

Digital Finance and Capital Markets: Building Better Financial Systems

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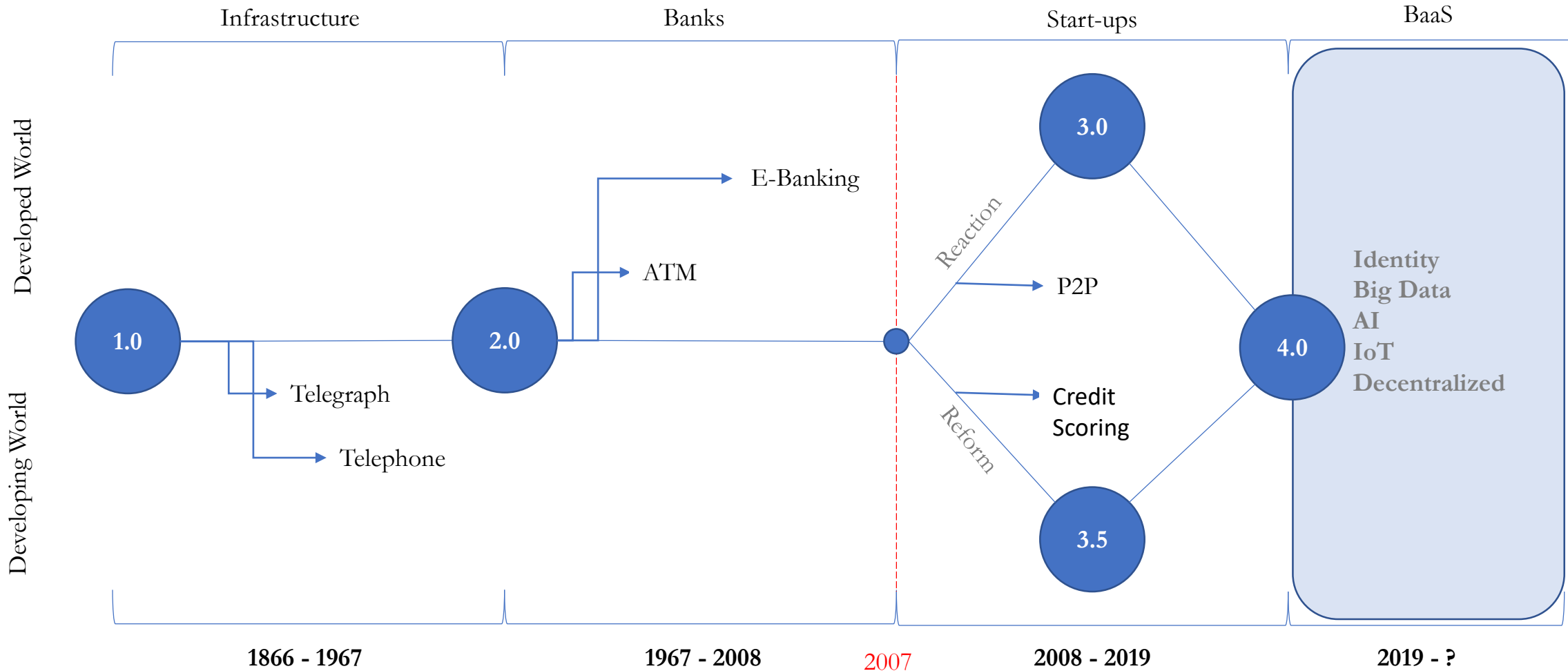
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Looking back, looking forward

- Finance in the 2010s
 - Global Financial Crisis
 - Regulation
 - Technology
- Finance in the 2020s
 - Sustainability
 - Technology
 - Globalisation vs fragmentation
- FinTech / RegTech

The Evolution of FinTech:

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2676553



Finance in the 2020s: Pandemic Impact

- Technology
 - Digitisation: track / trace / test / ecommerce etc
 - BigTech / scale
 - Infrastructure
 - CBDCs
 - Tchrisk
- Sustainability
 - Development
 - Travel
 - Small businesses
 - Future crises: resilience? (jared diamond): digital ID / simplified account opening / eKYC / electronic payment (CBDCs?)
- Globalisation / fragmentation
 - Trade patterns
 - Movement
 - Finance / money
 - Geopolitics

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. Zetsche :: 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. Zetsche, 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?

RegTech and the Reconceptualisation of Regulation

RegTech digital disruption is not just about greater efficiency in existing processes
but new processes altogether.

RegTech and the Reconceptualization of Regulation
SSRN: <http://ssrn.com/abstract=2847806>



RegTech Reconceptualization



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

- [The Dark Side of Digital Financial Transformation: The New Risks of FinTech and the Rise of TechRisk by Ross P. Buckley, Douglas W. Arner, Dirk A. Zetsche, Eriks Selga :: SSRN](#)
- Cybersecurity
- Data: protection / security / privacy
- Infrastructure: data / cloud
- TechFin

TechFin / BigTech

- Network effects
- Competition
- Regulation
- Non-traditional infrastructure
- Open data?
- [Governing Global Digital Finance by Aiaze Mitha, Simon Zadek, Douglas W. Arner :: SSRN](#)

Sustainability

- [Sustainability, FinTech and Financial Inclusion by Douglas W. Arner, Ross P. Buckley, Dirk A. Zetsche, Robin Veidt :: SSRN](#)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3387359
- Existing framework: financial stability / consumer protection / market integrity / development
- Risks: new / old
- Finance: new / old
- System design: SDGs
- Mobile, digital ID / simplified account opening, interoperable electronic payment systems, digital government services, infrastructure

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY




6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



Central Bank Role

- Central bank evolution
- Monetary policy
- Financial stability (positive / negative)
- Supervision
- Development / inclusion
- Payments

- Central banks as technology

COVID-19 and Digital Financial Transformation: Building Better Financial Systems

- Digitisation
 - Building the infrastructure of finance
 - Designing appropriate regulatory approaches
 - Supporting the wider ecosystem
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- Fintech Toolkit: Smart Regulatory and Market Approaches to Fintech innovation
 - https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3598142

Infrastructure of finance

- Alliance for Financial Inclusion:
- [Fintech for Financial Inclusion: A Framework for Digital Financial Transformation by Douglas W. Arner, Ross P. Buckley, Dirk A. Zetsche, Ghiyaz Muhammed :: SSRN](#)

- 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

Building Better Systems: RegTech for FI and Digital Financial Transformation

- Better allocating existing resources
- Increasing resources available: financial inclusion / financial development
- Direct change

Interoperable electronic payments

- Role
- Technological evolution
- Approaches
- Regulatory framework

Approaches and regulatory framework

- Power / scope of authority
- Interoperability requirements
- Switch?
- FPS
- RTGS
- CBDC?

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?
- 7. Capacity: internal in the central bank? public digital awareness? business?

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. Zetsche, 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