

# Digitization of KfW Funding

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# Digitization and Innovation at KfW Financial Markets



**KfW is one of the largest and most active issuers** of bonds and short-term debt instruments and one of the most intensive users of **cross-currency swaps**



**Efficient processes** and a **high degree of automation** in the **issuance** of securities are of strategic interest to KfW and its stakeholders



KfW is pursuing **different digitization and innovation initiatives** to drive the implementation of pilot projects, gain experience, learn lessons, and **support the development of the overall market**



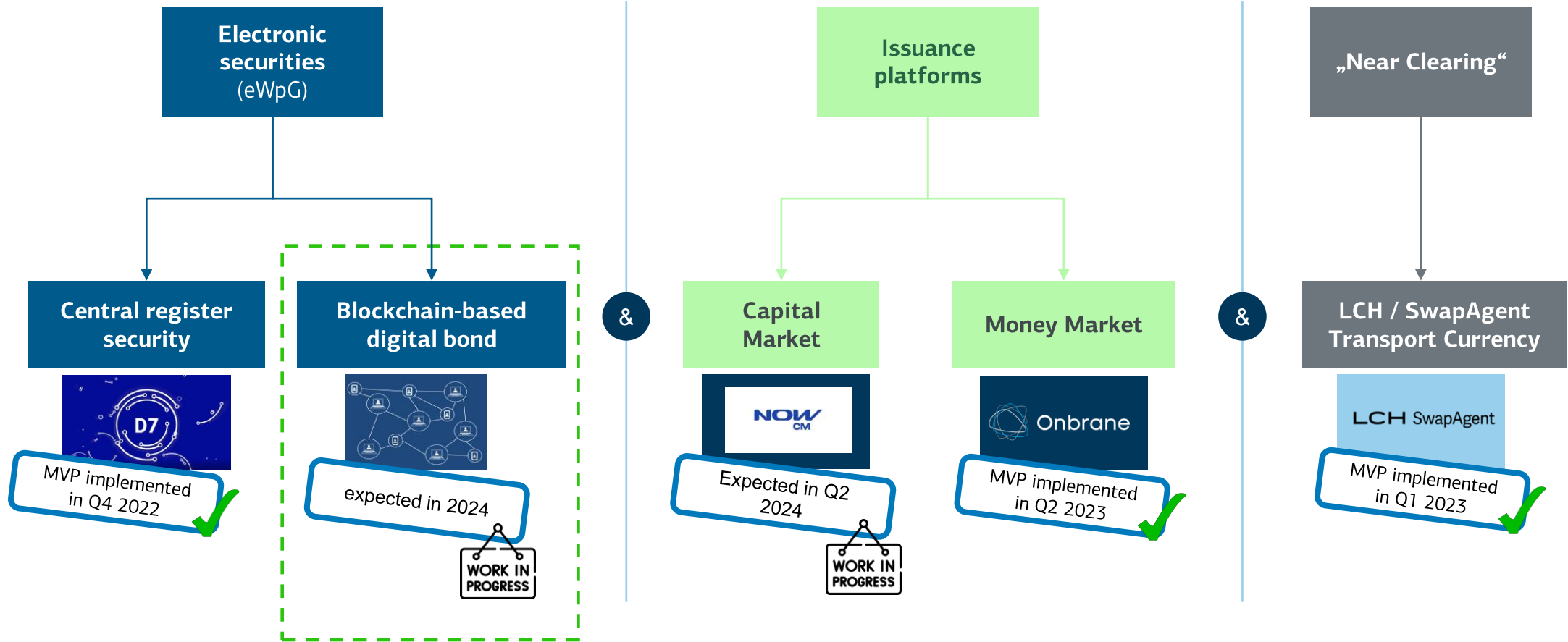
Different digitization initiatives **focus on different strands of the overall issuance process** and provide a solution for every step of the issuance process



**Overall strategic goals:** Increasing the **efficiency** of processes, lowering **costs**, achieving a high degree of **automation**

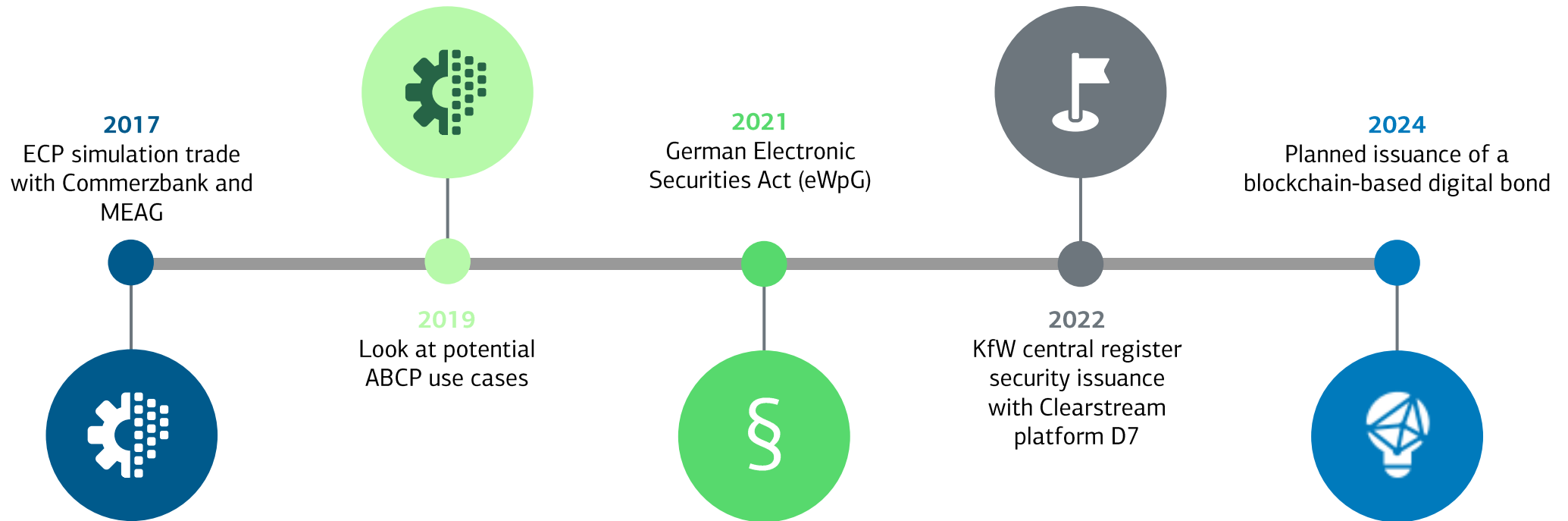
# Digitization and Innovation Initiatives at KfW Treasury

Multitrack approach on the way to straight-through-processing (STP)



# KfW and Tokenization

## KfW milestones and decisive market developments



# Digital bond issuance of KfW

Use case enables learning journey for end-to-end view of the issuance process on DLT

## Use case motivation

- **Learning journey** for end-to-end view of the issuance process on DLT
- Strengthening of the **European financial market** and **European capital markets union**
- Currently high **dynamics in the field of tokenization efforts** on the international money and capital markets, e. g. EIB, Siemens, World Bank
- Use case strengthens KfW's role as **innovation hub** and **enabler**
- Use case with **clear contribution to KfW group strategy**, in particular "Digitalization and Innovation" sector
- Opportunity to **develop scalable solutions** through current regulatory framework, possibly EU DLT pilot regime



## KfW use case

- Testing of the possibility of issuing a **tokenized bond** in the form of a **crypto security** compliant to the **German Electronic Securities Act**
- Conceptualizing the potential bond issuance together with a **dealer/bookrunner consortium** (KfW → dealer/bookrunner → investors)
- Accompaniment of the bond issuance with **workshops/learning sessions** to reach out to several parties and, in addition, give investors the best chance to participate
- **Exploration of new parties and roles** involved and how they could be integrated into the existing KfW landscape, e. g.
  - crypto securities registrar („Kryptowertpapierregisterführer“)
  - crypto custodian
  - usage of smart contracts
  - potentially new trading venues → secondary market liquidity
  - participating in the DLT network, e. g. running own nodes