



Post-trade made easy

Blockchain in post-trade settlement

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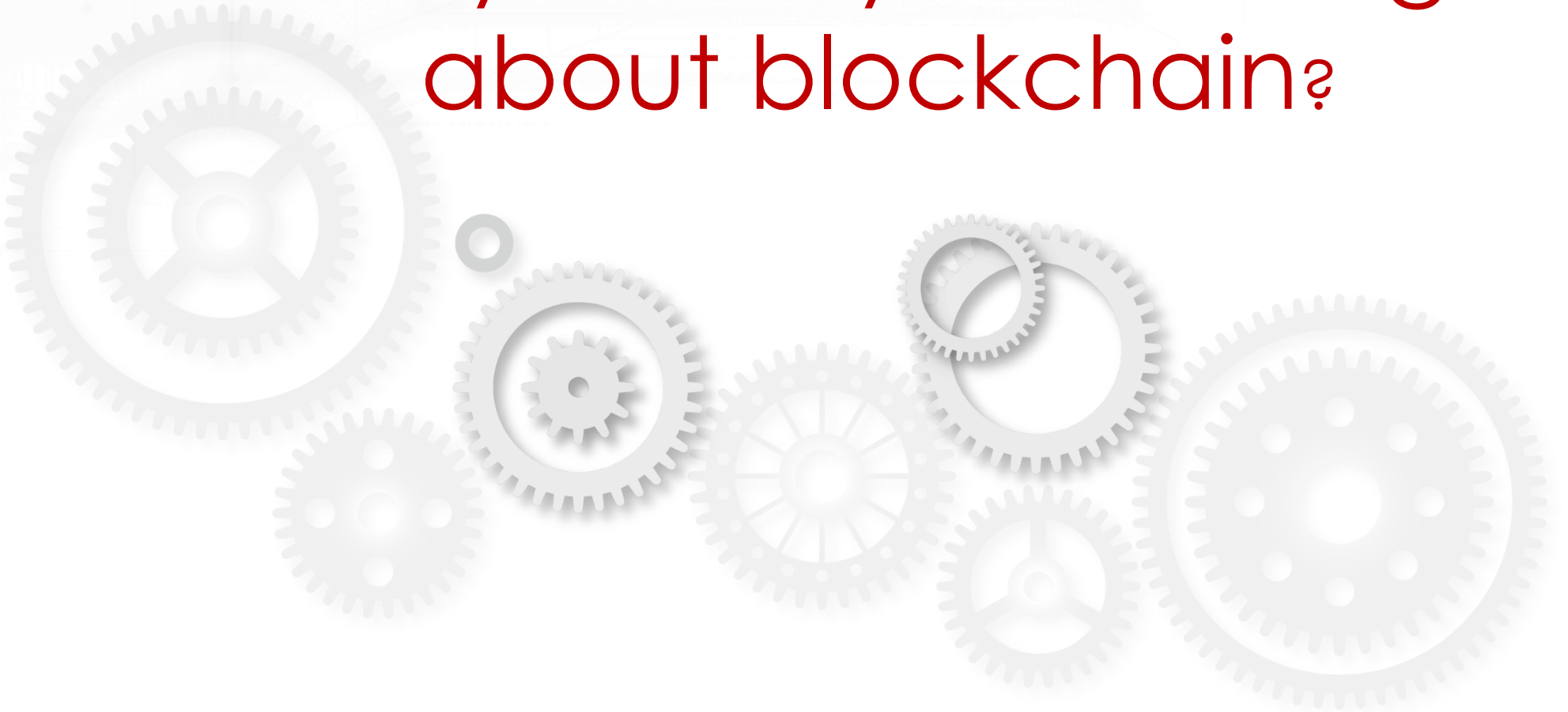
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Why is everyone talking about blockchain?





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Euroclear Bankchain

Using blockchain to deliver a new settlement service for the London bullion market

What?

Euroclear Bankchain is a next generation settlement platform combining the speed and simplicity of unallocated gold trading with the security of the allocated bullion.



Why?

- ▶ **Improved liquidity** across the market through the mobilisation of bullion and greater transparency through integrated reporting mechanisms.
- ▶ **Operational efficiency** via simultaneous DvP, enhanced automation and straight through processing.
- ▶ **Regulatory compliance** through instant settlement. Reduces counterparty risk and increases balance sheet efficiencies.

How?

The Euroclear Bankchain service is a **direct settlement network** whose underlying technology is based on a shared, cryptographically secure ledger of transactions maintained by a network of participants.

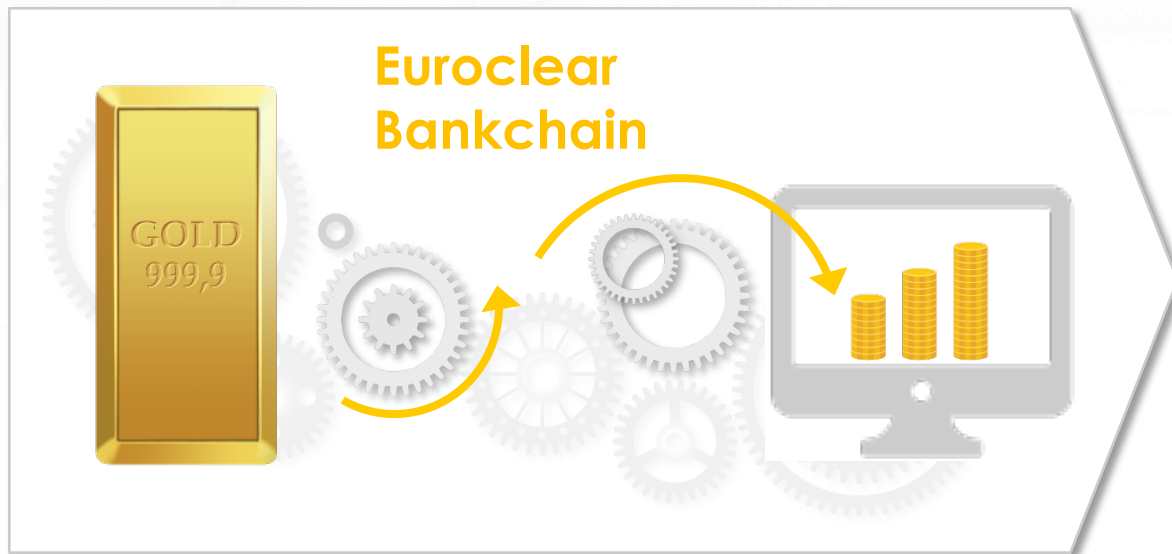
Euroclear Bankchain has been engineered to integrate with existing infrastructure, enabling a seamless transition for participants.



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Financial Market Infrastructure for physical gold

Powered by blockchain



Benefits include

- Improved liquidity
- More flexible trading
- Increased operational efficiency
- DVP settlement
- Pledge gold as collateral
- Reduced risk & capital costs
- Transparent auditability
- Opens the market to new participants



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Blockchain in the capital markets

The prize and the journey

The prize...

- Utopian vision of capital markets operating DLT, removing the need for large parts of the industry value chain
- Could drastically reduce operational inefficiencies as well as credit and liquidity costs
- Investments being made and talent moving into distributed ledger start-ups and utilities
- Unparalleled dedication of resources and effort within institutions for such a nascent technology application

... the journey?

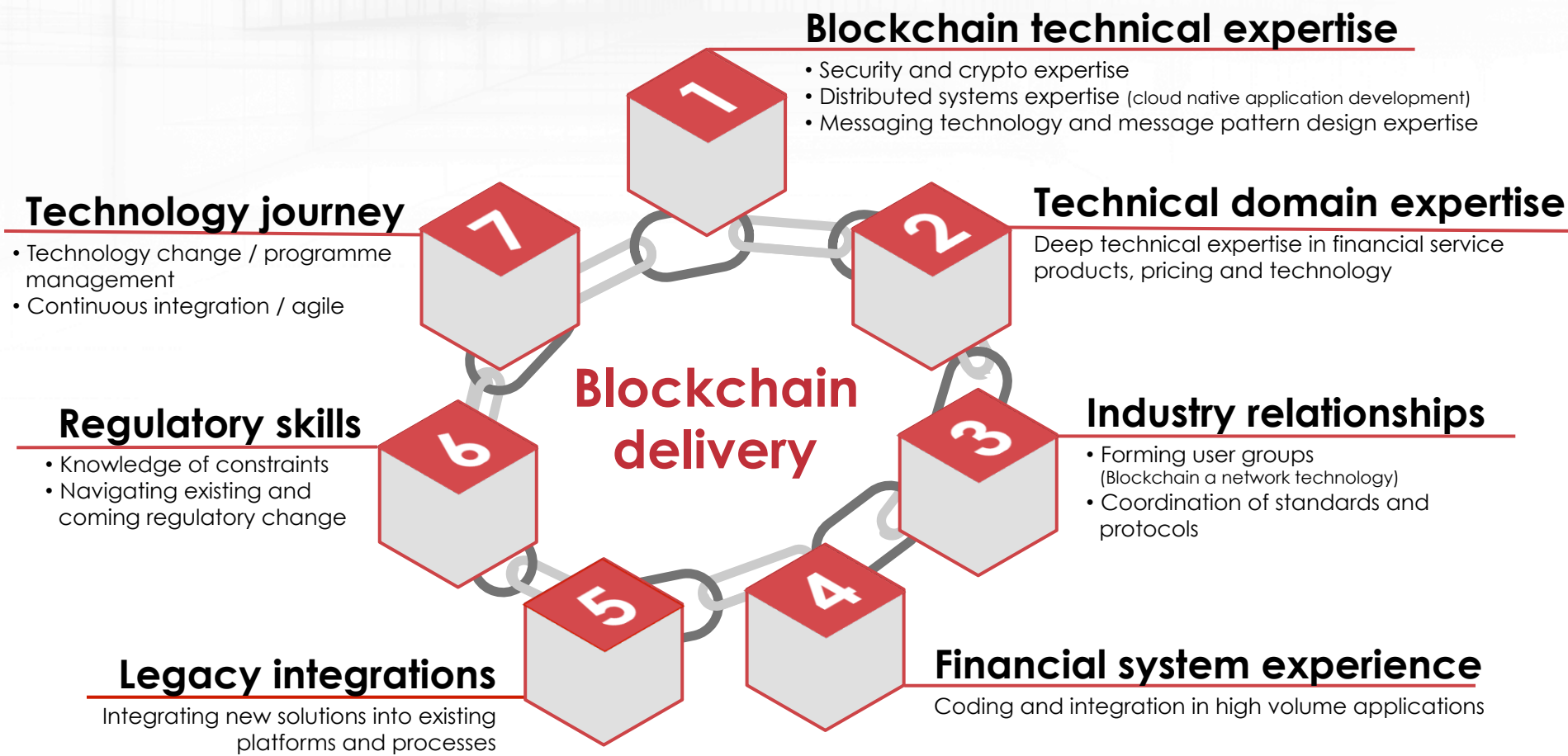
- A truly new way to organise financial transactions
- No certainty yet that it will generate real benefits
 - Industry thinking embryonic, with little quantification of benefits or fully-developed use cases
 - Potential for non-DLT to achieve some of the benefits
- Different paths to adoption
 - Competitive innovations vs industry adoption



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What capabilities are required?

Blockchain implementation capabilities required





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Key regulatory considerations



- Technology should not be regulated; but rather the users of the technology
- DLT-enabled services should meet existing laws and regulations
- Longer term, regulatory aspects need to evolve as DLT transforms markets
- Regulatory guidance should be global, or at least EU-wide



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A role for Financial Market Infrastructures (FMIs)

- CSDs do not require specific regulatory permission when using DLT
- Main CPMI-IOSCO and CSDR requirements apply:
 - Settlement finality
 - Delivery Versus Payment
 - Central bank settlement
 - Operational risk





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Need for central authorities



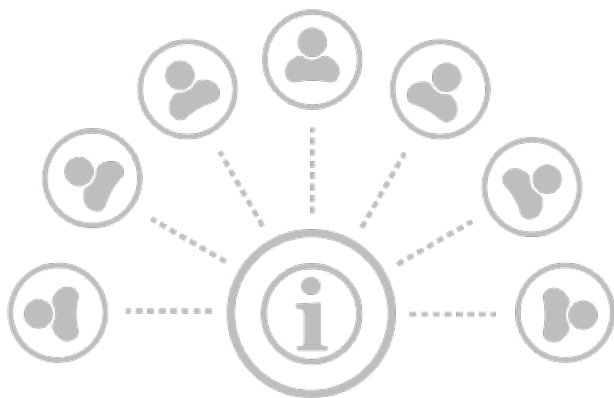
- New 'central authority' functions
 - Identity management ('permission')
 - Key management
 - Smart contract management
 - Dealing with insolvency of investor, portability of positions
 - Dealing with interoperability
- New infrastructure roles could occur
 - Application of CPMI-IOSCO principles



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The way forward: collaboration

- Blockchain can bring benefits to post-trade
- The current landscape is not optimised for widespread adoption of DLT
- The timing is right for regulators, FMI, banks and fintech providers to come together to realise new ways of working



Further information

Download our whitepapers and find out more about our blockchain initiatives at **[euroclear.com](https://www.euroclear.com)**.

Thank you



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