

# Applying DLT into the financial Plumbing

## A Treasury perspective

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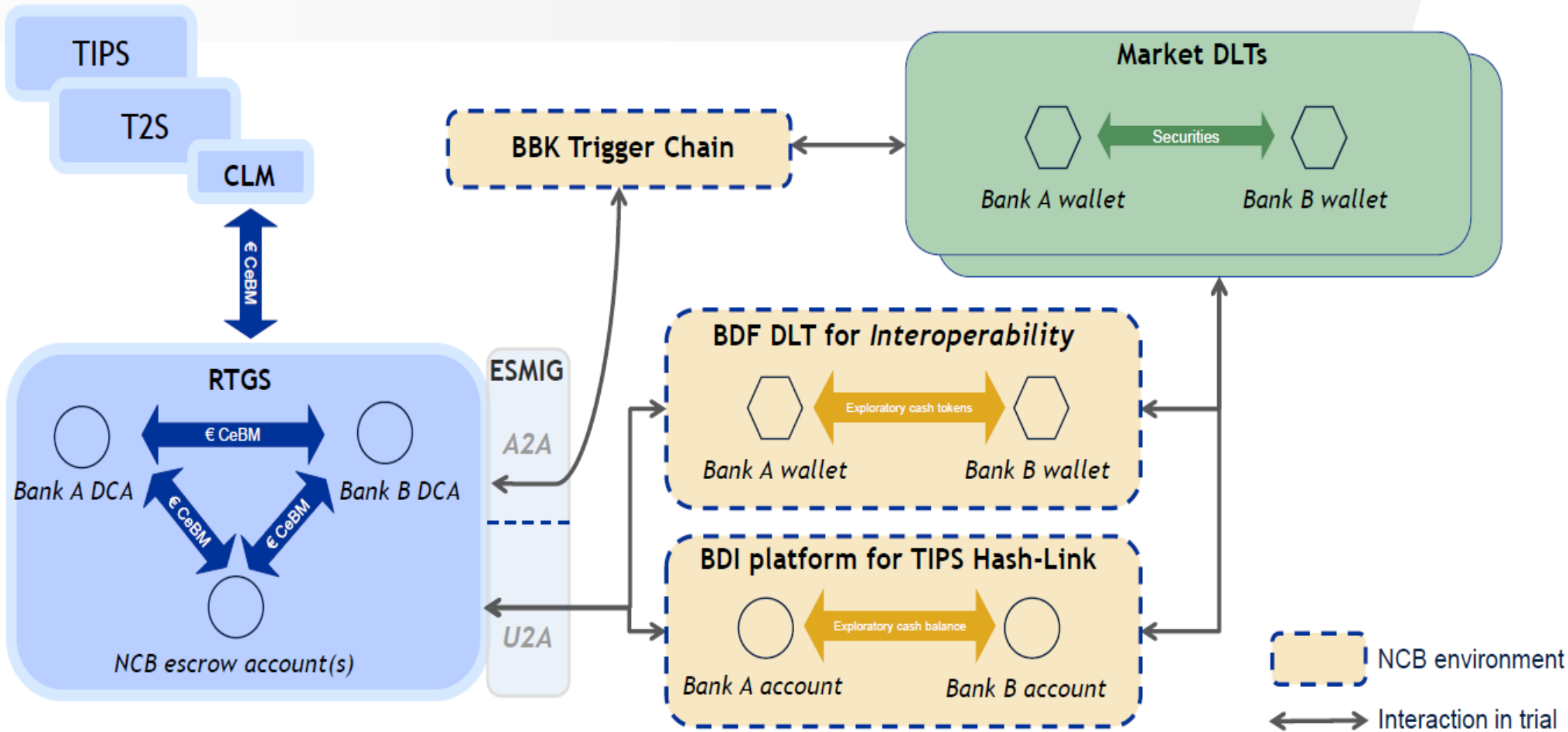
# ECB – Current Exploration on wCBDC



- ECB's Exploration is likely to take some time before a final go-live implementation is available. Private solutions (including those that will function under regulatory approval by the ECB) are ready to go-live and serve the needs of the innovative solutions that are already making inroads in the market.
- ECB's policy is already offering the private sector an option to use AS procedure D accounts to provide a prefunded cash on Ledger solution.
- ECB's current phase of 'Trials & Experiments' focuses on all 3 technology options.
  - ECB's solutions are a mix of long term strategic solutions & 'bridge solutions'
  - Limitations of trigger solution (limited to RTGS hrs, 2-phase commit, ...)
  - It might be good to include other private settlement options that are ready to go-live in the short term.
    - Those that will function under supervision by Central Banks & relevant regulatory authorities
    - Will provide interoperability across other currency regimes unlike existing RTGS
    - Maintain status quo i.e. monetary stability as provided by Central Banks
    - Provide settlement asset to new emerging tokenised solutions
    - Provide payment option to serve the needs of corporate clients via Commercial Banks & FMIs (for their new technology use cases)
    - Although ECB's policy limits the use for DvP settlement
    - Main benefits of wCBDC for cross-currency will be enabled; the ECB initiative is focussed on a single currency atm.



# Interoperability solutions in envisioned trial design

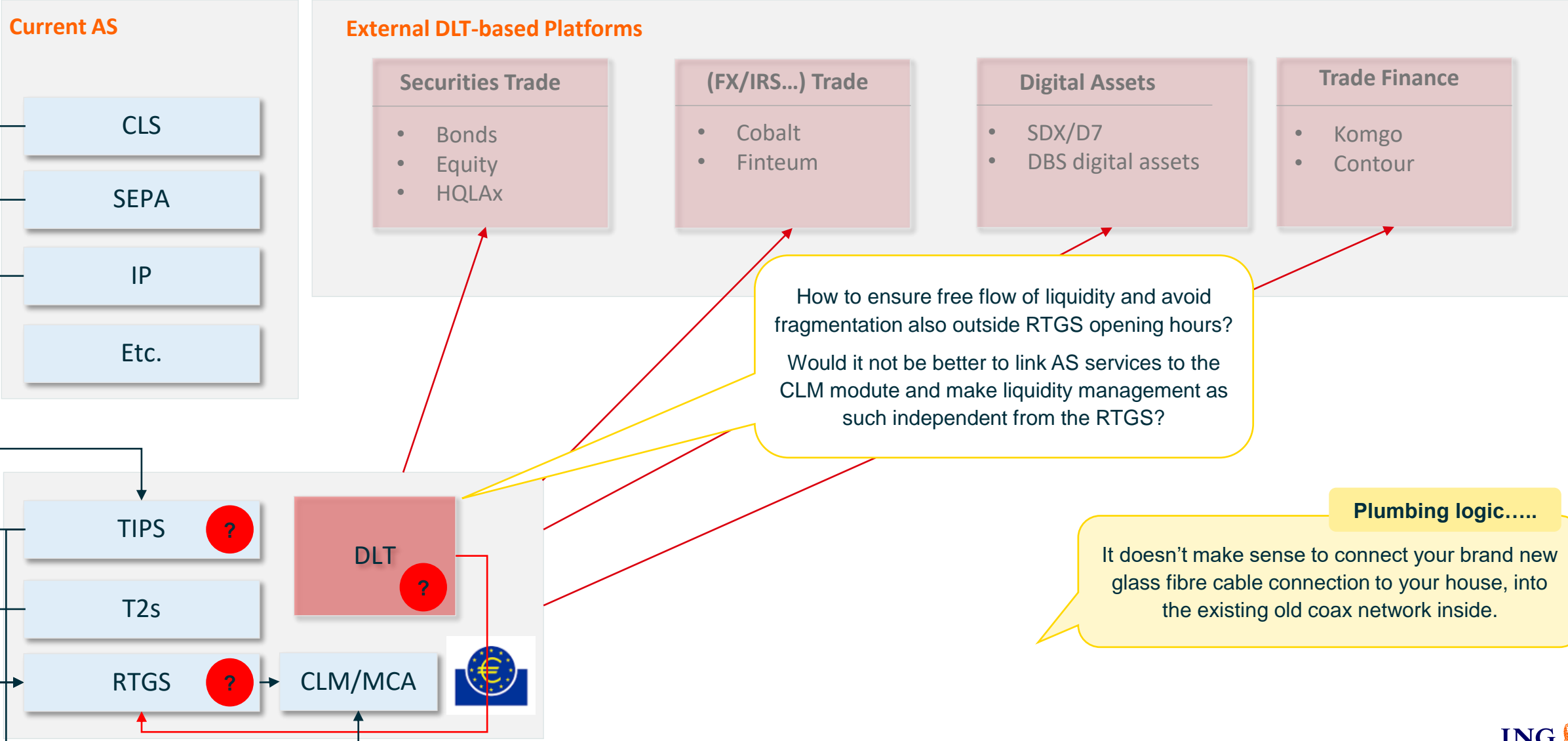


# Practical implications for Treasury



- We need to avoid fragmentation of liquidity and allow for a netting effect in the structure of the infrastructure in an environment where we expect multiple blockchain platforms to emerge for various business needs
- Friction between monetary policy applied value dating (mon-fri) and limited opening hours for RTGS services vs demand of 24x7 processing.
  - Client demand for business 24x7
  - Value date differences and no ability to fund or provide working capital solutions
  - Use of pre-funded buffers which need to be held overnight
  - What if the required pre-funding exceeds minimum reserve holdings?
- Cost factor in relation to remuneration of reserves
- Target as central place to pool liquidity cross various channels, requires free flow of liquidity cross all 24x7 enabled services.
  - Separate DCA might not be the best choice here within the current T2 setup
- Increase of direct participation (less correspondent banking) in a demanding 24x7 real time reality will require more liquidity as netting effect will decrease as fragmentation will increase with more direct participation.

# Plugging DLT into the existing 'plumbing'



# The risk of fragmentation & complexity of cross currency interoperability

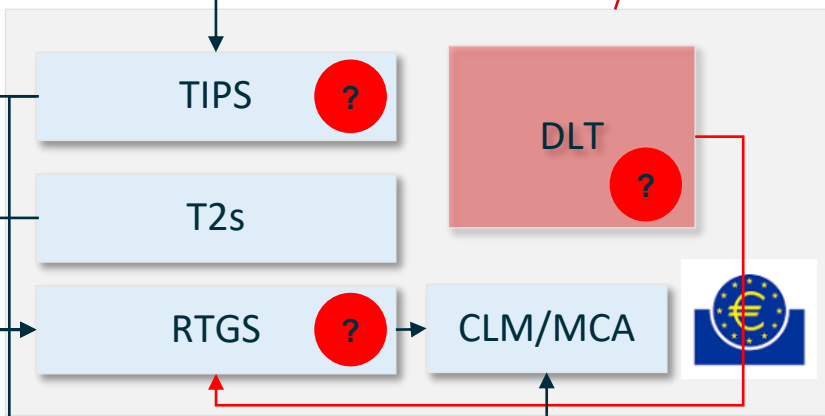


## Current AS

- CLS
- SEPA
- IP
- Etc.

## External DLT-based Platforms

- | Securities Trade   | (FX/IRS...) Trade  | Digital Assets  | Trade Finance   |
|--|--|---|---|
| <ul style="list-style-type: none"><li>Bonds</li><li>Equity</li><li>HQLAx</li></ul> | <ul style="list-style-type: none"><li>Cobalt</li><li>Fintium</li></ul> | <ul style="list-style-type: none"><li>SDX/D7</li><li>DBS digital assets</li></ul> | <ul style="list-style-type: none"><li>Komgo</li><li>Contour</li></ul> |



Cross currency interoperability becomes complex





# A cross currency DLT layer for the settlement in central bank money makes sense.



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Distributed model would enhance settlement efficiency, but integrated interoperable model could work as well.

- TIPS
- T2s
- RTGS
- CLM/MCA 