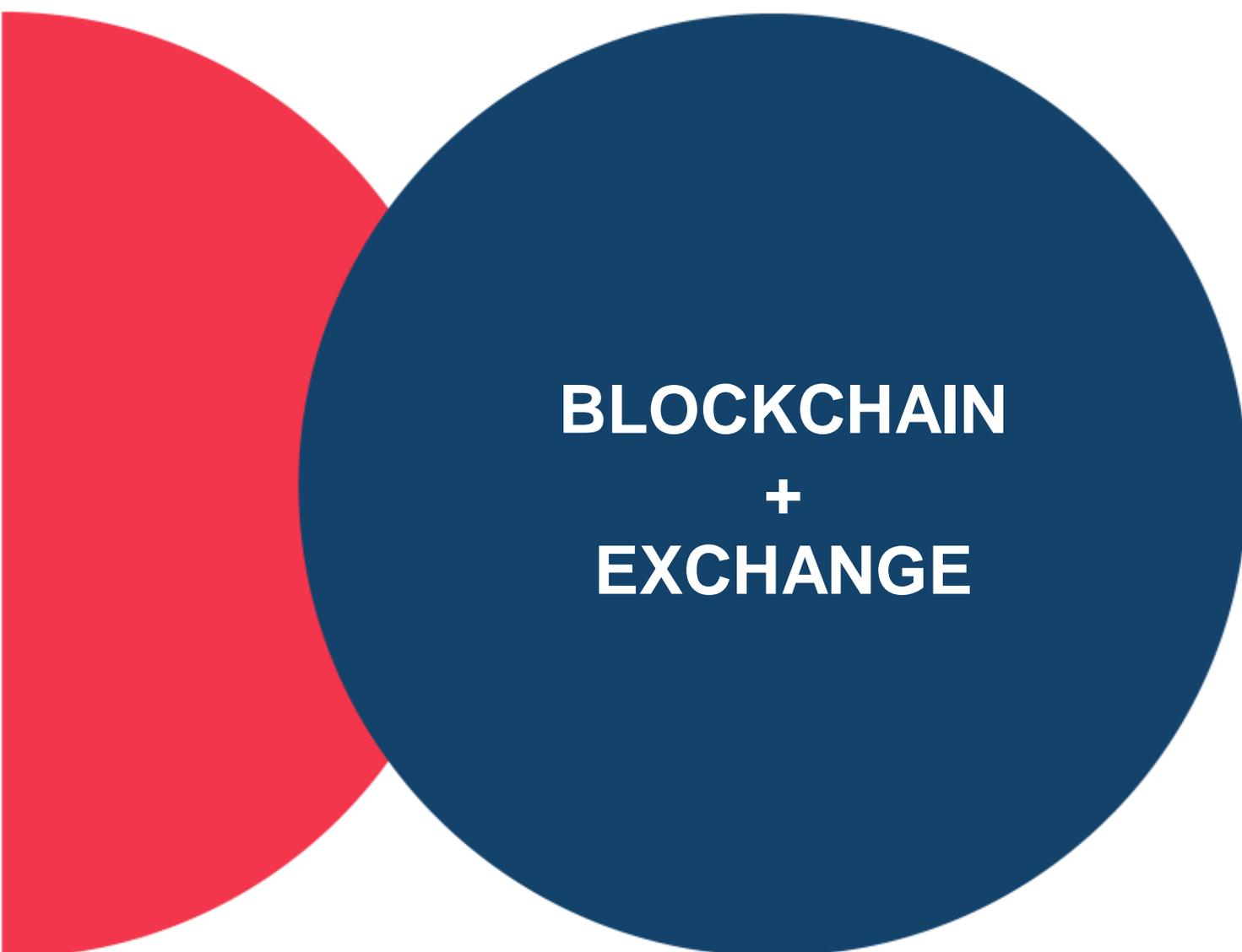


16 March 2017



**BLOCKCHAIN  
+  
EXCHANGE**

**HKEX**  
香港交易所

Lukas Petrikas  
SVP Group Strategy

# Forbidden Language

**“...industry-wide consensus...”**

**“...engagement from regulators...”**

**“...in three to five years...”**

**“...a terrific White Paper on Blockchain...”**



# Inside a Stock Exchange

## Price Discovery & Matching

- Instant
- Centralised
- Trust via surveillance and reliable technology

## Novation of Trades

- Near real time
- Centralised
- Trust via financial risk management “waterfall”

# Real Time Settlement (for securities)?

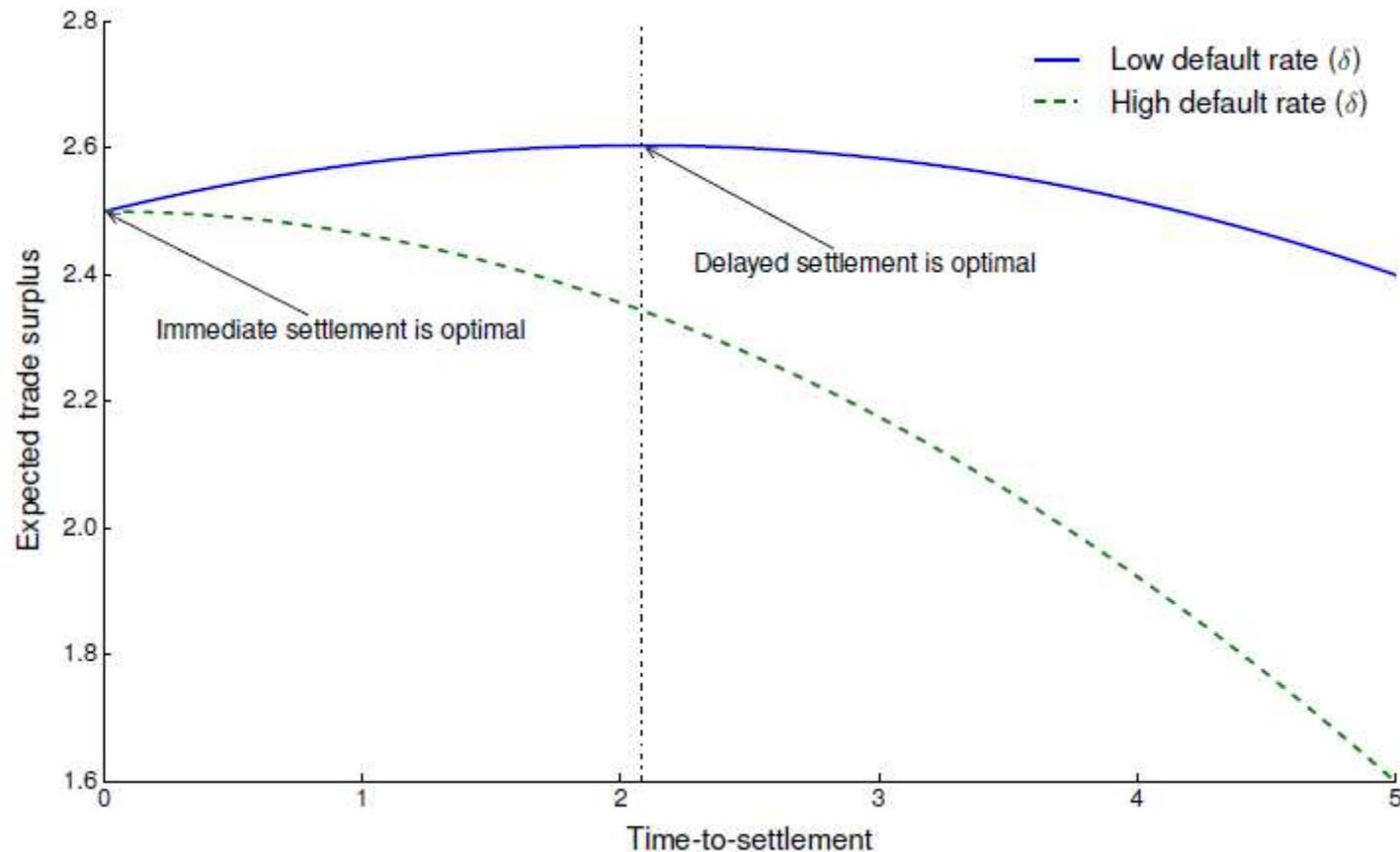
Instant

T+2

- Settle every position gross
- Can net buys and sells
- Need intraday liquidity
- Less pressure on scarce cash
- Fewer liquidity providers
- Deeper order books



# Nerdy Moment (Khapko & Zoican, 2017)



***“The friction Blockchain removes is not necessarily the existence, but rather the rigidity of a positive time-to-settlement”***



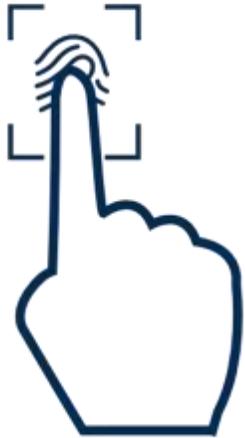
# Value of Blockchain, Post-Trade



- “Record-keeper” role is dispersed (custodian, registrar, TA, CSD...)
- Consensus is needed from multiple actors to achieve a change
  - Prone to errors
  - Costly to operate
  - Ties up capital

← DLT

# Power of Identity



## Ultimate Beneficial Owner as Principal (B2C)

- Insurance
- Savings
- Taxes
- Healthcare
- Property

## Stock Exchange (B2B)

- Client ID market

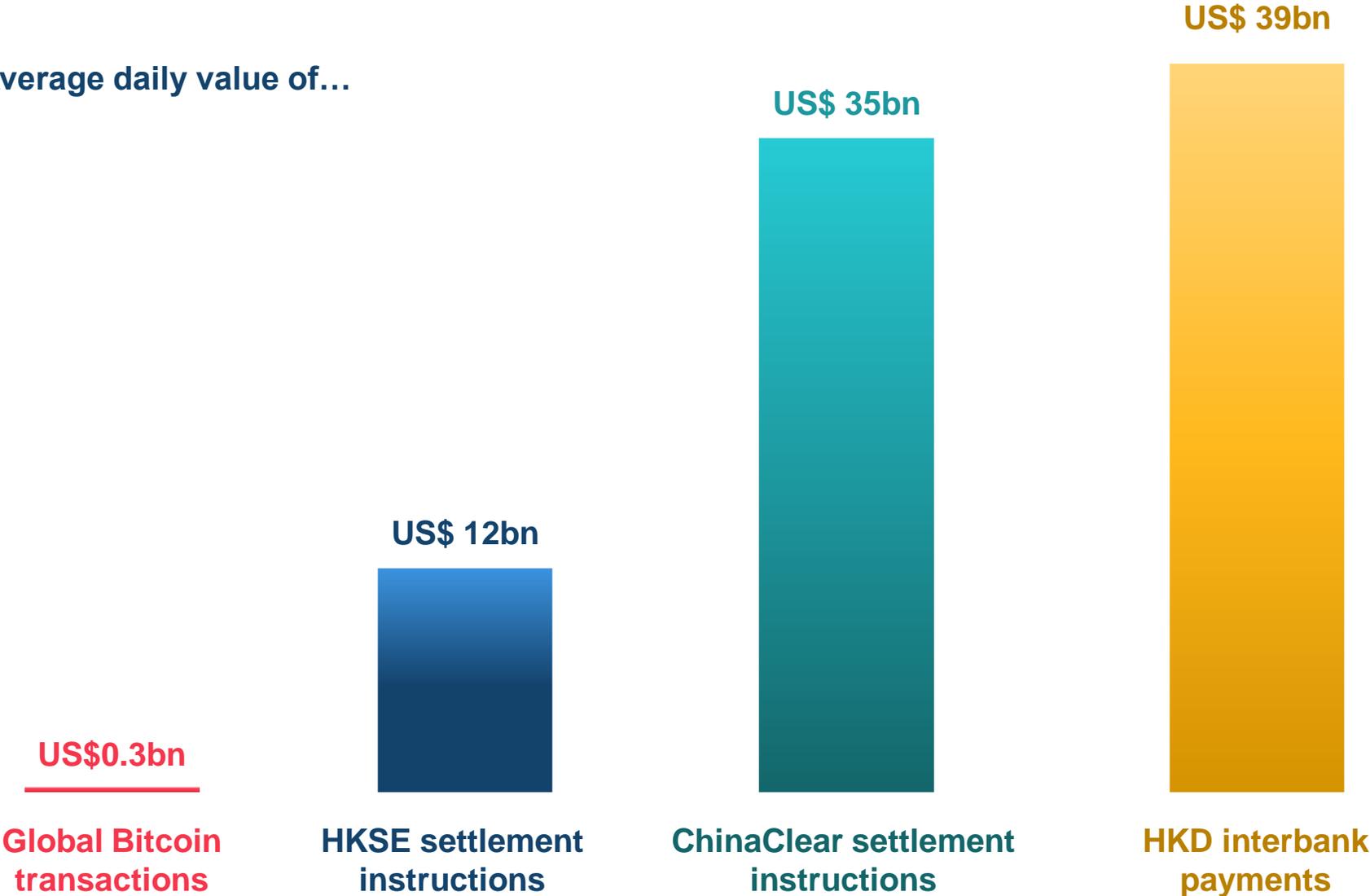
# HKEX Private Market, Built on Blockchain

- **New platform for private unlisted companies to register their shares with HKEX**
- **Value proposition:**
  - Fully digitised & automated cap table & shareholder management tool
  - Brand visibility and accelerated development opportunities for registered companies
- **Currently in prototyping phase**
- **Potential to enter commercial production in 2018**



# Bitcoin for Settlement?

Average daily value of...



Source: [www.blockchain.info](http://www.blockchain.info), HKEX, ChinaClear, HKMA

**THANK YOU**

