

## Digital Asset Forum | Briefing Note

# The Future of Standards and Interoperability

February 2024

*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 February 28<sup>th</sup>, 2024 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 IMF has introduced a new conceptual framework (the ASAP model) for digital asset platforms, with the aim to promote interoperability at scale.**

The IMF proposed a conceptual framework that classifies Digital Asset Platforms (DAPs) into four functional layers: Access, Service, Asset, Platform (ASAP). Participants discussed these dimensions, underscoring that this framing highlights the critical need to address risk and liquidity fragmentation in the maturing digital assets sector. The IMF effort aims to accelerate coordination via a shared understanding of roles at different layers of the DAP architecture, drawing inspiration from how the internet community solved the issue of global data connectivity through the TCP/IP protocol. Technology and financial products were viewed as integrated within this model, reflecting a moving consensus between the official and private sector about the differences between traditional and tokenized assets.

### **Standardization is useful, until it isn't.**

The pursuit of uniform standards is often viewed as a cure-all for interoperability, but standardization of an emerging technology or markets has limitations. Identifying areas where standardization is beneficial, such as digital identity, while also ensuring that flexibility can be preserved where necessary may yield a better pro-innovation framework. The conversation on standardization should not subsume other much needed debates around utility and efficiency as different actors experiment. The best solutions may have yet to be identified, making standardization likely premature in numerous cases.

### **The future of interoperability is both private and public – if the regulators agree.**

The interplay of innovation, security, and liquidity underpin the debate around standards and interoperability between public and private networks. The sheer scale of engineering talent dedicated to exploring and developing public chains presents a compelling case for their advantage over private networks. Yet, the potential for liquidity advantages to exist within private networks from their enhanced trust characteristics cannot be overlooked. Regulation will play a major role in platform development and a nuanced conversation focused on risk identification and mitigation between industry and regulators will help evolve existing risk frameworks.

### **There are intermediate steps between private islands and full interoperability.**

The journey towards full interoperability involves incremental steps, requiring a collective commitment to demonstrate progress and engage in ongoing dialogue. As the financial industry was initially cautious around digital finance and cloud computing, slowly regulators and practitioners will also familiarize themselves with DAPs and their potential to transform financial services. This growing confidence will depend on the private sector demonstrating successful use cases and models for collaboration.