

Cambridge Centre for Alternative Finance

The Global Covid-19 FinTech Regulatory Rapid Assessment Study

Summary slides

Cambridge
**Centre
for Alternative
Finance**



UNIVERSITY OF
CAMBRIDGE
Judge Business School



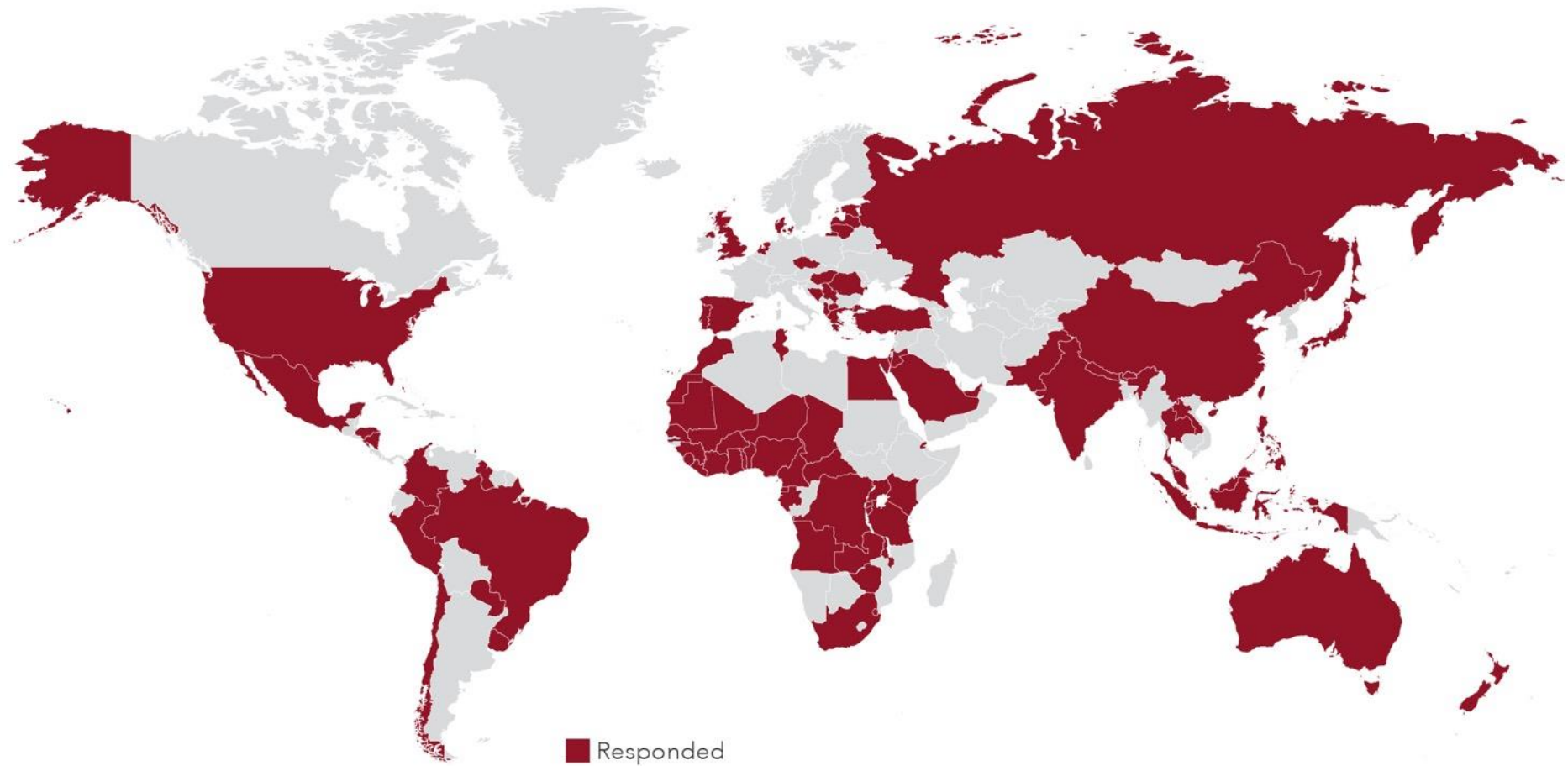
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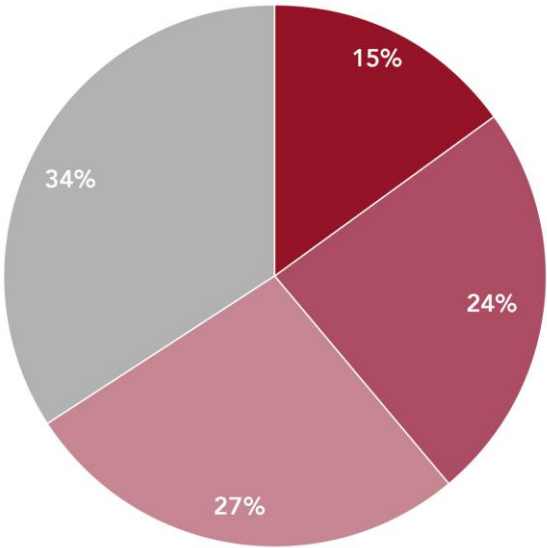
- **Research Methodology**
- **Observed FinTech Market Developments during Covid-19**
- **FS Sector-wide and FinTech-specific Regulatory Measures**
- **The State of Regulatory Innovation Initiatives**
- **Lessons Learned and Future Considerations**

Geographical distribution of study respondents - one of the largest empirical studies



Geographical distribution of respondents by region and World Bank income groups

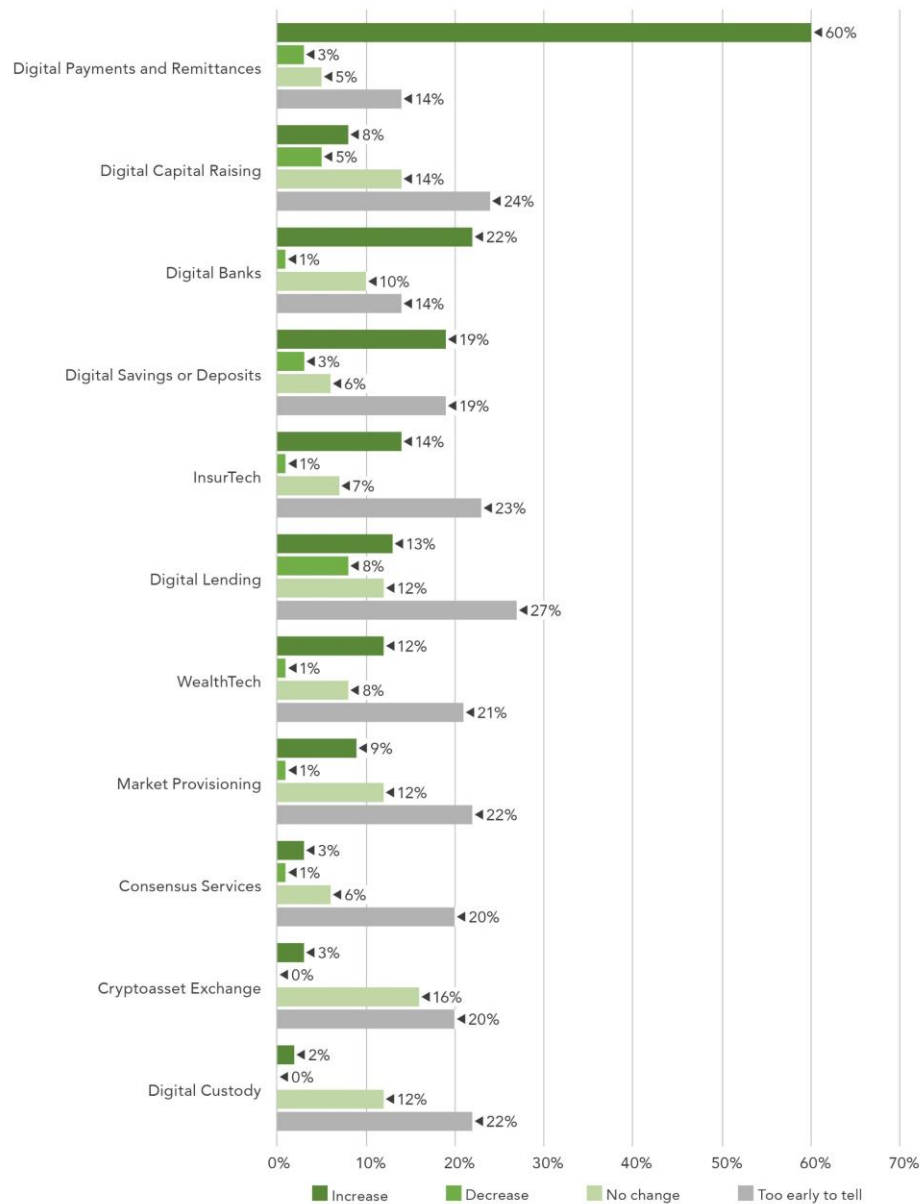
REGION	# OF RESPONDENTS	% OF SAMPLE BY REGION	% OF REGION COVERED
East Asia and Pacific	19	16%	39%
Europe and Central Asia	24	20%	38%
Latin America and the Caribbean	13	11%	48%
Middle East and North Africa	16	14%	48%
North America	5	4%	67%
South Asia	8	7%	63%
Sub-Saharan Africa	33	28%	71%
Total	118	100%	



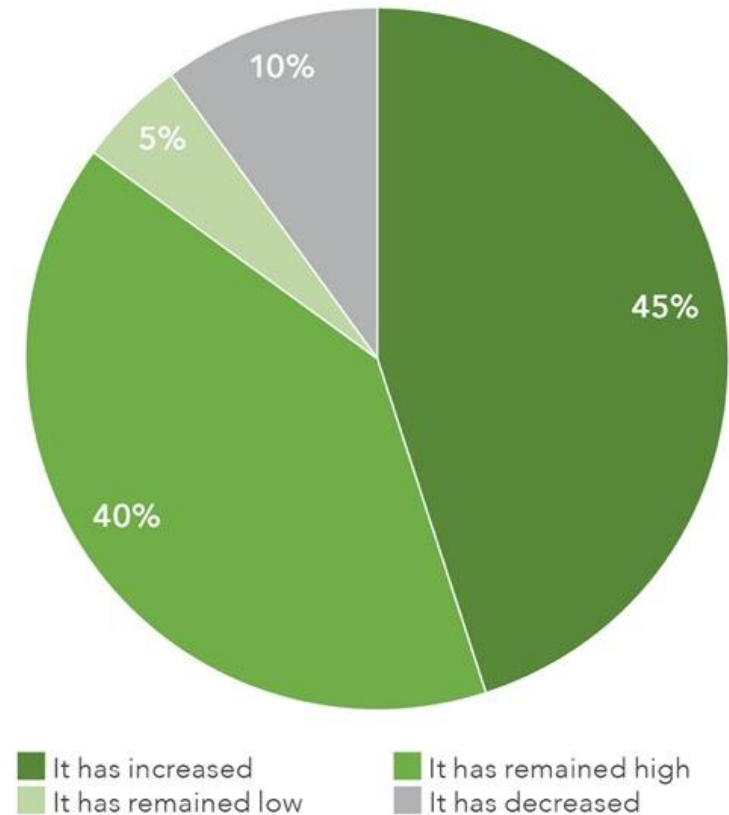
Emerging market and developing economies:
■ Low Income ■ Lower Middle Income
■ Upper Middle Income

Advanced economies:
■ High Income

Increase in FinTech usage and increase in the prioritization of FinTech within regulators

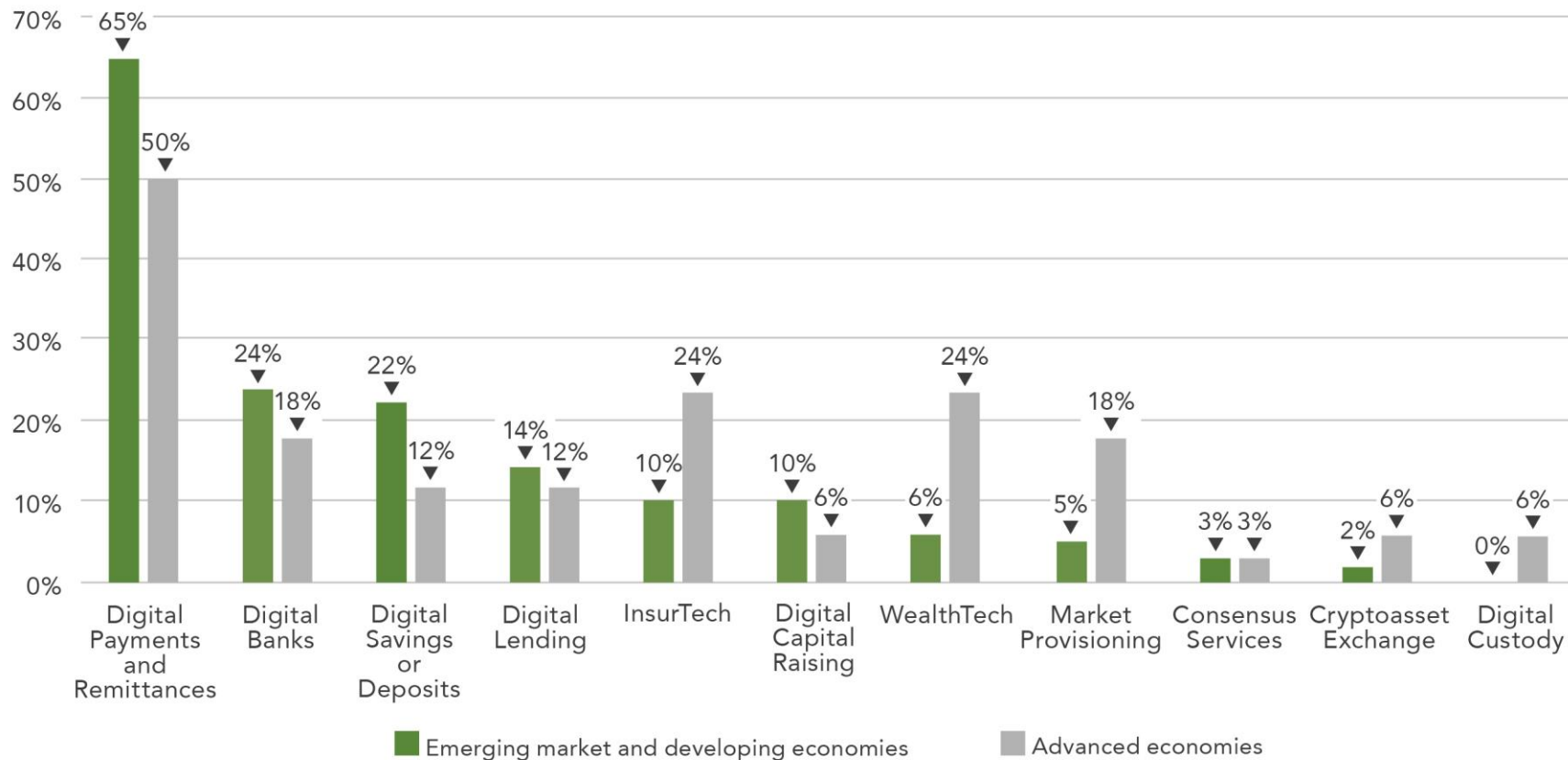


FinTech prioritization within regulators in light of Covid-19 (N=72)



Digital payments and remittances have seen the largest observed increase in usage and offering, particularly in EMDEs

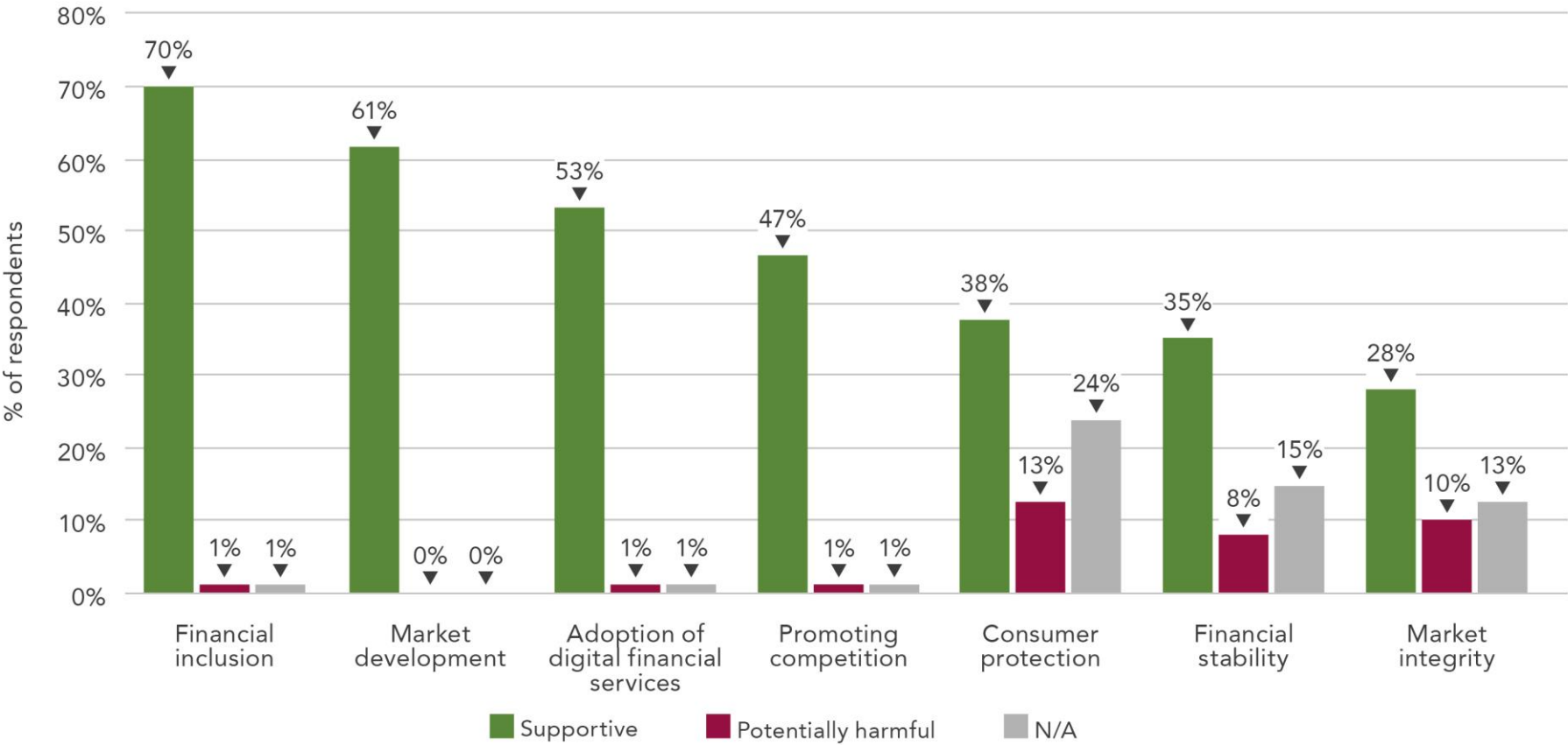
Percentage of respondents who reported an increase in FinTech usage or offering in light of Covid-19 - Emerging market and developing economies versus Advanced economies (N=97)



"We gave recommendations to initiate cashless transactions because there was concern that Covid-19 would spread through bank notes so a priority was given to the health of our population." (Regulator in Europe and Central Asia)

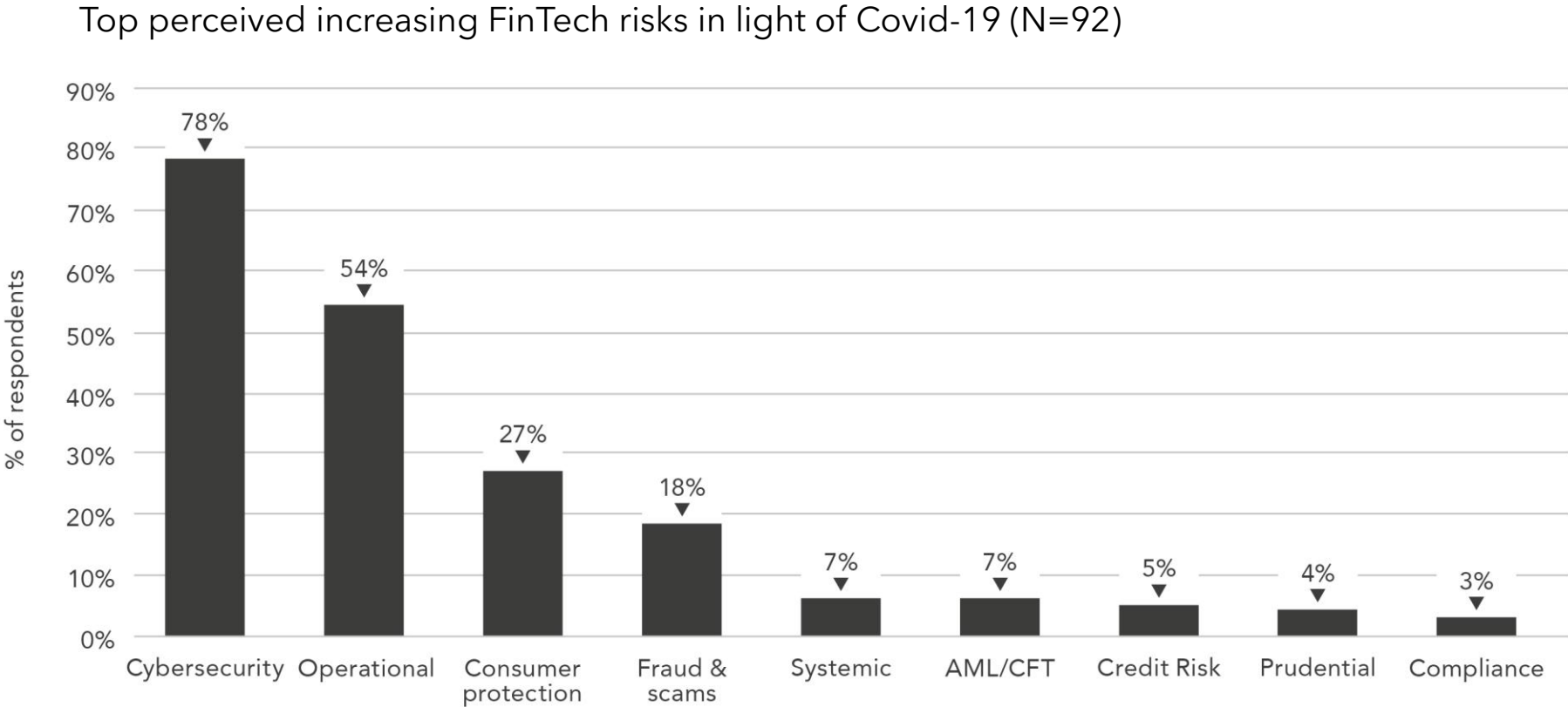
FinTech is seen as particularly supportive of financial inclusion and market development

Perceived impact of FinTech on regulatory objectives in light of Covid-19 (N=88)



“So many companies are now doing e-commerce and they are largely supported by FinTech, e.g. (digital) payments. However, there is no clear framework for dealing with consumer protection issues.” (Regulator in Sub-Saharan Africa)

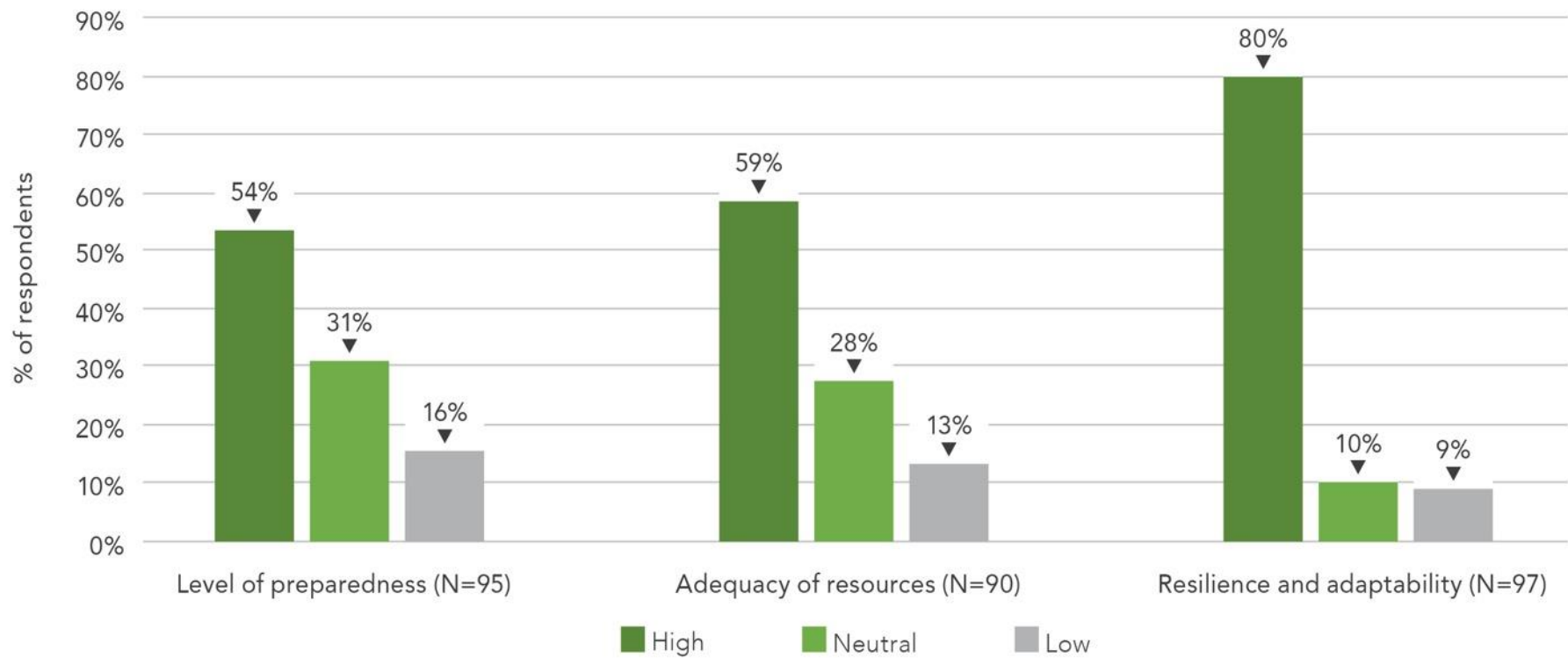
Regulators particularly see cybersecurity and operational FinTech risks increasing



"Cybersecurity is always a concern, but it is not just a FinTech problem." (Regulator in Europe and Central Asia)

Regulators reported particularly high levels of resilience and adaptability

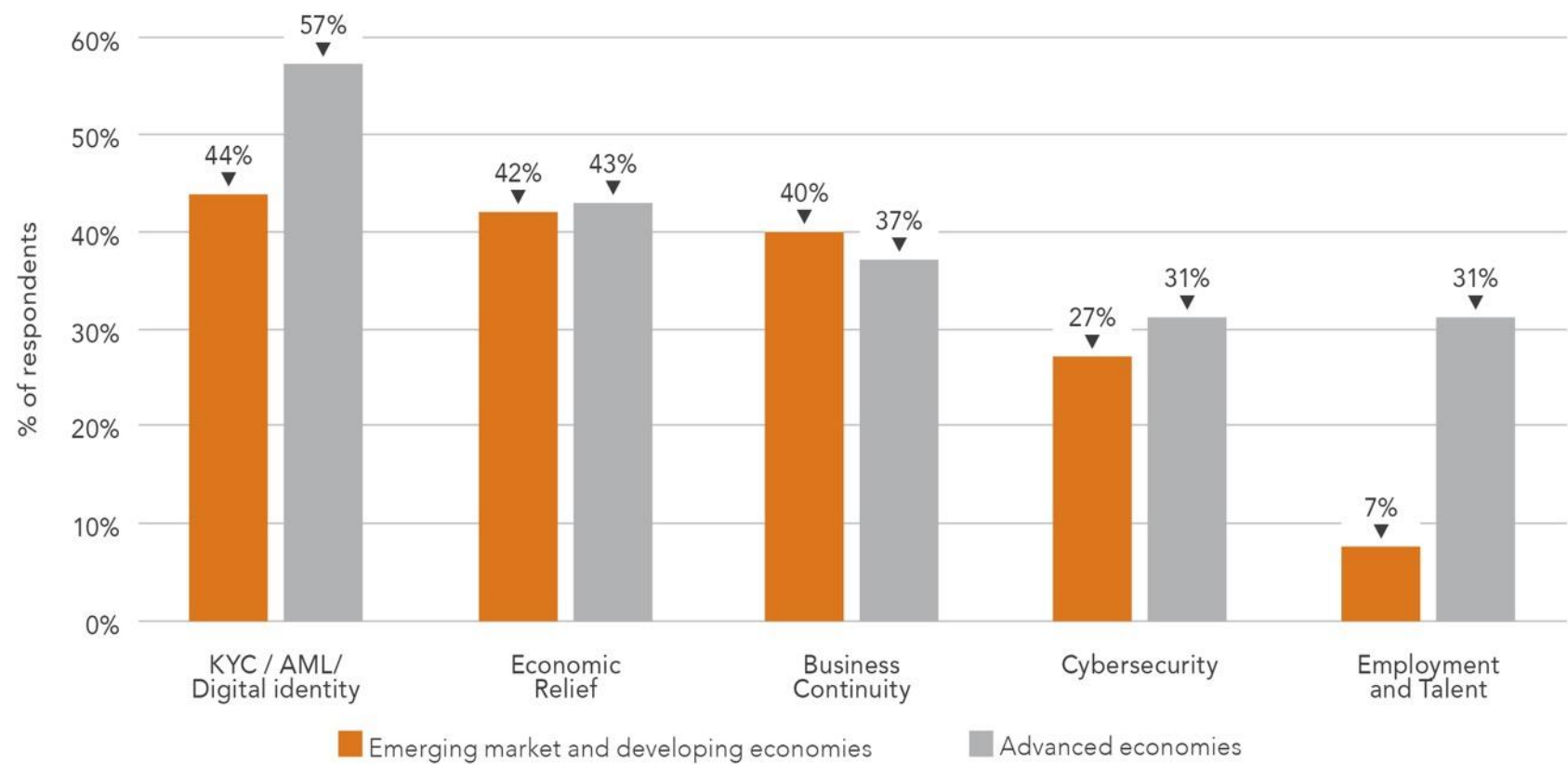
Perceived levels of preparedness, resilience and adaptability, and adequacy of resources in the wake of Covid-19



"[We] had been working diligently to digitize before the Covid-19 crisis had occurred. Therefore, to our advantage, we were initially prepared to cope, but had to expedite all processes into action." (Regulator in MENA)

Regulators have taken FS sector-wide measures impacting FinTech

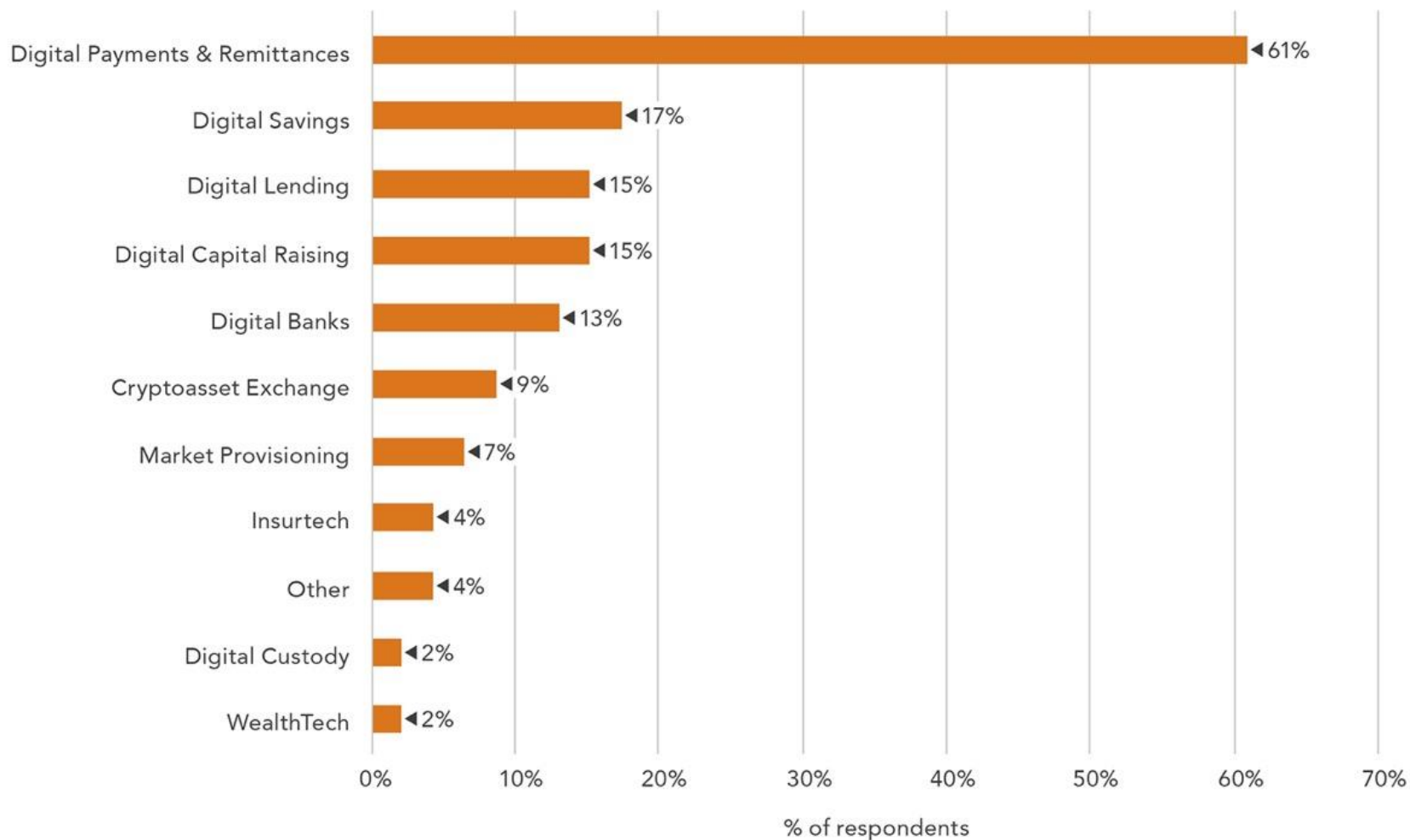
Instances of regulatory measures taken by respondents - Emerging market and developing economies versus Advanced economies (N=90)



"We realized that it just wasn't possible to do things physically anymore, so we switched to virtual/digital ways of doing things." (Regulator in SSA)

37% of regulators have undertaken at least one measure targeting one or more specific FinTech activities or sectors...

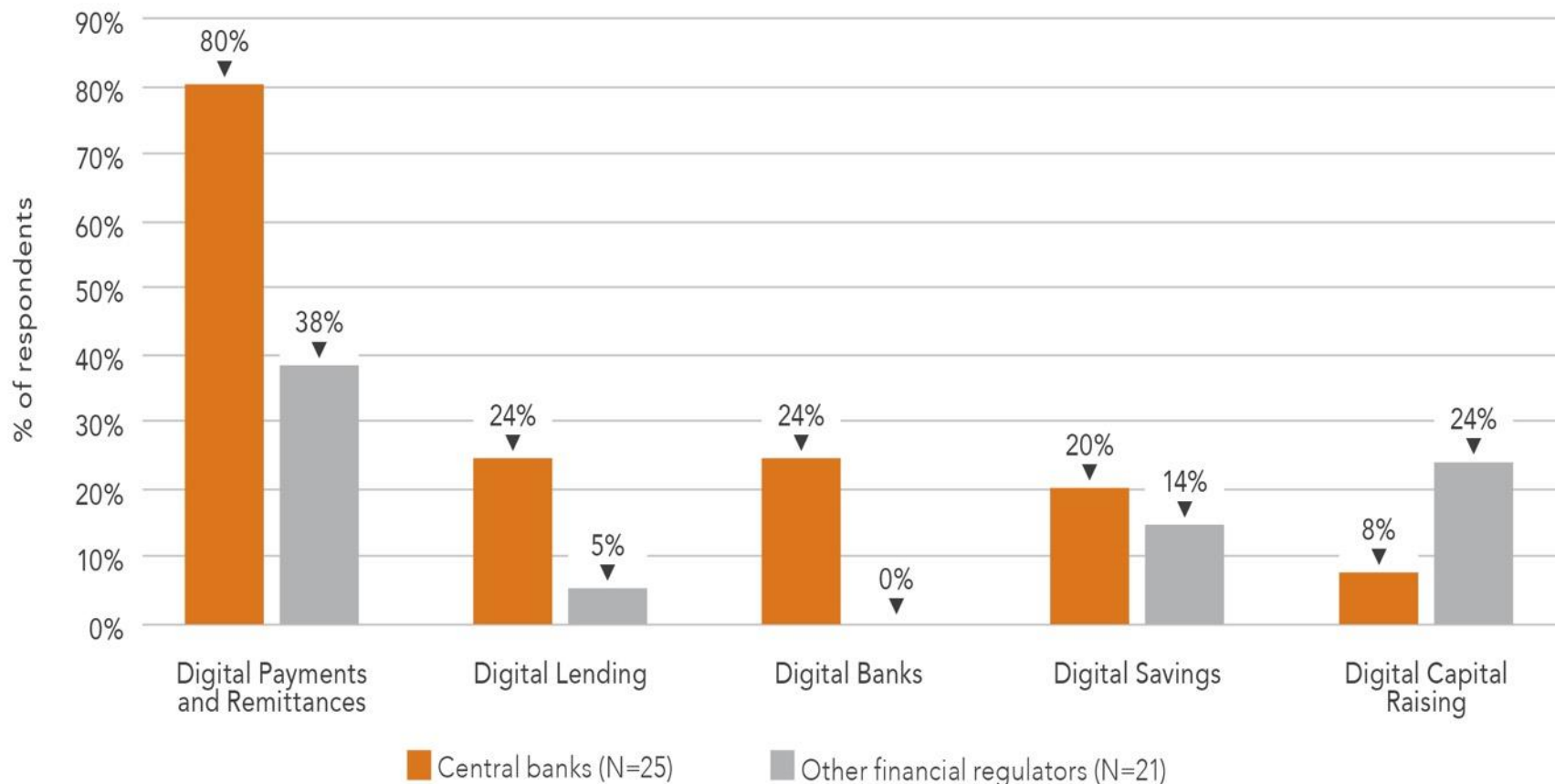
FinTech sector specific measures taken by regulators (N=46)



"No specific FinTech measures have been introduced because we do not yet have the legislation that would grant us the direct mandate." (Regulator in SSA)

Measures in digital payments & remittances sector have been undertaken more frequently by Central banks

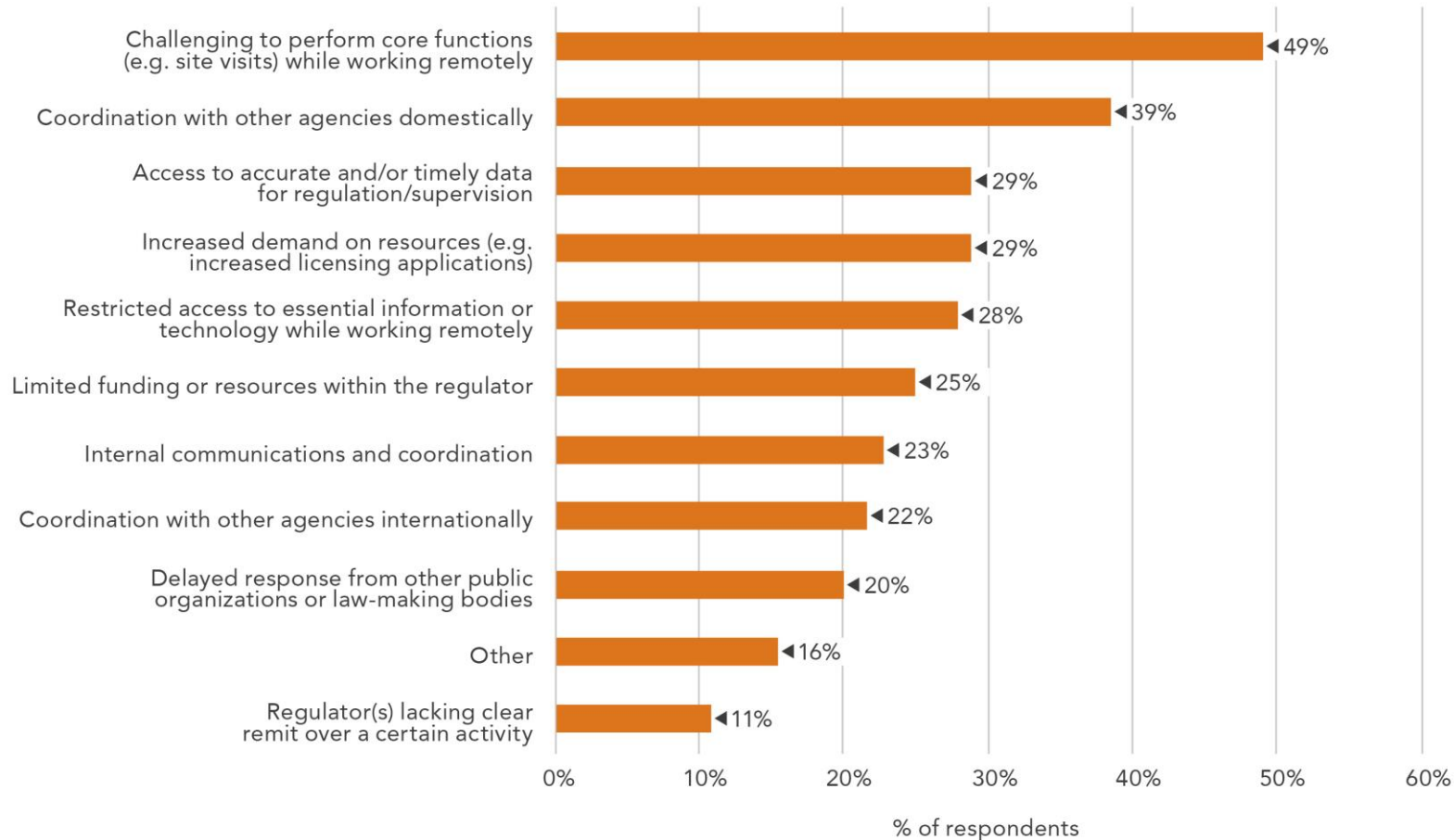
FinTech sector specific measures - Central banks versus Other financial regulators (N=46)



"We recommended, not mandated, a waiver in fees but that the decision to change was voluntary." (Regulator in East Asia and Pacific)

Performing core functions while working remotely is the foremost regulatory challenge

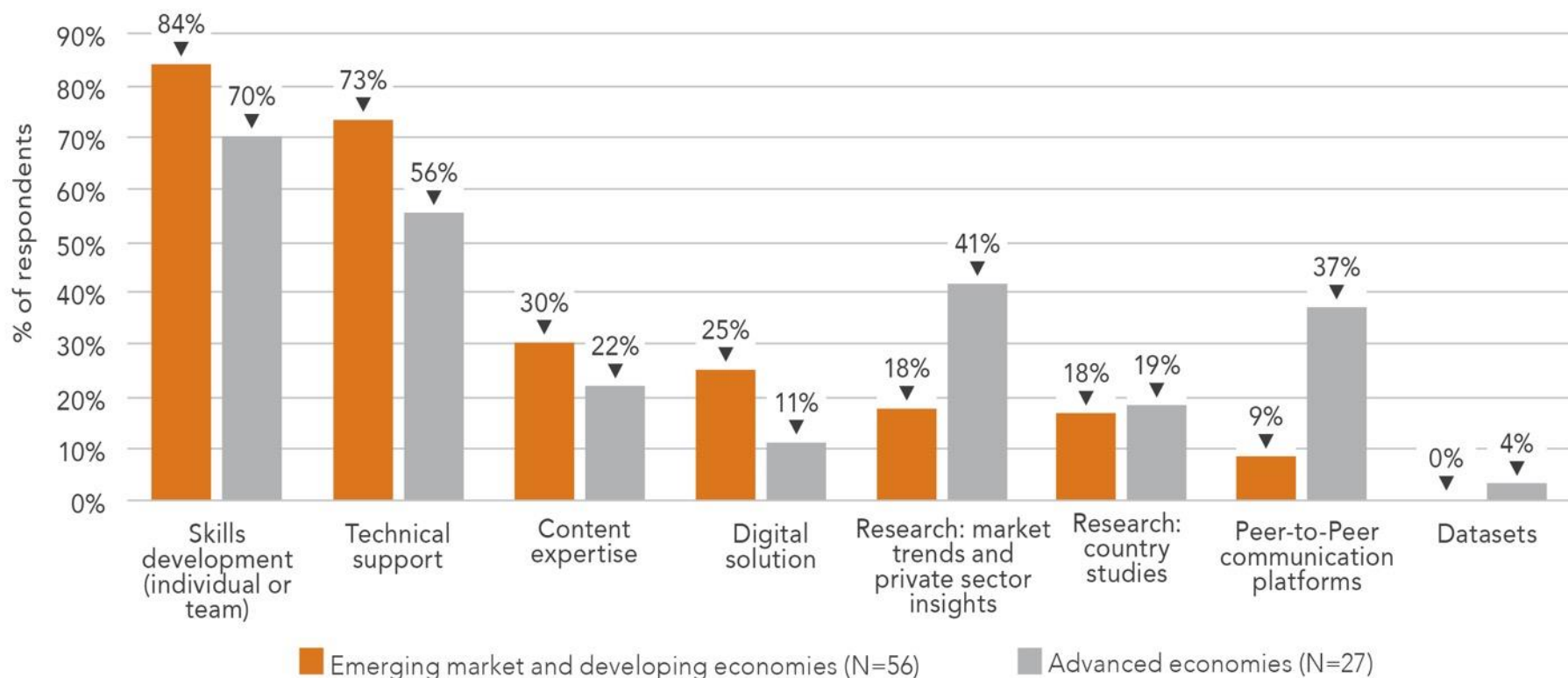
Internal challenges to developing regulatory responses to FinTech (N=83)



“Of our core activities, the most affected by the lockdown are authorization processes, on-site supervision and imposition of sanctions, because of the restricted access to essential information as well as limitations in the physical inspection of intermediaries’ operations.”
(Regulator in LAC)

Skills development is a consistent theme highlighted by both groups of regulators, while technical support is particularly desired by regulators in EMDEs ...

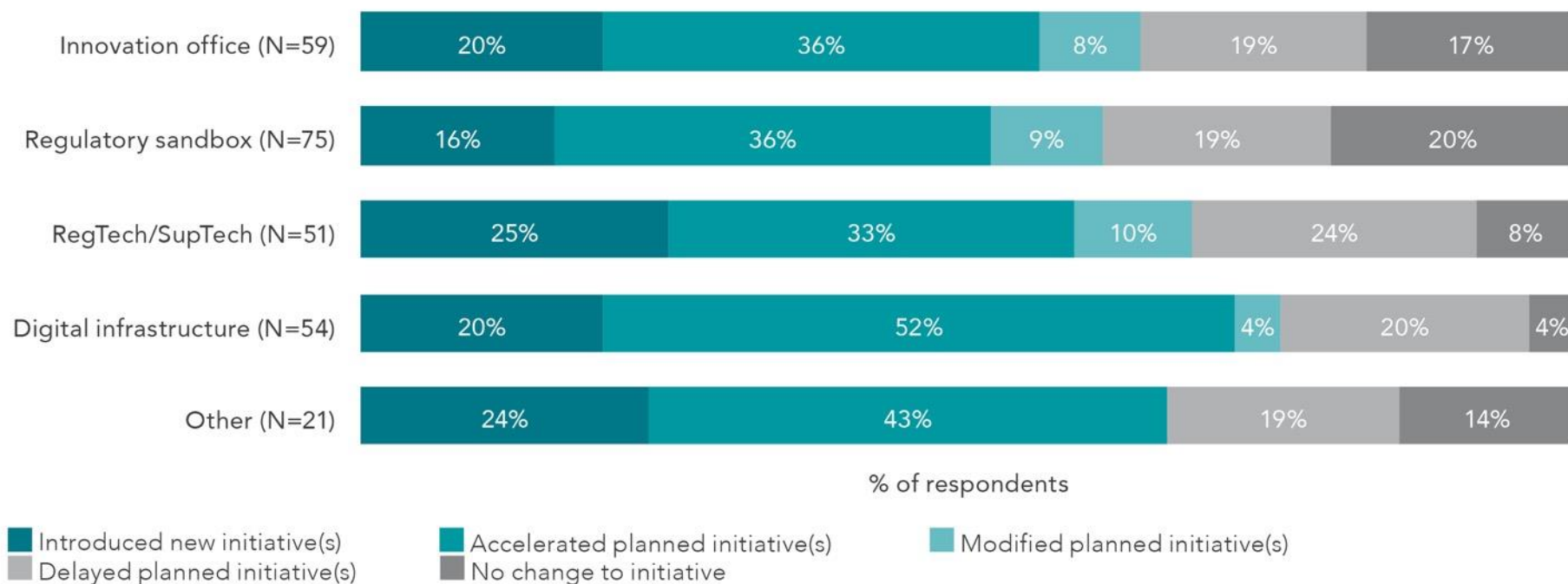
Types of assistance regulators would most benefit from in order to support their work on FinTech in light of Covid-19 - Emerging market and developing economies versus Advanced economies



"Information and examples of policies on the development of FinTech in capital markets, such as crypto-assets." (Content expertise request, Regulator in Sub-Saharan Africa)

Covid-19 has significantly impacted regulatory innovation initiatives

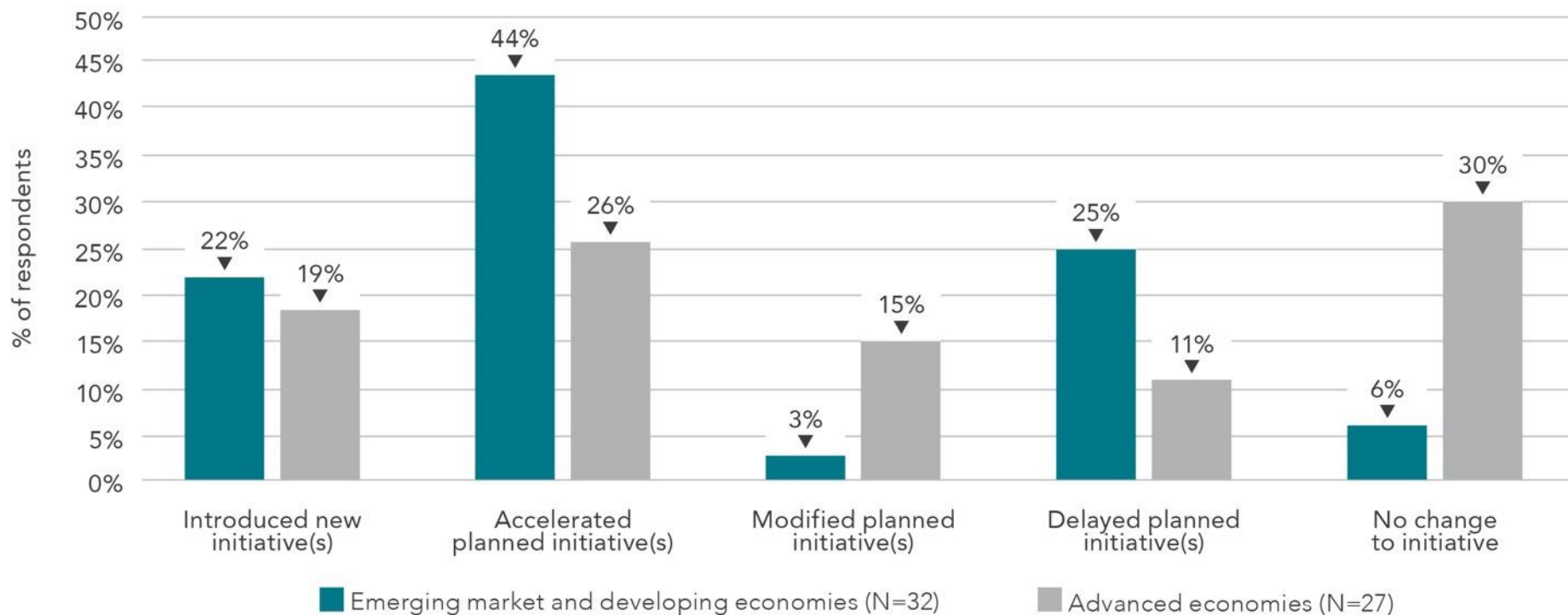
The impact of Covid-19 on regulatory innovation initiatives



"Covid-19 has accelerated the need to put innovation initiatives in place faster." (Regulator in MENA)

Emerging market and developing economies have particularly accelerated planned innovation office initiatives

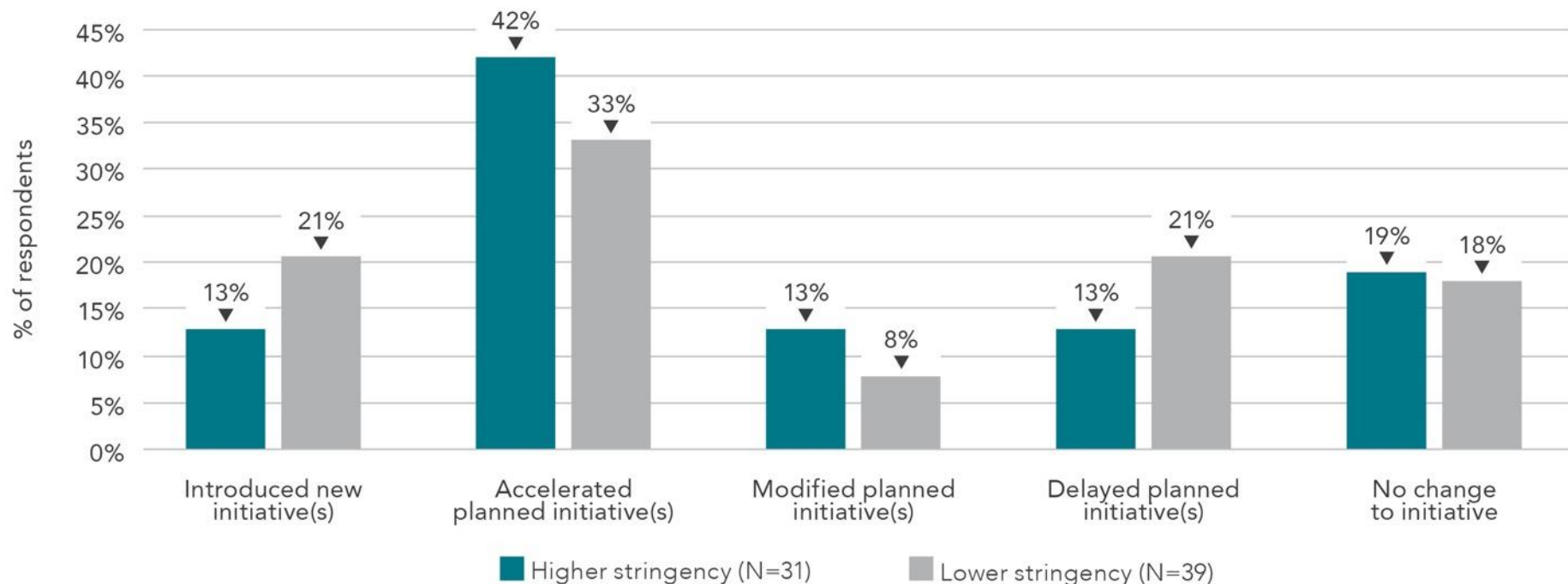
The impact of Covid-19 on innovation offices - Emerging market and developing economies versus Advanced economies (N=59)



"Covid-19 has shifted our focus towards FinTech/DFS and we are currently in the design stages and discussions for creating an innovation office." (Regulator in MENA)

Regulatory sandboxes have been accelerated by regulators in jurisdictions with higher stringency measures

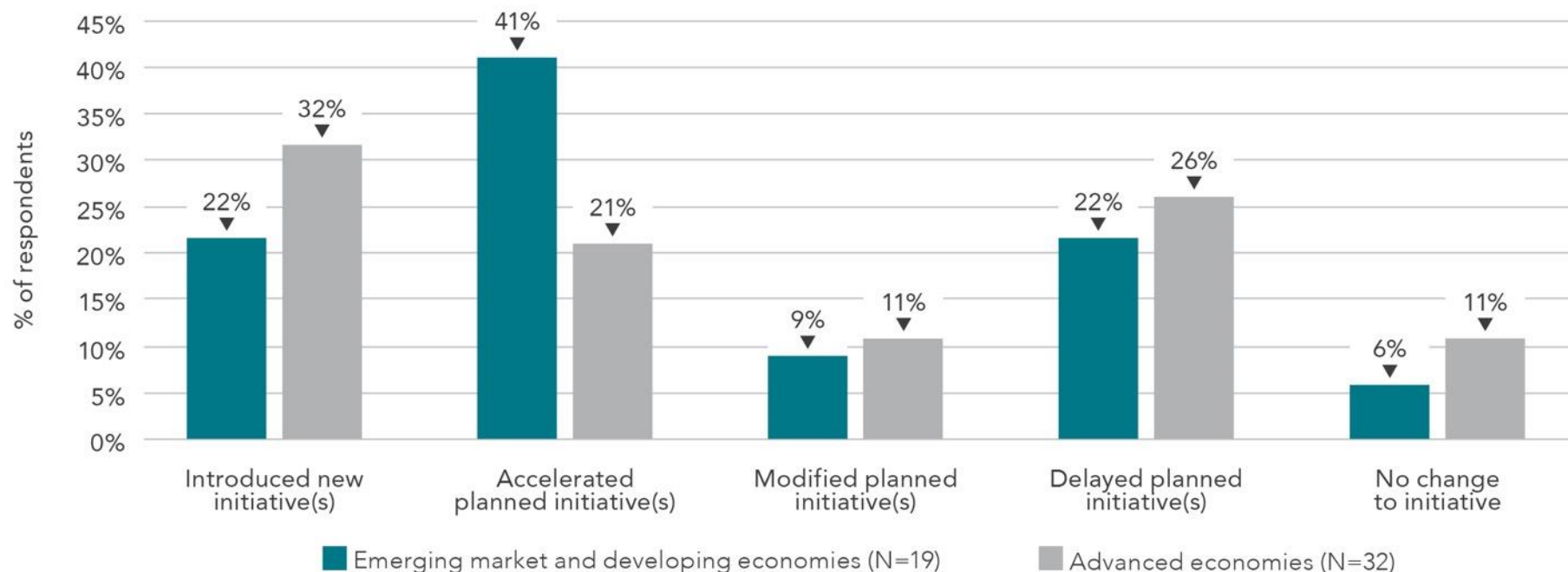
The impact of Covid-19 on regulatory sandboxes - Higher versus Lower stringency jurisdictions (N=70)



"Our sandbox is already operational but, we have to modify our strategies to create a new pipeline for sandbox testing (in light of Covid-19)." (Regulator in higher stringency jurisdiction in SSA)

RegTech/SupTech initiatives have been particularly accelerated in EMDEs and higher stringency jurisdictions

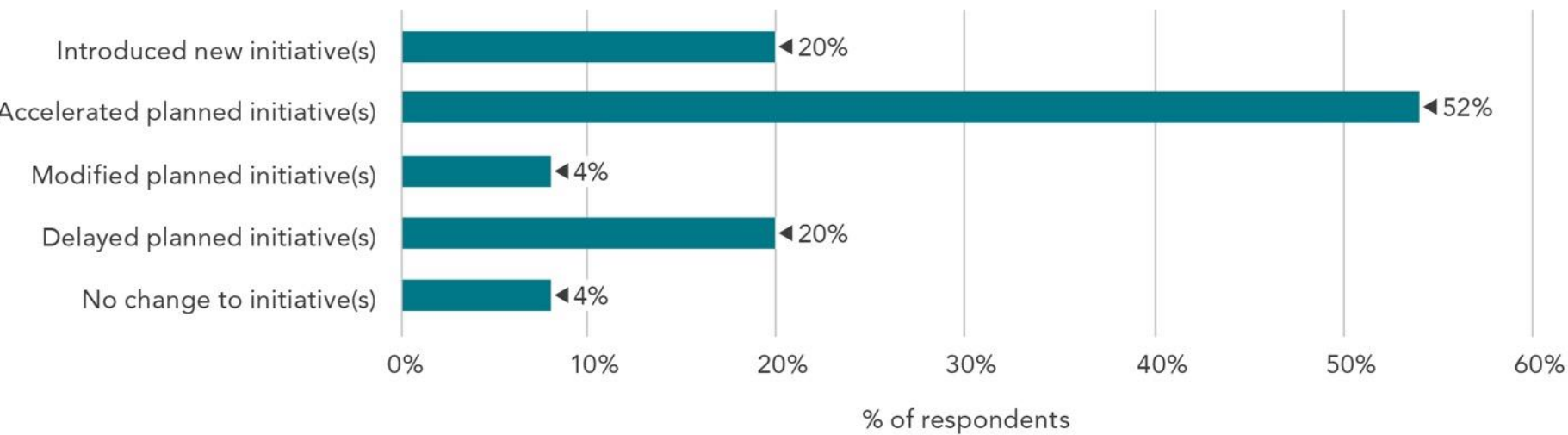
The impact of Covid-19 on RegTech/SupTech initiatives - Emerging market and developing economies versus Advanced economies (N=51)



"We are using more agile data collection methods to quickly collect new, relevant data from firms in order to identify where to focus our efforts and which markets and portfolios need specific engagement and action." (Regulator in an Advanced Economy in Europe & Central Asia)

Regulators have accelerated planned digital infrastructure initiatives

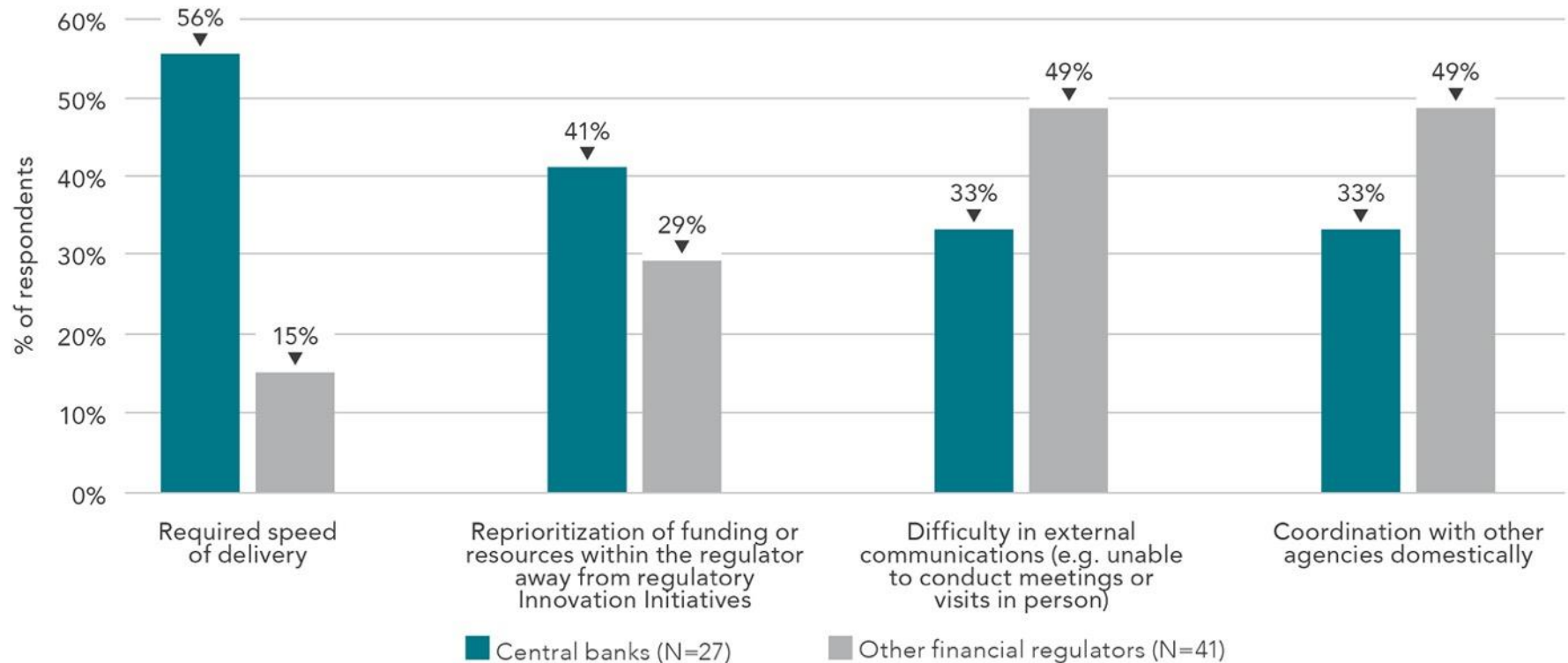
The impact of Covid-19 on Digital infrastructure initiatives (N=54)



"Covid-19 has accelerated the need for a digital identity scheme." (Regulator in Europe and Central Asia)

Difficulty in required speed of delivery is the foremost regulatory innovation initiative challenge for central banks

Covid-19 and the challenges for regulatory innovation initiatives - Central banks versus Other financial regulators (N=68)



"...everything has to be discussed and approved by the parliament and government which makes it harder to manage our current innovation projects." (Regulator in MENA)

Lessons learned and future considerations

Short Term:

- Experiment with nimble regulatory measures to rapidly respond to the challenges
- Facilitate engagement between regulators and the FinTech industry
- Facilitate knowledge transfer among regulators domestically and internationally
- Consider increased support for regulatory innovation initiatives

Long Term:

- Strategically strengthen RegTech/SupTech capabilities
- Support the long-term transition to digital infrastructure
- Consider the wider implications of digitalization of financial services, including competition, exclusion and financial literacy