COPING WITH LEGAL CHALLENGES ARISING FROM THE PANDEMIC:
A HKU WEBINAR SERIES

Digital Finance and Crisis

Douglas Arner
Kerry Holdings Professor in Law
Director, Asian Institute of International Financial Law
Faculty of Law
University of Hong Kong
Douglas.änner@hku.hk
SSRN:
Crisis, Epidemics and Digital Finance

• Digital Finance and the COVID-19 Coronavirus Crisis: Strategies and Tools

• Health / human crises

• Economic crises
  • Real economy, shocks
  • Pandemic + oil price shock: demand / supply / confidence

• Financial crises
Finance: Responses & digital finance

• Preventing a financial crisis
  • Financial infrastructure: payments, securities, intermediaries, regulators
  • Liquidity
  • Solvency

• Response
  • shock / economic crisis / financial crisis – breaking the chain
  • Information / communication / resources: payment, digital ID, government services

• Funding: crowdfunding, blockchain

• Tracing / isolating: Ecommerce, healthtech, edtech

• Support: transfers
Financial crises: This is not 2008

• Financial crises
  • Currency
  • Banking / financial
  • Debt
  • Current account
• Liquidity / solvency
• Private / sovereign
• Domestic / international
TechRisk

• But: TechRisk

• Cybersecurity
  • Data: protection / security / privacy
  • Infrastructure: data / cloud
  • TechFin

• Approach: plan early, maximise existing systems, engage private sector
Core infrastructure


- Four pillars:
  - Digital identification / Simplified account opening
  - Electronic payments: open access, interoperable
  - Digitisation of government payments
  - Financial infrastructure: securities settlement, secured transactions etc

- FATF
FATF

• President’s Statement:
  • “With people around the world facing confinement or strict social distancing measures, in-person banking and access to other financial services is difficult, and unnecessarily exposes people to the risk of infection. Use of digital/contactless payments and digital onboarding reduce the risk of spreading the virus. As such, the use of financial technology (Fintech) provides significant opportunities to manage some of the issues presented by COVID-19. In line with the FATF Standards, the FATF encourages the use of technology, including Fintech, Regtech and Suptech to the fullest extent possible. The FATF recently released Guidance on Digital ID, which highlights the benefits of trustworthy digital identity for improving the security, privacy and convenience of identifying people remotely for both onboarding and conducting transactions while also mitigating ML/TF risks. The FATF calls on countries to explore using digital identity, as appropriate, to aid financial transactions while managing ML/TF risks during this crisis.
  • When financial institutions or other businesses identify lower ML/TF risks, the FATF Standards allow them to take simplified due diligence measures, which may help them adapt to the current situation. The FATF encourages countries and financial service providers to explore the appropriate use of simplified measures to facilitate the delivery of government benefits in response to the pandemic.”

• Digital ID paper:

• Financial inclusion paper:
Building Better Systems

• Longer term implications?
• Building better systems?
Looking Forward: Finance in the 2020s

• 1919 or 1929?

• Sustainability

• Technology

• Globalisation vs fragmentation
Globalisation vs fragmentation

- Travel
- Geopolitics
- International frameworks
Technology is no longer the constraint in an increasing range of cases.

- BigTech
- Testing / Tracking / tracing
- CBDCs?
Sustainability


• Existing framework: financial stability / consumer protection / market integrity / development

• Risks: new / old

• Finance: new / old

• System design: SDGs / 4 pillars – digital ID / simplified account opening, interoperable electronic payment systems, digital government services, infrastructure
• Video summary
  • https://www.youtube.com/watch?v=5488U6n6FwU&feature=youtu.be

• edX Introduction to FinTech online course:
  • https://www.edx.org/course/introduction-to-fintech