Regulation in Financial Services: A technology-led Paradigm?
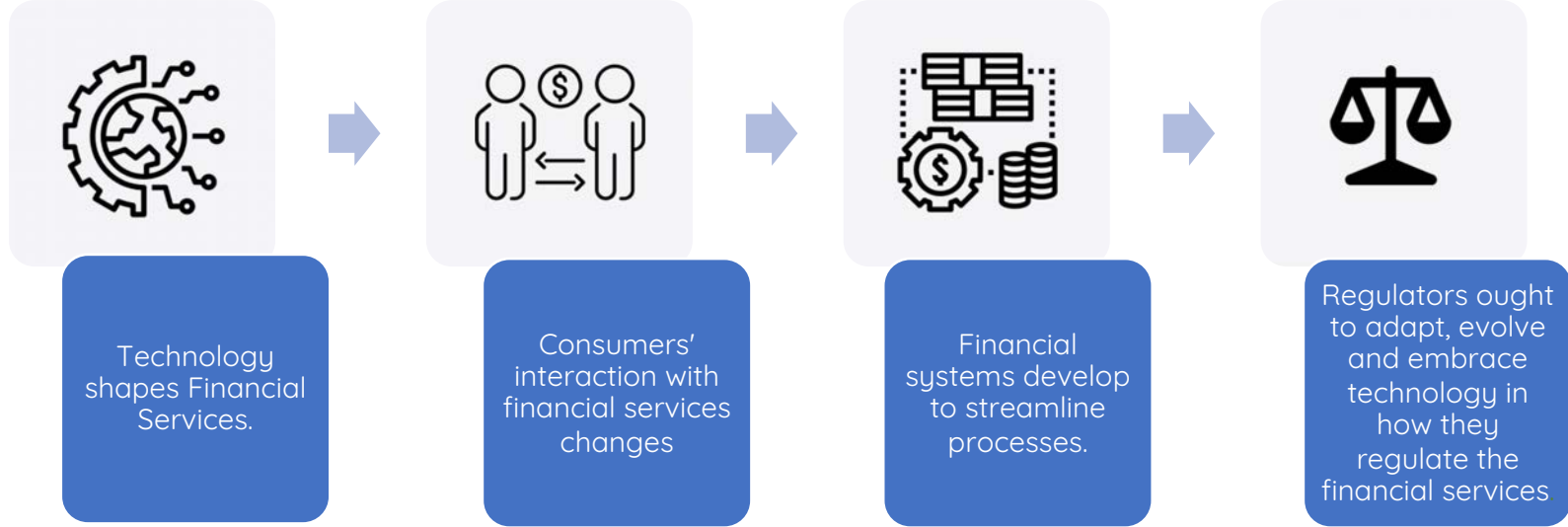
By Chryssi Chorafa

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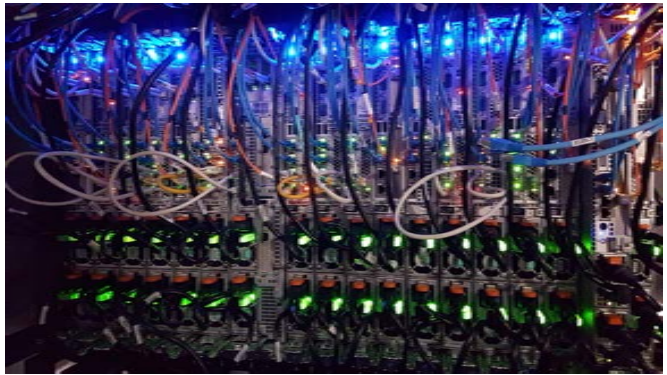
Regulation

Are regulators ready for this change?

Technology shapes Financial Services.

Consumers' interaction with financial services changes

Financial systems develop to streamline processes.

Regulators ought to adapt, evolve and embrace technology in how they regulate the financial services

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Financial Services evolution

Financial systems evolution

Technology

Technology has been transforming Financial Services…

Technology

Technology has been transforming Financial Services…

- **Data** – lead to the creation of algorithms to identify, detect, provide insights and inform parties

- **AI** – a universe of computing technologies that include identification of patterns, decision making, predictions, recommendations

- **APIs** – lead to interaction of multiple systems increasing automation and exchange of information

- **Distributed ledgers** – opened the door to the new infrastructure for entities, organisations and consortiums

- **Cloud** - open source Infrastructure-as-a-Service platform that manages and orchestrates pools of storage, network, and computer resources

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Use of Financial Technology
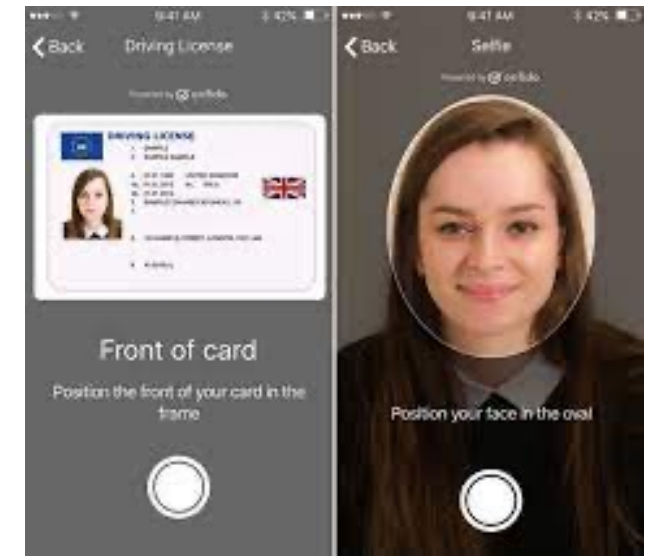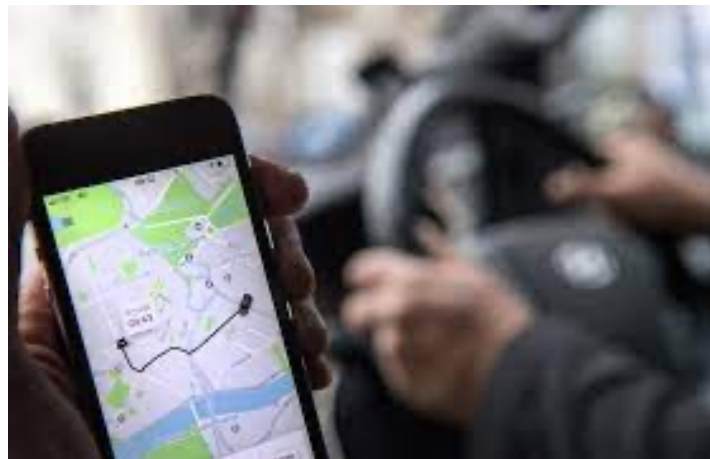
Financial Services

Financial Services are adapting and changing…

- **Cryptocurrencies** – new form of exchange of value

- **CBDC** – digital form of fiat money that would allow businesses and households make electronic payments

- **DeFi** – financial instruments without relying on traditional financing platforms

- **ESG** –investments will have to account for ESG

- **Digital ID verification** – as a way to improve KYC compliance process

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Financial Services evolving

Should regulator adapt or change?

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Regulation

Regulation will have to adapt to new changes…

- **Regulations** – changing to adapt for cryptocurrencies, climate change and new development as the result of technology but also societal behavioral changes

- **GFIN** – global regulatory sandbox to explore level playing field

- **FCA Activities** - Digital Sandbox, Tech Sprints, Data Sprints, Challenges

- **Monetary Authority of Singapore** – innovation, Sandbox, Challenges, Hackathons

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Regulators changing their approach

Grants for Innovation

Get funding on proof-of-concepts, hiring, business development and more.

Green FinTech

Understand the various initiatives for technology solutions and projects in Green Finance.

Regulatory Sandbox

Sandbox relaxes specific regulatory requirements to enable live experiments of innovation within boundaries.

API Exchange

World's first open architecture platform for financial institutions to easily discover FinTechs, quickly design prototypes and rapidly deploy solutions.

Central Bank Digital Currency

Unlocking new possibilities for the future of money and payments via CBDC.

Business sans Borders

A collaborative AI-driven global solutions hub to foster SME digitalisation.

SGFinDex

World's first to use a national digital identity and centrally managed online consent system for secure access to financial data from private and public sectors.

Singapore FinTech Festival

The world's largest FinTech festival for the global FinTech community to connect, collaborate and co-create.

E-Payments

Understand more about MAS' payment initiatives like SGQR, FAST, PayNow and UPOS.

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FCA's activities

Sandbox environments	1st Data Sprint in Q3 2020
1st Digital Sandbox in Q4 2020	1st Tech Sprint in Q2 2021
1st Green Challenge Q4 2021	2nd Digital Sandbox in Q4 2021 & Q1 2022

Virtual environment

**Collaborative environment**

Synthetic data

APIs

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How can regulators use technology?

- **Data analytics and visualisation**: provide information intelligence for internal purposes and act upon it

- **Digital environments**: foster innovation, testing and collaboration with the industry, academia, innovators

- **APIs**: create a market place for collaborative and innovative purposes

- **ML/AI**: creation of algorithms for provision of better analysis and understanding of data

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Why is this important?

"**co-creation of regulation**", in which the people needing to be regulated are also the people developing this technology to enable it to happen" (Jo Ann Barefoot, CEO of Barefoot Innovation)*
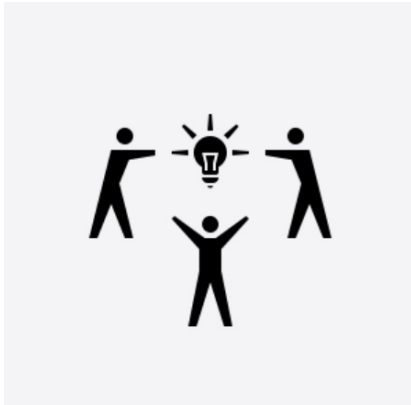
"UK government has led the way with **progressive policy**, citing the Financial Conduct Authority's (FCA) Project Innovate and regulatory 'sandbox', and the Bank of England's FinTech accelerator" (Lawrence Wintermeyer CEO of Innovate Finance)*

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Technology for regulatory purposes

Foster collaboration through innovation and experimentation

Embrace data analytics and intelligence digitizing risk analytics and information
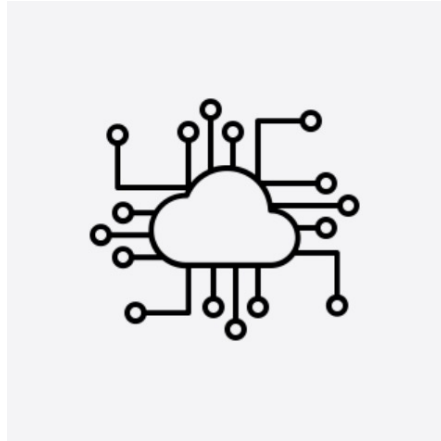
Work with innovators to expand and provide digital services

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What could regulators do in the future?

Expanding inhouse solutions by bringing onboard Data Engineers, DevOps and Tech teams

Bringing solutions from the market inhouse

Developing AI solutions to better understand data from reporting and identify risks by observing patterns

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How could regulation look in the future?

Thank you!
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