

New wholesale settlement solution paves the way for a digital savings and investment union

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What is a wholesale settlement solution and what did the Eurosystem test?

A wholesale settlement is the online settlement of transactions in central bank money by payment and investment service providers. It does not include payments from consumers or businesses, nor does it use a Retail Central Bank Digital Currency (rCBDC).

The goal is to use Distributed Ledger Technology (DLT) to efficiently trade, offset and hold assets, including securities, in custody. This means that security or foreign currency transactions will be directly interconnected with the cash counter transaction. Access to a wholesale settlement solution should be available to all those who already have access to TARGET financial market infrastructure (T2 or TIPS) within the Eurosystem. DLT based wholesale settlement solutions do not just allow for more efficient settlements; they also reduce dependence on intermediaries and strengthen both the ability of Europe to compete globally and its financial sovereignty.

The Eurosystem recently investigated three different interoperability scenarios: the Deutsche Bundesbank's trigger solution, the Banca d'Italia's TIPS hash-link solution and the DL3S-Full-DLT solution from Banque de France. A total of 64 participants from across Europe took part in this investigation. 200 transactions, for a total value of over 1.59 million euros, were completed. All three wholesale settlement solutions made settlement of assets and cash more efficient and transparent than current settlement processes.

Our assessment of the wholesale settlement solutions

The European Union should promote wholesale settlement solutions as they develop the savings and investments union. We therefore believe that this investigation by the Eurosystem was an important intermediary step and welcome the decision, made by the ECB Council on 20 February 2025, to provide solutions for a DLT connection to T2 and TIPS infrastructure in the short-term.

With only a nominal amount of effort and token statutory amendments, a solution can be implemented that guarantees the highest degree of settlement security. This will improve the efficiency of the European capital markets, which in turn will improve the ability of the euro area to compete globally.

We welcome the step-by-step process adopted by the Eurosystem. It offers a pragmatic solution in the near-term while supporting, over the medium-term, an analysis as to whether or not an even more efficient solution can be developed for the market – in particular by interconnecting, even more closely, cash and securities, for example using a distribution or integration solution, or perhaps a combination of the two.