

Briefing Note | IIF-Elevandi Insights Forum

Connecting Innovation Lanes into a Global Path for Digital Assets

The Institute of International Finance (IIF) and Elevandi convened two Insights Forum Roundtables with senior leaders from the financial services industry and the public sector during the Singapore Fintech Festival. They were designed to explore critical issues we see in the development of Central Bank Digital Currencies (CBDC) and private digital assets. The roundtables were held under the Chatham House Rule and this note shares the issues and themes laid out for the session as well as key takeaways from the dialogue without attribution.

This session convened a diverse array of actors from digital asset firms and financial institutions as well as public sector leaders responsible for innovation. The session was designed to share the different assumptions, forecasts, and plans of these institutions to create a clearer picture of how different ecosystem actors are aligned (or not) and how we can build toward interoperability.

Identifying Critical Decision Points in Stablecoins and CBDCs - How will new forms of money fit together in a future global financial system? Critical decision points are upon us in the development of stablecoins, tokenized deposits, and CBDCs. As the Bank for International Settlement (BIS) has aptly observed, choices for the future of the monetary system are fast approaching, and questions about adaptability and security need to be resolved at the same time across markets. Many different entities will have essential roles and are actively working on development; however, they are not well connected, are moving at different paces, and, sometimes, in divergent directions. To improve the trajectory toward interoperability, several priorities stand out:

- Identifying critical decision points for CBDC and stablecoin infrastructure development;
- Exploring an agenda for public-private cooperation toward more aligned, connected, and interoperable systems;
- Creating near-term action items for improving coordination and international standards; and
- Pinpointing ways to support a lower cost, more transparent, secure, and efficient global payments infrastructure.

Decision Points in Digital Asset Development. The design and development of CBDC, stablecoins, and tokenized assets are each dealing with a complex set of questions such as, privacy, immutability, settlement, finality and the different roles and responsibilities in their systems. These decisions are at the nexus of technology and societal values and will reflect these tensions. Many different entities have a role to play. Key assumptions, forecasts, and decisions are being made in different spheres of digital asset and tokenization development.

Should governments be creating CBDC? The overwhelming majority of participants in this session began by questioning the premise for retail CBDC and the accelerated push by governments to develop these new instruments. Participants also questioned the overall role of the public sector in creating new retail technology services. Instead, views were that regulation and oversight, with more direct shaping of next generation wholesale and settlement systems, was a better focus for government. Many of the issues discussed in the first roundtable session (*The Business Model for CBDC Wallets*) were revisited by this separate group of speakers including: CBDC objectives; requirements, roles, and responsibilities; and the business model for participants in a digital asset ecosystem.

Instead of launching CBDCs, digital asset firms would like to see governments focus on clear rules of the road, modernized regulation, and consistent oversight of different firms engaged in similar activities. Upgrading the public layer of technologies was also seen as a priority; however, speakers were looking for the public sector and central banks to focus on settlement and wholesale payment systems while increasing engagement and coordination to support private innovation.

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Working towards interoperability- For digital assets to deliver on their potential, interoperability will be required between different systems and layers of new assets. Without interoperability, the net result of digital asset developments could be a more fragmented and less efficient landscape for the future of finance. This reality is widely recognized; however, the mechanisms to drive interoperability are less clear and only a few specifics featured in the discussion. Digital identity standards were offered as one example and projects testing the interoperability of various CBDC test and pilot instruments was another. The sense of the room was that much more needs to be done to identify points for public-private cooperation toward more aligned, connected, and interoperable systems.

Improving Cross-Border Payments The search for solutions to make cross-border payments lower cost, faster, more transparent, more secure, and more accessible is driving many to turn their attention to digital assets as part of the solution. The dialogue in the roundtable reflected a mix of optimism and reality on potential improvements in this area. Some focused on transformative potential for programmable instruments and automation to solve pain points in fx and settlement while others focused on some intractable challenges in compliance and last mile delivery as the real issue which is beyond the reach of these technology improvements alone. Dialogue stayed at a higher level of discussion about general efficiency and automation rather than specific details and the sense was that digital assets would not be a near term solution to payments pain.

Unlocking tokenization- making markets more liquid and efficient by creating a trusted token technology integrated with real assets and the physical economy emerged as the most promising area for exploration. This vision has opportunity and important roles for public and private actors across the ecosystem and captured why forward thinkers continue to see promise for technology to transform how the economy stores and trades value.