



Press Release

BAI welcomes draft law on the introduction of electronic securities

- E-securities are a pragmatic and legally sound approach to the digitisation of the capital market in Germany;
- Scope initially limited to bearer bonds; generic extension to shares and fund units is both in prospect and necessary;
- Block-chain-based crypto securities registers will be used alongside traditional securities registers in the future.

Bonn, August 11, 2020. The **Bundesverband Alternative Investments e.V. (BAI)**, the central representative of the alternative investments industry in Germany, welcomes the draft law on the introduction of electronic securities presented by the Federal Ministry of Justice and Consumer Protection together with the Federal Ministry of Finance yesterday.

The draft bill picks up where the two ministries left off in the spring of 2019 with their joint key points paper on electronic securities and crypto-tokens and was highly anticipated. The BAI had repeatedly called for the modernisation of German securities law and related supervisory law in order to strengthen Germany's position as a financial and economic centre.

For BAI Managing Director **Frank Dornseifer**, the draft bill is one of the most important levers for the digitisation of the capital market in Germany: "The dematerialisation of securities was long overdue in Germany. With the e-securities and the electronic securities register, a digital path is now being taken which takes into account not only new technologies, in particular block chain technology, but also provides a pragmatic and legally secure approach for markets, transactions and users".

A central element of the draft is primarily the admission of digital securities, to which the paper-based deed requirement no longer applies. In the future, issuers will be able to choose between digital and traditional securities and existing securities will also be able to be transferred into digital form. This may, for example, be achieved using block chain technology, but is not limited to these means. The issuance will be carried out via electronic securities registers, which can remain in the form of a central register, but also as so-called crypto securities registers. A particular feature in this

context is that these registers need not to be maintained by Clearstream. Additionally, they can be maintained by the issuers themselves - for their own securities - provided that a corresponding authorisation has been granted by BaFin.

Frank Dornseifer further commented on the matter as follows: "The approach proposed in the draft pragmatically links forward-looking technology with the long-standing legal and regulatory framework for securities. The treatment of e-securities as an "object" within the meaning of the German Civil Code (BGB) and thus subject to property law creates legal certainty and, above all, enables acquisition in good faith, which is elementary for legal transactions. At the same time, block-chain technology is finally finding its way into the capital market on a legally secure basis. We also very much welcome the fact that there is a coexistence of public and private block chain - as already propagated by BAI in the past. There is still a need for clarification of details, but that is precisely what the consultation procedure that has now been launched is for. In addition, work must now be done at full speed on extending the digital regulatory framework to include equities and fund units."

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The Bundesverband Alternative Investments e. V. (BAI) is the central interest group of the alternative investments industry in Germany. The federation understands itself as catalyst between professional German investors and recognized offerers of alternative Investments products world-wide. It is committed to ensuring that German institutional and professional investors are able to diversify their capital investments more easily and effectively with regard to alternative investments, in particular with a view to securing German old-age provision in the long term. The BAI promotes public awareness and understanding of alternative investments and is committed to scientific research. It conducts a dialogue with political decision-makers and the responsible supervisory authorities and cultivates exchanges with national and international organisations and associations. The association pursues the goal of achieving legal reforms and further legal education in the interests of its members and their investors and of creating attractive and internationally competitive framework conditions for investing in alternative investments. The circle of BAI members recruited from all areas of the professional alternative investment business has grown to 229 businesses.