

LAW & FINANCIAL STABILITY

HIGH-LEVEL SEMINAR **2018**

THE RULE OF LAW IN A DIGITAL WORLD

International Monetary Fund

Washington D.C., September 25-27, 2018

Emerging technologies, supported by advances in encryption and network computing, are transforming the financial services landscape. They are driving significant changes in the global economy, including in how goods, services and assets are exchanged. They are creating opportunities, notably for greater efficiencies and financial inclusion. But they also raise legal considerations and create new risks, notably for money laundering, terrorist financing, and other illegal activities.

The Legal Department is holding its biennial high-level seminar on Law and Financial Stability at the IMF headquarters. The overarching theme of this seminar will be fintech and the impact of technology, from a legal perspective, on financial systems. The seminar will consider various legal aspects related to fintech in different areas of the financial sector, such as central banking, financial regulation, financial market infrastructures, as well as anti-money laundering and combating the financing of terrorism (AML/CFT). It will examine the impact of fintech on the legal principles that govern the domains of public and private law. In doing so, it will seek to identify the key legal risks that national authorities should be aware of as fintech innovations take off, and how legal frameworks can support technology driven innovation while preserving a safe financial system.

Day One: Tuesday, September 25, 2018 (HQ2 Conference Hall 1)

04:30 pm – 05:00 pm **Registration**, HQ2 Auditorium

05:15 pm – 05:30 pm **Welcome**, Rhoda Weeks-Brown, General Counsel and Director, Legal Department, IMF

05:30 pm – 06:00 pm **Opening Remarks**, Ross Leckow, Deputy General Counsel, Legal Department, IMF

06:00 pm – 08:00 pm **Reception**

DAY Two: Wednesday, September 26, 2018 (HQ2 Conference Hall 1)

08:30 am – 09:00 am **Continental Breakfast**

A short video will introduce the audience to fintech topics (video developed by Herve Tourpe, Majid Malaika, Subrato Sensharma, Papa Niang, and Aquiles Farias, Information and Technology Department, IMF)

09:00 am – 09:15 am **Introduction**, Rhoda Weeks-Brown, General Counsel and Director, Legal Department, IMF

09:15 am – 10:30 am **Session 1**

Introduction to Fintech and Some Legal Considerations

This session is dedicated to an overview of recent fintech developments of relevance for the financial sector. It will cover the main services, with a focus on crypto assets, and will provide basic information on the underlying technologies, such as blockchain. It will examine the key legal questions that they give rise to, and will lay the ground to explain why the IMF is involved.

Chair

Edward Anderson, Director and CIO, Information Technology Department, IMF

Speakers

Usman Sheikh, Partner, Gowling WLG, Toronto

Laura Shin, Crypto Journalist

Nasir Zubairi, Chief Executive Officer, Luxembourg House of Financial Technology

10:30 am – 11:00 am **Group Photograph and Coffee Break**

11:00 am – 12:30 pm **Session 2**

Private Crypto Assets and Central Bank Digital Currencies

Since Bitcoin's appearance in 2009, hundreds of new crypto assets have been created, raising challenges on how they fit with existing legal principles under banking and securities laws. In addition, as some central banks are considering issuing their own digital currencies, they are examining the implications of this development on their legal mandates.

This session will discuss the rationale behind the increased interest in crypto assets and central bank digital currencies, and benefits and legal risks they may have.

Chair

Vikram Haksar, Assistant Director, Strategy, Policy, and Review Department, IMF

Speakers

Monika Johansson, Advisor, Payments Department, Central Bank of Sweden

Changchun Mu, Deputy Director-General of the Payment and Settlement Department, People's Bank of China

Antoinette O'Gorman, Former CCO, Ripple Labs, Inc.

Rebecca Simmons, Partner, Sullivan & Cromwell, New York

12:30 pm – 01:45 pm **Luncheon Speaker**, Tobias Adrian, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF

01:45 pm – 03:30 pm **Session 3**

Fintech, a Double-Edged Sword for AML/CFT

Some fintech products offer greater transparency and the means to facilitate compliance with AML/CFT obligations. This is, for example, the case of digital ID and some of the new customer due diligence utilities. The distributed ledger technology (DLT) itself enables greater tracing of transactions. But other products, such as crypto assets, are also potential mechanisms through which to launder funds, evade taxes and even fund terrorism, notably because of the greater anonymity that they provide.

This session will discuss the risks related to some of the main fintech products, in particular crypto assets, and will seek to identify the opportunities that fintech presents to implement a stronger, more effective AML/CFT framework. It will also discuss the legal measures that should be considered in the implementation of the AML/CFT standard to mitigate risks.

Chair

Yan Liu, Assistant General Counsel, Legal Department, IMF

Speakers

Michael Gronager, CEO and Co-Founder, Chainalysis

David Lewis, Executive Secretary, Financial Action Task Force

Brent McIntosh, General Counsel, U.S. Department of the Treasury

Mohammed Nyaoga, Chairman of Board, Central Bank of Kenya

03:30 pm – 04:00 pm **Coffee Break**

04:00 pm – 05:30 pm **Session 4
Break-Out Session**

During this session, participants will be divided into three groups, discussing: (i) Implications of private crypto assets on existing legal framework (e.g., Are they securities, commodities, money or something else?); (ii) legal considerations related to central bank digital currencies (e.g., What are the main characteristics which make such currencies legal tender?); (iii) the specific money laundering and terrorism financing risks associated with crypto-assets and the measures needed to mitigate them. After their group discussion, the participants will reconvene before the plenary session and be invited to share their main takeaways.

Chair

Nadim Kyriakos-Saad, Assistant General Counsel, Legal Department, IMF

Facilitators

Rebecca Simmons, Partner, Sullivan & Cromwell, New York

Masaru Itatani, Senior Consulting Counsel, Legal Department, IMF

Kristel Grace Poh, Senior Financial Sector Expert, Legal Department, IMF

Nadine Schwarz, Senior Counsel, Legal Department, IMF

DAY THREE: THURSDAY, SEPTEMBER 27, 2018 (HQ2 CONFERENCE HALL 1)

08:30 am – 09:00 am **Continental Breakfast**

09:00 am – 09:10 am **Introduction**, Katharine Christopherson, Assistant General Counsel, Legal Department, IMF

09:10 am – 10:55 am

Session 5

Financial Market Infrastructure and New or Emerging Payment Systems

The use of DLT in domestic and cross-border transactions can fundamentally change long-established operating models and industry relationships. Moreover, new person-to-person payment methods, such as mobile payments, offered by nonbank entities are creating new opportunities, in particular, by deepening financial inclusion, but they also raise questions for policy makers and national authorities. This session will identify key legal considerations that these new and emerging technologies raise, such as regarding the finality and irrevocability of payments, data protection and cybersecurity, eligibility and access, the role of clearing houses and, more broadly, legal implications for clearing and settlement systems.

Chair

Froukelien Wendt, Senior Financial Sector Expert, Monetary and Capital Markets Department, IMF

Speakers

Anne Butler, Chief Legal Officer and Head of Research and Policy, Payments Canada

Cristián Carmona, Senior Counsel, Central Bank of Chile

Jess Cheng, Counsel, Legal Department, IMF

Klaus Löber, Senior Adviser, Market Infrastructures and Payments, European Central Bank

Ewetse T. Rakhudu, General Counsel, Bank of Botswana

10:55 am – 11:10 am

Coffee Break

11:10 am – 12:30 pm

Session 6

Smart Contracts

The development of DLT may bring about a considerable increase in the use of so-called smart contracts, including for financial transactions. This raises a number of legal issues, in particular, relating to their very nature (exemplified by the question “is code a contract?”), and their interpretation and enforcement. Moreover, this interactive session will discuss whether the development of smart contracts may require new skill sets for lawyers.

This session includes a short presentation on the basic concepts behind smart contracts, and how they may impact the legal profession. A hands-on demo with an actual smart contract will demonstrate how paper contracts can be embodied in a digital form.

(Herve Tourpe, Majid Malaika, Subrato Sensharma, Papa Niang, and Aquiles Farias, Information and Technology Department, IMF contributed to the demo.)

Chair

Gordon Ian Myers, Chief Counsel for Technology and Private Equity, IFC

Discussants

Patrick Murck, Fellow, Harvard Berkman Klein Center

Marco Santori, President and Chief Legal Officer, Blockchain

Houman Shadab, Co-Director, Accord Project

12:30 pm — 01:30 pm **Key Note Speaker**, Randal Quarles, Vice Chairman, Federal Reserve Board

01:45 pm — 03:00 pm **Session 7**

Fintech – Governance and Transparency

The use of technology such as blockchain can provide more means to enhance transparency and strengthen public sector integrity. This session will offer a broad perspective on how technology is transforming the exercise of key governmental functions. It will explore how some of the opportunities presented by fintech products and technological developments more generally, such as automated payment processes, the abolition of intermediaries, and clearer statistics can strengthen public governance and curb corruption.

Chair

Ceda Ogada, Deputy General Counsel, Legal Department, IMF

Speakers

Praveen Garg, Additional Secretary & Financial Advisor, Ministry of Environment and Forest & Climate Change, India

Mikari Kashima, Associate Director-General, Institute for Monetary and Economic Studies, Bank of Japan

Martin Lindpere, Economic Advisor to the Prime Minister of Estonia and Advisor to the Nordic-Baltic Executive Director of the World Bank

Patricia Moreira, Managing Director, Transparency International

03:00 pm — 03:30 pm **Coffee Break**

03:30 pm — 04:45 pm **Session 8**

Main Take-Aways, and the Future of Fintech

This session will seek to take a broad view at how technology and automation will affect the financial sector, and more generally society. How will technology change business models and, more fundamentally, how the world transacts? What lessons can we draw from economies that have leapfrogged from a cash-based retail sector to an efficient and inclusive financial system? How will the roles for national authorities and regulators continue to evolve, and how will critical issues such as cybersecurity be tackled? And, importantly, how can we ensure that fintech expands financial access and deepens financial inclusion in a meaningful and lasting way? The session will draw insights on the role of lawyers and national authorities in ensuring that technology-driven innovation can support a healthy and inclusive financial sector.

Chair

Ross Leckow, Deputy General Counsel, Legal Department, IMF

Speakers

Christopher Calabia, Senior Advisor, Supervisory and Regulatory Policy, Gates Foundation

Carrie Suen, Head of International Legal, Ant Financial Services Group

Stefan Thomas, Founder, Coil

Chiara Zilioli, Director General of the Legal Services, European Central Bank

04:45 pm — 05:00pm **Closing and Wrap-Up**, Rhoda Weeks-Brown, General Counsel and Director, Legal

Department, IMF

05:00 pm — 06:00 pm **Farewell Cocktail**