

Minutes of the regular meeting of the
INNOVATION ADVISORY COUNCIL
December 4, 2024

FEDERAL RESERVE BANK *of* NEW YORK

33 Liberty Street, New York, NY
and *via* Teams

Attendees

Members present:

Nadine Chakar, *Global Head of Digital Assets*, DTCC Digital Assets
Umar Farooq, *Global Co-Head of Payments*, J.P. Morgan
Matt Harris, *Partner*, Bain Capital Ventures
Alex Holmes, *Former Chairman & Chief Executive Officer*, MoneyGram
Cassie Kozyrkov, *Chief Executive Officer*, Data Scientific
Christine Moy, *Partner Digital Assets, Data & AI Strategy*, Apollo
Neha Narula, *Director of Digital Currency Initiative*, MIT Media Lab
Brad Peterson, *Chief Information/Technology Officer*, Nasdaq
Jose Fernandez da Ponte, *Sr. Vice President, Blockchain, Crypto and Digital Currencies*, PayPal

Guest speakers:

Catherine Gu, *Head of CBDC and Tokenization*, Visa
Alex Holmes, *Advisor*, MoneyGram
Victor O’Laughlen, *Executive Platform Owner, Global Clearing*, BNY

Federal Reserve attendees:

John C. Williams, *President and CEO*, Federal Reserve Bank of NY
Michelle Neal, *Markets, IAC Chair and Sponsor*
Chris Armstrong, *Business Group Head*
Clive Blackwood, *General Auditor and Audit Group Head*
Dianne Dobbeck, *Supervision Group Head*
Mihaela Nistor, *Chief Risk Officer*
Rick Ostrander, *General Counsel*
Frederic Veron, *Chief Information Officer*
Per von Zelowitz, *Chief Product Owner*, New York Innovation Center (NYIC)

[Complete list of Federal Reserve Attendees in Appendix]

The videoconference began at 9:30am ET.

1. Introductory Remarks

Per von Zelowitz, Chief Product Owner of the New York Innovation Center at the Federal Reserve Bank of New York and Michelle Neal, head of the Markets Group, and IAC Chair and Sponsor, delivered welcome remarks to members and attendees of the final Innovation Advisory Council (IAC) meeting of 2024 and introduced the agenda theme: “*What value propositions are enabled by tokenized deposits?*”

John C. Williams, President and CEO of the Federal Reserve Bank of New York made brief remarks, framing the discussion within the context of the Federal Reserve Bank of New York's 100-year Anniversary, and reflecting on how the Fed's work has changed, even as the mandate has not. John thanked the IAC for their valuable insights which help inform the work of the Bank.

2. Moderated Discussion

Guest moderator Megan Lindgren, Attorney in the Legal Group, introduced the panelists—Catherine Gu, Head of CBDC and Tokenization at Visa, Alex Holmes, Advisor to MoneyGram, and Victor O'Laughlen, Executive Platform Owner, Global Clearing and BNY—and started the facilitated discussion.

The discussion kicked off with panelists providing context and outlining the current frictions in payment systems. The frictions in large part arise from the fact that banking systems are generally designed to be domestic. Global challenges exist for both retail and wholesale payments, such as time zones, real-time 24/7 payment capabilities, and differentiated compliance and liquidity requirements. A risk of tokenized deposits is the creation of other parallel payment paths that don't address the core challenges. One panelist also noted the competing arguments around oversight and policies, while fraud remains a significant challenge in payment systems.

Panelists then spoke to the possible value propositions—the potential for seamless movement money, whether retail or commercial, the automation of rules through smart contracts, real time settlement capabilities, 24/7 liquidity and liquidity across borders, independent credit, reduction of working capital needs and availability of currencies. One panelist noted that the shift toward wholesale from retail applications of tokenization opens the door to even more private sector innovation. There are retail payments businesses that are attempting to bridge the gap between what banks are good at and what banks are not good at, however, these may or may not be the best use cases for tokenized deposits.

Finally, panelists spoke to the challenges to adoption of tokenized deposits. The value propositions such as liquidity benefits—must be done at scale. All panelists agreed that interoperability is key to enabling tokenized deposits and realizing their value propositions. Tokenization alone does not result in efficiency, rather interoperability and the size of the networks does. As many banks won't have the resources to build tokenization platforms, interoperability will need to take different forms, and design choices will be important, e.g., interoperability between public and enterprise blockchains. Speakers also noted regulatory consistency as another critical aspect, with the speed of adoption of tokenization depending in part on the regulatory environment.

3. Open Discussion

An open discussion followed the moderated discussion with IAC members providing additional perspectives and support for the points made by the panelists.

The meeting adjourned at approximately 11:00am ET.

APPENDIX

Additional Federal Reserve attendees:

Beth Caviness, Markets	Asani Sarkar, Research
Johannes Rogowsky, Markets	Megan Lindgren, NY Legal
Magali Solimano, Markets	Whitney Austin, Federal Reserve System
Christopher Desch, NY Innovation Center	Sunayna Tuteja, Federal Reserve System
Morgan White, NY Innovation Center	Elliot Chau, Federal Reserve Board
Zareera Bukhari, Supervision	Brian Gattoni, Federal Reserve Board
Emily Dougherty, Supervision	Jean Flemming, Federal Reserve Board
Doris Li, Supervision	David Hou, Federal Reserve Board
Sishush Maru, Supervision	Bert Loudis, Federal Reserve Board
Jenny McMahan, Supervision	Jesse Maniff, Federal Reserve Board
Jean-Baptiste Parmentier, Supervision	JP Perez-Sangimino, Federal Reserve Board
Joey Patel, Supervision	
John Rutigliano, Supervision	
Katherine Tilghman Hill, Supervision	
Leslie Connor Warren, Supervision	