



Fintech and the Securities Market – Part 3 of 5

In last week's article the Trinidad and Tobago Securities and Exchange Commission ("TTSEC") discussed the first three (3) considerations of the International Monetary Fund ("IMF") Policy Paper – The Bali Fintech Agenda. The Bali Fintech Agenda identifies key considerations for policymakers when implementing Fintech policies and provides a blueprint for successfully harnessing Fintech opportunities by providing a framework for countries to assess their policy options and adapt them to their own circumstances. We now look at another three (3) of the twelve (12) considerations along with a brief description on how the TTSEC will guide the local securities industry in complying with these requirements.

IV. Foster Fintech to promote financial inclusion and develop financial markets.

The Bali Fintech Agenda requires policy makers to demonstrate how they intend to utilise Fintech to promote financial inclusion and develop financial markets. The securities market of Trinidad and Tobago has benefited from a high level of public participation in the Collective Investment Scheme ("CIS")/Mutual Fund industry. Out of a population of 1.4 million potential investors the CIS Industry has in excess of 500,000 client accounts. The local stock exchange has approximately 73,000 brokerage accounts, consisting of both active and non-active traders along with retail and institutional clients. On an annual basis approximately forty-five (45) trades occur daily on the Trinidad and Tobago Stock Exchange ("Stock Exchange").

The World Bank states that digital financial inclusion involves the deployment of the cost-saving digital means to reach financially excluded and underserved populations, which can be achieved by offering a range of formal financial services suited to their needs, responsibly delivered at a cost affordable to customers and sustainable for providers. The TTSEC considers the use of Fintech as a potential opportunity to assist in stimulating interest and demand in the Stock Exchange, as well as, overcoming the challenges of reaching customers and providing information to the market. The Stock Exchange recently introduced online trading which may prompt more trading activity. Increased market activity will improve liquidity and improve

confidence in equity valuations, which can encourage more businesses to list on the Stock Exchange as a means to source capital for further growth and development.

Fintech products/services can also offer alternative means of funding to businesses, via platforms which provide access to crowdfunding and peer-to-peer lending, which can be provided by both local and foreign institutions. The Government of the Republic of Trinidad and Tobago (GORTT) has established the International Financial Centre (“IFC”) to promote the ease of doing business in the country, and to assist foreign companies in setting up and understanding their regulatory obligations.

The move to digitised government payments is essential to fostering Fintech to promote financial inclusion and develop financial markets. This will enhance trust and improve public confidence in Fintech products/services as digitised payments, coupled with digital IDs, can reduce fraud and tax evasion.

V. Monitor developments closely to deepen understanding of evolving financial systems.

It is noted that when the TTSEC undertook the Fintech Policy development project, information regarding Fintech products/services within the securities industry was not readily available. In order to ascertain the scope of the issue and its impact on the industry, the TTSEC embarked upon a data gathering exercise to determine the types of Fintech products and services currently available and in use in Trinidad and Tobago. The TTSEC issued a public statement inviting Fintech companies/providers and persons conducting, or contemplating conducting activities involving Fintech, to meet with the TTSEC. Based on the information received from the data gathering exercise, the TTSEC is developing a framework to support effective oversight of Fintech products/services.

VI. Adapt regulatory framework and supervisory practices for orderly development and stability of the financial system.

Can the TTSEC Regulate Fintech products/services? The answer is Yes. According to Section 6(c) of the Securities Act, 2012 (“SA 2012”) , the TTSEC is mandated to register, authorise or regulate: self-regulatory organisations (like the Stock Exchange), broker-dealers, registered representatives, underwriters, issuers and investment advisers and, control and

supervise their activities, with a view of maintaining proper standards of conduct and professionalism in the securities industry.

Essentially, Fintech products and services will be reviewed and registered under the current registrant categories as per the SA 2012. However, there may be a need to amend legislation when Fintech products/services do not fit into any of the categories provided by the SA 2012. **The TTSEC intends to utilise a combined Regulatory Innovation Hub and Regulatory Sandbox as the primary tool to assess Fintech products and services and determine the best regulatory approach.**

Regulatory Innovation Hub and Regulatory Sandbox - An innovation hub generally refers to a regulator-provided knowledge centre open to regulated and unregulated entities (Michael Wechler, Leon Perlman, Nora Gurung 2018)⁽¹⁰⁾. Ideally, the hub facilitates innovation by acting as a connection point between regulators and the industry. Innovators may receive guidance and assistance from hub staff, third party experts or other experienced parties regarding matters such as legal and policy issues, licensing issues and navigating a complex legal and regulatory system. The hub can also serve as an opportunity for regulators to learn more about the industry through direct interaction.

(Lauer 2017) stated that a regulatory sandbox is a framework set up by a financial sector regulator to allow small scale, live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited time-bound exception) under the regulators supervision.

Essentially, the TTSEC will require Fintech providers to present their business models which TTSEC Staff will analyse for a better understanding of the product/service. Once this phase is complete, the TTSEC will identify the regulatory requirements and determine the provider's eligibility to participate in the regulatory sandbox. The TTSEC will issue a separate Regulatory Sandbox Framework providing information on the sandbox process including information on application, selection, testing and exit.

The TTSEC aims to ensure that its Fintech regulatory framework provides trust, transparency, confidence and a supporting environment for innovation. The framework will reduce regulatory uncertainty and support the safe entry of new products, activities and intermediaries into our local securities market.

In next week's article, the TTSEC will continue its discussion on the Bali Fintech Agenda and the other key considerations for policymakers regarding the implementation of Fintech policies. To learn more about Fintechs, Express Business readers can tune in to the TTSEC's live stream social media event on the topic, on Friday 28th August, 2020, at 2:00pm. You can also take the Fintech Pledge by accessing the link: <https://investucatett.com/caribbean-fintech-pledge-initiative/>.

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