

# Fan Yifei: Speech - China Digital Finance Forum 2021

Speech by Mr Fan Yifei, Deputy Governor of the People's Bank of China, at the China Digital Finance Forum 2021, Beijing, 17 September 2021.

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Distinguished guests, ladies and gentlemen,

Good morning! I am glad to attend this year's China Digital Finance Forum. On behalf of the People's Bank of China (PBC), I would like to extend warm congratulations to the convening of this forum. General Secretary Xi Jinping has noted that the world is undergoing profound changes unseen in a century, among which scientific and technological innovation is one of the key variables. Catalyzed by "new growth drivers" such as digital technologies and data as a factor of production, fintech represented by digital finance and smart finance has provided a "new strategy" for the transformation, upgrading and high-quality development of the financial sector. Outline of the 14th Five-Year Plan has pointed the way forward and drawn up the blueprint for fintech development. On the basis of previous work, the PBC will formulate a plan for fintech development in the new stage, so as to guide the financial sector to promote sound development of fintech and expedite digital transformation. I would like to take this opportunity to elaborate on the new development path of the financial sector from the following five aspects.

## **First, we will tap into the value of data to activate the endogenous impetus underpinning transformation and upgrading.**

At the Fourth Plenary Session of the 19th Central Committee of the Communist Party of China (CPC), it was proposed for the first time that data should be involved in distribution as a factor of production. Data has become a basic and strategic resource for the digital transformation of the financial sector. From diversified innovative product design to customized financial services, and from business process optimization that separates the wheat from the chaff to risk prevention and control that eliminates hazards and safeguards security, data has been rendering strong support to financial innovation and development. Financial institutions should attach great importance to data-related work, unleash the potential of data, and fuel the "data engine" that drives digital transformation of the financial sector. **In data governance**, we will establish a whole-process management system that covers data collection, processing, analysis and use, unify data standards and rules for effective data categorization, and build enterprise-level data dictionaries and resource catalogs, so as to improve the accuracy, validity and accessibility of data. **In data sharing**, we will collect and process as minimum data as necessary for exclusive use, and explore the application of secure multi-party computation, federated learning and other technologies. With these technologies, we will share data in a regulated way, keeping raw data within their original domains and using data without actually seeing or moving it. **In data usage**, we will enhance information interconnectivity between the finance and public service sectors, and foster the capability of providing customer-centered data service with joint modeling, graph computing and other technologies, and tap into integrated data application scenarios, so as to empower the financial sector in multiple ways to serve the real economy and improve the people's livelihood. **In data protection**, we will strictly enforce the *Data Security Law* and the *Personal Information Protection Law*. We will establish a protection mechanism that covers the whole life cycle of data, and take such measures as private information retrieval and de-tokenization, so as to prevent the misuse or abuse of data and safeguard the security of financial data and personal privacy.

## **Second, we will develop digital infrastructure to consolidate the foundation of digital finance development.**

At the meeting of the Standing Committee of the Political Bureau of the CPC Central

Committee in March 2020, it was proposed to expedite the building of new infrastructure. Following the new development trend of digital technologies, the financial sector should endeavor to build secure and reliable digital infrastructure that is properly arranged, so as to reinforce the “digital base” for financial transformation and innovation. **In enhancing the efficiency of data centers**, we will consider functional positioning, regional distribution, power supply and other factors comprehensively and take a holistic approach in the planning and construction of data centers. We will accelerate the green and low-carbon upgrading and transformation of the data centers, build and improve the intelligent operation and maintenance system featuring multi-scenario collaboration and multi-node integrated management, and build a highly reliable multi-layer disaster recovery system for data centers, with a view to safeguarding the digital transformation of financial institutions. **In expanding the system capacity for computing power**, we will apply cloud computing technologies to steadily advance the transformation of distributed architectures, arrange advanced edge computing on an appropriate scale, and explore establishing public computing power infrastructure for the whole financial sector. With these measures, we will be able to meet the demand of the financial sector for computing resources stemmed from instantaneous businesses with high concurrency and massive information traffic, and thus provide strong support for efficient financial activities. **In speeding up network communications**, we will construct and optimize highly reliable, redundant network architecture, promote large-scale deployment and application of the IPv6 network, and apply technologies of 5G and Internet of Things (IoT) to connect the cloud, the channels, edge computing, and end users. As a result, we will realize the virtualization of network resources, the intelligent control of network traffic, and the automation of operations management, thus improving business capacity and transaction efficiency.

### **Third, we will engage in the R&D of digital currency and enhance the inclusiveness of financial services.**

The E-CNY is an important part of the supply-side structural reform of China’s financial sector. It is conducive to promoting the digital transformation of social activities and the mode of production. Following the design concept that E-CNY should be “safe and inclusive, innovative and user-friendly, and time-evolving,” the PBC has properly advanced the R&D of E-CNY. Through the pilot tests of real users and large-scale centralized tests in batches conducted in many places, we have fully tested the system stability, product usability and applicability to different scenarios of E-CNY, and we have secured progress for this stage. At the same time, we are aware of problems that require urgent solutions. The rules and system, the application environment, and the payment system of E-CNY, among others, are yet to be improved. Going forward, according to the principles of openness and inclusiveness, we will work on both the supply side and the demand side, continuously optimize the bottom-level business capacity and the basic technology platform of E-CNY, empower external stakeholders, and collaborate with them to create an ecosystem of E-CNY. **In formulating rules and standards**, on the premise of ensuring centralized management, unified cognition and counterfeit-proof features, we will fully leverage the advantages of E-CNY in terms of higher settlement efficiency and better privacy protection. E-CNY cannot be managed in the same way as either paper currency or bank accounts, so we must shatter what needs to be shattered and restrict what needs to be restricted. **In implementing technologies**, we will harness the respective advantages and professional experience of designated operational institutions to continuously facilitate the iteration of technologies and keep them at an advanced level. We will make full use of the existing financial infrastructure to bolster the interaction between E-CNY and traditional electronic payment systems, and promote the interconnectivity between E-wallets operated by different institutions and between E-CNY wallets and bank accounts, so as to boost both secure and convenient use of E-CNY. **In building the ecosystem**, we will adhere to the two-tier operation structure, and develop a long-term mechanism that both stimulates innovation and improves service quality and efficiency. We will create a fair and incentive-compatible market environment, fully mobilize the enthusiasm and creativity of market

participants, and explore a sustainable development mode that encourages all entities across the sector to participate in the market and compete with each other. We will strive to meet the demands of wider user groups and various scenarios, and enhance the inclusiveness and accessibility of E-CNY.

#### **Fourth, we will develop digital credit to better serve the real economy.**

Digital credit, to a certain extent, shores up the weaknesses of traditional financing models in serving micro and small businesses (MSBs) and private enterprises, as well as rural households and self-employed businesses. The financial sector should make better use of digital credit, a powerful tool to serve the real economy, and proactively explore a new model for the sustainable development of financial inclusion. **First, digital credit will be adopted to lower financing costs and increase financing benefits.** We will use digital technologies to rearrange procedures for loan review and issuance in an intelligent way, organize shareable and reusable business capabilities based on integrated middle platform, and comprehensively evaluate business performance with multi-dimensional data from sectors such as industry and commerce and taxation, so as to reduce the costs of R&D, operations and risk control, and improve the efficiency of financing services. **Second, digital credit will be adopted to enhance the financing quality and expand the financing coverage.** We will build a widely connected and accessible service network, establish service touch points such as “Cloud Financing Services” and “Mobile Financing Services” in the entire process based on digital channels, and use technologies such as IoT and satellite remote sensing to acquire digital footprints of businesses in their productions and operations, thus reducing reliance on financing collaterals and increasing the accessibility, popularity and penetration of credit financing. **Third, digital credit will be adopted to ensure targeted financing provision.** We will continue leveraging the strengths of artificial intelligence and blockchain to learn more about the production and business entities in industry chains and supply chains in a digital way, accurately identify the authenticity of financing demand, dynamically monitor the flow of credit funds, and thus intensify support for the real economy via digital credit products in a more diversified, intelligent and targeted way.

#### **Fifth, we will bridge the digital divide to boost common prosperity.**

General Secretary Xi Jinping stressed that common prosperity is an essential requirement of socialism. The financial sector should always take meeting the people’s new aspirations for a better life as its essential purpose. Fintech is an important means to bridge the digital divide and address the unbalanced and inadequate development. We will use fintech in the following ways. **First, fintech will be adopted to narrow the rural-urban digital divide.** We will implement demonstration projects of rural revitalization empowered by fintech, establish new service channels that “enable connection between online and offline services, among financial institutions, and between the financial and public sectors”, and set up integrated service platforms with multiple functions and purposes for rural residents. We will advance deep integration of flows of capital, businesses and logistics in the agricultural supply chain, allocate financial resources precisely to crucial areas and key links in the agricultural sector, and bolster the modernization of the agricultural industry. **Second, fintech will be adopted to break the gap of digital applications among groups.** We will focus on high-frequency financial scenarios in daily life that cover groups of the elderly, ethnic minorities and the disabled, and provide customized mobile finance products accordingly. We will use smart mobile devices to expand the scope of financial services, improve the depth, breadth and warmth of the services, so that beneficial sci-tech innovations will benefit the whole population in a more equitable way. **Third, fintech will be adopted to ease the gap of digital development among institutions.** Large-scale financial institutions should take the lead, use digital transformation as the opportunity, and explore a new model of coordinated development where the development of large-scale institutions drives that of small-sized institutions and stronger

ones support weaker ones through capacity output, technological transfer and collaboration within the sector, so as to bolster digital operations across the sector. Small and medium-sized financial institutions should fully leverage their inherent strengths in their relations with customers in the local community to accelerate digital transformation through win-win cooperation with the use of external forces, build a system of differentiated competitiveness and lean management, and thus empower the development of local economies and MSBs.

Ladies and gentlemen! The 14th Five-Year Plan period is an important period for China to achieve modernization and build China into a modern socialist country. The five years ahead are critical for deepening economic strategic transformation in China. The financial sector should bear high spirit to continue the centenary prime. We will remain true to our original aspiration, keep our mission firmly in mind, start a new chapter of innovation and development of digital finance, and contribute to promoting common prosperity.

To conclude, I wish this forum a complete success. Thank you!