

# Enabling FinTech Innovation through Regulatory Sandboxes

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**Innovation:** Practical implementation of ideas that results in the introduction of new goods or services (disruptive) or improvement in existing offers (incremental).

## **Financial Technology (FinTech)**

“technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.”

"technology-enabled innovation in financial services, regardless of the nature or size of the provider of the services."

A report by Deloitte that analyzed 44 key cities in the world of fintech ecosystem highlighted that one of the most important factors is regulation.

31% of the FinTech firms in the Europe are not subject to any regulations (European Commission, 2017).

A regulatory sandbox is a regulatory environment that allows live, time-bound testing of innovation with regulatory oversight - typically the central bank.

This approach allows testing novel financial products, technologies, business models under a set of rules, supervision requirements and appropriate safeguards.

- Testing innovative FinTech products and services
- Testing regulatory experiences
- With a minimal impact on consumers and financial stability

# Champions of Regulatory Sandboxes

- United Kingdom
- Singapore
- Holland
- Abu Dhabi
- Canada
- Australia
- Hong Kong
- And over 50 countries are looking into establishing Regulatory Sandbox

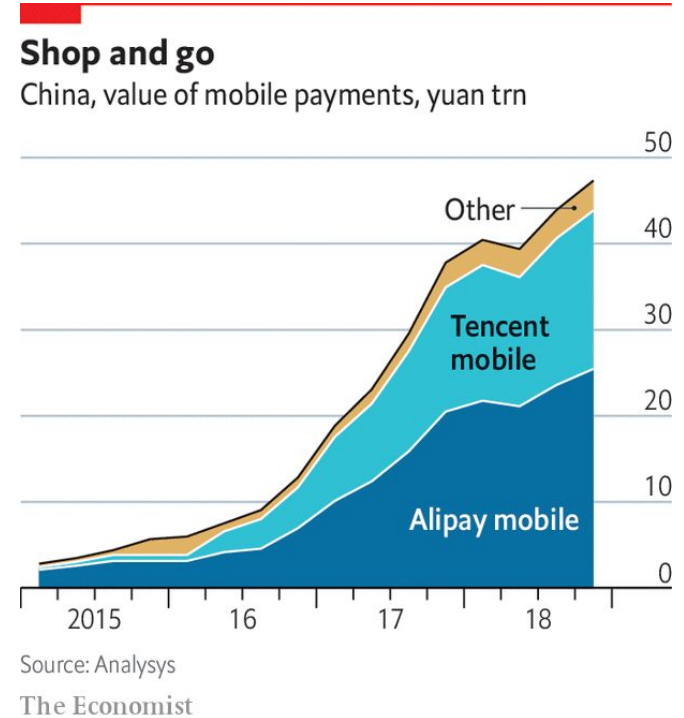
# Project Innovate (2015)



Source: Deloitte

# Why do we need a Regulatory Sandbox?

- Proliferation of FinTechs are creating regulatory gap
- From too small to care to too big to fail within weeks or days
- Consumer Protection vs Financial Stability vs Innovation



# Getting it right.

- Promotion of FinTech innovation
- Barriers to innovation:
  - Speed to market
  - Organisational competence
- FinTech firms may be constrained without regulatory support and could decline in innovative projects



# Regulatory Sandbox for Maldives

- Financial Inclusion
  - Alternative Credit
  - e-KYC
- Innovation
  - Faster Payments (P2P, QR, etc.)
  - Remittance
  - InsurTech

Thank you.