



EUROPEAN CENTRAL BANK

EUROSYSTEM

New technologies for wholesale central bank money settlement



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AMI-Pay - Holger Neuhaus

Press release Eurosystem to explore new technologies for wholesale central bank money settlement (28/04/2023)

Exploration of potential solutions for central bank money settlement of wholesale financial transactions recorded on distributed ledger technology (DLT) platforms



New market contact group to foster dialogue and information exchange with industry



The Eurosystem is to look into how wholesale financial transactions recorded on DLT platforms could be settled in central bank money. The purpose of this initiative is to (i) consolidate and further develop the ongoing work of Eurosystem central banks in this area, and (ii) gain insight into how different solutions could facilitate interaction between TARGET services and DLT platforms.

Press release Eurosystem to explore new technologies for wholesale central bank money settlement (28/04/2023) cont'd

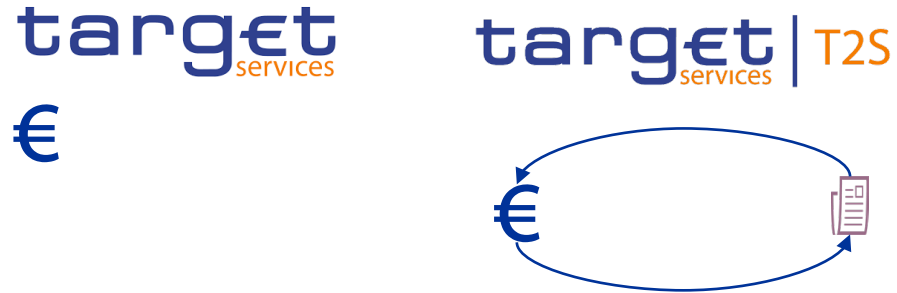


A dedicated market contact group will be set up to support the Eurosystem's exploratory work. This group will provide expert input and keep the Eurosystem abreast of advances in the use of DLT and other new technologies in wholesale financial markets.



The work is part of the Eurosystem's broader efforts to ensure that developments in central bank money keep pace with and contribute to digital innovation in wholesale and retail payments, and that central bank money remains a monetary anchor that supports the stability, integration and efficiency of the European financial system and payments system.

Market stakeholders expect significant Distributed Ledger Technology (DLT) uptake in 5-10 years- different ways forward



Current TARGET Services enable settlement of payments in € central bank money as well as integrated **securities** settlement in TARGET2SECURITIES

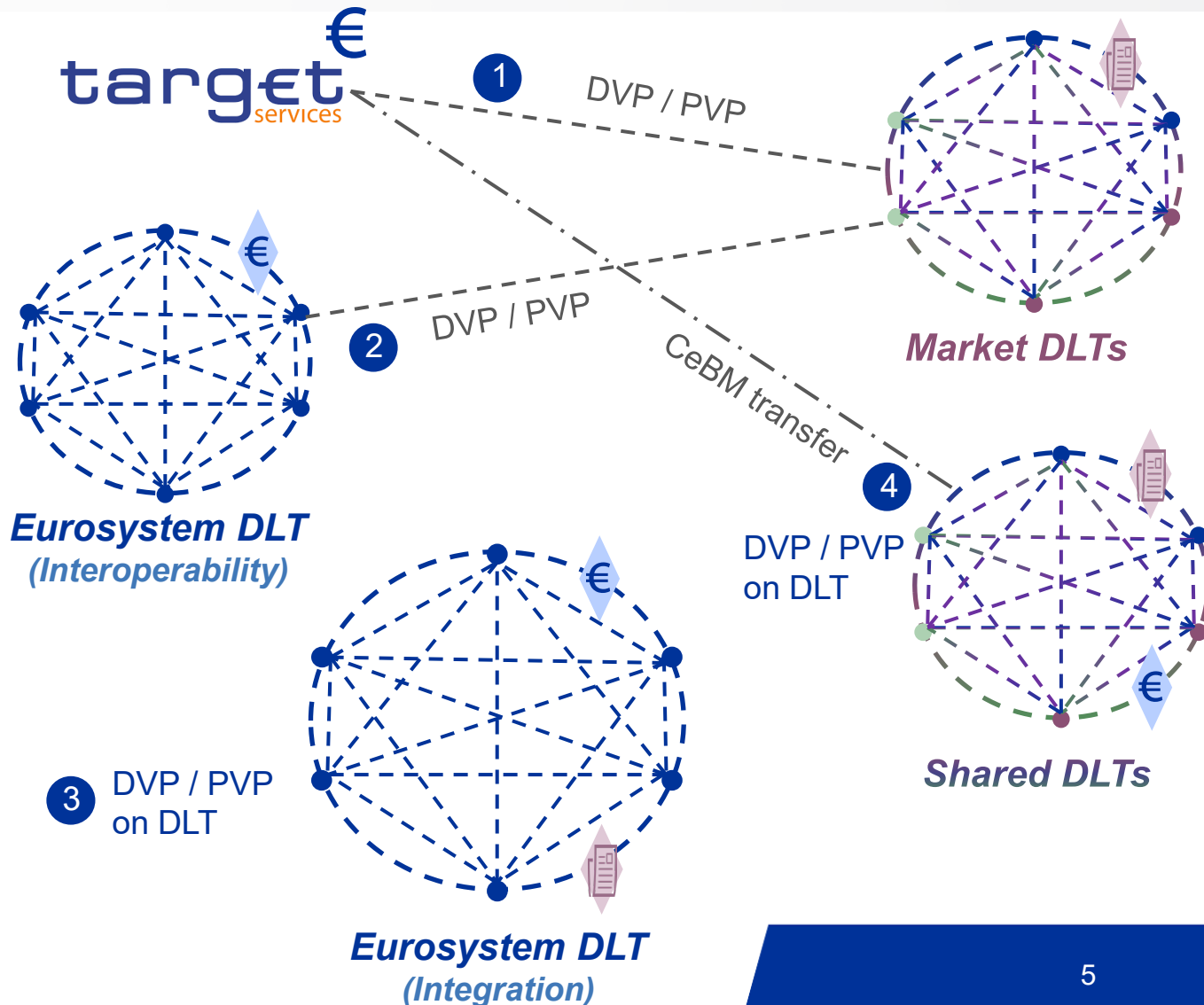


With tokenisation, **securities** can be recorded and settled on Distributed Ledger Technology

1. Risk of market fragmentation if multiple DLT platforms co-exist in the long-term but lack interoperability

2. Risk that central bank money loses relevance as wholesale settlement asset if no (timely) solution is provided

Market stakeholders expect significant Distributed Ledger Technology (DLT) uptake in 5-10 years - different ways forward



1. First approach could be to enable settlement in current TARGET Services through adding a *Trigger / Bridge* component for interoperability with DLT

2. A similar approach could be to create a Eurosystem DLT interoperable with market DLTs (*Interoperability*)

3. Or the Eurosystem could create its own DLT for integrated securities settlement (T2S DLT) (*Integration*)

4. Or the Eurosystem could directly provide CeBM settlement on the shared DLT(s) (*Distribution*)

➤ Need for technical work to compare solutions – also for PVP

More details to follow

Exploratory work can entail experiments (mock settlement) and trials (limited actual settlement)



Details are to be worked out

- In line with feedback from surveys and at multi-stakeholder meeting, the Eurosystem will interact with market
- A dedicated contact group drawing on expertise of AMIs and other relevant market participants will support dialogue without affecting mandates of the AMIs



Next steps for the market contact group (upcoming weeks)

- Invitation letter to market participants to express interest to participate in dedicated contact group
- Market participants can nominate candidates via survey + short CV
- Selection procedure to ensure a geographically and institutionally well-balanced market contact group