

Side-Meeting: Financial Technology

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Agenda

- Financial Technology and Community, Shigeya Suzuki (up to 45min)
 - Motivation and background
 - What happened in G20 Fukuoka
 - Q&A and Discussions
- Presentation/Discussions on following I-D, Hirotaka Nakajima (30min)
[draft-vcgtf-crypto-assets-security-considerations-05](#)

Goal of this meeting

- To inform on-going discussion on finding or establishing a place to discuss on DLT
- To find people who have an interest in this topic
- Receive feedbacks

- But is ***not***
 - .. to initiate some work which has a direct relationship to DLT in IETF
 - (I'm personally don't have interest to have standards **yet**)

| Motivation and Background

**Who need to be involved
to create
Healthy Eco-system
for
Decentralized Finance or a like?**

Motivation

- We're observing 50th year since the beginning of the Internet
- Ten years since Bitcoin's introduction
- DLT is still young compared to the Internet, but its impact is not negligible now
- Financial Regulators start understanding both excellent and adverse impact of DLT

Our discussion and the progress

- Keio University, Georgetown University, and Japanese Financial Services Agency jointly work together with BSafe.Network in last two years
- JFSA guys studied how Internet technology developed and deployed
- We learned how financial regulators works
- During the discussion, we realized that it is crucial to establish a multi-stakeholder community in the context of DLT
- Now, as you see, G20 communique mentioned about it (in the communique way)
- We are start talking with various stakeholders, including tech community and regulators

| What happened at G20 Fukuoka

**G20 Finance Ministers and
Central Bank Governors' Meeting in Fukuoka**

G20 Finance Ministers and Central Bank Governors' Meeting in Fukuoka

- G7: Canada, France, Germany, Italy, Japan, UK, US
- G20:
 - Australia, Canada, Saudi Arabia, United States,
 - India, Russia, South Africa, Turkey,
 - Argentina, Brazil, Mexico,
 - France, Germany, Italy, United Kingdom
 - China, Indonesia, Japan, South Korea
- G20 Finance Ministers and Central Bank Governors' Meeting
 - = Finance Minister & Central Bank Governor of each G20 countries + IMF + World Bank, etc.

Report of FSB (Financial Stability Board) Decentralised financial technologies Report on financial stability, regulatory and governance implications

- Published on July 6th, 2019, just before G20 Fukuoka meeting
- The document work initiated by the request from Japan in the meeting of FSB on October 2018
- ... Regulators may also wish to **engage in further dialogue with a wider group of stakeholders, including those in the technology sector that have had limited interaction with financial regulators to date.** This should help avoid the emergence of unforeseen complications in the design of decentralised financial technologies at a later stage.

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



G20 HIGH-LEVEL SEMINAR ON FINANCIAL INNOVATION OUR FUTURE IN THE DIGITAL AGE

Date/Time/Venue

June 8, 2019 (Saturday) 12:30-15:30
Hilton Fukuoka Sea Hawk

Agenda (Including a Coffee Break(15 minutes))

12:30 - 12:40 Opening Remarks

Taro Aso, Deputy Prime Minister, Minister of Finance, and Minister of State for Financial Services



12:40 - 12:55 Keynote Remarks

Christine Lagarde, Managing Director, International Monetary Fund



12:55 - 13:45 Session1 Opportunities and Risks of Financial Innovation

◇Keynote presentation

Nobuyuki Hirano, Chairman, Mitsubishi UFJ Financial Group



Chairman Hirano

◇Presentation

Caesar Sengupta, General Manager for Payments and Vice President for Next Billion Users, Google



GM Sengupta

Michael Punke, Vice President for Global Public Policy, Amazon Web Services



VP Punke

14:00 - 15:20 Session2 Multi-stakeholder Governance for a Decentralized Financial System

◇Introductory remarks

Toshihide Endo, Commissioner, Japan Financial Services Agency



Prof. Murai

◇Panel discussion

Jun Murai, Professor, Keio University



Back CEO

Klaas Knot, President, De Nederlandsche Bank, and Vice Chair, Financial Stability Board



President Knot

Adam Back, Co-founder and CEO, Blockstream

Shin'ichiro Matsuo, Research Professor, Georgetown University

Brad Carr, Senior Director, Digital Finance, Institute of International Finance

15:20 - 15:30 Closing remarks

Haruhiko Kuroda, Governor, Bank of Japan



※ Invitation only

※ Following the seminar, there will be a networking reception at the Hilton Fukuoka Sea Hawk

Japan Financial Services Agency



Communiqué, G20 Finance Ministers and Central bank Governors Meeting, Fukuoka (June 8-9, 2019)

13. Technological innovations, including those underlying crypto-assets, can deliver significant benefits to the financial system and the broader economy. While crypto-assets do not pose a threat to global financial stability at this point, we remain vigilant to risks, including those related to consumer and investor protection, anti-money laundering (AML) and countering the financing of terrorism (CFT). We reaffirm our commitment to applying the recently amended FATF Standards to virtual assets and related providers for AML and CFT. We look forward to the adoption of the FATF Interpretive Note and Guidance by the FATF at its plenary later this month. We welcome IOSCO's work on crypto-asset trading platforms related to consumer and investor protection and market integrity. **We welcome the FSB's directory of crypto-asset regulators, and its report on work underway, regulatory approaches and potential gaps relating to crypto-assets.** We ask the FSB and standard setting bodies to monitor risks and consider work on additional multilateral responses as needed. We also welcome the FSB report on decentralized financial technologies, and the possible implications for financial stability, regulation and governance, and how regulators can enhance the dialogue with a wider group of stakeholders. We also continue to step up efforts to enhance cyber resilience, and welcome progress on the FSB's initiative to identify effective practices for response to and recovery from cyber incidents.

“IETF” word spoken at the meeting

- G20 High-Level Seminar — Introductory remarks, Toshihide Endo, Commissioner, Japan Financial Services Agency

“Let me take the example of the **Internet Engineering Task Force**, or **IETF**, which is **an open global community responsible for developing and reviewing the Internet standard specifications**. The **IETF** is not a legal entity and has no formal membership. Anyone can participate in discussions, and documents are public and freely available. Decisions are made not by voting but based on a process called “**rough consensus and running code**.” In this process, the **IETF** participants strive to make their decision by the consent of all participants, though allowing for some dissent, and to have the actual products of engineering trump theoretical designs”

Tech Community's Role

- From Technical Community:
 - Regulators in G20 countries shared the idea that it is crucial to have a dialogue with stakeholders, including the tech community
- The most critical issues regulators have on the deployment of technology is:
 - Consumer Protection
 - Prevention of use of the technology for criminal activities including money laundering
- They also understand blocking innovation is a bad idea
- We have the responsibility to approach to the table to discuss this.
- We need to consider how the multi-stakeholder discussion can take place.

| Some discussions

the Internet as under layer

- As several people mentioned in the din-rg mailing list, the Internet, has a crucial role to establish DLT based technology

DLT relying on some components which described in IETF documents

- Cipher and its type IDs
- Various serialization, signing scheme, etc.
- (PKI)
- Mathmesh, is very interesting on the relationship to the DLT
- Or, possibly this kind of discussion may fit:
 - General Security Considerations for Cryptoassets Custodians
 - <https://datatracker.ietf.org/doc/draft-vcgtf-crypto-assets-security-considerations/>
 - (Hiro will talk about this later in this meeting)

Interoperability

- Needless to say, we (here) understand importance of interoperability
- Everybody talk about interoperability is important

- Yes, that's true..

But.. Isn't it is too early to start discuss about standardization in DLT?

- Honestly, I can't see any possibility of generalized interoperable DLT system in foreseeable future
- Any good DLT architecture/models developed?
 - looks like some good indications now

Finance? I don't have interest in finance part

- DLT's Relationship to finance in terms of technology is important, since DLT depends on the Internet
- Application in general sometimes affects design, implementation, deployment of underlay. Why fintech don't?

Updates

Last four months

- Several meetings/presentations on the topic
 - Mostly organized by the team at BSafe.Network, including me.
- **Workshops:** “DFA Workshop,” prior to Scaling Bitcoin 2019, Tel-Aviv, Sep. 8th
- **Panels:**
 - Security Standardisation Research Conference 2019, London, UK, Nov. 11th, 2019
 - Blockchain Convergence, Malaga, Spain, Nov. 12th, 2019,
- **Other closed meetings:** Some other meetings with Regulators

Events in 2020

- at Financial Cryptography and Data Security 2020
- Governance Forum 2020 (title tentative)
 - Japan Financial Services Agencies ran two-day round-table, with regulators, academia, some industry players in March, 2017-2019
 - We're planning two-day meeting in early March in Japan, as reorganized version of the above, on March 9th-10th, 2020

We (finally) will have mailing-list

- We'll announce on the details soon (on both ietf and DIN-rg list)

Question and Comments?

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