



**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
 - Date-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.

