

Challenges to Financial Regulators in the Age of Data

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Finance, Fintech, Big Tech

- Transformation still at early stage
 - Debate amorphous, driven by hype
- Three challenges already apparent
 - Regulators' own data & tech culture
 - Financial authorities' new peers
 - Cross-border challenges



Regulators' Data & Tech Culture

- Stable, conservative organizations
- Interaction with start-ups
- Public provision of data



Startups Are Disorienting

“

We were fighting for our survival — there were a lot of fires

Nikolay Storonsky

On the company’s unforgiving working culture, the Russia-born chief executive who used to be a state champion athlete, said staff’s equity stakes encourage them to do everything they can to make the company a success. “We do work hard, but it’s not because someone is pushing”, he insisted. “I just don’t think anything is wrong with it.”

But Mr Storonsky did acknowledge some shortcomings in the company’s early days. “We were fighting for our survival — there were a lot of fires,” he admitted. “We didn’t really have enough budget to hire a lot of great people in compliance.”

“Upstart Revolut adopts less aggressive stance”
Financial Times, April 24, 2019

Financial Regulators' New Peers



- Financial regulators long successful at defending their (collective) autonomy
- Big Tech is getting closer to finance
- Big Tech regulation is fledgling
 - Competition, data rights

Joint Statement on Libra, Aug. 2019



As representatives of the global community of data protection and privacy enforcement authorities, collectively responsible for promoting the privacy of many millions of people around the world, we are joining together to express our shared concerns about the privacy risks posed by the Libra digital currency and infrastructure. Other authorities and democratic lawmakers have expressed concerns about this initiative. These risks are not limited to financial privacy, since the involvement of Facebook Inc., and its expansive categories of data collection on hundreds of millions of users, raises additional concerns. Data protection authorities will also work closely with other regulators.

Besnik Dervishi
Information and Data Protection
Commissioner
ALBANIA

Angelene Falk
Australian Information and Privacy
Commissioner AUSTRALIA

Daniel Therrien
Privacy Commissioner
CANADA

Marguerite Ouedraogo Bonane
President of the Commission for Information
Technology and Civil Liberties
BURKINA FASO

Giovanni Buttarelli
European Data Protection Supervisor
EUROPEAN UNION

Elizabeth Denham CBE
Information Commissioner
United Kingdom

Rohit Chopra
Commissioner of the Federal Trade
Commission
USA



Cloud Services & Finance

- Critical service providers – or systemic infrastructures?
- Cloud services are very reliable – but nothing is risk-free



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"How to Cloud" with Capital One

How Capital One Reduced its Data-Center Footprint, Expanded its Use of Microservices, and Reimagined Banking Using AWS

In everything we do at Capital One, we always start from what our customers need and work back from there to figure out how to give it to them. The most important benefit of working with AWS is that we don't have to worry about building and operating the infrastructure necessary to do that and can instead focus our time, money, and energy on creating great experiences for our customers.

George Brady

Executive Vice President and Chief Technology Officer, Capital One



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Former AWS Worker Accused in Capital One Cloud Security Breach

Charging papers say 100 million people's data stored in S3 was accessed illegally; prosecutors point to misconfigured Capital One firewall



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MAGAZINE • CYBERSECURITY

After the Capital One Breach, Should Big Business Fear the Public Cloud?

By Robert Hackett August 24, 2019



EU State Aid Control

- European Commission's Directorate-General for Competition (DG COMP) has become a significant participant in the public regulation of the banking system since the late 1990s
- After two decades, multiple areas of friction & still no clear boundaries



Cross-Border Coordination

- Increased scope for global data businesses regulated as financial firms
 - e.g. SWIFT, ratings agencies, trade repositories
- Architecture based on common standards (“soft law”) & voluntary coordination among agencies of different jurisdictions
- Challenges predate the age of data, but exacerbated by it
 - Separate challenges from global monetary system



Cross-Border Coordination

- How long can the current architecture hold?
- Developments in European Union
 - Supranational options long viewed as utopian
 - 2011: direct supervision by ESMA
 - Credit ratings agencies, trade repositories, ...
 - 2012: single supervisory mechanism (banks)
- Case for institutional experimentations
 - “Coalitions of the willing”
 - e.g. International Data Hub at BIS