

Digital Asset Forum | Briefing Note

Scenarios for the Future of Digital Assets

September 2022

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 December 6, 2022, respecting that the forum is conducted under the Chatham House Rule and does not represent the official position of the IIF or its membership.

The inaugural Digital Asset Forum introduced several scenarios for the potential evolution of digital assets within the financial system.

Several competing visions for the future of finance exist. Discussants theorized that scenarios included slower future growth in digital assets adoption as well as the reorganization of the financial system around decentralized protocols. In between included scenarios of either the successful adaptation of existing financial institutions or the rise of a new class of digital-native financial players. Each potential path forward involves shifts in how we use money, store value, raise capital, and move these assets around a financial network.

The direction of digital asset policy is the top question in the mind of many firms, as it will shape which scenarios take hold.

Key questions for policy makers revolve around whether to embrace digitized finance and how they will distinguish between types of users of these tools. The role of existing financial institutions and already regulated intermediaries will be an essential question for both regulators and these firms themselves to answer. In any of the scenarios discussed, regulatory bodies will likely make different choices in different jurisdictions, bringing about fragmentation.

Customers are pushing traditional institutions toward adopting digital assets for more purposes than they are used today.

Firms avidly discuss digital assets, but adoption and investment has lagged behind interest. Each of the scenarios illuminated push and pull factors, but participants agreed that the financial industry remains in knowledge acquisition mode. However, adoption could be driven by nonfinancial services use cases (like, for example, tokenization of personal data) that push financial institutions to new territories. At the same time, distributed governance tools pose questions on whether corporations are the best way to organize to deliver value.

Firms can be taking action today to prepare for possible futures.

Financial institutions should be on the lookout for tipping points that signal transition to specific scenarios. They can explore partnerships, especially to help overcome challenges from legacy systems. Financial institutions could also seek to take advantage of their position as trusted intermediaries, a role expected to become more valued in asset tokenization given challenges with identity verification in digital spaces.