

DSS
DOMUS SEMO SANCUS

Making Lives Better.

**FINTECH REGULATIONS – A BALANCED APPROACH
CARIBBEAN REGION**

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Trinidad
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Why Are We Here?

Regulatory

- De-Risking



Commercial

- Financial Inclusion

Two Sides Of The Same (Bit)Coin

De-Risking

Immediate outcomes

-  **1 | Risk, Policy and Coordination**
Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.
- 2 | International cooperation**
International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
- 3 | Supervision**
Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks
-  **4 | Preventive measures**
Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
- 5 | Legal persons and arrangements**
Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments
- 6 | Financial intelligence**
Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
- 7 | Money laundering investigation & prosecution**
Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
- 8 | Confiscation**
Proceeds and instrumentalities of crime are confiscated.
- 9 | Terrorist financing investigation & prosecution**
Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
-  **10 | Terrorist financing preventive measures & financial sanctions**
Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.
- 11 | Proliferation financial sanctions**
Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.

De-Risking: *The process of banks (and other financial institutions) exiting:*

- *certain relationships,*
- *products,*
- *markets, and*
- *jurisdictions*

to reduce their exposure to financial crime.

According to the Financial Action Task Force (FATF):

- The purpose of implementing anti-money laundering and counter-terrorist financing (AML/CFT) measures is to protect the financial system from abuse.
 - It can only be achieved if the components of a country's AML/CFT framework are operating well together.
- Countries should identify, assess, and understand their money laundering and terrorist financing risks, and should take action.
- To achieve the objectives above, the FATF has identified 11 key outcomes that a country's AML/CFT framework should address.

Why De-Risking? - The World Is Becoming A Very Dangerous Place



Financial Inclusion

According to The World Bank, Financial inclusion is a key enabler to reducing poverty and boosting prosperity.

What is Financial Inclusion?

Financial Inclusion: is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to **financial exclusion** where those services are not available or affordable.

An example:

- Take out your wallet.
- Take out your credit/debit cards.
- Think about the things you can do with them:
 1. You can make purchases.
 2. Withdraw cash at ATM's.
 3. Pay bills.
 4. Others.
- All these actions are typically safe, the fees are usually reasonable, and nearly everyone can do it.
- Simple actions, that we take for granted.
- However, across whole regions of the globe (including ours), these very basic services are not enjoyed by everyone.
 - **And the bad news is that our region is falling further and further behind when compared to the developed world.**



An E-Commerce Divide Is Developing

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**An E-Commerce Divide Is Developing
And Our Region Is On The Wrong Side**

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What is the Answer?

- The FATF has asked countries to design their AML/CFT regimes on the assessment of the specific risks related to different:
 - industries,
 - products,
 - delivery channels, and
 - their country's specific characteristics.
- The Regulatory framework needs to find the balances between:
 - financial integrity, and
 - financial inclusion.

The Regulations should be:

- Innovation and consumer friendly – supporting consumer protection issues (e.g. Deposit Insurance),
- Functional - Designed by type of service or by category of products,
- Promote both bank and nonbank-based models,
- Open and it should level the playing field for e-money services,
- Establishes a Risk Based Approach and Proportionate Regulations,
 - Proportionate - calibrated according to the risks that each service poses
 - Encourage and promote the use of Simplified KYC.

The Regulator should:

- Extend itself beyond the traditional oversight role by also focusing on efforts that increase financial inclusion, and
- Work with international banks to support a KYC framework which is conducive to the country's needs.



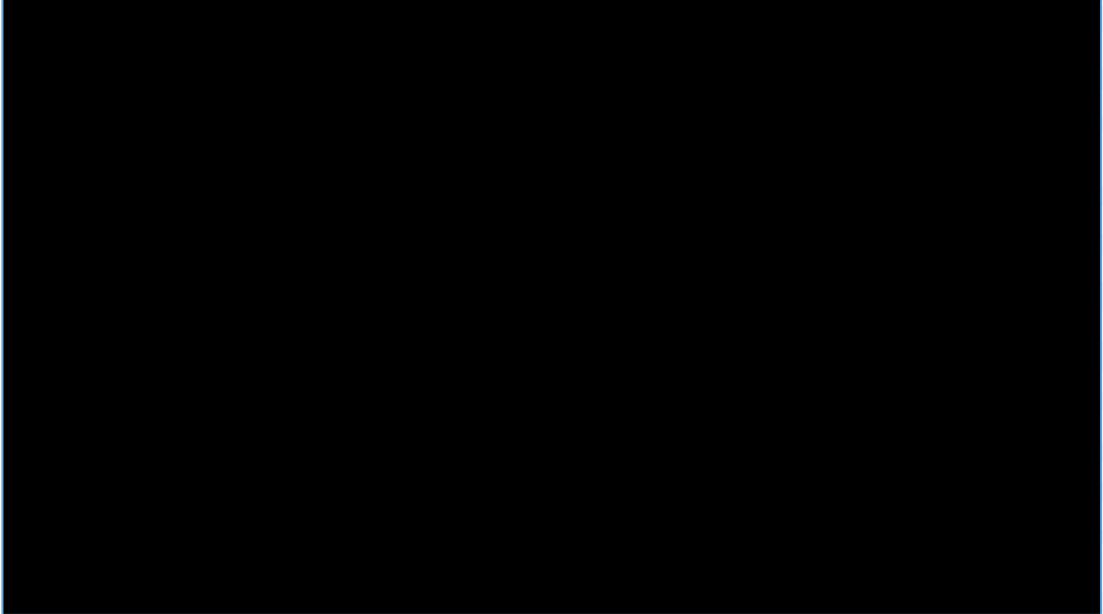
SafetyNet™ - a revolutionary KYC (Know Your Customer) compliance and on-boarding utility:

- a) with the largest global (non-governmental) database of high risk individuals/entities, political exposed persons, and persons in public life,
- b) It utilizes the cognitive computing power of IBM Watson to establish patterns and associations of persons/entities-of-interest.

allowing it to quantify with a high level of confidence the risk of a person/entity of interest engaging in money laundering or terrorist financing activities.

- c) It can sift through hundreds of millions of data points culled from the internet-at-large to expose:
 - patterns,
 - connections, and
 - insights

around persons and entities-of-interest at a global level, and at a depth and speed no human expert can ever achieve on their own.



The End

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