

Minutes of the regular meeting of the
Innovation Advisory Council
10:00am – 12:00pm ET, Thursday, April 4, 2024
Federal Reserve Bank of New York 33 Liberty Street, New York, NY
and via Teams

Present:

Umar Farooq, *CEO, Onyx by J.P. Morgan*
Matt Harris, *Partner, Bain Capital Ventures*
Cassie Kozyrkov, *CEO of Data Scientific*
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*

Guests:

Nadine Chakar, *Global Head of Digital Assets at DTCC Digital Assets*
Robbie Mitchnick, *Head of Digital Assets for Blackrock*
Christine Moy, *Partner, Digital Assets, Data & AI, Apollo*
Kevin Henry, *Markets Group, Federal Reserve Bank of New York*
Ben Tecmire, *Director, Global Public Policy for Blackrock*
Peter Rubenstein, *Vice President, Technology, Innovation & Analytics at Inclusiv*

Federal Reserve attendees:

John Williams, President and CEO, FRBNY
Michelle Neal, Markets, IAC Chair and Sponsor
Chris Armstrong, Operations and Resiliency
Zareera Bukhari, Supervision
Elizabeth Caviness, Markets
Rima Chavda, Federal Reserve Board
Chris Desch, New York Innovation Center
Jon Durfee, New York Innovation Center
Mark Fischer, Supervision
Elena Ferri, Technology
Lisa Evanson, Supervision
David Hou, Federal Reserve Board
Alison Liu, Supervision
Michael Lee, Research and Statistics
Jesse Maniff, Federal Reserve Board
Mark Manuszak, Federal Reserve Board
Sishush Maru, Supervision
Heidy Medina, Supervision
Harry Mendell, Technology
Lisa Menda, Research and Statistics
Helen Mucciolo, Corporate Group
Mihaela Nistor, Risk
Julia Remache, Markets
John Rutigliano, Supervision
Asani Sarkar, Research and Statistics
Priyanka Slattery, Federal Reserve Board

Janine Tramontana, Legal
Leslie Conner Warren, Supervision
Morgan White, FRS Innovation
Cy Watski, Federal Reserve Board
Per von Zelowitz, New York Innovation Center

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

1. Introductory Remarks

Michelle Neal, Head of Markets at the Federal Reserve Bank of New York, delivered welcome remarks to members and attendees to first the first Innovation Advisory Council (IAC) meeting of the year and introduced the agenda theme: Investor adoption of real-world asset tokenization.

2. Guest moderator Kevin Henry, Markets Group, Federal Reserve Bank of New York introduced first guest speaker Robbie Mitchnick, Head of Digital Assets for Blackrock and facilitated discussion on spot cryptoasset ETFs and the potential impact on tokenization.

Robbie discussed buy -side developments for investing in cryptoassets, including certain hurdles like difficulties carrying out sufficient due diligence and lack of familiarity with novel infrastructure. Robbie opined that such issues have led to an over-allocation of institutional capital in cryptoasset venture funds. He posited that recent availability of bitcoin spot ETFs could potentially change investor views on how to invest in cryptoassets. He noted that, at the same time, investors familiar with tokenization will likely exist in parallel with investors that prefer a traditional ETF product. Robbie also discussed whether the spot bitcoin ETF developments could spur institutional capital towards the development of tokenization infrastructure.

In the ensuing open discussion, the council discussed issues in custody for crypto and tokenized assets and the roles and responsibilities of traditional banks versus new entrants. Council members noted that risk management remains crucially important in order to protect market participants, especially given the interaction between cryptoasset and traditional financial markets. The conversation also touched upon persisting concerns over public blockchain infrastructure as compared to private blockchain infrastructure in terms of accountability, safety, KYC/AML concerns, reputational risk, scaling, and efficiency. Council members expressed different views on whether it was likely that a single dominant market provider could naturally emerge over time in the space versus whether more interoperability between multiple infrastructures will develop.

3. Leslie Conner Warren, Supervision Group, Federal Reserve Bank of New York introduced Guest speaker Christine Moy, Partner, Digital Assets, Data & AI, Apollo.

Christine highlighted several benefits of tokenization, including automation of back-end settlement processes, broadened investor access, improved record keeping, and a common tech layer and operating system, which can increase the efficiency and interoperability for a greater array of assets, without necessarily requiring a change to the legal and regulatory treatment of the underlying assets. In

asset management, the emergence of a multi-asset operating system can enable more efficient construction and administration of multi-asset portfolios, support a greater number of investors with lower investment minimums and reduced costs, offer real-time reporting with less reconciliation required, and expand access to private alternative assets that can more easily be included in automatically rebalancing model portfolios designed by wealth advisors. Beyond asset management, new use cases could emerge, such as using a greater variety of asset types (e.g. MMFs) for use in payments.

The ensuing discussion touched on the various factors that could influence settlement costs, including those related to the potential use of tokenized assets or stablecoins for payments. The council noted that a current challenge of the relatively fragmented tokenization market is that market participants must onboard multiple infrastructures. Historical comparisons were made between tokenization infrastructure to historical design considerations for the internet and telecommunications networks.

The meeting adjourned at approximately 12:00pm ET