

# The Multilateral Monitor

Tracking payments and digital policy development in the leading multilateral fora



Policy Center for the Digital Economy

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## A Digital Trust Agenda in a Fractious Multilateral Cooperation Ecosystem

Digital technology without regulatory restrictions does not stop at borders. The relationships it forges, and the risks they pose are transboundary. This makes developing standards and norms on digital trust a suitable agenda for multilateral cooperation. Yet, fractured by war, geopolitical competition, and political ideology, can the multilateral system deliver the trust that currently evades it?

Three trends shape the global policymaking on trust in the digital economy:

- (1) Differences in societal values hinder agreement on hard legal norms for trust at a global scale. As a result, soft law in the form of standards, declarations, and principles are developed by regional organizations and groupings of like-minded countries such as the OECD, APEC, ASEAN, and G7 instead of through broad-based initiatives.
- (2) The euphoria about digital innovation that prompted regulators to exercise restraint is giving way to a sense of urgency to regulate innovative technologies and business practices such as crypto assets and buy-now-pay-later (BNPL) Fintech.
- (3) Private sector standards and practices continue to shape the trust of citizens and governments in digital technology and diffuse trust norms across borders.

In December 2020, [Digital Planet at Tufts University](#) published the third edition of the [Digital Intelligence Index](#). Coming out at an exponential moment in the history of digitalization, the Report noted that countries that were advanced digitally and continued to digitalize with high momentum, their citizens expressed higher levels of distrust in technology and digitalization. By contrast, countries with high digitalization and low momentum were more trusting of the technology. The most optimistic though were citizens in countries at an early stage of digitalization but doing so with high momentum.

In 2021, [Edelman Trust Barometer](#) recorded trust in technology “at all-time low in 17 of 27 markets.” It also recorded a trust divide between developed and developing countries that mirrors the Digital Planet’s findings. This is not surprising if we note the trends in cybercrime as one driver of distrust. [AAG Statistics](#) show malware attacks increased 358% in 2020, 121% in 2021 and continued to increase in 2022.

Effort to create global commitments on privacy, cybersecurity, or ethical use of technology are proliferating. In February 2022, the first global negotiations of an [international convention on](#)

cybercrime started. Consensus is, however, proving evasive due to differences that reflect political systems, geopolitical tensions, and disparities in economic development.

The distrust plaguing citizens about technology is also plaguing countries and making broad-based cooperation difficult. The result is fragmentation of legal arrangements by regions and political ideologies and soft commitments that produce limited harmonization. Uncertainty is the enemy of trust, and it is the norm in global digital policymaking at the moment.

This issue covers broad efforts to promote cybersecurity, privacy, and other standards under APEC, G7, G20, and Quad as well as the progress on the UN Cybercrime Convention. It also covers developments in promoting trust in crypto assets and promoting inclusion in payments and the digital economy more broadly through the IMF, the FSB, the G20, and the United Nations.



EDITOR

Heba Shams

Vice President for Multilateral Engagement

Mastercard — Global Public Policy

## Privacy & Cybersecurity

**United Nations- Cybercrime Convention:** The [Ad hoc committee](#) to Elaborate a Comprehensive International Convention on Countering the Use of Information and Communications Technologies for Criminal Purposes continues to negotiate the text of a comprehensive convention on cybercrime. It is due to conclude its work and submit the draft for adoption by the UN General Assembly in its 78<sup>th</sup> session starting September 2023. The fourth intersessional consultation session will be held on 6 and 7 March 2023 and [streamed live](#). The final stakeholder consultation will take place on 20-21 June 2023. All consultation submissions and recordings are available on the Ad Hoc Committee's website.

**Quad – Cyber Challenge:** The Quadrilateral Security Dialogue (Quad) partners (Australia, India, Japan, and the United States) continue to deepen cooperation across a host of domains ranging from maritime security and climate resilience to critical and emerging technologies. In the digital domain, the Quad Partners recently launched a new "Cyber Challenge" to build public awareness around cybersecurity risks and promote private-public partnerships to strengthen cyber hygiene. Companies and organizations within the Quad countries and beyond have made pledges to support cybersecurity education as part of the Quad Cyber Challenge, which will culminate in events from April 10-14. The Quad Partners have also developed a ["cyber challenge checklist"](#) that outlines simple cyber tips for organizations small and large.

**G7 – Cementing 'Data Free Flow with Trust':** With Japan at the helm, the G7 will look to substantiate Tokyo's concept of "data free flow with trust" with a new ["institutional arrangement for partnership"](#) (IAP) that could help drive global cooperation on digital governance. If implemented, the IAP would serve as a key forum to address data governance issues, enhance transparency and interoperability in data regimes, dismantle policy and regulatory barriers inhibiting the free flow of data across borders, and promoting common approaches to privacy-enhancing technologies (PET). We should expect Japan to highlight the IAP at the G7 Digital Ministers Meeting on April 29-30 and seek to launch the IAP as a key deliverable for the G7 Hiroshima Summit on May 19-21.

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## Payments & Crypto Assets

**IMF/FSB/G20- Global Crypto Regulation Accelerating:** The turmoil in the crypto sector, which culminated in the bankruptcy of FTX – a major crypto currency exchange- at the end of 2022 has resulted in huge losses for investors and revealed the systemic risks that an unregulated crypt sector can generate. The tide shifted very quickly away from enabling innovation through regulatory restraint to demanding rapid and comprehensive regulatory intervention. In January 2023, the Financial Stability Board (FSB) published the [public responses](#) to its Proposed Framework for International Regulation of Crypto-asset Activities] with the final report expected in July 2023.

In February 2023, the Board of the IMF discussed a [board paper](#) on Elements of Effective Policies for Crypto Assets, which sets out nine elements that "help members develop a comprehensive,

consistent, and coordinated policy response." The Executive Directors of the IMF Board [agreed](#) that crypto assets pose significant risks and as such accepted that work in this area is within the mandate of the Fund, while directing the Fund to work closely with the standard-setting bodies.

The G20 Finance Ministers and Central Bank Governors on 24-25 February, [welcomed](#) an upcoming "IMF-FSB Synthesis Paper which will support a coordinated and comprehensive policy approach to crypto-assets, by considering macroeconomic and regulatory perspectives, including the full range of risks posed by crypto assets." This is a space to monitor in 2023 at the IMF, the FSB, and the G20 Finance track.

**FSB/CPMI/G20- Cross-Border Payments priority actions:** On 23 February 2023, the Financial Stability Board (FSB) published a [report](#) setting out priority actions for achieving the G20 cross-border payments roadmap. The Report specifies actions to be taken under three themes: (1) Payment systems interoperability and extension; (2) Legal and Regulatory frameworks; and Cross-border exchange and message standards. The Report identifies specific actions under each of these priority themes. Actions include measures to support interlinking of fast payment systems, advancing harmonization and piloting of harmonized APIs in cross-border payments, harmonizing regulations and supervisory practices and promoting risk-based approach, promoting use of LEI in cross-border payments. On industry engagement, the FSB/CPMI will convene an annual payment summit to discuss strategic issues on the roadmap starting October 2023. They will also convene two ongoing industry task forces starting this March and at least three times a year.

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## **Inclusion & "Digital Public Infrastructure- DPI"**

**G20- Digital Public Infrastructure Momentum:** "Digital public infrastructure," a concept that remains widely contested in the academic and policy communities, emerged as the top priority for India's presidency of the [G20](#). Action on this agenda during India G20 year will cut across the different workstreams under both the Sherpa and the Finance Tracks. The working groups on Digital Economy, Infrastructure, and Global Partnership for Financial Inclusion will be primary forums for advancing cooperation on this issue. At the macro level, the vision of India on DPI and the role of the South in shaping the development agenda going forward will be strong in the debates about the reform of the multilateral system withing the Development and the International Financial Architecture working groups and beyond. The monthly [G20 Newsletter](#) published by the Government of India are a good source for keeping track of a very active G20 year.

**G20- A revised Financial Inclusion Action Plan (FIAP):** The first meeting of the G20 Global Partnership for Financial Inclusion (GPFI) to be held under India's presidency took place on 9-11 January 2023. The meeting set the priorities of the GPFI for the year to include leveraging DPI for financial inclusion, completing the FIAP 2020, adopting a new FIAP 2023, updating GPFI terms of reference. The 1<sup>st</sup> G20 Finance Ministers and Central Bank Governors meeting, which took place on 25 February 2023, committed to advancing financial inclusion and to formulating "policy recommendations for rapidly advancing financial inclusion and productivity gains through a well-

designed digital financial ecosystem by leveraging DPI by the 3<sup>rd</sup> meeting of the Finance Ministers. They also committed to advancing discussion on 2023 G20 FIAP by the same timeframe.

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### International Cooperation on Digital Policy

**APEC- August Digital Month:** The U.S. APEC host year sets the stage for an ambitious [series of engagements](#) exploring the evolution of the digital economy and the opportunities to deepen intra-regional trade, commerce, inclusion, and connectivity. The U.S. officials have settled on a theme for the host year – “creating a resilient and sustainable future for all” – the substance of the agenda and key deliverables are still taking shape. Policymakers are calling for initiatives that could be “easily implementable” and yield an “immediate impact post-pandemic.” APEC officials have highlighted ministerial engagements taking place in Seattle in August as a key opportunity for industry to engage on a range of digital policy and small business-related issues. Indeed, they have branded August as “Digital Month” and sought private sector input on topics to explore related to SME digitization, cybersecurity, and cross-border data flow.

**UN- Global Digital Compact Consultations Launched:** On 30 January 2023, Rwanda and Sweden – the co-facilitators of the intergovernmental process on the Global Digital Compact (GDC), launched the member states and stakeholders consultation process with members states and observers [consultation session](#). This was followed by two sessions on 3 & 10 February that included other stakeholders. Eight thematic deep dives will take place through June 2023. All stakeholders are invited to organize their own consultation processes and [submit](#) their views to online before 31 March 2023. The GDC will be agreed in the Summit of the Future in September 2024.