

# Building the digital asset ecosystem

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The world of finance is going digital, driven by the rapid growth of digital asset securities. Market participants around the globe are witnessing a surge in innovation, prompting established financial market infrastructures to take centre stage in shaping the future of the industry.

The digital asset evolution in the financial industry is progressing rapidly, especially at institutional levels among financial intermediaries. There is plenty of evidence of innovation with interesting application use cases. Clearstream, for example has reached a key milestone of 100,000 issuances in July 2024 on its next-generation digital post-trade platform D7, leading the industry in terms of number of transactions and value issued in euros. Most recently, KfW issued their first benchmark security worth 4bn EUR on D7, in aggregate increasing the issued value on D7 to roughly 8bn EUR. This significant progress is evidence that digital solutions are scalable already.

## European Central Bank (ECB) trials: a catalyst for accelerated evolution towards asset tokenisation

The journey does not end with digitisation. The ECB trials on wholesale central bank digital currency (wCBDC) are a major catalyst for the acceleration towards securities tokenisation. As a distributed ledger technology (DLT) market operator, we provide seamless processing of digital assets and high quality cash on-chain, which is a crucial step in developing a

digital European securities landscape. Our participation, as one of the first market infrastructures involved in the trials, underscores our commitment to driving this evolution. Across all our central securities depositories – the German CSD, our International CSD, and LuxCSD in Luxembourg – we are actively exploring all three payment solutions offered by the ECB. This includes Deutsche Bundes-

## Through partnership, innovation, and standardisation, we are building a solid foundation for a future where digital assets are seamlessly integrated into the financial ecosystem – be they digital or tokenised securities.

bank's Trigger Solution, the TIPS solution from Banca d'Italia, and the DLT solution of Banque de France. This way, we ensure our clients have the most extensive range of trial options available.

In the first use case in Wave 1 of the trials, Clearstream marked the first institutional-grade tokenised issuance in Germany on DLT using wCBDC, together with DekaBank and DZ Bank. This transaction represents a significant milestone for the creation of stable digital capital markets in Germany and Europe, demonstrating the power of digital solutions in enhancing safety, liquidity and efficiency.

## Foundational principles for industry standardisation

The rise of DLT presents both opportunities and challenges. For the technology

to be adopted wholesale in the financial industry, coordinated efforts are required from within and by the industry. Major hurdles on this journey are the lack of standards in the blockchain ecosystem, lack of interoperability between existing island solutions, and mobility of asset tokens across these blockchain solutions.

Together with the Depository Trust and Clearing Corporation (DTCC) and Euroclear, we recently published a blueprint for an industry-wide digital asset ecosystem. Our joint white paper, "Building the digital asset ecosystem", outlines six key principles, the "Digital Asset Securities Control Principles" (DASCP), to guide the successful adoption of tokenisation. These principles provide a framework for the industry to develop standards for the digital asset marketplace. The DASCP aims to spark industry-wide discussions that will pave the way for the development of robust and comprehensive standards for the digital asset marketplace.

Europe is contributing its fair share to these developments, with comprehensive regulatory frameworks at domestic market levels with more robust European-wide regulation in the horizon. It is important to remember that our traditional financial system will not disappear overnight, but gradually migrate towards more modern technology solutions, giving issuers as well as investors of securities and financial instruments greater options, flexibility, speed, transparency, and efficiencies in the future. Clearstream aims to be an integral contributor to this evolution, working with our clients and partners to deliver viable business cases that quickly scale. ■

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