

Global Challenge Initiative

Future of the Global Financial System

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

The global financial system must reinforce its contribution to sustained economic growth and social development. **How?**

Overview

The World Economic Forum has aligned its activities to accelerate progress in tackling the most significant global challenges through sustained public-private collaboration.

The global financial system is the cornerstone of economic activity, which is critical for long-term economic growth and development.

The global financial crisis, however, demonstrated the downside of interconnectedness while revealing a range of systemic vulnerabilities. As the global financial system continues to recover and adapts to significant transformative change, major collaborative efforts are required to address:

- Loss of public trust and confidence in the ability of the financial system to deliver value to the real economy
- Rapid transformation in financial services, catalysed by financial, regulatory and technological innovation that are reshaping the operating environment for businesses and policy-makers
- Significant barriers to access affordable financial products for un/under-served individuals globally

The Global Challenge Initiative on the **Future of the Global Financial System** focuses on how to build a more efficient, resilient and equitable international system.

A unique global platform for action

To contribute to sustained growth and social development, participants will:

- Lead the global challenge initiative through workstreams, projects, task forces and events
- Interact on these challenges at Forum events, at virtual advisory meetings and through the Forum's digital platforms
- Be eligible for membership in a multistakeholder trustee group of recognized global leaders
- Have access to insights through dedicated briefings, calls and reports
- Receive public acknowledgement in the annual update on the Challenge Initiative
- Receive global recognition through public engagement and content publishing

Get involved

Stakeholders engage by joining the Global Challenge Core Community, and contributing leadership, insights, best-practice sharing and active engagement to the various projects linked to this Global Challenge.

Interactions occur throughout the year, through physical events, virtual meetings and activities on the Forum's Global Agenda Platform. For business, participation in the Core Community requires engagement as a Global Challenge Partner.

Members of the Core Community are eligible to be invited to join a group of Global Agenda Trustees, delivering strategic stewardship to the Global Challenge Initiative activities and demonstrating global leadership to advance progress on the issue.

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Our energy is focused on unlocking the ingenuity of the private sector to ensure that families and businesses outside the financial mainstream gain access to the full range of financial services.

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Ajay Banga, President and Chief Executive Officer, MasterCard, USA; and Jin-Yong Cai, Executive Vice-President and Chief Executive Officer, International Finance Corporation (IFC), Washington DC



Together we can contribute to economic growth and financial stability

Core pillars of the Future of the Global Financial System

Pillar I: Financial Stability, Innovation and Economic Growth

This thematic pillar analyses and assesses the implications of industry transformation on the financial system's dual responsibility of promoting economic growth through the efficient allocation of capital and ensuring financial stability in a construct that promotes sustained confidence in the financial system.

Areas of focus include:

- Rapid technological transformation in the financial system and its implications on public policy
- Transformative effects of regulatory policy on the financial system
- Impact of alternative methods to curtail or enhance the flow of credit to segments of the economy

Pillar II: Promoting Global Financial Inclusion

A fundamental challenge that the financial industry faces today is the establishment of a formal system that spurs inclusive economic growth. There is proven demand for financial services at all levels of income, but for a multitude of reasons the supply has failed to develop, forcing many to rely on riskier and more expensive methods to save, borrow and secure their assets.

A global portfolio of "impact" projects has been developed to identify the highest potential opportunities to increase access to quality, affordable financial services for the unserved and underserved.

Impact projects currently under way include:

- **Digital Inclusion** – Lays the foundation for accelerating the integration of large, traditional, retail markets into the broader financial sector with geographic emphasis on Indonesia, India and Mexico
- **Beyond G2P** – Seeks to develop an economically sustainable model to deliver financial services to recipients of regular government-to-person payments

- **Smallholder Finance** – Connects the agriculture value chain through a digital payments platform to support farmers' access to financing and savings products

Pillar III: Disruptive Innovation in Financial Services

Rapid innovation is lowering barriers to entry and changing competitive dynamics in financial services by enabling new players to redefine the way financial services are designed, delivered and consumed. As margins in traditional business areas come under pressure, many are finding that the very investments and regulatory hurdles that once gave them a competitive advantage now restrict their ability to innovate.

Under this pillar, participants will:

- Seek to better understand emerging micro-prudential regulatory uncertainties in an environment of rapid financial innovation and facilitate constructive collaboration among regulators, incumbents and new entrants
- Define the role of financial institutions in the creation and operation of a global standard for digital identity that will enable, simplify and de-risk global transactions
- Deepen their understanding of potential use cases for decentralized systems between financial institutions and identify key preconditions for the adoption of decentralized systems

Key organizations involved include:

- Bank of America
- Barclays
- Deutsche Bank
- HSBC
- Markit Group
- MasterCard
- PT Bank Mandiri
- SAP
- Standard & Poor's
- Swiss Reinsurance Company
- Telenor
- UBS
- Visa
- Women's World Banking
- The World Bank Group
- Zurich

Key dates

