

Opening Remarks by Deputy Prime Minister Taro Aso

G20 High-level Seminar on Financial Innovation “Our Future in the Digital Age”

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Hilton Fukuoka Sea Hawk

Good afternoon, everyone, and welcome to my hometown of Fukuoka. Fukuoka is blessed with a mild climate and delicious food, and is a well-developed international city thanks to its closeness and strong links to the rest of Asia. I am particularly pleased to host this seminar here given the city’s efforts to promote fintech.

Financial innovation is one of the G20 finance track priorities under Japan’s Presidency. In this seminar, we will first discuss how technological advances are transforming the financial sector. We will then focus more specifically on distributed ledger technology (DLT) such as blockchain and discuss the implications on the financial system.

We are honored to have Madame Christine Lagarde, Managing Director of the International Monetary Fund, deliver keynote remarks. I am sure that we will all benefit from her insights into the issues posed by financial innovation.

The Opportunities and Risks of Financial Innovation

In the first session of the seminar, we will explore the opportunities and risks of financial innovation. We have invited distinguished speakers from the financial industry, as well as global IT firms which are leading innovation.

To help set the stage, let me lay out some of the potential benefits of financial sector innovation.

- (i) First, the rise of big data, artificial intelligence and machine learning could expand the availability of customized financial services. These types of services, which have traditionally been limited to wealthy individuals and big corporations, may become available to a broader customer base.
- (ii) Second, mobile banking will allow unbanked people to access to financial services at a lower cost. This could contribute to greater financial inclusion in developing countries.
- (iii) Third, cloud computing could eliminate the need for massive IT capital investments, which has been required to conduct financial businesses. This could lead to easier entry for start-ups as well as greater business agility for incumbents.
- (iv) Fourth, distributed ledger technology could lead to networks that directly link financial customers or market participants, potentially increasing the efficiencies and reducing costs.

But of course, if technological innovation transforms traditional business models it may bring more than just benefits. We need to stay vigilant against risks or challenges. For example, how do we strike the right balance between making the best use of data while protecting privacy? And how do we ensure cybersecurity amid our growing dependence on technology? Finally, could innovation bring about new form of financial exclusion, for example, if machine learning encodes the existing biases and prejudices?

I hope today's discussion will provide you with some clues to answer these questions.

Multi-stakeholder Governance for a Decentralized Financial System

Session 2 focuses on distributed ledger technology, or DLT. There is a famous quote by Bill Gates from 1994. “Banking is necessary, but banks are not.” A quarter-century later, we still use banks but this may not be the case in the future: DLT may allow for the provision of banking services without banks.

In such a future, financial regulators may no longer be able to rely on regulations of intermediary financial institutions to protect the public interest. This could pose challenges for financial stability and consumer protection among other issues. In Session 2, we will hold a panel discussion among a group of experts from regulatory community, academia, financial industry and technology community. The panel will explore a possible multi-stakeholder approach for the governance of a DLT-based financial system.

I hope that this seminar will provide valuable input for the G20 Finance Ministers and Central Bank Governors Meeting. I look forward to an active and constructive dialogue. Thank you very much for your attention.
