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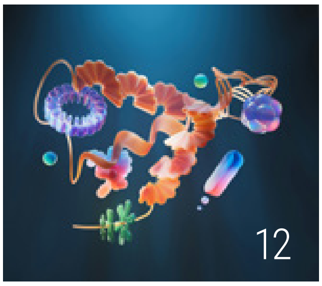

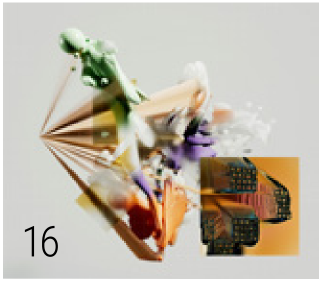

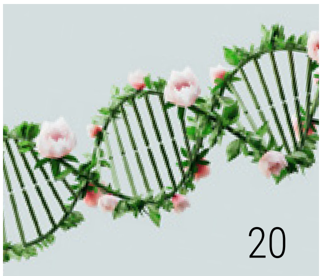

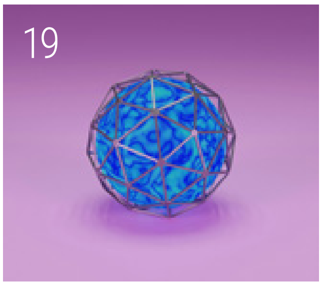

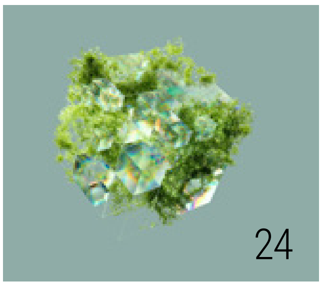

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POINT ZERO FORUM™
Policymakers | Leaders | Investors

'I am a major fan of the Point Zero Forum. The closed-door sessions and networking bring together key regulators, influential industry leaders and critical stakeholders to navigate the evolution of the financial industry. I always leave more energised and excited about what's ahead after the Forum.'

Yam Ki Chan, Vice President, Strategy and Policy, Circle

60%

Nearly 60% of attendees came from outside Switzerland, making it a truly international gathering to discuss global issues

'It was impressive that the trends of emerging technology, such as the transformative potential of quantum computing, were highlighted, demonstrating a commitment to addressing challenges and pioneering advancements in the industry.'

Shadab Taiyabi, President, Singapore FinTech Association

136

More than 136 hours of insightful content across stage sessions, deep-dive roundtables, workshops, and innovation tours

'The forum's emphasis on concrete projects such as Canton and Agorá exemplified the transformative potential of industry collaboration. Networking opportunities were unparalleled, fostering connections that will drive the next wave of financial innovation.'

Claire Calmejane, Investor, Leia Capital

Over 380 inspiring speakers

'Point Zero Forum is one of the few places where I can meet regulator colleagues and key industry experts at the same time for the multi-stakeholder discussion.'

Ryosuke Ushida, Chief FinTech Officer, Financial Services Advisory Japan

1300

attendees from 61 countries

23%

of attendees from 108 public sector organisations

31%

were C-level and above

'This is my second year at PZF in Zürich and I have been a speaker at the Singapore FinTech Festival twice as well. I find these events very well run and I enjoy the networking that comes with it.'

Alessandra Perrazzelli, Deputy Governor, Banca d'Italia

'The Point Zero Forum is one of the places I meet people that I don't meet otherwise. I meet creative minds, I meet those who tell me things I haven't heard before. The co-operation between Switzerland and Singapore for this event in Zürich is excellent.'

Daniela Stoffel, Swiss State Secretary for International Finance

A BEACON FOR THOUGHT LEADERSHIP IN FINANCE

Discover the expert insights shared at Point Zero Forum 2024, writes Sopnendu Mohanty, Chief FinTech Officer, Monetary Authority of Singapore & Chair of the Board of Directors, Elevandi

WELCOME to the first European edition of Future Matters Magazine, a knowledge platform for thought leadership in finance centred around the Point Zero Forum 2024 in Zürich. This publication provides insightful and actionable perspectives on discussions about the future of finance from a policy and regulatory standpoint in Europe. It also compiles insights from engagements around the world through various Elevandi initiatives this year.

At Elevandi, we have created a diverse global community that collaborates with regulators, technology experts and industry leaders through dialogues, workshops and special collaborative initiatives. We aim to promote pathways for innovation, resilience and sustainable growth in the financial sector by closing knowledge gaps and harmonising regulatory frameworks with technological advancements to make our financial systems strong, inclusive and forward-thinking.

The Forum focuses on aligning global policies by leveraging Europe's thought leadership on regulation. It is part of a global network of convening platforms, which includes the Singapore FinTech Festival, Inclusive FinTech Forum in Kigali, Japan FinTech Festival in Tokyo, 3i Africa Summit in Ghana and more. SFF is the largest fintech gathering globally, bringing together over 66,000 stakeholders from 150 countries. Point Zero Forum 2024 brought together over 1,300 attendees, including key policy-makers and C-suite executives, to engage in discussions that drive industry narratives and set new benchmarks. The forum provided opportunities to engage directly with those driving real change, providing insights from 40 central banks and regulatory bodies.

Future Matters Magazine aims to disseminate the pioneering content and groundbreaking ideas discussed at the Forum to a broader global audience. These insights, exclusive to the attendees. These insights, exclusive to attendees, are now being shared with you, our esteemed readers. Our goal is to ensure that the insights shared at the forum have a lasting impact, advancing understanding and implementation across the financial sector. We aspire to empower our readers with thought leadership that inspires engagement with transformative processes in finance.

This publication features articles, interviews and analysis that capture the essence of Point Zero Forum 2024. From practical guides on digital assets and sustainable finance to expert opinions on regulatory trends and technological advancements, this magazine is a trove of knowledge designed to educate, inspire and provoke thought. It serves as a bridge connecting you to the forefront of financial innovation, equipping you with the knowledge to navigate the future of finance.

This magazine is a call to action. It invites each reader to become an active participant in the processes that will define the future of finance. Join us on this journey to break barriers and construct a financial ecosystem that is resilient, equitable and innovative. The time to act is now.

'THIS MAGAZINE IS A CALL TO ACTION. IT INVITES EACH READER TO BECOME AN ACTIVE PARTICIPANT IN THE PROCESSES THAT WILL DEFINE THE FUTURE OF FINANCE.'

KEY FINDINGS AND CONCLUSIONS FROM THE CONFERENCE: DAY 1

Masterclass on ethical AI: unleashing potential and managing pitfalls

Speaker: Dr Rumman Chowdhury, Chief Executive Officer, Humane Intelligence

Chowdhury explained AI as tools that process data to make predictive outputs. She categorised AI into three types:

- **Narrow AI:** Trained for specific purposes, like identifying diseases.
- **General purpose AI:** Broad applications like text and image generation, posing more complex ethical and governance challenges.
- **AGI:** Artificial general intelligence, which currently doesn't exist but raises significant ethical concerns.

Ongoing challenges: We are still facing old problems such as biases in training data. It's essential to address these issues to harness AI's full potential in fields like medicine and weather prediction.

Government and industry engagement: AI institutions are emerging, emphasising the need for interoperability and collaboration. It is crucial to protect independent communities and support AI model access for research and auditing.

Responsible AI use: 'Responsible use and development of AI should expand its applications while engaging civil society and public institutions to ensure the AI we build is the AI people want.'

Global policymakers' dialogue on interlinking fast payment systems

Speakers: Daranee Saeju, Assistant Governor, Bank of Thailand, Leong Sing Chiong, Deputy Managing Director, Markets and Development, Monetary Authority of Singapore, Mamerto Tangonan, Deputy Governor, Bangko Sentral ng Pilipinas, Rabi Sankar Tavarna, Deputy Governor, Reserve Bank of India, Suhaimi Ali, Assistant Governor, Central Bank of Malaysia. **Moderator:** Maha El Dimachki, Head, Bank for International Settlements' Innovation Hub Singapore Centre

Tavarna: 'A network of systems talking to each other is inherently more stable than a monolithic, or even monopolistic, single global organisation arranging payments. It's important to have a choice, both for competition and for safety.'

Tangonan: 'The ASEAN tourism sector is growing. With Nexus, visitors from other countries can conveniently purchase goods and services if they come from countries that are connected to Nexus.'

Chiong: 'Nothing is easy with a project of this scale. Instant payment systems are critical infrastructure, so interconnecting them is not easy. But fortunately, the progress made with bilateral connections has developed a useful store of knowledge we can benefit from as we expand Nexus.'

Bin Ali: In Malaysia, we implement foreign exchange policies as part of our toolkit, but not every country in the region does, so we have to make sure Nexus can cater to that specificity. It has to be built to respect jurisdictional boundaries.

Saeju: Remittance flows are $860bn a year, 80% of which goes to low- and middle-income countries. There are plenty of opportunities to do good and do well at the same time here, bringing down costs and having a sustainable business model.

Impact of digital assets on financial services

Speakers: David Newns, Head, SIX Digital Exchange, Dr Johnna Powell, Managing Director, Head of Technology Research and Innovation, Depository Trust and Clearing Corporation, Pradyumna Agrawal, Managing Director, Investment, Blockchain, Temasek, Umar Farooq, Co-head of Global Payment Sales, JP Morgan; Chief Executive Officer, Onyx by JP Morgan. **Moderator:** Sopnendu Mohanty, Chief FinTech Officer, Monetary Authority of Singapore; Chair, Board of Directors, Elevandi

Farooq: 'Currently Onyx is not making much money compared to JP Morgan, but we believe the technology has the power to make transformative changes. We're trying to stay ahead of the curve and ensure we're doing the disruption, not being disrupted.'

Agrawal: 'Today's platforms are essentially closed. We need to ensure we don't replicate walled gardens in a blockchain environment. People are concerned about privacy and accountability, but I see no technical constraint in building that functionality atop public architecture.'

Newns: 'In the short term, integrating with existing infrastructure is the main challenge for scaling digital assets. They need to be able to move seamlessly between blockchain and traditional infrastructure.'

Powell: 'We see a future of multiple networks. That means there's an interoperability challenge to be solved to ensure systems can interoperate across both public and private chains.'

Masterclass on quantum technologies: decoding the future of computing

Speakers: Dr Alessandro Curioni, Vice President, Europe & Africa, Director, Research – Zürich, IBM, Kelly Richdale, Venture Partner, Amadeus Capital Partners; Senior Adviser, SandboxAQ, Dr Philip Intallura, Head of Quantum Technologies, HSBC. **Moderator:** Sopnendu Mohanty, Chief FinTech Officer, Monetary Authority of Singapore; Chair, Board of Directors, Elevandi

Intallura: 'Quantum computing isn't just a faster computer – it's a new paradigm using subatomic particles like photons, which can exist in multiple states simultaneously and are perfectly entangled. This allows for encoding information at a much higher volume than traditional computers.'

Curioni remarked that classical computers can't address many challenges that quantum computing can. Quantum computers exponentially increase power with the addition of more units, making previously unsolvable problems solvable.

Richdale argued that quantum computing is one of the most transformative technologies. It will lead to highly effective optimisation in areas like asset allocation and more powerful AI systems. Quantum sensing, with its sensitivity to electromagnetic radiation and magnetic fields, will have practical applications in geophysical sensing and quantum cardiology. Strong AI will be needed to extract meaningful insights from quantum data.

Traversing global economic tides: international finance in 2024 and beyond

Speaker: Dr Axel Weber, Advisory Council Chair, Visa Economic Empowerment Institute. **Moderator:** Navin Suri, Founder and Chief Executive Officer, Percipient; Adviser, Board of Directors, Elevandi

Weber said that Europe needs to change its attitude to risks: 'You don't develop resilience if you don't put yourself in a risky environment. Europe's approach is to avoid risks, rather than to become acquainted with them. That means they focus on regulating the innovations of others, rather than innovating themselves. The immensely detailed AI Act is an example of that. It shows that Europe's priority is regulating new things, rather than trying to regulate the downside and leverage the upside.'

Regulatory fragmentation is a major risk for the global economy: 'We need to do everything that is possible to avoid regulatory fragmentation. That, and geopolitical risk, are the biggest downside risks to global growth.'

Addressing sustainability requires finance to be broader: 'The deepest capital market is the US, but we need to revert the flows into the US and channel more towards emerging markets in order to finance the transition away from coal.'

KEY FINDINGS AND CONCLUSIONS FROM THE CONFERENCE: DAY 2

Stability, innovation, and growth in the financial sector: a supervisor's view

Speaker: Stefan Walter, Chief Executive Officer, Swiss Financial Market Supervisory Authority

Technology-agnostic supervision: Walter emphasised that supervision and regulations should be technology-agnostic, arguing that supervision should not favour one innovation over another based on the technology it uses. The intensity of supervision and regulation should be based on the extent of the risks involved.

Focus on risk, not technology: Walter commented that financial innovation often employs new technologies. Regulators should focus on the risks rather than the technology itself. For example, distributed ledger technology and crypto have been major use cases, representing more speculative products than means of payment.

Balancing competition and protection: 'Our mandate is to maintain a competitive financial sector while protecting people and ensuring a healthy financial market.'

Conduct risk and clear rules: 'There will always be a need for conduct risk management. Although FINMA was initially seen as overly strict and stifling innovation, the value of clear upfront rules is now recognised.'

'**My key takeaway:** focusing on risk mitigation brings trust, which is essential for financial services.'

Bridging finance: how digital assets enhance financial services and vice versa

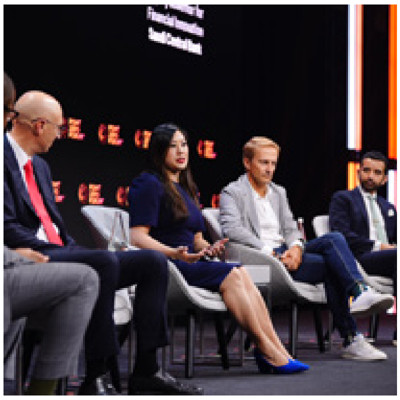
Speakers: Ben Zhou, Co-founder and Chief Executive Officer, Bybit, Dante Disparte, Chief Strategy Officer and Head of Global Policy, Circle, Fernando Luis Vázquez Cao, Chief Executive Officer, SBI Digital Asset Holdings.
Moderator: Kristina Lucrezia Corner, Strategic Adviser and CT Ambassador, Cointelegraph

Zhou: Benefits are coming in both directions. Crypto is critical in development markets. The adoption profile is massive, so financial institutions are eager to work with us and serve their customers. On the other side, by tokenising US treasuries and money market funds, we bring them into the digital ecosystem and bring that value into a new medium.

Disparte: The whole blockchain experiment will be a failure if all we create is a digital twin of the current system. We should aspire to create a more profound transformation. The true promise of crypto is that we can decouple financial access and inclusion from brick and mortar.

Vázquez Cao: We need to make a leap of faith and convince banks to become more active in the governance of cryptoassets and related new products. A higher level of involvement will be necessary for them to get comfortable with new instruments.

Global policy-makers' dialogue on state of CBDCs and digital money regulations



Speakers: Dr Antoine Martin, Member, Governing Board, Swiss National Bank, Caroline Pham, Commissioner, Commodities Futures Trading Commission, Peter Kerstens, Adviser, Financial Stability, Financial Services and Capital Markets Union, European Commission, Yazeed Alnafjan, Deputy Governor for Financial Innovation, Saudi Central Bank.
Moderator: Chris Brummer, Chief Executive Officer, Bluprynt

Pham: When you look at economies with mature robust financial infrastructure, the use case for CBDCs is less convincing.

Martin: The Swiss have made the assessment that their retail payment systems are fine, so we have taken the decision to focus on wholesale.

Alnafjan: We have started experimenting on wholesale CBDC for cross-border, because this is where we see the need for a new instrument.

Kerstens: Do we need a CBDC? Certainly, the world will keep turning without one. However, we are moving towards a Web 3 world and we may not be content to operate in that world without access to a digital form of central bank money.

Plenary address: the digital assets opportunity in Africa

Speaker: John Rwangombwa, Governor, National Bank of Rwanda.
Moderator: Sopnendu Mohanty, Chief FinTech Officer, Monetary Authority of Singapore; Chair, Board of Directors, Elevandi

Youthful advantage: Africa's young population is highly aware of digital products, making it easier to market these products to them. Policies and governments are leveraging this demographic to invest in digital infrastructure and promote fintech and financial inclusion.

National Bank of Rwanda's role: The National Bank of Rwanda is not only supporting financial stability but also actively engaging with fintech. This involvement informs how the bank adopts its approaches to meet innovators' needs, going beyond stability to become an enabler of innovation.

Facilitating cross-border payments: Efforts are underway to harmonise practices and create payment systems that support the movement of payments across countries. The Pan-African Payment and Settlement System is designed to facilitate cross-border payments across Africa.

Capital markets integration: African capital markets, including stock exchanges, are being linked and rules are being harmonised to allow trading across major cities. This integration is breaking barriers in smaller markets and creating a more cohesive African market.

Unlocking growth: the rise of private markets and retail access

Speakers: Dushyant Shahrawat, Managing Director, Rosenblatt Securities, Marco Bizzozero, Head of International and Member, Executive Committee, iCapital, Michael Mostert, Managing Director, Blackstone Private Wealth Solutions, Philippe Laurensy, Head of Product, Strategy & Innovation, Euroclear. **Moderator:** Carolin Roth, Financial Journalist

Bizzozero: We're in the midst of a structural shift from public to private markets. Companies are going public more rarely and much later in their lifecycles. Allocation to private markets among retail investors is very low. The market is 95% institutional.

Mostert: Regulatory changes have made initial public offerings less attractive and investors are happy to keep financing companies in the private market. However, diversification is becoming a problem because publicly traded companies are concentrated in certain industries, so to build a well-diversified portfolio, investors need to be able to participate in private markets. For that, we need education so people can understand what they're invested in.

Shahrawat: The next generation seems to be keen to participate in markets on their own terms, using trading platforms to make their own decision. That's good, but private markets can be very volatile. Stripe is the largest private fintech in the world and its valuation has risen and fallen incredibly rapidly.

Laurensy: Demand for private assets has climbed dramatically over the past five years. To respond to that, we've acquired a company that provides a trading infrastructure for private assets and connected it with our systems so our clients can use one platform to buy both public and private assets.

The dialogue: capital meets policy

Speakers: Caroline Pham, Commissioner, Commodity Futures Trading Commission, Hans Koning, Global Chief Industry Specialist, Digital Finance, World Bank Group, Karmela Holtgreve, Director General, Strategy & Innovation, Deutsche Bundesbank, Stefan Klestil, General Partner, Speedinvest, Sunil Sabharwal, President, Capitol Tunnels AI. **Moderator:** Dea Markova, Managing Director, Forefront Advisers

Holtgreve commented that AI needs to be viewed from two angles: how central banks use it to improve analysis and prognosis, and its impact on financial stability when used by various market players. Ethical considerations, transparency, accountability, privacy and data protection are crucial for maintaining trust.

Klestil argued that Europe has more than just rules; there are niches for specialised AI companies. Despite challenges, there's optimism for meaningful business development in AI. He also remarked that 'entrepreneurs aren't waiting for policy-makers, they're building meaningful businesses and willing to adapt to future regulations'.

Pham commented that the principles-based EU AI Act lacks competitive advantage until implementation. Regulatory clarity is crucial for fostering innovation without stifling it.

Koning warned that the coherence of international co-operation is at risk if countries become more protectionist. AI presents opportunities for structuring data that weren't possible five years ago.

THREE TRENDS DRIVING TRANSFORMATION IN FINANCE

Ravi Menon, Ambassador for Climate Action and Senior Adviser to the National Climate Change Secretariat, Singapore, addressed tokenisation, artificial intelligence and quantum computing in his keynote speech at Point Zero Forum 2024.

DESPITE the problems going on in the world today, innovation continues unabated. The progress in technology and fintech is a strong reason for optimism. We need audacious goals. We need to apply the best technology available in order to reshape our financial ecosystem to make it work more efficiently, to make it add more value and to make it more inclusive.

There are three areas where I believe progress will be particularly profound and will change the way our ecosystem works. These are: asset tokenisation, artificial intelligence and quantum computing. Much of the discussions at the Point Zero Forum centre on these three areas.

I'll begin with asset tokenisation. In essence, tokenisation means representing ownership rights of an asset in the form of a digital token. With this, using distributed ledger technology, we can create a more efficient financial architecture, a global network of interoperable systems that allows clearing, payments and settlement to take place seamlessly.

There are two unique functions this enables: direct exchange and fractionalisation. Direct exchange means allowing participants to settle transactions directly and atomically, removing counterparty risk without relying on intermediaries. Fractionalisation makes it possible to represent the ownership of parts of assets, lowering barriers to entry and potentially becoming a powerful tool for improving financial inclusion.

Asset tokenisation is proliferating rapidly in three areas. Trials of tokenised foreign exchange are taking place, aiming at creating a 24/7 global liquidity pool. BNY Mellon and OCBC Bank are working hard to deliver 24/7 cross-border payments between their institutions.

'The answer to this challenge lies in us, not in the technologies themselves.'

Others are working on tokenising bonds. Recently, SBI Digital Asset Holdings, DBS and UBS Asset Management did a pilot repurchase agreement with native digital bonds, performing complex market operations across borders making use of DLT infrastructure.

Finally, funds are being tokenised to improve the efficiency of trading operations. JP Morgan has trialled converting money market fund shares into tokens to allow them to serve as collateral.

Project Guardian is among the projects attempting to put all this together, integrating tokenised assets seamlessly into the operations of financial institutions.

Tokenising cash

Delivering the value promised by tokenisation requires us to tokenise cash as well as assets in order to have a payment instrument in the same platform. This tokenised money must display the same qualities of stability of value and security of redemption as we require from our other forms of money.

There are four potential contenders: central bank digital currencies, tokenised bank liabilities, regulated stablecoins and private cryptocurrencies. This last option has failed to display the qualities we need for tokenised money and has displayed value primarily as speculative investments.

The other three have more promise as mediums for tokenised money. Swift has been working on an important step here: an interoperability connector, which should allow tokenised money to be exchanged between platforms and coexist with traditional, fiat money.

Distributed ledger technology

Underpinning this vision of a tokenised future is distributed ledger networks. These networks allow us to record ownership consistently among the participants of the network. At present, the existing digital asset networks are not fit for use as the basis of global digital asset infrastructure. They are not mutually interoperable because they have been driven by different motivations and different commercial and legal requirements. Solving this challenge will be key for delivering the value of a tokenised ecosystem.

At present, we have public, permissionless blockchains, which suffer from a lack of accountability. The anonymity offered to service providers is unlikely to be suitable for a global digital asset infrastructure.

'WE NEED AUDACIOUS GOALS. WE NEED TO APPLY THE BEST TECHNOLOGY AVAILABLE IN ORDER TO RESHAPE OUR FINANCIAL ECOSYSTEM TO MAKE IT WORK MORE EFFICIENTLY, TO MAKE IT ADD MORE VALUE AND TO MAKE IT MORE INCLUSIVE.'

On the other hand, we have private, permissioned blockchains, which address that concern of accountability and anonymity. This comes with a lack of interoperability and a risk of fragmentation of liquidity. What we need for a tokenised ecosystem is open, interoperable digital asset networks that are compliant with regulatory requirements. Delivering that is no small challenge but the Bank for International Settlements' Finternet and Monetary Authority of Singapore's Global Layer One are attempting to make it a reality.

Artificial intelligence

AI covers a diverse range of technologies aiming to replicate human intelligence. We are already seeing AI tools leveraged to perform credit assessment based on digital footprints. With such a potentially powerful tool, getting the governance right is vital. There are four key dimensions of AI governance: data privacy, explainability of results, accountability for decisions and acceptability of outcomes.

Different jurisdictions are adopting different approaches to regulating AI. The European Union is taking a rights-driven, human-centric legislative approach. Its AI Act, the first such comprehensive bill in the world, imposes legislative burdens on AI uses that could affect human rights and requires that the capacity for human intervention is preserved, as well as mandating transparency.

In the US, the Joe Biden administration has taken a different approach, gaining voluntary commitments from key companies to adhere to responsible innovation on important principles of trust. These are non-binding measures through which the US hopes to avoid negative consequences but allow innovation to flourish.

China has released targeted, technology-focused rules, limiting excessive price discrimination, setting boundaries on algorithmic scheduling and requiring synthetically generated content to be labelled.

The various approaches all have merits but, fundamentally, we need a robust framework disseminated globally.

Quantum tech

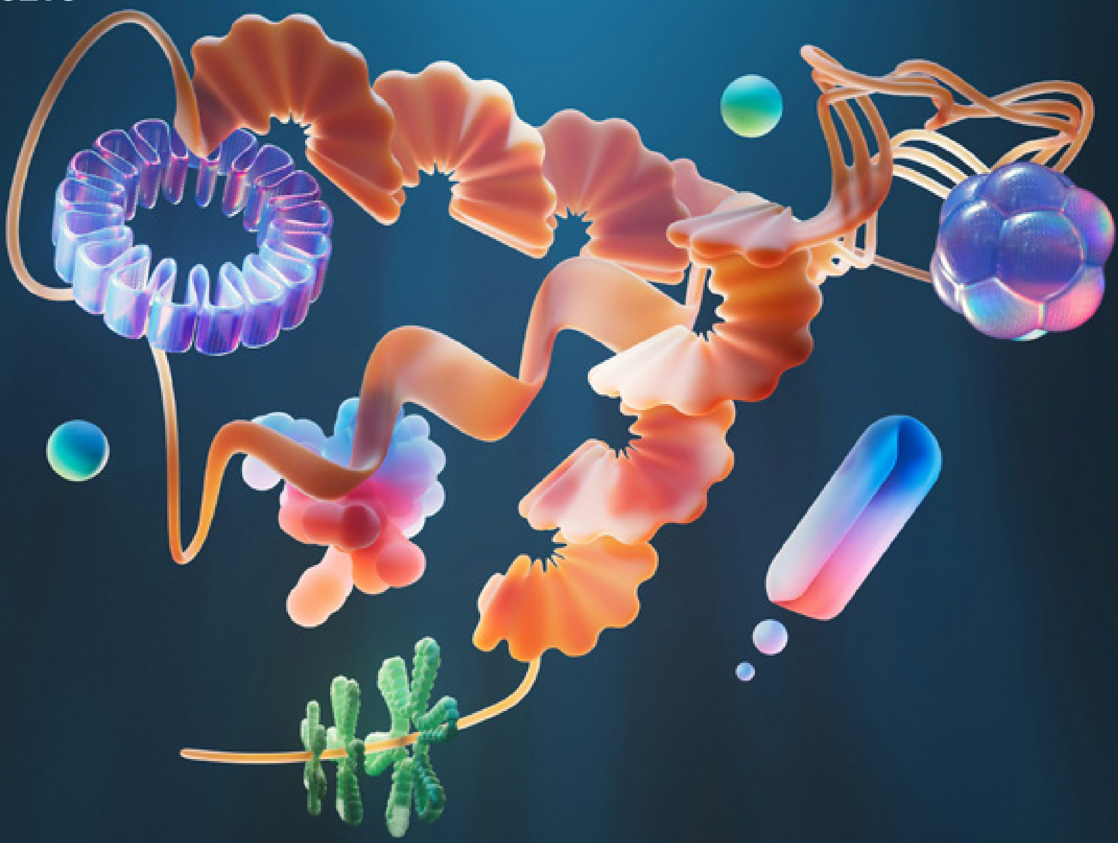
The third big trend – quantum computing – is more nascent. However, the advent of quantum optimisation could revolutionise fraud detection, portfolio optimisation and a host of other operations.

Similarly, quantum simulation will require extremely granular modelling of outcomes for complex systems, changing the game for capital allocation.

Sadly though, quantum technology poses a serious, perhaps existential risk in the hands of bad actors because it can compromise the encryption protocols that safeguard our financial data.

We must work quickly and thoroughly to identify systemically important infrastructure and repositories of sensitive data and move their protections to quantum-safe standards. Project Leap is the BIS's workstream focusing on upgrading the financial system's cryptography to future-proof standards.

The global fintech wave shows no signs of slowing down. The financial services industry is on the cusp of transformative change powered by these three trends. They promise deeply impactful benefits but realising these benefits depends on the management of the associated risks. The answer to this challenge lies in us, not in the technologies themselves.



THE NEW DIGITAL ASSETS PARADIGM TAKES SHAPE

After years of proofs of concept and experimental demonstrations, institutional-grade digital assets are finally becoming a reality.

THE mood on digital assets has moved past the ebullience and breathless excitement of a few years ago when speculation about the transformational effects of the blockchain revolution in traditional finance was rife. Now, there is an air of calm professionalism. Market participants have a much clearer idea of what the technology can do, how it can contribute to improving market operations and what needs to be in place for this to happen.

Prioritising adoption, not revolution

One key theme that emerged at Point Zero Forum 2024 is that delivering an effective digital asset ecosystem requires more than just getting the technology right. Stakeholders must ensure that digital assets can be adopted by market participants with as little work as possible.

A common refrain at the conference was that we should aspire to do more with digital assets technology than creating a digital twin for our current financial ecosystem. Pradyumna Agrawal, Managing Director, Blockchain at Temasek, said: 'Today's platforms are essentially closed. We need to ensure we don't replicate these islands with blockchain.'

While it is true that the technology should be used to create a more open and inclusive system that is not tied to the same walled gardens as the present system, David Newns, Head of Six Digital Exchange (the world's first regulated digital assets exchange), made a different point.

'We've heard people say that we shouldn't just replicate the present financial system with digital assets but, in some ways, I believe that's exactly what we have to do,' he said. 'In order for us to scale up the adoption of digital assets, we need to make the transition as easy as possible. That means that assets must be able to move between blockchain and traditional infrastructure seamlessly so that the broadest possible range of investors can hold them. Anything less will be a non-starter for issuers.'

The industry cannot expect the full investor base to be able to seamlessly stand up nodes on every one of the multiple networks that might be

'WE'VE HEARD PEOPLE SAY THAT WE SHOULDN'T JUST REPLICATE THE PRESENT FINANCIAL SYSTEM WITH DIGITAL ASSETS BUT, IN SOME WAYS, I BELIEVE THAT'S EXACTLY WHAT WE HAVE TO DO.'

David Newns, Head, SIX Digital Exchange

used to record the ownership of digital assets. If that precludes them from holding certain assets, then the liquidity of the asset will be compromised and the price may be affected, meaning the issuer will receive a higher cost of funds with a digital instrument.

While digitalising financial and real-world assets is an exciting possibility, there is another component that many participants said must be in place before digital assets can become commonplace: a tokenised cash solution.

In order to achieve delivery-versus-payment settlement of digital assets, it is vital that the cash leg of the transaction exists in the same platform as the asset leg. That means that if the asset is represented by a token on a blockchain or other form of shared ledger, the cash should be represented in the same way.

There are a variety of possibilities for the provider of tokenised cash. Stablecoins – cryptoassets pegged to a fiat currency – are growing in popularity for retail payments, particularly in emerging markets.

It is not clear, however, that they will be a suitable instrument for use in capital markets. While the European Union's Markets in Crypto-Assets bill has placed the instruments on firmer footing in Europe, their regulatory status is not yet clear in other jurisdictions.

There may also be challenges when scaling them to the degree required for use in capital markets. Since such stablecoins must be backed by a mix of cash and high-quality short-dated liquid assets like government bills, demand for these instruments would grow and their supply would remain limited.

One alternative would be tokenised versions of commercial bank money. While these instruments – like JPM Coin – work well for internal transactions between a bank's clients, they may not be so suitable for use between institutions in capital markets since they represent a claim on the credit of the issuer.

For market participants to use a cash instrument that has some credit risk would add a new layer of friction to the market – something that the tokenisation movement is designed to remove.

The third option would be a wholesale central bank digital currency. For many market participants, this is the ideal choice, since it provides an on-chain representation of cash that is free from credit risk and liquidity risk.

The Swiss National Bank has made advances with Project Helvetia — a pilot wholesale CBDC, which provides production-grade infrastructure for the settlement of securities transactions. This was welcomed by several speakers as an important step forward in developing the infrastructure on which the future of capital markets will be built.

As market participants look forward to a future where most assets are tokenised, a number of questions are still unsettled. One of the most fundamental is whether the blockchains underpinning tokenised assets will be public or private.

SDX and JP Morgan use private, permissioned ledgers for their infrastructure. This has the advantage of giving the participants more control over who can access assets and privacy over their trading activity.

Johnna Powell, Managing Director and Head Of Technology Research and Innovation at the Depository Trust and Clearing Corporation, said: 'Use cases for public blockchains are primarily retail, because you get the benefits of greater reach. For institutional use, the greater control over access and privacy has meant that for our testnet, we're using private chain architecture.'

Others, including Rene Michau, global head, digital assets at Standard Chartered Bank, pointed out that the size of the community working on improving public chain architecture meant that they would soon outstrip the functionality available for private chains. Temasek's Agrawal observed that the functions of accountability and privacy could be built on top of public architecture.

SDX's Newns said that, in the future, they might consider using a public chain as a trading infrastructure in order to benefit from the reach and flexibility it offers. But they would maintain a private chain as the ultimate settlement ledger, which some clients would prefer to interact with directly.

He added that, at present, they were unable to confidently manage the risk perimeter of using a public chain and they would therefore need to leap some technological hurdles before they could satisfy the regulator that it was a sufficiently secure and robust infrastructure.

Most at the conference felt that it is unlikely the future infrastructure will run on a single chain. Instead, several chains will be operating in parallel serving different but overlapping needs. DTCC's Powell said: 'I don't foresee one chain for every bank, but neither will we have one chain to rule them all, so there will be an interoperability challenge to be solved. It is possible to interoperate across public and private chains, but it isn't simple to make that solution workable.'

Giesecke+Devrient Creating Confidence

PAVING THE WAY FOR INNOVATION

Digital public infrastructure is the platform for growing the digital economy and the future of the financial system, writes Wolfram Seidemann, Chief Executive Officer, Giesecke+Devrient Currency Technology.

PUBLIC infrastructure, such as roads, water and energy, has always been vital for collective needs. It forms the foundation upon which economies, societies and communities are built, supporting the economic growth and societal well-being of a nation.

However, in today's ever more digital world, we face new requirements to which public infrastructure must adapt and expand. In other words, there is a need for digital public infrastructure.

Essentially, this comprises three interoperable building blocks that lay down 'digital rails' by establishing necessary fundamentals: the unique identity of individuals, a scalable flow of data between institutions and a secure infrastructure for digital payments. With the potential to accelerate economic growth, simplify citizens' access to social services and expand financial inclusion while drastically increasing engagement in today's digital economy, DPI is seen as a game changer for society.

Tokenised money for the digital economy

Payments is one of the foundational systems of a DPI. For centuries, cash has played a fundamental role in societies as a public payment infrastructure in the physical world. Issued by central banks, which are not driven by profit interest, cash as public money has crucially always protected the privacy of users.

Today, however, the ability to send and receive money digitally has become imperative for individuals and the economy, with data protection still of the utmost priority. That is where tokenised money in all its different forms comes into play.

Tokenised money refers to digital tokens representing real assets such as fiat currency, commodities or other financial instruments. Within an evolving DPI, a combination of public and private currencies, such as commercial bank money tokens, regulated stablecoins and central bank digital currencies as a public, government-legitimised currency, will form an ecosystem.

CBDCs as the backbone of secure digital payments

In this ecosystem, CBDCs will have a pivotal role. As a core platform provided by the central bank and digital form of national currency, they will address today's fragmented payments landscape, closing gaps in the existing financial ecosystem that result from the lack of interoperability between different schemes.

As an inherent part of a DPI, a CBDC would not only ensure a seamless flow of funds between payment systems, comparable to a highway in the physical world, but also promote effective competition. Financial service providers could develop and launch services on a common national level. Additionally, a CBDC will be able to handle both online and offline transactions, allowing people in areas without a reliable internet service to still make and receive payments.

'As an inherent part of a DPI, a CBDC would not only ensure a seamless flow of funds between payment systems, comparable to a highway in the physical world, but also promote effective competition.'

Public-private partnerships for a thriving CBDC ecosystem

However, any CBDC ecosystem can only thrive through strong public-private collaboration. The division of roles can stimulate innovation by leveraging the complementary strengths of both sectors.

For central banks, the focus for a digital national currency is on providing the core infrastructure, ensuring the integrity of the ecosystem and setting regulations, including privacy protection. Fintechs and established commercial banks, with their better understanding of clients' needs, will be able to use that provided platform to create innovative products across a spectrum of channels and form factors.

As we look to the future, the successful integration of secure digital payments through a CBDC based on DPI holds immense potential to drive economic value and enhance public welfare. By ensuring interoperability and leveraging public-private partnerships, we can create a more inclusive, efficient and secure financial ecosystem. This not only paves the way for innovation but also ensures that all members of society can benefit from the digital economy. Embracing a digital form of public money and the frameworks surrounding it will unlock significant economic value, fostering a prosperous and equitable digital future.

PAYMENTS: A WORLD IN FLUX

The public and private sectors are coming together to develop innovative cross-border solutions.

THE world of payments has been going through an unusually rapid period of evolution in the past few years. At Point Zero Forum 2024, a selection of experts from across the payments world – both challengers and incumbents – came together to discuss the hottest topics in the payments sector.

Improving the cost, speed and efficiency of cross-border payments is a key strategic aim for policy-makers and several major public sector institutions are collaborating with the private sector to develop solutions. Many of these involve tokenisation. The Bank for International Settlements' Project Agorá is one of the flagships in this area. On 31 May, it invited private sector partners to explore how tokenisation might improve cross-border payments at a wholesale level.

Despite the fact that many central banks have launched projects exploring retail CBDCs, the momentum behind such projects has dwindled. The strongest momentum for central banks' development of solutions appears to be at the wholesale level.

Sopnendu Mohanty, Chief FinTech Officer at the Monetary Authority of Singapore, summed it up: 'The use case for retail CBDCs is stretched. It might work for a handful of emerging markets without good payments infrastructure but, for most, it's a stretch to see why they need it. However, for wholesale payments, most advanced countries see the value. Most are also accepting that stablecoins have a use as well and are beginning to regulate those.'

Initiatives like Project mBridge are focused on delivering multi-currency CBDC platforms to streamline cross-border payments. However, while only a few countries have so far issued CBDCs, 70 have instant payment systems in operation. The BIS's Project Nexus is developing a hub-and-spoke architecture for the interconnection of these instant payments system. It is hoped that this model will provide more efficiently scalable interoperability than each country attempting to create connections with every other member.

Delivering this kind of platform requires complex collaboration between countries on a number of levels, including messaging protocols, anti-money laundering and know-your-customer standards, capital controls and dispute resolution windows. The adoption of the ISO 20022 messaging standard has gone a long way to ensure that institutions in different jurisdictions are communicating in compatible styles.

As well as improving the infrastructure for settlements, Forum attendees discussed the importance of taking new approaches to foreign exchange pricing, taking inspiration from liquidity pools in decentralised finance. These could prove particularly valuable for improving pricing efficiency in trading pairs with less liquidity.

Challenger institutions making waves

Some in the stablecoin community feel that their offerings deserve to be taken more seriously as a means of delivering improved cross-border payments functionality. One notable advantage they offer is 24-hour settlement.

'Money doesn't confine itself to banking hours,' said Dante Disparte, Chief Strategy Officer at Circle. While mismatches in operating hours do often lead to delays in traditional cross-border payments powered by correspondent banking, stablecoins are only a partial solution. The last mile – getting the money from a stablecoin into the recipient's main bank account – might well be dependent on the same limitations as other forms of cross-border payments. However, with stablecoin acceptance growing in some jurisdictions, it might be more useful in the future. Stablecoins, most of which are pegged to the dollar, also offer an opportunity for those in emerging markets afflicted by high domestic inflation to shelter their savings in harder currencies, although this is a vector of dollarisation that some policy-makers dislike.

At present, stablecoins and other non-bank payment service providers are, in many jurisdictions, unable to access central bank accounts, which are often reserved for those with banking licences. Broadening access to central bank accounts is a goal within the BIS and G20's roadmap for enhancing cross-border payments.

'The use case for retail CBDCs is stretched. It might work for a handful of emerging markets without good payments infrastructure but, for most, it's a stretch to see why they need it.'

Sopnendu Mohanty, Chief FinTech Officer, Monetary Authority of Singapore

RECKONING WITH AI OPPORTUNITY AND RISK

Innovation must be balanced with ethics when developing and regulating artificial intelligence.

THE past year has marked a sea change in artificial intelligence development, governance and recognition in the public consciousness. Despite AI's long-standing role in the financial sector, the technology's promise and risks were prominent topics of debate at the Forum, where discussions revolved around AI's ethical implications, potential benefits and regulatory challenges.

Dr Rumman Chowdhury, Chief Executive Officer of Humane Intelligence, provided a particularly helpful framing for understanding what AI is and the conundrums it poses. She delineated AI into three forms: narrow AI, general purpose AI and artificial general intelligence.

Narrow AI is specialised for certain tasks, such as diagnosing diseases, while general purpose AI, exemplified by text or image-generation systems, has broader applications but poses significant ethical and governance challenges. AGI, a theoretical concept, would meanwhile mirror human-level intelligence and have profound ethical implications if realised.

Chowdhury emphasised the issues of aligning AI development

‘RESPONSIBLE USE AND DEVELOPMENT OF AI SHOULD EXPAND ITS APPLICATIONS WHILE ENGAGING CIVIL SOCIETY AND PUBLIC INSTITUTIONS TO ENSURE THE AI WE BUILD IS THE AI PEOPLE WANT.’

Dr Rumman Chowdhury, Chief Executive Officer, Humane Intelligence

with good product development practices and ethics and summarised that ‘responsible use and development of AI should expand its applications while engaging civil society and public institutions to ensure the AI we build is the AI people want’.

AI in finance

AI applications in finance and potential new use cases were a big theme at the Forum. Bojan Obradović, Managing Director, HSBC, outlined the bank’s approach to AI, emphasising its strategic investments in public cloud and internal AI capabilities. He underscored the significance of neural networks and large language models to advancing AI capabilities. Sascha Jakob, data scientist, Swiss Financial Market Supervisory Authority, meanwhile cited the exciting use cases of AI in leveraging unstructured data – such as text-to-data gauges of public sentiment using application programming interface to scrape social media.

If properly constructed, these models could allow financial institutions to incorporate a wider and more diverse array of data in modelling, measurements and decision-making. It could enable both central banks and financial regulators to identify anomalies, market risks and instances of financial crime.

Beyond operating models, these AI tools may have the potential to spur economic and productivity growth. Sabine Keller-Busse, President, UBS Switzerland, emphasised the potential for AI to automate complex tasks, for instance. Preliminary evidence indicates that AI is boosting productivity in experimental, lab-based contexts.

It remains unclear whether these productivity effects currently manifest in macroeconomic data. However, speakers were generally sanguine about the notion of an AI-enabled wave of economic growth.

The AI safety conundrum

Despite this cloud of optimism, exhortations about AI risk were pervasive. Karmela Holtgreve, director general, strategy and innovation, Deutsche Bundesbank, commented that, although she is looking to leverage AI to ‘provide better analysis’, there remain concerns about the potential impacts of AI on financial stability. Such issues include challenges around cybersecurity – enabled by quantum computing – and violent market swings or convergence as trading activity driven by similar algorithms shifting in tandem.

Navin Suri, Founder and Chief Executive Officer Of Percipient, provided a broad view of AI risks. Beyond issues of biases in data, growth in AI-enabled misinformation is a major cause for concern, particularly as models become reliant on synthetic datasets, which can decrease the precision of model outputs. As available stores of data dry up, the risk is that AI behaviour will be driven by synthetic-borne misinformation, which could lead to ‘model collapse’, portending financial market and macroeconomic hazards.

Suri also pointed to the labour adjustment challenges that might emerge due to AI diffusion. He cited the large number of workers in occupations with a high degree of task replaceability and argued that widespread AI-enabled automation could lead to significant worker displacement. This could mirror previous technological shocks, which increased inequalities across domestic labour markets.

A path for AI governance

Speakers and panellists at the forum generally agreed that the key to AI regulation was effectively balancing the need for innovation alongside the palpable safety considerations that might emerge through unbridled AI deployment. Holtgreve emphasised a need for greater transparency. Chowdhury pointed out that this includes warding against issues of biases in AI training data.

To date, the European Union’s AI Act represents the most ambitious attempt to enact binding rules-based mechanisms to police AI use cases. Criticism of the act included comments from Caroline Pham, Commissioner, Commodity Futures Trading Commission, that the ‘principles-based’ nature of the EU AI Act did not offer much of a ‘competitive advantage’ and that it remained to be seen how implementation would unfold. Daniela Schackis, Deputy Director General in Banking Supervision at the European Central Bank, echoed this sentiment, remarking that regulating emerging technologies is very difficult.

Some speakers argued that, rather than thinking chiefly about AI risk and regulation, it would be most useful for regulators to consider an optimistic case for future AI development. In short, what kind of world would the public and private sector like to see as AI advances? Initiatives, incentives and regulations could be tailored to drive innovation into those applications that most benefit the economy and humanity at large.

CONTINUING THE CONVERSATION

This year, important global issues have been examined and the dialogue is turning into action, explains Tamara Singh, Sherpa, Insights, Elevandi.

THE conclusion of Point Zero Forum 2024 is a mid-year milestone in Elevandi's thematic calendar. It allows us to reflect on the conversations of 2024 and evaluate progress towards key problems, which will be addressed in Singapore at the Insights Forum in November.

The 2023 Insights Forum attracted over 1,000 attendees, with 23% public sector representation and 31% C-suite executives. Participants engaged in penetrating, thought-provoking debates, enriched by the perspectives of 380 speakers from 66 countries. As a curtain-raiser to the Singapore FinTech Festival, this year's Insight Forum will conclude the year's deep conversations and set the agenda for 2025.

Elevandi's commitment to converting dialogue into action can be seen in the outcomes from its action-driven dialogues to date.

Driving open and interoperable digital infrastructure

In November 2023, the Global Layer One was announced at the Singapore FinTech Festival by the MAS, international policy-makers and financial institutions. This is an open, digital, foundational infrastructure that will host tokenised financial assets and applications to facilitate seamless cross-border transactions. The Japan FinTech Festival in March 2024 continued the dialogue on foundational digital infrastructure to unlock the internet of value, exploring the need for calibration, collaboration and clarity.

At Point Zero Forum 2024, participants zoned in on outcome-orientated approaches by exploring tokenisation from concept to commercialisation. Emphasising the need to prioritise commercial value over just technological allure, the conference focused on the acceleration of institutional adoption and scalability for asset tokenisation in foreign exchange and in asset and wealth management.

Sustainable financial systems

Climate finance data has been a focal point for Elevandi. Point Zero Forum 2023 considered the need for interoperability, access and verification to track and finance net-zero ambitions. This deepened into an examination of Project Savannah, a global initiative by the United Nations Development Programme, MAS and Global Legal Entity Identifier Foundation at Singapore FinTech Festival 2023.

The Japan FinTech Festival continued this in considering the value of a global common standard for climate data, and this year's Forum applied these perspectives to the future of sustainable supply chains. Gprnt, a sustainability solution and service entity born of the MAS's Project Greenprint, is working with Elevandi to confront operational challenges and develop solutions for tackling the infrastructure, data management and credentials issues limiting success in achieving the United Nations' sustainable development goals.

Artificial intelligence

2024 has been a landmark year for AI and quantum computing. Elevandi's report on The State of Global FinTech forecasts more investments in quantum capabilities but cautions against the potential data risks associated with their mainstream adoption. As we conclude the first half of 2024, reports of cyberattacks have become increasingly common worldwide. The Point Zero Forum's session on preparing for a quantum-resistant future sets the stage for deeper discussions on the growing complexities of data security and privacy at the Insights Forum in November. We invite changemakers and thought leaders interested in pushing boundaries and accelerating adoption at scale to work with us. Shape the conversations for constructing change here, or by email to insights@elevandi.io.

UPCOMING EVENTS

At Elevandi, we don't just discuss the news, we create it. Connect with the architects of tomorrow and join a worldwide community of leaders and innovators making headlines. Expressions of interest in participation may be made here.

26–27 August: Inclusive FinTech Forum 2024

In Kigali, Rwanda, this global platform advances financial inclusion and promotes fintech for good. It brings together leaders, investors and fintechs to engage in dialogues that advance policies and create long-term partnerships, covering aspects like digital payments, lending, insurance and environmental, social and governance financing.

4–5 November: Insights Forum

The Insights Forum will convene 1,500 senior policymakers, top industry executives and investors. Continuing the dialogue on key topics tabled in public-private roundtables in Japan, Ghana, Rwanda, Switzerland and Brazil as part of this year's global series, the invite-only Singapore edition will aim to align critical stakeholders on the conditions needed to grow and realise industry applications of artificial intelligence, quantum computing and other cutting-edge technologies.

This year, the Insights Forum will feature a series of curated summits, including the Asia Pacific chapter of The Capital Meets Policy Dialogue and a teaser for the Black Swan Summit.

6–8 November: Singapore FinTech Festival 2024

At the Singapore Expo, this renowned event focuses on artificial intelligence in financial services, exploring AI and Web 3 technologies, climate issues, cyber risks and financial inclusion. Featuring SFF MeetUp for networking and themed zones enhancing industry engagement.

THE PROMISE OF QUANTUM COMPUTING

Developments in the technology are capable of revolutionising payments, but there are significant hurdles and security concerns to overcome.

QUANTUM computing has the potential to revolutionise the financial industry. This nascent technology, with its ability to process vast amounts of data and perform complex calculations at unprecedented speeds, could reshape how financial institutions manage risk, optimise portfolios and detect fraud.

At Point Zero Forum 2024, experts emphasised the potential of quantum computing to enhance computational power exponentially. Dr. Alessandro Curioni, Vice President of IBM Europe and Africa and Director of the IBM Research Lab, illustrated that even a modest quantum computer could outperform classic supercomputers in specific tasks, enabling financial institutions to analyse complex datasets, simulate market scenarios and optimise investment strategies with greater accuracy and efficiency.

The application of quantum algorithms to risk management was also a key focus. Kelly Richdale, Venture Partner at Amadeus Capital Partners, highlighted the potential of quantum computing to improve risk modelling and assessment by considering a broader range of variables and scenarios, leading to more informed decision-making and potentially reducing the cost of risk.

Dr. Philip Intallura, Global Head of Quantum Technologies at HSBC, meanwhile pointed out that quantum algorithms could rapidly identify optimal asset allocations based on real-time market conditions, maximising returns while minimising risk. Rather than an extension of Moore's Law, he noted, quantum computing 'uses subatomic matter – photons' to extend the possibility of computing beyond binary code.

Dr. Philip Intallura, global head of quantum technologies at HSBC, stressed the importance of developing quantum-resistant cryptography to safeguard sensitive financial data and ensure secure transactions.

However, speakers at the forum acknowledged the challenges associated with this burgeoning technology. Building scalable and reliable quantum hardware and developing efficient quantum algorithms remain significant hurdles. The integration of quantum computing with existing financial infrastructure and systems also presents a complex challenge, requiring collaboration between quantum experts and financial professionals.

Security concerns were raised, particularly regarding the vulnerability of current encryption methods to quantum attacks. Intallura stressed the importance of developing quantum-resistant cryptography to safeguard sensitive financial data and ensure secure transactions.

The intense energy requirements of quantum computing were a subject of considerable discourse. Amid efforts to promote a green embrace of big data, quantum computing would seemingly require a marked increase in global energy usage, if widely deployed.

Despite these challenges, the forum generally offered an optimistic view of quantum computing and the trajectory of innovation. Speakers commented that many emerging issues with quantum computing might be solved simply through new technology solutions – cryptography being replaced by quantum-resistant cybersecurity for instance. And speakers argued that the potential rewards of quantum computing are immense, offering the financial sector the possibility to leverage data, predictive models and AI in new ways.

INVESTING IN A CHANGING LANDSCAPE

Technology development brings fertile new areas for entrepreneurship and investment.

THE end of the lengthy period of low and negative interest rates means that entrepreneurs around the world are facing a new set of challenges. With investors able to make 5% in treasuries with no credit risk, start-ups must deliver commensurately bigger returns.

Fortunately, the revolutionary developments in artificial intelligence – the advancements in its capabilities, flexibility and ubiquitous availability – have provided fertile new areas for start-ups and venture capital investors to productively collaborate. The excitement around the productivity benefits that AI will bring has given the sector a new burst of vigour.

This vigour comes with new risks for the global economy and challenges for regulators. Each jurisdiction takes its own approach in attempting to manage the balance of encouraging innovation while limiting the risks of harmful economic disruption.

While start-ups often rail against excessive legislation limiting their ability to operate, many are equally keen to acknowledge that regulatory clarity is an important condition for businesses in new economic areas to operate effectively. The European Union's landmark Markets in Crypto-Assets Regulation has provided a clear foundation on which crypto businesses are able to build operations in their jurisdiction.

Less popular, however, has been the EU's AI Act, which passed earlier this year, making the EU the first major economy to pass such a comprehensive bill on the uses of AI.

Anupriya Ankolekar, Co-founder and Principal Scientist at ModuleQ, said: 'We don't feel that the EU AI Act is unnecessarily restrictive. The vast majority of AI applications will not end up being in the high-risk area of applications, which is the only really onerous part of the act. We see no problem with the requirement for a human in the loop – that's a valuable step. We see the bill as fairly innovation friendly.'

Other speakers disagreed, however. Christian Frahm, Chief Executive Officer of United Fintech, said: 'We're seeing a space that's ripe for innovation, but banks are hesitating to adopt the latest models

‘WHILE SMALL BUSINESSES MIGHT MOVE TO A MORE FRIENDLY JURISDICTION, AND SMALL REGULATORS MIGHT BE IGNORED, REGULATORS IN LARGE JURISDICTIONS HAVE THE OPPORTUNITY TO INFLUENCE LARGE COMPANIES BY TAKING A POSITION.’

Nikos Andrikogiannopoulos, Founder and Chief Executive Officer, Metrika

because of concern about regulation. Additionally, many AI companies are less than two years old, and these will struggle to get banking relationships because they might be designated high risk.’

Michael Stemmle, Co-founder and Chief Executive Officer of additiv, agreed, saying: ‘It’s sad to see the EU overregulating AI. Legal certainty is good for business, but I don’t see why the act was needed, because we already have laws covering the relevant issues. The AI Act risks slowing innovation.’

Nikos Andrikogiannopoulos, Founder and Chief Executive Officer at Metrika, pointed out that, while the EU might lose out to other jurisdictions in terms of ensuring innovation happens within their borders, it is nevertheless important for regulators to take a stand and do so early. ‘While small businesses might move to a more friendly jurisdiction, and small regulators might be ignored, regulators in large jurisdictions have the opportunity to influence large companies by taking a position.’

However, the drive for innovation appears to be strong enough that, even if the regulatory conditions are challenging, innovators are pressing ahead anyway. ‘Nobody is waiting for regulation,’ said Stefan Klestil, General Partner of Speedinvest Fintech. ‘People are already building meaningful businesses and if they have to adapt in the future, they will. Europe has more than just rules to offer. There is a niche for European companies to specialise in certain key areas.’

Key areas of specialised innovation may have to be the focal point for European innovators, since the US is dominating much of the supply chain for the technology stack: including chips and cloud hosting.

He added that start-ups do not have a monopoly on innovation, pointing out that many entrepreneurs are joining companies in order to create something of long-term value.

Connect with other founders

Elevandi's Founders Peak initiative is a platform for entrepreneurs to share their global wisdom. It is designed to celebrate founders, their journey and experiences.

REIMAGINING AID ASSISTANCE

As forced displacement of people in need hits a new record, the UNHCR is exploring the transformational power of decentralised finance in delivering aid to refugees.

THE number of people who have been forced to flee from conflict, violence and persecution surged to historic new levels last year. A total of 120m people worldwide were uprooted from their homes by May 2024 due to both new and mutating conflicts and a failure to resolve long-standing crises. This figure would make the number of globally displaced people equivalent to Japan's population and higher than the combined populations of Germany, Austria, Switzerland and the Netherlands.

Behind each figure, there is a human being with a story, with skills, striving to rebuild their life. UNHCR, the United Nations Refugee Agency, supports those displaced by delivering life-saving aid and protection at the beginning of an emergency, safeguarding their fundamental rights and helping them find long-term solutions so they can find a safe place to call home.

As part of its commitment to delivering faster, more secure and longer-term solutions for displaced populations, UNHCR is investing in the power of decentralised finance and integrated blockchain technology for disbursements.

The power of decentralised finance

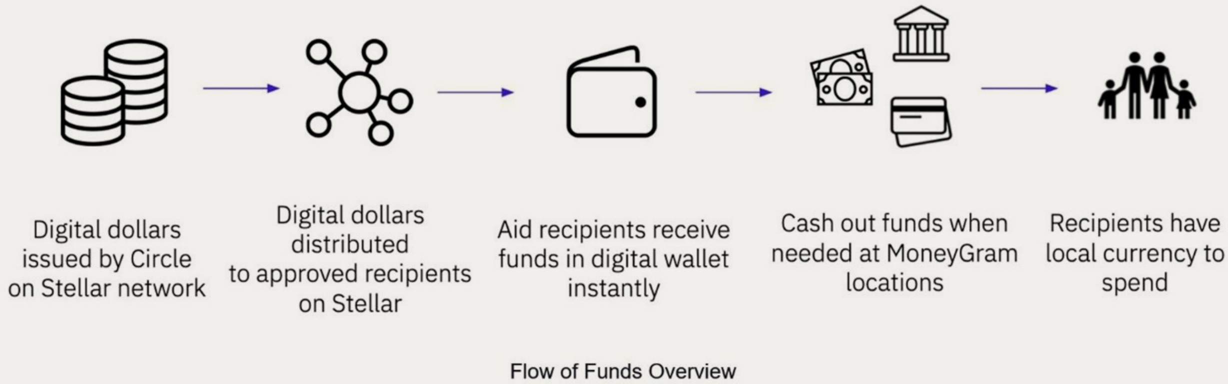
UNHCR is pioneering the use of digital wallets to facilitate the quick and secure delivery of cash assistance to displaced populations. This technology provides a safe store of value with embedded refugee identity credentials. The aim is to reach people in need anywhere, anytime, on any device, in a secure manner. Most importantly, human-centric delivery will provide access to the financial ecosystems and markets, improve financial control and enable better tracking of aid delivery.

Carmen Hett, UNHCR's corporate treasurer, joined the Point Zero Forum in Zürich to share the work being done in this field and explore the potential to expand the use of digital wallets. In December 2022, UNHCR, in collaboration with the Stellar Development Foundation and Circle, and with pro bono legal advice from Linklaters, successfully executed a small pilot to distribute cash assistance to a group of people displaced by the war in Ukraine. The pilot used Circle's USDC – a fully backed stablecoin pegged to the US dollar.

The USDC monetary value was transferred directly into recipients' digital wallets, which can be accessed on their smartphones. The Stellar Disbursement Platform is maintained and supported by the United Nations International Computing Centre.

This programme is designed to be easy to use for recipients, allowing frictionless value transfer. In this case, recipients were able to convert UNHCR assistance to fiat currency, withdraw it as cash at MoneyGram locations or directly transfer the amount to a traditional bank account. This support could then be used to cover basic needs like rent, food, medical care and heating during the winter, allowing those forcibly displaced to prioritise their needs with dignity.

Figure 1. Flow of funds to displaced populations



Source: UNHCR

The project in Ukraine was the first of its kind. It is now fully implemented and gradually scaling to new locations, such as Argentina. The use of this new technology in humanitarian contexts allows us to reach those in need with speed, agility and accountability.

Boosting financial inclusion with dignity

The underlying blockchain-distributed ledger technology provides greater transparency to donors and traceability to humanitarian aid providers and their stakeholders. The digital wallets and ecosystems make cash disbursements easily accessible to recipients without bank accounts or refugees who do not have identity documents to enable them to receive aid without a bank account. This further helps refugees sustain their livelihoods, fosters their empowerment for financial and digital inclusion and allows them to contribute to the economies of their host country.

In the case of Argentina, the solution also helps safeguard the value of cash assistance against high inflation and devaluation of the local currency, improving its impact on the purchasing power of forcibly displaced people.

The reach and penetration of digital connectivity must be improved, and financial inclusion remains one of the main challenges to the scalability of blockchain solutions in humanitarian settings. Three-quarters of refugees are located in low- and middle-income countries, and millions live in remote rural areas, where digital infrastructure can be poor or non-existent. For these solutions to be further expanded, it is crucial to invest in connectivity and digital and financial literacy and adapt solutions to the needs of the most vulnerable and the context in which they will be implemented.

The tech sector has a role to play in helping humanitarian agencies explore the transformative potential of digital technologies and innovation to deliver aid effectively and efficiently to those forced to flee. We need to bridge the financial and digital inclusion gap between the financial market, the technical solutions that exist and the people who most need them. This will require close collaboration between governments, regulators, businesses, policy-makers and the private sector. Traditional financial institutions, the decentralised financial movement and fintech all have a role to play in solving this global challenge.

Global partnerships

In November 2023, UNHCR and Elevandi announced a new partnership at the Singapore FinTech Festival to support skills training and employment opportunities for refugees around the world. Under the partnership, Elevandi will support UNHCR's economic inclusion programmes, including MADE51, a global initiative to empower refugee artisans and connect them with international markets. MADE51 provides training, resources and market linkages to refugee artisans, enabling them to showcase their skills and craftsmanship while generating sustainable income for those forced to flee their homes.

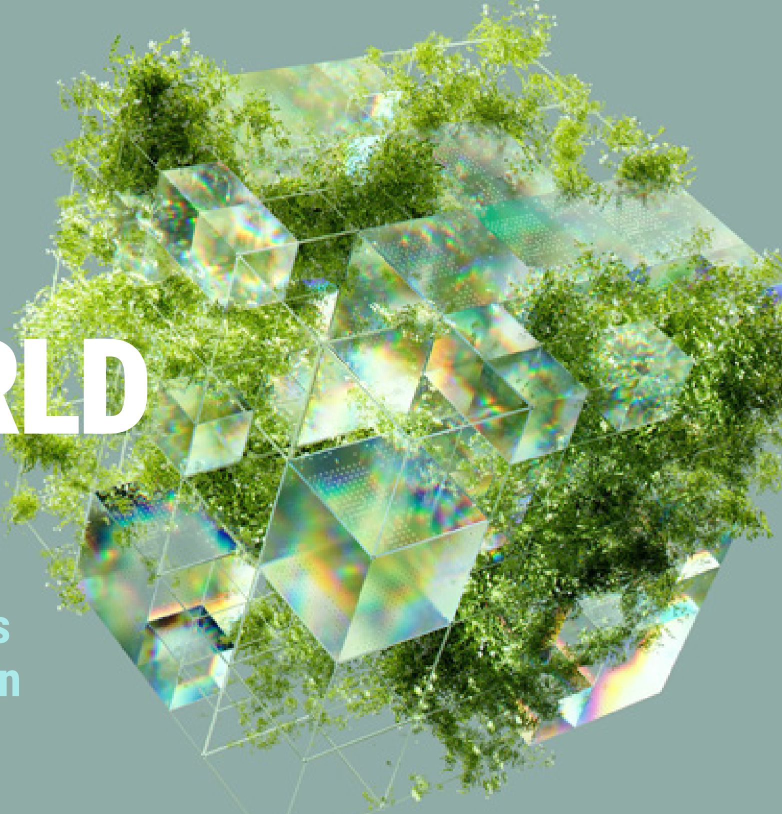
In addition, the partnership aims to promote financial inclusion by increasing access to financial services for refugees and other vulnerable groups in host communities, while building awareness of the business potential in serving refugees and overcoming policy constraints that hinder refugees' access to financial services.

We hope that these partnerships will inspire other actors in the fintech, decentralised finance and traditional financial sectors to join our efforts in promoting financial inclusion and a faster, more secure way of delivering humanitarian assistance to those most in need.

For more information about UNHCR, visit www.unhcr.org/about-us.html

Reimagining aid assistance: Advancing inclusive growth for all

Point Zero Forum 2024, Zürich



BUILDING A GREENER WORLD NEEDS DATA

Addressing climate challenges requires us to gather high-quality, granular information about the impact of our actions.

IN combatting climate change, the world faces a challenge of unprecedented scale. Addressing it will require innovation and collaboration across both the public and private sectors. But perhaps the most fundamental prerequisite is clear, well-defined data.

Financing the energy transition is one of the most pressing challenges, said Dr Axel Weber, President of the Center for Financial Studies at Goethe University Frankfurt. Prompting emerging markets in particular to move away from reliance on coal for power generation will require us to channel money from advanced economies into developing economies. Dr Christoph Gebald, Co-founder and Co-chief Executive Officer of Climeworks, highlighted the importance of carbon removal to the transition.

Opinions may differ on the most crucial areas for investment, but the challenges are similar for each. While there is no shortage of capital looking for environmentally beneficial ways to invest, governance and oversight are key. End investors must be assured that the money is being used in the way they expect and that it achieves concrete and measurable benefits (particularly the reduction of carbon dioxide emissions).

'We need to prioritise raw data, not analytics. Raw data enables other players to build on that and offer solutions and tools. What we need at the foundation is the simple disclosure of raw data.'

Caroline Wehrle, Senior Policy Adviser, State Secretariat for International Finance, Switzerland

Investors are under increasing pressure to assess and disclose the impact of their portfolios and large companies are under similar pressure from the Corporate Social Responsibility Directive. Both need access to a great deal of granular and high-quality data. However, collecting these data in a form that allows easy comparison with other companies and assessment of the overall impact of a portfolio containing dozens of financial instruments, or across the many complex operations of a large company, is an immense challenge.

Making change will require us to assess the status quo but, while this is an important step, it can be burdensome even for companies outside the scope of the rules. While small and medium-sized enterprises are not explicitly the target of the CSDR, they are often affected because they are in the supply chains of larger firms. This requires them to build the infrastructure necessary to make these disclosures, which can drive up their costs.

Aiko Yamashita, AI and ESG specialist at DNB Bank, highlighted that environmental, social and governance data hubs might help address this problem, consolidating emissions data from a broad range of sources, assessing its quality and accuracy and providing a reliable reference point for data.

The focus in business is often on the process by which data are used to inform business decisions. Caroline Wehrle, Senior Policy Adviser on Sustainable Finance at Switzerland's State Secretariat for International Finance, said that this is not the right approach. 'We need to prioritise raw data, not analytics,' she said. 'Raw data enables other players to build on that and offer solutions and tools. What we need at the foundation is the simple disclosure of raw data.'

With the arrival of artificial intelligence, new tools will emerge with which businesses can extract insights from ESG data. However, the tools will only be as valuable as the quality of the data available, so investing in data collection needs to be the first stage.

While companies need to invest in their own data collection efforts to drive their transition and attract capital from investors, there is also a business opportunity for fintechs to exploit. According to James Crawshaw, Impact Lead at Inyova, there is an opportunity and demand for businesses that can help companies to capture these data and to show them how to make better use of it.

Expertise in the gathering and analysis of environmental impact data is not easy to come by and will not always be available inhouse at small businesses. Third-party assistance will therefore be an increasingly popular and valuable business model.

ABOUT ELEVANDI

Elevandi is a not-for-profit organisation that engages with leaders from government, businesses, academia, and civil society to foster international collaborations on technology innovation, application and adoption.

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