

Task Force 2: Digitalization of the Global Economy

G7-Led International Financial Framework for Digital Governance

Authors:

Daniel Nagy

Jascha Stein

Mei Lin Fung

Alicia Garcia-Herrero

Patrizia Bussoli

Tamara Singh

Key Points

- International fragmentation risks leading to financial instability are paramount. The G7 should lead an interoperable, efficient and participative solution by setting up the International Financial Framework (IFF).
- The IFF leads the development of the International Digital Financial Architecture with tokenized central bank reserves and a Global Liquidity Pool as its core pillars.
- Prosperity Data Networks linked to the Architecture could further catalyze growth within underserved micro-, small- and medium enterprises (MSMEs) globally.
- With a multi-year, phased implementation, the G7-led IFF would be extended to G20 and emerging economies to safeguard the international financial system and to make it future-proof tailored to the diverse needs of economies.

Introduction: The Need for a 21st Century Financial Framework

The global financial system is undergoing a rapid digital transformation. Central bank digital currencies (CBDCs), regulated stablecoins, tokenization of assets and fintech innovations are emerging across dozens of countries. However, these efforts remain largely uncoordinated. **Global digital currency initiatives are fragmented and lack common standards for interoperability**, making it difficult for countries to learn from each other or manage potential cross-border ripple effects (Fung et al. 2024).

At the same time, new digital divides risk leaving smaller economies and businesses behind in this fintech revolution (Stein et al. 2024). There is a clear need for an overarching framework to govern digital finance in a way that is **interoperable, stable and participative**. The Group of Seven (G7) – as a leader in global economic governance – is uniquely positioned to spearhead this effort. By **evolving the international financial architecture** to meet 21st-century demands, the G7 can ensure that digital finance innovation supports broad-based prosperity and financial stability.

G7-Led International Financial Framework

We propose the creation of an International Financial Framework (IFF) – a G7-led international body that will coordinate digital finance policy, standard-setting, and interoperability on a global scale. The IFF will serve as the central governance mechanism for the 21st-century financial system, bringing together, on a voluntary basis, central banks, regulators, and key stakeholders from the current financial system to **align standards and protocols for digital currencies and assets**. This framework would fill the current void in global digital finance governance by providing a **permanent platform for coordination and oversight**.

The IFF's mandate would include:

1. **policy coordination** – harmonizing approaches to CBDCs, stablecoins, and digital asset regulation across jurisdictions;
2. **standard-setting** – defining common technical standards and terminologies for interoperability; and
3. **oversight of cross-border infrastructure** – managing platforms and processes that enable seamless international digital transactions.

The IFF would be an international body led by a **steering committee, with its initial phase serving as a consensus-building forum** for the global digital economy. It complements institutions like the Financial Stability Board, BIS Innovation Hub, and IMF by focusing specifically on digital finance and addressing any gaps in their services.

The IFF model also promotes modern and participative governance. As **experts increasingly support decentralized or hybrid models** that blend centralized oversight with local autonomy (Stein et al. 2024), the IFF would see G7 leadership set high-level guidance and standards, while individual countries tailor solutions to their local contexts. This approach promotes global cohesion and innovation while reinforcing the G7's commitment to financial stability. With G7-led research and policy agendas, **economic systems would be strengthened, cross-border coordination improved, and global financial stability maintained** (Fung et al. 2024).

IFF-Led International Digital Financial Architecture

The first major initiative under IFF leadership is the development of an **International Digital Financial Architecture (IDFA)**, supported by governance structures and standards. This would be a globally accessible digital network enabling different national digital currency systems to transact with each other seamlessly. **Under IFF governance, the IDFA will link tokenized central bank reserves, regulated digital currencies and assets** into a unified network designed for continuity with existing infrastructure, where even incumbent domestic financial systems without digital currencies can join via a low-cost integration model. In practice, this means a payment originating in one country's CBDC or a stablecoin issued by a G7 country could be instantly and securely received in another country's digital currency, **with automatic conversion and compliance checks** handled by the platform.

The IDFA **includes only high-quality assets**, as defined by the IFF. Assets are tiered: Tier 1 comprises tokenized central bank reserves and digitized foreign currencies, while Tier 2 includes regulated digital currencies (e.g., stablecoins), with separate tiers for digital asset trading. Financial service providers can join voluntarily with their current roles and the option to offer additional services.

Interoperability is not just about convenience – it underpins liquidity and stability. It is essential to favor liquidity for financial assets and reduce fragmentation: currently, many digital currency and asset networks are being developed in isolation, creating "digital

islands". The IDFA will connect these islands into a **global digital payments and asset exchange**. The platform would facilitate *real-time, cross-border transactions* that are **counterparty-risk-free** through mechanisms like payment-versus-payment (PvP) settlement and use of safe assets (explained in the Global Liquidity Pool below) – meaning parties can transact without worrying about the other side defaulting.

The IDFA **standardizes digital transaction data and protocols**. With varying technologies and terms in digital currencies, integration is challenging. Under IFF, a unified platform would adopt common standards—akin to TCP/IP for the internet—to support an "internet of value." Guided by neutral experts, the IFF could serve as a standard-setting body, using **blockchain for security and AI for transaction monitoring**, which would also improve regulatory oversight (Stein et al. 2024).

As a key component of the IDFA, PDNs **leverage decentralized data-sharing to transform local business data into digital collateral**. This enables informed credit assessments and cross-border financing, bridging credit gaps, enhancing transparency, and driving financial participation (Stein et al. 2023). Integrated within a participative IDFA framework **connecting G7 economies, emerging markets, and small financial institutions without heavy infrastructure investments**, PDNs and AI analysis uncover new financing opportunities while reinforcing ecosystem stability and trust.

In conclusion, the IDFA unifies digital currencies and assets under common standards, enabling seamless, secure, and real-time cross-border transactions. Leveraging blockchain, AI, and Prosperity Data Networks, it promotes interoperability, financial participation, and enhanced regulatory oversight.

The Global Liquidity Pool Within the IDFA

The second pillar of the IFF is a **Global Liquidity Pool (GLP)** for digital assets, established and overseen by the IFF. This would be a pool of high-quality, liquid assets on the tiers contributed by central banks and financial service providers. The purpose of this pool is to **provide immediate liquidity for cross-currency transactions and to settle trades on the IDFA in real-time, without liquidity, settlement and counterparty risks**.

The pool ensures neither party bears settlement risk with atomicity (simultaneous execution) and there is always sufficient backing to intermedicate between currencies, much like financial institutions providing liquidity in forex markets, but here it is automated and available 24/7. By **tokenizing a portion of central bank reserves and placing them under agreed rules**, the system achieves what traditional correspondent banking cannot: nearly instant, risk-free settlement with the safest asset across jurisdictions.

The GLP offers several advantages. First, it **improves liquidity and stability**: With a pre-funded pool, money can flow even during crises when trust might otherwise freeze credit lines. Second, it **levels the playing field**: even smaller countries or banks can trade through the pool without needing large bilateral credit lines, thus encouraging participation from the broader international community. Over time, this fosters a more balanced system where *all* participants have reliable access to global liquidity. Third, it **encourages innovation** in asset tokenization. Fourth, it could lead to an increased number

of service providers resulting in **greater competition** and better outcomes for end users. Robust governance is paramount: the IFF would set strict criteria for assets in the pool and oversee its operations to maintain trust.

A globally managed pool under G7 stewardship could become a prototype that the G20 and beyond adopt. Questions remain on the **legal and regulatory framework for such cross-border payment arrangements**, which would be addressed by the IFF. The GLP and the IDFA would be integrated with existing payment systems (e.g., RTGS, SWIFT) to ensure interoperability. The goal is **evolution, not revolution**: upgrade the financial plumbing step-by-step so that efficiency and participation are enhanced without disrupting markets.

The IDFA and the GLP would leverage the successful projects led by the BIS Innovation Hub, for example, by building upon the cross-border wholesale CBDC and/or tokenized deposit projects demonstrated in Project Agora (BIS 2024), Mariana (BIS 2023a) or the cross-country retail CBDC project from Project Icebreaker (BIS 2023b).

Policy Recommendations and Implementation Roadmap

To realize this G7-led International Financial Framework, we outline key policy actions and a phased implementation roadmap. All recommendations are designed to be **practical and incremental**, building on existing institutions and innovations to minimize disruption while maximizing impact.

Key Policy Recommendations for the G7

- **Establish the International Financial Framework (IFF).** The G7 should officially convene the IFF as a new pillar of global financial governance. This involves defining its charter, membership (G7 with G20 and other stakeholders progressively included), and scope of authority. The IFF will be the **central coordinating body** for digital finance, offering a flexible, non-prescriptive platform that respects domestic policy choices. Participation will be entirely optional, allowing countries and institutions to engage at their own pace and according to their national priorities. Rather than imposing radical structural changes, the IFF will focus on facilitating cooperation, aligning standards, and enabling interoperability where it is desired.
- **Launch an IFF-led International Digital Financial Architecture (IDFA).** Mandate the IFF to design and implement the global interoperability network for G7 tokenized central bank reserves and regulated digital currencies and assets. This includes establishing common technical standards, legal agreements for cross-border transactions, and governance rules for platform participation. The platform should expand connectivity to other economies. It must embed robust compliance (AML/CFT checks) and leverage technologies like blockchain for security and transparency (Stein et al. 2024).
- **Create a Global Liquidity Pool (GLP) under IDFA.** Task the IFF with setting up the pooled digital reserve mechanism to enable real-time, risk-free settlements. G7 central banks along with financial service providers could initially contribute a small

fraction of reserves in tokenized form to capitalize the pool. The IFF will establish tiering, the rules for access, usage, and risk management of the pool. As a safeguard, start with a limited pool to demonstrate proof of concept, then scale up as confidence builds.

- **Harmonize Digital Finance Regulations and Standards.** Through the IFF, the G7 should lead the development of **common regulatory principles** for digital finance. A coordinated approach will prevent regulatory arbitrage and fragmentation. This also entails creating a legal framework for international digital payments, clarifying how existing treaties (or new agreements) apply to digital currency transactions and data sharing across borders (Fung et al. 2024).
- **Promote participative Innovation (MSMEs and Global South).** The G7 should ensure the new framework explicitly includes measures to benefit **MSMEs and emerging markets**. Under IFF auspices, create programs that integrate **Prosperity Data Networks and data cooperatives** into the financial framework, so that underserved communities can leverage their data for credit and services (Stein et al. 2024). Also, sponsor a **network of digital currency and asset sandbox experiments coordinated internationally to strengthen controlled, risk-free experimentation (e.g., MSME financing models)** across countries (Fung et al. 2024).

Phased Implementation Roadmap

Achieving a G7-led IFF and its ambitious agenda requires a phased approach. Below is a practical roadmap, with each phase building momentum and confidence for the next:

Phase 1: IFF Formation and Framework Design (Year 1)

G7 governments formally endorse the creation of the International Financial Framework, laying the foundation for a global financial cooperation platform that countries can choose to join. A charter is drafted outlining commitment and common objectives, governance structure, decision-making processes, and initial focus areas. The G7 provides seed funding enabled by the tokenized central bank reserves pledged by the G7 central banks into the IDFA. Working groups are established for (a) IDFA design, (b) GLP design, and (c) Regulatory Harmonization. Incumbent financial and technology service providers are onboarded on a voluntary basis. The legal groundwork for data sharing and regulatory cooperation is also scoped.

Phase 2: Pilot Projects and Sandbox Trials (Year 2-3)

The IFF initiates concrete pilot programs to test and refine the concepts.

Pilot IDFA: Selected G7 central banks and financial institutions connect experimental digital currency systems via a prototype network.

Sandbox Network: In parallel, the G7 launches an international network of sandboxes for digital financial services (Fung et al. 2024) where fintech companies and banks from different countries test tokenized cross-border use cases.

Data Integration Pilot: Work with communities on integrating Prosperity Data Networks with these sandboxes to demonstrate how sharing MSME data can improve lending outcomes globally.

Insights from all pilots are fed back into the design of standards and regulations. Crucially, these experiments are conducted with limited scale and real safeguards, ensuring any issues do not threaten financial stability. The outcome of Phase 2 is pilot results, refined technical standards, and draft regulatory guidelines informed by real-world data.

Phase 3: Expansion, Standards Adoption, and Regulatory Alignment (Year 3-5)

With successful pilots, the IFF moves to scale up the framework.

IDFA Deployment: Asset tiering by the IFF and roll out the IDFA to all G7 members' central banks and interested partners, connecting major currency areas. By this stage, common technical standards and protocols are finalized under IFF endorsement, and participating jurisdictions integrate them into their domestic **digital currency** or payment systems.

GLP Launch: The G7 central banks commit to **safeguard the stability** of the liquidity pool. Legal agreements are signed and a fair commercial model for service providers is enacted to establish the pool's governance under the IFF. On the regulatory side, G7 financial regulators, through the IFF working group, publish a **joint framework for digital finance regulation**. G7 countries begin aligning their national laws to this framework. The G7 also advocates these standards in broader international forums (G20, IMF meetings), paving the way for wider adoption.

Phase 4: Global Adoption and Integration (Year 5 and Beyond)

The final phase opens the framework to global participation, making the IFF truly international. Additional major economies (G20) can formally join the IFF, expanding the governance council. The IDFA connections extend to new CBDC and trusted private digital currency networks, creating a **network-of-networks effect**. More central banks commit, and more financial service providers contribute to the GLP, increasing its capacity – it could evolve into a multi-currency reserve. The IFF continues to update standards and best practices as technology evolves. Crucially, as more nations see the efficiency and participation gains within the IFF coalition, they will be incentivized to join. This mirrors the “**coalition of the willing**” dynamic observed in digital cooperation proposals.

Throughout all phases, coordination with bodies like Financial Stability Board, BIS Innovation Hub and International Monetary Fund on macroeconomic implications (e.g. impacts on exchange rates or capital flows) will be important to manage risks. The phased approach allows regulators to adjust and strengthen safeguards as the network grows, maintaining stability.

Call to Action: A G7-Led Path to a New Digital Financial Era

The establishment of a G7-led International Financial Framework (IFF) for digital governance and interoperability is a bold step toward a **modernized global financial**

architecture. By making the IFF the cornerstone of this strategy, we ensure that all other components – the International Digital Financial Architecture (IDFA), the Global Liquidity Pool (GLP), and harmonized policies – are unified under a clear governance vision.

Under G7 leadership, the IFF can drive the world’s financial system to evolve in a way that is **participative, efficient, and resilient**. Small businesses and developing economies will gain better access to finance as **data-driven networks connect them to global capital** (Stein et al. 2023), and as digital currencies make payments faster and cheaper. Financial stability will be reinforced through internationally coordinated oversight and available liquidity, reducing the chance of digital-era financial fragmentation. Implementing these strategies positions the G7 as **leaders in advancing global socio-economic systems toward an AI-driven, equitable digital economy** (Stein et al. 2024) – advocating a people-centered financial world that works for all.

The IFF will help to **shepherd all the ongoing G7 digital currency and asset activities towards a shared vision** and joint path. The IFF will incorporate the stablecoin developments led by the United States, the CBDC exploration - both retail and wholesale - represented by the Eurozone, the regulated liability network (RLN) and CBDC works by the United Kingdom, and Canada's and Japan's over-arching digital asset explorations. The IFF will provide a unifying framework and platform to all of these efforts, interconnecting them, so that end users could have the chance to choose which one they wish to deploy.

The IFF builds **on existing trends and links them together**: national CBDC projects, fintech innovations, and emerging data governance models become stronger and more effective when coordinated. The cost of inaction, by contrast, is high: continued fragmentation, higher transaction costs, and the risk that the digital finance revolution will deepen inequality by excluding those outside a few major networks. The G7 has a narrow but crucial window to act and shape the outcome.

In conclusion, a G7-led International Financial Framework (IFF) for digital governance offers a **practical path to a unified, interoperable, and participative global financial system**. With a clear vision, phased implementation, and commitment to collaboration, the G7 can lead the world in unlocking the full promise of digital finance – catalyzing innovation while safeguarding stability and participation. This new IFF can become a cornerstone of global economic cooperation in the digital age, much like the Bretton Woods institutions were for the post-WWII era. It is a visionary yet practical approach to ensure that the financial architecture of the 21st century is fit for purpose and leaves no one behind.

Author Biographies

Daniel Nagy, Senior Business Analyst Digital Currencies, Giesecke+Devrient; Deputy Chairman, Web3 World Society

Daniel Nagy is Senior Business Analyst Digital Currencies at the German security technology company, Giesecke+Devrient. He is a lead consultant to central banks, financial institutions, international organizations and public authorities across the globe on

tokenized public and private digital currencies and assets, the future of the international monetary system. He co-authored various thought-leadership papers and is a frequent speaker at international events in finance and technology.

He is a member of Web3 World Society, a think tank that advocates an equitable, sustainable and human-centric future for the connected world by providing research and delivering projects to stakeholders.

With a strong background in investments and global macroeconomics as a former director of institutional fund and wealth management at a hedge fund, Daniel is able to bridge the worlds of central banking, finance and technology.

Jascha Stein, Executive Chair, People Centered Internet; Co-Founder & CEO, OmniBot.ai; Founder, Particip.ai

Jascha Stein is Executive Chair of the US Think Tank People Centered Internet, co-founded by Vint Cerf (co-inventor of the Internet) and Mei Lin Fung (a CRM pioneer).

Recognized by the World Economic Forum (WEF) as a Global Innovator for his commitment to bridging the digital divide, he was personally invited by WEF Chairman Klaus Schwab to the Annual Meeting in Davos. Jascha also serves as an Executive Member of the WEF EDISON Alliance for Digital Participation and leads the Media & Marketing Working Group at the German AI Association.

He is CEO of OmniBot.ai, a Conversational AI platform he co-founded with Jeff Adams—co-inventor of Amazon Alexa. Encouraged by Brigitte Mohn of the Bertelsmann family, he founded Particip.ai — recognized in UNESCO’s Global Top 100 AI Solutions in 2022 and 2023 — to empower communities through digital participation in healthcare and education. As a lead and co-author of multiple G7 policy briefs, he champions equitable access and collaborative innovation at the intersection of policy & governance, science, business and impact.

Mei Lin Fung, Co-Founder, People Centered Internet; Chair of the IEEE Society for the Social Implications of Technology’s Technical Committee on Sustainability

Mei Lin Fung is Chair of the IEEE Society for the Social Implications of Technology’s Technical Committee on Sustainability. She co-founded the People Centered Internet with Vint Cerf (co-inventor of the internet) and is an early pioneer in CRM and enterprise software. Recognized for her ability to connect technology with social impact, she serves as the Socio-Technical Lead for the U.S. Department of Defense Federal Health Futures initiative, fostering collaboration at the intersection of national security, health, and innovation.

She has worked closely with computing visionary Douglas Engelbart, contributing to his mission of empowering people through interactive computing. Mei Lin studied under Nobel Prize-winning economists Franco Modigliani and Robert Merton at MIT, further enhancing her multidisciplinary perspective on technology’s role in shaping economic and societal outcomes.

Alicia García Herrero, Senior Research Fellow at Bruegel

Alicia García Herrero is an Adjunct Professor at the Hong Kong University of Science. Alicia also serves as a Senior Fellow at the Brussels-based European think-tank BRUEGEL and as Chief Economist for Asia Pacific at French investment bank NATIXIS. She is a non-resident Senior Fellow at the East Asian Institute (EAI) of the National University Singapore (NUS) and the Institute of Chinese Studies in Delhi. She is also a non-executive Board member of the listed insurance group, AGEAS. Finally, Alicia is a Member of the Council of Advisors on Economic Affairs to the Spanish Government and an advisor to the Hong Kong Monetary Authority's research arm (HKIMR).

Alicia holds a PhD in Economics from George Washington University and has published extensively in refereed journals and books. She is also very active in international media.

Patrizia Bussoli, Founder of Bea Finance; President of Geo Community, Professor of Digital Finance for Sustainability and Inclusion, Member of BWC

Ms. Bussoli has more than twenty years of experience in financial market management. She has vast experiences in macroeconomic analysis, fund management and investments by having taken various leading and manager positions in Fideuram Investimenti, Pramerica, Nextra and Deutsche Bank.

She was a university professor of International Economics at Pompeu Fabra in Spain and in Italy at the State University of Milan. She worked with the Finance Department of the European Commission and wrote a paper on the future of the Euro. She (co-)authored numerous papers on the European banking system, asset-backed securities, central banking, investments and crisis management.

She coordinated the creation of the Master on Fintech for the H-Farm Education platform, where she is the chair of Digital Finance for Sustainability and Inclusion. She is a member of the Canova Club, where she is Head of the "Sustainability and Third Sector" project to support start-ups for the development of sustainable finance practices. She created the Giardino Economico Operativo Group to propose ideas of good finance at the service of citizens, businesses and institutions.

She obtained her degree cum laude in Economics from Bocconi University in Milan and Master & PhD with honors from Pompeu Fabra University.

Tamara Singh, Sherpa, GFTN Insights, Global Finance & Technology Network

Tamara draws on her expertise in Financial Systems, Digital and Sustainability to consider global systems that may help to render them more sustainable. Tamara earned her stripes at Centrica Plc, BP Oil International, Deutsche Bank and Macquarie Bank, before returning home to Singapore in 2012 having led teams across energy, financial services and fund management, governing trading floors in London, New York and Asia Pacific. Tamara served Westpac Banking Corporation and then her country. Whilst supporting GIC's mandate for the nation, she contributed to digital transformation and sustainability initiatives.

At present, Tamara works at all levels across industries to both better the finance ecosystem and to further enterprises through sustainable business practices. While a

venture builder for a bulge bracket bank, she focused on designing and developing scalable solutions to take the financial system forward for the betterment of all.

Appointed Sherpa to APEC's APFF Sustainable Finance Development Network, Tamara is a champion of Corporate Transition towards attainment of the SDGs. Tamara also holds Board positions with the People Centered Internet, a non-profit organisation, Conjoint Consulting, and Advancement for Rural Kids. She coaches leaders of organisations and advises start-ups navigating sustainability and scale.

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