
VIDEO MESSAGE TO THE SINGAPORE FINTECH FESTIVAL

14 Nov 2018

Ladies and gentlemen, it is a pleasure to join you by video and to be part of this wonderful festival for a second year.

We are all aware here that **technology-enabled innovation in financial services, known as fintech, is a revolution for finance**. It can help **accelerate a dramatic rise in financial inclusion** for the 1.7 billion unbanked people worldwide.

Fintech solutions are rapidly changing the way customers pay, save, borrow, and protect themselves against risks. To date we have only seen the tip of the iceberg. Fintech is making products and business processes cheaper, faster, and more efficient. It is using big-data analytics to identify what customers need and make services more intuitive to use. And it's driving more competition and collaboration between traditional players, start-ups, and tech companies.

We are already seeing how these advances are **making finance work better to address customer needs**. But their impact is far deeper than that. With these tailored, easy-to-use financial tools, many of the world's poorest people can significantly improve their lives. In Kenya, for example, gaining access to mobile money reduced extreme poverty by 22 percent among women-headed households and helped them save 20 percent more.

Yet, despite the desire of many regulators to unleash **fintech for financial inclusion**, I know you are all aware that these new technologies come with **risks to customers and financial stability**. Fintech solutions may force you to consider a challenging array of threats, such as data privacy hacks, cybersecurity risks, and the potential for regulatory arbitrage. While caution is needed, it is also important not be too conservative. The overwhelming **speed and complexity of fintech activities** can trigger over-reactions to new risks, which can slow down innovation and keep people from gaining access to vital financial services.

Therefore, for **many regulators** creating the **regulatory tools to keep up** with the fast pace of innovation is extremely challenging. This task is particularly difficult in developing and emerging countries that lack the **resources**, and the **staff, with the necessary technology skills** to be able to understand fintech's rapid development.

Thankfully, in the last three years we've seen the emergence of **new regulatory initiatives designed to safely test and engage with innovation**. These include regulatory sandboxes, innovation offices, and regtech. Based on the **early experiences of regulators who have used these tools**, my Fintech Working Group has issued a report with the kind funding support of the Monetary Authority of Singapore.

This report is meant to help regulators, especially from **developing and emerging economies as they** consider their own approaches. It contains a **set of lessons learned** and **good practices for regulating innovation**, as well as draft **implementation guidelines for regulating fintech**.

There are five key insights in the report that I think are worth highlighting here.

- First, before choosing their regulatory instruments, regulators need clear objectives of what types of innovations they hope to enable and who they will benefit.
- Second, collaboration between fintech innovators and regulators is essential to identify problems, discover

solutions, co-create initiatives, and share critical data.

- Third, regulatory sandboxes are not always the right tool to start with. Less resource intensive innovation offices may be a better starting point.
- Fourth, regulators seeking to adopt regtech tools should start small with one or two test cases and build momentum from there.
- Fifth, capacity building inside regulatory authorities is crucial. To succeed, regulators will need dedicated staff familiar with new technologies. This staff should be able to incorporate innovation into existing supervisory tools, and design new regulatory approaches.

This September, we had the opportunity to review and discuss the report's content **with a leading group of regulators, fintech innovators, global standard-setters, and development partners** during a roundtable co-hosted by the Dutch Central Bank Governor in Amsterdam.

You'll hear many more details about the report shortly, and then the distinguished panel will have a chance to delve into the issues. I really look forward to hearing their insights on what makes the report's messages so **relevant today, how they recommend incorporating these lessons, and where we can go from here**. More importantly, we are keen **to receive feedback from all of you**. Together, we can provide the tools and support that regulators in emerging and developing countries need to tackle fintech's challenges, and seize its potential to transform people's lives for the better.