

# Utilizing Blockchain in OTC energy settlement – BPOC approach

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Speaker:

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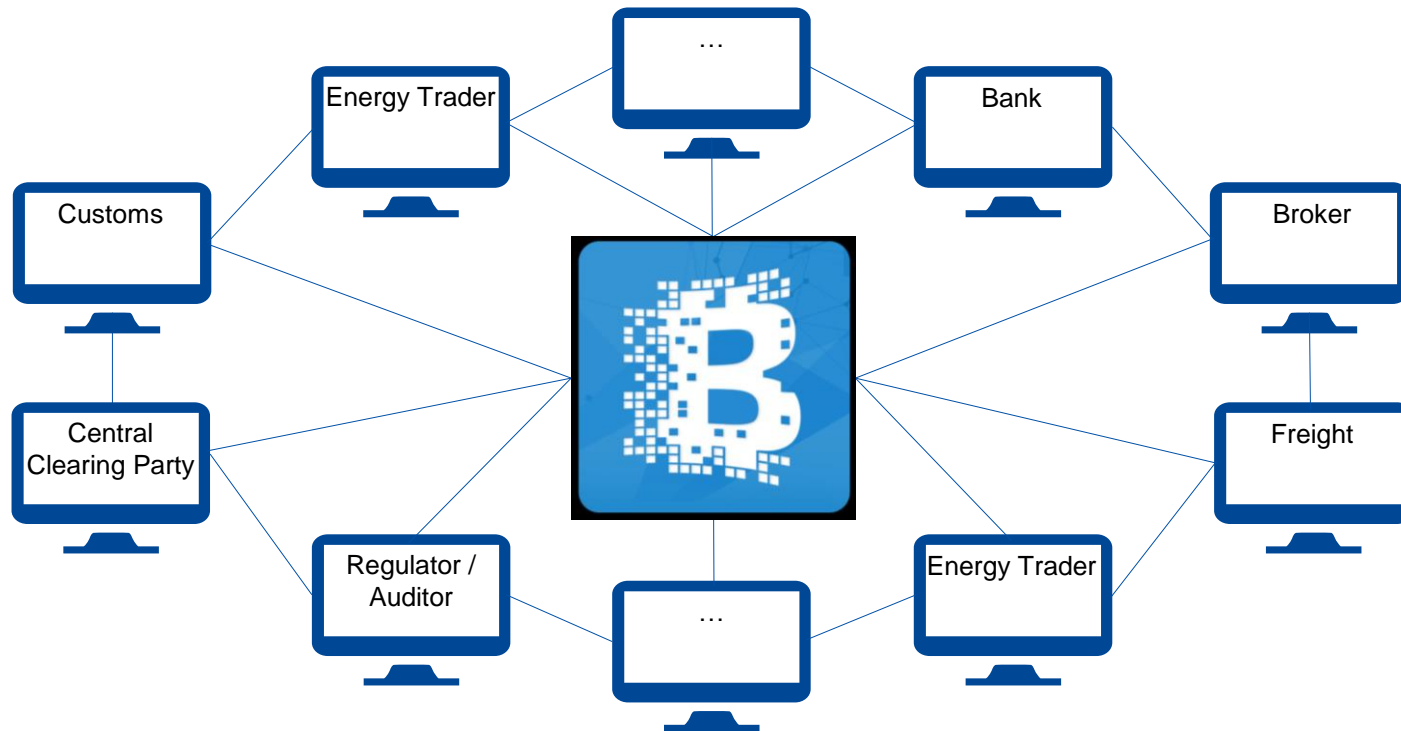
# Agenda

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4	Status quo and next steps	13

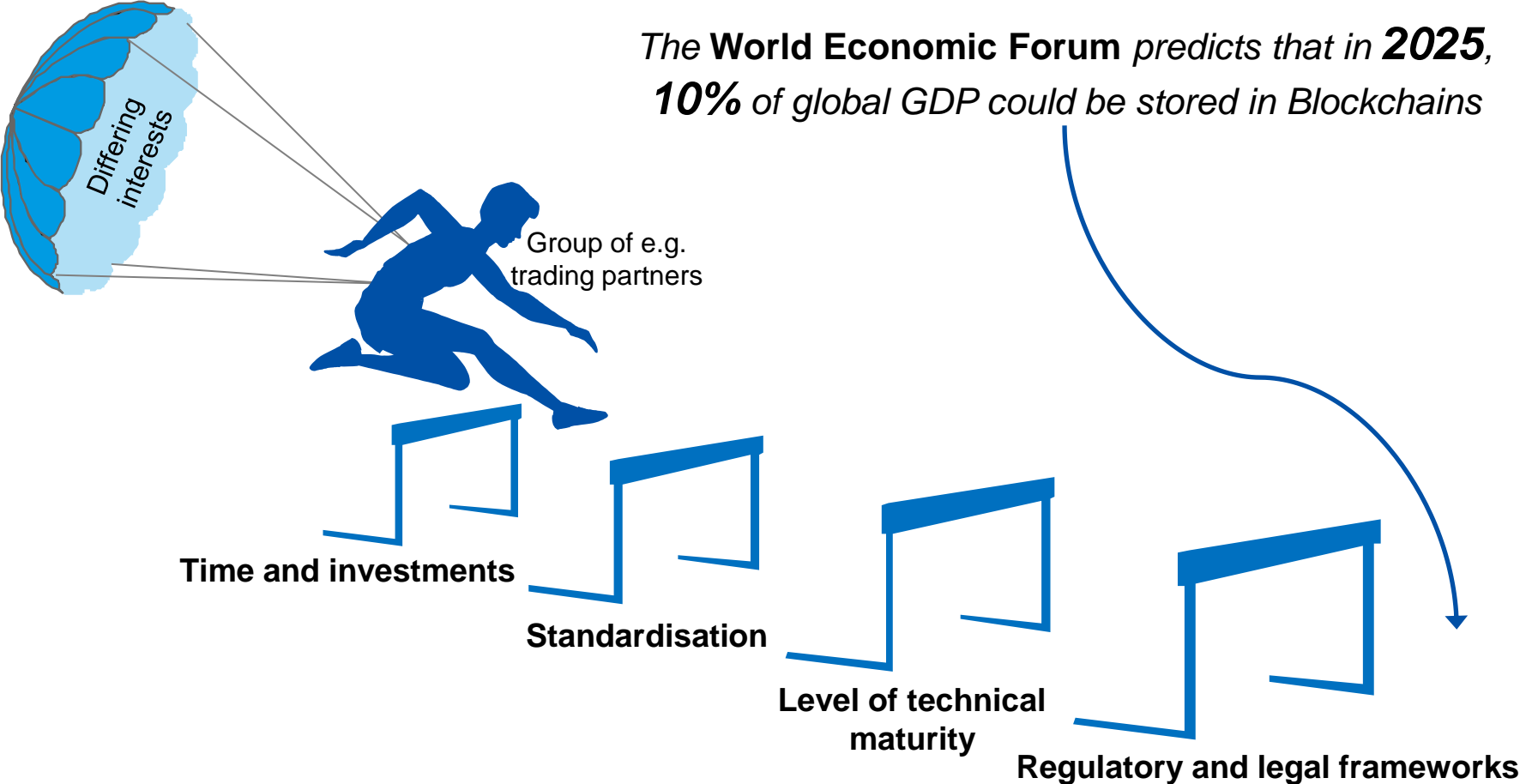
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# The “Crystal Ball” could be an automated e2e-real-time and decentralised energy trading blockchain



A fully featured energy trading blockchain platform would 1) allow for real-time automated scheduling, allocation and settlement while 2) eliminating credit risk, making confirmations obsolete, 3) never be offline and 4) decrease cost

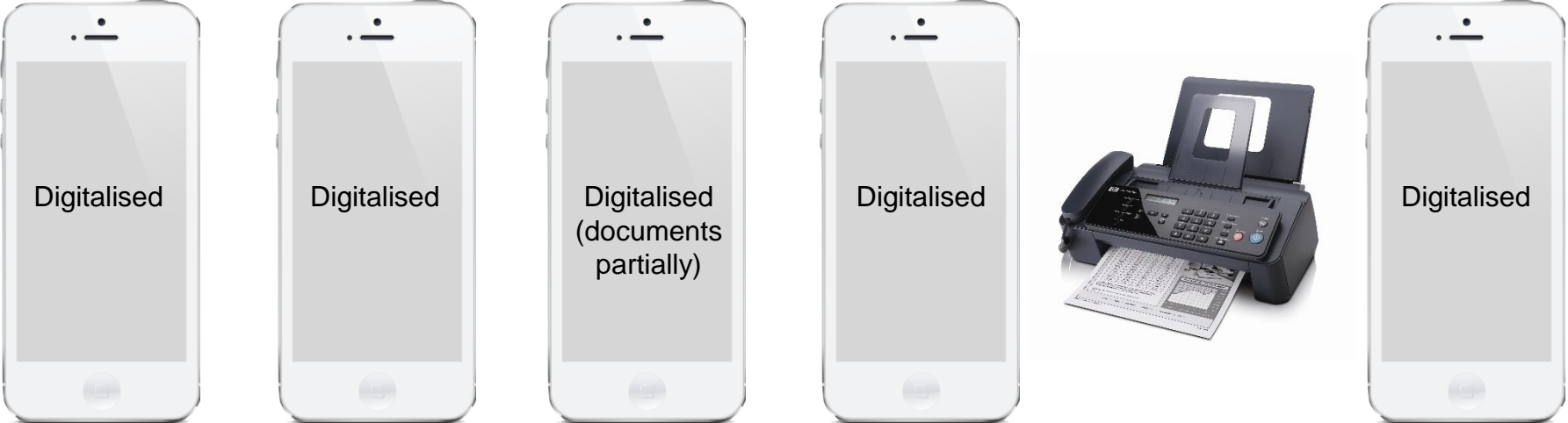
# Significant hurdles for new large scale Blockchain implementations require to be addressed properly



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# Most of the current OTC trade lifecycle has been digitalised in which settlements is still an exception



# However, OTC settlements have undergone various business process improvements

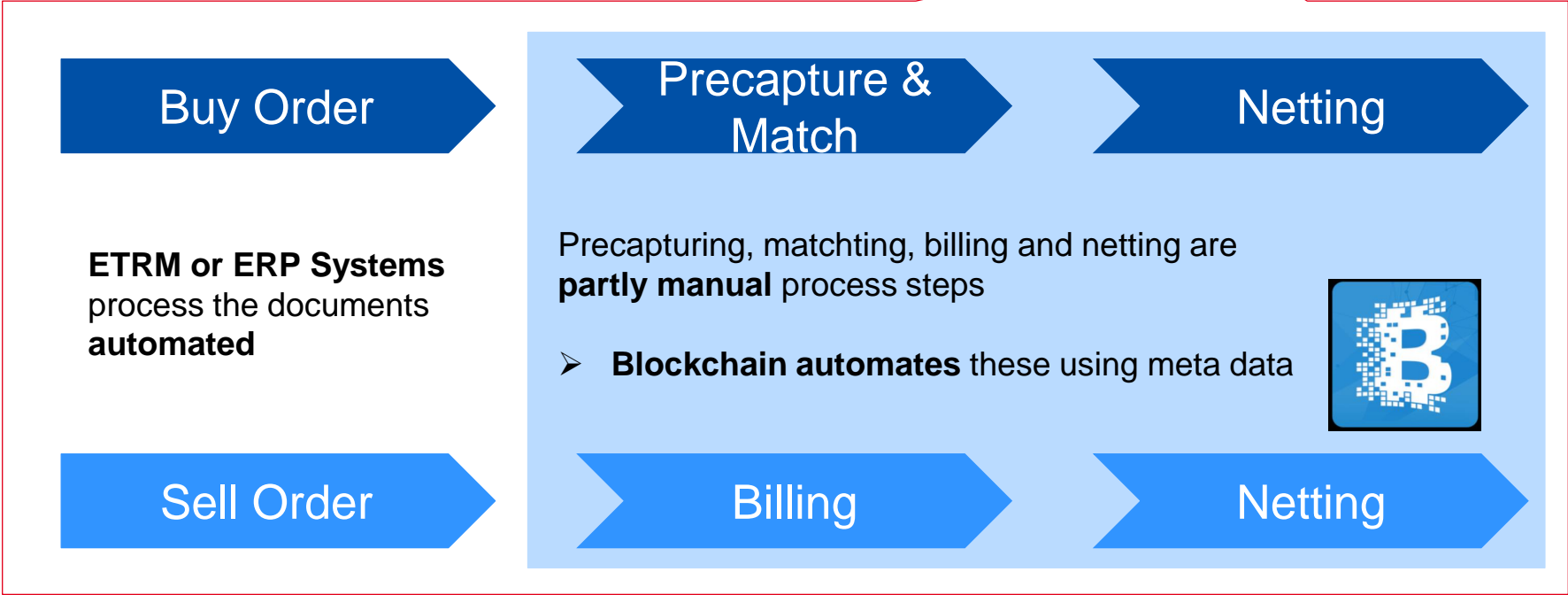
Optimisation	Objective	
Standard settlement instructions (EFET, ISDA)	Process & Timeline	✓
Netting agreements	Process & Transaction	✓
Collateral agreements	Risk & Transaction	✓
Tax simplification with reverse charge	Tax & Transaction	✓
UTI's, Portfolio compression	Regulatory	✓

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# Blockchain can benefit with efficiencies in OTC settlements

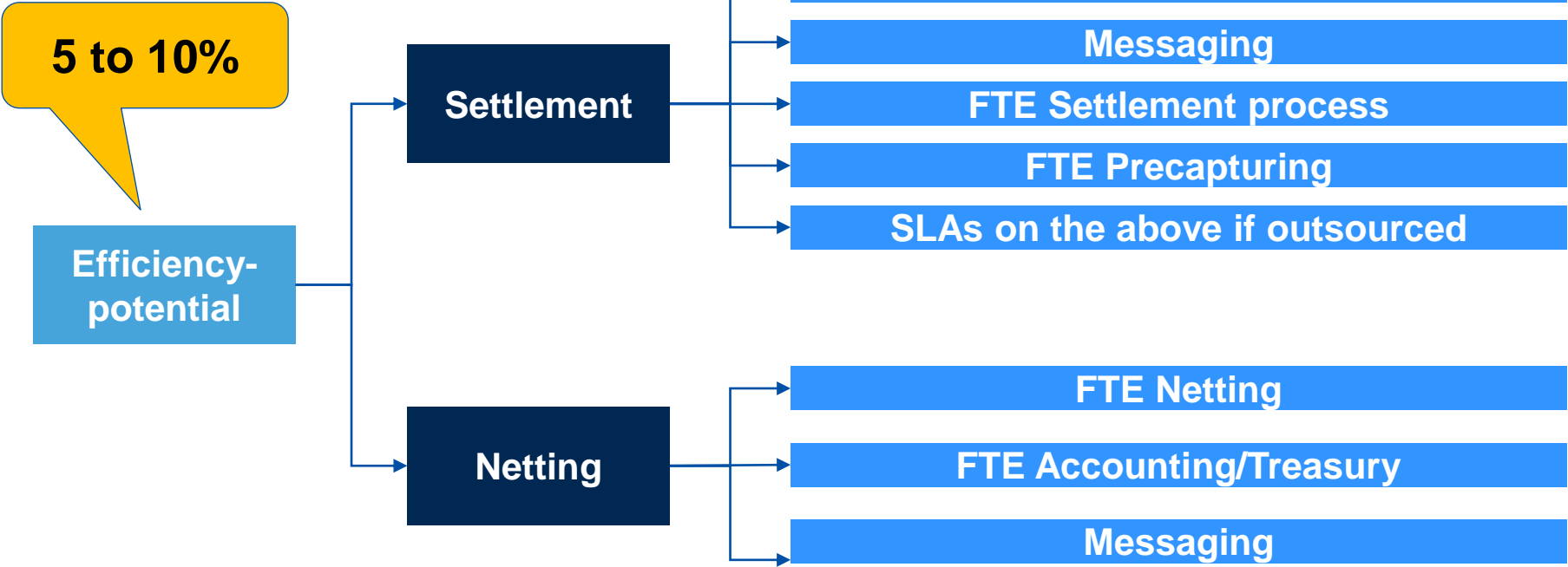


# The weakest spot in the technology stack?

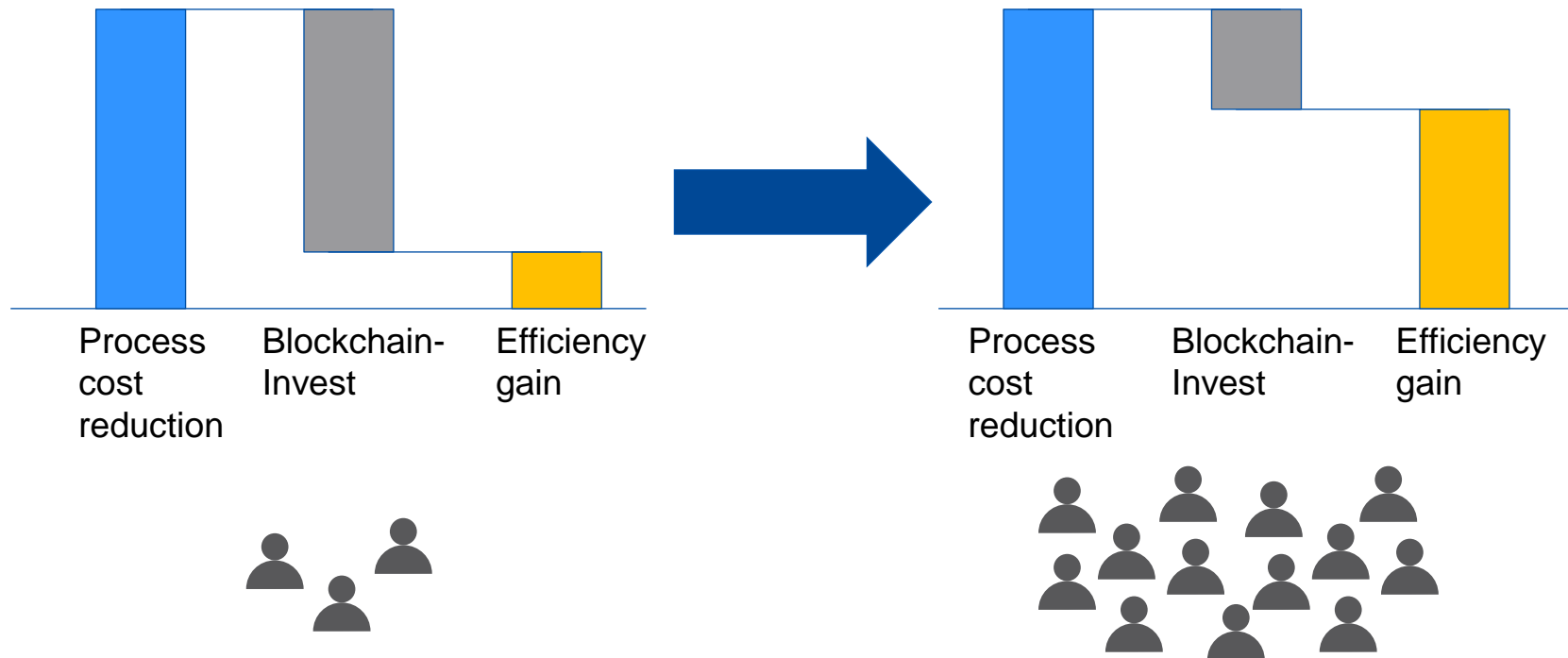
## Document handling!

- > The Blockchain can
  - be integrated into the current process as a **new distribution method**
  - provide it's key design features: **aggregation and netting** as business process improvements
  
- > The existing processes will
  - need to stay in place for **audit and tax** purposes
  - have their easiest entry point for innovation in the **messaging layer**
  
- > The business benefit can be lifted **purely in the eased document handling and automated netting**, comparable to the effect ECM had on trade/FTE efficiency.
  
- > Delivering this as a proof-of-concept allows to **move & adapt horizontally** through the deal lifecycle

# Initial calculations show moderate saving potential – but unlock **important scaling effects**



# The more partners join in, the higher the efficiency gain per party



More importantly than efficiency gains, **blockchain automations enables** the settlement process to the same **scalability** that **confirmations gained with the introduction of ECM.**

# Substantial benefits can be realised with an OTC settlement Blockchain for the energy industry



<sup>1</sup> Especially associated with process execution and fee reduction

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# Status quo and next steps

- > The Blockchain
  - is a new **underlying technology** that allows for solving long existing problems in an efficient and more elegant way
  - allows for **transaction storage, aggregation** and **netting** – sufficient to replace the ancient systems and processes currently used
- > Lets Overcome current challenges **together**
  - Achieve **multi-stakeholder alignment** across energy trading players in Europe
  - **Standardise** reference data utilized to conduct settlement process (e.g. EFET XML basis)
- > EFETs BPOC committee is working on a concept proposal
  - To repeat the industries **success story** of ECM in the settlement area
  - **Leverage efficiencies** joined together, by the industry, for the industry