

## **GDF Digital Assets Summit 2024: Paving the Way for Tokenized Finance**

**17<sup>th</sup> September 2024** - Global Digital Finance (GDF) and Hogan Lovells hosted their 5th annual Digital Assets Summit, a key event that brought together industry leaders, policymakers, and regulatory experts to discuss the growing adoption of digital assets. This year's summit focused on the continued institutional adoption of tokenized assets, the development of regulatory frameworks, and the critical role of interoperability and digital payments in driving the future of finance.

Francesca Hopwood Road, Head of the BIS Innovation Hub's London Centre, opened the summit with a keynote showcasing the innovation taking place in central banking to digitalize traditional financial systems. Hopwood Road highlighted how developments in digital assets offer significant opportunities for increased efficiency and accessibility in financial systems. However, she also pointed out the need for caution, stressing that central bank money must evolve to keep pace with technological advancements while maintaining its role as an “anchor” for the financial system.

The BIS Hub's work on projects like *Project Meridian FX*—which explores interoperability between real-time gross settlement systems and DLT in the context of foreign exchange transactions—and *Project Agora*, focusing on integrating tokenized central bank money with tokenized commercial bank deposits, showcased the cutting-edge research and collaboration happening between the public and private sector around the globe.

### **Institutional Adoption and Tokenization: From Pilot Projects to Real-World Applications**

A prominent theme this year was the growing institutional adoption of tokenization in financial services. The panel led by Hogan Lovells Partner Bryony Widdup included representatives from major institutions like BNY Mellon, HSBC, Lloyds, and Schrodgers, all of whom discussed real-world use cases of tokenized assets.

HSBC's John Thiede shared insights into their work with native digital bonds on the Orion platform, including the tokenization of gold. Meanwhile, Lauren Pau from BNY Mellon highlighted the bank's expansion of digital asset custody services for institutional clients, signaling the broader acceptance of digital assets within established financial institutions. Sonia Chawla of Schrodgers spoke about their role as an early buyer of a digital bond issued by the European Investment Bank (EIB), demonstrating the opportunities tokenization in bond markets present, as well as clear buy-side demand.

One of the critical issues discussed was the need for interoperability—enabling different DLT-based platforms to communicate with traditional financial market infrastructures. This, the panel noted, is essential for liquidity and market fluidity. Max Boonen of PV01, a platform that facilitates the purchase of US treasuries via stablecoins, highlighted the value of tokenization – while combined with interoperability - in improving market access, emphasizing that

seamless interaction between old and new systems will be a defining feature of the next phase of digital asset adoption.

### **Global Regulatory Developments: Striking the Right Balance**

As the digital assets space matures, the regulatory environment continues to evolve across different jurisdictions, and the summit's Global Roundup provided valuable insights into these developments across key markets, including the UK, EU, US, Hong Kong, and Singapore.

In the UK, significant progress has been made with the development of legislation on stablecoins and the Digital Securities Sandbox, which is expected to play a critical role in the country's digital finance ecosystem in the coming years. Meanwhile, MiCA serves as a comprehensive framework for digital assets in the EU, though the industry faces challenges around its practical and jurisdiction specific implementation, particularly regarding reserve management and capital adequacy requirements for stablecoins.

On a broader level, participants stressed the need for global standards to avoid regulatory fragmentation, a topic that remains contentious given the varying approaches taken by jurisdictions. For example, The Bahamas has moved ahead with its Sand Dollar CBDC, while the UK and EU have yet to make formal decisions on issuing digital currencies. The Summit's participants agreed that greater cooperation among regulators would be essential in fostering innovation while safeguarding financial stability.

### **Digital Payments and the Future of Money**

One of the most energetic discussions was on the future of digital payments, moderated by Hogan Lovells' Co-Head of Digital Assets and Blockchain John Salmon. The panel explored the potential of stablecoins, tokenized deposits, and other forms of digital money in transforming payment systems. Fidelity's Angus Fletcher described their approach to using tokenized commercial bank money for cross-border payments using public policy infrastructure facilitated by the Bank of England, while Société Générale Forge, who issued the first euro-denominated institutional stablecoin, discussed the integration of stablecoins in decentralized finance (DeFi) as collateral for lending and hedging.

The panelists agreed that the future of digital money is likely to include a diverse range of instruments, from central bank digital currencies (CBDCs) to private stablecoins and tokenized deposits. One key challenge highlighted was the integration costs and risks involved in shifting to DLT-based workflows, particularly in legacy institutions. Nevertheless, the potential for improving efficiency and liquidity remains a powerful driver for continued innovation in the space.

### **Financial Market Infrastructures in a Tokenized Future**

The role of financial market infrastructures (FMIs) in supporting tokenized assets was another focus, with Martin Watkins of Montis and Natasha Benson of Ownera leading discussions on the challenges of integrating DLT with traditional infrastructures. The panel explored how programmable instruments and atomic settlement could offer new efficiencies in lifecycle management and reconciliation, which are critical for the future of tokenized finance.

Stefano Dallavalle of R3 spoke on the importance of choosing the right ledger technology to facilitate adoption, while Euroclear's Richard Fenner emphasized the need for operational resilience and legal certainty in FMIs, particularly as regulatory frameworks continue to evolve globally.

### **Looking Ahead: Building a Collaborative Digital Future**

The 2024 summit made clear that while challenges remain, particularly around regulation and infrastructure integration, the momentum behind digital asset adoption is undeniable. As Sharon Lewis of Hogan Lovells reflected in her closing remarks, the collaborative spirit of the FinTech ecosystem, especially regarding interoperability, holds great promise for the future of tokenized finance.

Looking ahead, we anticipate further advancements in regulatory clarity, increased institutional participation, and continued innovation in digital payment systems. The summit closed with a clear message: the digital assets landscape is evolving rapidly, and those who can navigate its complexities will shape the future of finance.

*Written by Madeleine Boys, Director of Programmes and Innovation, GDF*