



**ASIC**

Australian Securities & Investments Commission

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# Insights from the 2017 World Economic Forum Annual Meeting, Davos

*A speech by Greg Medcraft, Chairman,  
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*Herbert Smith Freehills boardroom luncheon (Sydney, Australia)  
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## ***CHECK AGAINST DELIVERY***

### **Introduction**

Thank you for inviting me to lunch today. I've been asked to give some thoughts on what I took away from the Davos meetings that I attended in January. As you know, the World Economic Forum's (WEF) Annual Meeting brings together world leaders from business, politics and other fields to discuss the key challenges we all face now and in the future.

I have now had the privilege of attending the Annual Meeting twice – I went for the first time in 2016, and then again in January this year. Each time I have attended this conference, I have been struck by the quality of the discussions I have listened and contributed to, as well as the enormous range of ideas that are expressed.

I should also point out that a number of the themes raised at Davos were also picked up and developed at our Annual Forum held recently in Sydney.

Today, I would like to cover two main topics:

- First, I want to talk about responsive and responsible leadership, which was the overarching theme of Davos this year.
- Second, I will share with you what I thought were the three most prominent ideas that came out of the sessions I attended. Specifically these were:
  - the need for greater inclusion
  - the challenges we face in financing global infrastructure
  - the impact of artificial intelligence and the Fourth Industrial Revolution.

## Responsive and responsible leadership

‘What has gone wrong with the world?’ Chinese President Xi Jin Ping asked the audience to consider this question during his opening address at the Annual Meeting.

Certainly, 2016 was a year full of unexpected changes. Following Brexit, the change in US administration and other events around the world, we are now living in a period of unprecedented political and economic uncertainty and instability. However, perhaps some of these changes should not have been wholly unexpected.

When I first attended the WEF Annual Meeting in 2016, the theme for the conference was the Fourth Industrial Revolution. We have known for some time now that technology has – and will continue to – fundamentally change the way we live and work. As a result of some of the events of 2016, we can also no longer ignore the fact that the benefits derived from globalisation and the rise of technology have not been shared equally. Rising inequality has led to frustration and has contributed to these political upheavals.

In choosing the theme ‘Responsible and responsive leadership’ for the Annual Meeting in 2017, WEF Chairman Klaus Schwab urged leaders to understand that ‘we are living in a world marked by uncertainty, volatility and deep transformational changes’.

A key message was that leaders need to promote inclusion, trust and confidence across a wide range of areas. This includes:

- ensuring that the benefits of economic growth are shared more effectively
- narrowing the gap between those who have embraced technology and those who have not – the so-called ‘digital refugees’.

The world needs leaders who commit to building trust by clearly communicating their values and vision, and then taking action in a way that aligns with those values. This is a difficult task in a rapidly changing world. As leaders, we have to challenge ourselves to be responsible and responsive to maintain trust and confidence in the institutions we represent.

## Prominent ideas

Under the main theme of responsible and responsive leadership, there were a number of other prominent ideas that were emphasised at the Annual Meeting this year.

### Inclusion

The first idea is the need for increased inclusion.

There are many people in the world today who feel frustrated by their present economic circumstances. And we know that, in relation to technology, there is a growing gap between those who have embraced technology and those who have not.

To increase inclusion, greater efforts clearly need to be directed towards re-skilling workers who have been made redundant by automation. We also need to ensure that the skills we teach our children will adequately equip them for the world they will inherit.

And, from a financial markets perspective, we need to remember that financial technology (fintech) does not only exist to reduce costs and make our lives easier. Importantly, new technologies have the potential to help reach unbanked or under-banked sectors, particularly in emerging markets.

And so we need to work out how we can harness technology to ensure that more people, and not less, benefit from the changes we see in the world around us. And, of course, good, sensible regulation plays an important part in this process.

Trust also plays a role in inclusion, and we need to have the right settings that can allow trust and confidence to grow.

## **Infrastructure**

The second theme I followed is the debate on infrastructure development.

Infrastructure is, of course, transformational for economies. In emerging markets there is still an enormous need to ensure that all people have access to basic utilities, including electricity, clean water and sanitation. In developed countries, infrastructure that has existed in more or less the same state for decades needs to be renewed and upgraded. However, the current funding gap for infrastructure investment is estimated by the WEF to be in the order of US\$1 trillion annually.

The WEF's work on infrastructure is part of a broader, ongoing discussion about how the public and private sectors can work together more effectively to increase long-term investment in infrastructure.

At ASIC, we are currently working on an International Organization of Securities Commissions (IOSCO) Working Group (chaired by Mexico and Kenya) that is looking at the role that regulators and regulation can play to help facilitate infrastructure finance through capital markets.

I know there are still significant challenges in this area. However, it is especially through increased dialogue and cooperation that we can find answers to the challenge of generating more infrastructure financing through bonds, equity and other capital markets instruments.

## **Artificial intelligence and the Fourth Industrial Revolution**

The last idea I want to touch on is the changes we need to anticipate as a result of advances in artificial intelligence and other technologies.

Following on from conversations started in 2016 on the Fourth Industrial Revolution, there was a lot of discussion on new technologies at Davos in 2017.

Artificial intelligence is developing faster than expected. Improvements in speech and image have resulted in this technology moving quickly towards increased personalisation. Take, for instance, the fascinating ability to now use holographic learning to teach doctors anatomy.

With respect to fintech, some of the key points I took away were that:

- Many people consider 2017 to be a ‘make or break’ year for distributed ledger technology (DLT) or blockchain. It is exciting that, after years of talking about the potential of DLT, we are now very close to seeing it operate in the real world.
- A second point is that we cannot underestimate the significance of the risks posed by major cyber events. In an increasingly connected system, we need to ensure that we do not inadvertently create ‘single points of failure’ with the potential to sink the whole system if that point is compromised.
- Finally, we also need to ensure that we continue to think about how we manage data protection and privacy. I am aware that, in many respects, regulation and regulators still need to catch up with the market.

At ASIC, we are keenly aware of the need to ensure that we keep pace with technological change. We have already started a number of initiatives to help us do this, including work by our Innovation Hub and Chief Data Office, and in our focus on the potential for regulatory technology (regtech).

## Conclusion

There is a lot more that I can share with you about my Davos this year – but I think I’ll leave it there to allow time for some discussion.