
London Stock Exchange Group response to the Discussion Paper on Global Financial Innovation Network (GFIN)

Introduction

The London Stock Exchange Group (“LSEG”) is a financial market infrastructure provider, headquartered in London, with significant operations in Europe, North America and Asia. Its diversified global business focuses on capital formation, intellectual property and risk and balance sheet management. LSEG operates an open access model, offering choice and partnership to customers across all its businesses.

General remarks

LSEG welcomes the opportunity to comment on the Discussion Paper on Global Financial Innovation Network (GFIN). LSEG support the proposed Mission Statement for the GFIN, in particular:

- We welcome the fact that the proposed GFIN initiative recognises the importance of international collaboration and early industry engagement in the proposed workstreams: we welcome the opportunity to contribute to the policy discussions.
- We encourage policymakers to take a harmonised approach to avoid regulatory arbitrage and allow businesses to scale up and operate across borders more easily.
- We believe it would be beneficial for this network to develop a best practice for regulators to assess financial innovations.
- We consider it important to involve global standard setting bodies as part of the GFIN as they would be able to provide insights into specific industries and have well-established participant base from the industry.

As a diversified international financial market infrastructure and a keen innovator in this space, LSEG would be welcome opportunities to conduct cross-border trials that allow us to test innovative idea in multiple jurisdictions.

You will find below detailed responses to the question raised in the Discussion paper.



Response to specific questions

Q1: Do you agree with the proposed Mission Statement for the GFIN?

We support the general proposed Mission Statement for the Global Financial Innovation Network (GFIN). As FinTech faces a global market, it is crucial to ensure that an internationally consistent approach is adopted to avoid regulatory arbitrage. We welcome the proposed GFIN initiative which recognises the importance of international collaboration. LSEG firmly supports efforts to facilitate innovations that would improve customer value creation in terms of efficiency, broader choice, transparency and customer protection while maintaining broader financial stability.

Q2: Do you agree with the three main proposed functions for the GFIN?

LSEG agrees with the main proposed functions for the GFIN. We consider it important to have industry engagement in these workstreams and welcome opportunities to contribute to the policy discussions.

Q3: What aspects/areas of regulation pose the biggest challenge when it comes to innovating?

We would like to note the importance of technology neutrality. When it comes to future policy making, we believe that efforts should be made on developing less prescriptive, process-based regulatory requirements, ensuring future regulations to be more technologically neutral. We would also encourage policymakers to take a harmonised approach to avoid regulatory arbitrage and allow businesses to scale up and operate across borders more easily.

Q4: Do you see any reasons why this initiative may be counterproductive to the outcomes it is seeking to achieve?

We would like to caution against the potential leak of IP through excess information sharing and would encourage careful safeguarding mechanism to prevent such incidents.

Q5: Do you believe the issue of developing a best practice for regulators when assessing financial innovation should be a priority for the network? If not, what other priorities should the network first address?



We believe it would be beneficial for this network to develop a best practice for regulators to assess financial innovations. This could be a repeating challenge faced by regulators across jurisdiction, whenever there is an introduction to a new technology. We consider an agreed-upon approach will facilitate understanding and lead to more consistent regulations rather than divergent approaches.

Q6: Do you agree with the approach to involve global standard setting bodies as part of the GFIN? How else would you like to see these organisations involved?

We consider it important to involve global standard setting bodies as part of the GFIN as they would be able to provide insights into specific industries and have well-established participant base from the industry. Involvement of global standard setting bodies would also minimise conflict/duplication of work on the same policy issues.

Q7: What kind of outcomes from the policy work and regulatory trials would your organisation benefit from?

We believe that when tackling some of the more technically complex issues introduced by emerging technology where no established framework exists today, for instance digital asset custody, these trials would offer a more efficient way of building a collaborative model and lead to fewer duplicative discussions/ diverging policy approaches. LSEG is already participating in the FCA sandbox through our project with Nivaura and we would welcome any future opportunities to contribute to the proposed GFIN trials. This experience has been positive, and the approach taken by the FCA (i.e. practical executions within a regulatory safe space that result in scalable use cases) has proved to be a very effective way for regulators to collaborate with technology providers.

Q8: Would the cross-border trials be of interest to your organisation? If so, could you provide any potential example use cases?

As a diversified international financial market infrastructure and a keen innovator in this space, LSEG would be welcome opportunities to conduct cross-border trials that allow us to test innovative idea in multiple jurisdictions. As an example, we would be interested in capital raising use cases, the digital issuance of equities and bonds, their respective settlement, clearing, trading and safekeeping.

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Q9: Do you agree with the proposed approach to managing the application process for cross-border trials?

We agree with the proposed approach and have no specific comment on the application process for cross-border trials.