



FinanceMalta

The Challenges FinTech poses for regulators -
a safe space for innovation

August 2019



Building a better
working world

Disclaimer

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Topics to cover

- Introduction
- UK FinTech market experience
- Open Banking case study
- Implications for regulators



What is FinTech?

“Organisations combining innovative business models and technology to enable, enhance and disrupt financial services”

Technology and business model innovations shaping the FinTech market

Disrupt



Payments & Money
Transfers



Digital Banks
(including DCBs)

Collaborate



Market Infrastructure
& Enterprise

Reinvent



Digital Identity



AI



Alternative Finance



Marketplaces



RegTech



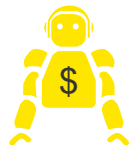
Blockchain



Data



Personal Financial
Management



WealthTech



InsurTech

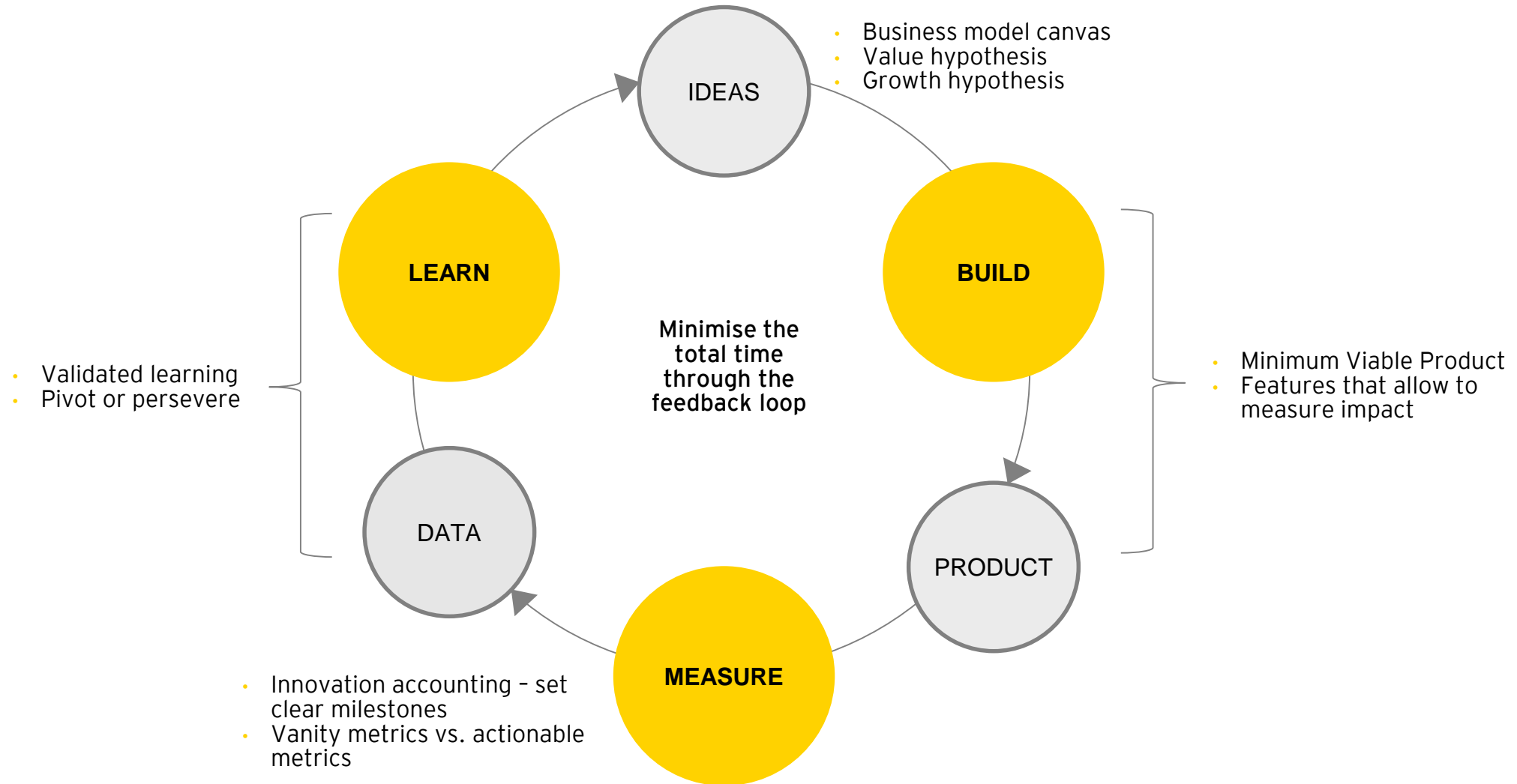


Open Banking



Mobile first

Lean start-up and the “test, learn, iterate” cycle

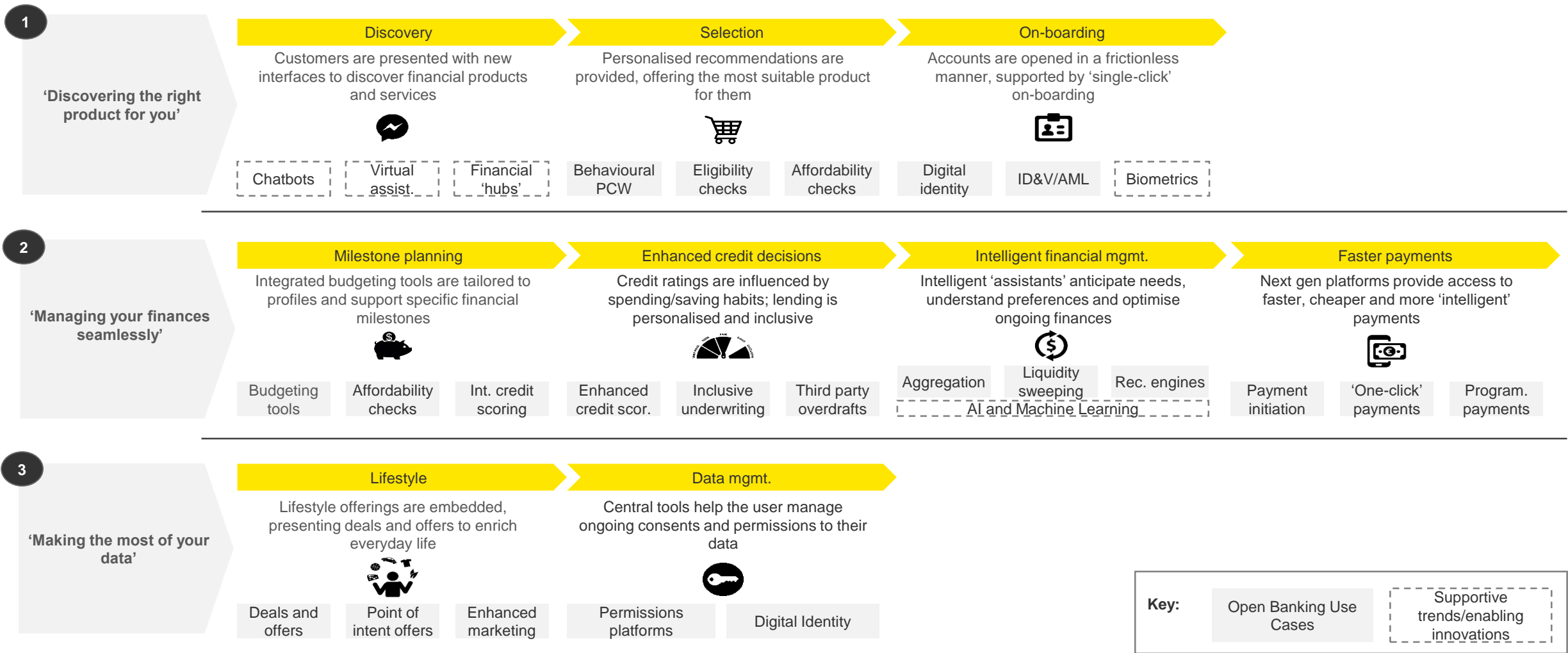


Open Banking



The global trend towards Open Banking is creating a wide array of new financial services propositions

Illustrative Customer Journey



Safe spaces

advanced analytics

Typical experiences of using “safe spaces” to support innovation

	Feature	Implications for innovators	Role of regulators
1	Tests target new business models or technologies	<ul style="list-style-type: none"> ▸ Regulators will test business model elements that challenge existing or ambiguous regulations ▸ Often, the technology focus for testing will differ from country to country 	<ul style="list-style-type: none"> ▸ Identify FinTech models relevant to local development ▸ Understand the financial and operational impacts of new models
2	Tests have specific objectives and scope	<ul style="list-style-type: none"> ▸ Common tests include: applications enabled by blockchain, P2P lending risk management, robo-advisory design, security and stability of algo-trading, suitability test for a wealth management platform, biometric security 	Identify areas that would benefit from “real-life” experiments
3	Limited impacts to production environment	<ul style="list-style-type: none"> ▸ Common customer safeguards will be set, depending on regulatory risk appetite, these could include: a limit on the number of users or a ban on testing risky or complex products 	<ul style="list-style-type: none"> ▸ Specify objectives and customer safeguards for different FinTech models
4	Rigorous testing from regulators before production	<ul style="list-style-type: none"> ▸ Companies must submit regular status reports to assess risks on an ongoing basis and evaluate impacts brought by different business models ▸ Regulators reserve the right to terminate the test for any violation 	<ul style="list-style-type: none"> ▸ Design an operating model, including target customers and selection criteria ▸ Improve the current regulation based on sandbox experience

Thank You

To find out more

Visit to ey.com/fintechindex

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