

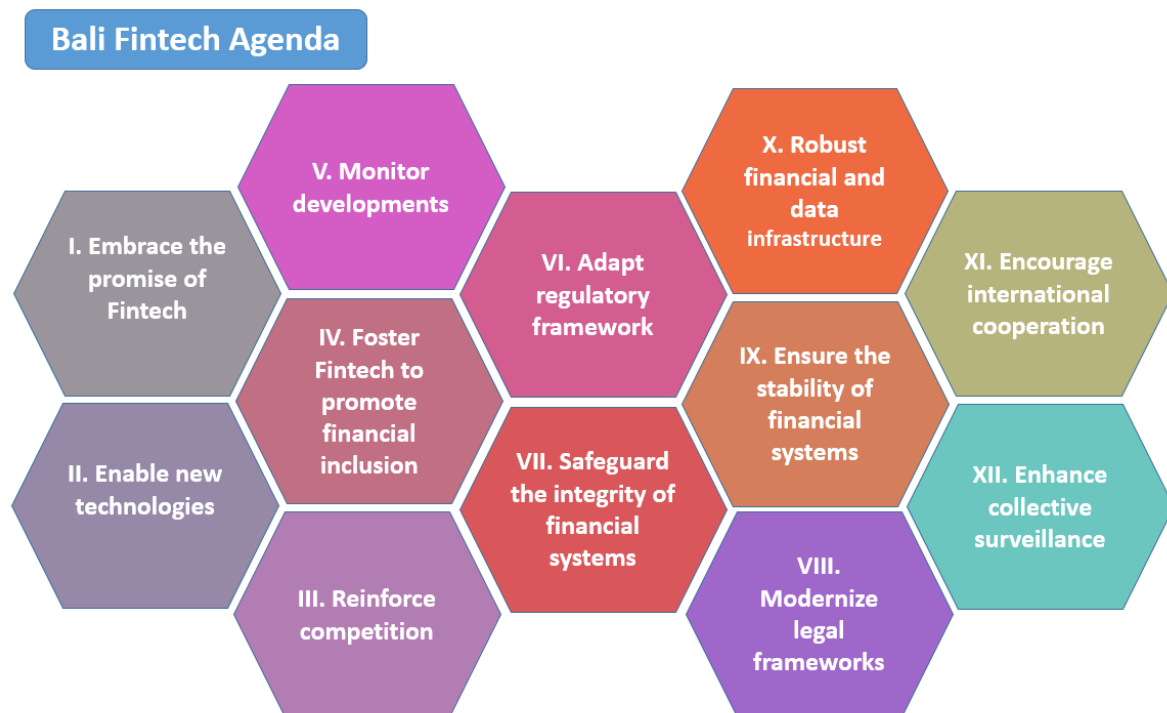


Fintech and the Securities Market – Part 2 of 5

In last week's article the Trinidad and Tobago Securities and Exchange Commission ("TTSEC") discussed the importance of, and some of the risks associated with, Financial Technology ("Fintech"). This week, the TTSEC will be discussing the first three (3) considerations of the Bali Fintech Agenda.

The Bali Fintech Agenda

The International Monetary Fund ("IMF") Policy Paper – The Bali Fintech Agenda, dated October 11, 2018 identified twelve (12) key considerations for policymakers regarding the implementation of Fintech policies. The IMF policy paper essentially provides a blueprint (as seen in the diagram below) for the successful harnessing of Fintech opportunities, by providing a framework for countries to assess their policy options which can thereafter be adapted into their own respective circumstances.



The first three (3), out of the twelve (12) considerations, will be explored accompanied by a brief description on the TTSEC's approach to addressing them.

I. Embrace the promise of Fintech

Fintech has the potential to significantly influence and enhance the provision of financial services within the securities industry. There is the possibility of new business models, service providers and products entering the local capital market.

The TTSEC acknowledges that advancements in Fintech can generate social and economic impacts such as increased financial inclusion. Consequently, the TTSEC has undertaken the establishment of policies and frameworks to guide the regulation of Fintech products and services in the local securities industry.

Through a public statement issued in March 2019, the TTSEC invited current and prospective Fintech providers and individuals to come forward and engage in discussions with the regulator. This allowed the TTSEC to gain a better understanding of the potential interest in Fintech products and services so that the appropriate parameters, if necessary, can be established.

II. Enable new technologies to enhance financial service provision

Trinidad and Tobago is positioned as a leading financial centre in the region with a well-established financial sector inclusive of various types of financial institutions and services. The following infrastructural elements are already firmly established:

- Financial services legislation;
- Telecommunications;
- Broadband internet; and
- Mobile data services.

Generally, market participants have indicated their desire to automate several of their business processes. One such process being the client administration which includes the retention of client records and transactions.

It is expected that most market players will move towards automated collection and processing of data. This can potentially reduce costs, improve efficiency and strengthen Anti-Money Laundering or Combating the Financing of Terrorism (“AML/CFT”) compliance.

The TTSEC acknowledges that to build trust and encourage innovation, it is important that the Government take a leading role in the implementation and use of Fintech. The digitisation of

government services is an important step towards the digitisation of the economy, which would include the:

- Development of digital ID mechanisms;
- Digital payment systems for government services (taxes, fees, social services, etc.);
- Establishment of national governance and cybersecurity/privacy frameworks; and
- Implementation of robust data protection systems.

III. Reinforce competition and commitment to open, free, and contestable markets

The TTSEC has a mandate to foster a fair and efficient securities industry and to build investor confidence. Encouraging the development of Fintech products/services and providing the proper regulatory framework will promote innovation and ensure a level playing field within the industry. The use of Fintech can lower barriers to entry and act as a driver for competition.

Customers will demand more simplified business processes and the providers of these services will have a competitive edge in the securities industry. Internationally there has been an increase in demand for crowd funding or peer-to-peer lending platforms. These have the capacity to facilitate access to cheaper capital and may ultimately lead to increased economic activity. Market players may have to adjust their roles or business models to compete and remain relevant with new market entrants.

The TTSEC is committed to ensuring that there are applicable regulations in place to leverage Fintech capacity, and to lower barriers to entry for non-traditional service providers. This will allow for greater competition and facilitate a move towards market contestability. Fintech providers in the securities industry will be regulated and will be required to register under the registration categories of Investment Adviser, Broker-Dealer, Underwriter, Self-Regulatory Organisation or Reporting Issuer. If the business model does not fit into the current registration categories, the TTSEC will review the need for legislative amendment according to the prevalence of the product/service. The TTSEC's Fintech policy and framework will be developed to ensure fair treatment of all market participants according to activities and associated risks. This will ensure a level playing field regardless of the market participant, underlying technology, or method by which service is provided.

In next week's article the TTSEC will continue its review of the Bali Fintech Agenda which identifies key considerations for policymakers regarding the implementation of Fintech policies.

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For more information on the securities market, please visit our corporate website, www.ttsec.org.tt, or our Investor Education website at www.investucatett.com or connect with us via any of our social media handles:



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