

ICMA response to public consultation on the Eurosystem’s Appia project

Submitted on 21 April 2026

Introduction

The International Capital Market Association (ICMA) welcomes the opportunity to provide feedback on the roadmap for Appia, a strategic initiative to shape the development of a European tokenised financial ecosystem proposed by the Eurosystem.

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association serving around 630 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

ICMA’s response reflects the views of a subset of its DLT Bonds Working Group, including investors, issuers, banks, market infrastructures and law firms across the international debt capital markets, and is meant to be read in conjunction with the Eurosystem’s Appia roadmap (<https://www.ecb.europa.eu/press/payments-news/ecb.pubconpm202603.en.pdf>).

ICMA response to Part 1 – Feedback on the Appia roadmap

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?

ICMA Response:

In principle, ICMA welcomes the proposed high-level principles governing Appia.

Of the included high-level principles, ICMA members emphasise the importance of legal certainty, particularly to ensure that the characterisation and enforceability of tokenised securities are harmonious and consistent across Member States.

While ICMA members express support for the high-level principle of market access and integration within the Eurosystem, international interoperability is of critical importance from a cross-border perspective given the global nature of financial markets. This is of equal importance to deepening the EU’s capital markets as part of the EU’s Savings and Investment Union.

While interoperability is not highlighted as one of the ten high-level principles established for the roadmap, it permeates and enables many aspects of it (eg the principles of “competition and contestability”, “market access and integration” and “scalability”). Therefore, consideration should be given to the explicit addition of interoperability as a high-level principle.

Further, as the transition to a tokenised future will not be instantaneous, the Appia framework should also consider that a hybrid environment, where new DLT-based networks operate seamlessly alongside traditional infrastructures (eg T2S), will be necessary in the early stages of the network. Interoperability across traditional and DLT platforms is essential to ensure asset mobility, prevent the creation of isolated liquidity pools, and avoid the operational burdens of a fragmented market.

Additionally, we propose the inclusion of standardisation as a high-level principle, as an essential driver for an integrated and competitive market. This is critical to ensure seamless interoperability and prevent fragmentation across a future ecosystem of multiple, competing DLT networks.

ICMA members also propose the inclusion of proportionality as a high-level principle. Any requirements imposed on participants and services should be proportionate to the risks posed and the nature of the services provided.

Chapter 3.2(i). 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? Are there any specific aspects of this concept that you believe require further refinement or emphasis? 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?

ICMA Response:

ICMA members welcome in principle the concept of a technologically neutral network layer. However, such network layer should be competitive, market-led and build on existing standards, notably ISO 20022 as a connector between traditional market infrastructure and a DLT network layer, as well as existing DLT-native standards (eg ERC) at the application level. The Eurosystem is expected to play a key role as an enabler for the construction of a network layer by market participants by (i) issuing a wholesale CBDC, (ii) driving the adoption of standards and (iii) establishing rules for market participants.

A collaborative, market-led approach beyond the proposal presented in Chapter 4 of the Appia roadmap will be able to leverage existing expertise and the work that is already being done by market participants, avoiding a costly rebuild of traditional systems with a “DLT veneer”, and assist in ensuring Europe remains innovative and competitive.

Chapter 3.2(ii). 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?

ICMA Response:

Strategic autonomy is a political concept with multiple layers. While some ICMA members note the necessity to reduce reliance on non-European providers for critical infrastructure, it is equally

important to acknowledge that maintaining interoperability between Appia and the global financial system is crucial to avoid fragmentation.

Striking a balance between these two objectives will give rise to trade-offs. This was the case in past attempts to relocate euro-denominated clearing services of CCPs to the EU at the risk of liquidity fragmentation and cost increases.

Furthermore, coherent and harmonised regulation plays an important role to foster market innovation while ensuring financial stability.

A set of minimum requirements to ensure strategic autonomy while building a harmonised tokenised financial ecosystem, such as governance requirements for control and resilience, should be considered.

Chapter 3.2(iii). 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?

ICMA Response:

ICMA members recommend that any common standards, rules and practices to shape the tokenised financial ecosystem are not developed in isolation, but build on existing industry standards and initiatives.

ICMA members consider common standards to be critical to facilitate interoperability, both within the EU's tokenised financial system and with third countries, and to enable scaling within the industry.

From a market infrastructure perspective, some of the key domains for standardisation include:

- Protocols for inter-ledger communication, ensuring assets and data can move seamlessly between different DLT platforms.
- Standardised DLT identifiers (eg vLEI, DTI).
- Access and connectivity standards defining the technical requirements for the connection of private platforms to the ECB's wholesale CBDC for settlement.
- Minimum quality and operational resilience standards for any platform permitted to handle ECB-issued wholesale CBDC settlement.
- Harmonised technical standards to enable interoperability among and across different market-operated and ECB-operated platforms.
- Joint legal framework to ensure harmonised standards within the ecosystem.
- Defined set of shared core functionalities (eg DvP on chain, 24/7 availability, fractionalisation, etc.) and use cases, covering both the asset and cash legs.

At an asset level, ICMA's Bond Data Taxonomy (BDT) is a key initiative to promote interoperability and facilitate automation of issuance, trading, settlement and distribution both of traditional debt securities as well as DLT-based securities. Latest announcements and implementations can be found on ICMA's website:

<https://www.icmagroup.org/fintech-and-digitalisation/fintech-advisory-committee-and-related-groups/bond-data-taxonomy/>

<https://www.icmagroup.org/fintech-and-digitalisation/fintech-advisory-committee-and-related-groups/dlt-bonds-working-group/>

From a legal perspective, ICMA published in August 2024 a Digital Assets Annex, an important addition to the Global Master Repurchase Agreement (GMRA). It addresses some of the commercial considerations that arise as a result of the operational feasibility of intra-day repo transactions, which have been made possible by the shorter settlement times offered by DLT-based platforms (<https://www.icmagroup.org/News/news-in-brief/icma-publishes-gmra-digital-assets-annex/>).

Additionally, it is important to consider existing recommendations set out in the ECB's AMI-SeCo report on remaining barriers to integration in post-trade services, published in September 2025 (https://www.ecb.europa.eu/press/intro/publications/pdf/ecb.amiseco202509_barriersmarketintegration.en.pdf), notably on the topic of (data) standards to address barriers in the issuer and investor relationship (chapter 4), as well as transversal barriers in relation to messaging and data.

As mentioned above, the Eurosystem is expected to play a key role in driving the adoption of standards and establishing rules for market participants.

Chapter 3.3(i). 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.

ICMA Response:

While the Appia roadmap and consultation do not define the term network, it is acknowledged that conceptually, a single network both for DLT-based assets and settlement in central bank money is expected to unlock the wider benefits of tokenisation.

That said, as highlighted in ICMA's viewpoint on wholesale CBDC (<https://www.icmagroup.org/assets/documents/Regulatory/FinTech/ICMA-Viewpoint-on-wholesale-CBDC-050822.pdf>), a wholesale CBDC is expected to unlock key benefits of tokenisation including:

- Next level automation through programmability and smart contracts, reducing costs and fragmentation.
- More efficient securities settlement and post-trade processing, reducing settlement fails.
- Increased attractiveness of capital markets and enhanced funding for the real economy.

However, ICMA members recognise that a multiplicity of networks at different stages of the lifecycle of a DLT-based debt instrument exist currently and will continue to exist, for example, for book building and allocation, settlement, distribution and asset servicing. Hence, connectivity between such networks will be required.

Existing solutions to bridge DLT networks as well as the rapid pace of change of technology need to be considered in any future development under Project Appia.

A key concern is that while the introduction of a unified ledger might help reduce a level of fragmentation, it would also concentrate critical infrastructure in a single location. This could create dependency on a single design and governance framework, reducing the natural resilience that comes from a diverse set of solutions and ultimately stifle market-driven technological innovation, while increasing the risks that come with concentration into a single system.

Further to the above, ICMA members consider that establishing an integrated ecosystem of networks could sufficiently reduce fragmentation of the market, without the aforementioned risk brought by concentration of critical infrastructure into a single network.

Chapter 3.3(ii). 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.

ICMA Response:

Allowing multiple interoperable networks to operate under a common set of harmonised standards is generally the preferred approach from ICMA members' perspective. This model supports competition, reduces concentration risks, and encourages market-led innovation, while also allowing the Eurosystem to maintain safety and compatibility through a strong regulatory and standard-setting role. This more open framework would offer a balanced way to enhance efficiency, resilience, and innovation across the European financial market without resorting to a centralised settlement infrastructure.

Additionally, allowing a number of selected networks also brings some possible advantages from a resiliency perspective, by avoiding the concentration of the ecosystem into a single point of failure, while increasing opportunities for greater liquidity.

Chapter 3.3(iii). 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?

ICMA Response:

A multi-network environment operated by the private sector would provide an effective and resilient framework for Europe's tokenised ecosystem. This approach fosters innovation through healthy competition and enhances resilience by avoiding risks that come with over-centralisation. In this model, the Eurosystem would prove most impactful by enabling the setting of common standards and providing wholesale CBDC for settlement across all qualified platforms. Further to this, ICMA members consider that further clarification is necessary on how access to core services will be provided by the Eurosystem in any potential system to be implemented.

From a market infrastructure perspective, it is also important to stress that CSDs are already in the process of implementing DLT-based models and infrastructures. The implementation of a network built and operated directly by the Eurosystem, in lieu of a multi-network approach led by the market,

risks costly investments without taking advantage of the research and development that is already taking place within the private sector.

Additionally, from a market infrastructure perspective, CCP/CSDs should retain a significant role in a DLT-based market structure.

From an investor perspective, neither the current nor the envisioned ecosystem provide them with direct access to central bank money. To ensure that they are also able to take advantage of the tokenised ecosystem, interoperability with other settlement assets (ie tokenised deposits and stablecoins) and links to existing market infrastructure for custody has to be considered, especially with a view to enabling the development of secondary markets for DLT-based debt securities.

Chapter 3.3(iv). 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?

ICMA Response:

For a network under shared governance with multiple parties in different EU jurisdictions, it is important to consider the appropriate legal structures for an entity acting as network operator (eg whether as a foundation, cooperative or joint venture) and its participants.

Such a governance framework should allow for a level playing field and clear requirements for participation, maintenance and resilience, amongst other aspects. From a market infrastructure perspective, the governance structure must ensure a clear and strict separation between the Eurosystem's role as an overseer/standard-setter and any operational role within the shared network. This is critical to prevent conflicts of interest and ensure a level playing field for all market participants.

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

ICMA Response:

ICMA members welcome in principle the general approach proposed in Chapter 4.1.

Particular importance should be given to sharing information with market stakeholders, through continuous and open dialogue from the outset. Some members have highlighted that, beyond the setup of restricted groups, such as the New Technology for Wholesale settlement Contact Group (NTW-CG) and the Pontes Market Contact Group, open communication to the broader market, allowing for dialogue and input, should also be considered and maintained throughout the lifespan of the Appia initiative.

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?

ICMA Response:

See response to Chapter 4.1 above.

Any Additional Feedback?

ICMA Response:

N/A

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