

Deal News

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GSK Stockmann advised on the first real blockchain securities transaction

In mid-January 2019, GSK Stockmann advised on Germany's first-ever issuance of securities originally carried out as a blockchain transaction. Commerzbank AG, Continental AG and Siemens AG were involved in the transaction.

It was the first pilot project in Germany for a money market security transaction between companies carried out as a blockchain transaction; Continental AG acted as the issuer, Commerzbank AG as blockchain operator, e-money issuer and arranger, and Siemens AG as investor. The Commercial Papers ("DLT-ECP") denominated in euros with a volume of EUR 100,000 and a maturity of three days were issued digitally in accordance with Luxembourg law and electronically signed, sold and settled.

For the first time, the cash leg of such a transaction was also processed directly on the blockchain using e-money. Commerzbank AG's research and development unit, Main Incubator, provided the Corda-based blockchain platform for this purpose. This DLT-ECP transaction is an important step towards the technical scaling of automated securities issues.

This was the first time that a money market security transaction was completely dematerialized and yet carried out in a way that is legally binding. As a result, the transaction was carried out much faster and more efficiently than before. This was made possible, among other things, by a security that was fully represented in the blockchain platform. The purchase price in euros used to purchase the money market security was previously converted into electronic cash in order to be able to process the payment exclusively on the blockchain platform. The blockchain technology made it possible to represent all claims digitally and in a way that is legally binding. This also facilitated immediately determining the value date and real-time processing.

In order to represent the security trading directly and digitally in a step-by-step transaction (so-called "delivery vs. payment"), the e-money was made available digitally via the blockchain so that the companies could trade the security directly for e-money. The exchange of documentation and money could thus be carried out in minutes instead of days – without a bank as intermediary.

GSK Stockmann advised on this innovative transaction across locations and countries. The transaction was managed by the Frankfurt capital markets law team led by Peter Scherer. The Munich office played a leading role in the e-money legal side of the transaction. GSK Stockmann's Luxembourg office was closely involved in the creation of the digital security under Luxembourg law.

Thanks to GSK Stockmann's expertise in blockchain-based securities trading and on e-money issues as well as due to its location in Luxembourg, the firm was able to successfully advise on all legal aspects of this legally highly innovative transaction.

For further information on this transaction, the press release issued by the parties involved on February 21, 2019, may be found here:

https://www.commerzbank.com/de/hauptnavigation/presse/pressemitteilungen/archiv/1/2019/quartal_19_01/presse_archiv_detail_19_01_79242.html

Adviser of Commerzbank, Continental AG und Siemens AG:

GSK Stockmann: Peter Scherer (†, lead), Dr. Timo Bernau, Andreas Heinzmann, Dr. Markus Escher (all banking and capital markets law, financial supervisory law); Associates: Dr. Johannes Blassl, Valerio Scollo and Franzisca Stuckenberg (all banking and capital markets law, financial supervisory law).

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