Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
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Consultation on the Eurosystem's Appia project

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Chapter 2.3: Do you have any comments on the high-level principles governing Appia presented in Chapter 2.3? Are there any additional principles that should be considered?

The ABBL supports the high-level principles as set out, which provide a solid foundation for the development of a future tokenised financial ecosystem. In particular, the focus on maintaining central bank money as the anchor of the two-tier monetary system, fostering integration and supporting innovation is well aligned with market expectations.

From a market perspective, the effective implementation of these principles will benefit from a strong and complementary role for private sector initiatives. Market participants are already actively developing DLT-based infrastructures and services, and this capacity can contribute meaningfully to achieving the objectives of Appia. Care should be taken to avoid unintended crowding out of private-sector initiatives that are already delivering innovation in this space.

In this context, it is important that the framework remains open to multiple interoperable solutions, allowing different DLT platforms to develop in response to market needs. The ABBL therefore encourages a model in which the Eurosystem acts as an enabler and anchor of trust, while allowing competitive and interoperable market infrastructures to develop and operate around it.

A high degree of interoperability, supported by common standards, will be key to avoiding fragmentation while preserving innovation and competition. At the same time, it would be preferable not to lock in specific technical approaches too early.

Standardisation will play a central role. It should build on existing practices and be developed through close cooperation between the Eurosystem and market participants, combining public oversight with practical market experience. The Eurosystem is well placed to guide this process by setting core principles, governance expectations and oversight requirements, while enabling industry-led implementation.

Finally, one additional element that could be brought out more clearly is data protection. In a more integrated and data-rich environment, privacy by design should be explicitly recognised.

Chapter 3.2: Do you consider the concept of the network layer, described in Chapter 3.2 as a utility, to be a strong foundation for developing a future tokenised financial ecosystem? In your view, which elements of a tokenised market infrastructure could realistically function as a neutral

shared utility? Are there any specific aspects of this concept that you believe require further refinement or emphasis?

The utility concept is a helpful way to approach the issue of fragmentation. It makes sense, in particular, for aspects that need to be consistent across the ecosystem.

How this translates in practice is less clear at this stage. A single infrastructure is one possibility, but not the only one. A setup where multiple networks interoperate and effectively provide a shared layer may be closer to how the market evolves.

Some components are obvious candidates for a utility-type approach, such as standards, messaging and identity. Without alignment there, the system would struggle to scale.

Other parts should remain open. Infrastructure operation and service provision will likely benefit from competition.

The governance question will be important. If something is treated as a utility, access conditions and participation rules need to be clear from the outset.

At the same time, interoperability should not be limited to the European ecosystem. Given the global nature of financial markets, it will be important to ensure connectivity with relevant international infrastructures.

Chapter 3.2: How can Europe's strategic autonomy (e.g. legal, technological, operational, governance-related) be ensured within the envisioned tokenised financial ecosystem? Are there any particular measures or approaches you would recommend to strengthen autonomy?

Strategic autonomy is not only a legal issue.

There are also dependencies at the level of technology and operations, for example cloud infrastructure, core software, or even validation setups. DLT networks could be considered eligible as critical financial market infrastructures where they meet the essential conditions required to ensure resilience and trustworthiness..

Strengthening autonomy therefore means looking at the full stack. In practical terms:

- infrastructures should be located, operated and governed within Europe and subject to European legal and regulatory frameworks,
- the availability of European technological capabilities is equally important,
- and the ability to operate critical components locally if needed should be ensured.

In this context, the definition of clear eligibility criteria for infrastructures could support consistency, resilience and regulatory compliance across the ecosystem.

At the same time, the system should remain open and interoperable with international infrastructures, reflecting the global nature of financial markets.

Chapter 3.2: In your view, what would be the best ways to establish common standards, rules and practices when shaping the tokenised financial ecosystem? In which domains should standardisation be achieved? What role would you see for public institutions in this regard?

Standardisation will be key. Without it, fragmentation risks will materialise very quickly.

The main areas are already quite clear:

- how assets are represented,
- how systems communicate,
- how participants are identified and authorised.

Public authorities have a role in setting a baseline, particularly where consistency is needed across jurisdictions. That said, standards tend to work better when they are developed in close cooperation with the industry and allowed to evolve.

Chapter 3.3: How do you assess the advantages, challenges and trade-offs of enabling central bank money settlement on one network? Please comment with respect to governance, resilience, fragmentation risks, innovation incentives, market efficiency, etc.

A single network would simplify a number of aspects, in particular from a liquidity and coordination perspective. It represents the most direct way to reduce fragmentation and to concentrate liquidity in a single environment.

At the same time, such an approach concentrates risk. The system becomes dependent on a single infrastructure, both technically and from a governance perspective. While a unified network may reduce certain forms of fragmentation, it also increases reliance on a single design and operational framework, which may have implications for resilience and adaptability over time.

A further consideration is the potential impact on innovation. A highly centralised setup may limit the scope for alternative technological approaches to develop in parallel, particularly in a rapidly evolving environment.

For these reasons, the trade-offs between integration and resilience, as well as between coordination and innovation, will need to be carefully assessed in the context of the different configurations under consideration.

Chapter 3.3: How do you assess the advantages, challenges and trade-offs of enabling central bank money settlement on a limited number of selected networks? Please comment with respect to governance, resilience, fragmentation risks, innovation incentives, market efficiency, etc.

A multi-network approach seems closer to how the ecosystem is currently evolving. It allows different solutions to develop, which is positive from an innovation and resilience perspective. It also avoids over-reliance on a single setup.

The downside is complexity. Without effective interoperability, fragmentation becomes an issue again. This is also important to avoid fragmentation of liquidity across networks.

For Appia to deliver its full potential, it is essential that central bank money can be made available across multiple eligible DLT networks under harmonised conditions. Access should not be restricted to a single infrastructure but should instead be based on clear, risk-based eligibility criteria applicable to both public and private platforms.

In such a context, ensuring broad availability of central bank money settlement across eligible networks would support a level playing field and help avoid fragmentation of liquidity. Similarly, it is important that the convertibility of commercial bank money into central bank money remains guaranteed at all times in wholesale markets.

So the model only works if interoperability is treated as a core requirement, not something added later.

Chapter 3.3: What are your views on the Eurosystem providing its core services on a network it operates directly? What operational, functional or technical features would you require to support your business needs and enable efficient participation in a tokenised ecosystem?

A Eurosystem-operated network would offer a high degree of control and predictability, which is understandable from a public policy perspective. At the same time, it raises questions about how it would sit alongside existing infrastructures and market initiatives.

From a user perspective, the focus is more on outcomes:

- access to central bank money,
- ability to connect with other systems,
- operational reliability and scalability.

In that respect, interoperability solutions such as Pontes provide a useful reference point.

Chapter 3.3: What are your views on the Eurosystem providing its core services on one or more networks under shared governance with other parties? What governance, transparency or decision-making features would be necessary for you to operate efficiently and safely on such a network?

Shared governance is likely to be part of the solution.

The main challenge is to keep it workable. In particular:

- roles need to be clearly defined,
- decision-making needs to remain efficient,

- access conditions should be transparent.

It will also be important to ensure that governance arrangements do not create incentives that could distort competition between participants.

Chapter 4.1: Do you have any suggestions regarding the general approach to the investigation under Appia proposed in Chapter 4.1?

The overall approach makes sense. Given the level of uncertainty, an iterative and evidence-based process is appropriate.

One point worth emphasising is the need to test interoperability in practice. This is where most of the real challenges tend to appear.

It will also be important to keep the link with existing infrastructures.

Chapter 4.2: With a view to enabling efficient and effective public-private collaboration under Appia, do you have any suggestions for market and public sector engagement, in addition to the material presented in Chapter 4.2?

Engagement with the market should be practical and focused.

In many cases, the expertise already sits with institutions that are active in this space. It would make sense to build on that rather than creating entirely new structures.

This should be complemented by coordination at European level to ensure consistency across jurisdictions.

Any additional feedback

The initiative addresses a real need, and the direction of travel is clear. The main challenge will be getting the balance right:

- keeping central bank money at the core,
- ensuring systems can interoperate,
- while still leaving room for market actors and for innovation to develop.

How these pieces fit together in practice will ultimately determine whether the framework is used.