

GFC Responsive Financial Systems 2020/2021: Achievements and way forward



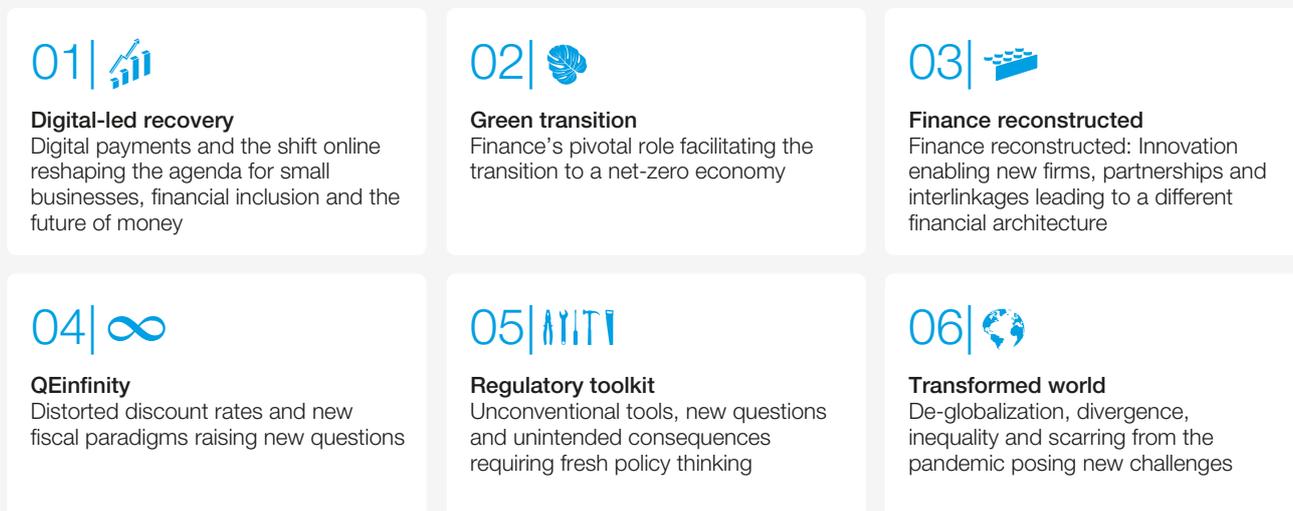
BRIEFING PAPER
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About the work of the Global Future Council

Over the past year, the global financial system experienced significant stress while financial institutions rapidly adopted their operational models putting greater emphasis on digital-first approaches. Consequently, in the 2020-2021 council term, the Forum's Global Future Council on Responsive Financial Systems explored how the financial system can continue to effectively facilitate the post-COVID rebuild and how stakeholders can reshape the financial system, not only to make it more stable and sustainable but also more inclusive.

Together, council members identified six key action areas to collaborate on.

FIGURE 1 How we framed some of the big databes in the Responsive Financial System GFC



Message from the Co-Chairs

Looking back at the beginning of the year with our [Davos Agenda publication](#), it was clear that as COVID-19 advanced across the world with devastating effects, three challenges and opportunities remained evident:

1. COVID-19 has sharpened the understanding that climate change could upend the financial system.
2. Digital transformation is particularly urgent for small businesses, which are the engine of most economies.

3. The pandemic has accelerated clients' digital expectations and the need for technology investment.

These three themes remained the focus of attention for policy-makers and business leaders alike and accompanied the work of the council throughout the year, with a particular emphasis on the digital-led recovery. In October 2021, we published a [white paper](#) highlighting the council's findings and recommendations on how to accelerate the digital-led recovery.

In addition to the topic of the digital-led recovery, we are delighted to present this short publication to provide an overview of the extensive work various council members have undertaken on other thematic priorities. Such work ranged from questions such as how artificial intelligence, data portability and digital identity can support financial inclusion to the role of central banks in digital assets and regulation of crypto assets, and also included discussions on steps to bridging the net-zero funding gap. Members of the council collectively worked together to explore these dynamics and point to specific actions that stakeholders across the financial system need to take to tackle them.

Beyond publications, council members also hosted several discussions either virtually or – where possible – in person to facilitate dialogue beyond the core council community on topics such as crypto and financial crime or digital IDs. A brief readout of these discussions is provided below.

Over the coming weeks, the council will be using COP26 as a critical milestone to activate and fast-track our work on green finance. The council will be collaborating with the Global Future Council on Investing on financing the green transition in emerging markets.

Looking further ahead, many of the key questions at the core of the council work remain timely and will be at the centre of its work in 2021-2022. At the same time, further challenges are emerging, which we believe will require innovative thinking to shape a more resilient, inclusive and sustainable future.

- How can we address the digital divide and related financial inclusion issues which have been accentuated by COVID-19?
- Does the current focus on climate change neglect other aspects of the ESG (environmental, social and governance) sphere? How do we address biodiversity as another key challenge and what role can the financial system play?
- How can multilateral agencies build stronger governance and collaboration on global challenges such as the digital divide, ageing population, low-carbon future etc.?

We look forward to collaborating with stakeholders from across the financial ecosystem as we continue to think bigger and more strategically on the future of the global financial system.

Alice Law Shing-Mui and Huw van Steenis, Council Co-Chairs

Key publications by theme

Digital-led recovery

[1. How to harness AI and data portability for greater financial inclusion](#)

Laurent Le Moal and **Amelia Ng** explore how AI, coupled with an appropriate infrastructure, data-sharing environment and ethical framework, can be harnessed to bring financial services to the 1.7 billion people who still lack access to a formal bank account.

[2. How public-private partnerships can enable digital recovery for small businesses](#)

Although micro, small and medium-sized enterprises (MSMEs) are the foundation of the global economy and the backbone

of local communities, few have been able to sustain their businesses during the pandemic. **Jim Magats** and **Claire Sunderland Hay** highlight the urgent need for collaboration to ensure MSMEs have access to capital allowing them to embrace e-commerce solutions to mitigate the impact of the crisis.

[3. Digital identity can help advance inclusive financial services](#)

Mohit Joshi, **Xiaoyan Zhang**, **Santiago Fernandez de Lis** and **Markos Zachariadis** identify four key actions that will ensure the acceleration of digital penetration in emerging markets, spawning new industries and ways of working.

[4. Can we automate our way out of the savings crisis?](#)

Mohit Joshi (together with **Martha King**) show that AI-assisted technology could both increase pensions access and improve financial outcomes for savers. They argue, that as a result, pension stakeholders must foster trust in such technology.

[5. 3 priorities to shape the post-pandemic financial system](#)

In the initial blog presenting the priorities of the council, **Huw van Steenis** and **Alice Law Shing-Mui** argue that: (a) COVID-19 has sharpened the understanding that climate change could upend the financial system; (b) digital transformation is particularly urgent for small businesses; and (c) the pandemic has accelerated clients' digital expectations.

[6. Phygital: A banking strategy for the new isolation economy](#)

Mohit Joshi and **Markos Zachariadis** describe how digital technologies should be used to augment physical experiences and make financial services faster, more secure and convenient in the post COVID-19 era.

Regulatory toolkit

[7. Why it's time to take central banks' digital currencies seriously](#)

The decline of cash use has accelerated due to the pandemic. **Mohit Joshi** (together with **Dixit Joshi**) state that while central banks' digital currencies (CBDC) offer an opportunity to strengthen fiscal management, transparency and efficiency in the post-COVID-19 era, significant technological barriers still need to be overcome.

[8. Why we need new rules and tools for cryptocurrencies](#)

Simi Sawisa and **Steffen Kern** discuss the prevalence of cryptocurrencies and the various challenges they raise for regulators. Technology experts and regulators need to work together to design laws that are fit for purpose.

Green transition

[9. 9 steps to bridging the net-zero funding gap](#)

In order to move to a net-zero world by 2050, collaboration between governments, regulators and the financial community is needed. **Guy Miller** describes nine innovative approaches that should be considered to bridge the net-zero funding gap.

[10. How green funds help protect investors from climate change risks](#)

Steffen Kern and **Adrien Amzallag** examine the portfolios of more than 23,000 EU investment funds and reveal some relative long-term benefits of green funds.

Activity highlights

Global Future Council member-led events

AI for Financial Inclusion

AI is regarded as key for unlocking the potential of big data and ensuring that financial services are brought to the 1.7 billion people who still lack access to a formal bank account. To take a deeper dive into this multifaceted topic, **Laurent Le Moal** and **Amelia Ng** moderated a [panel discussion](#) hosted by PayU on 8 July inviting industry experts to share their professional and personal views.

Crypto and financial crime

Digital currencies have been around for a decade, yet the regulatory systems governing them are fragmented, ineffective and, in some countries, non-existent. On 30 June, financial and regulatory experts from around the world discussed digital assets and the money-laundering risks they pose during a webinar hosted by Absa group. The [webinar](#) was moderated by **Simi Sawisa** and **Steffen Kern**, with **Arif Ismail**, **Alice Law Shing-Mui** and **Xiaoyan Zhang** participating as panellists. The discussion was organized in collaboration with the Financial Action Task Force (FATF).

Digital Identity: Catalyst for Inclusive Financial Services

A post-pandemic recovery will require that all people have full digital access to the economic, social and political realms. On 21 May, Infosys hosted an [exclusive panel discussion](#) featuring **Xiaoyan Zhang**, **Markos Zachariadis**, **Santiago Fernández de Lis** and **Mohit Joshi** to discuss the digital-led recovery in depth.

Digital-led recovery

New infrastructure, new technological applications and business operational models are key to the post-pandemic recovery. On 22 May, **Xiaoyan Zhang**, **Santiago Fernández de Lis**, **Alice Law Shing-Mui**, **Markos Zachariadis**, **Mohit Joshi** and **Amelia Ng** shared insights on the digital-led recovery at the [Tsinghua PBCSF Global Finance Forum](#).

GFC members

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- **Aditya Narain**
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