

February 27, 2020
Approval: 3/5/20

INTERNATIONAL MONETARY FUND
Minutes of Executive Board Meeting 18/77-1
11:40 a.m., September 7, 2018

1. The Bali Fintech Agenda

Documents: SM/18/209 and Correction 1, and Correction 2

Staff: Narain, MCM; Leckow, LEG, Haksar, SPR

Length: 1 hour 22 minutes

Executive Board Attendance

C. Lagarde, Chairman

Executive Directors Alternate Executive Directors

	D. Mahlinza (AE)
D. Sembene (AF)	
A. Armas (AG)	
	G. Johnston (AP)
A. Tombini (BR)	
	P. Sun (CC)
C. Hurtado (CE)	
	A. McKiernan (CO)
M. Erbenova (EC)	
	M. Sanchez (FF), Temporary
	K. Merk (GR)
	H. Joshi (IN), Temporary
	L. Cerami (IT), Temporary
M. Kaizuka (JA)	
	M. Dairi (MD)
H. Beblawi (MI)	
	R. Doornbosch (NE)
	K. Virolainen (NO)
	A. Tolstikov (RU), Temporary
H. Alogeel (SA)	
J. Agung (ST)	
	P. Inderbinen (SZ)
	M. Cowie (UK), Temporary
	P. Pollard (US), Temporary

J. Lin, Secretary

P. Cirillo, Summing Up Officer

A. Bala, Board Operations Officer

M. McKenzie, Verbatim Reporting Officer

Also Present

African Department: J. Yoon. Asia and Pacific Department: E. Loukoianova.
 Communications Department: A. Adriano, K. Langdon, O. Stankova. European Central
 Bank: A. Meyler, R. Rueffer. European Department: F. Gracia Ipina, J. Roaf. Finance
 Department: S. Bradbury. Information Technology Department: E. Anderson,
 E. Boukherouaa, H. Tourpe. Legal Department: J. Cheng, R. Leckow. Middle East and

Central Asia Department: N. Blancher. Monetary and Capital Markets Department: U. Das, M. Erbenova, E. Eriksson von Allmen, A. Narain, R. Sahay, G. Shabsigh, N. Sugimoto, F. Xavier Dezouart Drummond Melo. Office of Budget and Planning: B. Christensen, P. Kongsamut. Strategy, Policy, and Review Department: T. Bayoumi, A. Corbacho, P. Gitton, S. Hakobyan, V. Haksar, A. Iancu, M. Patnam, F. Valencia Palau. World Bank Group: A. Garcia Mora, H. Natarajan. Western Hemisphere Department: F. Arze del Granado. Alternate Executive Director: C. Just (EC), P. Moreno (CE), H. Razafindramanana (AF), Y. Saito (JA), B. Saraiva (BR), P. Trabinski (SZ). Senior Advisors to Executive Directors: M. Choueiri (MI), A. Del Cid-Bonilla (CE), S. Keshava (SA), O. Odonye (AE), T. Ozaki (JA), M. Shaari (ST), M. Sidi Bouna (AF), T. Sitima-wina (AE), O. Stradal (EC), C. Williams (CO). Advisors to Executive Directors: P. Al-Riffai (MI), A. Arevalo Arroyo (CE), O. Bayar (EC), M. Bernatavicius (NO), P. Braeuer (GR), J. Corvalan (AG), S. David (AP), O. Diakite (AF), N. Feerick (CO), J. Garang (AE), J. Hanson (NE), M. Ismail (AE), M. Josic (NE), M. Merhi (MI), C. Moreno (AG), W. Nakunyada (AE), Y. Naruse (JA), C. Ong (ST), K. Osei-Yeboah (MD), Z. Smirnova (RU), P. Snisorenko (RU), M. Svenstrup (US), K. Hennings (BR), K. Lok (CC), J. Montero (CE).

1. THE BALI FINTECH AGENDA

Mr. Merk and Mr. Braeuer submitted the following statement:

We broadly welcome the Fund's contribution to the debate on fintech. We agree that the Fund is well-placed to assist its members in the form of policy advice under its surveillance mandate as well as training and technical assistance under its capacity development function. Also, being a member of the relevant competent international bodies and groups, the Fund can offer valuable contributions to the discussions, given its global perspective and cross-country experience.

We see the potential for the Fund to provide added value for its member countries in the area of data, monitoring, and analysis – combining near-universal membership, a comprehensive statistical database, and expertise in bi- and multilateral surveillance of financial sector developments and macro-financial linkages. In this respect, we would ask staff to explain, to what extent the Fund's current data reporting standards are already able to capture fintech-related developments and their impacts.

We welcome the statement that the Fund will focus “on the implications of fintech for cross-border capital flows; national and global monetary and financial stability; and the evolution of the International Monetary System and global financial safety net”.

Overall, the Bali Fintech Agenda captures the relevant questions with respect to fintech developments and their implications; thus the scope of the Agenda is understandably very comprehensive, covering mostly actions outside of the Fund's own core competencies. We understand and agree that this is intended to be a set of high-level issues for consideration by member countries and does not represent a Fund agenda and Fund work program.

However, in particular in view of the label “Agenda” it would be interesting to know more about what the Fund will do. Of the 12 elements of the Agenda, we identify only 3 actions as pertaining to the Fund's core mandate, namely to monitor developments (v), encourage international cooperation (xi), and enhance surveillance of the International Monetary and Financial System (xii).

We deem clarification of what the Fund will do particularly relevant in view of the fact that the Board – quite unusually – is expected to endorse this far-reaching Agenda. An endorsement of IMF considerations and/or

contributions to high-level discussions is normally not foreseen. In our understanding, the purpose of an IMF Board endorsement is to lend support for and subsequently implement a particular strategic approach or policy that involves specific actions being taken by the Fund. Past cases include, for example, the Framework for the Fund's Involvement in the G-20 Mutual Assessment Process or the HIPC Initiative. We consider it not entirely unproblematic that, in this instance, the discussion on the role of the Fund and the implications for its work is intended to take place only "after the fact", i.e. after the endorsement of the Agenda and the launch event in Bali.

We invite staff to provide, in due course, detailed information about the expected impact on the Fund's core tasks (incl. Art. IV Consultations and FSAPs) in terms of financial and human resources and resource allocation.

We emphasize that the IMF's future work regarding fintech must consider and take due account of the respective roles of the competent international bodies. Given that many of the aspects covered in the Agenda fall outside the Fund's core mandate (including standard setting, financial regulation, and supervision), we call on the Fund to remain within its remit, to recognize the current system of assigned responsibilities and the international division of labor, and to avoid duplication or overlap with the respective standard-setting bodies and other relevant international institutions. In this context, we would welcome further information to what extent FSB, BIS, and the FATF have been involved in the formulation of the Agenda.

With these issues in mind, we go along with the Bali Fintech Agenda based on the Fund's description of the Agenda as a set of "high-level issues for consideration by individual country members of the IMF and World Bank as they seek to develop their policy responses to fintech" and provided that the Fund adheres closely to its core mandate.

Mr. Kaizuka, Mr. Saito and Mr. Naruse submitted the following statement:

We thank staff for the informative report and welcome the IMF and the World Bank staff's initiative to develop the Bali Fintech Agenda (the Agenda). As rapid advances in financial technology are transforming the economic and financial landscape, offering wide-ranging opportunities while raising potential risks, we believe that the initiative is a timely exercise. Also, we are pleased to see that the Agenda strikes the right balance of the fintech's opportunities and risks. We agree to endorse the Agenda, summarized in Annex I, as a framework for consideration of high-level issues by individual country members, including in their own domestic policy discussions. In the

meanwhile, the developments of fintech is not transient but persistent, so the Agenda is a starting point to observe its changes and influences. Going forward, we expect that the IMF and the World Bank will deepen the considerations on the challenges that fintech poses by constructively cooperating with standard-setting bodies, including the FATF. In this vein, we would like to limit our comments to the following points:

On the adaptation of regulation, considering that experiences and advances in fintech vary across the membership, the application of the Agenda should be tailored to national circumstances. Moreover, we take note of the staff's view that the modification of regulatory frameworks may be required to avoid regulatory arbitrage and that regulations should be proportionate to risks in order not to stifle innovation. As the Agenda says, we believe that the close collaboration and dialogue with stakeholders, both incumbent firms and new entrants in the fintech industry, is important to facilitate the timely formation of policy responses, such as avoiding money laundering. Finally, technological changes are rapid and innovative, and the private sector leads these developments. Therefore, the legal frameworks might not ensure timely and adequate responses. We suggested in the informal Board meeting on July 11th that the staff's report could refer to the role of the self-regulatory body in the fintech, but there is still no reference. We would welcome the staff's view on this suggestion.

On the role of the IMF, we note the staff's explanation that the IMF and World Bank will reflect on this Agenda in their work within their respective mandates. In this light, we would like to emphasize the importance of avoiding the duplication of roles among international bodies. In this regard, as Mr. Merk and Mr. Braeuer say in their Gray, we would welcome the staff's comment on how the IMF and the World Bank have collaborated with other international bodies, such as the FSB and the BIS, in the formulation of the Agenda. The IMF is not a standard-setting body (SSB), and we believe that the IMF has a role to play to analyze the implications of fintech for growth, external balance, capital flows, and the global financial safety net. Furthermore, after the SSBs develop regulatory standards for fintech, the IMF could assess member countries' compliance with these standards and make necessary recommendations through its surveillance, including the FSAP. While member countries are required to formulate their own agenda based on the Agenda, the IMF could provide capacity development in the fields, such as financial soundness, regulatory and legal frameworks, and cybersecurity. Lastly, the Agenda discusses the policies related to competition and data protection which are outside the financial regulation. We believe that a whole government approach (cross-agency approach) is necessary to address the

challenges posed by fintech, and we expect the IMF to play a certain role to facilitate this approach.

On the format of the Agenda, we appreciate the staff's work based on our suggestion to have a few pages of the outline and the detailed annotation attached to the outline. We believe that such a format is more readable for Ministers or Governors.

Mr. Sembene and Mr. Diakite submitted the following statement:

We thank staff for the paper on the Bali Fintech Agenda which provides a clear and useful framing of the opportunities and risks associated with rapid advances in financial technology. We welcome this effort conducted jointly with the World Bank to respond to members' call for greater international cooperation and guidance on the emerging issue of fintech. Alongside other specialized international bodies, the Fund and the Bank have an important role to play in helping the membership reap the benefits of the wide-ranging opportunities offered by financial technology, while addressing the potential risks for economic and financial stability. We thus endorse the Bali Agenda and encourage both institutions to continue to closely monitor and analyze fintech developments and look forward to future Board updates on this topic.

We broadly concur with the key elements of the Bali Fintech Agenda which we consider as broadly relevant to all member countries although their application should be tailored to country-specific circumstances and the nature of financial services at stake. In particular, several elements of the Agenda are consistent with policy priorities set by policymakers in low-income developing countries (LIDCs) where fintech is revolutionizing the financial industry, notably by lowering barriers to entry for customers, reducing the cost of transactions, improving the quality of financial services, and enhancing access of unbanked population to financial services. Yet globally, there is over a billion people who are still unbanked, as estimated in the paper. In this regard, there is scope for fintech to help further expand access to financial services, while reducing costs and enhancing transaction convenience. We thus share staff's view that more consideration should be given to foundational infrastructure and conducive policies in order to support the development and adoption of financial innovation.

While steps are taken to reap fintech benefits, caution needs to be exercised to address risks posed by new financial technologies, including through regulation, data and consumer protection and cyber security. In this

connection, we are of the view that most elements of the Bali Agenda fall under the Fund's purview, including all elements from (v) to (xii), excluding (x). We thus encourage the Fund to stand ready to support national authorities and the global community as they endeavor to achieve these objectives. Given that the Bali Agenda rightly aims to focus on the implications of fintech for cross-border capital flows, we would be interested in staff's views on which elements of the Agenda is expected to address policy issues related to the loss of correspondent banking relationships which is a key concern in many countries.

We agree that the work of the Fund and the Bank under the Bali Agenda must be conducted in close coordination with other international bodies and delivered within their respective mandate. That said, it is useful to recall that many international bodies currently monitoring fintech developments do not enjoy near-universal membership like the Fund and the Bank. Under these circumstances, while they can play a useful role in assessing the implications of fintech developments for their exclusive membership, their contribution may be limited when it comes to understanding their ramifications on issues of relevance to non-members and developmental aspects of fintech. We thus believe that the Fund and the Bank can play a critical role in reaping the benefits and mitigating risks associated with fintech developments. But to the extent that the Bali Agenda is meant to "offer a framework for consideration of high-level issues by individual member countries", close collaboration with national authorities will be of essence for the traction of the Bali Agenda.

In terms of implications of the Bali Agenda for their work program, the IMF and the World Bank will be well-advised to sustain their focus on the development of fintech-friendly regulatory frameworks and related capacity development (CD), particularly in LIDCs. The staff paper appropriately suggests that several issues affected by fintech are broadly covered under the joint IMF-World Bank Financial Sector Assessment Programs (FSAP), including those related to financial stability, integrity, resilience, development and inclusion. As the FSAP plays a central role in shaping Fund CD activities in these areas, we would welcome staff's comments on the potential implications of the Bali Agenda for the current framework for prioritizing countries' requests for FSAP assessments?

Mr. de Villeroché, Mr. Castets and Ms. Sanchez submitted the following statement:

We welcome this new agenda that illustrates the collaborative work of the IMF and World Bank (WB) staff and reflects many of the inputs provided by Executive directors during our informal session in July.

We reiterate our support to the Fund and WB's engagement in the area of fintech, as it falls naturally in the remit of their mandates. Beyond this, we also believe that the Fund and WB expertise will be more and more required in bilateral surveillance and technical assistance, which makes this agenda particularly timely.

We salute the staff efforts to frame the developments of fintech's related technologies, products and business models that can have considerable impacts for growth and financial inclusion. In this regard, the Bali fintech Agenda provides a comprehensive and articulated overview of the opportunities, risks, challenges and possible ways forward in terms of monitoring and regulation, although with some overlaps. We understand that this agenda is for consideration by individual country-members to guide their policies both at the national and international level and we endorse it as such.

We also wish to underline the following points, to guide further work from the IMF and WB but also to share some reflections and initiatives from our authorities.

In the parts related to opportunities, we deem important to maintain a balance approach, highlighting potential digital dividends in various fields, including for developing economies where fintech could enhance leapfrogging if adequately mobilized. We also believe that the role of existing institutions, including traditional financial service providers (banks), could be further developed. In addition, the question of data collection and processing is at the forefront of fintech's development and is underlined as an opportunity in several parts of the report. Although mentioned as well, the question of data protection is only tackled rapidly whereas this issue will grow and divergences of regulation between countries can be important.

The risks are covered in detail in the agenda but some of them could be spelled out or illustrated more clearly. In particular, the reference to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) could be made clearer in some parts of the report, as financial integrity may be too broad. On the impact of fintech on competition and the risk of an unlevelled playing field, the agenda could be more detailed on

existing trends. We notably wonder to what extent the concentration risks could benefit from concrete examples of ongoing developments. The application of competition policies to address this risk appears particularly relevant but one might see a need to reflect on whether existing regulatory frameworks remain adequate. We also share staff concerns regarding cyber-risks, that are increasing and becoming central, and stress the importance of enhancing operational resilience and international cooperation in this field.

The challenges for policy makers are clearly described in the paper. It is particularly difficult to reconcile the call for a flexible but predictable regulation. By definition, flexibility means that the legal framework won't be defined upfront. Similarly, it seems difficult to have regulation that is technology neutral but promotes technological innovations. Moreover, we support the call for adopting a cross-agency approach at the domestic level involving relevant ministries and agencies as fintechs are at the crossroad of different activities, hence supervisors and authorities. The French supervisory bodies (banks and insurances, markets, information systems) enhanced their collaboration, notably through the creation of common divisions.

Turning to the role of the IMF and WB, we agree that duplication among international bodies work should be avoided. However, the IMF and WB have a key role to play owing to their near-universal membership and the global nature of fintech's developments. We agree that they can play a role in facilitating global dialogue and information sharing, as already impulse by the fintech roundtable, but also contribute to collective surveillance. This will participate in increasing international cooperation, that is clearly needed considering the fact that these activities have no border. Going forward, in order to achieve progress and not undermine the existing cooperation, it will be important to refine the areas of actions of the different players.

Finally, and as the report rightly points it out, fintech don't evolve at the same pace for all members and they respond to different needs. For LICs these developments could be decisive by enabling leapfrogging in the areas of financial inclusion, market deepening but also global transfers and remittances. To achieve a successful outcome will require strengthening the institutional capacity of these countries, in particular to mitigate risks related to AML/CFT and cyber-risks.

Mr. Gokarn and Mr. Joshi submitted the following statement:

We thank staff for informative paper on Fintech.

The Bali Fintech Agenda is apt and timely in the face of challenges emerging from the rapid advancement of Fintech revolution which underscores the need for a coordinated approach across countries to counter these challenges. The staff paper offers comprehensive overview of the pre-conditions for efficient functioning of Fintech. Open, free and contestable markets, competent regulatory and supervisory oversight including modern legal systems that underpin the legality of contractual commitments and international cooperation for cross jurisdictional compatibility of regulatory and legal frameworks would be essential.

We broadly welcome the Bali Fintech Agenda and the Fund's contribution to fintech. We believe that the Fund is well placed to lend its policy advice based on its expertise of monitoring and surveillance of financial sector developments and capacity development for the benefit of its membership. We wish to make a few points for emphasis.

The response to Fintech involves walking the tight rope between robust regulation and cyber security on one hand and privacy and ease of operation on the other hand. It is in this regard that the need for development of suitable infrastructure and regulatory and legal frameworks, harmonized across borders, cannot be over emphasized. This is needed to prevent the potential risk of for arbitrage and contagion. Special emphasis should be laid on development of digital literacy, strengthening of grievance redressal mechanisms, strengthening the cyber-security framework and capacity and infrastructure development. We consider that the key agenda for the Fund is trying to create a common risk platform, a common risk understanding of the implications of all of these developments including new technologies and the ways of doing business on financial systems. We believe that is really going to be the first significant contribution of the Fund to its members. While international institutions are analyzing various issues relating to Fintech, we note that a suitable institutional framework for reaping the full benefits of Fintech possibilities is yet to evolve. We would like to know how Fund's expertise can play a role in developing this framework.

While fintech rightly needs to be embraced, national authorities must pay close attention to the risks posed by unregulated expansion of fintech on financial stability. The safety of Fintech systems is of paramount importance for national authorities since arbitrage and contagion from inadequate regulation and lack of safety nets remain areas of key concerns. Our authorities support creation of regulatory sandboxes for the fintech industry to test innovative ways to address deficiencies in delivery of financial services

and support enhancements of regulation to enable innovation with robust risk management. India has taken steps towards the creation of regulatory sandboxes by all regulators and the adoption RegTech for internal systems for supporting a system of 'flow-based lending' and usage of fintech for agricultural financing. Capacity of financial regulators to use RegTech to improve the quality and flexibility of regulation to promote entrepreneurship and enhance financial inclusion of MSMEs is being strengthened. At the same time, for risk considerations regulations pertaining to P2P lending have been put in place and those for crowdfunding are being finalized.

The dependence of fintech services on technology and data infrastructures implies that these backbones are robustly designed and safely operated. While our authorities recognize the need to develop necessary infrastructure and data provisions that can fully exploit the economic growth opportunities of fintech, they are aware of the immense challenges and opportunities for India, with its large population and diversity. Data protection is a non-negotiable right and a legal framework for data protection is under consideration. We are pleased to note the example of AADHAR used as a Digital identification for e-KYC, payment address, authentication for payment transactions, digitally signing documents and digital locker services highlighted in the WB presentation. Application programming interface (API) around AADHAR or the 'India-Stack' has emerged as a safeguarded 'core fintech infrastructure' that is enabling presence-less, paperless and cashless service delivery. This has expanded the scope of financial inclusion and enhanced the quality of governance to levels never seen before.

Since fintech services can be expanded rapidly through communication networks managed by third party technology providers, managing operational risks from service providers becomes important. Even banks are using previously unknown entities to deliver on these services, and these have not traditionally been on any regulatory radar screen. Most of them have been outsourced, and we believe that it is important to find a way to monitor them, to make them more visible to regulators. This is all the more important with increasing mobile penetration and usage of e-wallets and especially so in the context of the possibility of expansion of payments moving to bank-to bank in a peer to peer and party to party manner in future. This would warrant enhanced oversight mechanisms for third-party service providers along with greater information sharing, monitoring and contingency plans for cyber-attacks.

A cautious monitoring of Fintech systems is necessary to address risks in market behavior which could blur the ability to determine whether market

participants are fully in control of their systems. A very important part of the Fund's communication in recent years on the early warning system has been the emergence of great concentrations of power in the tech tax base, which can pose challenges in terms of potential concentration. As more businesses become dependent on different channels of financing, concentration could pose some sort of a risk to these entities. A regular review of the regulatory perimeter is indispensable for mitigating systemic risks and procyclicality emerging from various sources, including from large concentrations in certain market segments. Building sound capacity in regulatory and supervisory practices for prudential oversight on fintech services therefore would be warranted. Even as traditional institutions start to look into this space, where can they draw their knowledge and their technical expertise from. We consider that the high-level, the advisory committee which was set up and has occasionally interacted with Executive Directors is a very important mechanism in trying to channel experience and knowledge into policymaking. These efforts need to be stepped up and thus made a little bit more not just high-level but also sort of operational in their activities.

Innovations in cross-border lending, trading and payment transactions raise questions about the cross-jurisdictional compatibility of national legal frameworks and require modernization of legal frameworks to reduce uncertainties of resolution of financial contracts. For example, the ability of exchange to shift from one jurisdiction to the other overnight with very low cost; and as more and more entities start to trade across borders, the legal framework that governs these transactions, enforcement of smart contracts and so on, is an issue which the Fund needs to make some contribution to. At the same time, fintech products that encourage the use of services that strengthen the AML/CFT framework would be helpful for mitigating financial integrity risks.

Fintech has made the world more operationally global than before. In this context, a platform such as the World Bank Group and the IMF are valuable for discussions on the cross-jurisdictional compatibility of national legal and regulatory frameworks. These platforms may also be used to discuss the implications of fintech and digital currencies on the global monetary system and monetary policy transmission. In addition, taxation poses a challenge in a digital transaction economy and a coordinated approach may be needed to prevent arbitrage. Further, the platform could be used to discuss development of an integrated system of surveillance and monitoring of risks posed by fintech and their implications for international monetary and financial system. Facilitating information sharing and cooperation among countries is also an initiative which India has taken in the recent past by

signing an MOU establishing a Joint Working Group on Fintech with Singapore and is currently in the process of forming a similar working group with UK.

Mr. Virolainen and Mr. Bernatavicius submitted the following statement:

The Nordic-Baltic constituency welcomes the Bali Fintech Agenda as a response to requests from the membership to outline the main opportunities and risks related to the rapid technical and digital developments in the financial sector. The Agenda encompasses a broad range of economic, policy, regulatory, and technical issues for policy makers to consider. At this stage, we think it is appropriate to establish such a broad descriptive framework, summarizing the fintech landscape. We should be clear that this is an early stocktaking and it does not forestall the concrete policy measures and international initiatives to be taken.

In our opinion, the purpose of the Agenda could be more clearly spelled out. The purpose is somewhat differently described in the chapeau paper, in the Agenda itself, and in the background paper. In our view, the formulation on page 14 is the most adequate one, describing the purpose of the Agenda as a broad outline of the main opportunities and risks facing policymakers and the international community in the area of fintech. As such, the Agenda can serve as “a useful framing of the issues to support further learning and ongoing work” (para. 10) for the IMF, the World Bank and their member countries.

We concur that, for the IMF, the initial focus would be on the implications of fintech for cross-border capital flows, monetary and financial stability, and the global financial safety net. Going forward, international policy formulation, knowledge sharing, and coordination need to reach an increasing level of concretion, and the IMF’s, and others’, surveillance activities in the field of fintech should become more streamlined.

We agree that there is a need for a more coordinated approach that brings together the industry and regulators of finance, technology, and competition, within countries and across borders. We welcome that the role of the FSB, BCBS, FATF, BIS, IOSCO and other global standard-setters is recognized in the paper. A consistent and global approach to fintech issues is necessary, and with its near universal membership the IMF/WB are in a good position to have a central role in this endeavor. Has staff consulted with other relevant international bodies as regards the content and direction of the Bali Fintech Agenda?

Further work, in collaboration with e.g. international bodies and fora mentioned above, is necessary in the near term to find an efficient division of labor and dynamic processes for international coordination on fintech related issues, based on the different mandates of these organizations. In these discussions, the Bali Fintech Agenda can serve as a useful outline and point of departure for the IMF, the World Bank, and their member countries.

The Agenda would benefit from raising awareness of the importance of including sustainability as a horizontal issue in fintech developments and solutions. Notably, the most conventional product of the blockchain technology, Bitcoin, relies on massive amounts of energy as to validate transaction, the so-called “mining”.

Mr. Alogeel and Mr. Keshava submitted the following statement:

We welcome the development of the Bali Fintech Agenda (the Agenda) by the IMF and the World Bank staff, which aims to provide a holistic framework for consideration of high-level issues by individual member countries, including in their own domestic policy discussions. We agree that the application of the elements of the Agenda should be tailored to national circumstances and should recognize that the approach to fintech might vary depending on the financial services considered.

The development of the Agenda is timely as fintech is rapidly evolving and could be one of the most important innovations in the financial services industry, particularly in enhancing financial inclusion and promoting the SME sector. As fintech ecosystem is changing fast, it is appropriate that the Agenda is intended as a framework to “support awareness, further learning, and ongoing work”. The challenge for the Fund will be in developing ground-breaking thought leadership, as many international and regional bodies as well as large international consulting firms are actively working on various aspects of fintech.

We welcome the indication that staff will focus their work on fintech issues within the Fund’s mandate and their expertise. Furthermore, we support staff’s close engagement with all relevant international bodies, including the standard-setting as they develop regulatory standards for fintech. We also welcome the collaboration with the World Bank and encourage continued close engagement. Against this background, we broadly support the Agenda, summarized in Annex 1.

We are comfortable with the planned focus of the Fund's work in examining the implications of fintech for cross-border capital flows, national and global monetary and financial stability, and the evolution of the international monetary system and global financial safety net. We also agree that there is significant scope to help member countries through capacity building and, in this context, we welcome efforts being undertaken to help in strengthening cybersecurity. Given the newness of many issues affected by fintech, we would welcome staff comments on the plan to build expertise within the Fund to be able to provide specific fintech TA to the membership in the period ahead.

We take note of examples of actions by the Fund to enhance multilateral and bilateral surveillance. In particular, we support efforts to strengthen financial integrity and resilience, including through policy advice, assessment of countries' AML/CFT framework, and CD activities, given risks arising from misuse of fintech. We also look forward to the development of a comprehensive work program in response to the Agenda.

We take note that the elements of the Agenda will apply to both conventional and Islamic financial instruments and products. As we noted in the informal meeting in July, Sharia-complaint fintech is growing and steps around the globe have been taken toward fostering the adoption of financial technology in the context of Shariah-compliant instruments. While this presents economic benefits to the financial system and society at large, it also creates challenges to regulators to ensure availability of appropriate safeguards to manage risks specific to Islamic finance, including those related to financial stability and consumer protection. We would encourage staff to continue their close engagement with the Islamic Financial Services Board (IFSB).

Finally, we see benefit in a greater exchange of information and experience on fintech issues internationally to facilitate monitoring of financial stability risks and broader public policy objectives, such as financial integrity. We would welcome staff elaboration on the optimal mechanism for such information sharing and exchange.

Mr. Beblawi and Ms. Merhi submitted the following statement:

The paper on the Bali Fintech Agenda offers a useful framework for high level consideration by member countries in formulating their policy approaches to technological financial innovations. We reiterate our support for the broad-based elements of the Bali Fintech Agenda, and appreciate the

collaboration with the World Bank on this important topic as well as with the Standard-Setting Bodies (SSBs).

As the financial services landscape is being transformed by the widespread adoption of financial technology, central banks and regulators are facing the challenge of how to mitigate potential risks to financial stability and integrity without stifling innovation. Many countries, including in our constituency, have already started addressing these issues on their own. These efforts would benefit from a broad collaborative approach that addresses the opportunities and challenges of fintech by setting up principles and best practices in dealing with fintech issues. We therefore welcome the calls for greater international cooperation and guidance on how to address these emerging issues. We concur with staff that this would help create an enabling environment for fintech opportunities, while mitigating risks of regulatory arbitrage and potential inconsistencies in the cross-border application of laws and regulations.

We consider it important for the Fund and World Bank to continue to bring together policymakers and regulators to develop effective responses and address implications of fintech for the stability of the international monetary system (IMS) in a coordinated manner. We support the Fund's continued role in monitoring and analyzing fintech developments within its mandate. We also welcome the Fund's initial focus on the implications of fintech for cross-border capital flows, national and global monetary and financial stability, and the evolution of the IMS and the global financial safety net (GFSN). Staff mention that they will work closely with all relevant international bodies including the SSBs, to incorporate new standards and best practices into the Fund's surveillance and capacity development work. Given the large number of international bodies involved in reviewing the implications of fintech developments, how does staff view the coordination with the bodies involved?

From the perspective of our constituency, different countries are at different stages of preparedness and may have different needs, but all will look to the Fund for information and guidance. It would be useful for policy-makers to know what the IMF is going to be able to provide in terms of support, including for example with regard to the coverage of this topic in Fund surveillance. We recognize that the paper suggests future consideration of the implications for the work program in general and for the Fund's operations. Nevertheless, given the rapidly evolving landscape, we would like to know if any consideration has been given to the need to boost capacity development, workshops, and targeted technical assistance in this regard. It

would be very useful to clarify to the authorities what they can expect from the Fund in this area.

Mr. Agung, Mr. Shaari and Mr. Alias submitted the following statement:

The Bali Fintech Agenda (the Agenda) comes at a critical juncture as rapid development in financial technology (fintech) are transforming the global financial landscape and domestic financial systems alike. Policymakers are at relatively early stages of understanding the potential benefits and risks of the ongoing wave of innovation. The Agenda offers an excellent starting point for further knowledge sharing and policy collaboration among country authorities and international bodies towards harnessing benefits of fintech in a sustainable and inclusive manner. We support the Agenda and would like to offer the following comments for emphasis.

We commend the Fund's active response to the demands of the membership on fintech and welcome the collaborative approach with the World Bank and other international stakeholders. We welcome that the Fund and the World Bank have been actively engaged in discussion with stakeholders. The diverse membership and unique mandate of the IMF and the World Bank enable them to identify, understand and escalate fintech challenges faced by members in various stages of financial market and economic development. In this regard, we strongly encourage further active collaboration between the Fund and the World Bank on matters related to fintech while respecting each institution's respective mandate.

The 12 elements of the Agenda strike the right balance between risks and opportunities of fintech. We view the Agenda as a living document where the narrative of the 12 elements could evolve as the membership gains more experience and lessons learned from fintech. Therefore, it is crucial that the stakeholders' experiences, challenges, and aspirations on fintech continue to be reflected in the Agenda. More specifically, we welcome the reference to the implications of fintech on Islamic Finance, which is a growing area of interest globally. Fintech innovation in Islamic Finance could not only help enhance risk diversification but also complement the financial inclusion agenda in many member countries including some in our constituency. On the flip side, one of the emerging risks of fintech is the possible concentration of market functions in the hands of a few technology providers or financial firms with extensive global outreach. This development warrants closer vigilance and further discussions among policy makers. In this regard, we underscore the critical need for international cooperation and exchange of information

among national authorities to preserve open, free and contestable markets as described in Element III of the Agenda.

The Fund is well placed to monitor the implications of fintech developments on capital flows, the international monetary system, and the global financial safety net. In areas that are not within the Fund's purview such as fintech regulation and supervision, countries could still benefit from the Fund connecting them with the right resources, enabling peer collaboration and providing timely sources of information. We see a role for the Fund to assist countries in implementing standards and best practices developed by standard-setting bodies in a manner appropriate to domestic circumstances, for example, ensuring effective implementation of AML/CFT control measures without jeopardizing financial inclusion and the SME development agenda. It is also important to develop robust financial and data infrastructure to support fintech operations and preserve confidence in the financial system. In this space, the Fund could highlight the need for the authorities to assess cyber security risks and share information on mutual threats. More broadly, given the complex and interconnected issues related to fintech, we see a role for staff to support authorities in identifying, prioritizing and sequencing the national fintech agenda in line with the domestic institutional and absorption capacity.

There is a need to clearly communicate what the Agenda means for the Fund's work program. Work related to fintech would also have resource implications on the Fund. While fintech in Fund's bilateral surveillance work should be in the case of macro-critical like other emerging issues, we are of the view that it is important to develop a structured way of determining macro-criticality regarding fintech to ensure consistency and evenhandedness. Staff comments are welcome.

Mr. Armas, Mr. Corvalan Mendoza and Ms. Moreno submitted the following statement:

We endorse the Bali Fintech Agenda and thank staff for the well-presented paper. The idea of balancing the potential benefits, stemming from the rapid advances in financial technology, while keeping a close eye on its risks, seems appropriate. We agree with Mr. Sembene and Mr. Diakite's Gray that: "Yet globally, there is over a billion people who are still unbanked, as estimated in the paper. In this regard, there is scope for fintech to help further expand access to financial services, while reducing costs and enhancing transaction convenience". In addition, it accommodates the needs of the membership to support inclusive growth.

Even though there is relative consensus that the risks for financial stability are not imminent, the twelve points described in Annex I might become the building blocks of a framework to deal with the risks that were to materialize. We welcome the fact that the agenda is not going to be part of the work program of the Fund and the Bank but rather an input that will help the continuous monitoring of Fintech developments.

The blurring of traditional boundaries within market participants in the provision of financial services and its consumption poses interesting challenges for regulators and supervisors. This theme was almost always the case in the financial sector, where constant innovations were presented and led by the private sector. Could staff explain why there is repeated emphasis on emerging market and developing economies (EMDE), when it is our understanding that the rapid advances in financial technology are most likely connected among all member countries, including developed economies?

Fintech is a new and fast-moving theme, mainly propelled by the private sector, which might help member countries leapfrog to a full digital environment, where not only financial activities will be enhanced but also the relationships within public and private sectors, with profound implications on cross-border relations on almost all activities for families, governments, and companies (taxation, capital flows, education, migration, etc.). For instance, the Customer Due Diligence (CDD), which is an important element of the financial process to get to know a client of a financial institution, will have to be carefully monitored to safeguard and protect individual and institutional data. The Fund could play an important role in data protection via technical assistance. Overall, International cooperation (point XI) is of utmost importance and we encourage cooperation in the different available forums.

For instance, on the proposed Fintech agenda, Point X may become a sensible aspect to consider. In the understanding that Fintech is a fast-moving activity, mainly propelled by the private sector, where more entities have access to personal and proprietary data, and where trust can easily be broken (with data leaks or unethical use of information), we encourage staff to emphasize this element in the executive summary, or during the presentation at the Annual Meetings. More measures to mitigate these risks are increasingly becoming an important call as more cases are occurring.

Finally, we take positive note that Fintech is already on the agenda of many international and regional groups. In this regard, it caught our attention that the Standard-Setting Bodies (FSB, BCBS, CPMI, IOSCO, IAIS and

FATF) are cooperating and that their role and span of action regarding this agenda is better defined. We welcome that it is much clearer that the Agenda will not become a set of regulations nor strict guidance for all countries disregarding their situation. We believe this is right approach to avoid contradictions or gray zones in the interpretation of future regulation to be written by these organizations and to avoid the duplication of efforts going forward. The distribution of responsibilities between the IMF and the World Bank on this topic seems reasonable and according to their respective mandates.

Mr. Johnston and Mr. David submitted the following statement:

We thank staff for their work in putting together the Bali Fintech Agenda. The Agenda is reasonably balanced in its assessment of the potential benefits and challenges of fintech. We acknowledge the potential benefits fintech has for many in our membership but are mindful of the risks associated with emerging developments. Much work remains to be done to fully understand the impact of fintech and how best to design appropriate policies and regulatory frameworks.

We see merit in having some high-level principles to guide the IMF and World Bank in their advice to authorities on this fast-evolving field, especially to countries that are not members of the standard setting bodies where fintech is already being examined closely. The framework could be a useful input for countries to consider when they are determining their response to fintech developments. There would be benefit, however, in clarifying the exact purpose of the Agenda. The document says it does not aim to provide specific guidance or policy advice, yet the elements are all written as exhortations. Are countries being asked to adopt this agenda? Or to consider a number of suggested approaches without necessarily agreeing to them? We would prefer the latter approach, leaving it to authorities to assess how the framework could be taken into account in domestic policy discussions, based on each country's circumstances. Staff comments on the purpose and application of the Agenda are welcome.

Furthermore, we would stress how much the Fund's membership varies widely in terms of economic development, financial sophistication and institutional arrangements. In countries where regulations lag best practice, authorities should exercise heightened caution in dealing with proposed fintech developments.

We would also emphasize that other international institutions are standard setters for fintech and that innovation is driven largely by entrepreneurial private interest. These features help shape the role of country authorities as well as the IMF and World Bank. The collective strength of the IMF and World Bank is best suited to assessing the implications of fintech, engaging with the standard setting institutions and working with country authorities, including central banks and other regulatory institutions which are already engaged on fintech issues. We support the initial focus of the IMF proposed in the paper – that is, the implications of fintech for cross-border capital flow, national and global monetary and financial stability, and the evolution of the international monetary system and global financial safety net.

Mr. Inderbinen and Mr. Trabinski submitted the following statement:

Advances in financial technology offer wide-ranging opportunities. Fintech has the potential, among other things, to enhance efficiency and competition, to promote financial development and inclusion, and to increase economic growth and prosperity. The ‘Promise of Fintech’ should indeed be embraced. At the same time, fintech may entail risks. The challenge to policy makers is to strike the right balance between enabling innovation and addressing risks and vulnerabilities. At the current stage, the most imminent need for action is on AML/CFT regulations. There are also risks related to cyber-security. We do not currently see any further major risks emerging from fintech, including for financial stability. Nonetheless, continued monitoring of developments is warranted.

We support the Bali Fintech Agenda. The twelve elements of the Bali Agenda establish a sound high-level framework for the consideration of issues by policy makers in member countries, as well as by international organizations and bodies. We take good note that the Bali Agenda does not represent a work program for the IMF; the implications for the work programs of the Fund and the World Bank will best be assessed at a later stage, when the membership’s needs become clearer. We nonetheless see merit in gradually integrating fintech into Fund surveillance, if and when warranted by the relevance of associated risks. In addition, we see the following areas of activity for the Fund:

With its global membership, the Fund is well positioned to develop and promote a consistent terminology, the sharing of information, and coordination. An area where Fund engagement would be particularly valuable is the promotion of the use of a consistent terminology of financial assets resulting from fintech. The cross-border nature of fintech implies that

multilateral cooperation is essential for the exchange of views and experience among authorities, as well as for the assessment of risks. To this end, a common language for, and understanding of, basic fintech concepts would be beneficial. Multilateral coordination is also essential with a view to ensure consistency, a level playing field, and free and contestable markets.

The Fund should stand ready to provide technical assistance and capacity development to members that express a need. The Fund can play an important role in advising members on how to develop fintech infrastructures. Support should, however, be based on a comprehensive cost-benefit analysis, as it may not necessarily be advisable to invest significant resources in fintech in all cases.

The Fund should focus on activities that add value. Efforts should focus primarily on areas where potential benefits or risks justify the cost of engagement. In light of the currently limited use of fintech and crypto assets relative to traditional financial instruments, we wonder, e.g., whether assessing the implications of fintech for cross-border capital flows should be a priority at this point in time. Diligent cost-benefit analyses should also underlie, and be undertaken prior to, efforts to fill data and statistics gaps, given the significant resource implications of data collection.

The Fund should remain within its core mandate and area of expertise, and avoid overlaps and the duplication of work. The FSB, the FATF, and other standard setters—as well as many national authorities—are undertaking considerable work on fintech. To ensure efficiency and effectiveness, the Fund should respect the mandates and prerogatives of other organizations and bodies and leverage their expertise to the extent possible. For instance, the important work on AML/CFT regulations falls primarily within the mandate of the SSBs, notably the FATF.

The Fund should not act as a standard setter. Instead, it should draw on the work of other organizations and bodies. Once standards are set, staff should incorporate them into Fund surveillance and capacity development activities.

Mr. Tombini and Mr. Pinheiro de Melo submitted the following statement:

We would like to thank staff for the report. While still early to foresee which fintech promises will eventually bear fruit, the Fund needs to be up-to-date with the fast developments on such a potentially disruptive area. A well-measured engagement may be of help for members to navigate through

fintech's uncharted and uneven landscape. We broadly welcome this joint IMF and World Bank "Bali Fintech Agenda", noting that it does not aim to offer specific guidance or policy advice. The agenda principles are mostly aligned with our authorities' views and provide a well-balanced high-level guidance.

Fintech do present great opportunities for consumers, including many that have remained out of reach of conventional financial service providers. Nevertheless, safely benefiting from fintech's efficiency gains will call for further efforts on financial literacy and consumer protection, as well as a robust and flexible regulatory backstop. Finding the right balance, in which innovation can flourish with no undue risks for consumers, investors and financial stability, remains a demanding task.

Challenges posed by fintech to regulators, supervisors and the IMF are far-reaching. Greater interconnectedness, both among industries and jurisdictions, could have wide-ranging implications for cross-border capital flows and financial stability globally. So far, regulatory initiatives have varied widely across jurisdictions and such approach does not seem optimal – as it allows for considerable regulatory arbitrage opportunities. Future regulatory frameworks might need to rely less on entity-based and more on activity-based approaches. At the domestic level, a holistic approach by regulators and supervisors should ensure an effective degree of coordination and information-sharing among different regulatory and supervisory bodies. At the international level, more coordination and information sharing is also welcome.

Supervisors must be increasingly aware about interlinkages affecting supervised institutions and how they are affected by risks from non-conventional entities or assets. Beyond potential financial stability risks that could be brought by fintech itself, supervisory bodies should closely monitor links between fintech providers and the conventional financial industry. The financial sector's direct exposure to fintech is still limited, but the finance industry is getting more involved – both directly and indirectly, as financial institutions are funding different fintech initiatives.

Developing robust financial and data infrastructures remains a permanent need and transcends the fintech agenda itself. While fintech services cannot thrive without a reliable backbone of physical and digital infrastructures, conventional financial services provision already calls for constant improvement. The growing threat of cyber-risks calls for adequately protected and resilient communication channels, where sensible financial data

can be securely and efficiently exchanged. We welcome the explicit call in the agenda for safeguarding the integrity of financial services and structures, ultimately mitigating risks of misuse of fintech, and for assuring compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) measures.

The Fund must remain aware of its mandate and try to focus on areas where more value can be added to members. As fintech issues eventually evolve in time, the Fund will tend to accumulate important information about positive experiences and implementation challenges of our diverse membership. In addition, the launching of the fintech agenda might contribute to a sizeable increase in demand for capacity development in the coming years.

In sum, we consider that the proposed agenda provides a good set of high-level principles without the ambition of being overtly prescriptive. The twelve items deliver a comprehensive map of themes that will inevitably demand increased attention from regulators, supervisors and the public at large. We hope that the launching of the IMF and World Bank joint “Bali Fintech Agenda” will help foster a more fruitful engagement with Standard Setting Bodies (SSB), other International Financial Institutions (IFI) and the membership as a whole.

Mr. Hurtado, Ms. Arevalo Arroyo and Mr. Montero submitted the following statement:

We thank staff of both the Fund and the World Bank for the excellent report, which provides a comprehensive and well-focused framework for the consideration of high-level Fintech issues by individual country members. We consider it will also facilitate international cooperation on these issues. Thus, we endorse the Bali Fintech Agenda and would like to offer some comments for emphasis.

First, we welcome a more balanced approach to Fintech opportunities and risks. While we acknowledge its scope for raising potential growth and reducing poverty, it may also pose risks to consumers and investors, and more broadly, to financial stability and integrity. Thus, policymaking will need to be agile and innovative in order to strike the right balance between enabling financial innovation and tackling the challenges attached to it.

Secondly, we would like to stress that the elements of the Agenda should be applied taking into consideration country-specific circumstances.

Moreover, it is also essential to avoid premature policy responses that may hamper development of these new technologies, many of them still at an embryonic stage. In addition, as has been established by the Financial Stability Board, these innovations change quickly and have not been tested through a full financial cycle. An adequate and comprehensive assessment of both the potential and the risk of these innovations is crucial as policy decisions will set relevant precedent going forward.

Thirdly, in view of the high degree of novelty of many Fintech applications and of their potential to amplify interconnectedness and spillovers, it is critical to ensure a close cooperation with other international bodies, as well as among member countries. The framework set out in the Agenda will facilitate this cooperation and both the Fund and the World Bank may play a central role within their respective mandates. This will have the additional benefit of allowing the Fund to incorporate new standards and best practices as they take shape. We welcome that the initial focus of the Fund is related to its core mandate. However, it is unclear how monitoring and surveillance will be implemented considering the current data collection and information challenges related to Fintech. Staff comments are welcome.

Lastly, we would like to touch on two more specific points. One is to underline the need to reinforce competition and commitment to open free and contestable markets. We feel that this may be a major challenge as it has proven to be in other highly technological fields where the “first mover advantage” has prevailed for long resulting in concentration that seems excessive. In those cases, we feel that pro-competitive regulation and policies are still not fully understood. The other point is that international cooperation should seek Fintech progress in benefit of lower income countries, particularly by reducing costs of remittances and mitigating the consequences of reduced correspondent banking relations. Staff comments on these two points are welcome.

All in all, we believe that the Bali Fintech Agenda provides a very useful holistic framework to support awareness, advance learning, and provide a good basis to structure ongoing work, thus helping constituencies to keep pace with Fintech.

Mr. Doornbosch and Mr. Josic submitted the following statement:

We welcome staff’s paper and broadly support the proposed agenda. It provides a comprehensive overview of key developments and strikes the right balance between the need to foster the benefits and to mitigate the potential

risks of technological innovation. A better understanding will improve economic growth, financial inclusion and a broader distribution of benefits to welfare, while enabling policy and institutional responses to improve the overall financial system.

The agenda rightly emphasizes that building a foundational infrastructure and fostering its open and affordable access is key to accept and foster the benefits of fintech. Considering the different stages of infrastructural development among the membership, particularly the IT component, as well as high costs of its development, adjusting national strategies to recognize the importance of fintech and IT, could help mitigate a wide range of barriers.

The level of fintech developments, and thereby the risks and the opportunities posed by fintech differ greatly between jurisdictions. A heterogeneous environment like that of the Fund and the World bank will require a tailored approach when putting the Agenda into practice. At the same time, staff should closely monitor and recommend policy interventions, both at the national and global level, to prevent cross-border regulatory arbitrage. Lastly, we support the inclusion of more fintech topics in the regular surveillance based on macro criticality. We would be interested to hear staff's initial thinking on how this could be done, and what the expected implication of the Bali agenda on this workstream is.

We agree that tailored policy options may facilitate market entry for new and innovative financial services or activities. However, this should not mean that regulatory requirements are eased. Instead, supervisors can leverage the scope offered by the law when interpreting the rules or provide partial authorizations. The practice of regulatory sandboxes seems relevant and interesting and we encourage staff to continue their work on this topic.

We fully support international cooperation, coordination, and information sharing. In this vein, we particularly support Fund's further analytical work on the elements (iv), (v), (vii), (ix) and (xii) of the Bali Fintech Agenda.

Ms. Pollard and Ms. Svenstrup submitted the following statement:

We broadly welcome staff's work to enable responsible financial innovation and increase financial inclusion across the Fund's broad membership. We support the Bali Fintech Agenda given its stated purpose as a summary of high-level issues for consideration by member country

authorities, but we concur with the concerns raised in Messrs. Merk and Braeuer's statement. The explicit clarification that the Agenda "does not represent a work program of the IMF and World Bank, nor does it aim to provide specific guidance or policy advice" is a welcome addition to the document. However, the Bali Fintech Agenda is written so broadly that it may lead to multiple interpretations – both by staff and member countries – on what the Fund is doing and is well-placed to do in this space. Further, this ambiguity underscores the lack of consensus on key regulatory decisions in the fintech space.

In our view, staff's focus should be monitoring fintech developments in terms of implications for global financial stability and financial integrity, as well as covering these issues at a country level in bilateral surveillance where macro-critical. For example, we found staff's discussion of the Republic of the Marshall Island's virtual currency proposal in the recent Article IV staff report to be insightful and filling a clear analytical gap. As appropriate, the Fund could also play a role in helping members build capacity with respect to financial innovation, again where macro-critical.

Given its broad membership base, we recognize that the Fund's engagement on fintech issues is complementary to other international forums and standard-setting bodies (SSBs). In the past year, the SSBs and other international institutions have rapidly scaled up work on fintech. We appreciate the need for staff to stay abreast of these developments and urge staff to continue monitoring and observing the guidance set out by the SSBs. Like Messrs. Merk and Braeuer, we are interested to hear more about staff's engagement with the SSBs, including their specific comments on the Agenda and roll-out plan.

Turning specifically to the Bali Fintech Agenda, we wish to provide the following comments:

We urge staff to clarify that many of the elements outlined in the Agenda overlap with one another and thus should be considered together rather than in isolation. For example, Element VII, Safeguarding the Integrity of Financial Systems, should be built into or at least considered alongside Elements VI and VIII.

We have concerns about the broad references to managing cross-border concentration risk in third-party service providers. As written, this appears to be a vague and potentially alarmist concern about the financial

stability risks posed by cloud services, but without any context or evidence to support the assertion.

We strongly support the Fund's work on AML/CFT issues and agree that this is a foundational component underpinning responsible financial innovation. We note that the characterization of the FATF approach to virtual currency in paragraph 42 is incomplete. Rather, it should mention the 2015 Guidance for a Risk-Based Approach to Virtual Currency, as well as upcoming work relating to virtual currency, fintech, and digital identification. Further, paragraph 44 notes that "actions to address the financial integrity risks could include" AML/CFT. However, we stress that AML/CFT risk assessments for fintech is not optional; they are mandatory under the international FATF standards.

Finally, we recognize that in interpreting the Agenda, staff and authorities will need to take into consideration individual country circumstances, stages of development, and capacity. As with all Fund work, staff will also need to carefully balance encouraging financial innovation to facilitate economic development with the need to safeguard macroeconomic and financial stability, as well as financial integrity. Further, we urge staff to continue to make policy recommendations based on sound, well-established evidence. We do not yet have a full picture of the medium- and long-term implications of many new regimes being enacted to promote financial innovation. In those instances, we urge staff to continue sharing information and examining the lessons learned from specific jurisdictions. Specifically, we would be concerned if, in the future, staff work promoted relatively untested regulatory regimes across its membership, especially in the instance where these new regimes threaten cross-border cooperation among supervisory authorities (e.g. GDPR), promote data localization, or go beyond the Fund's mandate (e.g. setting and promoting competition laws).

Ms. White, Mr. Cowie and Mr. Hemingway submitted the following statement:

We thank staff for the informative paper and their continued work on this topic. We look forward to the launch of the Bali Fintech Agenda on 11 October, recognizing the broad interest in the potential impact of advances in technology on the financial sector across the membership. As the chapeau paper notes, these developments create substantial opportunities for reducing costs and frictions, increasing efficiency and competition, narrowing information asymmetry, and broadening access to financial services. We believe the Fund has a valuable role to play in supporting members, standard

setting bodies (SSBs) and other institutions realizing these benefits and mitigating associated risks.

The Bali Fintech Agenda

We welcome the further development of the Bali Fintech Agenda. We continue to see this as an important articulation of the opportunities and risks from fintech for policy makers. With any substantial change to existing structures, it can be harder to quantify the gains, while at the same time easy to dwell on the risks and potential losses. We believe the potential benefits of the ongoing technological revolution in the financial sector will substantially outweigh the possible costs and we welcome the clarity with which they are highlighted in the agenda.

Nonetheless, the agenda rightly identifies that there are important risks associated with advances in technology that transform the provision of financial services, and calls for further monitoring and mitigation actions. While we support this, it should be clear that eliminating risk should not be the objective for policy makers and that an enabling and supportive environment is an equally important objective. For example, cyber security risks are clearly already of critical importance to our financial systems, both in financial institutions themselves and critical third-party providers. However, while it is important that the chance of a successful cyber-attack is reduced, firms should also focus on having plans in place to deal with the fall-out when it does take place. It is also important that customers have access to quick and easy routes of redress where things go wrong. Put more generally, we feel the agenda could do more to complement the importance of minimizing of risks with the importance of mitigating the negative outcomes for when the risks crystallize. This will be critical to ensuring ongoing confidence.

The Fund's Role on Fintech

While staff rightly note that the Bali Fintech Agenda is not a work program for the IMF and World Bank, we also see the potential for some additional work to inform the policy debate, integrating this with Fund work on the digital economy discussed in August. The chapeau paper suggests an initial focus on capital flows, monetary and financial stability, and the evolution of the international monetary system and global financial safety net. These issues are central to the Fund's responsibilities. In addition, we feel the Fund could consider the implication of growing fintech activity for the structure of the economy and public finances. For example, can fintech help improve tax administration? Do developments in the financial sector provide

alternative approaches to solving some longstanding public financial management challenges, such as leakages from welfare systems? Can governments use information digitized through fintech to improve the accuracy and timeliness of their statistics? Clearly in many of these areas there will be concerns outside of the Fund's area of expertise, such as how to respond to privacy concerns, but fintech may have important consequences for macroeconomic issues that the Fund can provide important insight on, informing policy debate elsewhere.

Other bodies – both domestic and international – will continue work tackling the issues identified in the agenda, including setting regulatory standards. And while the Fund should not be attempting to replicate their functions, the Fund can complement the work of other international institutions, including the World Bank and the SSBs, as well as support authorities as they seek to understand and respond to technological developments in the financial sector. We expect much of the Fund's activity to fit within long-standing Fund responsibilities. This will include undertaking research that provides insight based on cross-country experience, incorporating that experience into country surveillance and capacity development and monitor compliance with new international standards in Article IVs and FSAPs once they are agreed (e.g. evolving FATF standards within the Fund's coverage of AML/CFT issues).

To conclude, the World Bank and Fund have a great opportunity to work together and to focus on those areas where problems that require collective action among its broad membership are high and without needing to overstep their mandates.

Ms. Erbenova and Mr. Stradal submitted the following statement:

We welcome the broad framing of the discussion on the important and fast developing area of fintech. We thank staff for the updated document produced in collaboration with the World Bank. As a starting point, the Bali Fintech Agenda (the Agenda) is inevitably a high-level document. We expect that more concrete proposals will be developed over time as a result of discussions at various international standard setting bodies as well as by analyzing developments in various Fund member countries and their implications for monetary policy frameworks, financial sector business models and financial stability and integrity. We take note of the fact that the Agenda does not represent a work program of the IMF and World Bank, nor does it aim to provide specific guidance or policy advice. Against this backdrop, the purpose of the document's endorsement by the Executive

Boards of the IMF and the World Bank should be explicitly clarified in the Agenda.

We support further work of the Fund on fintech issues. We believe that the Fund's broad membership, access to data, regular engagement with the relevant national authorities as well as its analytical capabilities are well suited for identifying and mitigating macroeconomic and financial stability risks generated by technological transformations of traditional finance industries. The Fund must strive to keep pace with the fast and accelerating developments of technological solutions in many different areas of finance. The implications of fintech on Fund surveillance and the capacity development strategy should soon be clarified and we expect the Board to play its role in this exercise guided by the IMFC.

There is an inherent tension in the Agenda between the promises and risks of fintech. This reflects both the different mandates of the Fund and the Bank and the nuances of policy trade-offs in advanced as opposed to low-income countries. The Fund should firmly support the necessity of risk mitigation. We particularly caution against promoting the central bank digital currencies as the risks of such a social experiment, including the international spillovers, have not been thoroughly analyzed.

Supervisory practices will need to be adapted and adequate monitoring established to safeguard financial stability and the prudent adoption of new technologies. We believe that the regulatory framework should be technology-neutral, supporting competition and respecting the proportionality principle, while not hindering developments of new solutions. The paramount objective should be to prevent regulatory arbitrage between the traditional and new generation financial services providers as well as across borders. Piecemeal, yet timely, adjustments to the regulatory frameworks are warranted in reaction to new risks while the fintech innovation itself should be driven by the private sector. Safeguarding the integrity of data and guarding against the abuse of financial services for illicit activities, in particular, will be increasingly important and sine qua non for reaping the potential benefits of technological advances in finance.

We call for clarification of the messages communicated in elements II, III, and IX with regards to developing and improving foundational infrastructures and appropriate access to them. "Facilitating foundational infrastructures and fostering open and affordable access" (II) may clash with "fostering fair and transparent access" (III) and with "expanding access to and improving the resilience of payments services" (IX). We acknowledge that

some of the nuances are elaborated upon in the Background Paper. However, we understand that the Agenda will be presented as a stand-alone document. As such, the language should be internally consistent to facilitate international cooperation.

We can go along and endorse the Agenda as a good basis for shaping the policy discussion in member countries depending on their specific circumstances, as well as broadly guide the future work on fintech issues within the mandate of the Fund.

Mr. Palei and Mr. Tolstikov submitted the following statement:

We broadly welcome the Bali Fintech Agenda (BFA), viewing it primarily as a useful framework, which will help member countries to consider high-level fintech issues. Members will be able to include these and other issues in their own domestic policy debate. The IFIs will be supporting further learning and ongoing work of its members in the fintech area. In this respect, we welcome the statement that “the Agenda does not represent a work program of the IMF and World Bank, nor does it provide specific guidance or policy advice”. We also agree that the leading role in developing specific fintech-related recommendations and regulatory standards should belong to international standard-setting bodies, like the FSB, BCBS, IOSCO, FATF, etc. The Bretton-Woods institutions’ contribution to the ongoing work on fintech issues should take advantage of their global membership, cross-country experience, and participation in the relevant SSBs.

We welcome the addition of the Chapeau paper to better explain the purpose of the BFA and the Fund’s and World Bank’s roles in this process. The BFA itself remains a set of rather high-level and abstract recommendations that could allow member countries to find common denominator in dealing with various aspects of fintech and its regulation, and to better navigate through global fintech-related discussions. We would welcome staff clarification whether this document will be subsequently refined and developed, as standards and best practices emerge, or it is a one-time exercise? If the former is true, should the approval of the revised versions require the endorsement by the IMFC?

With regard to the role of the IMF and the impact of the BFA on the Fund work, it is our understanding that, although the BFA “does not represent a work program of the IMF and World Bank”, the IMF will devote certain resources to fintech-related work, focusing on the implications of fintech for cross-border capital flows, national and global monetary and financial

stability; the evolution of the international monetary system; and the global financial safety net. We invite staff to provide some preliminary estimates of the implications of these activities in terms of financial and human resources.

We welcome the recognition that the leading role in developing the regulatory standards for fintech belongs to the relevant international standard-setting bodies. In this regard, the Fund should remain within its mandate and avoid duplication of work with the respective SSBs. We see the primary role of the Fund in helping its members to identify and disseminate best practices in this area.

Finally, we note that the Central Bank of Russia has already approved its fintech agenda. The proposed BFA is generally in line with our authorities' views on fintech. Therefore, we are prepared to endorse the Bali Agenda as an initial step toward deepening the World Bank and the IMF expertise and knowledge in this area, monitoring key developments and advising members expressing interest in technical assistance and capacity development.

Mr. Leipold and Ms. Cerami submitted the following statement:

We welcome the Bali Fintech Agenda prepared by the Fund and World Bank. Importantly, the agenda leverages on the extensive work by international standard setting bodies (SSBs) and national and regional authorities on the implications of fintech for the financial sector. We support the participation of the Fund and the World Bank in the debate of fintech as their large membership provides a unique platform for sharing information, experiences, and best practices also among countries that are not represented in the SSBs.

At the same time, we appreciate the clarification that the agenda does not represent a work program of the Fund and the World Bank and it does not aim to provide specific guidance or policy advice. This disclaimer is important since the agenda is indeed comprehensive and ambitious, in some instances extending beyond the expertise of the two institutions and/or running into resource constraints given other competing demands. Nonetheless, the Fund can play an important role in promoting a deeper understanding of the economic and policy implications of the new technologies by member countries, and facilitating much-needed international cooperation, coordination, and information sharing. The agenda also rightly recognizes the need to tailor its application to national circumstances as well as to financial services characteristics.

Fintech stands to pave the way to greater financial inclusion, financial markets deepening, and improved cross-border payments and remittances systems; however, it also creates new risks and regulatory challenges. Fintech offers wide opportunities for consumers, businesses, and investors. It supports the development of new bespoke instruments that better serve customer needs at lower costs to the financial sector and the entrance of new operators at the intersection of technology and financial intermediation. Crowdfunding and peer-to-peer lending are just but two instances of how fintech is opening alternative funding sources with the potential of making financial services and capital markets more accessible to a wider range of consumers and entrepreneurs. At the same time, it is important to ensure that fintech develops in a safe manner and does not lead to weaker consumer and investor protection or heightened risks to the stability and the integrity of the financial system and cybersecurity. To this end, the Fund is encouraged to monitor fintech developments and work with competent international bodies to assist member countries in the development of appropriate policy and regulatory responses to safely reap the benefits of financial technology.

With regard to the role of the IMF, we support the initial focus on the implications of fintech for cross-border capital flows, national and global monetary and financial stability, and the evolution of the International Monetary System and the global financial safety net. Going forward, we also support the incorporation of the international standards and best practices that will be developed by the relevant SSBs into the Fund's surveillance and capacity development work, including the Financial Sector Assessment Program. Finally, we invite staff to inform the Board on the progress in the application of the Agenda and its impact on Fund's activity.

Mr. Mahlinza and Mr. Odonye submitted the following statement:

We thank staff for a concise paper that proposes a framework for the consideration of Fintech issues by country authorities as they seek to develop their policy responses. Given the speed, intensity and broad consequences of Fintech developments throughout societies across the globe, we believe that such a framework is necessary and timely to assist the Fund membership in formulating a response. In this regard, we endorse the Bali Fintech Agenda as a framework for consideration of high-level issues by individual country members, including in their own domestic policy considerations.

We find the 12 elements of the agenda to be relevant and comprehensive as they address the key policy considerations. Given the challenges faced by many economies, particularly developing countries, to

enhance their business environment, deepen financial markets, improve infrastructure and bolster financial inclusion, we would underscore the importance of enabling new technologies to enhance financial service provision by facilitating foundational infrastructure. As indicated in the framework, investing in supporting infrastructure is important for the adoption of financial innovation. In this regard, we would encourage staff to give full consideration to country circumstances in dialogues with national authorities aimed at fostering open and accessible infrastructure and creating a conducive policy environment.

We welcome the collaboration between the IMF and the World Bank in developing the framework and emphasize the need to continue this close collaboration during the roll-out phase of the Agenda. In this regard, we take positive note that the IMF and the World Bank will develop the implications of the Fintech Agenda for their work programs and present these to their respective Executive Boards for guidance as the nature and scope of membership's needs become clearer. We look forward to further discussions on these issues at the Board, taking into account new advances in this fast-changing area. Further, we support staff's plans to work closely with all relevant international bodies, including SSBs as they develop their regular standards for Fintech. We believe such cooperation can only bring positive benefits to the membership.

We concur that Fintech has the potential to facilitate cross border transactions through efficient and cheaper channels. In this respect, we welcome the proposal that, for the IMF, the initial focus will be on the implications of Fintech for cross-border capital flow, national and global monetary and financial stability, and the evolution of the IMS and global financial safety nets. With the growing concern about the loss of correspondent banking relations and the important role of remittances to LIDCs, we believe that the initial focus of the Fund is well placed and should facilitate orderly development in this area, including through offering advice on an appropriate regulatory framework.

Finally, we want to emphasize the importance of the Fund providing technical assistance and training on Fintech issues, particularly for countries with huge capacity deficiencies. At the same time, the Fund should explore and support initiatives that allow national authorities to share experiences beyond Bali to ensure successful implementation of the agenda.

Ms. Horsman, Ms. McKiernan and Ms. Zorn submitted the following statement:

We thank staff for this important and timely document, which brings together the key policy considerations related to fintech in one overarching framework. In the face of extensive changes to the financial landscape that could have far-reaching positive and negative consequences, the Bali Fintech Agenda will help country authorities and international organizations, as well as private sector stakeholders, to focus their thinking, planning and resources. As fintech will bring risks, as well as potential benefits, we agree with emphasizing an approach that is accepting of change and fully preparing for this.

Given its wide membership, the Fund is well placed to promote greater awareness and cooperation on fintech issues across countries, as well as effective coordination across international bodies. The cross-sectoral and cross-border nature of fintech underscores both the importance and challenges of collaboration and information sharing among different stakeholders. Moreover, many countries, particularly small states, are not members of many international organizations that are actively engaged in fintech issues, and as such may not have full access to that knowledge base. The Fund can help connect all members to information, experience, and resources, in addition to enhancing the Fund's own expertise.

In the international arena, standard-setting bodies are fully engaged in fintech issues and have already made important contributions. In addition, the wide reach of fintech and its potential impacts on the economic and financial landscape have implications for the work of other international bodies. Given overlapping interests and mandates, it would be helpful to have a broad understanding among these organizations on lead responsibilities in specific areas. The Fund, with its participation in many international fora, would be well-suited to promoting (although not directing) such coordination.

Given the rapid and simultaneous developments in fintech, there is limited capacity among members and organizations to fully understand and address the multiple issues arising. Members are seeking guidance in identifying which areas to address and the appropriate sequencing. Similarly, resource constraints will necessitate the ranking of issues to be tackled by multilateral organizations within their respective mandates. On both fronts, a framework for prioritization would be helpful for country groupings, based on an assessment of which areas are likely to have the greatest impact or disruption compared to the status quo.

We appreciate the greater clarity on the extent of the Fund's role, as well as the delineation of responsibilities between the Fund and the Bank against the Bali Fintech Agenda. Moreover, staff have emphasized that the Agenda's application should be tailored to individual country circumstances and the mandates of international bodies. This should help to manage expectations among the membership.

We support and agree on the initial areas of focus for the Fund; specifically, the implications of fintech and policy responses for cross-border capital flows, monetary and financial stability, the evolution of the international monetary system, and the global financial safety net. Understandably the Fund, as is the case for other stakeholders, is still in learning mode. Monitoring and reporting on developments and their implications, enhancing understanding and capacity building where there is Fund expertise, and participating in the development of international standards and approaches will be important over the coming years. We also would suggest that, as part of the learning process for both the Fund and members, a stock-take of the state-of-play across sectors and countries at one point in time could be useful, although we acknowledge that changes are rapidly occurring. In addition, the Fund should continue to play a convening role, bringing private and public-sector stakeholders together to discuss issues and encourage peer learning.

We look forward to greater elaboration on specific deliverables, timelines, and resource implications in the context of upcoming work program discussions.

Mr. Daïri and Mr. Osei Yeboah submitted the following statement:

We thank management and staff of the Fund and the World Bank for the useful paper and the various engagements with Directors in the unrelenting efforts to address the questions and concerns raised by the membership on fintech developments. The initiative by management to use Bali as the forum to deliberate with members on the fintech's potential benefits, as well as related risks and mitigating measures with a view to enhance efficiency and promote financial inclusion, is commendable. We take note of the fact that the proposed Bali agenda does not constitute a work program for the Fund and the Bank in this area, but rather a framework to inform the membership when considering some key fintech issues. We are in broad agreement with the proposed agenda and have the following comments for emphasis.

As indicated in the staff report, various international bodies like FSB, BCBS and other standard setters are looking at isolated facets of fintech as they relate to their respective mandates. We see merit in addressing fintech from a holistic approach that provides a framework for both informing the membership when designing policies and a platform for cooperation among countries and with international and regional groupings and standard setters to help create an enabling international environment to boost fintech opportunities while mitigating inherent risks. The virtually universal membership and the significant expertise and traction of the Fund and World Bank with their members, as well as their track record of collaboration with other partners, hold significant promise to successfully undertake this endeavor.

We agree that the key challenge is to strike the right balance between reaping the benefits and opportunities provided by fintech while addressing related risks to financial stability and integrity and protecting the consumer. Under the circumstances, a too cautious attitude toward innovation through fintech could widen the divide between efficient and less efficient financial systems, and staff call for policymakers to be nimble and innovative is well placed. While we agree that the main elements of the Agenda have broad relevance to all member countries, its application should be tailored to the needs and circumstances of individual countries. In addition, we agree with Mr. Sembene and Mr. Diakite that more consideration should be given to foundational infrastructure and conducive policies in LIDCs so that they can reap the benefits of innovation through fintech.

Mr. Jin, Mr. Sun and Ms. Lok submitted the following statement:

We welcome the collaboration between the IMF and the World Bank in developing the Bali Fintech Agenda (the Agenda) and thank staff for the paper. Technology is increasingly permeating through all aspects of our everyday life, and fintech reaches across a broad spectrum of issues. We therefore welcome staff's distillation of fintech issues, and support using the Agenda as a framework for consideration of high-level issues by individual country members.

We see merit in work by the Fund and the World Bank on fintech issues from the perspective of their corresponding mandate and expertise. As such, we welcome the Fund's intended initial focus on the implications of fintech for cross-border capital flows; national and global monetary and financial stability; and the evolution of the International Monetary System and global financial safety net. We look forward to future presentations by staff on

the more specific implications of the Agenda for the Fund's work program, as members' needs become clearer. Overall, we believe the Fund's work on fintech should remain flexible and avoid being too prescriptive, with due regard given to country-specific circumstances. Continued coordination and cooperation with other international bodies are also critical.

The Agenda provides a useful high-level framework for consideration of fintech issues. As staff and policy makers look at these issues in-depth, we believe the following areas warrant attention and further consideration:

In creating an enabling environment for fintech, besides investing in infrastructure, supporting human capital development is equally important to avoid skill or expertise mismatches that may give rise to risks. Proper training and certification programs would help facilitate healthy fintech development.

The applicability of Distributed Ledger Technology (DLT) remains limited at the current juncture. Based on studies by various central banks so far, there appears to be difficulties in applying DLT to payment systems, and the development of DLT still warrants close monitoring. Meanwhile, there is potential for DLT to improve efficiency and reduce cost in transaction confirmation, and to be used in areas such as supply chain finance, securities transactions, and property registration.

It is important to consider the potential risks and negative impact that may arise from the use of biometrics and other technology for remote authentication. First, technologies such as digital ID has, to some extent, raised the threshold for access to financial services, which in turn may have a discriminatory effect on those that are less "digitalized" or digitally illiterate. Second, breaches in biometric data can cause irreversible damage to consumer interests.

Caution needs to be exercised in the use of big data analysis in personal credit assessment for the following reasons: first, credit information can only be derived from borrowing and debt repayment data; second, personal credit assessment requires analysis on causality, while big data mainly captures correlation.

Unsustainable business models and practices in the fintech sector, including dumping and cross-subsidization, should be discouraged. The use of dumping to monopolize market is a practice prohibited by the WTO. Yet currently, some fintech firms are adapting similar practices to seize market share using cross-subsidies from investor funding and consumer profits. These

practices could increase market concentration and give rise to monopolies, ultimately damaging investors and consumer interests.

Overall, while fintech contributes to efficiency, cost savings, and financial inclusion, as the Agenda has rightly pointed out, it also poses risks. In particular, the complexity and rapidly evolving nature of fintech requires the Fund, other international bodies, and authorities alike to aptly adapt to latest developments in order to effectively reap benefits while minimizing risks.

The Chairman made the following statement:

We are meeting to discuss the Bali Fintech Agenda, which is a follow-up from the Board discussion that we had in July, where we received constructive and valuable comments from many Directors. After that, staff of the Fund and the World Bank went away and took into account the comments and reengineered the work without changing most of the substance, but with a view to clarifying the intent behind the Bali Fintech Agenda because there were questions as to exactly what was the role of the Fund, what was the role of the Bank, and were we stretching a bit too thin in areas that are not necessarily our core competencies?

With the reengineering that was conducted by the joint team of the Fund and the World Bank, I hope that the intention behind this work is coming out clearly. We are grateful for the cooperation between the Fund and the World Bank. We are happy to have Ms. Pazarbasioglu-Dutz sitting at the table to represent her colleagues and I thank them for their work. On September 10, a similar exercise will be conducted at the Board of the World Bank and will also be considered by the Board members.

Directors have seen the paper, and the way it has been structured is fairly simple. There is a chapeau, or the key purposes and principles. It provides the context in which the Agenda has been developed. There is also a short three-page version of the Agenda, which is attached as Exhibit 1 to this chapeau.

The second part is the longer version, with the background paper. It is a version of the paper that was discussed in July that includes all the details and the substance underneath each chapter head of those 12 chapters.

The Agenda will be presented for the consideration of the International Monetary and Financial Committee (IMFC) and the Development Committee

at the time of the Annual Meetings in Bali, where it is envisaged that they could each welcome the Agenda's endorsement by the Executive Boards of the Fund and the Bank. The paper will be released to the public afterward on October 11 in Bali and will be discussed at a key Annual Meetings seminar involving myself, the President of the World Bank and the heads of the IMFC, Development Committee, the Bank for International Settlements (BIS), and the Financial Stability Board (FSB).

We are not trying to elevate this as if it were our core business. It is not. But we are trying to elevate it as a topic that should be of key concern for all the policymakers who will be gathering at the Annual Meetings.

The Deputy Director of the Monetary and Capital Markets Department (Mr. Narain), in response to questions and comments from Executive Directors, made the following statement:¹

Let me start with some clarifications, which were requested in the gray statements. Some Directors had asked about staff's collaboration with the standard-setting bodies in the development of the paper and the plans for further collaboration.

First, I would like to start by saying that the staff of the Fund and the World Bank both participate in the discussions of the FSB in the Plenary, in the Steering Committee, in the Standing Committee on Assessment of Vulnerabilities, and in the Standing Committee on Standards Implementation, and particularly also in the [Financial Innovation Network (FIN), which has been set up by the FSB to take forward the issues regarding fintech. We have been participating in all those discussions.

We also participate in the discussions of the Basel Committee on Banking Supervision and its Supervision Implementation Group (SIG), which has been looking into issues of implications of fintech for the banking system. In addition, we are participating in the discussions of the International Organization of Securities Commissions (IOSCO), the securities regulators; in the discussions of the International Association of Insurance Supervisors (IAIS), the insurance regulators and supervisors; in the discussions of the Committee on Payments and Market Infrastructures (CPMI); the Committee on Payment and Settlement Systems (CPSS)-IOSCO, and other bodies as

¹ Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

well; and finally, in all the bodies of the Financial Action Task Force (FATF) and related entities.

We have become extremely sensitive and sensitized to the concerns that are being raised in these bodies, and also to ensuring that there are no overlaps in what we eventually put into the Agenda while also reflecting the concerns that we have raised and which may go beyond their own mandates.

Second, on the Bali Fintech Agenda itself, we have shared with the chairs of the FSB and the BIS earlier versions of the background paper for their informal comments. Their comments have been very supportive, and they have suggested that we be more cautionary and less optimistic, with a greater focus on risks; that we be more practical in drafting by focusing the paper on the emerging markets and developing economies that are not members of the international fora; that we clarify the role of the Fund within its mandate; that we avoid duplication with other bodies; and that we highlight areas of practical use, such as correspondent banking relationships (CBRs). In many ways, these also echo the comments that we have received from Directors.

Staff have not formally consulted with these bodies—the FSB, BIS, or FATF. We are careful not to front-run the Board. We want this delicate balance of getting feedback from them. This is the manner in which we have achieved it. We have also shared the final agenda with them, because this is intended to be the staff’s view, based on our interactions with the membership, as well as with the standard-setting bodies. We have managed to keep and have intended to keep the secretariats of these bodies informed and have shared the final paper with them.

Third, on issues of future collaboration, we have been consulting with the FSB secretariat on taking this work forward. Following the Executive Board discussion, the MCM Director has been invited to brief the upcoming FSB meetings on the Bali Fintech Agenda. The FSB secretariat has also asked that we discuss this. They would like to raise some of the areas where the FSB may want to take the work forward because they have found the framing of this agenda fairly useful. The FSB has also required the Fund to provide qualitative inputs on crypto asset developments in non-FSB jurisdictions. Separately, in our discussions with the BIS, they have suggested the possibility of doing joint analytical work on fintech topics of mutual interest, like the role of central banks, given that they also recognize that they have limited resources in this area.

Finally, Directors have also asked about plans for information exchange and experience sharing. We are developing an outreach program, which consists of a series of regional high-level conferences in the coming months to discuss the agenda. In addition, as requested by some Directors in the July meeting, a stocktaking paper will be prepared in time, or hopefully, by the Spring Meetings based on a survey of member countries on the fintech issues that are raised in the agenda and which are of relevance to the work of the Fund and the Bank.

These activities will culminate with the second meeting of the fintech round table program in early April. The first fintech round table program, which was held just before the Spring Meetings this year, in which 70 countries participated, was appreciated by all the participants for the information exchange that took place under that aegis. We continue to foster information sharing within the Fund through our monthly fintech seminars.

Our next two speakers will discuss the central bank digital currency (CBDC) pilot from Uruguay and the blockchain bond from the World Bank.

I will end with a quick recap of some important developments that have been reported in the fintech sphere since the Board discussed the earlier version of the July paper, despite it being a slow summer.

Starting off, the World Bank gave the Commonwealth Bank of Australia the mandate to market a new debt instrument, the blockchain operated new debt instrument, Bond-i, which will be created, allocated, transferred, and managed using blockchain technology.

The U.S. Treasury released a comprehensive report on fintech and non-banks, which focuses on enabling innovation in a regulated space. It makes several dozen recommendations, but among these are proposals for a federal bank charter for fintech firms, the creation of a single data security standard, and a single point uniform regulatory sandbox.

The U.K. Financial Conduct Authority (FCA), along with 11 other regulators, announced the creation of the Global Financial Innovation Network (GFIN), to create a global regulatory sandbox. The participating agencies include: the Abu Dhabi Global Markets; the Autorité des Marchés Financiers (AMF) in Quebec; the Australian Securities and Investments Commission; the Central Bank of Bahrain; the United States Consumer Financial Protection Bureau; the Dubai Financial Services Authorities; the FCA; the Guernsey Financial Services Commission; the Hong Kong

Monetary Authority (HKMA); the Monetary Authority of Singapore; the Ontario Securities Commission; and the Consultative Group to Assist the Poor.

It was also reported that the Philippines approved new iCumulate token (ICU) and cryptocurrency regulations, that Thailand allowed banks to open subsidiaries for cryptocurrency dealings, and Japanese crypto exchanges filed to form a self-regulatory organization, as did the U.S. virtual commodity operators.

Meanwhile, China banned the creation of new P2P online lending platforms, and many other central banks announced that they are looking at issuing digital currencies. Lloyd's of London agreed to provide insurance cover for a digital currency custody platform, and a gold-backed cryptocurrency called OneGram, which is being marketed as being compliant with Islamic finance principles, has been launched in South Africa. Finally, a California federal court agreed to accept bitcoins or any other cryptocurrency as bail from a defendant.

While we have not confirmed all the details of these developments, the rapid pace lends an even greater urgency and importance to the discussions today, and we look forward to the Board's guidance.

Mr. Merk made the following statement:

We thank the staff for the informative presentation and their outreach and cooperation in the whole process.

We broadly welcome the Fund's contribution on the debate on fintech. We are thankful for the clarification that the agenda is not a work program for the Fund but is intended to be a set of high-level issues for consideration by member countries, as they seek to develop their policy responses to fintech. Based on this understanding, and with the expectation that the Fund, in its work on fintech, adheres closely to its core mandate, we can go along with the agenda.

On a general note, we would have expected a more detailed clarification of what the Fund will do before an endorsement of the Agenda by the Board. However, we welcome the statement that the Fund will focus on the implications of fintech for cross-border capital flows, national and global monetary and financial stability, and the evolution of the international monetary system and global financial safety net.

Nevertheless, in the chapeau paper, unlike in the background paper, this is described only as the initial focus. If this is the initial focus, we would be interested to learn to what areas the focus will extend to after the initial phase.

Given that most of the aspects covered in the agenda fall outside of the Fund's core mandate, we emphasize that the Fund's work regarding fintech needs to take due account of the respective roles of the competent international bodies and avoid duplication of work. We welcome the Chairman's introductory remarks in this regard.

Ms. Pollard made the following statement:

I want to echo Mr. Merk's comments in thanking the Chairman for her introductory remarks today, which were helpful, and also the staff's introductory remarks. That being said, we thank staff for the work on the Bali Fintech Agenda, and we support their efforts to promote a better understanding of fintech issues so as to enable responsible financial innovation across the Fund's broad membership.

As we stressed in our gray statement, we see the Fund's ongoing role as limited to a narrow subset of issues raised in the agenda, mainly in facilitating information sharing; monitoring threats to financial stability, including in bilateral surveillance; and providing technical assistance to members. I appreciate staff's responses to the technical questions and their comments on this stocktaking paper that the staff will focus on developments that are relevant Fund issues that are raised in the agenda. But I would like to get a little more clarity on this. If staff could explain what topics they plan to cover and relate them to the numerical agenda items, that would be quite helpful.

We agree with Ms. Erbenova, that the Agenda reflects an inherent tension in the tradeoff between potential opportunities and risks that fintech could pose. The cost-benefit analysis could clearly be country-specific, with different considerations for advanced economies versus emerging markets and low-income countries (LICs). In all cases, though, we firmly support Ms. Erbenova's conclusion that the Fund should firmly support the necessity of risk mitigation in line with its mandate to guard financial stability.

Finally, we welcome staff's commitment to continue coordinating closely and observing the guidance set out by the standard-setting bodies as they better define their work plan.

With that, we look forward to discussing staff's work plan on this topic as this develops.

Ms. Erbenova made the following statement:

We thank the staff for the revised document, and we welcome the collaboration between the Fund and the World Bank on this Agenda. We also thank the Chairman and the staff for the informative introductory remarks and would like to request that they be circulated to the Board so that we could duly reflect them in our reporting to the capitals.

We fully support the Fund's engagement in fintech issues, responding to the needs of our members. The Fund's universal membership gives us a unique role and convening power as a discussion platform for sharing experiences and identifying and analyzing potential spillovers.

We welcome the ongoing dialogue and cooperation with the standard-setting bodies and the FSB. The new standards which may emerge would need to be incorporated in the Fund's bilateral surveillance and capacity development in due course. It would be important for them to reflect the varied needs of our membership, many of whom are not represented in these standard-setting bodies individually. We concur with the overall tone of the Agenda language, which is appropriately loose, reflecting the early stage of fintech penetration, and of the Fund's engagement. As an institution, we should continue to patiently and humbly build our expertise in this area and avoid being too prescriptive at this early stage.

Consensus on many regulatory issues pertaining to fintech and its impact on traditional financial sector institutions is yet to be found. That being said, the underlying philosophy should be to ensure proportionality, risk mitigation, and a level playing field for the new and traditional financial service providers, as well as for different technologies and platforms. It is not the role of the regulation to create financial innovation or to give it preferential treatment. The question of an appropriate approach to creating, facilitating, and accessing infrastructures and platforms lies at the heart of future policymaking dilemmas and should be thoroughly discussed. As we pointed out in our gray statement, the Agenda would benefit from more consistency on this issue. Elements II, III, and IX, in particular, as currently

drafted, could be interpreted in ways which contradict one another, even though the background paper provides more context.

We support the initial focus of the Fund on the implications of fintech for cross-border capital flows, national and global monetary and financial stability, and the evolution of the Fund and global financial safety net. Going forward, we expect staff to elaborate the next steps in this area, including in the work program and the estimated budget implications in the budget document in April.

The Agenda can potentially spread wide, and prioritization is clearly needed. We expect the Board to be closely engaged in this exercise. The stocktaking mentioned by staff in their answers could be a valuable input into this work, and we stand ready to contribute to this effort.

For this chair, it remains paramount that the Fund firmly supports the necessity of risk mitigation, prudent adoption of new technologies, and safeguarding financial stability. Having said that, the Fund should be vigilant in identifying and mitigating potential risks generated by fintech solutions, wherever they are deemed macro-critical. The recent case of a crypto asset initiative in the Marshall Islands Article IV consultation is a case in point. We commend staff for a thorough and balanced approach that is certainly of broader interest to our members.

Mr. Agung made the following statement:

The Bali Fintech Agenda is timely. Not only does it reflect the institution's readiness to respond to the evolving demands of the membership, but it also reflects the country authorities' willingness to work together with the stakeholders toward the said objective of managing risks and harnessing the benefits of fintech in a sustainable and inclusive manner.

We strongly support the Bali Fintech Agenda. I would like to make a few points for emphasis.

First, we view the Agenda as a living document, where the narrative of the 12 Elements would evolve as the membership gains more experience and lessons learned from fintech. It is crucial that the stakeholders' experiences, challenges, and aspirations on fintech continue to be reflected in the Agenda. We believe this could also help address points raised by a few Directors on the need to clarify some cross-referencing and overlapping elements in the

Agenda. Since we are still at a learning stage, it may be better to be overlapping and comprehensive, rather than lose sight of important elements.

A good example is on Islamic finance. We note that the Agenda is applied to both conventional and Islamic financial instruments and products. With growing interest in Islamic finance as a complementary tool for risk diversification and financial inclusion, we foresee the potential challenges faced by regulators in keeping up with the fintech evolution in the context of managing Sharia compliance risks. This is an area that can be further clarified in the agenda as stakeholders experience growth. Like Mr. Alogeel, we encourage the staff to have a closer engagement with the Islamic Financial Services Board (IFSB) and country authorities.

On emerging risks, we share the points raised by Mr. Gokarn, Mr. Hurtado, and others, on increasing the concentration of market function in the hands of few technology providers and financial firms with extensive global outreach. While we take positive note that the Agenda makes a clear reference to the need to reinforce competition and commitment to open, free, and contestable markets, there is a lack of robust, pro-competitive regulations and policies to promote a level playing field in the fintech environment. This is a work in progress that warrants further collaboration and stakeholders' experiences to be reflected in the Agenda moving forward.

On the role of the Fund, given the complex and interconnected issues related to fintech, we see a role for the staff to support authorities in identifying, prioritizing, and sequencing the national fintech agenda, in line with domestic institutional and absorption capacity.

While the Fund is not a standard-setting body, we see a role for the Fund to assist countries in implementing standards and best practices developed by the standard-setting bodies in a manner appropriate to domestic circumstances.

Mr. Hurtado made the following statement:

This chair welcomes and endorses the Bali Fintech Agenda. It presents a balanced approach to the topic, in the sense that it presents the opportunities and risks in a balanced way.

I have two points to make. One of them is that the Agenda should be applied with country-specific circumstances in mind. In this regard, we would like to emphasize that, due to the rapid and constant change of these

technologies, it is essential to avoid premature policy responses. Given that fintech developments have not been tested in a full financial cycle, a comprehensive assessment is needed in order to set policy, as it will generate precedents.

My second point is just what Mr. Agung has mentioned, about the need for competition and a commitment to open, free, and contestable markets.

Mr. Alogeel made the following statement:

As indicated in our gray statement, we broadly endorse the key elements of the Bali Fintech Agenda, which outlines high-level issues for consideration by member countries on fintech.

We appreciate that staff will focus their work on fintech issues within the Fund's mandate and expertise. We also welcome the close engagement with all relevant international bodies, including standard-setting bodies, as they develop regulatory standards for fintech.

I would like to emphasize three points.

First, given the potential risks from fintech, efforts to strengthen financial integrity and resilience should continue. In particular, we agree that it is important to strengthen Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance and monitoring, including by using technology to support regulatory compliance and supervision.

Second, there is significant scope to help member countries through capacity building. In this context, we welcome the efforts being undertaken to help strengthen cyber security, as indicated in the paper. Cyber threats to financial institutions are growing. The October 2017 Global Financial Stability Report (GFSR) had called for a global and coordinated policy response to ensure resilience to cyber attacks and to combat cyber crime. More generally, we see benefit in a greater exchange of information and experience internationally on fintech issues to facilitate the monitoring of financial stability risks.

External capacity building efforts should continue to further build expertise within the Fund, in line with its mandate, to be able to provide specific technical assistance to the membership in the period ahead.

Finally, we agree that the application of the elements of the agenda needs to be tailored to country-specific circumstances. As capacity advances, new technologies in the financial sector vary considerably across the membership.

Ms. Sanchez made the following statement:

I thank staff for the report and the refinements that reflect our discussion in July. Like Mr. Kaizuka and his colleagues, we find the short outline useful and a more readable format for our Ministers and Governors.

As was the case in July, we continue to support the Fund's and World Bank's engagement in the area of fintech. It falls naturally in their mandate. It is also a question of credibility to keep track of these evolutions that are possibly disruptive for many countries. We endorse the Agenda, and we believe that the Fund and World Bank are well suited to draft such high-level principles.

Now I have a few comments to complement our gray statement and underline some elements. Like Ms. White and her colleagues, we think that the assessment of opportunities is equally important as the identification of risks. It is key to assess the benefits of innovations in order to promote an enabling and supportive environment. As underlined in the report, fintech evolved rapidly but not at the same pace for all the membership, and they respond to different needs. Mr. Sembene refers to a possible revolution of the financial industry in some countries. We believe that the stakes of fintech development are high for countries where the unbanked population is significant. This would require, in parallel, an adequate framework to mitigate risks, notably those stemming from AML/CFT and cyber risks.

Finally, turning to the role of the Fund, we believe that the Fund's and World Bank's assistance will be required more and more, and the initial areas of work are promising. Like others, we believe that cross-country analyses will help fuel international cross-fertilization, and we welcome the stocktaking exercise that will come and the new fintech roundtable. We are also looking forward to the planned issuance of the first global blockchain bond by the World Bank and the learnings from it.

Mr. Doornbosch made the following statement:

I would like to start by thanking staff from both the Fund and the World Bank for this Agenda. It is helpful that the two institutions have cooperated so closely on this and that we also have the World Bank present at the Board. That is something to highlight.

We very much agree that international cooperation is desirable and sometimes even necessary on fintech, given the speed at which it develops; but at the same time, we agree with Mr. Tombini, Mr. Merk, Mr. Inderbinen, and others, that the wide-ranging nature of this phenomenon makes prioritizing unavoidable for the Fund. We were, therefore, also pleased to see that this has been done in the chapeau text and on the topics.

Having in mind the comparative advantage of the Fund, the analytical skills, the convening power, the reputation as a trusted adviser on financial stability, I would like to provide three further thoughts for our next steps on this occasion.

First, on the monitoring, the objective of the agenda is to offer a framework for consideration by others and not necessarily a work program for the Fund and the World Bank. It was encouraging to hear from staff that it is already providing this role to the FSB and the Basel Committee and coordinating the division of labor and where to focus on. That is good. But it is also obvious that one cannot launch an Agenda and then never look at it again. It would be helpful if staff would follow up and stay flexible on the frequency of this follow-up to look at the broad agenda.

I am not sure whether the 12 Elements should always remain these 12 Elements. I have read it several times, and I keep wondering whether this is the natural logic of organizing these themes that are important for fintech. I would be happy if the staff remains flexible on this, as Mr. Agung and others have said.

A second point is on advising. Like others, we support starting to cover fintech in bilateral surveillance, where macro-critical, recognizing that it is not so easy to define what is macro-critical here. We accept that there is some experimenting and learning. We also accept that it will not be fully consistent and evenhanded from day one. But any further thoughts from staff on how they would like to start with this would be welcome.

On the coordination, like Mr. de Villeroché, we support further cooperation and information sharing on cybersecurity. Without adequate cyber resilience, we are bringing additional risks to the system. The Fund has rightly pointed this out. In the Early Warning Exercise last year, this was well done. But we might need to step up this work in the Fund. In the international payment system, the chain is as strong as its weakest link, and this is an important issue, where we should see how we could coordinate better between the public and the private sector.

Lastly, I want to touch upon a fintech survey we conducted among our 15 constituency countries. What became clear is that fintech is an item on the strategic agenda of all the institutions that work together in our constituency; but also, that the approach taken and the organizational model, the taxonomy and the expectations, they vary. But they have one thing in common, and all are interested in cooperation by sharing experiences and best practices. We are, therefore, happy to endorse this Bali Fintech Agenda. We believe the Fund's engagement is timely, and it is much appreciated.

Mr. Kaizuka made the following statement:

I join others in appreciating the work done and the paper.

I welcome the two-tiered structure of the paper, the three-page chapeau paper backed by the substantive background paper. That three-page chapeau is quite accessible to any reader, including the Ministers and Governors.

I am also encouraged by the Chairman's opening statement and also Mr. Narain's explanation that the Fund is sensible and will not deviate from the core function, the core mission, and also not to create any overlap with the standard-setting bodies. This is a welcome statement.

What is important is how we can implement the philosophy while not deviating from the core and not overlapping with other bodies.

The competitive edge of the Fund, like others have said, it is its universal membership and also the function of the surveillance.

In the fintech field, there might be some risk of over-regulation or under-regulation. We have to be continuously checking or monitoring the situation of the regulation. We have the Article IV bilateral surveillance, where we can check up on the situation of a country. We can gather that

information, and we can make inputs to the discussions of the standard-setting bodies to avoid any over-regulation and under-regulation. This is one of the advantages of the Fund.

Another important aspect of this exercise is how to engage with the private sector, which is the engine of the development. The situation is changing day by day. We have to be current on the major players in the market. We hinted at the possibility of having a discussion with the self-regulatory bodies because the situation is changing, and regulatory change may take some time. The role of the self-regulatory bodies will be increased in the future. We need to engage in conversation with those particular bodies.

Finally, apart from this paper, we are interested in the role of the so-called High Level Advisory Group on Fintech, which was created last year and extended its membership in June. We would welcome any future briefings on the role or the work of this particular body.

Mr. Tombini made the following statement:

I thank the staff for this concise and revised version of the document, which incorporates previous discussions. I have brief remarks.

First, fintech is a fast-evolving matter at this juncture, and it is impossible to know up front which promises will be fulfilled and which will turn unfeasible. Having said that, we cannot ignore the potential disruptive impacts from fintech, and staff makes this point well. Fintech offers the opportunity to reach a significant portion of the world's population with little or no access to financial services. However, there are also important risks for consumers and investors and for financial stability at large. All this justifies the Fund's focus on this issue.

I agree with many Directors that the Fund and the World Bank can play an important role in understanding the potential tradeoffs associated with fintech developments. Having a near universal and diverse membership provides a unique opportunity to see the issue from a variety of dimensions and integrated with the core business of the Fund, such as capital flows, financial stability, financial integrity, and monetary policy. Let us also recall that the agenda answers the increasing calls for guidance from our membership.

I welcome the document as a high-level set of principles that will evolve as we learn more and as fintech developments proceed. I also concur with the initial focus on the implications for monetary and financial stability, on the global financial safety net and cross-border flows, including remittances.

I understand some of the concerns expressed regarding the need to strictly observe the respective mandates, avoid duplication of work, and pursue close collaboration with other international bodies and standard-setters. While sharing that view, I believe the Fund knows that such cooperation would be very important and has significant experience working with a wide range of institutions.

Finally, it is important to find ways to accommodate future demands on fintech without losing sight of the traditional areas of our institution. The Fund has been increasingly asked to provide support on fintech issues. Once a clear agenda in the area is made public, it is natural to presume an increased interest. Therefore, it will be necessary to properly manage expectations about what the Fund can deliver on this subject.

Mr. Mahlinza made the following statement:

I thank staff for their paper and for taking steps to respond to the membership's call for guidance on the fintech issue. I have a few points to make.

First, we believe that the Fund has an important role to play in assisting the membership to reap the benefits of fintech through information exchange. As fintech continues to develop, as fintech developments are evolving at a fast pace, we would expect the Fund to continue to monitor this pace and to update and assist the membership in thinking through these issues. In this respect, I would agree with those Directors who see this as a living document.

Second, we welcome the collaboration so far between the Fund and the World Bank in coming up with the fintech agenda. Going forward, even closer collaboration and cooperation is required, as well as with other stakeholders, including standard-setters and private sector players. This will be important to facilitate the formulation of policy responses and to provide relevant advice.

Third, we see an important role for the IMF and the World Bank in facilitating global dialogue and information sharing, as this will facilitate

further learning and policy collaborations. We take note of the comments made by staff at the start of this meeting. We believe that information sharing is particularly important, given that fintech does not evolve at the same time for all countries and that countries are basically at different stages of development and there are some capacity differences.

Finally, we feel that the Fund should stand ready to provide technical assistance and capacity development on fintech issues. We look forward to the staff's work program as it develops in this area.

Mr. Johnston made the following statement:

This is a good and balanced discussion of these issues, so we want to thank the Fund and the Bank staff for this work.

Fintech falls well and truly within the Fund's remit, and we support the initial focus proposed in the paper on capital flows, financial stability, and so on.

I have a few points to make, chiefly from the perspective of least financially sophisticated countries. There is a potential for some confusion to arise with the agenda, not from the body of the paper, which was good. It is more with the headline messages, simply because they are all written in a prescriptive fashion. For example, the first one is: Embrace the promise of fintech. Welcome the current rapid advancements and undertake preparations to capture its potentially wide-ranging benefits, and so on. In fact, all the headline messages are like this. Therefore, when one sees them together in a summary form, it looks for all the world like policy advice, even though the paper is at pains to point out that it is not policy advice; and in fact, the text of the agenda is much more balanced.

Also, those headline messages do not have the caveats that are in the main body of the document. That is completely understandable because it is a summary. It is important that the Fund does not seem to be a cheerleader for fintech. There is good fintech, bad fintech, useful, unhelpful, and so on.

On Wednesday, I was here representing the Marshall Islands, which intends to issue a cryptocurrency as its legal tender; in which case, the message to embrace the promise of fintech might not be such a helpful message. Actually, what is required in many cases is for countries simply to be neutral about fintech in the sense that their regulatory environment should try to ensure a level playing field between new and established technologies.

That is true in finance, just as it is in a many other areas—for example, where regulations need to accommodate the arrival of Uber alongside the taxi industry.

My main point is that we would urge the Fund and Bank to think about the way the agenda is presented in a summary form to make sure that is in keeping with its stated intention.

Mr. Virolainen made the following statement:

I thank the staff from the Fund and the World Bank for preparing this paper.

This chair welcomes the Bali Fintech Agenda. It is a good example of the Fund being responsive to the requests of the membership. I agree with many previous speakers that the new format of the paper is an improvement in view of the intended readership. We issued a gray statement, so I will constrain myself to just a few points.

First, throughout the preparatory process, there have been calls to spell out in more detail the Fund's and the World Bank's role in fintech. The discussion so far has improved our understanding, but more work needs to be done. This will be further specified in the context of our work program. I would be interested in hearing how staff envisages this process going forward after Bali. Further work, as has been also mentioned by other Directors, should include considerations of the definition of the macro-criticality of fintech.

Second, as we suggest in our gray statement, the agenda would benefit from raising the awareness of sustainability as a horizontal issue in fintech solutions. As a case in point, bitcoin currently relies on massive amounts of energy to validate transactions, consuming more energy than Austria.

Mr. Inderbinen made the following statement:

I thank the Chairman for her introductory remarks. I also thank the staff for recounting the recent developments over the summer. That was useful to set the context for today.

We are grateful for the further work that the staff of the Fund and the World Bank have put into this document. The format has been improved over

the July discussion, and this is a good example of effective collaboration between the two institutions.

We support the Bali Fintech Agenda. The 12 Elements establish a good, high-level framework for consideration of issues by policymakers and international organizations and bodies, and will help national policymakers in striking the right balance between enabling innovation and addressing the risks and vulnerabilities inherent to fintech developments.

Having said this, we do also state in our gray statement—and it was also emphasized by Mr. Merk and Ms. Pollard in their gray statements—that this does not constitute a work program for the Fund or for the World Bank, and that this will better be assessed at a later stage when the membership's needs do become clearer in terms of what this exactly implies for work for both institutions.

We also emphasize in the gray statement that the Fund should focus on activities that add value and that it should remain within its core mandate of expertise and avoid duplication of work for the standard-setting bodies.

One good example of where further work could be engaged is in developing a common terminology on fintech, on the assets that result from fintech, on the processes that are involved. The cross-border nature does imply that multilateral cooperation is essential, as borne out in Element XI. The exchange of views and experiences among authorities would be much facilitated by a common language.

A good example of how this can be affected and how the Fund can contribute to this was in the Article IV on the Republic of the Marshall Islands, which was a good example of how the Fund can help countries in assessing the risks of issuing a legal tender, cryptocurrency. This was excellent work by the Asia and Pacific Department and the Legal Department in this Article IV process for the Marshall Islands.

One important contribution was simply clarifying terminology. Further work on the development of this common language would be important. It could be reflected in the work program going forward.

There is an annex on the work of the standard-setting bodies, maybe a glossary could be provided in an annex to the background paper, which would serve the purpose of developing this common terminology.

Mr. Sun made the following statement:

We thank the Fund and the Bank staff for their collaborative efforts in developing the Bali Fintech Agenda.

The agenda is a useful collection of issues, striking a careful balance between potential benefits and risks, and it serves as a good starting point for more in-depth policy considerations and discussions.

In our gray statement, we have highlighted a number of specific issues that may warrant further analysis, but the list does not stop there. The fintech landscape is evolving rapidly, as staff explained. Given its broad reach, developments can have wide-ranging implications. For example, emerging business models and behaviors may give rise to concerns over market concentration and the protection of consumer interests. Therefore, international bodies and country authorities alike have to do our best to keep up through enhanced information gathering and regular exchanges to share experiences and the latest intelligence. We agree with the Chairman that the Fund is well positioned to play a unique and important role in this regard, given its mandates of surveillance and capacity building, as well as its convening power. Therefore, we look forward to further work by staff in the area of fintech, both in response to this agenda and as part of its broader digital strategy.

Mr. Cowie made the following statement:

We welcome the ambition of the Bali Fintech Agenda and the purpose it serves in providing countries with a common framework for assessing the implications of fintech. As highlighted in our gray statement, it is important that the discussions of fintech balance the potential risks with the significant opportunities we believe fintech presents, including greater financial stability and security, reducing costs and frictions, increasing efficiency and competition, narrowing information dissymmetry, and broadening access to financial services. The Agenda does helpfully highlight many of the benefits afforded, as well as the risks that arise, during the transformation of the provision of financial services.

We recognize there have been concerns on the relevance of the Fund's mandate, but we believe that by targeting the resources effectively, this work will respect the Fund's core functions in pursuit of financial surveillance.

That being said, some of the Agenda could be strengthened, with a stronger focus on the comparative advantage of the Fund and the World Bank. It may be worth drawing out some priority areas, perhaps grouping these into policy functions, such as inclusion and innovation, monetary policy, or macroprudential measures. The Agenda could then make clear the division of labor between the Fund, the World Bank, and others.

The World Bank and Fund have a great opportunity to focus on those areas, where the collective action problems among its broad membership are high. Supporting work on the macro implications of fintech, leveraging the Fund's analytical resources to investigate its effects on financial deepening, the use of fintech for development and financial inclusion, the potential fiscal benefits from digitalization, and capital flow implications could all also be useful.

While the landscape is moving rapidly, some of the technologies have been around for a long time, yet some of those most excluded have yet to benefit from many of these technologies.

Finally, a practical area of focus could be on how fintech can deliver resilient, efficient, and affordable arrangements for correspondent banking and cross-border payments, or enabling digital ID. For the majority of emerging markets, these seem more directly relevant than medium-term questions around the provision of central bank digital currencies, the experience from earlier in the week on the Marshall Islands notwithstanding.

With that, we thank the staff at the Fund and World Bank for building on the Board's engagement and developing the updated agenda and chapeau.

Ms. McKiernan made the following statement:

I thank the staff from the Fund and World Bank for the work on this.

First, as a big priority area of work, this is a strategic priority across all of our constituency members.

The re-engineering has made it much better, and we can endorse the presentation and the issues, as set out in this. We appreciate that we have had many iterations and opportunities to contribute to this, both through gray statements and spoken remarks. I only have a few points there to add.

It is heartening that the international cooperation and collaboration that the Chairman referred to at the outset has resonated with so many of the issues that were raised in many of our earlier discussions. In particular, the Chairman mentioned that it should focus more on the cautionary risk side, also focus more on the emerging markets and developing economies that are not part of international bodies. The role of the Fund and being clear on how we operate within our mandate and then some practical issues, like CBRs—those are all issues that we have referred to before, and it is the iteration and the prioritization. This is really helpful.

Second, on the role of the Fund and priorities, we reiterate that we fully support the information sharing and cooperation aspects. This effect of the coordination aspect with the international bodies, perhaps that could broaden into being clearer or more specific on who has lead the responsibility for what within this agenda.

The Chairman mentioned the stock-take. That was an issue we had called for before. We welcome that there is a formality and a timing around that, although we fully understand how difficult that will be, given how fast-evolving this area is.

Finally, we look forward to the forthcoming work program on this. Presumably, within that, it reflects a prioritization. It is a call for understanding how prioritization is being done. Would it be, as Mr. Cowie said, alongside some policy priorities? Or should it reflect, for example, the areas of greatest disruption, vis-à-vis the status quo?

Ms. Cerami stressed the importance of continuing to support the task force dealing with AML/CFT issues as a risk to financial integrity. Her chair viewed it as equally important as financial stability issues.

Mr. Daïri made the following statement:

I welcome this discussion. Our authorities were keen to have the Fund and the Bank contribute to clarifying the issues related to fintech.

We note, with satisfaction, that the World Bank and the Fund have worked closely on this agenda. The exchange between the two institutions did not detail the respective responsibilities of the two institutions. It would be premature, as Mr. Inderbinen said, pending some clarification on members' needs in this regard.

However, I wonder whether there was some exchange between the two institutions on whether they would stick to the traditional separation of their roles, with the Fund more interested in stability risks and the World Bank in the development of the financial system. The issues are extremely intertwined, but we still have time for clarification on these issues.

I also would like to join Mr. Alogeel and Mr. Agung in calling for closer coordination with Islamic financial institutions.

The Deputy Director of the Monetary and Capital Markets Department (Mr. Narain), in response to further questions and comments from Executive Directors, made the following additional statement:

I thank Directors for the helpful comments. I wanted to answer a few specific questions that were raised and then pass it on to my colleagues in the Fund and the Bank, in case they have something to add.

The first question was from Mr. Merk on the initial focus and our reasons for using it. There was no other intention, except to suggest that this is the beginning of a journey. While we may start with focusing on four principal elements, we might end up with picking two of those as being more important than the others. That was the intention.

On Ms. Pollard's question on the stock-take, this is still something under discussion because we are also discussing with the Bank whether our collaboration should continue with the stock-take, in which case the focus would be broader; but certainly, our intention is to stick to our respective mandates in terms of the topics that we pick for the stock-take.

Mr. Agung mentioned the IFSB. I should have mentioned that we are also collaborating with the IFSB. We are one of the original sponsors of the IFSB and participate in their working groups as well.

There was a question from Mr. Johnston on the headlines. I should add that this is not intended to be prescriptive or alarmist in any way, but to synthesize and capture the attention. We were fortunate to have the Communications Department as part of our authoring team. We had inputs as well on this.

There was some reference to the work that we might do after Bali. Our initial idea is to start with a stock-take over the next few months and have one regional outreach in collaboration with the area departments, in each of the

area departments around the Bali Fintech Agenda, to be able to gather responses from the regions, from the Governors and the Ministers more closely, and then feed all of that back into the annual fintech roundtable in Washington in the first week of April. That is our immediate work plan in this area.

The Deputy General Counsel of the Legal Department (Mr. Leckow), in response to questions and comments from Executive Directors, made the following statement:

I will respond to the question raised by Mr. Kaizuka, as to the role of the High Level Advisory Group, which is a group of external advisers and industry leaders in the fintech space from the private sector, government, academia, and law firms, that has helped guide the staff's work, particularly on research on fintech issues.

As Mr. Kaizuka noted, it was expanded earlier this year to increase public sector and emerging market representation. It has been a very useful resource for staff to draw on in our own work on fintech issues, either as a group or in consultation with individual members. We do have a physical meeting of the group planned for Singapore in the second week of November, kindly hosted by the Monetary Authority of Singapore. At that meeting, we plan to share with them the Bali Fintech Agenda, along with discussing some research topics that the staff is considering pursuing.

The Senior Director of Finance, Competitiveness, and Innovation Global Practice of the World Bank (Ms. Pazarbasioglu-Dutz), made the following statement:

On the role of the Bank, having sat on both sides of the street, I believe it is important that we do not duplicate, but we leverage each other's work.

For the World Bank, the key objective is to leverage fintech for development, to achieve development objectives. For that, inclusive—and I underline inclusive—technology adoption and diffusion, with due regard to risks, will be critical for the World Bank Group. In that context, there will be analytical work and good practices, on which we will work very closely with our colleagues at the Fund. The legal and regulatory framework are areas that we will need to collaborate on.

The World Bank Group does a lot of operational work, which will inform our work, but it is very distinctive from what the Fund does. In particular, the digital financial services agenda, both in terms of transactions,

payment systems, savings, credit, insurance, on all these aspects, we provide lending to authorities in order to make progress in these areas—be it to promote households’ access, those that are unbanked, their access to financial services; remittances, cross-border payments; in the context of firms, to deal with informality and digital access to markets; and cross-cutting issues like refugees, gender, those female entrepreneurs, for example; fragile and conflict states. We have many operations in different parts of the world, from MENA to Southeast Asia, both to promote the use of digital services but to make sure that those that are most vulnerable are also protected from the risks. The key opportunity for us is to make sure that we benefit from the work of the Fund, as well as work together to ensure an inclusive adoption of these technologies.

Staff mentioned the Bond-i, the Treasury Innovation Lab. We also have financial products which inform our work. We work closely with the International Finance Corporation (IFC) to engage the private sector. To give a concrete example, we are launching this Digital Economy for Africa Initiative, which is a World Bank Group approach, to work on infrastructure, skills, platforms, digital finance, and digital entrepreneurship. There are areas where there will be a significant amount of collaboration; but because of the operational work of the Bank, it is very clear what the mandates are and where we will focus.

The Chairman asked the staff to discuss how the collaboration would work when there were CBR issues at play, which raised issues of stability, risk identification, and operational issues as well.

The Senior Director of Finance, Competitiveness, and Innovation Global Practice (Ms. Pazarbasioglu-Dutz), made the following statement:

It is a great example because we have been running round tables together. We have been doing analytical work, surveys, and so on, together. This is important for the surveillance mandate of the Fund, as well as technical assistance. We collaborate on technical assistance. If the Fund is providing that, that is great. If the countries are coming to the Bank, we try to provide technical assistance in many of these aspects in terms of capacity building.

In terms of the operational work, we have been working closely with our Innovation Lab to see—and not the currency part of it but the distributed ledger technology—if that could be a way of providing support to countries. That would be a lending operation.

In the context of Regtech, how can we use Regtech to inform AML/CFT? That is an area which would be cross-cutting. Whenever it comes to regulatory legal frameworks, it would be very important to work together and inform each other.

The Deputy General Counsel of the Legal Department (Mr. Leckow) noted that both institutions had active programs of technical assistance in the area of AML/CFT, which was an important part of the response to the loss of CBRs. The institutions are members of the FATF, which is discussing issues of Regtech actively in the context of its work on the FATF standards.

The following summing up was issued:

Executive Directors welcomed the opportunity to consider the Bali Fintech Agenda, and praised the excellent ongoing cooperation between the Fund and World Bank staff in this area, along with other international bodies. Directors broadly endorsed the Agenda as a framework for the consideration of high-level fintech issues by individual country members, including in their own domestic policy discussions. They recognized that the Agenda does not represent a work program for the Fund and World Bank Group. Directors concurred that the elements of the Agenda have broad relevance to all member countries and that national authorities should tailor the application of these elements in light of their specific circumstances. This would help reap the benefits of fintech while remaining vigilant about the potential risks and enhancing preparedness to address them. Directors also noted that the elements of the Agenda could apply to both conventional and Islamic financial instruments and products.

While recognizing the rapid pace of fintech development and its uncertain impact, Directors concurred that fintech offers wide-ranging possibilities in deepening and enhancing the efficiencies of financial systems, broadening access to financial services—especially in low-income countries and for underserved populations—and supporting broader economic development and inclusive growth. They acknowledged the potential risks posed by rapid technological changes to financial systems and individual users and stressed the need for adequate preparation and cross-agency coordination by national authorities, including through strengthening of institutional capacity, building up knowledge, improving communication with stakeholders, and expanding consumer education. Directors called on the Fund to stand ready to provide technical assistance, particularly for countries with significant capacity gaps, while facilitating information sharing.

Directors generally considered the elements of the Agenda as broadly balanced in pointing out opportunities while acknowledging potential risks of fintech. They agreed on the need to strike the right balance between enabling financial innovation and reinforcing competition and the commitment to open, free and contestable markets on the one hand and addressing challenges to financial integrity, consumer protection, and financial stability on the other.

Directors broadly agreed on the need to augment regulatory and legal frameworks to support the sound development of fintech services and safeguard financial systems. They called for close international cooperation and coordination to address regulatory gaps and prevent the potential risk of a race to the bottom in regulatory compliance, including AML/CFT compliance and the spread of global systemic risks.

Directors called on staff to work closely with the standard-setting bodies (SSBs) and relevant international bodies, while avoiding duplication and overlap. They encouraged staff to continuously monitor and analyze fintech developments and consider their implications within the Fund's mandate, focusing on analytical and country work with respect to cross-border capital flows, financial integrity, national and global monetary and financial stability, and the evolution of the International Monetary System and global financial safety net.

APPROVAL: March 5, 2020

JIANHAI LIN
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Purpose and Process

1. ***Staff comments on the purpose and application of the Agenda are welcome.***
 - The Agenda identifies high-level issues for consideration by authorities on fintech. It lays out a spectrum of topics facing the broader membership of the IMF and the Bank that authorities could reflect on, as relevant in their domestic jurisdictions, as they seek to develop their policy responses to fintech. It is intended as a framework to support awareness, further learning, and ongoing work, including at the Fund and Bank within their respective mandates. As international standards are developed by the relevant bodies, they will be incorporated into the work of the IMF and World Bank in support of their broad membership.
2. ***We would welcome staff clarification whether this document will be subsequently refined and developed, as standards and best practices emerge, or it is a one-time exercise? If the former is true, should the approval of the revised versions require the endorsement by the IMFC?***
 - Discussed as part of the answers to questions on work program issues.

Opportunities and Risks

3. ***We suggested in the informal Board meeting on July 11th that the staff's report could refer to the role of the self-regulatory body in the fintech, but there is still no reference. We would welcome the staff's view on this suggestion.***
 - The paper acknowledges the important role of the private sector in leading fintech development and calls for fostering knowledge-sharing between public- and private-sector players (elements IV and XI). The private sector role in shaping the fintech regulatory agenda will evolve over time, and self-regulatory bodies may well feature in the future regulatory landscape. Staff understands that many countries are engaging with the private sector on Fintech issues. The Staff is also engaged with the private sector on fintech issues and will continue to do so as appropriate.
4. ***We would be interested in staff's views on which elements of the Agenda is expected to address policy issues related to the loss of correspondent banking relationships which is a key concern in many countries.***

- The Agenda discusses how fintech developments can facilitate cross-border flows (elements I, III, and IV), potentially providing an alternative to traditional correspondent banking in the longer term. As the Agenda notes, effective regulatory and legal frameworks must be developed to sustainably realize these benefits and safeguard public confidence and financial stability (elements VI, VII, and VIII). Moreover, RegTech solutions have the potential to increase the effectiveness of preventive AML/CFT measures while lowering compliance costs (as element VII addresses), which could potentially reduce pressures on correspondent banking relationships. Consistent with the paper's broad approach, there is no one-size-fits-all approach to the withdrawal of correspondent banking relationships, and any approach to such policy issues should be tailored to national circumstances.
5. ***Could staff explain why there is repeated emphasis on emerging market and developing economies (EMDE), when it is our understanding that the rapid advances in financial technology are most likely connected among all member countries, including developed economies?***
- The Agenda takes a global perspective on the impact of fintech on all member countries. It also highlights issues that are particularly relevant in the context of EMDE, in part, in response to the many comments made by directors at the informal meeting on the importance of fintech for offering potential leapfrogging opportunities for EMDE's in their financial and economic development, as well as to encourage these countries to adapt to the changes brought in by fintech and contribute to the broader global dialogue.
6. ***We would like to touch on two more specific points. One is to underline the need to reinforce competition and commitment to open free and contestable markets. The other point is that international cooperation should seek Fintech progress in benefit of lower income countries, particularly by reducing costs of remittances and mitigating the consequences of reduced correspondent banking relations. Staff comments on these two points are welcome.***
- We agree with both objectives of open markets and benefits to lower-income countries. The discussion of element III in the background paper offers a few considerations for promoting competition and open markets. We also agree that international cooperation can foster fintech benefits for lower income countries, by reducing costs of cross-border payments and improving remittance transfer systems. With regard to reduced correspondent banking relations, please note the response to question 4 above.

Collaboration and Coordination

- Staff will respond orally at the Board to questions 7–12.
- 7. *In this context, we would welcome further information to what extent FSB, BIS, and the FATF have been involved in the formulation of the Agenda.*
- 8. *Like Messrs. Merk and Braeuer, we are interested to hear more about staff's engagement with the SSBs, including their specific comments on the Agenda and roll-out plan.*
- 9. *We would welcome the staff's comment on how the IMF and the World Bank have collaborated with other international bodies, such as the FSB and the BIS, in the formulation of the Agenda.*
- 10. *Has staff consulted with other relevant international bodies as regards the content and direction of the Bali Fintech Agenda?*
- 11. *Given the large number of international bodies involved in reviewing the implications of fintech developments, how does staff view the coordination with the bodies involved?*
- 12. *We see benefit in a greater exchange of information and experience on fintech issues internationally to facilitate monitoring of financial stability risks and broader public policy objectives, such as financial integrity. We would welcome staff elaboration on the optimal mechanism for such information sharing and exchange.*

Role of the Fund and Implications for the Work Program

- Combined response to questions 2, 13-19
- While there is no plan to further develop or revise the Bali Fintech Agenda paper, the assessment of the implications of the Agenda for the role of the Fund and its operational work will be an ongoing process in both areas of surveillance and capacity building. In the near term, staff intends to strengthen its focus on monitoring and analyzing fintech developments so as to assess emerging issues. As a follow-up and in response to a suggestion by a number of Executive Directors, the staff is planning to prepare a stock-taking paper covering fintech developments in member countries that are relevant to the issues raised in the Agenda. Going forward, these new aspects, within the IMF's mandate, will be included in the IMF work program and

- presented to the Board for guidance. We could then refine our evaluation on what they mean in terms of internal resource needs.
- Gaining experience will allow staff to refine its views on the macrocriticality of emerging issues. The judgment of macrocriticality should continue to determine the coverage of Article IV Consultation and should reflect whether the issue under consideration affects or has the potential to affect, domestic or external stability, or—in the case of potential outward spillovers—global stability. The background paper lists a number of these potential areas; for Article IV consultations, those identified mainly pertain to the impact of fintech on financial integrity and resilience and capital flows.
 - Judgments of macrocriticality will be informed by member circumstances based on a close dialogue with the authorities. This will support evenhandedness. The FSAP will be an important instrument in identifying fintech-related priorities for both surveillance and capacity development/technical assistance. In a number of cases, FSAPs have already included some discussion of fintech developments. Staff will consider whether and how to include fintech-related criteria in the already established criteria for non-S29 countries. In addition, for low-income countries, the FSSR could play an important role in this regard.
 - With respect to capacity building, the Fund has already organized a number of fintech events, including a “Fintech Roundtable Program”; the first global peer-to-peer forum for relevant authorities to share views and experiences. Additional events such as workshops or conferences are planned.
13. *While international institutions are analyzing various issues relating to fintech, we note that a suitable institutional framework for reaping the full benefits of fintech possibilities is yet to evolve. We would like to know how Fund’s expertise can play a role in developing this framework.*
14. *We invite staff to provide some preliminary estimates of the implications of these activities in terms of financial and human resources.*

Surveillance

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15. *While fintech in Fund’s bilateral surveillance work should be in the case of macro-critical like other emerging issues, we are of the view that it is important to develop a structured way of determining macro-criticality regarding fintech to ensure consistency and evenhandedness. Staff comments are welcome.*
16. *We support the inclusion of more fintech topics in the regular surveillance based on macro criticality. We would be interested to hear staff’s initial thinking on how*

this could be done, and what the expected implication of the Bali agenda on this workstream is.

Capacity Development, TA and FSAPs

17. *Given the newness of many issues affected by fintech, we would welcome staff comments on the plan to build expertise within the Fund to be able to provide specific fintech TA to the membership in the period ahead.*
18. *Nevertheless, given the rapidly evolving landscape, we would like to know if any consideration has been given to the need to boost capacity development, workshops, and targeted technical assistance in this regard.*
19. *As the FSAP plays a central role in shaping Fund CD activities in these areas, we would welcome staff's comments on the potential implications of the Bali Agenda for the current framework for prioritizing countries' requests for FSAP assessments?*

Data

20. *In this respect, we would ask staff to explain, to what extent the Fund's current data reporting standards are already able to capture fintech-related developments and their impacts.*
 - The IMF's Financial Access Survey (FAS) collects annual data on indicators tracking access to and use of financial services and has started collecting data on mobile money in 2014. Existing digital currencies, such as Bitcoin, do not meet the definition of currency and are not tracked as such. On other fintech activities, unfortunately, we do not have a good coverage at this stage. The IMF's current data dissemination standards could potentially capture developments in the fintech sector. For example, SDDS Plus adhering countries are required to publish data on the sectoral balance sheets of "other financial corporations" on a quarterly basis and to publish a stand-alone "other financial corporations survey" on a quarterly basis.