

OUTCOME

9th meeting of the New Technologies for Wholesale settlement Contact Group (NTW-CG)

25 September 2024 (09:30 - 16:30 CEST)

ECB premises, Frankfurt am Main

Opening remarks by the Chairperson

Background & outcome:

The Chairperson welcomed the NTW-CG members to the 9th NTW-CG meeting, including the new members admitted following the annual review of the [composition](#). The agenda was adopted by the members. The chairperson outlined the organisation and the purpose of the Contact Group.

Section A: Execution phase of the Eurosystem's exploratory work

1. Next steps on new technologies for wholesale central bank money settlement

Background:

As a follow-up to previous discussions held with the members in the 8th meeting of the NTW-CG in June 2024, the ECB prepared a questionnaire to collect feedback from financial market stakeholders – the members of the NTW-CG and the participants to exploratory work – to better understand market needs and to structure further discussions on possible useful steps on new technologies for wholesale central bank money settlement. The ECB gave an overview of the feedback received.

Members were invited to:

- Take note of the overview of the feedback received and discuss noteworthy points.

Background documentation:

- Presentation on feedback in the questionnaire on useful steps on new technologies.

Outcome:

The ECB provided an overview of the feedback received on its 'questionnaire on the next steps on new technologies for wholesale central bank money settlement'. The chairperson thanked all new members for having provided their feedback. Given an overall response rate of around 2/3, he also encouraged the remaining members of the group to respond to surveys as consistently for the Contact Group to act successfully as a sounding board. The ECB reminded that the Contact Group was not a representative representation of the market and that it would hence not show the number of respondents favouring specific options. In any case, the follow up would depend on various analyses and the central bank's own assessment. Hence, the presentation focused on the arguments Contact Group members had put forward rather than numbers.

Several members spoke in favour of an active and prompt **communication by the Eurosystem** on the next steps soon, to allow financial market stakeholders to prioritise the related workstreams internally and allocate the respective budgets. They mentioned the following risks if such a communication would not take place:

- (i) the risk that without further initiatives, internal resources that had been built up to participate in the Eurosystem's exploratory work will be diverted to other workstreams,
- (ii) the risk that without central bank money solutions, the gap would be filled by other players (e.g., stablecoins),
- (iii) concerns about the potential loss of Europe's competitive advantage, as other jurisdictions/currency areas are making progress in the field.

The majority of those who spoke underlined the importance of maintaining the momentum and a possible short-term solution. Members argued that offering a settlement solution beyond the exploratory work would allow the market to refine newly established processes and to gather evidence that the technology is scalable and provides tangible merits. While not the case for the market at large, participants to the Eurosystem's exploratory work would be able to take action more quickly than for the exploratory work itself for which a lead time of 12 months had posed a challenge to many market participants. Some members expressed confidence that they could even seamlessly continue to participate in trials and requested the Eurosystem to provide a solution directly after the exploratory work. Some more members explained that thanks to their experience gained for the exploratory work, they could also more quickly follow up internally and coordinate stakeholders (e.g., investors), as long as a central bank announcement was made in the first half of 2025.

There was a consensus that ideally there would be an agreed **roadmap to establish a long-term vision and implementation plan for such a vision including the next steps**. The long-term vision would allow the market stakeholders to plan for the necessary adaptations and some members argued that this would help avoiding being locked into interim solutions that might not be consistent with a long-term view.

At the same time, members expressed divergent views on the precision with which and how early such a long-term vision could be established. Some argued that an agreement on objectives and some key features would be possible. Others expressed their opinions that the market is not yet mature enough to decide on the shape of the long-term solution and that more practical experience needed to be gained in the coming months or years.

Members of the NTW-CG encouraged the Eurosystem to continue with its **collaborative approach with the market**. Some members saw the Eurosystem in the role and position to moreover act as a catalyst regarding harmonisation efforts and to provide expert knowledge for the crafting of the regulatory framework. This would help the market to develop its solutions on a sound legal basis and in a harmonised way, while helping to tackle the outstanding regulatory issues that members see as slowing down the uptake of DLT. Moreover, members expressed their expectation that the Eurosystem would sooner rather than later grant eligibility for DLT assets to be used as collateral in Eurosystem credit operations, in particular for assets that otherwise are eligible. The ECB reminded that Eurosystem eligibility of assets had been identified as an issue the central bank would follow up on. While the argument that eligibility should not depend on the technology chosen sounded compelling, this could, however, not lead to an automatic acceptance. Instead, the Eurosystem would need to establish that indeed there were no legal or operational impediments for the central bank to seize an asset following the default of a counterparty. For this, the letter rather than the spirit of the applicable laws are decisive, which requires time consuming due diligence processes, in particular for the first assessments.

The argument brought forward by some market participants that DLT assets should be as liquid as a similar traditional asset, was not shared by all participants. The Contact Group had in the past highlighted the risk that the emergence of several asset DLT platforms could lead to a fragmentation. Mainly Contact Group members who have already actively engaged in DLT-related activities would not prioritise mitigating asset fragmentation in the short-term, since the market volume is not relevant enough yet. They argued that in the long-term, any interim increase in market fragmentation could again be reduced by the emergence of common market practices and the usage of the same standards as well as the concentration on platforms of the most active players in the new ecosystem. Other meeting participants expressed the preference for limiting the risk of re-fragmentation earlier.

The ECB took note of the comments received and reassured the members that the Eurosystem keeps its efforts high to ensure that central bank money is kept fit for purpose.¹ As previously communicated to the Contact Group, the Eurosystem would complete the exploratory work in late November and assess the results during Q1, before approaching the Governing Council at one of its non-monetary policy meetings.

¹see 28 April 2023 [ECB press release](#)

2. Data on participation to the Eurosystem exploratory work

Background:

As follow-up to the request made by some CG members during the 8th meeting of the NTW-CG in June 2024, the ECB presented more detailed information on the ongoing activities and stakeholders involved in the Eurosystem exploratory work.

Members were invited to:

- Raise questions, if any.
- Discuss the findings presented.

Background documentation:

- Presentation on the ongoing activities and stakeholders involved in the Eurosystem exploratory work.

Outcome:

The ECB provided the members of the NTW-CG with more detailed information on the ongoing activities and the number of involved market stakeholders, as well as on the type of trials and experiments already conducted. The members took note of the current status and the update of the [exploratory work webpage](#) and asked for regular updates on the value and volumes of transactions settled in the Eurosystem's exploratory work.

3. Republic of Slovenia issuance of digital bond during the exploratory work

Background:

On 25 July 2024, the Republic of Slovenia issued its inaugural digital bond. The transaction is the first such transaction of an EU sovereign, and one of the first sovereigns worldwide. Republic of Slovenia representatives presented the motivations and implications for a sovereign issuer to explore new technologies, as well as share some findings from the experience made.

Members were invited to:

- Raise questions, if any.

Background documentation:

- Presentation on the digital bond issuance and the implication of new technologies for sovereign issuers.

Outcome:

Representatives of the Republic of Slovenia provided the members of the Contact Group with an overview of their experiences while issuing the first EU sovereign bond during the Eurosystem's exploratory work and answered the questions raised by the members.

Members afterwards also exchanged views on whether an interoperability solution linking to central bank money on DLT would allow for a better integration with smart contracts than an interoperability solution linking to a "traditional" infrastructure. Members expressed mixed views. Those with experience with both types of interoperability solutions in the trials and experiments thought that both solutions allowed this. Members expressed the hope that the findings of the exploratory work might shed more light on this.

Section D: Wrapping up the meeting

4. AOB, closing remarks and upcoming meetings

The Chairperson raised concluding remarks and closed the 9th meeting of the NTW-CG.