
Press release

AFME publishes Roadmaps for Scaling DLT-based Capital Markets

August 2024

The Association for Financial Markets in Europe (AFME) today published roadmaps for “Scaling Capital Markets based on Distributed Ledger Technology (DLT)” focused on European Sovereign, Supranational and Public Agency (SSA) bond issuers and EU and UK policymakers and regulators.

The last years have seen significant acceleration in the development of DLT-based capital markets, with an uptake in DLT-based bond issuances by SSA issuers, as well as increasing evidence of demonstrated liquidity and benefits throughout the security lifecycle. The global issuance of DLT-based SSA bonds for 2024 has already exceeded 1bn USD, more than any other previous year. International and European SSA and government bond issuers have led this charge, and the market ecosystem is growing with a growing number of banks, investors, issuers, and other market participants adopting DLT.

The origination and distribution processes for DLT-based issuances do not differ in any significant way from those for traditional issuances, as underlying economic risks of issues are the same. However, the use of DLT can offer transformative and tangible benefits compared to traditional infrastructures. These include innovation in capital markets through the possibility of programmable settlement, more cost-effective management of issuances through the automation of work flows and corporate actions, as well as reduction of single-point-of-failure risk in financial market infrastructures. Ultimately, these benefits can reduce costs for investors and improve the efficiency and resilience of European capital markets, and even enhance liquidity.

In this context, AFME encourages European SSA issuers to consider the opportunities of leading and shaping the capital market transformation towards DLT. In parallel, policymakers play an equally important role in ensuring that the regulatory framework fully supports the deployment of DLT where appropriate in the financial sector by reviewing current obstacles across the security lifecycle and supporting digital cash solutions.

AFME’s new reports include:

- **Scaling DLT-based SSA and Government Bond Markets – A Roadmap Strategy for European issuers** [\[link\]](#): This roadmap lays out a phased strategy for issuers to initiate and scale DLT-based SSA and government bond issues. It sets out how DLT can help SSA issuers achieve their mandates and objectives and provides recommendations on concrete steps available to issuers addressing experimentation, scaling, and market maturity.
- **Scaling DLT-based Capital Markets – A Policy Roadmap for the EU** [\[link\]](#) and **UK** [\[link\]](#): This 8-point plan focuses on specific policy and regulatory changes that are necessary to enable the development and growth of DLT-based capital markets by SSA and corporate issuers, with a focus on 1) updating the sandbox regimes in line with market momentum and 2) introducing a definitive permanent framework for DLT-based securities to maximise their economic functions, attractiveness to investors and technological benefits.

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Commenting on scaling DLT-based capital markets and an enabling policy framework, James Kemp, Managing Director, Global FX Division, says: *"The EU and UK both have a unique opportunity to further develop a permanent policy framework that supports the development of DLT-based capital markets and to shape DLT-based market practices and regulatory standards globally, for the benefit of issuers and investors alike."*

Victoria Webster, Managing Director, Fixed Income, says: *"Public-sector issuers of debt instruments in Europe - sovereign, supranational and agency issuers – can play a key role in the process of scaling DLT-based capital markets through increasingly deploying DLT solutions in their issues."*

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Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu
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