

## Asian Financial Forum 2018

### Plenary Session II - Steering Growth and Pioneering Innovation: Regulatory Responses to Emerging Technologies and Innovations

#### Synopsis

Emerging technologies and innovations not only bring about revolutionary changes to the markets and new experiences to businesses and people, but also pose challenges on the regulatory front. It is always a delicate art to balance promotion and facilitation of market innovations on one hand, and protection of investors and consumers on the other. In this session, speakers share their thoughts on regulatory challenges in face of innovations in the financial market, and their insights and wisdom on regulatory responses.

#### Panel Chair

- **The Hon James Lau, JP**  
Secretary for Financial Services and the Treasury, The Government of the Hong Kong Special Administrative Region of the People's Republic of China

#### Speakers

- **Mr Peter Kažimír**  
Minister of Finance of Slovak Republic
- **Mr Ashley Ian Alder, JP**  
Chief Executive Officer, Securities and Futures Commission;  
Chairman of the Board, International Organization of Securities Commissions
- **Mr Steven Maijoor**  
Chair of the European Securities and Markets Authority
- **Mr Sergey Shvetsov**  
First Deputy Governor of the Bank of Russia
- **Mr Robert San Pé**  
Senior Adviser On Legal Affairs To H. E. The State Counsellor of Myanmar, Daw Aung San Suu Kyi

As Secretary for Financial Services and the Treasury of the Hong Kong SAR, James Lau has considerable insight into emerging technologies and innovations in the global financial sector. He began the session by admitting that regulatory responses to these trends are still very much a work in progress, given the range of responses across the world – from the ban on cryptocurrencies in China to their rise (and rise) in the USA. The obvious risks involved, he said, include the spectre of these currencies being used to fund terrorist organizations, and the threat of major fraud.

He asked the panel what they see as challenges and opportunities while the world seeks to regulate these innovations in the financial markets.

Steven Maijoo began by explaining how Europe has started to face the emergence of fintech by establishing a separate department to answer the question: “How does innovation fit into what already exists?” It is, he said, about protecting and improving services to customers who are turning away from traditional banking and finance channels and taking matters into their own hands using AI and Cloud technology.

Russia is facing specific challenges in this regard, according to Sergey Shvetsov, due to the extensive use of smart phones (55 per cent) and other mobile devices (100 per cent saturation). There must be co-operation across borders when regulating fintech, he said, given the possibility of cyber attacks, and the fact that technology seems to be moving faster than the regulators trying to keep it in check. Russia is establishing a national register of financial transactions in an effort to keep pace with the flow of funds.

Ashley Alder pointed to trust and confidence being the standard-bearers for the financial industry globally: “Without them, financial markets don’t work.” He said that in the current global financial climate the public seeks trust beyond traditional institutions such as banks and believes that in each country public resources should be committed to allow regulators to keep track of developments.

Peter Kazimir began his address by stating that the “world of money we knew 15 to 20 years ago is gone forever.” He urges people everywhere – from consumers to banks to government regulators – to embrace the changes. Ensuring market stability is the key, he said, and the problems arising in fintech need the global solutions that promote cross-border exchanges to allow these new technologies to develop.

Myanmar provides an isolated case, according to Robert San Pé, since it is a new market, where the majority of the population has little experience of even traditional banking methods. This gives the country and its population, unconstrained by existing practices, the opportunity to leap ahead in terms of fintech innovations. “The first steps are being taken,” he said, “so regulation is crucial.”

Maijoo said that, in the light of the many challenges ahead, he hopes global regulators can work together to monitor the lifecycles of the innovations emerging in fintech – and find the balance between wanting to establish control too early, which might stifle development, or too late, which would be to the detriment of the consumer.

**ENDS**