

SUMMARY REPORT

Sustainable digital finance:

How technology can accelerate the transition to a sustainable economy

Overview

The UK needs to act now to harness the benefits that technology can bring to accelerate the availability and use of green and sustainable finance, as well as to address the growing challenges and potential harms.

Sustainable digital finance describes the intersection of the use of technology in finance with environmental, social and governance (ESG) objectives. Although there is no universally accepted definition, this concept often refers to the use of technology, including artificial intelligence (AI), distributed ledger technology (DLT) or the internet of things, to further ESG or sustainability initiatives in the finance sector and the wider economy.

To date, the UK's policy approaches to sustainability and FinTech have generally been considered separately and have developed in parallel. There are a host of existing initiatives in each of these areas which impact the current UK regulatory and policy landscape and are likely to influence any future approach taken on sustainable digital finance.

Here are our five recommendations for policymakers to ensure that the UK retains its leadership in sustainable digital finance, while meeting its international obligations and other applicable targets.

1	UK policymakers should take a joined-up approach and ensure ESG issues are considered in all new FinTech legislative and regulatory initiatives.
2	New legislative and regulatory initiatives should strike an appropriate balance between robust ESG standards, while ensuring that FinTech innovation is not stifled.
3	The UK should encourage broad international alignment of standards, while reflecting UK-specific needs – following the example of market leaders such as Singapore.
4	In particular, the UK should exert its influence on the world stage to shape standard-setting for big data and ESG disclosures.
5	Flexible regulation is key so that regulators can respond quickly and effectively to new FinTech developments and accelerate use of technology in sustainable finance.

Conclusion

The UK has a valuable opportunity to harness the benefits that FinTech can bring in achieving ESG goals by helping to remove key legislative or regulatory barriers, but at the same time also addressing the growing challenges and potential harms that increased use of certain types of technology may bring.

By acting now the UK can ensure that technology is best utilised to accelerate the penetration and use of green and sustainable finance products to help achieve the UK's broader ESG targets, and to maintain the UK's role at the forefront of sustainable digital finance developments.

This is an agenda that demands urgent action. By acting now, governments and policymakers, working in partnership with industry, can set the framework needed to realise the benefits of sustainable digital finance in future decades.