

## Consultation Response

# *Appia Consultation - response*

April 2026

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The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **ECB's questionnaire on Appia**. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

AFME is registered on the EU Transparency Register, registration number 65110063986-76. We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

### *Executive Summary*

AFME welcomes the Eurosystem's questionnaire on Appia. We have set out our vision and recommendations for Appia in a separate report "Future European DLT-based Financial Market Architecture", which we recommend to be read jointly with this response. Overall, we envisage a DLT-based architecture for European capital markets that consists of a limited number of privately-operated DLT networks based on a public-permissioned ledger setup, and therefore we maintain reservations about the creation of a single network layer limited to the provision of Eurosystem core services. Central bank cash can be provided through an interoperability solution as a priority, and/or distributed through select market-run DLT asset ledgers once eligibility criteria are established. Our response is focused on recommendations that deliver on this vision.

### *QUESTIONS*

#### **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?**

AFME members are overall supportive of the high-level principles governing Appia. We also support a strong linkage to EU Market Integration and Supervision Reforms, in particular the creation of settlement schemes.

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In relation to the principle of sustainability, we consider that it should be interpreted in a broad sense. Beyond environmental considerations, sustainability should also encompass the financial stability of the system, supported by a viable business model that preserves a level playing field in the DLT market.

In addition, we are also supportive of expanding the proposed principles to include interoperability and connectivity with DLT-based ecosystems in other jurisdictions. This could either be through a new principle (e.g. international interoperability) or through extending the current principle of “market access and integration” to include barrier reduction to international activities.

**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?**

We view that the concept of the network layer is a core question that needs to be carefully considered. AFME generally supports the ECB to focus on collaborating with the private sector to develop and discuss the key functionalities of the network layer, but views that the design and governance of the network layer should remain sufficiently flexible and open to accommodate for future innovation as well as the integration of additional services / functions beyond Delivery-versus-Payment settlement modality for DLT-based central bank money (such as agentic payments, use of commercial bank money solutions, accommodation of multiple currencies, etc.)

By simply replicating TARGET 2 services on-chain would not enable innovation for European markets going forward. In addition, a scenario of having multiple public and private network layers should be allowed and encouraged. It is very difficult and stifling to impose the use of a single infrastructure (including e.g. a Layer 1 protocol) on the market. We note that even traditional interface systems do not require single network layer / concentration of governance.

While the network layer should remain compatible with the single central bank cash accounts model for the foreseeable future, we also note that it should be sufficiently flexible to accommodate for future changes and developments. Crucially, the functionalities of the network layer should also consider changes to the regulatory framework and perimeter (particularly as they are amended under the EU MISP package, DLT Pilot Regime reforms, and new Settlement Finality Regulation). In addition, the concept of the network layer should be protocol-agnostic, and questions of governance should be discussed with market participants. Furthermore, the Eurosystem should not limit the provision of services to single providers.

Rather than imposing a single network layer on the market, we view that the Eurosystem’s mandate should, instead, be focused on the enablement of the use of central bank money, with the objective to create maximum liquidity link and ensure robust governance and settlement finality, inter alia.

**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?**

While we acknowledge the Eurosystem's expressed objective to strengthen European sovereignty through the development of DLT networks and reduce critical dependence on foreign providers of DLT, the network layer of DLT – like the internet and certain technologies, providers and expertise - are global in nature. We also note that there are a number of existing international initiatives (such as Project Agora and the SWIFT project) that the Eurosystem should take into account.

Moreover, we view that existing TARGET services are already considered to be “sovereign” despite including elements not fully controlled by European players such as messaging standards (ISO 20022) and communication infrastructures (SWIFT).

Therefore, we would highly discourage a localised approach to the network layer of DLT, provided that risks to financial stability and control objectives are appropriately managed. Instead, we view that the Eurosystem could focus on developing risk-based eligibility criteria for market-run asset ledgers and infrastructure to receive DLT-based central bank money; these ledgers should not be limited to European providers.

We also acknowledge that the ECB will want to continue to assert control over money flows & use of Euro for institutional flows; but this should not mean that Eurosystem centralises functions and services through the Eurosystem. The Eurosystem should leave DLT markets to develop, otherwise competitiveness would be undermined. Rather than pursuing an extensive / overreaching approach to strategic autonomy, the Eurosystem should focus on strategic and financial stability risks.

The Eurosystem should also build Appia with global openness at its core; this could also, for example, foster links to multiple network layers. If each jurisdiction follows its own approach, then there is more risk of fragmentation and more urgency for interoperability and the objective of improving the international role of the euro would be undermined.

Global alignment is needed on: 1) legal & governance (NB. proofs-of-concepts that did not have global angle were more susceptible to failure), 2) sandboxes – requirement for global dimension & coordination, 3) operations & links to legacy systems, 4) consistency in authorisation and supervision as fostered through global cooperation and alignment in foundational architecture.

**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?**

Interoperability requires common standards, rules and practices reinforced by collective action, which may be difficult to sustain by private industry alone. The ECB should therefore participate in experimenting with interoperability solutions, including possibly connecting their cash ledgers to different solutions, and maintain a role in establishing and agreeing protocol interoperability standards with the industry. The ECB should also take into account the number of existing and ongoing initiatives on standards (e.g. ISO, SWIFT, etc.) and also BIS projects dealing with standards.

In this context, it is essential that market participants are actively involved in the design and definition of these standards from the outset, to ensure their practical feasibility, market acceptance and scalability. Also, governance arrangements should ensure meaningful industry involvement.

The policy and legal framework should, as a priority, evolve to recognise the asset transferability and control mechanisms (e.g. locking, minting, burning, and token wrapping) and operational settlement finality (incl. for DvP, PvP, DvD, etc.) provided by DLT platforms. Experiments through existing central bank money initiatives (e.g. Pontes) can help provide insights into asset movements and control, and whether policy improvement and further legal assurances are needed going forward.

Authorities should also prioritise policy measures that will encourage interoperability across DLT-based market structures/operations, technology, and associated laws/regulations, thus reducing related market fragmentation and costs. For example, developing common technical standards for cross-ledger/multi-ledger activity (e.g., covering technology, data, privacy, regulatory reporting, audit/assurance, custody/settlement (asset safeguarding), operational resilience/prudential (safety and soundness), AML/CTF, private international law and tax) would also help promote cross-ledger/multi-chain activities towards more interoperability and market integration.

**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.**

In accordance with our vision for the future DLT-based market structure, we view that the Eurosystem should enable central bank money settlement via an interoperability solution that is linked to different market-run asset ledgers. We view that while the Eurosystem providing its core services on a network it operates directly can support – as a first step – the enablement of DLT-based central bank money, this model can limit functionalities (e.g. atomicity) and pose certain disadvantages (e.g. need for bridging).

Irrespective of whether the Eurosystem enables central bank money settlement on one network or multiple networks, we strongly view that today's model of single central bank cash accounts should be operationally maintained at least for the foreseeable future, avoiding pools of cash and liquidity getting locked up across different DLT networks. We do note that this approach may need to evolve as the ecosystem develops.

There is also merit in considering the creation of public-private partnership to allow the distribution of wholesale DLT-based central bank money to a limited number of eligible market DLT, which can serve as a basis for different forms of DLT-based money (central bank, commercial bank, stablecoins) on a cross-currency and cross-jurisdictional platform.

In addition, we support cost considerations to be taken into account.

**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.**

We note that this model can ultimately provide for true settlement atomicity and would avoid bridging needs. However, the risks to cash fragmentation need to be carefully assessed and addressed.

We would welcome that ECB provides eligibility criteria for market DLT to receive DLT-based central bank money on their platforms. These eligibility criteria should set high standards in terms of governance and resilience and help to reduce fragmentation.

**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?**

This approach mimics the approach taken in the existing TARGET Services. Thus, we see some merit in the Eurosystem providing its core services (e.g. central bank cash and collateral mobilisation) on a network it operates directly; however, this network needs to be interoperable with market-run asset ledgers, and it should not enter into direct competition with market asset chains. We note there is a risk of deterioration of investment on private side because of the uncertainty of the scope of the Eurosystem ledger.

In contrast to cash, we caution against the creation of publicly-run ledgers ('unified ledgers') for assets. The Eurosystem should carefully examine where and how such unified ledgers can add complementary value, as we view that market-run ledgers, connected through interoperability solutions or receiving DLT-based central bank money in a distribution solution, present the most viable way forward for assets.

**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?**

We are supportive of the Eurosystem providing its core services on one or more networks under shared governance with regulated DLT platforms and authorised institutions. This is compatible with our vision for regulated, distributed networks that enable the benefits of DLT, including connectivity, automation, and distribution.

In such a distributed, network-based governance, regulated entities can jointly operate DLT networks that enable the transacting and settlement of DLT-based assets. Individual regulated entities can play different roles – be they notary functions (ensuring issuance integrity), provision of settlement services, hosting of accounts and wallets, validation, and/or offering of banking services (such as cash or securities lending).

In this context, we would also encourage the Eurosystem to consider the linkage to the settlement scheme and settlement finality proposals (governance requirements) under the EU MISP package, in which the Eurosystem can play a role in the oversight / governance of arrangements. We encourage the Eurosystem to examine these emerging oversight and governance structures.

**Chapter 4.2: Considering the roles presented in Chapter 4.2, how do you see your own company/institution's contribution to Appia?**

As a pan-European industry association, AFME can maintain a role in facilitating communication and coordination with the industry, identifying required policy / regulatory changes and areas required for standardisation of market practices. AFME stands ready to participate in and contribute to the sub-streams / building blocks of Project Appia.

**Chapter 5.2: Are you interested in contributing actively to Appia building block 2 [monetary policy implementation and collateral management on DLT]? If so, please provide a proposal for your contribution to this building block.**

Yes. In addition, we emphasise the importance of broadening collateral eligibility to non-CSD DLT asset ledgers in order to maximise the benefits of DLT. Please refer to Section 2.2 of our separate report on “Future European DLT-based Capital Markets: Vision and Recommendations” for detailed recommendations.

**Chapter 5.5: Are you interested in contributing actively to Appia building block 5 [an innovative, safe and resilient new ecosystem]? If so, please provide a proposal for your contribution to this building block.**

Yes. We believe it is critical to link Project Appia to ongoing EU reforms, including the creation of the settlement scheme model for DLT account keepers. Please see our paper “EU DLT Reforms – The Need to Update Capital Markets Architecture through Innovation, Connectivity, Resilience, and Competition” and Section 2.5 of our separate report on “Future European DLT-based Capital Markets: Vision and Recommendations” for detailed recommendations.