then Stefano, what do you see as the kind of key challenges then for this adoption. |
| STEFANO DALLAVALLE | Yeah, I'd say there are really a few things. There's industry adoption, there's regulation and there's also interoperability. If we start with industry adoption, as with any technological advancement, these things take time. Migrating systems in some of the largest financial institutions are career defining moments for some people, and taking that leap is definitely something that we're seeing in some of the FMIs right now but it's not an all or nothing, right? It's a phased approach. It's starting small or starting in certain areas realizing those benefits, but more importantly showing those benefits to their clients and not necessarily starting the conversation with DLT, but starting with the real benefits and cost savings that its delivering to their customers.<br><br>If we think about regulation a little bit as well, regulation also goes hand in hand with adoption. I think financial institutions really require that regulatory clarity on what they're doing before they embark on these digital transformations. We're seeing at the moment there are frameworks such as the UK Digital Securities Sandbox, which is an opportunity for regulators and industry participants to explore how existing securities are traded and settled and how that might apply in a digital world. But also something that R3 have been heavily involved in is around the Project Ammonia, which is a Hyperledger Lab initiative and that's really about setting the standards for interoperability and the standards for atomic settlement |

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| | and working with regulators, working with other technology providers and financial institutions to really drive that piece forward as part of the regulation piece.<br><br>Finally, I'd also say that interoperability is another really important topic. There's a common misconception that industry participants need to choose either a public permissionless network or a so-called ‘private-permissioned’ network. Some firms really feel the safest way is to wait and see which technology prevails. From an R3 perspective, which are perceived as a private network, right, and really, historically there has been that perception that there's a barrier there, we're really working on being interoperable and getting that message out there that actually it doesn't really matter which technology you choose, it's making sure you choose the right technology for the right use case in the right application. |
| JOHN SALMON | And understanding the risk of using that technology and whether it's the right one depending on what your data is and the use case and all of those things. |
| STEFANO DALLAVALLE | Absolutely and across the globe as well as regulations emerge, they will play into the different technologies, but I do think having a fully interoperable system, it really doesn't matter then which is which. Whatever the firm is more comfortable in choosing, they can choose knowing with comfort that if their asset is on a private network, or a better example would be if their cash is on a private network, then the assets can be on a public network and that's completely fine. You know, there's interoperability there, there's atomic settlement there and the ecosystem worked as a whole to move this forward. |
| JOHN SALMON | Thank you very much, Stefano. I really appreciate you coming on and sharing your insights with me. Very interesting. |
| STEFANO DALLAVALLE | Thank you very much. |

**Part 3:** Max Boonen, CEO, PV01, and Bryony Widdup (09:10)

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| BRYONY WIDDUP | Thank you so much, Max, for joining us. |
| MAX BOONEN | Thank you for having me. My name is Max Boonen. I run a small startup called PV01. What we do is we put bonds on the blockchain. We take government bonds, we transform them into tokens that are transferable on public blockchains. Prior to that, I created a company called B2C2 that's become now the biggest dealer in the crypto market. So, I've been in the space for about 11 years now. |
| BRYONY WIDDUP | Obviously you were an adopter, you're on that digital asset side and you've clearly been in this space for a long time. So can you tell us about the opportunities for the financial industry as a whole, when it comes to adopting digital assets? |

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| MAX BOONEN | I've never been on the blockchain-but-not-bitcoin bandwagon. I never thought that blockchain was going to be very useful for financial services. At the same time, I wasn't a very big believer in bitcoin. I come from a more traditional background and a bit of a square, and I used to be an interest rate trader at Goldman Sachs. So, I left my job because I thought it was something to do in the bitcoin market, but I didn't think it was going to be so big as it is now.<br><br>And so, I think the opportunities actually sit somewhat outside of traditional finance. I think there's lots to do when it comes to crypto and digital assets with freedom, the ability to do what you want with your assets without having to rely on intermediaries, but also in some contexts outside of the government.<br><br>I think that can be transformative. I warmed up to that idea because I didn't think this way before, but I think 11 years on and bitcoin must be, what, 15 years old now, I'm forced to admit that the bitcoin market has grown much bigger than I anticipated and at the same time, the application of blockchain technology in traditional finance hasn't really taken off. However, there is now a thriving ecosystem, often called decentralized finance, which has made use of those technologies in ways that often times are quite positive. |
| BRYONY WIDDUP | I agree and it's interesting to think about maybe that division ultimately does DeFi become the main financial services provider space, I mean, not obviously not a singular thing. Is there a way that traditional financial institutions ultimately are pushed to adopt that and what kind of creates that?  Is there a bridge eventually or does it just break further, diverge further apart? |
| MAX BOONEN | The good thing is that you're a lawyer and a good one at that, and there will always be work for lawyers in whatever form the future will take. I think actually that lawyers have been quite important in this whole journey because we rely quite a bit on contracts, whereas a lot of financial markets rely on like public law, how we've been innovative in crypto has often relied on contracts, and we found that regulation has been more of an impediment often times to the development of the crypto market because we have a technology that doesn't really require regulation, but we're trying to fit in a framework that predates the emergence of digital assets.<br><br>At the same time, especially in common law countries, the law gives you a lot of flexibility in terms of what you can do, and I think that some of the most positive outcomes on the legal and regulatory front have actually been through the courts. There were several lawsuits that made precedent regarding whether for example bitcoin is property and things like that, and so I find that we've relied a lot more on that rather than the benevolence and the guidance of regulators for the development of our markets.<br><br>So, I think that's going to remain the case for a long time. Even when regulation is seen as being a little bit more positive, such as MiCA (Markets in Crypto Assets Regulation) in Europe, I think Europe is strangely seen as being at the forefront of financial innovation (and I find it a bit surprising that Europe would be at the forefront of anything technology wise) but we'll find I think that as good as the regulation can |

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| | be, the lead, the cutting edge of innovation is probably still going to happen outside of regulatory pathways. |
| BRYONY WIDDUP | Yeah, I think we've seen that too, that you can frame these regulations, but actually a lot of the activity just continues to go on outside of it like it's not even necessary. There's a lot of enthusiasm, for example, around sandboxes and around projects being developed inside sandboxes. But at the same time, projects like yours, for example, have been done completely outside of that context and I think there's a definite understanding that large projects can still, will still continue and will grow outside of that regulatory environment and the sandbox environment. |
| MAX BOONEN | Yes, we just went and got a bog-standard broker dealer license. |
| BRYONY WIDDUP | So, kind of additional special regulation ultimately was unnecessary. It's really interesting dynamics, I think.<br><br>Obviously, you've talked about regulatory constraints and if you try to operate within the regulatory sphere, some of the older approaches maybe end up constraining some of the innovative potential of the new technologies. Is there anything else that you'd identify as a key sort of challenge to maybe, you know, broader adoption, you know what's a key challenge to growing your customer base, for example? |
| MAX BOONEN | Adoption broadly defined, I think one of the difficulties is that it's not so easy to interact with the technology. If you're a millennial, it's not so difficult to create a Metamask wallet and things like that, you buy a little hardware wallet, but if you're outside of those tech savvy generations, I think it's a little bit more difficult. We're getting there. The problem is really that of identity and credentials, because your identity on the blockchain is your private key. If it gets stolen, it's a big problem. If you lose it, it's also a big problem. Recovery mechanisms and things like that by definition are a tradeoff: either it's very secure and it can be recovered, or it's not so secure if it can be recovered in case of emergency. So that's tricky. That's now more broadly defined, right? When it comes to financial institutions, there's regulation of course that's slowing things down, but I think also cultural inertia. |
| BRYONY WIDDUP | That's something that we've heard as well, that idea, that mindset shift is actually a real key here. We can talk about the technology and we can talk about regulators and we can talk about maybe budgets, that would be another thing as well that people regularly bring up, but actually at the heart of a lot of barriers is the need for a real mindset shift and perhaps in a company like yours, when you're a startup and you're digitally native, essentially a company you're not coming at it from the perspective of having the historical, cultural restraints or restrictions around innovation. I just think it's really interesting factor for people who are in innovation hubs or the innovation section of a large institution. So, they're in the innovation job, but they're inside. |
| MAX BOONEN | If you're a startup and, you know, you do well, you do well. If you blow up, you blowup. No one really cares. You're able to take a lot more risk when you're in that configuration. |

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| BRYONY WIDDUP | Yeah, really fascinating dynamics. Max, thank you so much for joining us here and for taking the time to do the podcast and for all of your great contributions. It's great to spend the time with you. |

**Part 4:** Lawrence Wintermeyer, Executive Co-Chair, Global Digital Finance, GDF, and John Salmon (16:45)

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| JOHN SALMON | Thank you very much everyone for listening today. We've had I think a really successful Digital Asset Summit at Hogan Lovells with our partners GDF as always. I think it's been a really successful day. I think we've talked a lot about institutional adoption and the path forward, the opportunities and the risks. What struck me most of all is that I think there is real appetite to move from the proof of concepts that, frankly, we're all a bit bored with, into all of this just being business as usual. Lawrence, what are your observations from today? |
| LAWRENCE WINTERMEYER | Well, I think that's exactly where we are in the institutional ecosystem, John. Last year the big mantra going into 2024 was 'from POC to production'. Particularly, we're looking at everything from fixed income repos and some of the more vanilla money market fund ETFs. I think in a world where the innovation theater is on its knees thanks to inflation, free money is not around, and the proliferation and diversity of technology and innovation, which is great, the use cases are emerging and we're getting a convergence: we're getting a convergence of platform of protocols, we're getting a convergence around which products are important to either consumers or institutional investors and we're getting a degree of convergence on which of these token islands need to speak to each other to make it easier for investors or brokers or custodians or anyone in the value chain to 'interoperate better' – I think better is the term I would use. Absolutely, and I think that's probably one of the biggest themes going into 2025. It's the end of a lot of the innovation experiments around the fringes and now really trying to transform this and monetize it into production applications. |
| JOHN SALMON | I think that's two really good points, Lawrence. One is that interoperability is key and people that can really get to grips with that are going to succeed. The other is, we heard this a lot today. I think people are pretty focused on what is going to really move the dial for them – that use case point – and I think where success is going to take place. |
| LAWRENCE WINTERMEYER | Well, I think you're right, and the most important thing about that level of innovation breaking through, and this is where we need innovation to carry on and it's carrying on not just outside of the four walls of big institutions, as it has Fintech since you and I have known each other, a lot of it's now going on inside the four walls of institutions and with their extended supply chains and partners. So, I think the CAP markets or the B2B Fintech space has just probably blossomed in the past five or six years since you and I have been working in this space. |

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| | But to your point, the volume and diversity across the planet, from New York to London, Paris, Brussels, not many of us in Brussels, but Germany, Frankfurt, Middle East, right through to Asia. What we're not doing is particularly discriminating on what sort of innovations we're going to see come out of it. That's just flowing and I think that's important because there are a lot of you know product categories or applications particularly around either you know liquidity or collateralization that many people won't see that are breaking through, which are hugely important to the greater efficiency of financial services and ultimately do benefit retail consumers. We're changing the plumbing. It's just a pretty boring topic most people aren't interested in and you know, boy, you wake up one day and then, you start to see the benefits flowing through right through the consumer. So, I think that's the era that we're in and those are the sort of things we're going to see over the next 36 to 60 months. |
| JOHN SALMON | That's a great point. Well, thank you, Lawrence, and thanks as ever to GDF for their fantastic support and that we really value that partnership with you guys, and thanks everyone again for listening. See you next time. |