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# Slow down to speed up: DLT reaches potential through collaboration and standardisation

The technology adoption life cycle – often referred to as an S-curve – has four stages – innovation, syndication, diffusion and substitution – and there is also usually a period of hype early on, when a new technology is introduced.

Distributed ledger technology (DLT) is sitting firmly in the syndication phase, during which technology is demonstrated and a small portion is commercialised, with the potential for immediate utilisation. True to a typical technology life cycle, DLT did experience the intense hype phase, however recently, the industry has taken a more considered position as to how it may benefit financial services. That said, for DLT to be accepted more widely in financial markets, certain areas need to be addressed.

A key issue is security. As addressed in our recent whitepaper, Security of DLT Networks, the industry must develop a comprehensive and standardised approach to security to ensure the confidentiality, integrity and availability of an organisation's DLT operations. There is no 'one size fits all' approach but there is an optimal model: the development of a reliable and comprehensive industry-approved framework. A critical component of this framework is the development of industry standards, which enables interoperability between multiple DLT implementations and therefore reduces risk and cost for market participants by preventing a fragmented industry eco-system.

DLT standards would also facilitate the sharing of information between market participants and vendors, which would improve understanding of the benefits and risks of the technology, knowledge likely to speed up adoption. Standards can help with other critical security issues such as data governance, which often delays the implementation of new technologies such as DLT. Via the development and adoption of a principles-based framework, firms are better able to identify potential weaknesses in their DLT projects. Further, a universally accepted framework will provide regulators with a consistent approach to assessing the potential strengths and weaknesses of different DLT implementations.

Effective and efficient collaboration between relevant stakeholders - clients, regulators and vendors - is another benefit of developing standards that is critical to the successful implementation of DLT. For example, it is important that the industry collaborates with policymakers to ensure that the case is well-made around how new technology implementation can safely serve the public, as well as the clients and the industry.

Regulators and policymakers must consult and collaborate on new technologies, such as DLT, at the global level to better understand how the technology can improve the functioning of financial markets without putting safety at risk. Standard setting bodies (SSBs), such as the Financial Stability Board and IOSCO, have an important role to play in that process.

Now that the initial excitement about DLT has died down, it remains clear that the technology holds potential value for the industry. Benefits include, processing efficiencies, operational capacity and scalability, as well as maintenance of data integrity. In order to realise this value, there must be a standardised approach to DLT security via a comprehensive framework most effectively achieved through collaboration between the industry, market infrastructures, policymakers and vendors. ●