Regulation of payment innovations (and fintech)

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The landscape

Fintech related risks

- Safeguard data privacy
- Cybersecurity risk
- Compliance AML/CFT
- Fraud risk
- Reputational risk
- Legal risk
- Systemic risk

Leading authority

- Central Bank
- Treasury
- Banking Supervision Authority
- Competition Agency
- Consumer Protection Agency
- Data Protection Agency

Leading authority Fintech related risks
Is the existing legal framework able to embrace payment innovations (and fintech)?

- Yes, 18%
- No, 82%

- Innovation hub: 75% No, 25% Yes
- Sandbox: 50% Yes, 50% No
- Accelerator: 88% No, 13% Yes
The industry perspective

Regulatory barriers

- Time needed for legislation to adapt to new developments: 3.74
- Regulation is not clear or does not provide enough certainty: 3.21
- Requirements differ among countries: 3.12
- Regulation is not principle-based: 2.72
- Regulation does not allow the adoption of new technologies: 3.23
- Participants carrying out the same activities are not subject to the same regulation: 3.14
- Others: 0.67

Best regulatory approach to enable fintech

- Sandbox: 3.09
- Specific advisory by authorities: 3.42
- Functional approach: 3.59
- Self-regulation: 3.14
- International coordination: 3.14
- Other: 0.95

Level of usefulness of regulatory approach to enable fintech and innovation (max. 5.0)
Fintech Forum key messages

- Traditional regulatory arrangements could: limit adoption of new technologies, take longer to adapt, create an unleveled playing field, or even yield intergovernmental uneven response.

- Central banks may find useful considering a number of basic principles when drafting or reviewing regulation to fit the new landscape.
  - Functional approach, proportionality, technological neutrality and flexibility, level playing field and competition, cybersecurity and data protection, coordination among regulators, and international cooperation.
  - Further explore additional mechanisms (innovation hubs, accelerators, sandbox).