



OUTCOME

10th meeting of the New Technologies for Wholesale settlement Contact Group (NTW-CG)

26 November 2024 (09:30 - 15:00 CEST)

Online meeting via MS Teams

Opening remarks by the Chairperson

Background & outcome:

The Chairperson welcomed the NTW-CG members to the 10th NTW-CG meeting. The agenda was adopted by the members. It was explained that the next meeting on January 30 will be a joint NTW-CG meeting with Eurosystem exploratory work participants, where the findings of the exploratory work will be discussed. The January meeting will be an online meeting.

*Section A: Topics of interest by market participants related to new technologies for settlement
of wholesale financial transactions in central bank money*

1. Presentation on Project Meridian FX by BIS Innovation Hub

Background:

As part of the presentations on international DLT-related initiatives, the BIS Innovation Hub presented project Meridian FX, which is a joint project by the Eurosystem and London Centres of the BIS Innovation Hub, as well as the Bank of England, the Deutsche Bundesbank, the Banque de France, the Banca d'Italia, and the ECB to test synchronised settlement in foreign exchange (FX). The project will provide insights on how ledgers across two real-time gross settlement (RTGS) systems could interoperate using a "synchronisation operator", as well as with new technologies, such as distributed ledger technology (DLT). The experiments will involve connecting Meridian FX's synchronisation operator to the three interoperability solutions being explored as part of the Eurosystem's exploratory work, as well as the Bank of England's CHAPS system emulator.

Members were invited to:

- Raise questions, if any

Background documentation:

- Presentation on Project Meridian FX

Outcome:

Representatives of the BIS IH provided the members of the Contact Group with an overview of the Project Meridian FX and answered the questions raised by the members.

Section B: Presentations by CG members

2. Presentations by CG members on keeping momentum, a cooperative ecosystem and avoiding fragmentation from members' perspective

Background:

Multiple CG members volunteered to present their view on (some of) the following questions:

- Keeping the momentum after the exploratory work: how does your institution plan to keep the momentum in the work on DLT-based ecosystem/transactions? (Irrespective of what the Eurosystem will decide)
- Towards a cooperative ecosystem: if your institution is involved in any cooperative initiative towards, for e.g., a market neutral platform or open ecosystem: (i) what are the main practical challenges being encountered for e.g., in designing the governance structure / collaboration model, take technological decisions while the market is evolving, obstacles in legal or regulatory constraints to build such ecosystem. (ii) How is your institution facing these challenges
- How to avoid fragmentation and the creation of asset silos: practical experience in solutions and approaches to address this

Members (those who presented) were invited to:

- Provide their responses to (one or all) the questions raised.

Members were invited to:

- Share their views and discuss the presentations and raise questions, if any

Background documentation:

- Documentation accompanying members' short presentations

Outcome:

Representatives of AFME, BNP Paribas, CACIB, Deutsche Börse, HSBC, Kinexys by J.P. Morgan, KfW and Union Investment volunteered to present their answers to the questions above. Some linked it to their own experiences within the exploratory work and/or the general market sentiment on the use of DLT.

In their presentations and the following discussions, members reiterated that the availability of central bank money could be a catalyst to speed up DLT-initiatives. Some recalled the “chicken and egg problem” that assets on DLT platforms must become eligible as collateral for the Eurosystem’s monetary policy operations, to become liquid and attractive while there might be the temptation to accept these assets only once the market is mature. The members also spoke in favour of further regulatory adjustments e.g. in the DLT Pilot Regime and CSDR. Furthermore, the members stressed the importance of common standards to avoid fragmentation. Some members saw the ECB in a position to bring the market together.

When talking about a possible central bank money solution, multiple members argued in favour of an interoperability solution in the short term, with one member suggesting the short-term solution to combine the best elements of each tested solution. Many members also mentioned that the more production grade a solution would be, the more scaling of market initiatives would be possible. Alongside that, some members stressed the need for a public commitment to a long-term solution as well, where the market should be involved for determining what such a solution could look like.

3. Presentation by SWIAT & DekaBank

Background:

Regulated Layer One, a blockchain network initiative between DekaBank, LBBW, SC Ventures by Standard Chartered, and SWIAT for the financial industry was presented. The presentation outlined how the SWIAT Network - that has been used for trial issuances during the Eurosystem exploratory work - intends to transition into a structure where institutions cooperate on a joint blockchain layer and jointly run the governance for it.

Members were invited to:

- Raise questions, if any.

Background documentation:

- Presentation on Regulated Layer One.

Outcome:

A representative of SWIAT and DekaBank provided the members of the Contact Group with an overview of their Regulated Layer One initiative and answered the questions raised by the members. The presenters extended an invitation to the members to consider involvement in the initiative.

Section D: Wrapping up the meeting

4. AOB, closing remarks and upcoming meetings

The Chairperson raised concluding remarks and closed the 10th meeting of the NTW-CG.

The next meeting on 30 January 2025 will be an online joint meeting with the CG members and the Eurosystem exploratory work participants. In this meetings, findings of the exploratory work will be discussed. It was also highlighted that there will not be a seamless continuation after the end of the exploratory work in November. However, it was clearly understood that CG members underlined the importance of keeping the momentum.