

Creation without destruction

By Jens Hachmeister, Head of Issuer Services & New Digital Markets at Clearstream

“Creative destruction”, a term coined in the 1940s by Austrian economist Joseph Schumpeter to denote true entrepreneurship, has become an all-encompassing buzzword for almost any kind of invention. And while it may be true that in order to move fast one sometimes has to break things, disruption as an end in itself is certainly not a fruitful way forward – at least not for financial institutions with profitable business models working in a tightly regulated framework with at least some aspiration of serving society at large.



For Schumpeter, Henry Ford’s assembly line was the prime example for his idea of a technological application that puts an end to time-honoured processes of how to do things with machines. Are the blockchain or distributed ledger technology (DLT) more generally the new assembly line? We do not know yet. Can we afford to ignore it? Certainly not. So how to proceed in a manner that is neither fettered by tradition nor forgetful of the past, and that is both open to new technologies and mindful of our core mission: creating trust in the markets?

Steps towards a digital securities law

The digital securities law recently proposed in Germany is a case in point: in August 2020, the German Ministries of Finance and of Justice published a draft law on digital securities, as part of the German Federal Government’s blockchain strategy. Currently, financial instruments still need to be anchored in a paper document; the new law would enable a replacement of such a document, e. g. by an entry in a register based on blockchain technology supervised by the German Federal Financial Supervisory Authority.

Should this proposal find approval in parliament, it would be a huge step forward for combining the best of both worlds: state-of-the-art technology enshrined in a legal framework guaranteeing public accountability. Central securities depositories could then extend their function as registrars to new digital instruments. Beyond merely digitising processes and systems, we would digitise the products themselves, processing fully digital securities along their whole lifecycle and thereby unlocking a whole new world of efficiency for financial markets – and thus serving our customers’ needs even better than we already do.

Leveraging cross-industry partnerships

At that time, Clearstream will already be able to build on ongoing partnerships, such as with HQLA^x, a DLT-based venture for managing high-quality liquid assets used as collateral, or with FundsDLT, a blockchain-based platform for the investment fund industry. Both were formed and are operated together with other major players in the financial industry – and are prime examples of creating new solutions without destroying existing ones.