

Digital Finance Platforms, BigTech and FinTech 4.0

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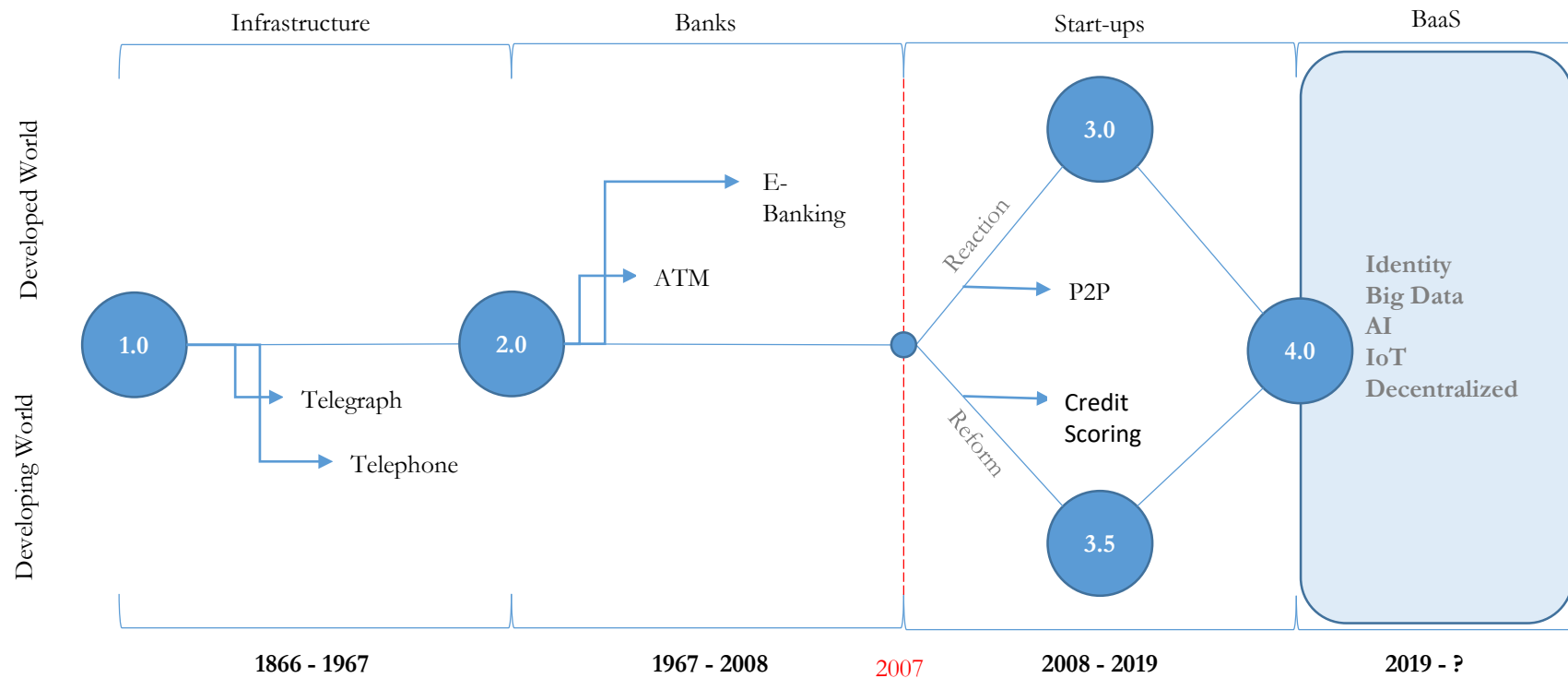
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Looking back, looking forward

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

The Evolution of FinTech:

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



Options

Traditional framework: permissive / restrictive, rules / principles, risk-based

Pre and Post-Crisis environment: innovation and Volcker

Doing nothing: permissive / restrictive, intentional / unintentional

Cautious exploration: forbearance / leniency

Structured experimentation: sandboxes

Regulatory design: payments, crowdfunding

Regulation of DFS in China: <http://ssrn.com/abstract=2660050>

Regulatory Sandboxes: <https://ssrn.com/abstract=3018534>



US vs Europe vs China: Evolution of NBF

- US:
 - [Digital Finance Platforms: Toward a New Regulatory Paradigm by Dirk A. Zetsche, William A. Birdthistle, Douglas W. Arner, Ross P. Buckley :: SSRN](#)
- EU:
 - [The Future of Data-Driven Finance and RegTech: Lessons from EU Big Bang II by Dirk A. Zetsche, Douglas W. Arner, Ross P. Buckley, Rolf H. Weber :: SSRN](#)
- China:
 - [Regulation of Digital Financial Services in China: Last Mover Advantage by Weihuan Zhou, Douglas W. Arner, Ross P. Buckley :: SSRN](#)

EU Big Bang II?

- MiFID 2: Markets in Financial Instruments Directive 2 – transparency across markets
- GDPR: General Data Protection Regulation
- PSD 2: Payment Services Directive 2 – open API banking
- eIDAS Regulation

Finance in the 2020s: Pandemic Impact

- Technology
 - Digitisation: track / trace / test / ecommerce etc
 - BigTech / scale
 - Infrastructure
 - CBDCs
 - Techrisk
- 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

Technology is no longer the constraint in an increasing range of cases.

- Regulating Libra: The Transformative Potential of Facebook's Cryptocurrency and Possible Regulatory Responses:
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3414401

Implications

Main current concerns of policymakers and industry arise not from the technology itself but from the question of *who* is applying technology to finance along with the *speed* of development.

An evolutionary approach to create a framework of understanding is necessary to understand the implications for established financial institutions, IT companies, start-ups and regulators alike.



Regulatory challenges

New emerging FinTech companies often have limited track records regarding their business (*eg risk management, liquidity and profitability*) and difficulty identifying their obligations (*eg applicable regulations or licences*).

For regulators, these early-stage companies represent a limited prudential & consumer risk. However, exponential company growth can create “risk blind spots”. Additionally, frequent failures or fraud can impact market or investor confidence.



COVID Impact

- Digitisation
- RegTech / SupTech: digital reporting
- AML / market integrity?
- Payments / CBDCs?
- BigTech / data

TechRisk

- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3478640
- Cybersecurity
- Data: protection / security / privacy
- Infrastructure: data / cloud
- TechFin

BigTech / TechFin

- Network effects
- Regulation: new SIFIs
- Competition / antitrust
- Non-traditional infrastructure
- [BigTech and Platform Finance: Governing FinTech 4.0 for Sustainable Development by Douglas W. Arner, Ross P. Buckley, Kuzi Charamba, Artem Sergeev, Dirk A. Zetsche :: SSRN](#)

Non-traditional infrastructure

- Data
- “financial operating systems”: Aladin
- Cloud: FinTechs, incumbents, SIFIs, BigTech / TechFin
- New infrastructure: blockchain
- Libra, stablecoins, CBDCs, public-private: Utility Settlement Coin (USC)

RegTech / SupTech?

- Use of technology – particularly IT – for regulatory implementation, compliance and monitoring, by regulators, supervisors, market participants, infrastructure providers and others
- A subset of Fintech? No – uses across all sectors
- Vs Suptech? A subset of Regtech, focusing on supervisory uses
- Regtechs? Typically startups but by no means the major industry players eg IBM Promontory, LSE Refinitiv, NASDAQ, Amazon ...

EU DFS

- removing fragmentation in the Digital Single Market
- adapting the EU regulatory framework to facilitate digital innovation
- promoting a data-driven finance
- addressing the challenges and risks with digital transformation, including enhancing the digital operational resilience of the financial system

The Data Challenge

- US
- EU
- China
- [The Transnational Data Governance Problem by Douglas W. Arner, Giuliano G. Castellano, Eriks Selga :: SSRN](#)