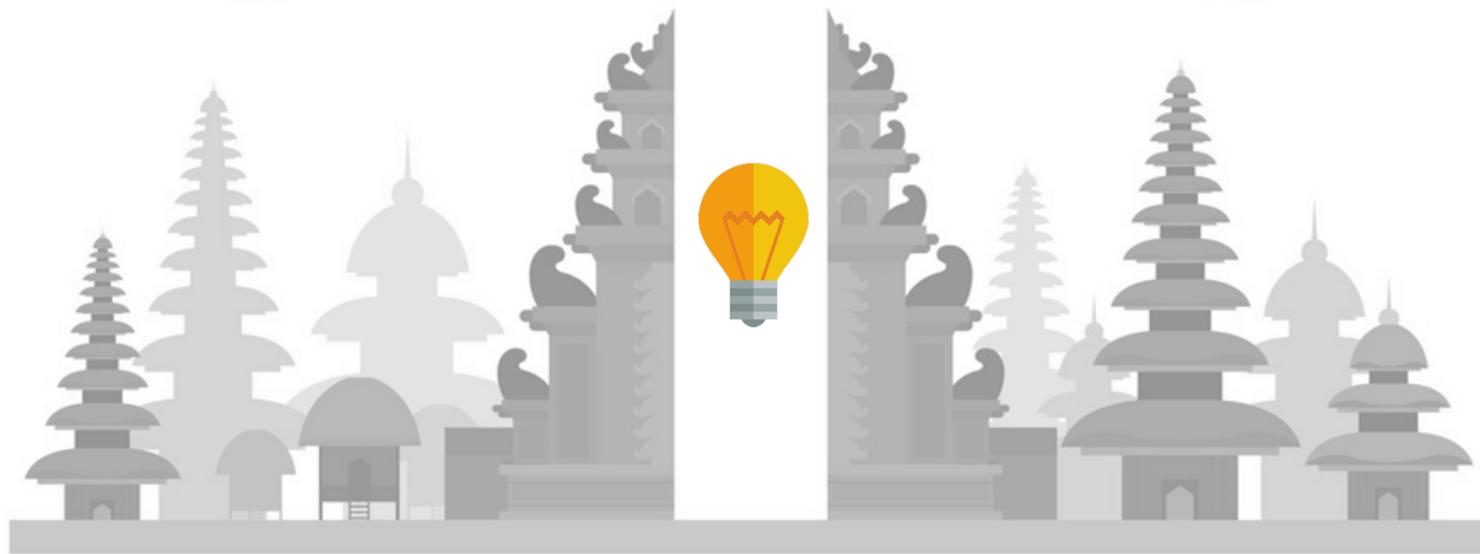


# The World Bank - IMF Bali Fintech Agenda

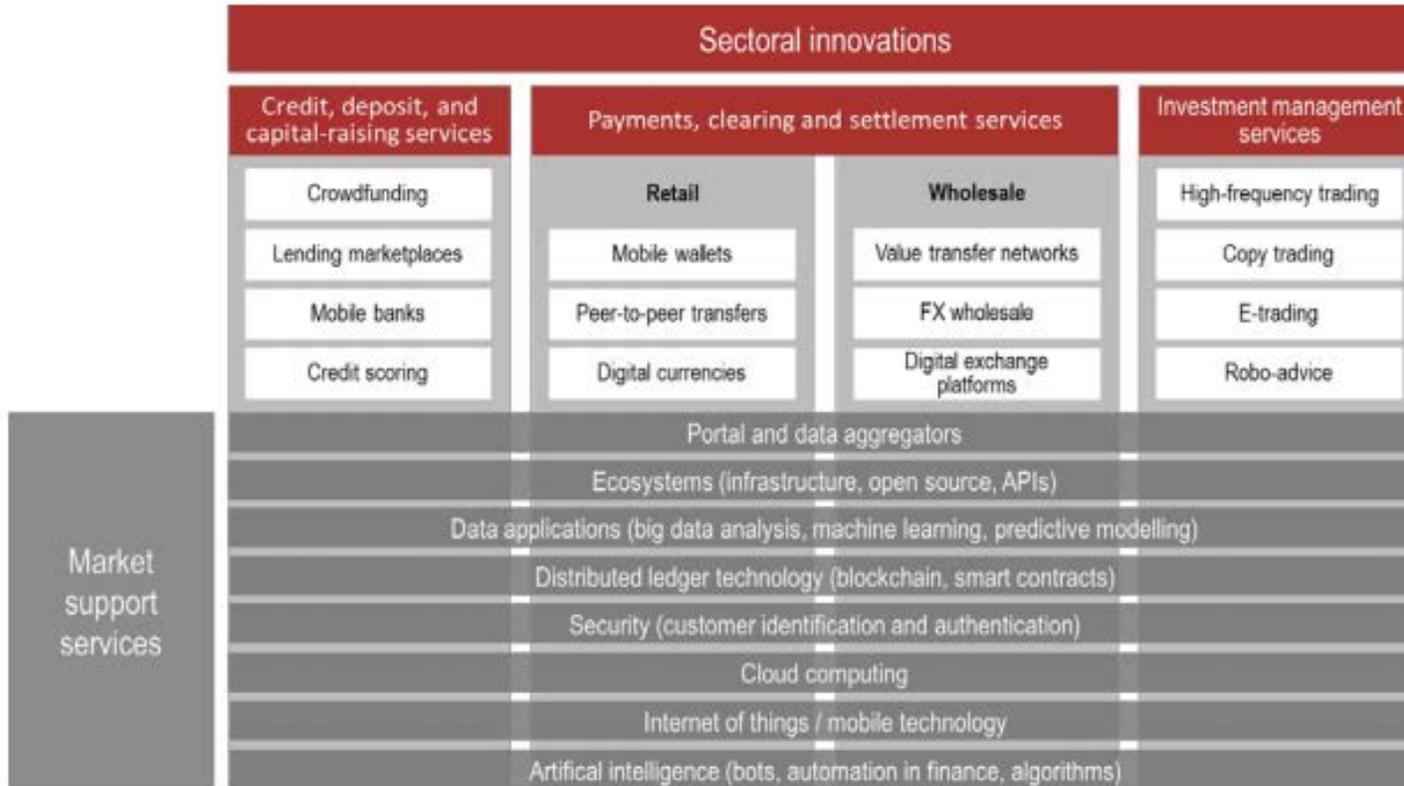
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High-level considerations for policy makers and the international community

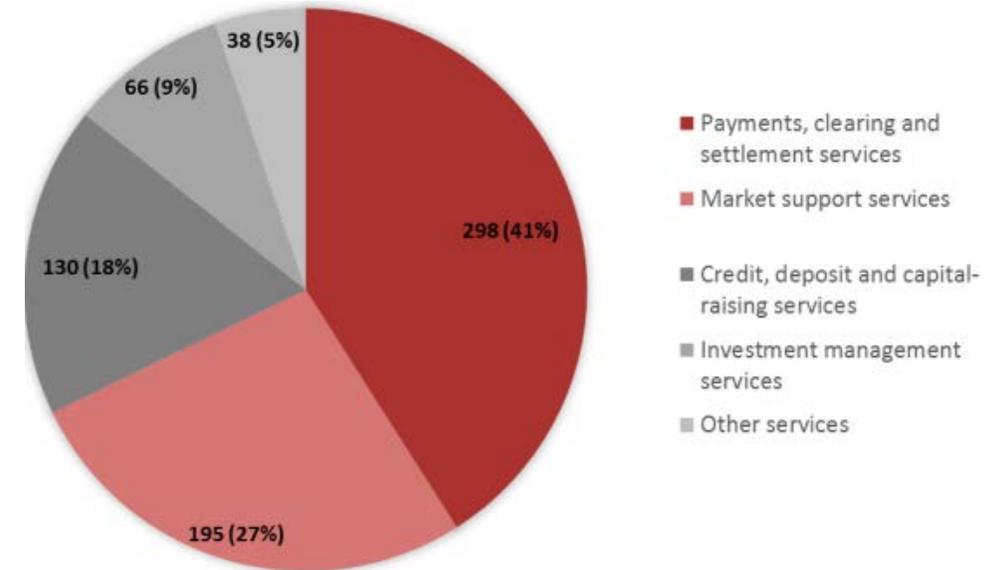


# Fintech: New technology impacts a wide range of financial services

## Example areas of innovative financial services in core banking functions



## Survey of key provider per fintech activity (2016)



Source: Basel Committee Banking Supervision (February 2018)

# Fintech has enormous potential to expand access

## Potential for Fintech to:

- Reimagine financial processes and business models
- Enable new entrants and competition within the financial service value chain (disaggregation, specialization, open APIs)
- Enable services to be more accessible (incl. through mobile networks), often at lower cost
- Leverage electronic data to tailor product design, reach new consumers, accurately price risks (and to enable AI)



Improved coverage of/ access to financial services



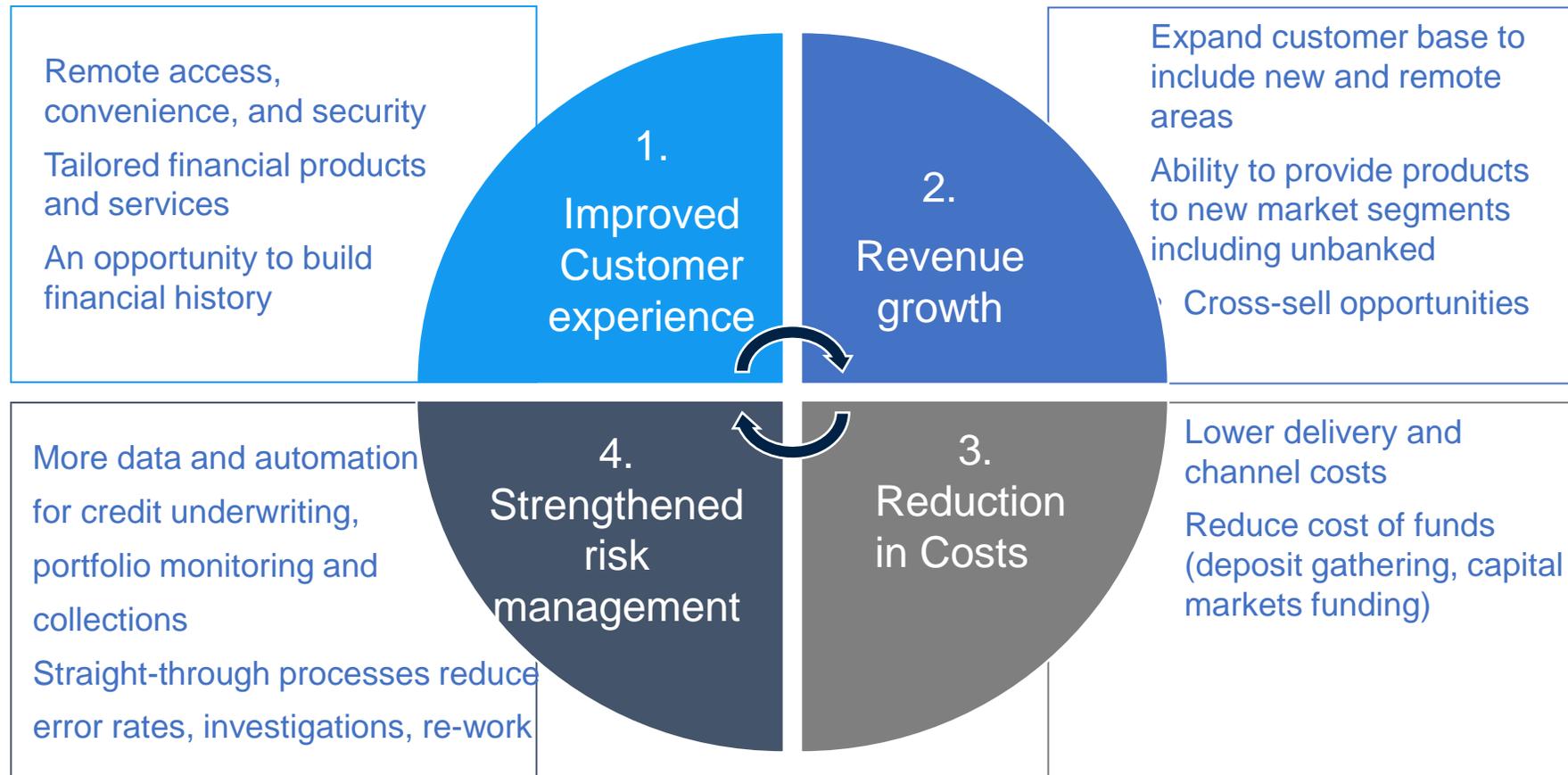
Enhanced efficiencies and reduced costs, and also risk management



New and more tailored types of products, services, and delivery channels

**Potential Fintech-enabled Outcomes**

# Financial institutions and customers can benefit



# Digital is key to reaching universal financial access



# Context

Rapid transformation of financial sector via advances in technology

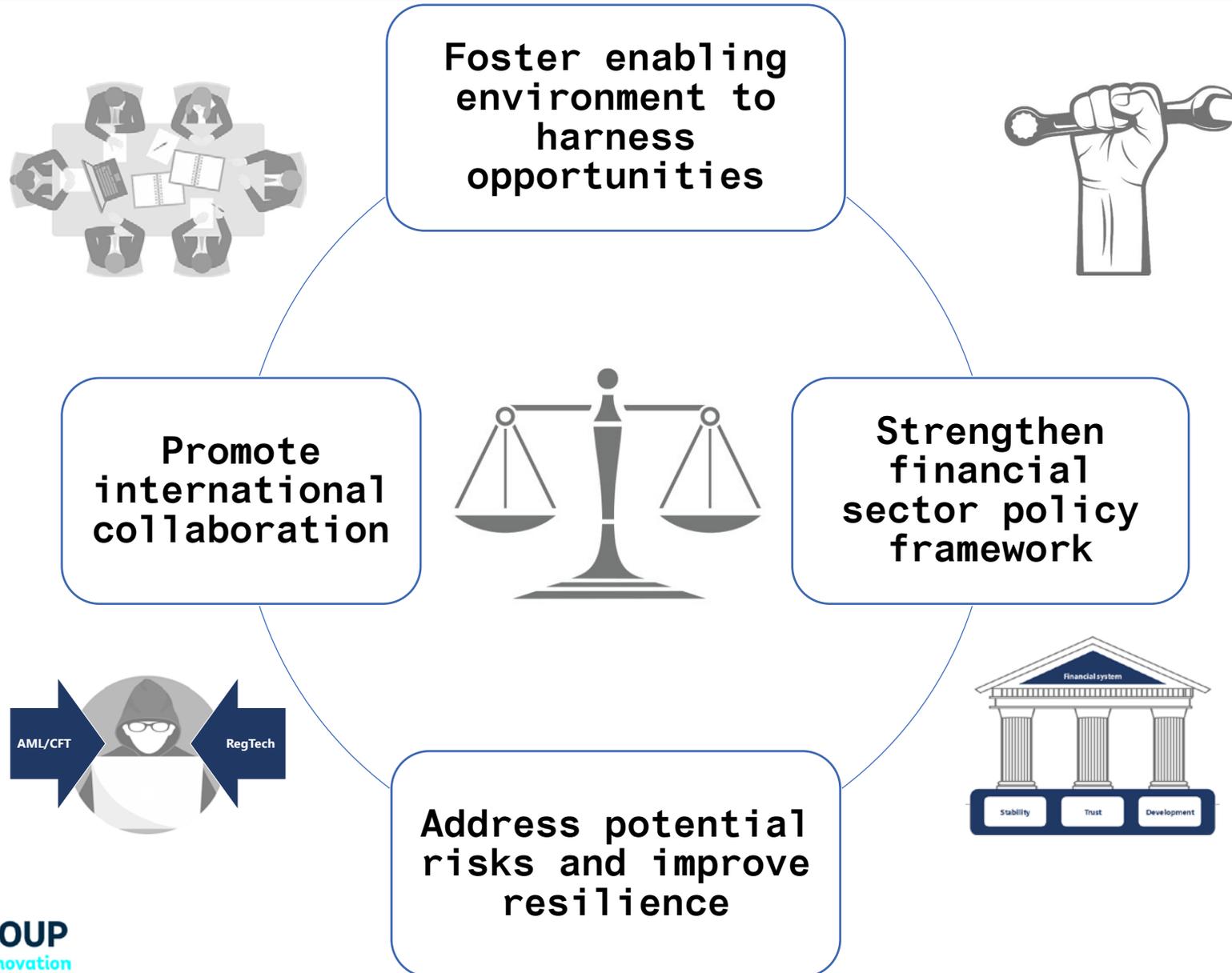
Given fintech's global nature, country authorities' requests to facilitate information sharing and cooperation

Outline high-level considerations for policy makers and the international community – still at early stages of information gathering

Engagement with Standard Setters

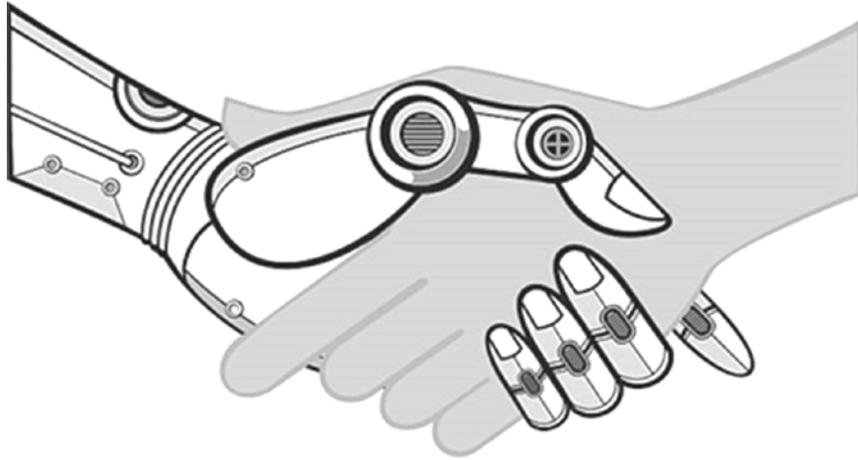
IMF-World Bank interest reflects our universal membership, focused on respective areas of expertise and mandate

# Need for a balanced approach: Four broad policy challenges



# Fostering enabling environment to harness opportunities

## (I) Embrace the Fintech revolution



**Key issues:** strengthen institutional capacity; improve communication with stakeholders and across agencies; and expand consumer education

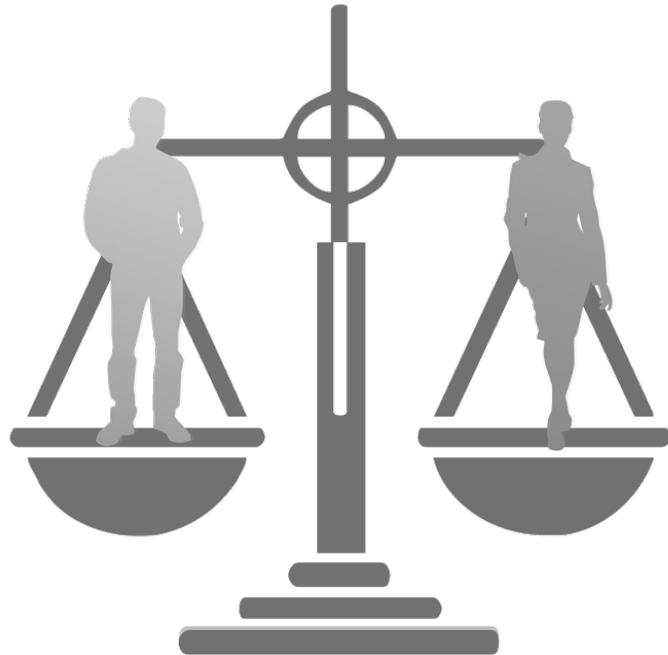
## (II) Enable New Technologies to Enhance Financial Service Provision



**Key issues:** facilitate development of and fair access to telecom and internet infra; financial infrastructure, digital IDs; digitize Government data repositories; and leverage technology to make cross-border payments efficient.

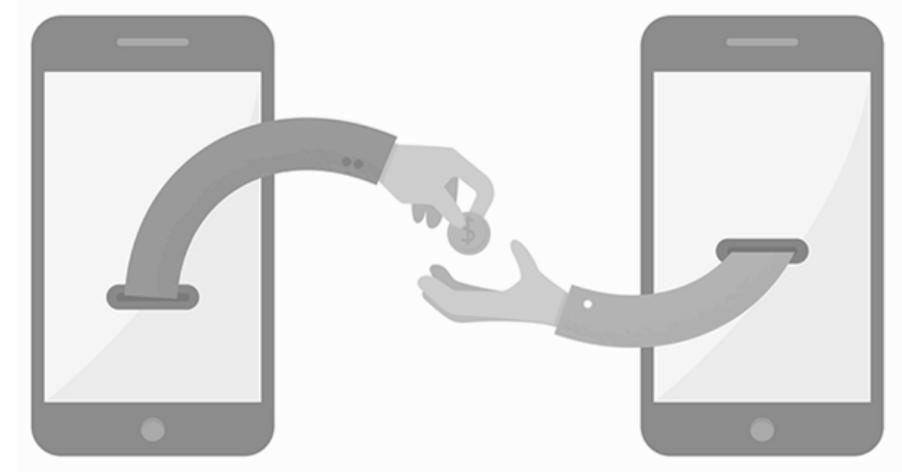
# Fostering enabling environment to harness opportunities

## (III) Reinforce **Competition** and Commitment to Open, Free, and Contestable Markets



**Key issues:** treat similar risks equally, apply laws and regulations proportionately; avoid market concentration and abuse; foster standardization and interoperability

## (IV) Foster Fintech to Promote **Financial Inclusion** and **Develop Financial Markets**



**Key issues:** embed fintech in national financial inclusion and literacy strategies; foster knowledge exchange; digitize government payments; leverage fintech to advance financial sector development

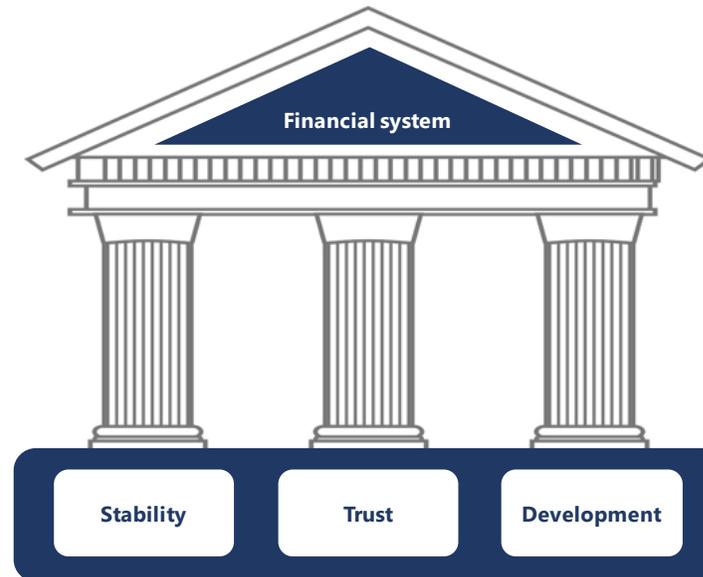
# Strengthen financial sector policy framework...

## (V) Monitor Developments Closely to Deepen Understanding of Evolving Financial Systems



**Key issues:** enable flexible data gathering frameworks to identify obstacles to innovation and new risks

## (VI) Adapt Regulatory Framework and Supervisory Practices for Orderly Development and Stability of the Financial System



**Key issues:** ensure regulation remains adaptable and conducive to development, inclusion, and competition; consider new approaches like regulatory sandbox; address new risks and (cross-border) arbitrage

## (VIII) Modernize Legal Frameworks to Provide an Enabling Legal Landscape



**Key issues:** legal predictability to spur investment; legal basis for smart contracts and electronic signatures; address legal gaps

# Address potential risks and improve resilience...

## (VII) Safeguard Financial Integrity



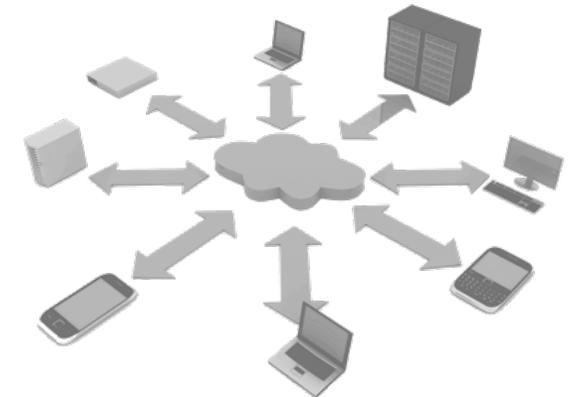
**Key issues:** mitigate AML/CFT risks that crypto-assets and other Fintech developments may pose, potential of Regtech to strengthen AML/CFT compliance

## (IX) Ensure the Stability of Monetary and Financial systems



**Key issues:** Digital currencies, distributed ledger applications to payments, lender of Last Resort and other safety net arrangements

## (X) Develop Robust Financial and Data Infrastructure to Sustain Fintech Benefits



Business continuity	Data ownership
Operational risk management	Consumer protection
Privacy	Data security and integrity
Cyber security	Concentration risk management

**Key issues:** Cyber security and operational risk management, risk of concentration in third-party service providers, data governance frameworks

# Promote international collaboration

## (XI) Encourage International Cooperation and Coordination, and Information Sharing



**Key issues:** to avoid regulatory arbitrage and a “race to the bottom”, to monitor global risks, to facilitate a global enabling regulatory and legal environment for fintech, and to stimulate sharing of opportunities

## (XII) Enhance Collective Surveillance and Assessment of Financial Sector Opportunities and Risks



**IMF and World Bank can provide capacity development in the areas of financial inclusion, consumer protection, statistics gaps, financial integrity, regulatory and legal frameworks, and cyber security**

# Country experiences: Emerging policy challenges

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Balancing competing policy priorities



Foundational legal, regulatory and infrastructure constraints



Data protection



Cybersecurity

# World Bank approach

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Legal and regulatory framework



Financial infrastructure



Access to transaction accounts



Access to financial services



Capacity building