



**THE EVOLVING POLICY  
ENVIRONMENT- FINTECH**  
International and Regional Perspectives

# THE APPROACH

- Introduction
- The International Perspective
- The Regulatory Challenge
- Developments
- Regional Summary



## REFERENCES

- “The Future of FinTech: A Paradigm Shift in Small Business Finance” Global Agenda Council on the Future of Financing & Capital, World Economic Forum, October 2015
- “The evolution of fintech: A new post-crisis paradigm?” Arner, Barberis & Buckley, 2015
- “Fintech regulation: recent developments and outlook” Arner & Barberis (2015)



# THE INTERNATIONAL PERSPECTIVE

- Fintech in the Modern Period:
  - First wave: 1.0 – 1967 -1987
  - Second wave: 2.0 – 1987 - 2007
  - Third wave: 3.0 – 2007 - present
- Key characteristics of the third wave
  - The application of technology to provide financial services directly to customers
    - “Debanking” ; disintermediation



# THE MAIN POLICY CHALLENGE

- Ensuring the right balance between

Innovation and the development of new products and services

and

Ensuring the protection of users of these new products and services



# THE OTHER KEY CHALLENGE

- Overlapping regulators:
  - Finance
    - Central Banks
    - Securities regulators
  - Telecommunications
    - Quality service at competitive prices
  - Consumer affairs
    - Pricing competition



# FINANCIAL REGULATION

- The main determinants of regulatory policy:
  - Financial stability
  - Prudential regulation
  - Conduct and fairness
  - Competition and development
- Other key considerations:
  - The financial environment
  - The market being served: lending, payments, etc.



# THE EXPERIENCE TO DATE

- Four categories of recognition:
  - Exempt status: exempt from banking or status undefined
  - Banking regulation: needing a banking licence to operate
  - Financial intermediary: for example, a broker-dealer (securities licence)
  - Dedicated status: clear legal requirements and regulatory approval





# THE EXPERIENCE TO DATE

- Too small to care
  - Tacit acceptance
- Too large to ignore
  - Licensing obligations
- Too big to fail
  - Major regulatory oversight
- Source: Arner and Barberis

Fintech 2.0

Fintech 3.0



# THE EXPERIENCE TO DATE

- Overlapping regulation
  - The standard approach
    - Each regulator focuses on its area and then collaborate with each other
  - The M-Pesa experience
    - Unique example of regulatory cooperation
      - Development from the telecom side



# THE EVOLVING STATE

- One way: let the fintech companies develop:
  - Allow for experimentation with new concepts and final use, applicability and market
  - Note that all technologies will not be widely accepted or adopted.
  - Cost efficient to regulators to allow for experimentation until it becomes significantly important



# THE EVOLVING STATE

- A more balanced approach:
  - Principles-based or rule-based, or both
    - The key is a balanced approach that benefits the players (traditional and start-up) and regulators
- The development of RegTech
  - The use of technology in assisting regulation
    - Data-led regulation means more of a forward-looking focus



# THE EVOLVING STATE

- Active involvement in the development of the industry by regulators:
  - UK FCA and its innovation hub and research funds
  - Hong Kong Securities and Futures Commission and the FinTech Steering Group
  - Singapore and Australia
- More collaboration and on-going dialogue between parties.



# THE REGIONAL EXPERIENCE

- Haiti and *Mon Cash*
  - Mobile money/wallet
- Jamaica and Transcel
  - Basic services and payments
- Barbados and Bitt
  - Digital currency
- Trinidad and Tobago and Bidrate
  - B2B lending marketplace



# SUMMARY OF REGIONAL EXPERIENCE

- Innovation welcomed in most territories after initial “uncertainty” period.
- Mostly subjected to banking regulations, but grew following discussions and collaboration
- Not close to international perspectives as yet but continued entrepreneurship could change focus.

