



THE EUROSYSTEM EXPLORATORY WORK ON WHOLESALE CEBM: LEONIDAS AND OTHER EXPERIMENTS

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Scope of the exploratory work



The Eurosystem has set up practical work to explore different solutions for cash-leg settlement in Central Bank Money (CeBM) of DVP and PvP transactions, planned from May to November 2024



- **Experiments**: mock settlement of the cash and asset legs in test settings, jointly conducted by the Eurosystem and eligible participants at specific dates and times.
- **Trials:** settlement of transactions in central bank money in a limited setting during a limited period.



 Exploratory work relies on the existing regulatory and operational framework of the TARGET Services

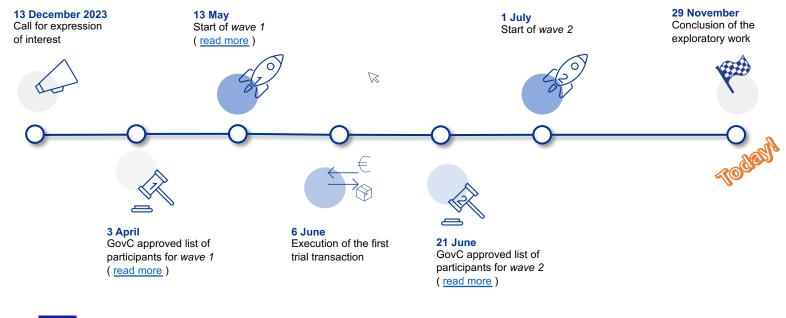


The proposed work is focused on **three interoperability-based solutions**:

- ✓ Trigger Solution by Deutsche Bundesbank
- ✓ **TIPS Hash Link** by Banca d'Italia
- ✓ Full-DLT Interoperability by Banque de France

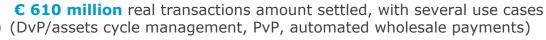


Achievements so far









¹ ABI Lab, Banca Monte dei Paschi di Siena, Banco BPM, BFF Bank, BNL (Gruppo BNP Paribas), BPER Banca, Cassa Depositi e Prestiti, Crédit Agricole Italia, Intesa Sanpaolo, UniCredit #salonepagamenti #payvolution



Explorations with Italian actors/TIPS Hash-Link



CDP/Intesa Sanpaolo - trial with TIPS Hash-Link ✓ Issuance of the <u>first Italian Digital Bond</u> (DvP). Transaction fully underwritten by Intesa Sanpaolo.



Intesa Sanpaolo/Clearstream Lux - trial with TIPS Hash-Link ✓ Issuance of an ECP under Luxembourg jurisdiction (DvP).



Project «LEONIDAS» ABI Lab - experiment with Full-DLT Interoperability ✓ Automated wholesale payments, prosecution of Spunta Banca DLT



BNP Paribas Paris/Asset Foundry - experiment with TIPS Hash-Link ✓ Digital assets issuance (DvP).



Project "Meridian FX" with BIS-IH/Bank of England

✓ Cross-currency PvP experiment with all three Eurosystem's interoperability models



Focus on TIPS Hash-Link



Notably innovative because:

- It enables settlement of financial transactions by synchronizing the settlement of the "securities leg" on a DLT platform and the "cash leg" on a TIPS-like payment system, on an instantaneous, 24/7/365 basis
 - ✓ Easily adaptable to work with T2/RTGS
- It preserves the **centrality of TARGET services** for settlement in central bank money of **DLT-based transactions**
- **Business as usual** for Eurosystem's market infrastructure participants
- Thanks to a light API-based protocol it fosters interoperability with DLT platforms, regardless of the technology solutions adopted (**DLT agnostic**)
 - ✓ Successfully tested with several DLT technologies













Focus on LEONIDAS

Liquidation Effective ONchaIn Dlt Asset on Spunta

- Broadening the scope of Spunta Banca DLT, a mature Prod-grade infrastructure based on ABILabChain
 - ✓ Spunta is Live since March 2020 (90+ nodes, 750+ million transactions)
- Born from the cooperation with ABI, NTT Data, R3 and a group of 17 pilot banks
- Selected as part of the <u>2022 Call for Proposals</u> on DLT applications of Milano Hub, Banca d'Italia innovation center
- Eligible to participate in the Eurosystem exploratory work
 - ✓ With a consortium of participants² and observers credit institutions
 - ✓ The Eurosystem recognized its relevance, due to its complexity and capability to provide unique insights about DLT governance

² Banca Monte dei Paschi di Siena, Banco BPM, BFF Bank, BNL (Gruppo BNP Paribas), BPER Banca, Crédit Agricole Italia, Intesa Sanpaolo, UniCredit





- IB
- The Eurosystem practical work and other initiatives are complementary to provide the maximum input possible to reflect on next steps after 2024
- Our exploratory work seeks to obtain systematic feedback
 - ✓ To go beyond proofs-of-concept and to gain consistent knowledge via multiple experiments/trials to assess scalability, confidentiality and to cover realistic business scenarios
 - ✓ **Interoperability is a "no-regret-move"**, as interoperability will always be necessary in the absence of a single global platform for all countries, participants and assets, but...
 - ✓ ... We shall avoid re-fragmentation
- The Eurosystem understands the importance of keeping momentum, and is reflecting on the follow up on the experimentation
- The Eurosystem is also reflecting on a long-term vision
 - ✓ As recently outlined by <u>Piero Cipollone's speech 'Towards a digital capital market union'</u> we need to adapt to the evolving technology to maintain trust and confidence in the value of money and the financial system





THANK YOU!



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