Challenges and Opportunities for Digital Finance: An Ecosystem Approach

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Looking back, looking forward

• Finance in the 2010s
  • Global Financial Crisis
  • Regulation
  • Technology

• Finance in the 2020s
  • Sustainability
  • Technology
  • Globalisation vs fragmentation

• FinTech / RegTech
Covid-19 and Digital Finance

• Digitisation

• Payments / CBDCs?
• RegTech / SupTech
• AML / market integrity?
• BigTech / data

• Digital Finance, COVID-19 and Existential Sustainability Crises: Setting the Agenda for the 2020s by Douglas W. Arner, Ross P. Buckley, Andrew M. Dahdal, Dirk A. Zetzsche :: SSRN
Payments evolution

• **After Libra, Digital Yuan and COVID-19: Central Bank Digital Currencies and the New World of Money and Payment Systems by Anton N. Didenko, Dirk A. Zetzsche, Douglas W. Arner, Ross P. Buckley :: SSRN**

• Technological revolution in money and payment: decentralised / centralised
• Money, payments, finance and the technological horizon
• RTGS / mobile money / FPS
• Bitcoin
• Blockchain
• Libra
• Covid19
• Digital Yuan: DCEP
International Money and Payment Arrangements

• Cross-border payments: G20 / CPMI / Libra / SWIFT etc
• International arrangements?
RegTech4Regulators / SupTech

- Startups / incumbents / BigTechs / supervisors / individuals
- Efficiency / stability / integrity / innovation / competition

- Market integrity: AML/CFT, reporting, monitoring, enforcement etc
- Financial stability: macro/micro pru
- Market development: infrastructure
- TechRisk: data / cyber / infrastructure

- Internal / external systems
Market Integrity

- Analog framework: FATF
- "recommendations"
- Soft law / hard law
- AML / CFT / KYC / CDD
- Onboarding / Monitoring / STR
- Internal / compliance: "risk-based"
- Digitisation / datafication / regtech
TechRisk


- Cybersecurity
- Data: protection / security / privacy
- Infrastructure: data / cloud
- TechFin
COVID-19 and Digital Financial Transformation: Building Better Financial Systems

- Digitisation
- Building the infrastructure of finance
- Designing appropriate regulatory approaches
- Supporting the wider ecosystem

- Fintech Toolkit: Smart Regulatory and Market Approaches to Fintech innovation
Infrastructure of finance

• Alliance for Financial Inclusion:

• Mobile
• Digital identification / Simplified account opening
• Electronic payments: open access, interoperable
• Digitisation of government payments / services
• Financial markets infrastructure: securities settlement, secured transactions, pensions, credit registries etc

• SDGs
A framework of contextual analysis

• The key is to analyse individual country / regional context:
• 1. Digital inclusion? Mobile penetration? Smart phone penetration? Geography? Excluded population characteristics?
• 2. Money and payments: how widely used is cash? Payments systems: RTGS / FPS / mobile payments? Interoperability?
• 3. Banking system? financial inclusion: bank accounts, other accounts?
• 4. National ID / digital ID / KYC/ekyc framework?
• 5. Economic context: trade linkages? remittances? tourism? etc
• 6. Legal context: does the central bank have payment systems supervision / authorisation? does the currency issuance / monetary stability authority extend to digital?
Regulatory approaches

• Review regulation
• Risk-based graduated / tiered proportional regulation
• RegTech / SupTech
• Testing and piloting
• Restricted and specialised licences

• Fintech Toolkit: Smart Regulatory and Market Approaches to Financial Technology Innovation by Dirk A. Zetzsche, Douglas W. Arner, Ross P. Buckley, Attila Kaiser-Yücel :: SSRN
Wider ecosystem

• Legal foundations
• Education / human capital development
• Research and development support / funding
• Innovation hub
• Regulatory sandbox
Looking forward

• Last mile challenge
• Digital access: CBDCs? China, US, Cambodia examples
• Linking ESG (resources) and SDGs (outcomes)
• Data approaches
• Digital literacy