



Joint Press release

Frankfurt am Main
24 March 2021
Page 1 of 4

DLT-based securities settlement in central bank money successfully tested

Deutsche Börse, Deutsche Bundesbank and Germany's Finance Agency have developed and successfully tested a settlement interface for electronic securities, working with a range of other market participants. Securities settlement using distributed ledger technology (DLT) is performed with the aid of a “trigger” solution and a transaction coordinator in TARGET2, the Eurosystem's large-value payment system.

In doing so, the participants have demonstrated that it is possible to establish a technological bridge between blockchain technology and conventional payment systems to settle securities in central bank money with no need to create central bank digital currency. During testing, the Federal Government's Finance Agency issued a ten-year Federal bond (Bund) in the DLT system, with primary and secondary market transactions also being settled using DLT. The transactions carried out during testing are not legally binding.

Burkhard Balz, member of the Bundesbank Executive Board responsible for the Directorate General Payments and Settlement Systems, said: “Following successful testing, the Eurosystem should be able to implement such a solution in a relatively short space of time – at least in far less time than it would take to issue central bank digital currency, for instance.”

Stephan Leithner, member of the Executive Board of Deutsche Börse, added: “New technologies are a key component in creating infrastructures of tomorrow that meet the markets' needs. This project marks a major step towards more

efficient securities settlement and securities digitalisation by combining new technologies with existing infrastructures in a smart way.”

Jutta Dönges, Co-Chief Executive Officer of the Finance Agency, commented: “We are delighted to be supporting the development of this innovative technology with our know-how. The transactions between us and our counterparties were conducted very successfully.”

The market participants involved in conducting the experiment were Barclays, Citibank, Commerzbank, DZ Bank, Goldman Sachs and Société Générale.

The solution in detail

DLT such as blockchain have been increasingly growing in importance in recent years. The project saw the creation of an interface between conventional payment systems and a DLT-based securities system. Two software modules – a trigger chain from the Bundesbank and a transaction coordinator from Deutsche Börse – connect TARGET2 with a DLT securities system. The securities and central bank money do not change hands until the transfer has been successfully confirmed by all parties. This delivery-versus-payment mode of settlement minimises counterparty risk for both the buyer and the seller.

In DLT-based settlement, assets and money are typically tokenised, i.e. represented as digital tokens in the DLT environment. This newly unveiled solution does not require tokenised money. What has been created instead is an interface that connects the DLT platform with conventional payment systems and initiates (“triggers”) payment. As the solution tested in the project can be adopted by a variety of DLT-based settlement systems, it represents a major advance for the further use of DLT in the financial sector and real economy.

About the project

This test sees Bundesbank and Deutsche Börse now joining forces with the Finance Agency to continue the work they started on the Blockbuster (blockchain-based settlement technology research) project back in 2016. The functionality of blockchain technology in securities settlement and the cash leg settlement of transactions was successfully demonstrated in previous project phases.

About Deutsche Börse Group

As an international exchange organisation and innovative market infrastructure provider, Deutsche Börse Group ensures markets characterised by integrity, transparency and stability. With its wide range of products, services and technologies, the Group organises safe and efficient markets for sustainable economies. Its business areas extend along the entire value chain in exchange trading, including the admission, trading and clearing, and custody of securities and other financial instruments, the dissemination of market data, as well as the management of collateral and liquidity. As a technology company, the Group also develops state-of-the-art IT solutions and offers IT systems all over the world.

About the Deutsche Bundesbank

The Deutsche Bundesbank is the independent central bank of the Federal Republic of Germany. It has formed part of the Eurosystem since 1999, sharing responsibility with the other national central banks and the European Central Bank for the single currency, the euro. Eurosystem monetary policy is the Bundesbank's core business area. In addition, the Bundesbank performs other key tasks at both the national and international level. Among these are, first and foremost, involvement in the national supervision of financial institutions, including a role in the European Single Supervisory Mechanism, as well as the areas of cash management, payment systems and financial stability.

About the Finance Agency

The Federal Republic of Germany – Finance Agency is the central service provider for the Federal Republic of Germany's borrowing and debt management and manages the Financial Market Stabilisation Fund and the Economic Stabilisation Fund. On behalf of the Federal Government, the Finance Agency issues Federal securities, executes money market and derivatives transactions and in doing so manages the Federal Government's debt portfolio and capital market operations. In this context, it is tasked with guaranteeing budget and short-term liquidity funding via the financial markets at all times and ensuring its sustainability.

Contact details for the media:

Deutsche Börse

Christina Vogt
Tel.: +49 (0)69 2 11 17 845
christina.vogt@deutsche-boerse.com

Deutsche Bundesbank

Jörg Bernardy
Tel.: +49 (0)69 9566 3693
presse@bundesbank.de

Finance Agency

Kirsten Bradtmöller
Tel.: +49 (0)69 25616 1607
kirsten.bradtmoeller@deutsche-finanzagentur.de