

Excerpt from Closing Remarks

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I would like to start by sharing with you the key trends that I identified during the World Bank Annual Meetings held in Washington, D.C. a few weeks ago, where we talked about the challenges facing development, as I believe these trends are relevant to the discussion we had today.

- Decarbonization, as climate change was at the forefront of everyone's mind as the greatest challenge facing humanity.
- De-globalization, or economic fragmentation, which are challenging trends the world is facing right now.
- Demographic change.
- Debt. Before the pandemic, there were already high levels of debt. Currently, 60% of low-income countries and 25% of emerging markets are at risk of debt distress.

This is of concern in an economic environment of inflation, increasing interest rates, regionalization of investment flows - the United States investing in the United States, Europe investing in Europe – and persistent supply side challenges.

The last trend I would like to highlight is particularly relevant for today's discussion. Digitalization. It was evident from today's discussion that the pace of digital transformation, in general, and FinTech evolution, in particular, will only accelerate. This is my first takeaway.

Digitalization and FinTech represent a huge opportunity for development. We heard that 650 million people in India “did not exist” until recently, when they obtained a digital ID, and as a consequence, today they "exist." In addition, 400 million bank accounts were opened in record time in India. When one considers these statistics, opportunities for improving lives and eradicating poverty are mind-boggling. Processes and requirements are becoming faster and cheaper - KYC from hours to minutes - and that occurs without physical presence. FinTech

has been successful and has brought about social benefits, access to finance, and the creation of opportunities.

At the same time, we also heard that Fintech is valuable but may sometimes be overwhelming. On the other hand, the social benefits of cryptocurrency remain unclear. From the standpoint of the World Bank and our Treasury, blockchain can present significant opportunities for enhancing market infrastructure, clearing and settlement mechanisms, and the ability to transfer funds in record time. And we are convinced that value can be created here. In fact, the World Bank issued the first bond based on blockchain technology. With the emergence of several CBDCs, there will be further chances for experimentation in this space.

The World Bank is also exploring and experimenting with blockchain for disbursement traceability, an essential aspect of development. When operating in fragile and conflict-affected states or complex circumstances, you want to ensure that scarce and valuable funds reach their intended beneficiaries. Consequently, we want traceability, but if we could also ensure that the resources get where they need to go, and do so fast and efficiently, we will be able to overcome enormous challenges.

There is also a need for balance between market development and regulation, and regulators are in a difficult position. Regulation is necessary. Nonetheless, we should not toss away the baby with the bathwater. As innovations produce value for society, regulation must allow further innovation. Moreover, there are new and rising challenges in data protection and cybersecurity. Also, regulators and institutions such as the World Bank will require disruption to evolve. And perhaps this is one of the most important takeaways: if institutions do not disrupt themselves, they will be disrupted by others.