

ECSDA CSD Technology Day

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Interview with Thiebald Cremers
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ID2S: an example of blockchain technology into the FMI space

1. What is ID2S about in a nutshell?

ID2S is a Central Securities Depository (CSD) for commercial paper. Actually, it is the answer that SETL (an IT company) and Orange (a telecom company) have jointly found to a problem that Orange had in getting short term financing easily, swiftly and safely from the market. The solution consists of solving the access of issuers/ treasurers to the short-term debt market. ID2S is using blockchain technology. It is a fully and duly authorised CSD (licensed under the EU CSDR provisions) by the Banque de France and the AMF (Autorité des Marchés Financiers) in France and the Eurosystem (as we are connected to T2S).

2. How far have you gone in implementing blockchain?

We have gone very far in the implementation of blockchain since the core of the CSD is blockchain. It is a permissioned blockchain, all the transactions and positions are registered in the blockchain. In this domain, we are quite unique, as we are the only ones who have a live product.

3. How difficult was it to get regulatory approval to launch ID2S, which is based on new technology?

It took about 9 months to get the approval thanks to a close cooperation between the French regulators, SETL and ID2S. Regulators were of course very carefully looking into our operations, procedures, risks and the structure of the corporation; while at the same time they had a very good understanding of the business we were addressing. This led to a very swift approval process. In the absence of legacy, we took the opportunity to build the processes and procedures based on the new legislation.

4. Why do you call yourselves an open CSD? What are the benefits for clients compared to an established CSD?

We call ourselves an open CSD for different reasons, offering clear advantages to our clients:

- the technology that we use allows for a closer cooperation between issuers and investors that connect to ID2S. By the way, the connection between the new trading platform and ID2S happens entirely through the multilateral trading facility that Orange has developed (which is not a SETL project);

- we allow our clients and participants (issuing and paying agents and issuers) to develop their own IPA's (Intelligent Process Automation) and plug them into our systems. So we can allow an access of a custodian or an issuer to a part of our technology layer, upon which the client himself can build his own utilities; and
- new functionalities can be added swiftly and ensure a unique time-to-market for any new features when new client needs arise.

5. How is it for a French entity to closely work with a London-based Fintech?

The French entity SETL France is a wholly owned subsidiary of the London based entity. To clarify: we have the CSD (ID2S) and the mother companies thereof: SETL on the one hand, and Orange on the other hand. It is more precisely SETL France that was in charge of the authorisation process and internal procedures, and one of the major shareholders in ID2S.

SETL Development Ltd is a UK Company, and I'd like to stress that the development is entirely done in the UK, so nothing is outsourced to an IT company offshore or alike. The cooperation runs pretty smoothly between the UK IT company and the French partner and the French CSD. SETL has also an office in Paris, and the entire cooperation works very well.

6. What are the new insights you learned at the CSD Technology Day (organised by ECSDA)?

We can clearly see an evolution in the market. There's much more maturity in the technology and the thinking about the technology. A few years ago, there was a lot of scepticism about DLT on the one hand, while others saw it as a means to revolutionise the market. Now we see real practical cases with a different thinking. We first thought that SETL and ID2S were doing blockchain differently from what other blockchain or Fintech companies were doing, as we are integrated with the market (connected to T2S, settling in Central Bank Money etc). But actually, even though we are the only ones with a live solution in our domain, we see practical cases, and a more mature approach than a few years ago.

7. What are the three keywords you would like to take forward from ECSDA's CSD Tech Day?

The CSD Tech Day was an excellent initiative! I'd like to say: inclusion, partnership and openness.