



SFI: Smart Financial Instruments Agreena

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Are current green investments really green?

FINANSWATCH

Bank Forsikring Pension Realkredit Fintech Regulering Karriere Mer

Ingen ved hvad der ligger bag pensionssekskabernes grønne milliarder

Hverken Erhvervsministeriet eller brancheorganisationen F&P selv ved, hvilke investeringer, der ligger til grund for de 248 mia. kr., som branchen siger, den har investeret grønt. F&P afviser at være garant for opgørelsens kvalitet.



Erhvervsministeriet ved ligesom F&P ikke, hvilke konkrete investeringer pensionssekskaberne har meldt ind som bæredygtige for at nå branchens 248 grønne milliarder. | Foto: Erhvervsministeriet/PR

AF SIMON LUND CHRISTIANSEN OG MICHAEL TRIER DUELUND
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greenwashing

[græn-wash-ing] /verb

1. Is a term used to describe the marketing tactics used by big-name, fast-fashion companies to advertise their new supposed sustainable lines of clothing.
2. The process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound.

“Greenwashing is rampant.”

International Accounting Standards Board, 2019

End-to-end digitalized green bonds

Challenges

- ❖ Current capital market infrastructure not built for Green Finance
- ❖ No trustworthy tracking of funding to projects
- ❖ Issuance, compliancy reporting is manual → high costs, greenwashing- and error-prone

Solution

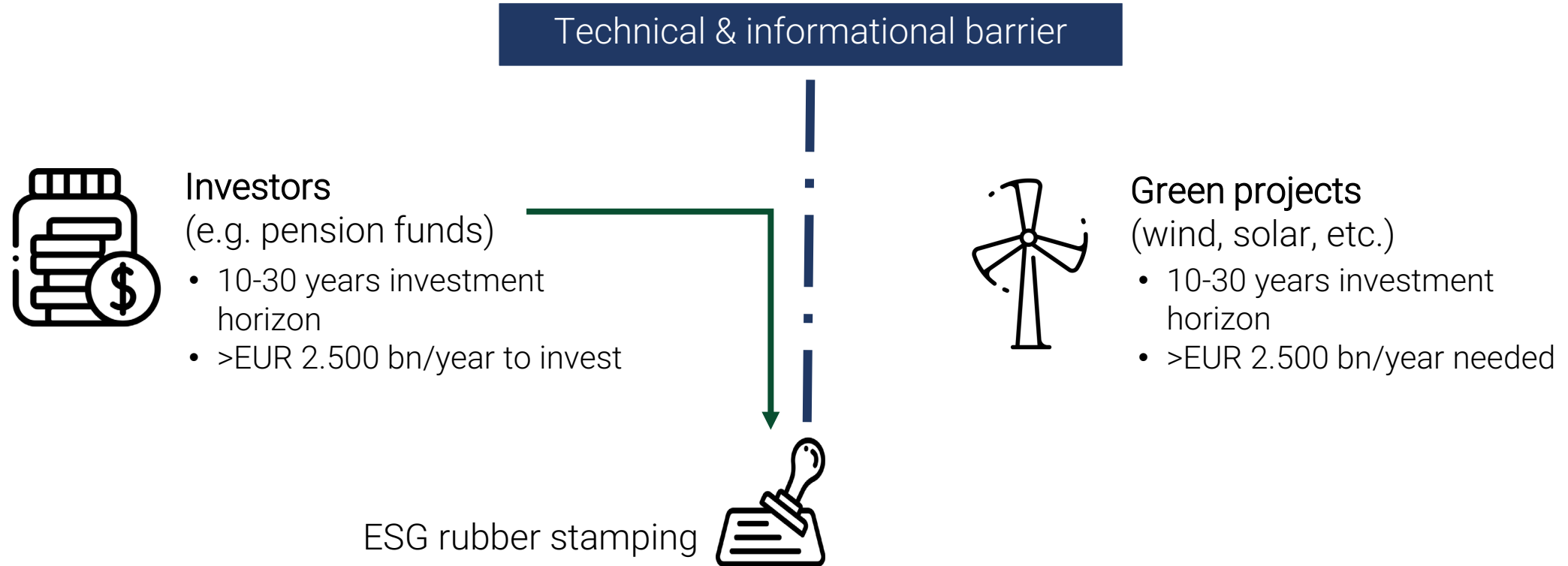
- ❖ Green-by-design infrastructure; tracking and reporting of ESG data
- ❖ Secure and trustworthy integration of certified ESG data
- ❖ End-to-end digitalized systems, ensuring regulatory compliance with EU Green Deal

Smart Financial Instruments - Why now, why in DK?

- ❖ DK at the forefront of upcoming **EU financial and green agenda regulation** for fully digitalized Green Bond market in 2024.
 - ❖ No existing technology and marketplace for trustworthy green finance
 - ❖ DK as core market for bootstrapping two-sided green finance market
 - ❖ Large pension funds and insurance companies as investors
- ❖ **End-to-end digitalization**
 - ❖ Lower issuance and transaction costs
 - ❖ Automated tracking and reporting of climate impact data
- ❖ **Exponentially growing green financing demand**
 - ❖ DK pension funds have pledged to invest 350 billion DKK into green transition by 2030
 - ❖ EU Green Deal Investment Plan: 7.5 trillion DKK by 2030



Current capital market infrastructure:



Investors keen/required to place investments in ESG projects are faced with 'green' rubber stamping of opaque projects

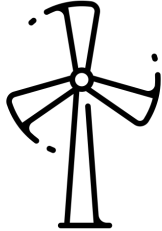
Smart Financial Instruments Platform

Investors
(e.g. pension funds)

- 20-30 years investment horizon
- >19 bn DKK/year to invest

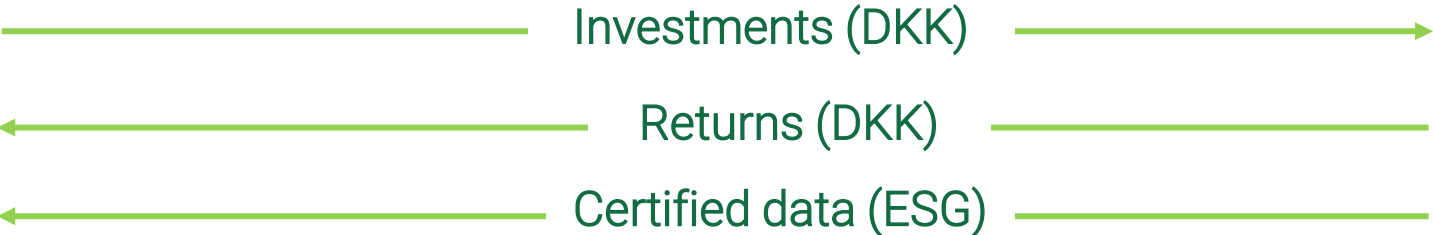


Digital marketplace
for green bonds



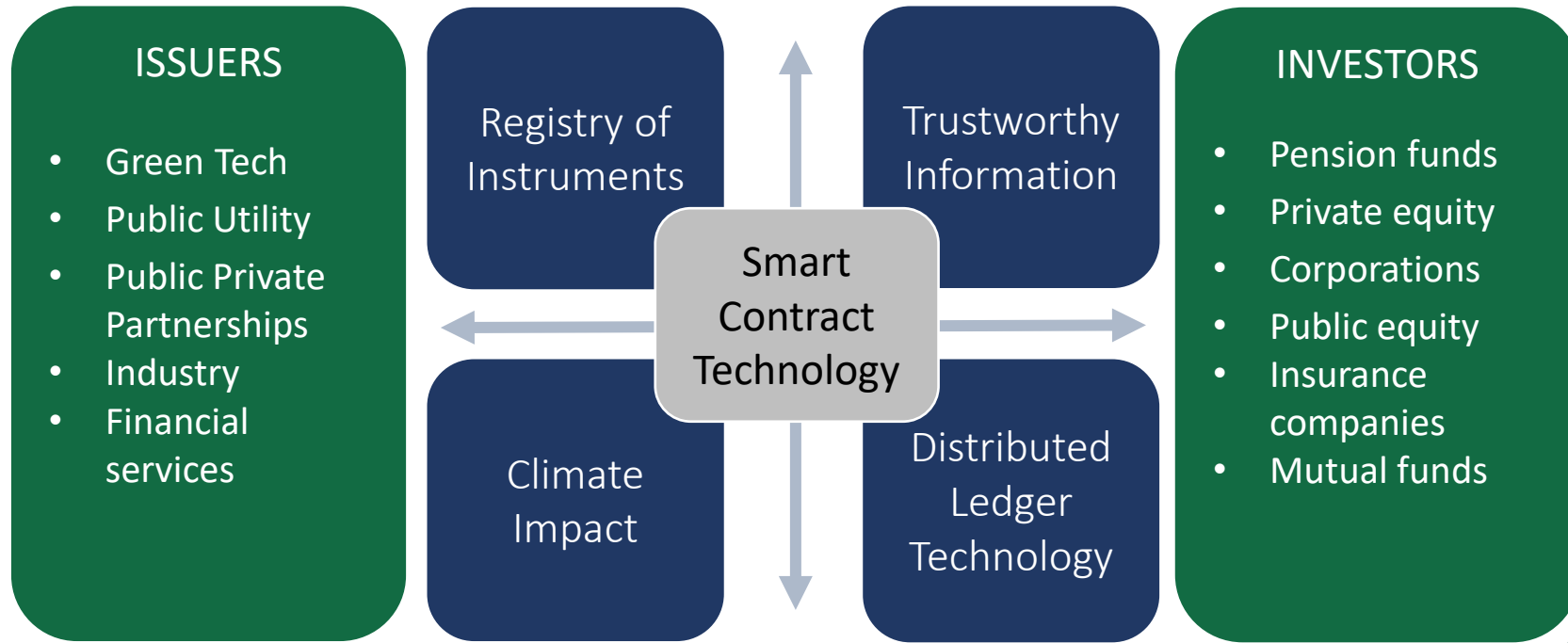
Green projects
(wind, solar, etc.)

- 20-30 years investment horizon
- 19 bn DKK/year needed



A digital exchange for green bonds allows for funds to travel to true ESG projects – efficiently and transparently

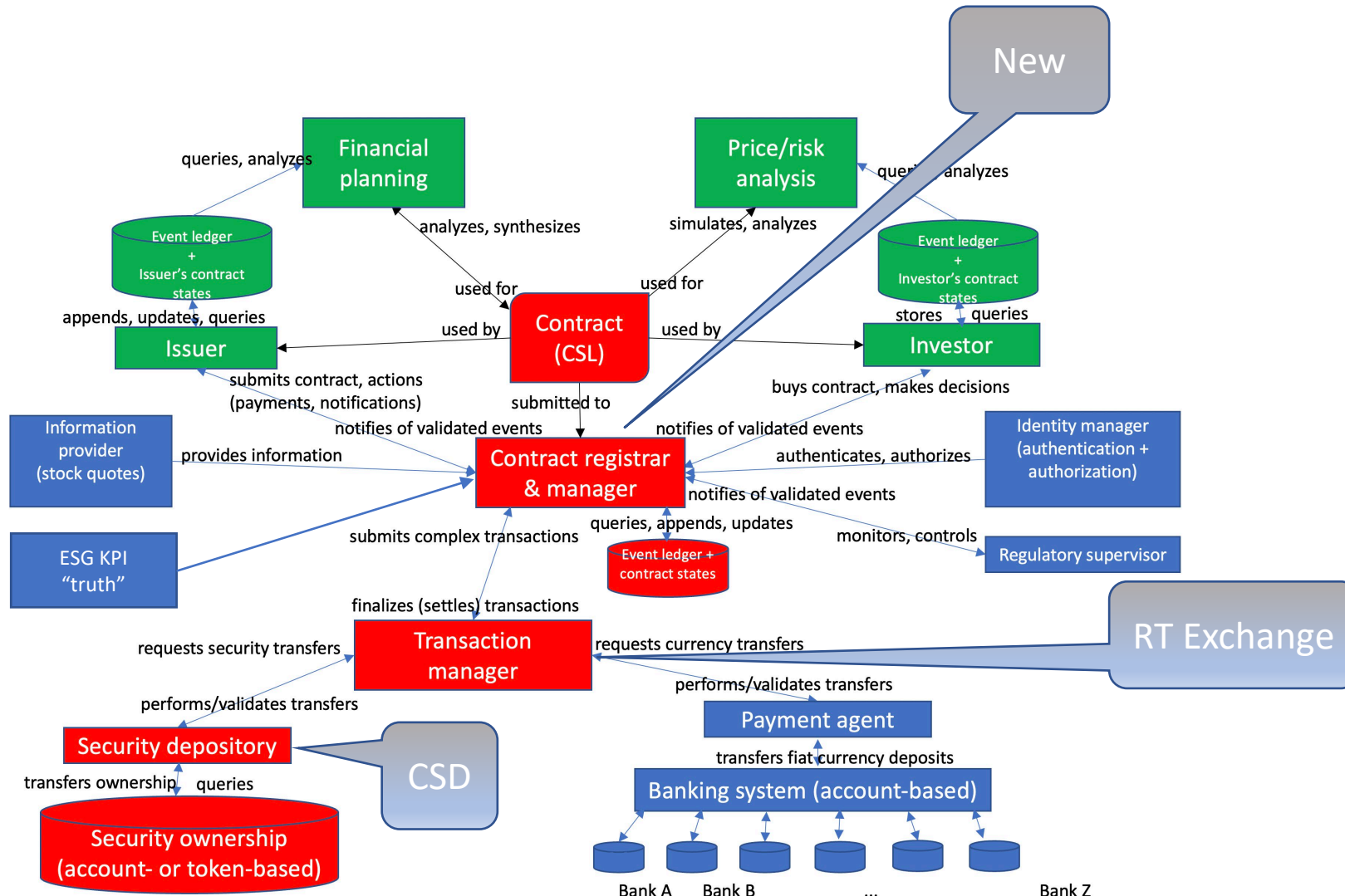
SFI: Connecting green bond issuers and investors



The solution is end-to-end digitalized, employs state-of-the-art languages and frameworks, and can be deployed on multiple execution platforms simultaneously



SFI: Business *and* technology architecture details



Highlights:

- DSL for financial instrument design
 - E.g. bespoke derivatives
- Permissioned DLT, not blockchain
 - Very high transaction rate
 - Very high energy efficiency
- Real-time clearing & settlement
- Transactionality/atomicity (DvP, etc, with advanced netting)
- Integrates with legacy systems (bank account systems, CSDs) and emerging systems (blockchain based NFTs, crypto/token-based registries, AMMs, ALPs, etc)
- Demo (WIP): <https://www.deondigital.com/2021/11/deon-digital-smart-financial-instrument/>

FT Lab project

- To be discussed in meeting incl draft application

Questions / Next steps ?