Fintech Overview
Emerging policy issues and challenges

FinSAC Conference on Fintech

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May 22, 2019
Overview

1. What is fintech and why is it significant?

2. How to foster fintech benefits and mitigating risks?

3. What are the emerging policy challenges?
The financial sector has always adopted new technologies.
Fintech: New models and approaches -- from the back office to the customer relationship -- are transforming the industry.

Financial inclusion has improved globally, but 1.7 billion adults remain unbanked and MSME gap remains significant

Note: The percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past 12 months.

Digital payments are already transforming the payment landscape

### Adults who made or received a digital payment in the last 12 months (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific (excluding high income)</td>
<td>31%</td>
<td>40%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia (excluding high income)</td>
<td>37%</td>
<td>52%</td>
</tr>
<tr>
<td>High income</td>
<td>81%</td>
<td>87%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean (excluding high income)</td>
<td>30%</td>
<td>39%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa (excluding high income)</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>South Asia</td>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td>Sub-Saharan Africa (excluding high income)</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

### Adults who used the internet and mobile financial services (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific (excluding high income)</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia (excluding high income)</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>High income</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean (excluding high income)</td>
<td>12%</td>
<td>3%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa (excluding high income)</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>South Asia</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Sub-Saharan Africa (excluding high income)</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Note: The percentage of respondents who report using mobile money, a debit or credit card, or a mobile phone to make a payment from an account, or report using the internet to pay bills or to buy something online, in the past 12 months. It also includes respondents who report paying bills, sending or receiving remittances, receiving payments for agricultural products, receiving government transfers, receiving wages, or receiving a public sector pension directly from or into a financial institution account or through a mobile money account in the past 12 months. Source: Findex 2017, World Bank
The World Bank - IMF Bali Fintech Agenda
Need for a balanced approach: Four broad policy objectives

- Foster enabling environment to harness opportunities
- Promote international collaboration
- Strengthen financial sector policy framework
- Address potential risks and improve resilience
Examples of fintech-related policy considerations (1/2)

**Foster enabling environment**
- Strengthen institutional capacity and consumer education
- Promote communication across agencies and with industry
- Foster accessible and interoperable infrastructure; digital ID
- Include fintech in national inclusion strategies

**Strengthen policy framework**
- Provide legal certainty while avoiding premature responses
- Treat similar risks equally regardless of technology
- Apply laws and regulations proportionately
- Consider new approaches like sandboxes (no panacea)
# Examples of fintech-related policy considerations (2/2)

## Address potential risks
- Cyber security and operational risk management
- Impact on incumbents
- Concentration issues 3rd party service providers
- Money laundering and terrorist financing – authentication key
- Data, consumer, and investor protection

## Promote international collaboration
- Exchange of best practices and information
- International frameworks (e.g., cyber, data)
- Explore need to amend standards
Some key emerging policy challenges

- Balancing competing policy priorities
- Foundational legal, regulatory and infrastructure constraints
- Data protection frameworks
- Cybersecurity
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