

Fintech Overview

Emerging policy issues and challenges

FinSAC Conference on Fintech

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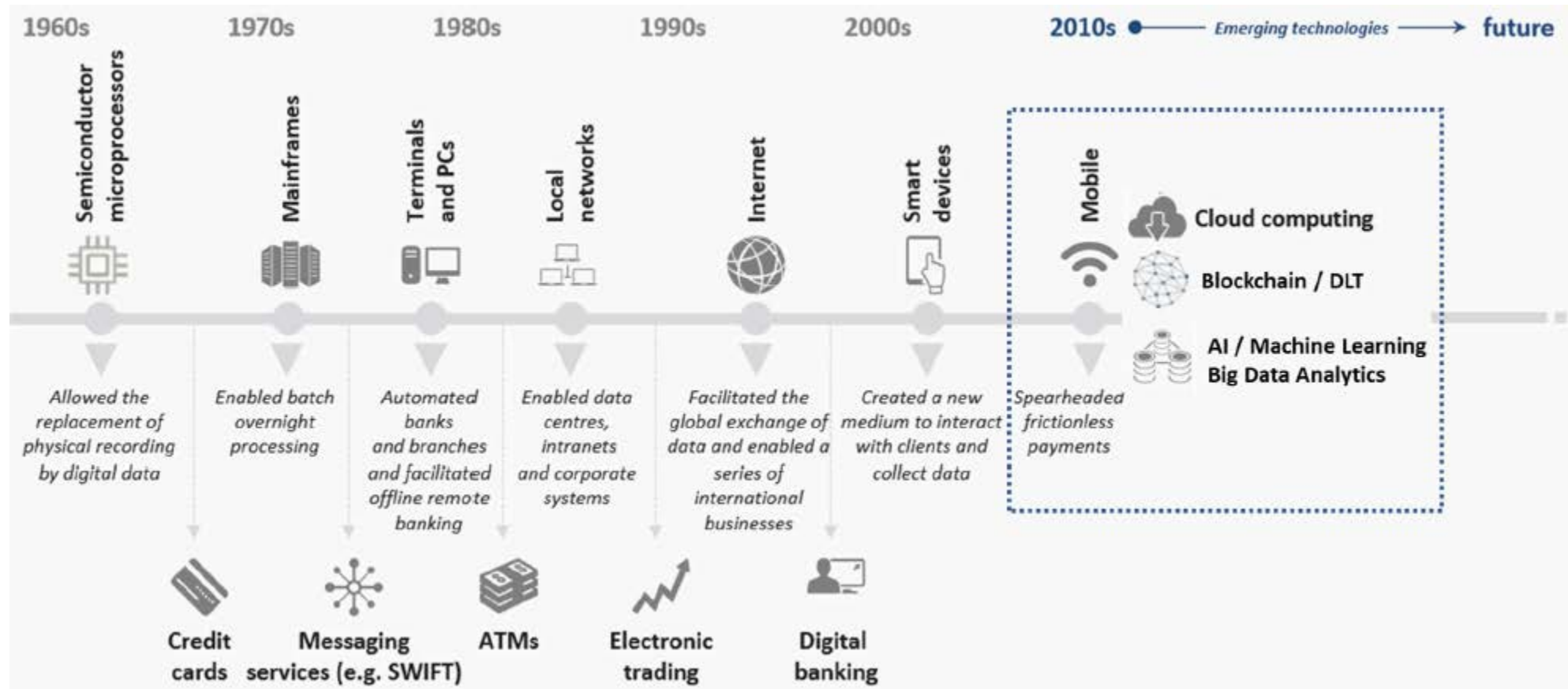
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Overview

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

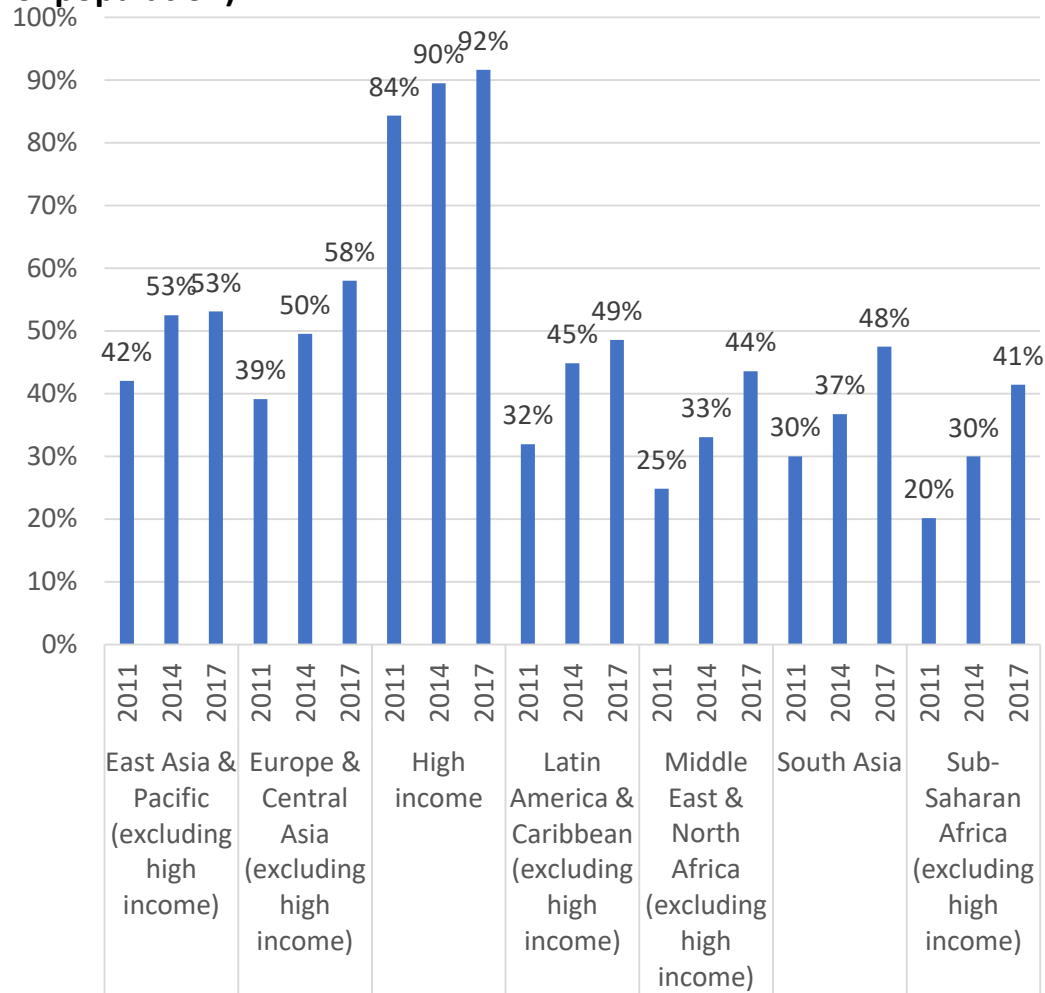


Fintech: New models and approaches -- from the back office to the customer relationship - are transforming the industry

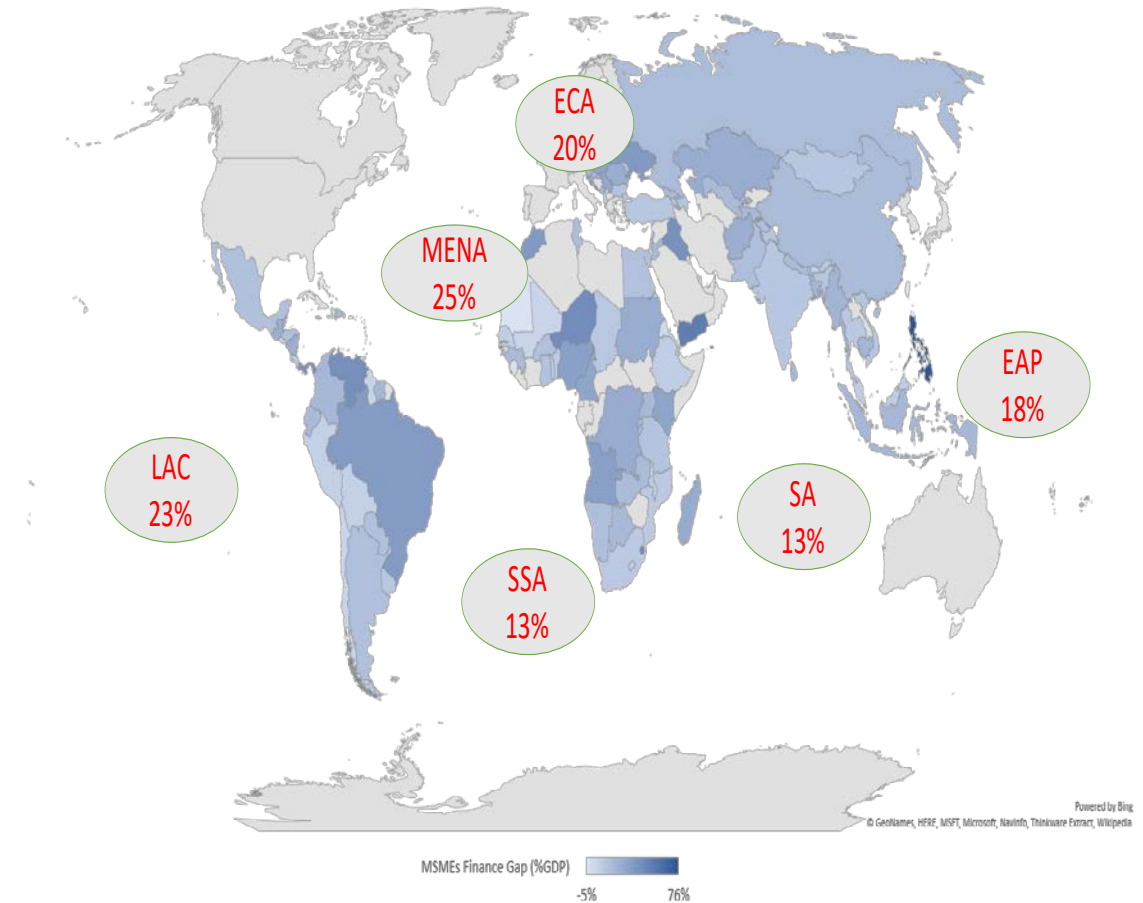
User Needs	Traditional Model	Gaps ²	Technological Innovations ³				Fintech Solutions
			AI/ML	Data/Cloud Platforms	DLT/ Crypto	Mobile	
Pay	Cash/ATM Check Wire/MTO's Debit/Credit Cards Centralised Settlement	Speed Cost Transparency Access Security	L	H	H	H	Virtual currencies Remittances Mobile payments Mobile PoS P2P payments B2B transactions DLT-based settlement
Save	Bank deposits Mutual funds Bonds Equities		L	H	H	L	Virtual currencies Mobile market funds Blockchain bonds
Borrow	Bank loan Bonds Mortgages Trade credit		H	H	H	L	Credit modeling Platform lending Crowd-funding Blockchain bonds Auto-underwriting
Manage Risks	Brokerage underwriting Structured products Trading regulatory Compliance KYC Insurance		H	L	H	L	Regtech, Smart contracts Suptech Crypto-asset exchanges eKYC, Digital ID
Get Advice	Financial planner Investment advisor		H	M	L	M	Robo-advising Automated wealth management

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

Adults with a transaction account (% of population)

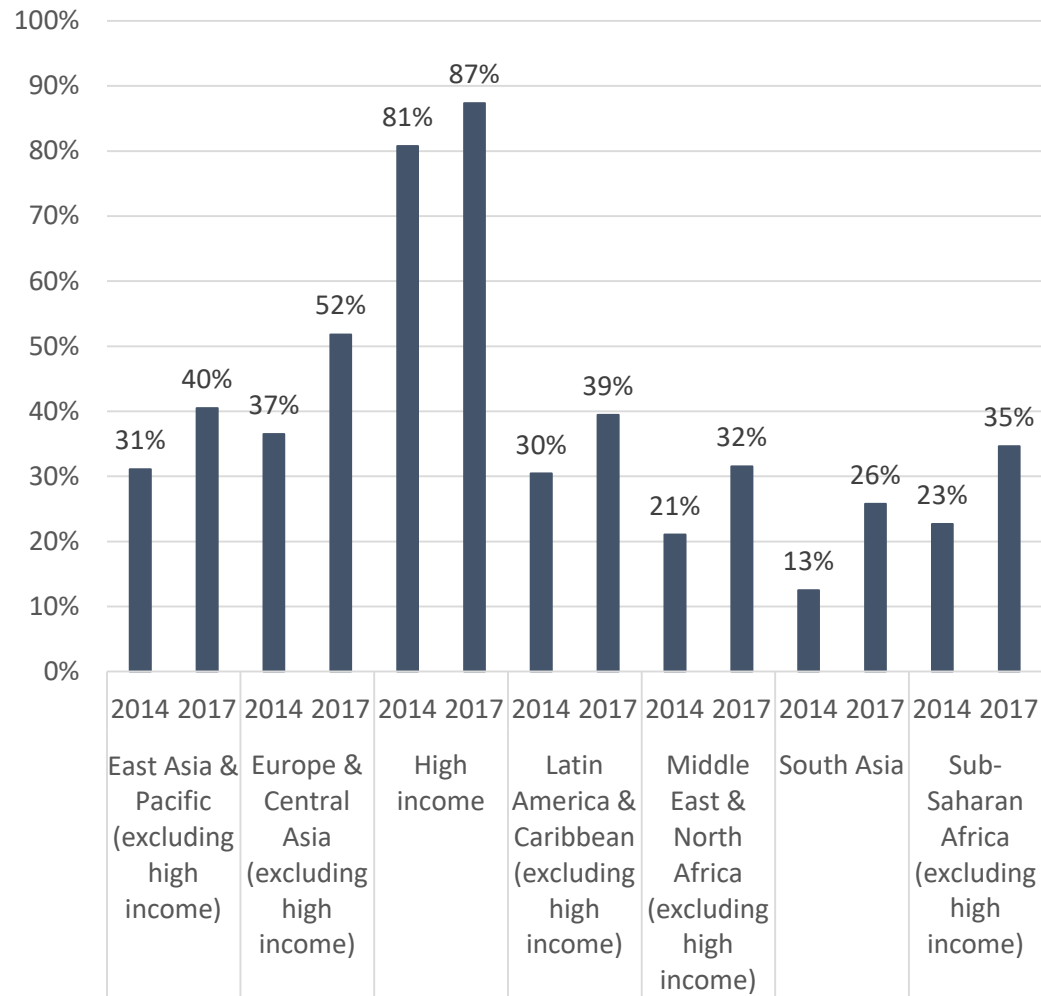


MSME finance gap (% of GDP)

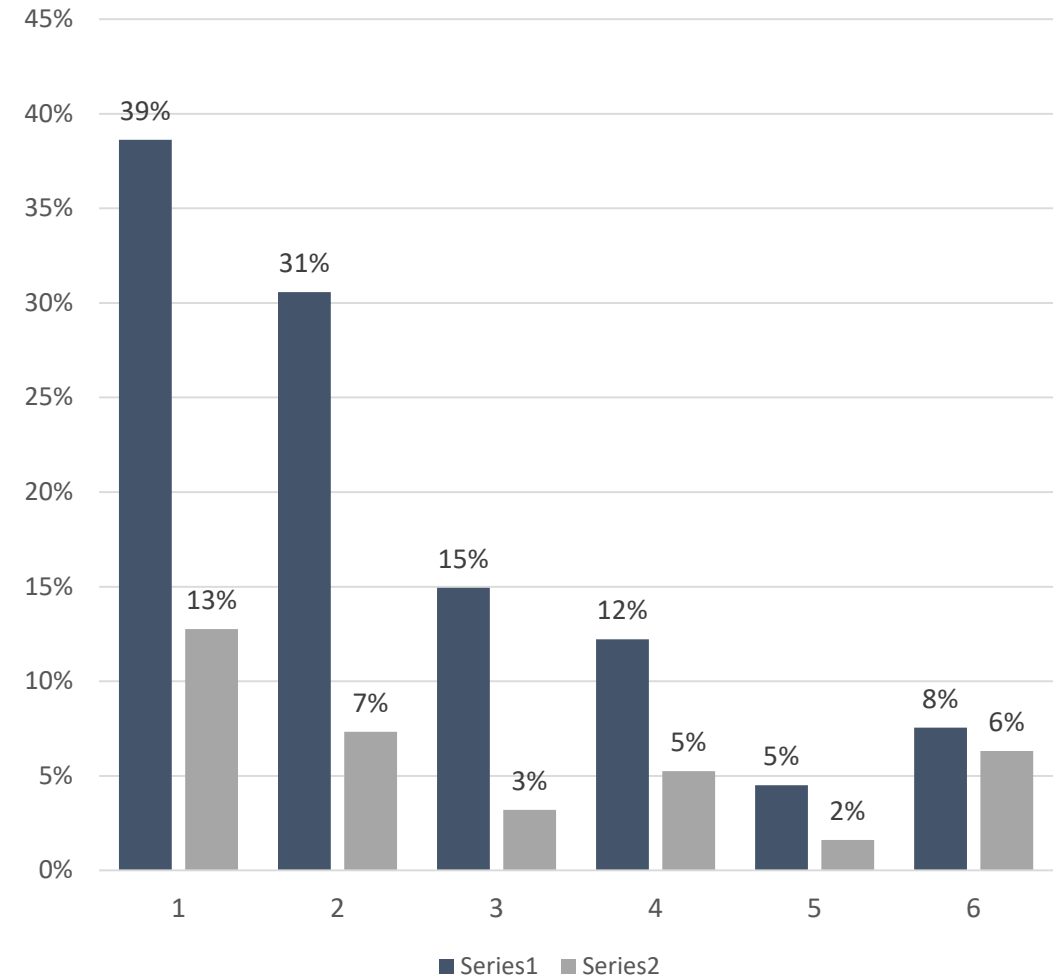


Digital payments are already transforming the payment landscape

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



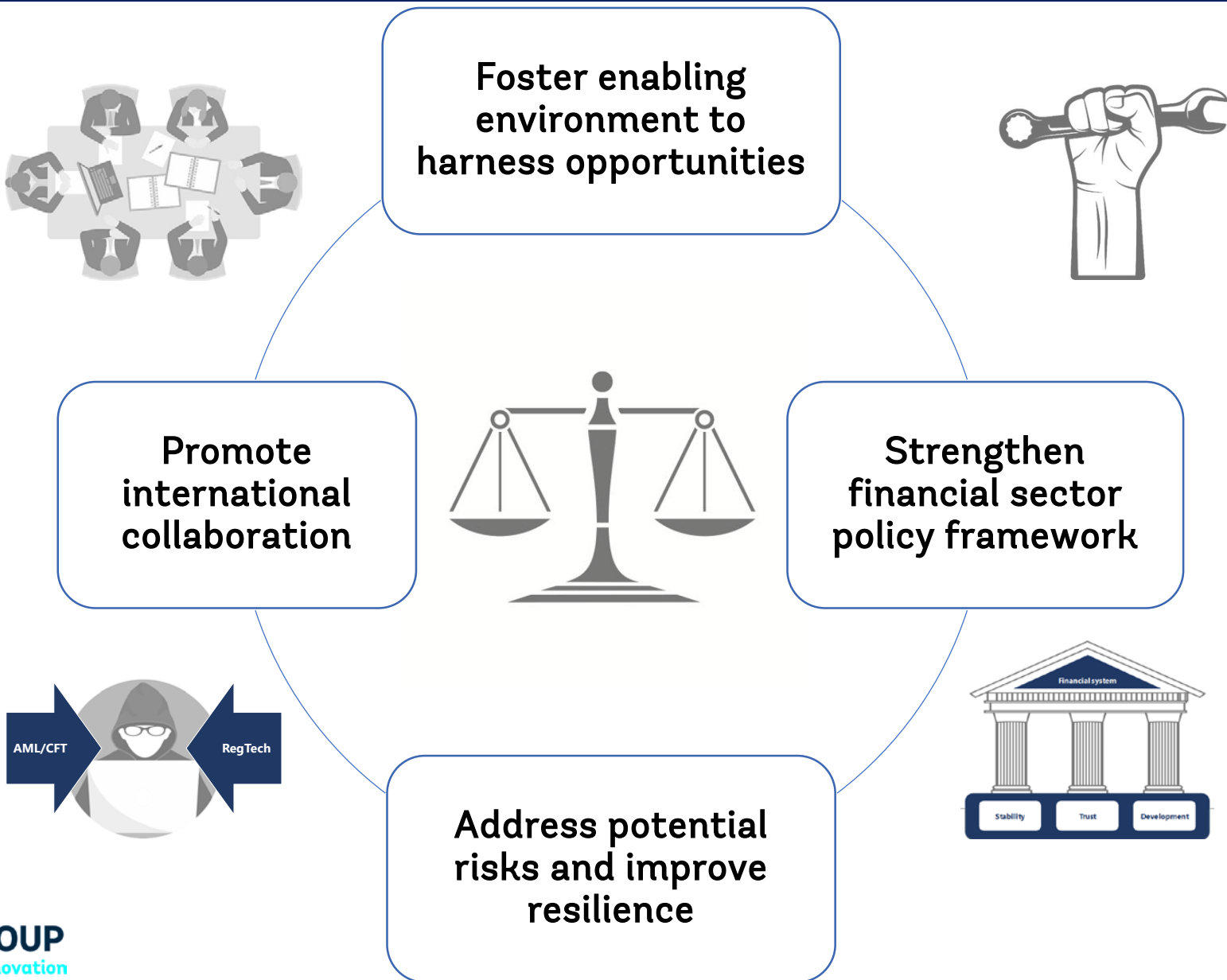
Adults who used the internet and mobile financial services (%)



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



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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