



Smart Regulatory and Market Approaches to Fintech Innovation: Toolkit

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II. FinTech: Taxonomy & Framework

ABCD FinTech Archetypes

1. AI/ML
2. Big Data
3. Cloud
4. DLT/BC

FinTech Provider Types

1. Start-ups
2. BigTech/TechFin
3. Financial Institutions
4. Authorities: RegTech/SupTech

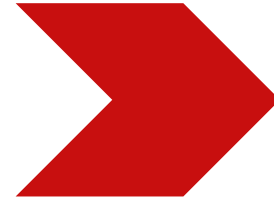
FinTech Markets

1. G2B
2. B2B
3. B2C
4. B2G

III. Context and Policy Objectives of Smart Regulatory and Market Approaches to Fintech

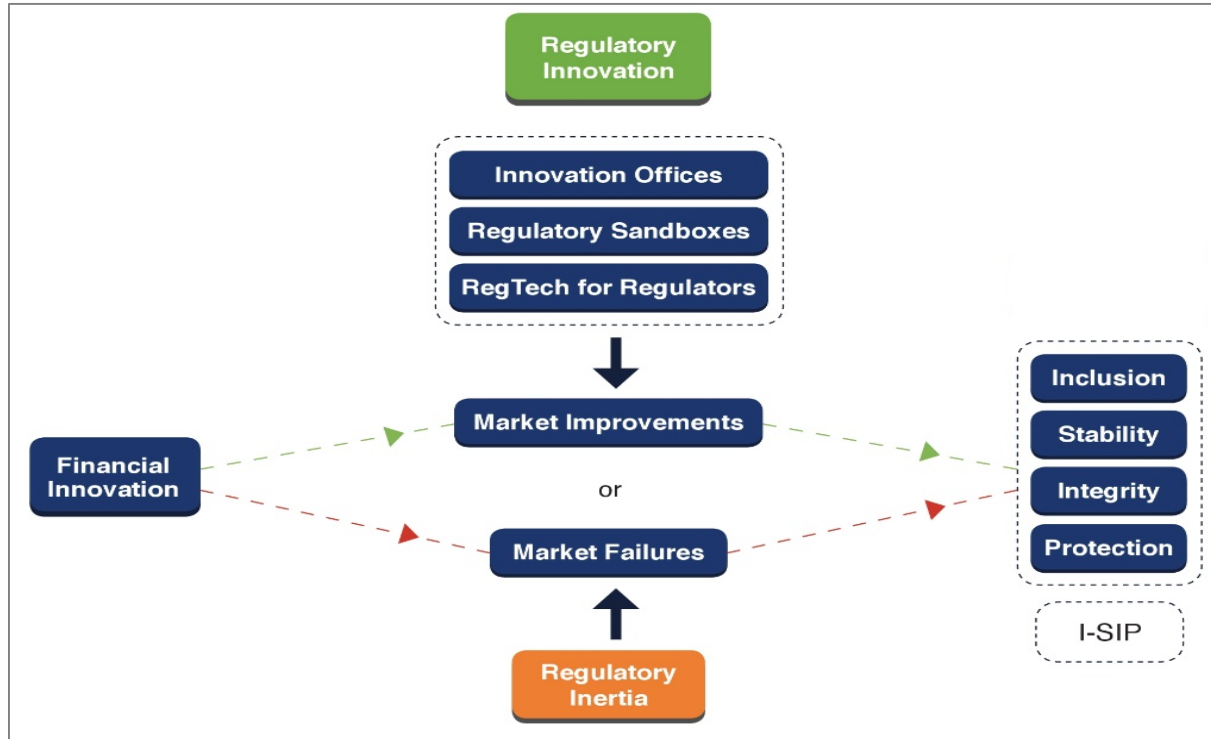
Fundamental Trends in Fintech and Financial Regulation

- Type of Players in FS Changing
- Traditionally Segregated Sectors Converging
- Rate of Innovation & Amounts of Data Changing
- Objectives for Regulators and their Tools Changing



III. Context and Policy Objectives of Smart Regulatory and Market Approaches to Fintech

A Framework of Fintech Innovation and Financial Policy Objectives (UNSGSA/CGAP)



IV. Common Regulatory Challenges and Risks with Fintech

Financial Inclusion

- FT-Related Inclusion Issues
- Inclusion-Related Policy Tools

Financial Stability

Integrity

- FT-Related Integrity Issues
- Integrity-Related Policy Tools

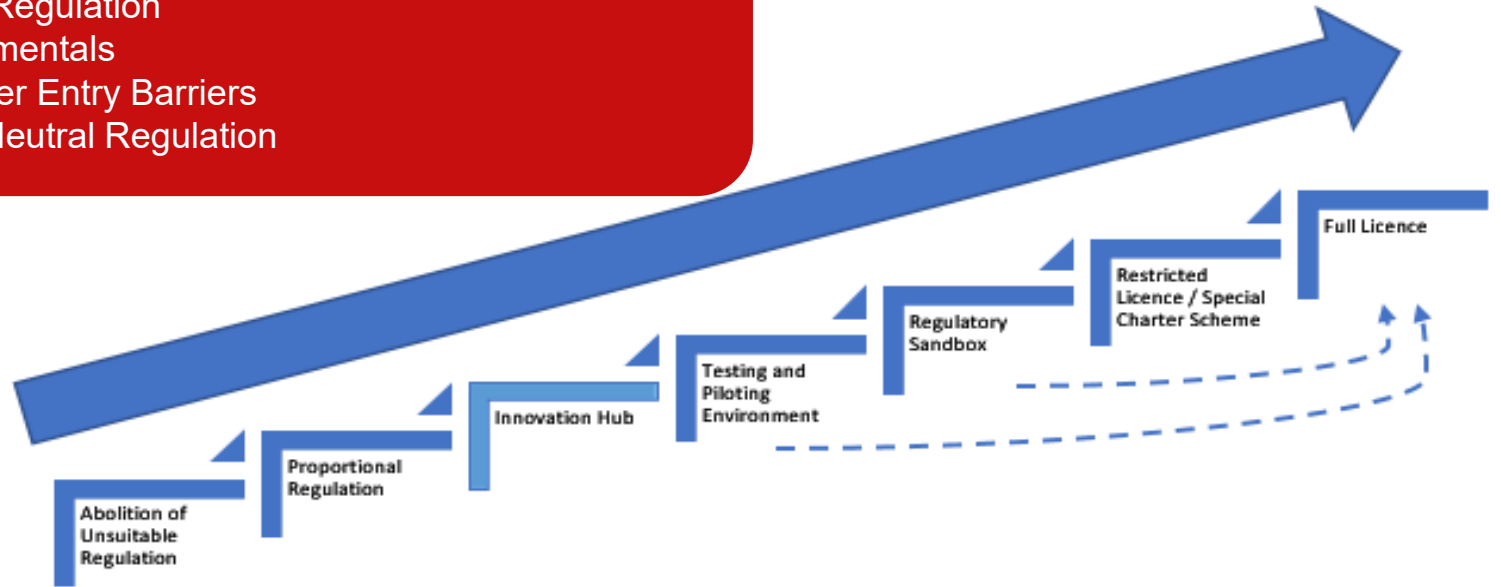
Client Protection

- FT-Related CP Issues
- CP-Related Policy Tools

V. Laying the Foundations for Reform

Principles for Smart Regulatory and Market Approaches

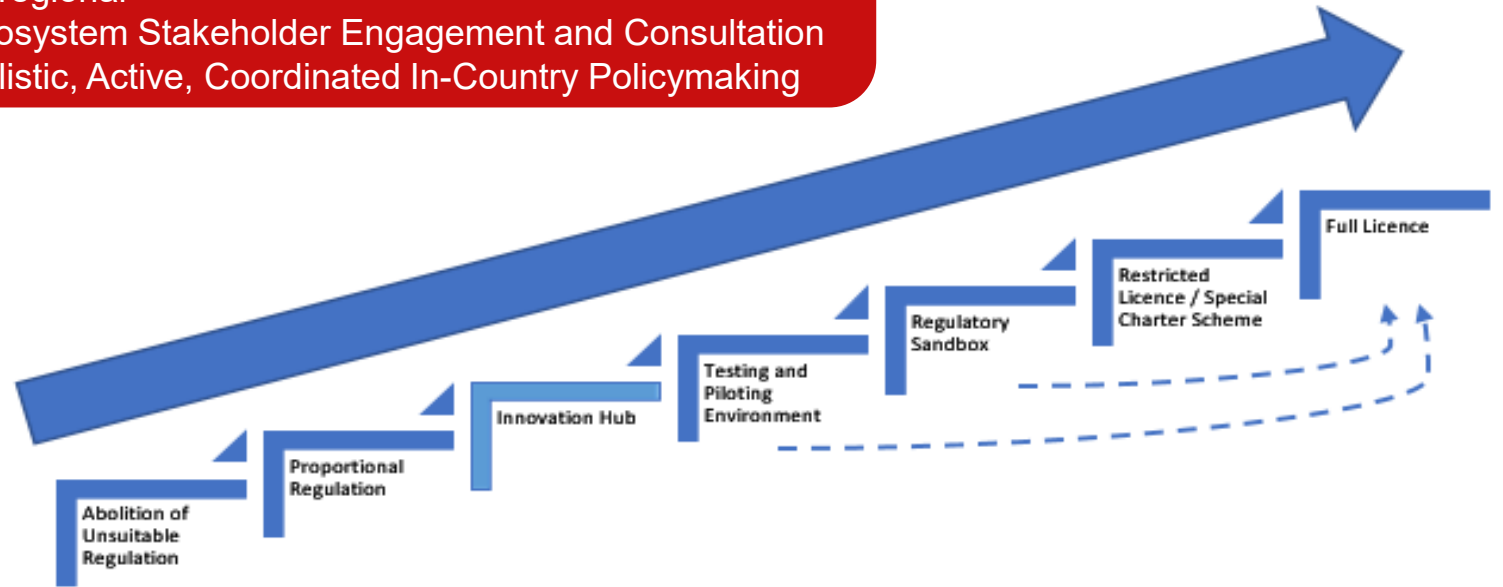
- Activity-Based Regulation
- Proportional Regulation
- Global fundamentals
- Towards Lower Entry Barriers
- Technology-Neutral Regulation



V. Laying the Foundations for Reform

Principles for Financial Systems Development Cooperation

- Technical Assistance & Capacity Development: national vs regional
- Ecosystem Stakeholder Engagement and Consultation
- Holistic, Active, Coordinated In-Country Policymaking



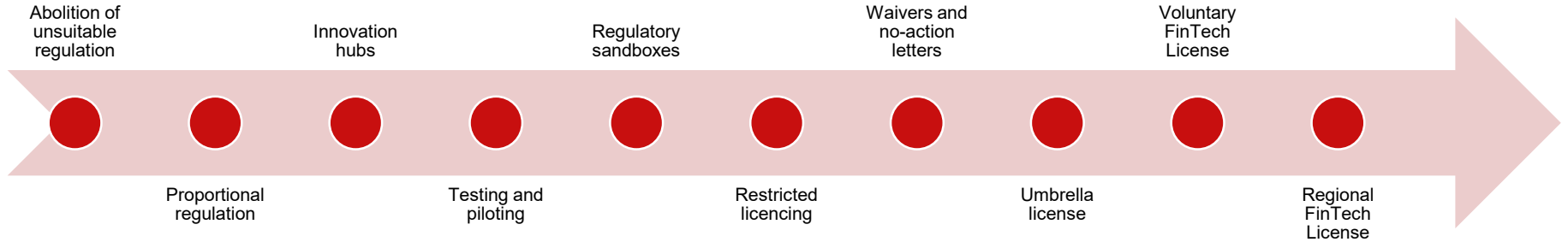
VI. Recommendations for the Design and Implementation of Smart Regulatory and Market Approaches to Fintech Innovation

A. *Preconditions*

1. Diagnostic Studies
2. Definition of Fintech
3. Vision for Fintech
4. Governance and Institutional Coordination
 - (a) Coordination Required Across Public, Private, and Civil Society Stakeholders
 - (b) Responsibility for Leading Fintech Reform to be Assigned to One Institution
 - (c) Coordination Required Within Authorities

VI. Recommendations for the Design and Implementation of Smart Regulatory and Market Approaches to Fintech Innovation

B. Smart Regulatory Approaches to Fintech Innovation



VI. Recommendations for the Design and Implementation of Smart Regulatory and Market Approaches to Fintech Innovation

C. Market Approaches to Fintech Innovation to Support Smart Regulation, e.g.

- enhancing financial and tech literacy programmes
- supporting cybersecurity research centres
- supporting accelerators by a) tax incentives for R&D, b) government-provided office space, and c) university excellence programmes in the STEM sector
- attracting angel investors by a) tax incentives for R&D, and b) innovation fairs and events
- supporting the development of tech / digital clusters (university – private – government)
- supporting alternative career paths of tech entrepreneurs: start-up grants, awards, tax
- promoting tech (cybersecurity) cooperation and standardization among intermediaries, so as to enhance cybersecurity while reducing its costs
- creating digital clusters (eg. around universities) to further regional tech expertise

VI. Recommendations for the Design and Implementation of Smart Regulatory and Market Approaches to Fintech Innovation

D. Furthering Digital Finance by Other Means, e.g.

- Reporting Tools, Tech-Based Reporting
- Data Privacy Rules
- Allocating Responsibility

VII. Conclusions & Executive Summary

§ 1 - Fintech is re-shaping Finance at an unprecedented pace. This digital financial transformation brings about structural changes, with positive and negative effects, likely even more in the high-potential markets of the Middle East and North Africa.

§ 2 - Fintech calls for the design of adequate approaches to Fintech innovation. An ecosystem is required that allows innovation balanced with financial inclusion, financial stability, market integrity and consumer protection.

§ 3 - Activity-based, proportional, and technology-neutral regulation, regulatory approaches in sequenced stages help to further innovation. This could include inter alia identifying and modernizing unsuitable regulation, adding proportionality to regulation, operating an Innovation Hub with experts of the regulatory authority, testing and piloting regimes, a regulatory sandbox, restricted licences, a full licence is essential for innovative firms as size requires and permits. Over these stages, as regulatory rigour and costs increase so tend to Fintech firms' maturity and ability to cope with risks and compliance, while maintaining a level playing field for licensed entities.

§ 4 - Market-oriented approaches need to supplement regulatory approaches to provide a suitable FT ecosystem.

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Readings on FinTech

Financial Operating Systems

www.ssrn.com/abstract=3532975



FT4FI Roadmap

www.ssrn.com/abstract=3245287



Future of Data-Driven Finance

www.ssrn.com/abstract=3359399



AI in Finance: Putting Humans

www.ssrn.com/abstract=3531711



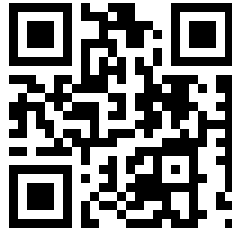
TechFin / Data-driven Finance

www.ssrn.com/abstract=2959925



Corporate Technologies (AI etc.)

www.ssrn.com/abstract=3392321



Rise of Tech Risk

www.ssrn.com/abstract=3478640



Distributed Ledgers / Blockchain

www.ssrn.com/abstract=3018214



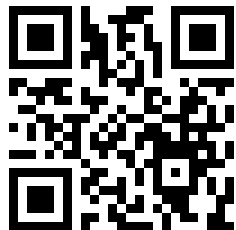
Regulatory Sandboxes

www.ssrn.com/abstract=3018534



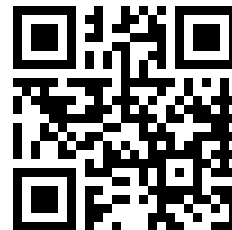
Regulating Libra

www.ssrn.com/abstract=3414401



ICO Gold Rush

www.ssrn.com/abstract=3072298



eID / KYC Utilities

www.ssrn.com/abstract=3224115

