

FSB Virtual Workshop on the use of supervisory and regulatory technology by authorities and regulated institutions

Wednesday 4 November 2020, 13:00 – 15:00 CET

In October 2020, the FSB published a report on *The use of supervisory and regulatory technology by authorities and regulated institutions*, which responds to a request from the Saudi Arabian G20 Presidency for an analysis of developments in supervisory and regulatory technology tools. The report finds that technology and innovation are transforming the global financial landscape, presenting opportunities, risks and challenges for regulated institutions and authorities alike. The objective of this workshop is to discuss the main findings of the report and how the report's future considerations can assist in the safe evolution of these tools.

The opportunities offered by SupTech and RegTech have been created by the substantial increase in availability and granularity of data, and new infrastructure such as cloud computing and application programming interfaces. These allow large data sets to be collected, stored and analysed more efficiently. Authorities and regulated institutions have both turned to these technologies to help them manage the increased regulatory requirements that were put in place after the 2008 financial crisis.

SupTech and RegTech tools could have important benefits for financial stability. For authorities, the use of SupTech could improve oversight, surveillance and analytical capabilities, and generate real-time indicators of risk to support forward looking, judgement based, supervision and policymaking. For regulated institutions, the use of RegTech could improve compliance outcomes, enhance risk management capabilities, and generate new insights into the business for improved decision-making. For both authorities and regulated institutions, the efficiency and effectiveness gains, and possible improvement in quality arising from automation of previously manual processes, is a significant consideration.

SupTech is a strategic priority for an increasing number of authorities. Based on a survey of FSB members, the majority of respondents had a SupTech, innovation or data strategy in place, with the use of such strategies growing significantly since 2016. Authorities are also vigilant to possible risks that could arise from the use of SupTech and RegTech technologies. Survey responses indicated that the risk reported to be of greatest concern was around resourcing, followed by cyber risk, reputational risk and data quality issues. Looking to the future, the potentially catalytic role of data standards and the importance of effective governance frameworks for the use of SupTech and RegTech were also emphasised.

The report includes 28 case studies giving practical examples on how SupTech and RegTech tools are being used. The report is being delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on 14 October.

This workshop will be recorded and the contents may be published at a later date.

Agenda

1. Opening remarks (13:00 – 13:10)

Tom Mutton (Bank of England) and **Colin Pou (HKMA)**, co-chairs of the FSB Financial Innovation Network (FIN), will briefly introduce the session.

Clair Mills (Bank of England) and **Damien Pang (MAS and FIN member)** will introduce the key findings of the FSB's report on SupTech and RegTech.

2. Considerations on how increased availability and granularity of data may accelerate the use of SupTech and RegTech tools. (13:10 – 13:45)

Moderator: Tom Mutton (Bank of England)

Speakers:

- Mu Changchun (Director-General of Digital Currency Institute, Peoples Bank of China)
- Alejandro Garcia (Senior Policy Advisor Financial Innovation and Regulation, Bank of Canada)
- Kenneth Gay (Executive Director, Prudential Policy and Enterprise Knowledge Department, MAS)
- Catherine Lau (HKMA)
- Francesca Medda (Advisor to the Chairman, Consob)

3. Perspective from regulatory technology firms on use of technological tools during the pandemic (13:45 – 14:20)

Facilitator: Colin Pou (HKMA)

Speakers:

- Joanne Horgan (Chief Innovation Officer, Vizor Software)
- Leo Labels (Co-founder and CEO, Regnosys)
- Chilp Lai (Director Business Development, LeapXpert)
- Pascal Nizri (Founder & CEO, Chekk)

- Kimmo Soramaki (Founder & CEO, FNA)

4. Q&A (14:20 – 14:55)

Facilitator: Tom Mutton (BoE)

Participants are invited to submit any questions via the Q&A box, using the “Send” button (to “all panellists”).

5. Conclusion (14:55 – 15:00)

Meshari Alkadhi (SAMA) will discuss the Saudi G20’s interest in BigTech...

Tom Mutton (Bank of England) and **Colin Pou (HKMA)** will summarise the key takeaways from the discussion.

FSB Virtual Workshop on BigTech Firms in Finance in Emerging Market and Developing Economies (EMDEs)

Thursday 5 November 2020, 13:00 – 15:00 CET

In October 2020, the FSB published a report on *BigTech Firms in Finance in Emerging Market and Developing Economies (EMDEs)*, which responds to a request from the Saudi Arabian G20 Presidency for further work in this area that included the perspective of EMDEs.¹ The objective of this event is to discuss the main findings of the report and how the report's policy considerations can assist safe financial innovation.

The report finds that the expansion of BigTech firms in financial services in EMDEs has generally been more rapid and broad-based than that in advanced economies. Lower levels of financial inclusion in EMDEs create a source of demand for BigTech firms' services, particularly amongst low-income populations and in rural areas where populations are under-served by traditional financial institutions. The supply of financial services by BigTech firms in EMDEs has been supported by the increasing availability of mobile phones and internet access. Such technology – along with the data it generates and the flow of such data across borders – allows these firms to reach customers who were previously under-served, for example due to their lack of credit history. BigTech firms also make lending decisions based on novel sources of customer data, including from their core technology businesses.

The expansion of BigTech firms in EMDEs has had benefits but can also give rise to risks and vulnerabilities. Use of technology has increased the efficiency with which financial services are provided. It has also given rise to financial services that can be cheaper, more convenient, and tailored to users' needs, thereby offering opportunities to improve consumer welfare and support financial stability. However, the expansion of BigTech activity also gives rise to operational and consumer protection risks and concerns about market dominance. Competition from BigTech firms may, in places, also reduce the profitability and resilience of incumbent financial institutions and lead to greater risk-taking.

The experience of some EMDEs demonstrates the positive role that strong regulation, supervision and other official-sector policy can play in supporting innovation in financial services and mitigating risks. Governments in some EMDEs have also driven the development of financial infrastructures and digital identity. In doing so, they have facilitated the growth of financial technology, including that employed by BigTech firms.

This workshop will be recorded and the contents may be published at a later date.

¹ The FSB published an initial report on this topic in December 2019. See *BigTech in finance: Market developments and potential financial stability implications*.

Agenda

1. Opening remarks (13:00 – 13:10)

Tom Mutton (Bank of England) and **Colin Pou (HKMA)**, co-chairs of the FSB Financial Innovation Network (FIN), will briefly introduce the session.

Harish Natarajan (World Bank and FIN member) will introduce the key findings of the FSB's report on BigTech in Finance in EMDEs.

2. Benefits, challenges and risks of BigTechs in EMDEs (13:10 – 13:45)

Moderator: Colin Pou (HKMA)

Panellists:

- Ahmed Alenazi (stc pay)
- Paula Arregui (Mercado Libra)
- Alissa Davies (FinTech Policy, Google)
- Devyani Parameshwar (Head of Commercial and Strategy, M-Pesa)

3. How can the report's policy considerations assist safe innovation? (13:45 – 14:20)

Moderator: Tom Mutton (Bank of England)

Panellists:

- Jon Frost (Senior Economist, Bank for International Settlement)
- Elizabeth Jacobs (Department of the Treasury, United States)
- Dirk Zetsche (Professor in Financial Law, University of Luxembourg)

4. Q&A (14:20 – 14:55)

Moderator: Colin Pou (HKMA)

Participants are invited to submit any questions on the report via the Q&A box, using the "Send" button (to "all panellists").

5. Conclusion (14:55 – 15:00)

Meshari Alkadhi (SAMA) will discuss the Saudi G20's interest in BigTech. **Tom Mutton (Bank of England)** and **Colin Pou (HKMA)** will summarise the key takeaways from the discussion.