

Memorandum of Understanding

among

Swiss Banks

**on the design and execution of a proof of concept
regarding the joint issuance and transfer of tokenized deposits
("Deposit Token")**

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1. Preamble

The Swiss Bankers Association (SBA) and its members see a great opportunity in the possibilities offered by the tokenization of deposits based on commonly defined open standards and infrastructure. This joint approach to exploring the further evolution of our current monetary system is deemed vital to continuing to provide efficient, secure and, above all, innovative and internationally competitive financial services.

Some common goods and infrastructure, such as blockchain based deposit tokens, can only create the desired customer value if enough financial market actors invest in their development at the same time and based on the same technical standards.

The present Memorandum of Understanding (MoU) among the signatory Swiss banks addresses this need for coordination in the context of the broader SBA work on digital currencies. It includes:

- the intention to design and execute an initial proof of concept (PoC) consisting of two base use-cases (according to section 3);
- the minimum design and content requirements for such an initial PoC (according to section 4);
- the key points in terms of time schedule and the procedure for execution (according to sections 5 and 6).

2. Definition

Deposit Token refers to a blockchain based payment process which resembles and is built on traditional deposits and enables bank customers to conduct transactions on a new and innovative payment rail, while making use of distributed ledger technology (DLT) and smart contracts. Deposit Tokens thus use the “programmability” of tokens to produce efficiency gains in the lifecycle of financial assets and associated transactions. Also, they allow for new use-cases within a smart contract based financial economy and the industry 4.0. These Deposit Tokens and surrounding infrastructure must be designed in a sufficiently open manner to allow for network effects to materialize.

3. Objectives and intentions

The signatories intend to actively work towards the common goal of this MoU along the key points formulated in this MoU. This intention includes the following aspects:

- **Design, execute and assess an initial Deposit Token PoC:**

The signatories intend to enable the preparation, testing and evaluation of an initial Deposit Token setup based on a mutually agreed upon token standard within the timeframe defined in section 5. Every participating bank remains responsible for issuance and custody of the tokens. Deposit Tokens can be used to conduct a payment between authorized participants or to purchase tokenised assets on the blockchain. The possibility of participating in the setup after the PoC shall also be open to other FINMA licensed banks in Switzerland and based on applicable regulations.

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- **Contribution to solving cross-institutional issues:**

The signatories intend to actively contribute to the clarification of cross-institutional issues and to take appropriate account of corresponding findings in bank-internal work (whereby the interpretation and assurance of legal & compliance requirements remains in the individual authority and responsibility of participants). This intention includes an appropriate participation in joint efforts, namely a financial contribution to centrally incurred expenses for supporting legal advice.

- **Assess feasibility and potential for financial market in Switzerland:**

The signatories intend to assess the potential high-level benefits and feasibility (technical, legal, economic, risk, operational) required for a Swiss-wide roll-out with the aim to foster international competitiveness in DLT.

- **Non-binding evaluation for a Swiss wide approach for rolling out a Swiss Franc Deposit Token:** The signatories intend to provide the market participants with a non-binding evaluation that adds value within the Swiss Financial Market for a possible Deposit Token setup and a way forward to materialize this within the financial infrastructure. This evaluation shall be an integral part of the “Final PoC Report”. Furthermore, the signatories intend to provide a blueprint for other FINMA licensed Banks in Switzerland to enable a frictionless and low-threshold entry into the intended deposit token setup. The SBA assists the signatory banks based on internal guidelines to ensure that the work is conducted in a non-discriminatory and transparent manner.

4. Deposit Token PoC: Minimum design and output requirements

The solution that the signatory banks develop in the context of this MoU consider the following minimum design and content requirements:

- The minimum scope of the Deposit Token PoC consists of two pre-defined use cases. Namely, a simple Deposit Token payment among the participating banks and a delivery versus payment transaction with escrow function among the participating banks in which the Deposit Token is swapped against a previously agreed tokenized financial asset. Depending on the results, a gradual expansion of this initial scope is intended, but outside the scope of this MoU.
- The signatory banks and SBA shall retain all intellectual property rights in pre-existing material, information or documents contributed by them to the PoC and being used to create any work products, including but not limited to the final report, of the project. The work products, including but not limited to the final reports, resulting from the project shall be jointly owned by the signatory banks and SBA. The signatory banks and SBA are entitled to independently use, exploit, develop further the work products or create other work products based on the work products of the PoC, and SBA shall have the right to grant licenses to its members and relevant third parties to use the work products.

5. Time schedule and procedure

The signatories intend to follow through with this PoC according to the following time schedule:

- Start of technical and legal preparation of PoC, as well as
- testing and finalization during the course of 2025.

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The exact action plan and implementation framework for the joint work is to be chosen by the signatory banks themselves. The individual signatory banks decide independently if they want to continue the work after the PoC.

6. Entry into force and communication of the MoU

This MoU constitutes a **non-binding declaration of intent** by the signatories. It takes effect at the time of signing. The **SBA will publicly communicate the MoU, thereby mentioning the signatory institutes by name**. This MoU does not restrict the signatories in any way from participating in other digital currency related endeavours or initiatives. The Signatories are at any time and without any financial consequence entitled to leave the project and terminate the collaboration.

Zurich, September 2024



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