T20 SAUDI ARABIA 2020 THINK

Statement on Digital Money and Finance

The Think20 (T20) urges the G20 to develop a systemic vision on digital money and finance as part of a broader social and economic agenda to steer the rapid pace of digitalization toward the goal of a sustainable and inclusive society. The COVID-19 outbreak has highlighted the convenience of digital payments and their flexibility in responding to new, unexpected challenges. Their use has escalated during the pandemic due to public perceptions of the health risks associated with handling cash.

Going digital was necessary for businesses to keep production, administration, and sales activities going amid the sudden coronavirus-induced recession. The digital economy weathered the supply shock better than the conventional economy as companies were able to operate safely without introducing new complex health protocols. Online banking, electronic wallets and contactless cards, e-remittances, e-currency exchanges, and other digital financial services have alleviated the constraints imposed by recent lockdowns. The imperative of digitalization will likely continue following second waves of COVID-19 and lockdown measures that inhibit economic recovery efforts.

Public policy implementation will benefit from greater access to digital payment infrastructure. Digital payments can accelerate the disbursement of social assistance and financial support schemes, closing the gap between monetary policy decisions and delivery. They can be tailored to different beneficiary groups, as well as triggered (or discontinued) under certain pre-determined conditions. If exceptional measures had to be taken, digital stimulus packages could be adopted and executed quickly to maximize their impact, such as for vulnerable small and medium enterprises (SMEs). Payments can be made to recipient's mobile phones in isolated locations at negligible costs, saving time and inconvenience. Linking digital payment records with artificial intelligence (AI) can provide valuable feedback to improve the effectiveness of digital payments, as well as detect and correct mistakes. These benefits would make a huge difference to vulnerable people.

The COVID-19 health and economic crisis highlights the need for financial inclusion, with digitalization offering an opportunity to take a leap forward in this regard. This requires strong and secure infrastructure to ensure the integrity and operational resilience of digital financial services. Optimal social utilization of digital financial services also requires the trust of users, with data and consumer protection paramount to achieving this. Furthermore, digital education and awareness are needed to promote accessible, affordable, and safe services.

New financing, financial instruments, payment systems, procedures, and service providers have emerged through recent innovation. Bitcoin and crypto-assets have brought huge controversy and limited material impact. However, 'Big Tech's' incursion in finance promises a different outcome that could change money and finance in ways hard to foresee. They are high-growth, cash-rich corporations, with market capitalizations bigger than those of international systemic banks. They operate well-connected digital platforms offering services to large semi-captive global consumer bases.

Such a transition to digital innovation involves the possibility of greater disruption, new financial stability risks and economic trade-offs. Central banks are considering issuing their own digital currencies (CBDCs) as their dominant status and the effectiveness of monetary policy could be threatened by competition from private organizations. New policy design principles should be established from an early stage and involve international cooperation to craft a prudent transition path. Existing financial regulation and surveillance frameworks will have to be broadened to deal with a new array of more complex challenges.

The T20 calls for a comprehensive and systemic vision on digital money and finance. Specifically, it calls on G20 leaders to:

- **Accelerate financial inclusion by leveraging the widespread penetration of digital payments.** This includes supporting initiatives that exploit synergies among different services and content running on digital platforms. This will help to further facilitate affordable access to monetary and payment services for individuals and businesses that do not participate in the conventional financial system. There is a need for innovative policy approaches that promote digital financial services. This could help drive higher economic growth and financial inclusion in emerging and developing countries, where the majority of the world's unbanked live.

- **Support the request to the Financial Stability Board (FSB) to coordinate the development of a roadmap for improving cross-border payment systems** (to be presented in October 2020). Cross-border retail payments are essential for global commerce and migrants who send remittances home. However, they are slower and more expensive than domestic payments. Innovation could reduce their costs, especially for small value transfers. The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) is invited to describe existing arrangements and challenges and how current cross-border arrangements could be improved.

- **Ask the FSB to build on its ongoing work and develop a more comprehensive roadmap to achieve broad financial inclusion.** This includes a focus on payments, remittances, savings, credit, insurance, and pensions, emphasizing the role of digitalization and other new technologies. This is important as **financial inclusion is one prominent enabler of several of the United Nations' Sustainable Development Goals (SDGs)**.

- **Ask the FSB to report on the different approaches to technology-enabled solutions for regulation and supervision ('RegTech' and 'SupTech').** This would allow financial institutions to automate and improve their regulatory procedures. It would also support supervisors and regulators in a world where data monitoring and market vigilance strongly benefits from real-time capabilities.

- **Address the new role of 'Big Tech' in finance and assess the potential consequences of this from national and international perspectives**. Leaders should keep utilizing the FSB and international regulation standard setters to gain an encompassing vision of the impact of Big Tech in finance. They should support the G20 Finance Ministers and Central Bank Governors' October 2019 and other similar statements addressing the need to evaluate potential risks posed by global 'stablecoins' before they start operation. They should underpin the effort to develop regulatory recommendations on ensuring financial stability, and data and consumer protection. They should urge countries to implement the Financial Action Task Force (FATF) standards on virtual assets and related service providers.

- **Assess the impact of central bank digital currencies (CBDCs) by promoting collaboration among central banks, the Bank of International Settlements, the FSB, the International Monetary Fund and the World Bank.** Leaders should consider different CBDC cases and economic, functional, and technical design choices, including cross-border interoperability and knowledge sharing on emerging technologies. Leaders should analyze the influence of CBDCs on the conduct and effectiveness of monetary policy, including their international spillover effects.

- **Enhance the coordination of policy development and implementation.** This can be achieved through encouraging cooperation among the CPMI, central bank bodies (such as the BIS Committee on the Global Financial System [CGFS]), international standard setters (such as the International Organization of Securities Commissions [IOSCO] and the Basel Committee on Banking Supervision [BCBS]), international financial institutions and public sector bodies.