FIGI Symposium

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#financialinclusion
Harnessing FinTech for Financial Inclusion: Enabling innovation while mitigating risks

Harish Natarajan
Lead Financial Sector Specialist
World Bank Group
Source: World Economic Forum
Foster enabling environment to harness opportunities

Strengthen financial sector policy framework

Address potential risks and improve resilience

Promote international collaboration

Advances in technology that can transform the provision of financial services by spurring the development of new business models, applications, processes, products, and services.
Harnessing FinTech for Financial Inclusion: Fireside Chat on Mexico’s FinTech Law

Luis Leyva Martinez
Director General of Regulatory Development
Comision Nacional Bancaria y de Valores (CNBV)
Harnessing FinTech for Financial Inclusion: Questions for the ITU

Vijay Mauree
International Telecommunications Union
Harnessing FinTech for Financial Inclusion: Perspective of CGAP

Nadine Chehade
Senior Financial Sector Specialist
Consultative Group to Assist the Poor (CGAP)
What is 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.

Financial Stability Board, 2017
Why are we discussing it?

- A lot of people are...

30.8B
invested in fintech in 2018

1,128
Number of fintech deals globally

33
Number of fintechs with a valuation over 1 billion

Source: CB Insights; McKinsey
The 2014 ‘fin-tech-clusion’ storyline

• Since then, speed of change has increased

2 billion people have no access to formal financial services

1 billion of them have a mobile phone
What is the impact on financial inclusion?

- Technology has already had an impact on access to financial services

2.5B excluded from financial services 2011

2B excluded from financial services 2014

1.8B excluded from financial services 2017

Source: Findex
How to look at the fintech space?

• There are several options (1/3)

Source: BI Intelligence
How to look at the fintech space?

- There are several options (2/3)

Source: CB Insights
How to look at the fintech space?

• There are several options (3/3)

The CGAP way *

*Work in progress

Technology

What innovative technologies enhance access and use of financial services?

- Digital platforms
- Blockchain
- USSD
- Superplatforms
- Alternative data
- Satellite data
- Computer vision
- Scoring algorithms
- Apps
- Smart messaging bots
- Behavioral analytics

Business

What business models are scalable and game-changing?

- Payments
- Credit
- Savings & Pensions
- Insurance
- Paygo financing
- Digital identity
- Marketplace
- Interactive customer engagement
- UI/UX

Impact

How are the ecosystem and the target customer impacted?

- Low-income
- Smallholders
- MSMEs
- Youth
- Women
- Displaced & Migrants
- Financial service providers
- Teclos
- Fintech companies

Teclos
There is no ONE global story...

• ...but several regional or country-specific ones

This is because regulations matter more in financial services than in other tech-disrupted industries (and there are good reasons for it)

Source: Bilaterals.org
Regulators and supervisors job is changing

• As fast as our storytelling of 2014!

Regulators are hesitant to make changes, even when proven (e.g. e-money, risk-based CDD)

Source: Reserve Bank of Australia
Four strategies for policy-makers?

• Or perhaps only one

1. Do nothing

2. Do something... ex-post
   e.g. China regulating crowdlending

3. Do something... ex-ante

4. Open pathways for a regular dialogue
   and accept to fail, sometimes, at small scale
Harnessing FinTech for Financial Inclusion: Fireside Chat on Operations as FinTech Angel Investors

Aly El Shalakany
President
Middle East Angel Investment Network
Harnessing FinTech for Financial Inclusion: Central Bank Digital Currencies and Digital Assets – Perspective of CPMI

Marc Hollanders
Committee on Payments and Market Infrastructures
Bank for International Settlements
The money flower

Cryptocurrencies

Novel technology is not the same as better technology or better economics. That is clearly the case with Bitcoin: while perhaps intended as an alternative payment system with no government involvement, it has become a combination of a bubble, a Ponzi scheme and an environmental disaster.

Large price swings, high transaction costs and a lack of consumer and investor protection make cryptocurrencies unsafe and unsuited to fill money's role as a shared means of payment, store of value and unit of account.

Speech by Agustin Carstens, February 2018
Central bank digital currencies – payments

- CBDC requires careful and deep analyses of needs, alternatives, challenges and potential risks
- Countries are in different level of developments but payments are better in the last years – faster, more efficient, stable
- Question: What really can become better if we implement CBDC?
- Cross-border payments are an exception: clearing and settlement is the main issue in cross-border payments. CBDC could potentially improve the speed and efficiency.

CPMI-MC report on Central bank digital currencies – March 2018
Questions?

Thank you!