



Assessing the Geopolitical Threat to Global Financial Infrastructure

Nicolas Véron

Senior Fellow, Bruegel (Brussels) and
Peterson Institute for International Economics (Washington DC)

G20 Global Financial Stability Conference, Seoul
September 20, 2023

Global Financial Infrastructure

- Public institutions
 - Forums for discussion & coordination: e.g. BIS, FSB
 - Standard-setting bodies: e.g. IFRS Foundation, Basel Committee
- Private-sector firms
 - International active financial intermediaries, e.g. HSBC, JPMorgan Chase, UBS
 - Critical infrastructure firms: e.g. SWIFT, CLS Group, international securities depositories
- USD-centric order

(Disclosure: the presenter is an independent non-executive board member at the global trade repository arm of DTCC including entities supervised by US SEC & CFTC, EU ESMA, and UK FCA)

The Experience So Far

- Global public institutions are resilient
 - BIS: e.g. Russia sanctions 2022
 - Expansion: BCBS, IFRS / ISSB
 - China engaged despite reluctance to share data
- Conflict avoidance: e.g. China / PCAOB
- Firms manage to straddle: e.g. HSBC
- Existing infrastructure still valuable: SWIFT
- Stable dollar-centric monetary order
 - New Development Bank reports in USD
- (Surprisingly) few cyber disruptions

Risk Factors

- G7 sanctions overreach
- Gaps in data sharing
- US institutional vandalism
- Infrastructure fragmentation
- Ukraine war escalation
- Chinese unexpected uncooperative shift or financial crisis