



Cross Custodian Net Settlement launched by DeFi market infrastructure Bosonic

State Street among custodians in growing working group which now stands at 34, as Bosonic looks to eliminate settlement risk in digital assets.

By [Jonathan Watkins](#) December 8, 2022 12:37 PM GMT

Bosonic has gone live with Cross Custodian Net Settlement (CCNS), an initiative aimed at eliminating counterparty credit and settlement risk in the digital asset market.

As the custody of digital assets for institutional investors continues to emerge as a critical element for the maturity of the asset class – particularly given the recent events at FTX – the removal of friction and risk has been a key aim of Bosonic for some time.

The outfit has amassed a 34-strong working group consisting of incumbent custodians, such as State Street, along with trading venues and stablecoin providers, to best address the risks that exist in the digital asset space. Both incumbent providers and digital asset specialists appear intent on further enhancing safety and efficiency across the market in the wake of FTX.

CCNS enables custodians to net settle on behalf of all their institutional clients who are either trading on the Bosonic network or other digital asset venues that are using the platform for clearing and settlement.

Rosario Ingargiola, CEO, Bosonic, explained to Global Custodian that it is almost acting like CLS in the FX market, except they don't actually have to touch the assets.

"We're the executor basically, which doesn't give us control over money or access to the money, but basically when we trigger, it locks all the assets in the smart contract and then atomically moves them between the custodians.

“Smart contracts allow all the custodians to get the residuals that are owed to them as a riskless transaction on chain on the Layer-1 public blockchain and then pull those assets from the smart contract address that they have, and back to their wallet. And they can essentially allocate that to the clients.”

The launch of CCNS represents the culmination of seven-year technology build, with the first trades in USDC and ETH now executed, cleared, and settled atomically between two digital asset custodians – First Digital in Hong Kong and Propine in Singapore.

“This is a pivotal moment in the industry where CCNS will effectively eliminate counterparty credit and settlement risk in digital asset markets with atomic exchange, both trader-trader in real-time, and now custodian-to-custodian for net settlement movements,” said Ingargiola.

“We’ve been building CCNS for some time and have been looking forward to going live with custodians who are pleased to partner with in this milestone event. Our vision has always been to remove friction and risk in digital assets, and this is even more important than ever before.”

Bosonic last week hosted a webinar, moderated by Global Custodian, titled ‘Lessons from the FTX collapse’ in which the takeaway was essentially ‘bad actors, not bad assets’. While trust and confidence has been damaged post-FTX, the saga might not be a bad thing as digital assets move more towards a traditional finance model and face the possibility of expedited regulation.

“Our clients are looking for institutional grade digital asset custody and related services,” said Luke Brereton, State Street Digital. “State Street continues to be focused on delivering to our client’s innovative services and the benefits of our scale and experience. We are building a leading digital business and exploring industry initiatives is an important part of our strategy to establish robust market infrastructure.”

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