

## Editorial

# Blockchain is the Central Building Block for the Banking Infrastructure of the Future

Thomas Ullrich

Blockchain technology has become an indispensable part of the financial world. It promises greater efficiency, speed and security and will substantially change the infrastructure of banks.

In recent years, DZ BANK has continuously invested in the further development of processes and services to strengthen its Blockchain expertise. Although the macroeconomic environment is becoming gloomier with factors such as high inflation and the impact of higher interest rates, we persist in our work on forward-looking projects. Blockchain technology plays a crucial role in this, as it is a central building block for the future banking infrastructure. In recent years, DZ BANK has identified an increasing number of applications for Blockchain technology, particularly in the capital markets business and payments.

Payment transactions in particular have undergone major changes in recent years,

including instant payments, crypto-assets and the prospect of the Digital Euro. However, these developments bring with them challenges such as increasing cost pressure and high efficiency requirements. Blockchain technology enables us to simplify processes and create new services for our customers.

An example of this is the Commercial Bank Money Token (CBMT), which modernises traditional commercial bank money and creates a stable and secure form of Blockchain-based tokenised money. The need for Blockchain-based fiat money is great in both commerce and industry. DZ BANK has already developed a trigger solution that acts as an interface between Blockchain technology in companies and traditional payments. Although not all companies are sufficiently prepared for these changes yet, a positive trend is emerging, especially among technically savvy companies such as those in the mechanical engineering sector.



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The European Central Bank (ECB) plans to introduce a Digital Euro threatening the two-tier banking system. Currently, there are considerations to design the Digital Euro as a wallet based on instant payment – also as a card that can be refilled at any time. This could lead to an outflow of bank deposits and the loss of an important source of refinancing. In order to preserve the stability of the financial system, it is important to maintain the functional separation between the ECB and commercial banks.

In addition to payment transactions, Blockchain technology also has enormous benefits for capital markets business, as transactions become more efficient, cheaper and more secure thanks to the decentralised database. With increasing digitisation of securities, the need for crypto custody is also growing. At DZ BANK, we will launch a solution for direct investment in crypto-assets in the course of the year. We are also implementing a crypto

custody platform for institutional clients and the bank itself and will thus handle and hold digital financial instruments of all kinds. In mid-February, we invested in a Blockchain-based crypto security of Siemens AG for the first time ourselves. We will stick to this offer despite the recent turmoil on the crypto markets. After all, demand is high among our customers. In this context, it is even more important that our customers are aware of the risks of the investment. That is precisely why we provide them with targeted information.

Developments with regard to Blockchain will continue to accelerate. While the high volatility of Bitcoin and other crypto-assets reliably produce headlines and controversy, more and more real-world applications will be found across a range of industries in the future. It is in the financial sector's own interest to take the lead here and test and exploit the potential of Blockchain. After all, nothing less than the future of banking infrastructure is at stake.