

The Dark Side of Digital Financial Transformation: The New Risks of FinTech and the Rise of TechRisk

Over the past decade a long-term process of digitization of finance has increasingly combined with datafication and new technologies including cloud computing, blockchain, big data and artificial intelligence in a new era of FinTech (“financial technology”). This is particularly true for financial inclusion where Fintech4Financial Inclusion promises the long sought after solution for bridging the last mile problem.

In turn, this process of digitization and datafication combined with new technologies is taking place in developed global markets and at times even faster in emerging and developing markets. However, to the same extent that datafication and digitization made progress, technology-related risks are about to increase and become more eminent.

The result: cybersecurity and technological risks are now evolving into major threats to financial stability and national security. In addition, the entry of major technology firms into finance – TechFins – brings two new issues. The first arises in the context of new forms of potentially systemically important infrastructure (such as data and cloud services providers). The second arises because data – like finance – benefits from economies of scope and scale and from network effects and – even more than finance – tends towards monopolistic or oligopolistic outcomes, resulting in the potential for systemic risk from new forms of “Too Big to Fail” and “Too Connected to Fail” phenomena.

The Article *The Dark Side of Digital Financial Transformation: The New Risks of FinTech and the Rise of TechRisk* (accepted for publication by the Singapore Journal of Legal Studies), authored by Professor Dirk Zetsche, holder of the ADA Chair in Financial Law, together with Professor Douglas Arner (HKU), Professor Ross Buckley (UNSW Sydney) and Eriks Selga (HKU), analyses, as first of its kind, the new dimension of Tech Risks in the FinTech age and suggests some basic principles about how such risks can be monitored and addressed, focusing in particular on the role of regulatory technology (“RegTech”).

A working paper version of the Article is available for download [here](#).