

BACKGROUND GUIDE

LPS G20 MODEL | Finance Track

Agenda: *Financial Sector Issues- It aims at strengthening the resilience of the global financial system and includes global regulatory policy coordination.*

Welcome Note and Introduction

Dear Delegates,

It is with great enthusiasm that we welcome you to the **Finance Track of the LPS G20 Model**, where we will engage in critical discussions on fostering financial stability and promoting inclusive growth through international cooperation.

This guide is designed to provide an overview of the key areas of discussion, the perspectives of member countries, and the expected outcomes of the finance ministers and central bank governors' meeting. The focus of this track is on strengthening the global financial system through collaborative actions and coordinated policies aimed at addressing vulnerabilities and risks in the financial sector. By engaging with various stakeholders including the Financial Stability Board (FSB), Bank for International Settlements (BIS), and other global institutions, the G20 aims to ensure long-term financial stability, resilience, and inclusivity.

As we move forward in the finance track of this event, South Africa's Presidency will spotlight critical issues such as non-bank financial intermediation (NBFI), cybersecurity, cross-border payments, crypto assets, and the impact of exponential technologies like artificial intelligence. These discussions are crucial as they address both immediate concerns and long-term strategies for the stability of the financial system. This guide will explore these topics in detail and provide you with essential insights into the debates and discussions that will shape the future of global finance.

Key Areas of Discussions

a. Non-Bank Financial Intermediation (NBFI)

Key Questions:

- How can the risks posed by NBFI be better assessed and mitigated globally?
- What role do national regulatory bodies play in regulating NBFI, and how can their efforts be harmonized across borders?
- What are the potential benefits and challenges of increasing transparency in NBFI?

G20 View: The G20 recognizes the increasing role of NBFI in global financial markets and its potential to introduce systemic risks. The G20 emphasizes the need for enhanced regulatory frameworks to monitor and control NBFI activities without stifling market innovation.

Case Study: A study on the 2008 financial crisis shows how the rapid growth of NBFI contributed to financial instability, underlining the need for stronger regulatory oversight.

b. Cross-Border Payments

Key Questions:

- What are the main barriers to efficient cross-border payments, and how can the G20 work to remove them?
- How can technology be leveraged to reduce the cost and improve the speed of cross-border transactions?

- What role does the private sector play in improving cross-border payment systems?

G20 View: The G20 supports greater collaboration between countries and private sector entities to improve the efficiency, transparency, and inclusivity of cross-border payments, focusing on reducing costs and barriers to entry.

Case Study: The European Union's SEPA initiative provides a useful example of successful regional cooperation in simplifying cross-border payments.

c. Crypto Assets

Key Questions:

- What steps should G20 members take to regulate crypto assets in order to protect the financial system?
- How can the G20 address the risks posed by the volatility and anonymity of crypto assets?
- Should central banks issue their own digital currencies, and what would be the benefits and challenges?

G20 View: The G20 emphasizes the need for comprehensive regulation of crypto assets to mitigate risks such as market volatility, money laundering, and financial instability, while considering the potential for central bank digital currencies (CBDCs).

Case Study: El Salvador's adoption of Bitcoin as legal tender provides a real-world example of the challenges and opportunities of integrating crypto assets into national financial systems.

d. Exponential Technologies and Artificial Intelligence (AI)

Key Questions:

- How can AI and other exponential technologies be harnessed to enhance financial stability?
- What regulatory frameworks are needed to ensure the safe integration of AI into financial services?
- How can global financial institutions collaborate to understand the ethical implications of AI?

G20 View: The G20 advocates for a balanced approach to the integration of AI in the financial sector, ensuring that it supports innovation while safeguarding financial stability and protecting users from systemic risks.

Case Study: The use of AI in credit scoring models, which has proven effective but also raises ethical and privacy concerns, highlights the need for proper regulatory oversight.

Country-Specific Positions

1. Argentina

- Advocates for global financial inclusion, particularly in developing countries.
- Supports clearer regulations on crypto assets to prevent financial instability.
- Pushes for reforms in the global financial system to address emerging market challenges.

- Emphasizes the need for improved access to cross-border payments for emerging economies.
- Calls for stronger coordination on financial cybersecurity to protect against rising digital threats.

2. Australia

- Focuses on strengthening Australia's financial sector resilience through innovation.
- Supports international regulatory standards for digital currencies and crypto assets.
- Advocates for improving the efficiency and security of cross-border payments.
- Emphasizes the role of financial technology in promoting sustainable economic growth.
- Calls for greater efforts to address cyber risks and enhance cyber resilience in the financial sector.

3. Brazil

- Seeks enhanced transparency in non-bank financial intermediation (NBFIs).
- Supports the regulation of crypto assets to prevent risks such as money laundering and fraud.
- Stresses the need for financial solutions to address climate change and sustainable development.
- Advocates for financial resilience and inclusion in Latin America.

- Calls for international efforts to combat financial cybercrime and improve digital security.

4. Canada

- Prioritizes the protection of personal and financial data from cyber-attacks.
- Supports the development of a clear global regulatory framework for crypto assets.
- Advocates for innovative technologies to improve financial sector sustainability and inclusion.
- Focuses on improving cross-border payment efficiency and reducing costs for consumers.
- Stresses the importance of collaboration between international regulatory bodies to maintain financial stability.

5. China

- Promotes financial sector innovation, particularly through fintech and blockchain technology.
- Advocates for a global regulatory framework for cryptocurrencies and digital assets.
- Emphasizes improving cross-border payment systems, particularly for Asian economies.
- Supports policies that ensure financial market stability and prevent systemic risks.

- Calls for stronger global governance of non-bank financial institutions to prevent future crises.

6. France

- Pushes for enhanced financial sector regulation to prevent the destabilizing effects of NBFI.
- Supports the development of a coordinated international approach to regulating crypto assets.
- Advocates for the use of AI and blockchain to improve financial sector efficiency.
- Calls for the financial sector to support the green transition through sustainable finance.
- Stresses the importance of cybersecurity and data protection in the financial sector.

7. Germany

- Advocates for a robust global framework for regulating crypto assets and minimizing risks.
- Supports financial stability through the development of strong and effective regulatory policies.
- Emphasizes the need for international coordination on cross-border payments.
- Focuses on strengthening the resilience of the European financial sector against cyber threats.

- Encourages the use of financial technology to drive economic growth and inclusion.

8. India

- Stresses the need for improved global financial inclusion, especially for underserved populations.
- Supports global efforts to regulate cryptocurrencies and combat money laundering.
- Focuses on leveraging fintech to enhance financial access in rural and underserved areas.
- Calls for stronger international collaboration on cybersecurity in the financial sector.
- Advocates for policies to enhance financial resilience and stability in emerging economies.

9. Indonesia

- Advocates for developing innovative financial solutions to support sustainable economic development.
- Supports stronger global regulation of crypto assets and blockchain technologies.
- Emphasizes the importance of financial inclusion for small and medium-sized enterprises (SMEs).
- Calls for enhanced cross-border payment systems to support Southeast Asian economies.

- Pushes for greater international cooperation to address cybersecurity risks in the financial sector.

10. Italy

- Focuses on strengthening global financial regulatory frameworks, particularly in the fintech sector.
- Supports the global regulation of crypto assets and digital currencies.
- Advocates for improved transparency and accountability in non-bank financial intermediation.
- Promotes financial inclusion through the development of digital financial solutions.
- Calls for better risk assessment and mitigation strategies to strengthen global financial stability.

11. Japan

- Advocates for the development of global standards to regulate digital currencies and crypto assets.
- Supports improving the resilience of the financial sector through better cybersecurity measures.
- Emphasizes the importance of fintech in driving financial inclusion and economic growth.
- Focuses on strengthening cross-border payments systems to enhance financial market integration.
- Promotes the development of green finance to address climate change.

12. Mexico

- Stresses the need for inclusive financial systems to support economic development.
- Advocates for global regulatory coordination on cryptocurrency to mitigate risks.
- Focuses on the improvement of cross-border payment systems to support Latin American economies.
- Calls for stronger regulation of non-bank financial intermediation.
- Emphasizes the importance of cybersecurity in the financial sector.

13. Russia

- Advocates for international cooperation on financial stability and the regulation of crypto assets.
- Supports the development of a global framework for financial sector cybersecurity.
- Focuses on financial inclusion and ensuring the stability of Russia's financial markets.
- Calls for stronger regulation of non-bank financial institutions.
- Promotes the integration of innovative technologies like AI in financial systems.

14. Saudi Arabia

- Focuses on the development of a robust regulatory framework for cryptocurrencies and digital finance.

- Advocates for the creation of sustainable finance mechanisms, particularly for renewable energy projects.
- Supports the integration of financial technologies to enhance efficiency and reduce costs.
- Emphasizes the importance of cross-border payment improvements, especially in the Middle East.
- Calls for international action to strengthen financial cybersecurity frameworks.

15. South Africa

- Advocates for stronger financial regulatory standards in Africa.
- Focuses on the role of the South African Reserve Bank in promoting financial stability.
- Calls for international cooperation on financial sector cybersecurity and data protection.
- Supports greater transparency and regulation of non-bank financial intermediation.
- Prioritizes the development of cross-border payment systems to promote regional integration.

16. South Korea

- Emphasizes the importance of financial market stability through effective regulations.
- Advocates for the global regulation of crypto assets to protect financial systems.

- Supports the development of digital currencies by central banks to improve financial inclusion.
- Focuses on improving the resilience of the financial sector against cyber threats.
- Calls for better integration of fintech and AI to drive economic growth and financial accessibility.

17. Turkey

- Advocates for financial stability in emerging markets through international cooperation.
- Supports the regulation of cryptocurrencies to prevent misuse and financial instability.
- Calls for the development of financial solutions to address the specific needs of SMEs.
- Focuses on improving cross-border payment systems in the Middle East and Central Asia.
- Stresses the importance of cybersecurity in protecting the financial sector.

18. United Kingdom

- Supports stronger global financial regulation, particularly around crypto assets and NBFI.
- Advocates for cybersecurity improvements to protect financial systems from cyber-attacks.
- Focuses on financial innovation and leveraging AI and fintech for greater market efficiency.

- Calls for more inclusive financial solutions to address climate change and sustainable development.
- Encourages international cooperation to tackle global financial risks.

19. United States

- Advocates for stringent regulations to prevent systemic risks from NBFIs and crypto assets.
- Supports the development of a global regulatory framework for digital currencies and blockchain technology.
- Prioritizes the protection of financial systems from cyber threats through stronger cybersecurity measures.
- Focuses on enhancing cross-border payment systems, particularly for emerging markets.
- Pushes for international collaboration on financial stability and risk management.

20. European Union

- Supports regulatory reforms to ensure financial stability across the Eurozone and beyond.
- Advocates for the global regulation of crypto assets to prevent volatility and misuse.
- Focuses on the importance of financial inclusion and creating accessible financial solutions.
- Calls for improved cross-border payments and greater financial market integration.

- Emphasizes cybersecurity in the financial sector and the protection of personal data.

21. African Union

- Better access to finance for African businesses and populations.
- Stronger regulatory frameworks for non-bank financial institutions.
- Increased cybersecurity resilience within the financial sector.
- Regional integration of payment systems and enhanced cross-border payments.
- Sustainable finance to address climate change.
- More inclusive participation in global financial governance.

Additional Research

- Financial Stability Board (FSB) Reports: Regular publications on global financial stability and regulatory frameworks.
- Bank for International Settlements (BIS): Key reports on financial market risks, including NBFI and cross-border payments.
- International Monetary Fund (IMF): Reports on global financial stability assessments and policy recommendations.
- World Bank: Research papers on financial inclusion, NBFI, and digital currency.

- G20 Finance Track Statements: Documents outlining the G20's financial priorities and past resolutions.

Valid Resources

[Finance Track – G20 South Africa](#)

[Financial Stability Board - Promoting global financial stability through strong financial sector policies](#)

[Bank for International Settlements](#)

[Financial Stability](#)

[G20 finance track meeting to tackle global economic issues | SAnews](#)

Expected Outcomes from the Delegates

- Strengthened global financial regulations to address emerging risks.
- Greater international cooperation on cross-border payment systems.
- Clear action plans for addressing cybersecurity risks in financial systems.
- A comprehensive framework for regulating crypto assets and exploring CBDCs.
- Enhanced financial inclusion strategies through innovative technologies.

Conclusion

The G20 Finance Track is a pivotal platform for fostering global financial stability and resilience. Through coordinated efforts, the G20 aims to address both traditional and emerging risks in the financial system, ensuring that it evolves in a secure, inclusive, and innovative manner. Delegates' discussions will have significant long-term implications, shaping the global financial landscape for years to come. The successful implementation of these strategies will require collaboration, commitment, and comprehensive policy frameworks from all member nations.

Best of luck, Delegates!

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