



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Update on planning for exploratory work phase

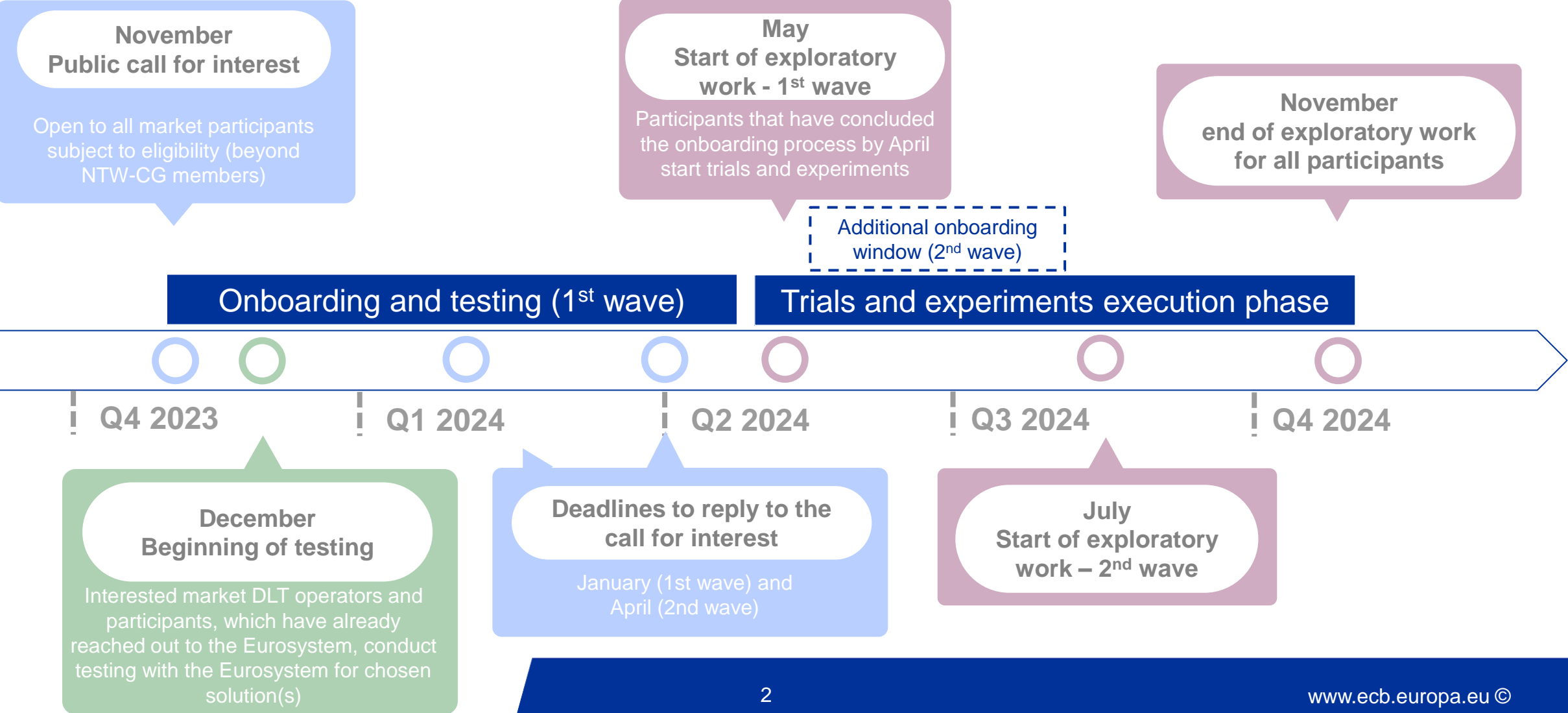
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NTW-Contact Group  
Agenda item 2

07/09/2023



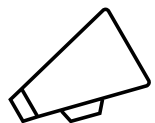
# Draft timeline for 2024 exploratory work



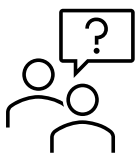
# Next communication milestones



# Public announcement and survey – background



In the 2<sup>nd</sup> meeting of the NTW-CG the members expressed a preference to have a **call for interest later this year** with more information available as opposed to an earlier call for interest with less information.



In order to prepare the grounds for the call for interest, a **public announcement** will inform the financial market participants about the key elements of the planned trials and experiments, including eligibility criteria and expected timeline. This will include a short survey to gauge the preliminary interest among financial market participants and market DLT operators



The announcement will be published on the websites of the ECB and be accompanied by the aforementioned survey

# Public announcement - key points



Objectives of exploratory work

Scope of exploratory work, i.e., DvP and PvP

Eligibility criteria

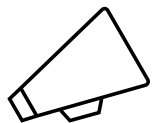
- for market participants
- for market DLT operators

Eligible financial instruments

Timeline

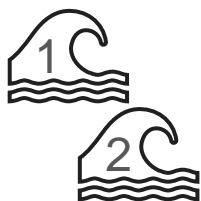
Expression of preliminary interest

# Call for expression of interest – background



The **call for interest** is planned for November and will be addressed to both market participants and market DLT operators interested in exploratory work

Participants **submit a registration form to their local NCB** including background information on their eligibility, the scope of the foreseen trials and experiments and choice of solution(s) to be used



- **Deadline in early 2024 (e.g. January)** for participants starting exploratory work in May 2024 (wave 1)
- **Deadline in Q2 2024 (e.g. April)** for participants starting exploratory work in July 2024 (wave 2)



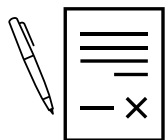
The call for interest will be published on the ECB's website

# Onboarding and testing phase

Following **in-principle assessment of interested market participants' eligibility**, they would begin the onboarding process:



**December – March/April:** mandatory testing activities prior to the start of trials and experiments with the Eurosystem for the chosen solution(s)



**February – April:** signing of the legal framework between *eligible* market participants and *eligible* market DLT operator and the Eurosystem



**June-July:** additional onboarding window for participants to the second wave

# Trials and experiment execution phase



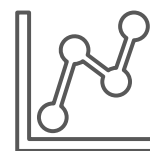
The exploratory work is foreseen for a duration of six months from May to November 2024



The three interoperability solutions can be tested in parallel or sequentially



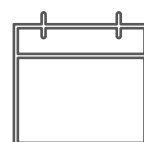
Participants can participate from May\* (wave 1) or from July (wave 2)



Participants provide regular reporting on the results of trials and experiments to the Eurosystem



Trials are foreseen on a regular basis\* with a limited settlement window (e.g. 09:00 to 14:00)



Experiments can take place on predefined days\* with an experiment-specific framework

\*subject to operational capacity constraints of the Eurosystem



# Points for discussion

Members of the NTW-CG are invited to reflect on the following:

1. The proposed timeline and its key milestones
2. Market participants' readiness to participate to exploratory work under the proposed timeline including:
  - To **express their interest** to participate to trials and experiments by **January 2024** (first wave) or **April 2024** at the latest (second wave)
  - To **meet the eligibility criteria** – including obtaining the necessary licenses when applicable – by **April 2024** (first wave) or **July 2024** at the latest (second wave)
  - To **conclude the mandatory testing activities** by **March-April 2024** (first wave) or **July 2024** at the latest (second wave)



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# New technologies for wholesale central bank money settlement – the wider context

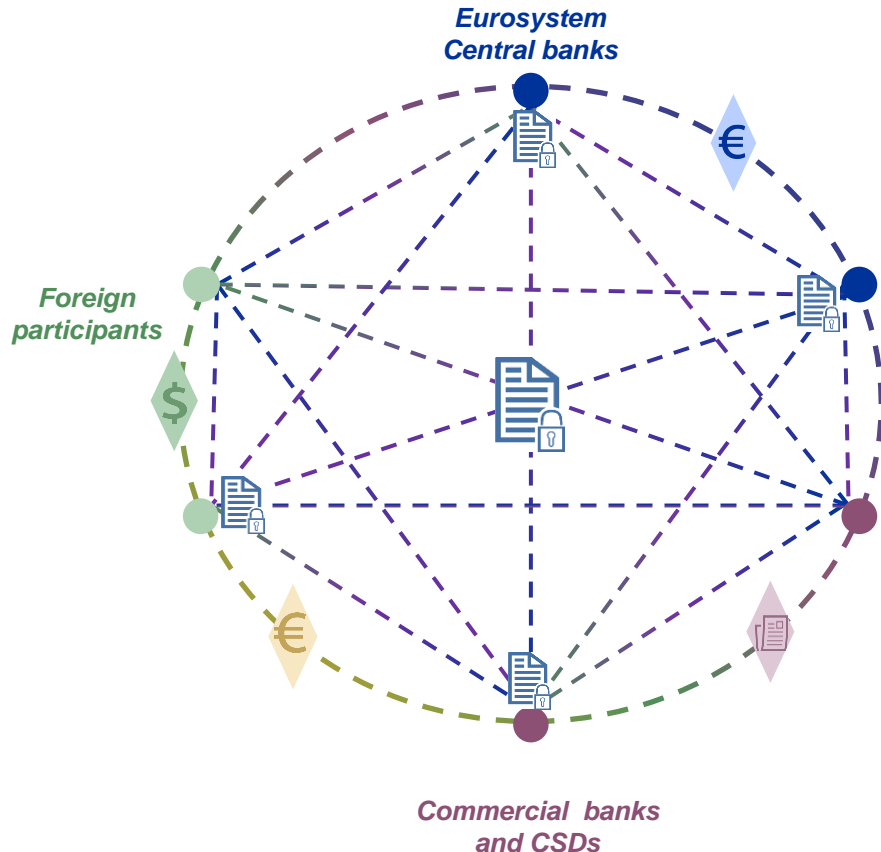
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NTW-Contact Group  
Agenda item 4

07/09/2023



# The global debate around unified/common/shared ledgers



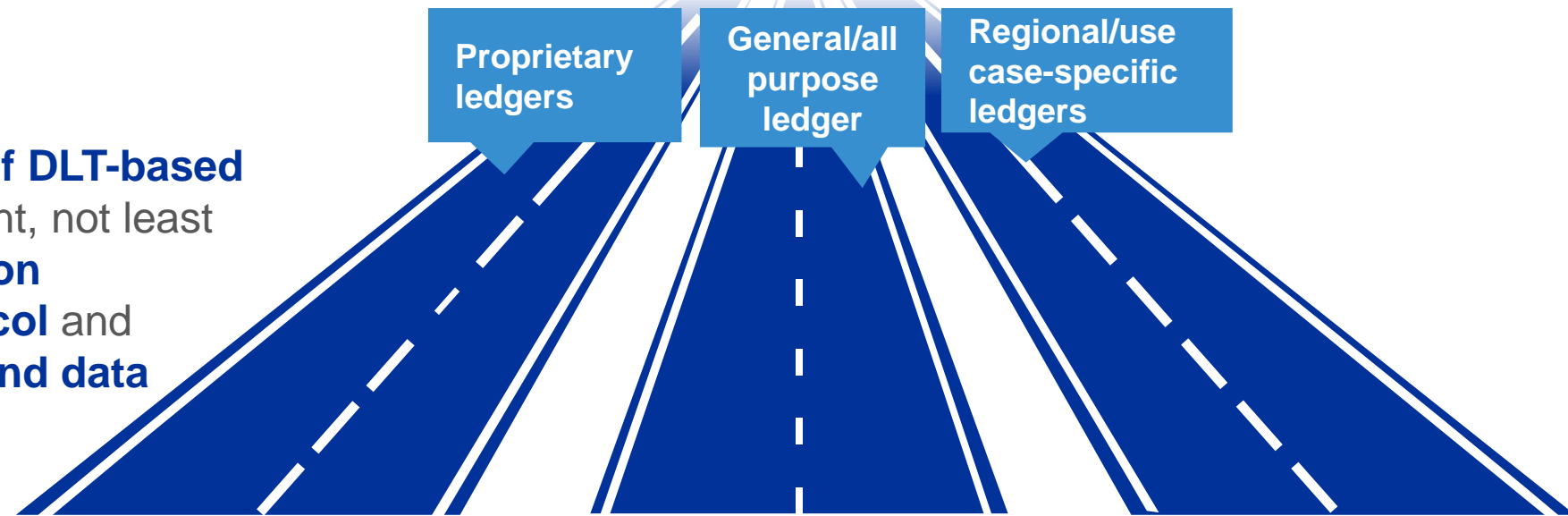
- 1 With distributed ledger technologies, money (**public** and **private**, various **currencies**), **securities** or any other digital asset could be recorded on a shared network in the form of tokens
- 2 All of these assets might be combined on a single network
- 3 But there could also be several shared networks with different scopes, which could be made interoperable

Concepts along these lines have been proposed by e.g. the BIS (unified ledger), IMF (X-C platform), and experimented with in some banking communities (e.g. Regulated Liability Network)

# A single-ledger future is an edge scenario

- There is **uncertainty about the future landscape** for wholesale payments and securities settlement
- Some believe that a **single platform** based on new technology would be **useful** to leverage the **advantages of new technologies** and **avoid fragmentation**
- But such a platform could also:
  - be **difficult to realise** in practice (technology, governance, agreement on participation)
  - have **drawbacks** e.g. in terms of meeting (jurisdiction/use case) **specific needs**
- If there would be an **evolution** towards (one or more) unified/common/shared ledgers, this would **not happen overnight**

- Some type of **interoperability of DLT-based approaches** is a key requirement, not least **to avoid potential fragmentation**
- The merits of a **common protocol** and **standardisation of concepts and data** should also be explored



# Possible degree of Eurosystem involvement in the DLT ecosystem

## *Trigger/bridge Eurosystem DLT (Interoperability)*

With **Interoperability-type solutions**, Eurosystem standardises and offers the cash leg for wholesale financial transactions of institutions having access to central bank money

The market side manages the asset leg and develops its own ecosystem

## *Shared DLT(s) (Distribution) Eurosystem DLT (Integration)*

With **other full-DLT solutions**, Eurosystem would offer the cash leg and also participate to the infrastructure where other assets / legs are settled:

- Strong Eurosystem requirements for controlling CeBM,
- Higher Eurosystem involvement in the governance of DLT platforms and standardisation
  
- **The Eurosystem taking on a bigger role, would come with more requirements for the DLT ecosystem**

# Single platform vs multiple platforms – considerations

Approaches may differ in terms of:

- Functional requirements for realising the **benefits DLT may bring**
- **Feasibility** and expected **time to market** of **any uniform solution** involving the public and (non-) financial sector, possibly of many jurisdictions and currency areas
- Expected **time to market** of possible **Eurosystem solutions** (due to level of complexity)
- **Flexibility** on the market side to **develop own technology** (catering for specific needs/innovation potential)
- Potential risks and implications with regard to **security, stability and integrity** of financial market infrastructures
- Degree of **interoperability mechanisms required**
- Number of **assets and forms of money** (public/private, domestic/foreign) **allowed on a platform**

# Eurosystem approach

## The Eurosystem:

- will **first launch trials and experiments in 2024** with (less complex) interoperability-type solutions
- will also, in parallel, **continue the analysis on other solutions (Integration/Distribution)**
- follows and contributes to the **global debate** on the evolution of the wholesale payments and securities settlement landscape
- continues to **engage with market stakeholders** on these issues