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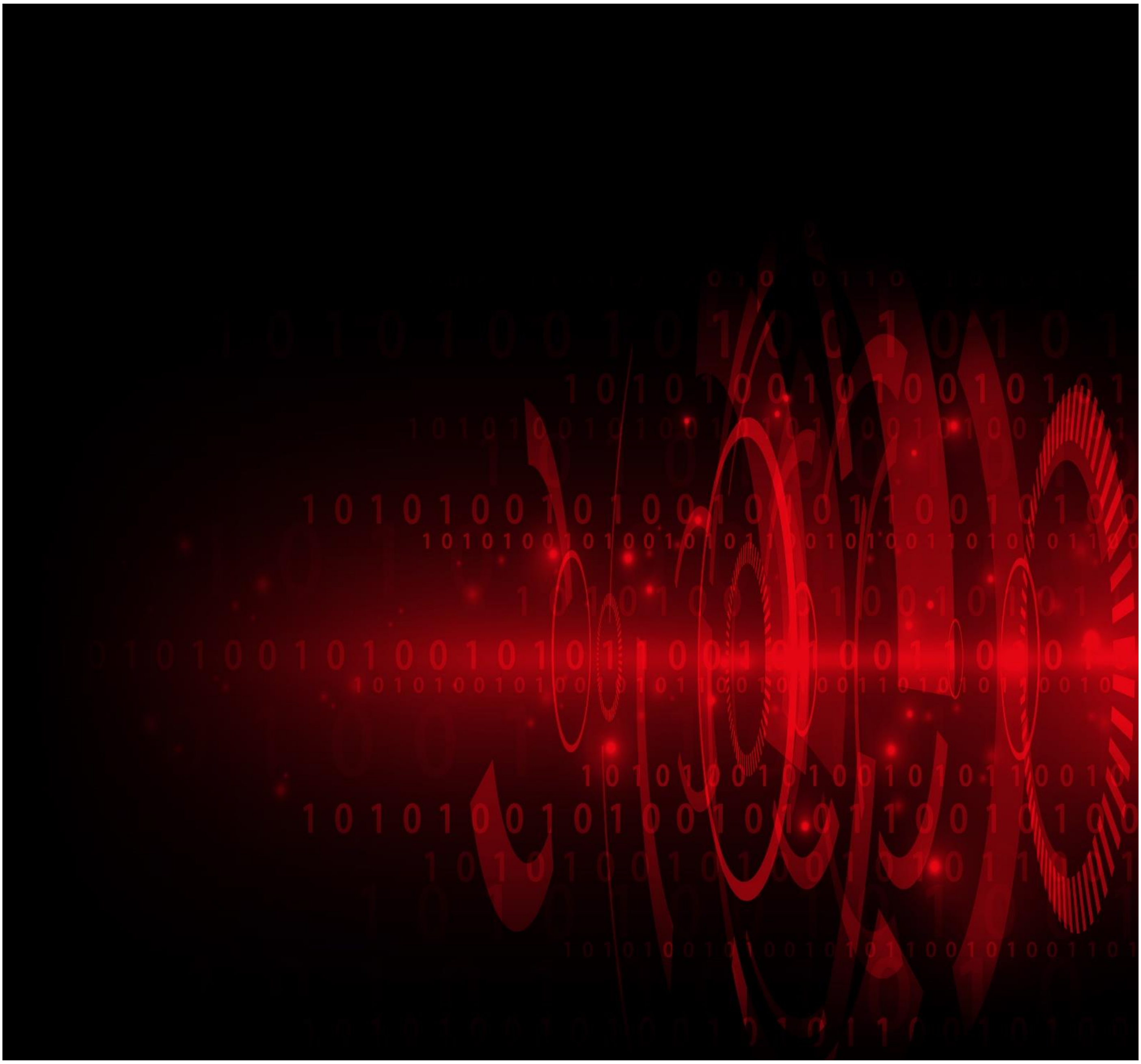
Global Blockchain Business Council

Monthly Fintech Updater

Norton Rose Fulbright LLP – 31 August



Global, EU, UK and US Regulatory Developments

EU	
ESMA report on the use of FinTech by CSDs	On 6 August 2021, the European Securities and Markets Authority (**ESMA**) published a report on the use of FinTech by central securities depositories (**CSDs**). The report focuses on the use of FinTech by CSDs. ESMA has gathered the views of Member State competent authorities (**NCAs**) and relevant market players on the existing experience with the use of FinTech and in particular distributed ledger technology (**DLT**), their plans to use this type of technology in the coming future and whether the current regulatory framework represents a barrier for them to implement their projects involving DLT. In the report ESMA concludes that the Central Securities Depositories Regulation (**CSDR**) is intended to be technology-neutral and, as such, should be able to accommodate the use of new technologies. Some aspects would benefit from additional clarifications and ESMA considers that most of these could be dealt with through Q&As. ESMA has also put forward some recommendations to the European Commission mainly in respect of: • Issues related to securities accounts, credits, debits, segregation requirements and reconciliation requirements. • Operational requirements. • Settlement of securities and of cash in a DLT environment. • Settlement finalty. The Commission is expected to prepare a legislative proposal by the end of 2021. **Published 6 August**

UK	
FCA regulatory sandbox – always open	On 2 August 2021, the FCA announced that the regulatory sandbox had moved from being operated on a cohort basis to being always open, allowing firms to submit their applications throughout the year. Since it launched, the regulatory sandbox has operated on a cohort basis, which means firms could only apply during a specific window in the calendar year. While the cohort approach was appropriate for a testing environment, which served as a blueprint for regulators all over the world, the sandbox required changes to reflect its maturity and the lessons learned since its inception in 2016. The Kalifa Review of UK FinTech recommended that the sandbox be enhanced to provide more value to firms. This included a specific recommendation that the sandbox be made available on a rolling basis, rather than through time-limited windows. In August 2021, the regulatory sandbox moved to always open, allowing firms to submit their applications throughout the year. By making this change, firms can now access our sandbox testing services at the right point in their development lifecycle, to maximise the benefits of live market testing for progressing their innovative models. Find out how to apply for the regulatory sandbox, including information about the FCA's eligibility criteria. **Published 2 August**
FCA updates webpage on digital sandbox	On 10 August, the FCA updated its webpage dealing with the Digital sandbox and coronavirus. On this webpage the FCA has added a new section "Apply to develop your solution in the Digital Sandbox". The FCA states that it will be opening the application window for the sustainability cohort on 6 September 2021, with a view to opening the Sandbox to successful participants in November and access to the testing environment from January 2022. The FCA adds that applications will be assessed on the following eligibility criteria: • Genuine innovation: The solution/product is sufficiently different from what already exists in the market. • In scope: The solution would benefit UK consumers or financial services firms by solving one of the ESG data and disclosure use cases. The company doesn't need to be domiciled in the UK, but the solution needs to be intended for use in the UK market. • Need for a Digital Sandbox: The solution requires Digital Sandbox features to be developed or improved. • Credible testing plan: The application has proposed a well-designed testing plan, detailing success criteria and future steps. • Applications must be submitted through the online application form on the Digital Sandbox. The form will go live on 6 September 2021. The FCA will publish more information in the coming weeks. **Published 10 August**

US	
Chair of the SEC calls for cryptocurrency regulation	On 3 August, the chair of the Security and Exchanges commission (**SEC**), Gary Gensler, was invited to speak at the Aspen Security Forum. He noted that at present, there is a scarcity of crypto regulation and the policy landscape resembles the 'Wild West'. He commented that this asset class is rife with fraud, scams, and abuse in certain applications. Further, there is a great deal of hype and spin about how crypto assets work. In many cases, investors are not able to get rigorous, balanced, and complete information. He noted that there is now a crypto market where many tokens may be unregistered securities, without required disclosures or market oversight which leaves prices open to manipulation, leaving investors vulnerable. Over the years, the SEC has brought dozens of successful actions in this area, prioritizing token-related cases involving fraud or other significant harm to investors. Moreover, there are initiatives by a number of platforms to offer crypto tokens or other products that are priced off of the value of securities and operate like derivatives. He emphasised that these products are subject to the securities laws and must work within the securities regime irrespective of how they operate. On crypto trading platforms, lending platforms, and other "decentralized finance" (**DeFi**) platforms, he noted that these platforms not only can implicate the securities laws; some platforms also can implicate the commodities laws and the banking laws. This is because unlike other trading markets, where investors go through an intermediary like the New York Stock Exchange, people can trade on crypto trading platforms without a broker 24 hours a day, 7 days a week, from around the globe. On stablecoin, he noted that in July 2021, nearly three-quarters of trading on all crypto trading platforms occurred between a stablecoin and some other token. He highlighted the risks stablecoins present to the financial system, namely money laundering, tax avoidance and breach of sanctions, which can also affect national security. On custody, he noted that the SEC is seeking comments on crypto custody arrangements by broker-dealers and investment advisers. He concluded that additional congressional authority is required to prevent transactions, products, and platforms from falling between regulatory cracks, and that more resources are also needed to protect investors in this growing and volatile sector. **Published 3 August**

SEC requests information and comment on broker-dealer and investment adviser digital engagement practices	On August 27, the Securities and Exchange Commission announced that it is requesting information and public comment on matters related to the use of digital engagement practices by broker-dealers and investment advisers. These tools include behavioural prompts, differential marketing, game-like features (commonly referred to as gamification), and other design elements or features designed to engage with retail investors on digital platforms (e.g., websites, portals, and applications), as well as the analytical and technological tools and methods (collectively called digital engagement practices (**DEPs**)). "While new technologies can bring us greater access and product choice, they also raise questions as to whether we as investors are appropriately protected when we trade and get financial advice," said SEC Chair Gary Gensler. "In many cases, these features may encourage investors to trade more often, invest in different products, or change their investment strategy. Predictive analytics and other DEPs often are designed with an optimization function to increase revenues, data collection, or customer time spent on the platform. This may lead to conflicts between the platform and investors. I'm interested in the varied questions included in the Request for Comment, and I'm particularly focused on how we protect investors engaging with technologies that use DEPs." The Commission is issuing the Request, in part, to develop a better understanding of the market practices associated with firms' use of DEPs and the related analytical and technological tools and methods. The Commission also is hoping to learn what conflicts of interest may arise from optimization practices and whether those optimization practices affect the determination of whether DEPs are making a recommendation or providing investment advice. The Request also is intended to provide a forum for market participants, including investors, and other interested parties to share their perspectives on the use of DEPs and the related tools and methods. This includes potential benefits that DEPs provide to retail investors, as well as potential investor protection concerns. The Request will facilitate the Commission's assessment of existing regulations and consideration of whether regulatory action may be needed to further the Commission's mission. The public comment period will remain open for 30 days following publication of the Request in the Federal Register. The Commission encourages retail investors to comment on their experiences by submitting a Feedback Flyer, available here. **Published 27 August**

Canada	
Government welcomes final report from the Advisory Committee on Open Banking	On 4 August, the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, welcomed the final report from the Advisory Committee on Open Banking. The report makes recommendations on how to modernize the Canadian financial services sector and implement a secure open banking system that gives Canadian consumers the confidence and convenience they are looking for in today's economy. The report noted that operationalizing an open banking system by January 2023 is an ambitious but achievable goal. To do this, Government should appoint a lead to advance the design and early implementation of an open banking system. The lead could be internal or external to Government but should understand the financial and technology sectors and their participants and be recognized as a proponent of innovation. As noted in the Advisory Committee's report, more than four million Canadians are currently accessing open banking-style services (e.g. personal budget planners, robo-advisors, and non-traditional lending) via "screen scraping," which requires people to share their banking login credentials, and which is unsecure, inefficient, unregulated, and an unreliable method of data sharing. The committee commented that Canadians deserve a secure open banking system that is safe, regulated, efficient, and protects their interests. The government is committed to safeguarding the privacy of Canadians and ensuring they have control over their own data; this same approach will be adopted by the government as it moves forward with open banking. With the appropriate security framework in place, open banking can contribute to economic growth in a data-driven, digital economy and improve the financial outcomes of Canadians and their businesses, which is vital for post-COVID-19 recovery. The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance said, "Consumer-driven finance, or open banking, is already part of Canadians' lives. Many use digital services every day to manage their money, to budget for expenses, and to make investments. Working towards a regulated, made-in-Canada system will make sure that we continue to enjoy a strong, stable, and innovative financial sector that is globally competitive, promotes consumer choice, prioritizes data privacy, and contributes to economic growth. I want to thank the committee for their work and look forward to reviewing their recommendations as we develop next steps." The committee's final report is the culmination of work undertaken since 2018, including two phases of consultation with a broad range of stakeholders, engagement with subject matter experts, public opinion research, extensive reviews of open banking in international jurisdictions, and the committee's own expertise. It outlines what an open banking system could offer Canadians and a roadmap for how to deliver it. The report highlighted the one of the risks of open banking is that it requires consumers to share their banking login credentials with third party service providers which creates security concerns. However, it also emphasised that implementing a system of open banking is about enabling secure, efficient consumer-permissioned data sharing – realizing Canadians' right to data portability and allowing them safe and convenient access to a comprehensive picture of their finances.

The report made several recommendations in the following areas:

1. **Governance**

   The report recommended a phased approach to open banking governance where an appointed lead would work with government and industry to design and implement an early phase of the system. While open banking is being designed and implemented, the Government can work in parallel to stand up a purpose-built governance entity that would manage the on-going administration of the system. The lead's work will inform the development of a governance entity, but these processes will be separate to enable the lead to focus on implementing open banking expediently.

2. **Common rules**

   Currently, efforts to achieve more secure data sharing within financial services have been hindered by the need for bilateral contracts between banks and third party service providers. These arrangements are inefficient and do not provide a consumer-centric and transparent foundation for open banking to thrive. In order to reduce reliance on bilateral contracts and enable secure, efficient consumer-permissioned data sharing among participants in the open banking system, common rules are required. The main objective of the common rules is to protect consumers, including from bad actors who might seek access to their data. To achieve this, the system design needs to place the consumer at the centre with the rules governing the areas of liability, privacy and security.

3. **Accreditation**

   The Committee envisions an open banking accreditation process similar to the Systems and Organization Controls (**SOC**) process. This audits internal controls to assess an organization's fitness including in the areas of privacy and security. In this approach, accreditation criteria are established, a prospective open banking participant fulfils the requirements, and an independent entity conducts a review to determine compliance. The accreditation criteria will reinforce the common rules by ensuring participants in the open banking system have the competencies necessary to adhere to the rules. For example, accrediting criteria should affirm the operational and financial fitness of open banking participants, including their ability to meet the requirements related to liability, privacy and security. Holding adequate insurance or some comparable financial guarantee will be critical to ensure accountability among accredited third party service providers and to ensure consumers are protected.

4. **Technical specifications and standards**

   Technical specifications are the detailed set of instructions used to enable the secure and efficient transmission and receiving of financial data among participants in an open banking system. The report recommends APIs to provide for efficient transfer of data e.g. Push APIs which enable real-time, event-based updates to consumer records held by a third party service provider and may provide for more efficient and less costly data transfer relative to 'pull' functions, as well as an enhanced consumer experience.

   As an immediate next step, the Committee recommends that the Government designate an open banking lead that will be responsible for convening industry, government and consumers in designing the foundation of the system of open banking with a view to concluding the design elements within 9 months of appointment. Following a subsequent testing and accreditation period, the system should be operational within 18 months.

Published 4 August (original report published April 2021)

South Korea

Authorities provide consulting to VASPs and advise supplementary actions prior to registration

On 16 August, the Finance and Securities Commission (**FSC**) announced that as a follow-up to the government's plan to enhance supervision on virtual asset service providers (**VASPs**) and their transaction activities, the FSC and relevant institutions provided on-site consulting to the 25 VASPs between June 15 and July 16 and advised them to take supplementary measures prior to their business registration.

Out of the 33 VASPs that have already obtained the ISMS certification or are in the pending status, a total of 25 entities showed interest in receiving consulting from the authorities. As such, the FSC along with other relevant institutions provided on-site consulting to the 25 VASPs to review their preparation for business registration and check the level of stability in their transactions system.

1. **Preparation for Registration**

   Pursuant to the Act on Reporting and Using Specified Financial Transaction Information ("the Act" hereinafter), VASPs should file necessary documents for registration until September 24 and adhere to AML duties from the time of their registration. As such, VASPs should have their own internal procedures, human resources and facilities ready to implement the AML requirements at the time of registration.

   When consulting was provided, no VASPs were found to have met all the registration requirements, and they have shown inadequate levels of preparedness for the implementation of the AML duties and other requirements set forth by the Act. Out of the 25 VASPs, 19 entities have obtained ISMS certification, but only four VASPs were found to have their business operation with real-name verified accounts. The VASPs that have obtained ISMS certification but have no real-name accounts may still apply for business registration but for the category that is barred from offering exchange services between virtual assets and a fiat currency. With regard to the level of preparedness in adhering to the AML requirements, the lack of employees overseeing this matter and insufficient system preparation for suspicious transactions reporting appeared to be problematic.

   As such, the authorities have advised the VASPs to take supplementary measures prior to their business registration. The authorities plan to continue to work on improving the VASPs' AML capacity through inspection, supervision, education, etc.

2. **Stability in Transactions System**

   Having a stable transactions system and a consumer damage prevention mechanism is not a prerequisite for business registration. However, the VASPs have been advised on these matters for the purpose of user protection.

   At the time of consulting, the level of internal control mechanisms for stable maintenance and management of virtual asset transactions appeared to be inadequate. Unlike in stock markets where a variety of players take up different functions and provide different services, different types of services are often provided by the same entities in the virtual asset market. This has exposed the issue of fairness in market order, safety in user's assets, system stability, etc. These matters will be dealt with in the legislative process of drawing up relevant regulations at the National Assembly. In the meantime, the authorities will take stringent measures on VASPs engaging in illegal activities.

	3. Caution for Users Users of virtual asset services are advised to practice caution as the current legal framework (the Act) on VASPs is largely aimed at imposing AML duties on VASPs and has limits in providing protections for users. Virtual asset service users are also advised to check the status of business registration of their VASPs as an abrupt closure of business from September 25 may result in losses. **Published 16 August**
Organizational change at KoFIU to help improve transparency in virtual asset transactions	On 26 August, the FSC and the Ministry of the Interior and Safety issued an advance notice of organizational change at the Korea Financial Intelligence Unit (KoFIU) which will add a specific division and personnel tasked to oversee virtual asset transactions. This proposal for organizational shift is intended to improve transparency in virtual asset transactions as the revised Act on Reporting and Using Specified Financial Transaction Information went into effect in March this year. The legislative change pertaining to the organizational shift creates a new division and adds personnel specifically tasked with the management and supervision of virtual asset service providers and their AML duties. The addition of working level personnel will strengthen the KoFIU's capacity for inspection and analysis with regard to virtual asset transactions. With additional personnel and organization, the KoFIU will work to establish a proper market order and improve transparency in virtual asset transactions. The legislative change is expected to be finalized and become effective in September. **Published 26 August**

Singapore	
Singapore FinTech Festival 2021 to take place from 8 to 12 November, with key focus on Web 3.0	On 4 August, the Monetary Authority of Singapore (**MAS**) announced that the Singapore FinTech Festival (**SFF**) will take place from 8 to 12 November, as a hybrid digital and physical event. SFF 2021, organised in partnership with the Association of Banks in Singapore (**ABS**) and in collaboration with Constellar Exhibitions, a subsidiary of Constellar Holdings (formerly known as SingEx-Sphere Holdings), will provide a combined online-offline platform for the global FinTech community to engage and connect in spite of the current challenges with international travel. The first three days of the SFF will feature a hybrid conference and exhibition; on 11 and 12 November, participants can attend global satellite events and industry events online and at physical locations. The theme for SFF2021 is "Web 3.0". Over three days, SFF2021 will bring together global experts to discuss how Web 3.0 and key technological advances will power the future of financial services. In particular, the conference will examine three key structural drivers that could re-shape financial services in the coming decade: 1. Re-configuration of financial products and services delivery through Embedded Finance, decentralised finance and Digital Currencies 2. Integration of ESG into the core design of financial services 3. Pervasive adoption of foundational digital infrastructure (Digital Identity, Trusted Data Exchange, Interoperable Payment Systems and Consent Systems) SFF2021 will also organise deep-dive sessions that will brainstorm how Web 3.0 technologies can be harnessed for more efficient financial intermediation, advance key objectives like green finance and financial inclusion, and examine implications for financial regulation and supervision. Other highlights include: • an inclusive global programme with 'live' broadcasts featuring leading industry and government leaders globally. • the showcasing of winners of the MAS Global FinTech Hackcelerator, Global CBDC Challenge, a revamped SFF FinTech Awards and Innovation Lab Crawl. • curated hybrid meetings which will be at the heart of the FinTech festival, with recommended matches, hosted meet-ups and a comprehensive exhibitor directory to drive dedicated matchmaking throughout the event. Mr Mohanty said, "For the last five years, MAS has grown the SFF into a leading global platform for FinTech. It is now time for the SFF to further a global mission. Singapore has an important role to play as a knowledge centre and as a platform to enable greater collaboration and exchange between the public and private sectors around the world." During the week of the SFF2021, Enterprise Singapore will also host the Singapore Week of Innovation and TeCHnology (**SWITCH**). Together, these two marquee events will feature exciting innovation and technology activities for the global innovation community. For more details, visit www.fintechfestival.sg to register for the SFF 2021 and receive updates, and www.fintechfestival.sg/about-us to learn more about the new entity. **Published 4 August**

Hong Kong	
Supporting the use of new technologies for AML/CFT: HKMA suggests actions for the banking sector	On 11 August, the Hong Kong Money Authority (**HKMA**) wrote to Authorised Institutions (AIs) to notify them of its plans to support AML/CFT innovation and help strengthen AIs' implementation of the risk-based approach to AML/CFT. The HKMA referenced the recent report by the Financial Action Task Force (**FATF**) entitled the "Opportunities and Challenges of New Technologies for AML/CFT", which identifies how new technologies, especially emerging and available solutions such as machine learning and natural language processing, can help improve the speed, quality and efficiency of AML/CFT measures. The FATF report identifies which technologies offer the most potential to positively impact AML/CFT work, addresses common challenges, and shares use cases from across the FATF Global Network, including two from Hong Kong on overcoming operational challenges and the use of network analytics. The HKMA highlighted the initiatives it plans to take in the coming months as part of its broader "Fintech 2025" strategy to advance AIs' positive and responsible use of new technologies for AML/CFT. These include: • **To share experience and success stories of AIs and Stored Value Facility (SVF) licensees** In September, the HKMA will host an AML webinar with speakers from law enforcement agencies and industry to focus on how the industry is combatting online fraud and money laundering networks using technology and data, underpinned by increasing publicprivate collaboration. To make this webinar and other relevant training materials more widely accessible to the staff of AIs and SVF licensees, an online AML/CFT training portal will be launched by the HKMA. Individual login details will be provided in the near future. • **To launch AML and Financial Crime Regtech Labs for experimenting and engaging with new technologies and emerging data analytics techniques** Commencing in November 2021, the HKMA will launch a series of interactive lab sessions to allow experimentation in a facilitated environment using simulations of real-life AML/CFT Regtech use cases before significant investment decisions. The first lab will focus on the use of network analytics and natural language processing to facilitate more effective alert examination and clearance; • **To promote network analytics capability for tackling online fraud and associated mule account networks** In Q4/2021, we will commence a thematic review of progress over the past year by FMLIT4 member AIs across a number of fundamental building blocks for the development of network analytics. We will share observations and good practices with the wider industry in 2022 • **To create a conducive environment for inclusive AML/CFT innovation** Working collaboratively with Hong Kong's AML/CFT ecosystem, the HKMA is gathering suggestions and gauging interests of stakeholders to promote innovative uses of emerging technologies to tackle AML/CFT challenges, as the first initiative in HKMA Fintech Supervisory Sandbox 3.0 or through other innovative events. Further details will be announced in Hong Kong Fintech Week 2021 in November. **Published 11 August**

International Developments

Bank for International Settlements (BIS)	
Regulating Big Techs in finance	On 2 August, the BIS published a bulletin entitled, 'Regulating Big Techs in finance', which reviews the policy challenges for central banks and financial regulators in their oversight of the activity of Big Tech firms in financial services, especially as it relates to the payment system. The rapid growth of Big Tech firms in financial services presents various policy challenges. Some are variations of familiar themes that lie squarely within the traditional scope of central banks and financial regulators, such as the mitigation of financial risks and the oversight of operational resilience and consumer protection. Assessing Big Techs' resilience through a financial cycle will necessitate more systematic monitoring and understanding of Big Tech business models on the part of the authorities, for instance on whether learning algorithms may inject systematic biases to the detriment of financial stability. As well as issues that arise from traditional financial stability concerns, there are new and unfamiliar challenges stemming from the potential for excessive concentration of market power, as well as broader issues concerning data governance. These new challenges lie outside the traditional scope of the central bank's remit, but they can nevertheless impinge on the central bank's core mission of ensuring sound money as well as the integrity and smooth functioning of the payment system. While some central banks' oversight authority includes the competitive functioning and efficiency of the payment system, their mandates do not normally encompass the broad range of competition and data privacy issues that arise in relation to the activities of Big Techs in financial services. Nevertheless, since the central bank issues the unit of account in the economy, trust in the currency rests ultimately on the trust placed in the central bank itself. Any impact on the integrity of the monetary system arising from the emergence of dominant platforms ought to be a key concern for the central bank. Key findings include: • Big Tech firms entering financial services can scale up rapidly with user data from their existing business lines in e-commerce and social media, and by harnessing the inherent network effects in digital services. • In addition to traditional policy concerns such as financial risks, consumer protection and operational resilience, the entry of Big Techs into financial services gives rise to new challenges surrounding the concentration of market power and data governance. • The current framework for regulating financial services follows an activities-based approach where providers must hold licences for specific business lines. There is scope to address the new policy challenges by developing specific entity-based rules, as proposed in several key jurisdictions – notably the European Union, China and the United States. The full bulletin is available here. **Published 2 August**

BIS publishes research on emerging regulatory expectations in the financial sector	On 3 August, the BIS published research on existing regulatory approaches on artificial intelligence (**AI**) governance, including initial thinking as expressed in consultation papers to identify emerging common regulatory themes including from relevant cross-industry, general AI guidance. The paper suggests that much like how the internet transformed the way we bank or shop for insurance, AI has the potential to significantly improve delivery of financial services, but it also brings new risks that financial sector supervisors must grapple with. The paper argues that AI technology can significantly improve the delivery of financial services to consumers as well as the operational and risk management processes within firms. Examples of AI use cases in terms of consumer benefits include: • widening access to credit • robo-advisers that provide automated investment advice based on a consumer's investment • goals and risk profiles • chatbots that provide instant response to basic customer queries • more efficient insurance claims processing • Internally within firms, AI technology promises huge potential in the following areas: • identification of suspicious financial transactions that could be fraudulent, money laundering or • terrorism financing • risk scoring that enables automated loan granting (in some cases even without collateral) or • insurance pricing decision • risk management and/or calculation of regulatory capital requirements Although AI can benefit both consumers and firms, it can also introduce and/or exacerbate risk exposures. Risks such as unintended bias or discrimination against certain groups of consumers are not only a market conduct or consumer protection issue, but they also concern prudential supervisors when such risks translate into financial exposures for firms or if they give rise to large-scale operational risks, including cyber risk and reputational risk. In addition, prudential risks can arise from wide-scale under-pricing of financial products or systematic errors in underwriting new financial consumers. Ultimately, safeguards must be in place to protect consumers' interests and to maintain the safety and soundness of financial institutions. As more financial institutions are increasing the use of AI to support their business processes, financial regulators are starting to put in place or update specific regulatory frameworks on AI governance. With a few exceptions like in the European Union (EU) where there is already a legislative proposal to harmonise the rules for AI, most frameworks are still in early stages of development, and range from application of existing principles-based corporate governance requirements in an AI context to practical non-binding supervisory guides on how to manage AI governance risks. In several cases, these frameworks complement or intersect with cross-sectoral frameworks on AI governance developed by non-financial regulators such as cybersecurity and/or data protection authorities. While some may argue that, from a regulatory standpoint, the use of AI is nothing new (for example, it is comparable to the adoption of internal models by firms), the scale and speed of AI adoption warrants special regulatory attention. Having sound AI governance frameworks is increasingly important given progressively wider adoption by firms and the growing number of financial authorities

	promoting innovation and technology in the financial sector. Financial innovation should not compromise the core mandates of financial sector supervisors. The full report is available here. **Published 3 August**
Committee on Payments and Market Infrastructures publishes work programme for 2021-22	On 5 August, the committee on Payments and Market Infrastructures (**CPMI**) published its work programme for 2021-2021 which will focus on shaping the future of payments and addressing risks in financial market infrastructures. The annual work programme has been publicly released for the first time as part of the CPMI's commitment to increased transparency. The work programme outlines the strategic priorities for its monitoring and analysis, policy, and standard-setting and implementation activities, under its two overarching themes: • Shaping the future of payments will include enhancing cross-border payments and addressing policy issues arising from digital innovations in payments (such as central bank digital currencies and stablecoins), while monitoring changing trends in payments. • Evaluating and addressing risks in financial market infrastructures will work on issues related to central clearing and others that emerged or were accentuated over the course of the Covid-19 pandemic. The programme was drawn up under the direction of CPMI Chair Sir Jon Cunliffe in consultation with the Governors of the BIS Economic Consultative Committee. **Published 5 August**
BIS Innovation Hub and HKMA investigate how tokenized green bonds can improve sustainable investment	On 24 August, the Bank for International Settlements and the Innovation Hub Hong Kong Centre and the Hong Kong Monetary Authority announced that they joined forces with the technology industry on Project Genesis to build a prototype digital infrastructure that enables green investments, improves transparency on the use of proceeds, and thereby helps meet regional and global environmental and sustainability goals. In many countries, issuing and investing in bonds can be cumbersome and complex, involving many steps and parties, and typically requiring a considerable financial commitment from the investor. For those investing in environmentally friendly projects, there is uncertainty about whether the bond issuer is delivering the positive green impact it committed to at issuance. Also, there are typically no liquid and transparent secondary markets for retail investors. Benoît Cœuré, Head of the BIS Innovation Hub, said, “green and digital are not only interconnected but interdependent - the fate of one depends on the other. Green finance, accordingly, is a key priority of the BIS Innovation Hub and Genesis is an integral part of that.” The BIS Innovation Hub's first green finance project, Genesis will explore the tokenisation of green bonds enabling investment in small denominations, combined with real-time tracking of environmental outputs. Edmond Lau, Deputy Chief Executive of the HKMA, said, “the HKMA welcomes the collaboration with BIS Innovation Hub on this novel experimentation on the symbiosis of sustainability and tech. Technologies such as blockchain and smart contracts, combined with the internet-of-things, could streamline the bond issuance process, improve efficiency in distribution and facilitate reporting on the use and environmental impact of green bonds proceeds, thus enhancing transparency to green bond investors.”

	Genesis will be developed together with six partner companies that will design the digital infrastructure. Targeting the full bond lifecycle, Digital Asset (Switzerland) and their partner GFT Technologies Hong Kong will deploy multiple permissioned blockchains. Concurrently, the Liberty Consortium, consisting of SC Ventures, Standard Chartered Bank and Shareable Asset, will be leveraging a public permissionless blockchain infrastructure. Allinfra, a Hong Kong SAR startup, will provide technology verified data that can track in real-time the positive environmental impact of projects. Bénédicte Nolens, Head of the BIS Innovation Hub Hong Kong Centre, said, “Our vision is that you can download an app to your phone, and invest any amount into safe government bonds, which will develop a green project – let's say a solar or wind farm. Over the bond's lifetime, you would be able to not just see accrued interest, but also track in real time how much clean energy is being generated, and the consequent reduction in CO2 emissions linked to your individual investment. Further, you could sell the bonds in a transparent market.” With Genesis, the BIS Innovation Hub seeks to show the *green art of the possible* through combining blockchain, smart contracts, internet-of-things, and digital assets. The prototypes will allow policy makers and stakeholders to explore innovative approaches to green bond distribution and transparency. After starting with design thinking workshops, the development teams are now working in iterative sprints to build the prototypes, collaborating with key stakeholders in the Hong Kong financial ecosystem. In consonance with the take-away from the BIS Green Swan research report that climate change involves complex collective action problems that require increased coordination among governments, private sector, civil society and international community, Genesis is guided by a multi-disciplinary panel of experts in environmental, social and governance (ESG) considerations, green finance, bond markets, law and regulation. The results of the tests and prototypes will be published in the fourth quarter of 2021. **Published 24 August**

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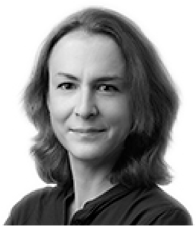

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