

Digital Asset Forum | Briefing Note

Visions for Financial Infrastructure

July 2023

The Digital Asset Forum is a senior-level global network of financial institutions that meets periodically to discuss developments in digital assets and perspectives on enterprise-level implications for technology, business, and strategy. The IIF convenes the Digital Asset Forum with our knowledge partner, the Oliver Wyman Forum. This briefing note summarizes the discussion held on July 12th, 2023, respecting that the forum is conducted under the Chatham House Rule and does not represent the official position of the IIF or its membership.

New visions for a global digital financial infrastructure have been proposed.

Efforts to forge a strong foundational architecture for digital money and tokenization are at a crucial turning point. The BIS and the IMF have each proposed visions for globally integrated digital financial infrastructure: the BIS has proposed a unified ledger, while the IMF has proposed a cross-currency platform. The existence of these visions signals recognition of the value of distributed ledger technology and its ability to bring efficiency to clearing and settlement of financial assets and cross-border payments. Mostly, participants view these proposals as solid starting points for collaboration between the public and private sectors. Implementation is not imminent and will likely take years to come to fruition, but important work is being done today. Financial sector participants have yet to agree on one solution.

The private sector is a critical collaborator.

Building effective public-private partnerships is crucial due to the responsibilities that will likely fall under the purview of the private sector. Multilateral organizations can foster coordination but may not have the funding structure and expertise to build new global platforms without private sector support. A digital financial architecture that can accommodate different users, use cases, and jurisdictions' priorities is highly desirable; however, proposed systems will face engineering challenges, and governance standards will be difficult to unify across over 200 current legal systems. Stakeholders can facilitate the scalability, transparency, and integrity of digital asset systems by pushing forward common principles that mitigate some differences.

Robustness is non-negotiable for the financial sector.

The public and private sectors are always searching for ways to improve services. Innovations must be integrated into existing systems and promote a resilient financial system if they are to stand the test of time. Promises of a more inclusive system or efficient processes will not gain traction with financial services providers if they cannot guarantee a robust system.

The success of new digital infrastructures will depend on a collective approach.

The private sector cannot afford to invest in multiple different competing infrastructures. When faced with the choice between meeting legal obligations in their operating jurisdiction or working on developing a global system, most will choose to meet their in-effect local obligations. This dynamic limits appetite for participation in major cross-border projects unless there is a pathway to interoperability presented. The BIS notes that interoperability is more likely to occur via APIs rather than a single, unified infrastructure, which presents additional technical challenges (bridges, security, governance) that will require investment to overcome and may lead to trapped liquidity. Maintaining the singleness of money may pose a challenge if assets are locked in isolated pools. Harmonized upgrades to standards go hand-in-hand with overcoming some of these challenges, which ongoing projects like ISO 20022 harmonization show can be slow. Achieving a singular ledger may be unattainable due to diverse global jurisdictions and competing interests in control. Governance remains a key open question.