



EUROPEAN CENTRAL BANK

EUROSYSTEM

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# **Digitalisation - Challenges and opportunities for central banks**

High level workshop for banking  
supervision authorities and central  
banks

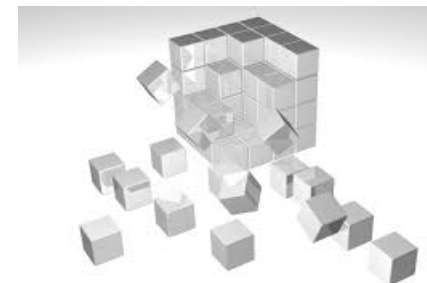
Casablanca, May 17-18, 2017

## Overview

- Background on digitalisation
- Challenges for central banks – the disruptive effects of digitalisation
- Digitalisation – a potential opportunity for redefining central banks' action
- Digitalisation – a wide array of actions for central banks



### Risk of (renewed) fragmentation



- Tendency to build **closed-loop** solutions or **silos**
  - At the **European** level in particular: important challenge to the financial integration process achieved (e.g. SEPA)
- ⇒ Need to ensure **interoperability** not only by standardisation at the technical level but also by harmonising business processes in a commensurate legal environment
- ⇒ Central banks' action as **catalyst** facilitates this effort bringing together relevant actors given network characteristics of industry:
- E.g. Euro retail payments in the EU – Euro Retail Payments Board and envisaged coordination of national payment committees
  - E.g. Advisory Group on Market Infrastructures and substructures (incl. DLT Task Force)

### Risks for the safety and stability of the financial ecosystem

- Multiplication of **actors** and higher circulation of personal **data**: potential new **cyber risks**
  - Potential new transmission mechanisms for systemic shocks: possible long-term impact on **financial stability**
- ⇒ Require **coordination** of actions:
- ⇒ Regulators' existing guidance (CPMI-IOSCO, G7)
  - ⇒ Monitor market evolution before assessing whether need for further regulatory steer

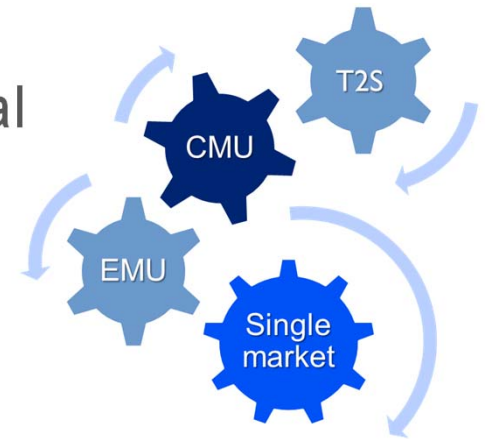


### What potential use cases to be studied?

- General analysis:
  - Could current Eurosystem services (TARGET2 / T2S) **safely** and **efficiently** run on DLT?
  - Joint assessment with Bank of Japan has been launched
- Concrete feasibility study:
  - Could potential **new services** be based on DLT (e.g. offering issuance service to CSDs)?
- Holistic perspective:
  - Should central banks **support** DLT-based market solutions to allow efficiency gains in the market?
- Multidisciplinary research:
  - Should central banks provide central bank digital currency (**CBDC**) to households? In what form? What would be the impact on the economy?

## Standardisation and harmonisation

- New technologies must not jeopardise Financial market integration efforts
  - How to facilitate adoption of innovation that may improve **financial market integration** and supports Capital Markets Union (CMU)?
- Two dimensions:
  - Different **DLT solutions** need to smoothly interact
  - DLT needs to interoperate with **legacy systems**
- Coordinated efforts are necessary to harmonise potentially DLT-enabled business processes at the **industry** level and with **public authorities**
  - Euro retail payments in the EU – **Euro Retail Payments Board** and envisaged coordination of national payment committees
  - **Advisory Group on Market Infrastructures** (incl. DLT task force)



## The importance of the oversight perspective

### Fintech and regulatory aspects: not stifle innovation

- What impact on regulation (e.g. **oversight frameworks**)?
- Main questions:
  - Is regulation **agnostic** to underlying technology?
  - Is there a need for **dedicated** regulation or adapting existing regulation?
- Assess how FinTech could help cover data requirements (“**RegTech**”)
- CPMI **analytical framework** for central banks and other authorities to review and analyse the use of DLT in payment, clearing and settlement activities





## Conclusion: Digitalisation – a wide array of actions for central banks

- Digitalisation has the **potential** to make processes faster, cheaper and generally more efficient
- Importance of **cooperation** reinforced, between
  - Central banks (at EU and global level)
  - Regulators (at EU and global level)
  - Relevant actors of this network industry to avoid coordination failures
  - Authorities and industry for cross-fertilisation
- Need for **further analysis**
  - On potential for central banks in particular for DLT considering multi-disciplinary dimension
  - On the impact on Central Banks' role



A reflection still in relative infancy....



....a long journey...