

## Future of Financial Services: The Policymakers' Perspective



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## Summary

Point Zero Forum (PZF, June 21-23, 2022 in Zurich) brought together global leaders, founders, and investors to discuss and generate business opportunities for web3 operators and investors and discuss the applicability of web3 to impact sustainability goals. PBZ opened genuine dialogue between founders and policy makers – the kind of exchange of views that took place at PZF either doesn't usually happen, or, when it does, is often scripted or superficial. At the PZF very different worlds converged from crypto founders to investors and top regulators, offering each other genuine advice and making commitments that can help shape the future of finance in the context of the rapid growth of web3 and crypto. The Forum also showcased new models to meet the global sustainability goals and how to address related challenges such as data availability and data sharing, digital infrastructure, and private capital mobilization.

## **A. Sustainable Finance:**

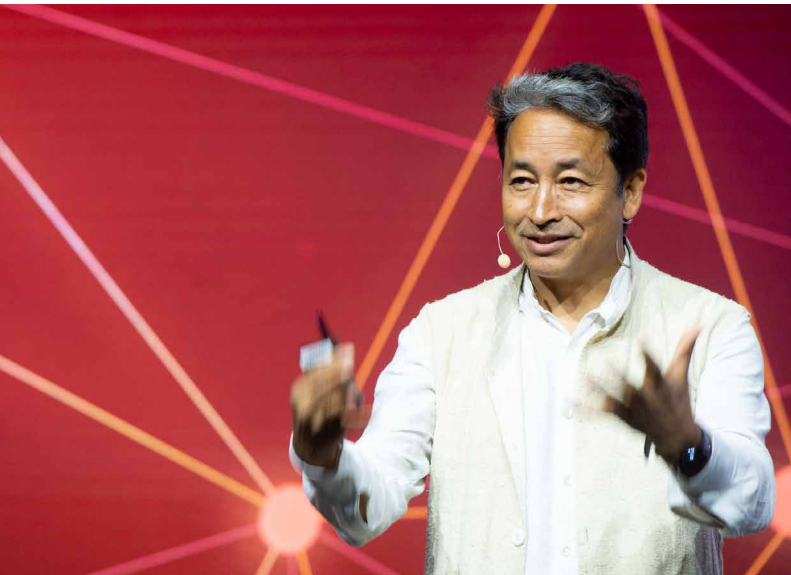
### **Main takeaways**

The sessions of the PZF on impact and sustainability brought to light many new models to tackle the climate crisis, biodiversity and other environmental and social challenges almost all involving innovation and technology. **“Net zero” goals are at the forefront of most institutional investors but there are many more sustainability and impact-driven projects they should pay attention to.** For example, a common topic raised at the PZF was how to promote the utility of digital assets as opposed to their speculative use. PZF generated many types of public-private and B2B partnerships and collaboration opportunities on de-fi, NFTs and web3 to create useful applications in the real economy (e.g. financial inclusion for individuals and small firms using digital wallets and verifiable credentials) and market efficiencies by creating common standards, infrastructure, and protocols.

### **Calls to Action**

1/ Support and demonstrate the impact of **credible sustainability models built on strong data.** Making data sharing (of non-sensitive information) a priority to develop and identify sustainable investment opportunities and also track and measure impact is key.

- The Development Data Partnership is an attempt at a public-private partnership to reduce the barriers to access data, but its scope (in terms of range of data and who can use it ) is limited. A more open and wider data sharing initiative would help.
- **We have to increase trust in data and rethink how to measure impact, it’s a mindset shift.** Decentralized data is real, involving citizens to build chains of trust is possible, data sharing and data governance are key to solve many current existential challenges including climate.
- **Leverage partnerships that truly promote trust in data with scalable, open, neutral platforms.**
- **Deploy applications on the new rails with responsible data frameworks and sound Web3 business models, e.g. to help final users make micro payments more efficiently.**



2/ Sustainable investments require large amounts of capital if we really want to tackle inequality and the climate crisis. We need better mobilization platforms and de-risking models to channel private capital to fund these opportunities.

3/ Focus on utility of web3 instead of speculation of crypto assets: an industry that's built on speculation is not sustainable. Instead, harness the excitement of tech and the engagement that the metaverse and platforms like The Sandbox generate to solve real problems.

- Build a web3 that includes particularly the most vulnerable. Engage and create, leverage entrepreneurial talent to accelerate path towards meeting the 17 SDGs. Don't rely on the fact that innovation will solve everything to avoid taking action today to address the most pressing problems (as Hiromichi Mizuno , UN, said) but at the same time create conditions for innovative impact-driven models to flourish.
- Identify clear bottlenecks and pursue the problem (don't fall in love with the solution) and focus on scaling (not reinventing the technology that's already working, "make scaling an art form" and factor in the local context and human behavior).

4/ Promote open source and open innovation by governments and private players that can help use data aggregation, machine learning and other available technology to make, for example, planting a forest as easy as getting an online loan today.

## **B. Digital assets and infrastructure:**

### **Main Takeaways**

The recent purported “collapse of crypto” and the correction in valuation of startups and other digital native companies is not the end, it is just part of the maturity of an industry, but trust needs to be rebuilt. Rounds raised by startups in the first half of 2022 are not as down as predicted and the underlying value of web3 and how it allows to share value across the value chain is unquestionable. However, the recent events will distinguish those companies willing to adopt high standards and transparent rules and engage with regulators to find common ground.

Policy makers, particularly from Singapore and Switzerland led by example on how to work together to advance regulation in these new frontiers. There was openness to learn and find ways to embrace flexibility and a fit-for-purpose approach to the different activities that are emerging thanks to new technologies and how to put in place the basis for predictable rules of the road while learning by doing.

### **Calls to Action**

1/ On dialogue: Top policy makers were open and expressed commitment (as stated by State Secretariat Daniela Stoffel, Switzerland, and Minister Alvin Tan, Singapore) to continue the dialogue. We need pathways to enable public-private partnership and continue to build a bridge between communities that developed separately (e.g. crypto vs traditional finance providers and vs regulators).

- Step up and form public-private coalitions to build inter-operable infrastructure in a new regulated marketplace for digital assets.
- Continue cross border and global dialogue to maximize inter-operability, a proportionate playing field, avoid fragmentation and duplication and create an effective infrastructure for digital assets.

2/ On regulation:

- PZF helped government and traditional market infrastructure and services players see the urgency to recognize the possibilities of web3, the massive wave of change coming and the need to act. Apply the principles of “same risk - same rules” and “do no harm”. Set clear rules and provide a diversity of options and a proportionate playing field.
- Don't quash innovation due to market ups and downs and misbehavior of a few players in the crypto world. Create sandboxes to minimize systemic risk and potential losses for retail customers (e.g. to separate stable coins backed by reserves from algorithmic experiments that regulators should only allow to operate in sandboxes).
- Develop a regulation and trust frameworks that differentiate blockchain networks, smart contracts and qualified service providers (e.g. digital wallets) from those which are not.
- Synthesize policy actions in white papers to use as reference for other regulators and to measure progress at the next PZF.



3/ On awareness, skills and education:

- **Education is key for positive concrete progress to address inequity and climate crisis.** The digital economy will surpass the physical economy so it's imperative that we digitize an equitable economy. New generations are increasingly interested in taking advantage of the participation opportunities that NFTs and other fractionalized forms of ownership offer to support purpose driven ventures. **We need to increase awareness and education and minimize potential losses of retail participants and share best practices of business models that are resilient, sustainable and scalable.**
- **Share best practices:** for example, on how wallets can allow to manage all types of assets from car ownership to identity credentials and tokenized currency, but what is the right model?. Some speakers at PZF said self-custody wallets are too risky and should be intermediated. But this would go against the principle of enabling a more decentralized economy where individuals have control of their data. The risk of, for example, individuals losing their digital keys, can easily be mitigated by trust mechanisms to recover the data and encrypted back-ups stored in centralized repositories accessible only with biometric proof.

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For example, LACNet (<https://lacnet.lacchain.net/lacnet-eng/>) blockchain networks are orchestrated in a neutral and sustainable manner by an international non-profit association that results from the alliance between RedCLARA and LACNIC in collaboration with IDB Lab under the LACChain global alliance framework ([www.lacchain.net](http://www.lacchain.net)). This is an example of an inter-operable network available for enterprise and government use at zero transaction cost and with full service guarantee. It operates in Latin America and the Caribbean and can be used globally.

