

Minutes of the regular meeting of the
Innovation Advisory Council
10:00am – 12:00pm ET, Wednesday, April 12, 2023
Federal Reserve Bank of New York
33 Liberty Street, New York, NY
and via Teams

Present:

Lynn Bishop, *CIO, DTCC*

Umar Farooq, *CEO, Onyx by J.P. Morgan*

Matt Harris, *Partner, Bain Capital Ventures*

Alex Holmes, *Chairman and CEO, MoneyGram*

Cassie Kozyrkov, *Chief Decision Scientist, Google*

Cathie Mahon, *President and CEO, Inclusiv*

Neha Narula, *Director, MIT Digital Currency Initiative*

Brad Peterson, *CIO/CTO, Nasdaq*

Jose Fernandez da Ponte, *Senior Vice President, Blockchain, Crypto and Digital Currencies, PayPal*

Steve Streit, *Founder, SWS Venture Capital*

Federal Reserve attendees:

John C. Williams, *President and CEO, FRBNY*

Michelle Neal, *Markets, IAC Chair and Sponsor*

Brett Berger, *Federal Reserve Board*

Louis Braunstein, *Supervision*

Elizabeth Caviness, *Markets*

Chris Desch, *New York Innovation Center*

Jon Durfee, *New York Innovation Center*

Pamela Dyson, *Technology*

Justine Hansen, *Legal*

Tiffany Hewlin, *Executive Office*

Ghada Ijam, *System Technology*

Lisa Joniaux, *Supervision*

Antoine Martin, *Research and Statistics*

Heidy Medina, *Supervision*

Sishush Maru, *Supervision*

Lisa Menda, *Research and Statistics*

David Mills, *Federal Reserve Board*

Joey Patel, *Supervision*

Allison Riley, *Executive Office*

John Rutigliano, *Supervision*

Sunayna Tuteja, *System Technology/Innovation*

Emilie Walgenbach, *Supervision*

Leslie Conner Warren, *Markets*

Amanda Weinberg, *Markets*

Morgan White, *System Technology/Innovation*

Per von Zelowitz, *New York Innovation Center*

Guests:

Dirk Bullmann, *Global Head of Public Policy, CLS Group*

Arjun Jayaram, *Founder and CEO, Baton Systems*

Marc Bayle De Jesse, *CEO, CLS Group*

The videoconference was called to order at 10:00am ET.

1. Introductory Remarks

Alison Liu, council Secretariat and Payments Policy, Strategy, and Analytics Specialist with the Federal Reserve Bank of New York, welcomed members and Federal Reserve attendees to the first Innovation Advisory Council (IAC) meeting of the year, highlighting new and departing members.

Justine Hansen, Assistant General Counsel at the Federal Reserve Bank of New York, reminded members that they are required to adhere to the Federal Reserve Bank of New York's antitrust guidelines and highlighted the core principles.

Michelle Neal, Head of Markets at the Federal Reserve Bank of New York, delivered welcome remarks.

Per von Zelowitz, Director of the New York Innovation Center, introduced the agenda: "Distributed Ledger Technology (DLT) and Tokenization: Technical, Policy, Business, and Regulatory Implications."

2. Two guest speakers and an IAC member discussed the uses cases and challenges of implementing DLT systems and outlined their views around different features of the technology.

Arjun Jayaram, Founder and CEO of Baton Systems, reviewed client challenges that DLT could help solve particularly in the area of payments and post trade settlement, Baton's DLT offerings, as well as some instances where DLT may not work well.

Marc Bayle De Jesse, CEO of CLS Group, discussed some challenges of implementing DLT solutions related to operational costs and scalability. Marc also highlighted the role a central bank could play in the early adoption stages, and that DLT may not be able to solve problems that stem from non-technology related factors such as legal and jurisdictional considerations.

Neha Narula, Director of the MIT Digital Currency Initiative, described key questions to consider when exploring DLT solutions. These included the need for firms to dissect the source of the problem to determine whether DLT is the suitable solution, to analyze the benefits of DLT that cannot be achieved in legacy systems, and to consider system governance to inform the appropriate approach. Neha also covered design limitations, the question of distributed or centralized frameworks, and the emphasis of developing resilience within these systems.

3. Following the speaker presentations, the meeting transitioned to open discussion. Discussion topics raised included the role of high costs for companies and clients as a barrier to adoption of DLT and new technologies, early risks that arise as different parts of the industry explore DLT, the evolution of trust in new technologies, and the economics of network effects. The council discussed the benefit of industry

experimentation to help ensure the right questions are raised early and that often, use cases may develop as more learning takes place.

4. Michelle Neal, Head of Markets at the Federal Reserve Bank of New York introduced the last session of the agenda focused on the role of central banks and regulation. Members discussed the need to consider transition costs particularly for client adoption and network effects. Further discussion centered on potential risks, optionality for the future of DLT in central banking, and whether regulation should be focused on the technical architecture or the service being provided. Some shared different initiatives being explored by other central banks in both exploring DLT solutions and the appropriate regulatory frameworks to consider as DLT and other innovations evolve.

The meeting adjourned at approximately 12:00pm ET