

## Strategic Framework for the Digital Economy

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*Data plays an ever-increasing role in the financial industry, yet countries are diverging in their regulatory approaches, imperiling open data flows. The industry can play a lead role in turning that dynamic around thanks to its international nature and reach while operating under a tapestry of multinational agreements and regulatory bodies. Efforts should focus on developing skills needed for the digital economy and common standards for interoperability, and on building from bilateral agreements to more multilateral ones. This note provides a summary of the key themes from the discussion, respecting that the conversation was conducted under the Chatham House Rule and comments are unattributed.*

**Getting to grips with the paradigm shift.** The digital revolution transforming our economies wants to connect everyone, everywhere, all the time, but most of our regulatory systems and approaches are rooted in an industrial era marked by national and sectoral borders and siloes. China wants data pertaining to its people and companies to be stored within its borders and more countries are adopting localization requirements. The U.S. imposes fewer restrictions but wants access to data for law enforcement and national security purposes, and the EU prioritizes privacy protection for individuals over business innovation. This policy drift is becoming a critical threat to the efficiency and innovation that networks can provide and is one of the reasons some are calling for a “Digital Bretton Woods” moment.

**Focus on a few key issues.** Countries need the right training and mindset to construct the proper regulatory framework for the digital era. That starts with upskilling everyone from workers to policymakers about the economics of data and the importance of interoperability. To forge a true digital-first mentality, legal staff need to understand the capabilities and requirements of the data side, and vice versa. Then, in the absence of globally agreed standards, industry and policymakers should look to advance some common baseline standards for interoperability wherever possible. These could range from whether to take an entity-versus an activity-based approach to rulemaking to reaching mutual recognition agreements to harmonizing regulations on issues like cybersecurity, artificial intelligence (AI), and privacy.

**Find places where progress can be made.** Global agreements are hard to achieve; progress can start at a bilateral or regional level. The U.S.-Mexico-Canada Agreement includes a chapter liberalizing digital trade and the Singapore-Australia Digital Economy Agreement facilitates cross-border data flows and common e-payments standards. Such deals can create momentum for broader agreements between like-minded countries or wider regional blocs. Industry meanwhile can seek to promote technical solutions that could become de facto rules, such as moving data across borders in ways that limit the amount of information transferred or holding encryption keys locally to address countries’ concerns about national data control. Such technical fixes can make policymakers more amenable to formal agreements.

**Use existing multilateral organizations in the effort.** While having something like a Digital Stability Board would be a comprehensive approach, reaching consensus on how to create such a global body is unlikely given the divergent views and policies amongst countries. Nevertheless, there are many multilateral organizations that can play an important role in setting standards. The Organization for Economic Cooperation and Development seeks to promote best practices on digital security, AI, and protecting privacy in the digital economy. The International Monetary Fund and the Financial Stability Board also have a keen interest in digital issues even if their broad membership often prevents consensus. Policymakers and financial institutions should work with multiple organizations to try to advance common ground wherever possible and lay the groundwork for an increasingly global framework.

**How financial institutions can be in the vanguard.** The financial industry is inherently global with a long history of cross-border transactions, operating within a well-developed web of international regulatory bodies. It also uses data in ways that are tangible to consumers and policymakers alike, providing nearly instantaneous payments around the globe for individuals and companies, and using AI to prevent small-scale fraud and sophisticated financial crime. Financial institutions are well placed to explain how data can be used to promote economic opportunity, competition, and security, and to work with policymakers to shape smart regulations that foster data flows while guarding against potential harms.