

Press release

Press enquiries:
+41 61 280 8138
Joe.Perry@fsb.org

Ref: 22/2019
6 June 2019

FSB report considers implications of decentralised financial technologies

The Financial Stability Board (FSB) today published a report on [Decentralised financial technologies](#). This report considers the financial stability, regulatory and governance implications of the use of decentralised financial technologies such as those involving distributed ledgers and online peer-to-peer, or user-matching, platforms. The report has been delivered to G20 Finance Ministers and Central Bank Governors for their meeting in Fukuoka on 8-9 June, which includes a High-Level Seminar on Financial Innovation.

The report focuses on technologies that may reduce or eliminate the need for intermediaries or centralised processes that have traditionally been involved in the provision of financial services. Such decentralisation generally takes one of three broad forms: the decentralisation of decision-making, risk-taking or record-keeping. There are already examples emerging of decentralisation in payments and settlement, capital markets, trade finance and lending.

The report notes that the application of decentralised financial technologies – and the more decentralised financial system to which they may give rise – could benefit financial stability in some ways. It may also lead to greater competition and diversity in the financial system and reduce the systemic importance of some existing entities. At the same time, the use of decentralised technologies may entail risks to financial stability. These include the emergence of concentrations in the ownership and operation of key infrastructure and technology, as well as a possible greater degree of procyclicality in decentralised risk-taking. New uncertainties concerning the determination of legal liability and consumer protection may also affect public trust in the financial system. Recovery and resolution of decentralised structures may be more difficult.

These issues may pose challenges for financial regulatory and supervisory frameworks, particularly those that currently focus on centralised financial institutions. A more decentralised financial system may reinforce the importance of an activity-based approach to regulation, particularly where it delivers financial services that are difficult to link to specific entities and/or jurisdictions. Certain technologies may also challenge the technology-neutral approach to regulation taken by some authorities. These concerns could continue to be the subject of further consideration by authorities. Regulators may also wish to engage in further dialogue with a wider group of stakeholders, including those in the technology sector that have had limited interaction with financial regulators to date. This should help avoid the emergence of unforeseen complications in the design of decentralised financial technologies at a later stage.

Notes to editors

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of

effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.