



## Regulating Fintechs

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) works to encourage and promote the innovative development of the local securities industry. This week's article focuses on the TTSEC's approach to regulating Financial Technology or Fintech.

The increased emergence of Fintechs and other innovations in the financial sector have the potential to transform the securities industry in Trinidad and Tobago. This transformation can be beneficial as it can possibly improve the efficiency of securities transactions, offer cost effectiveness and encourage the growth of Trinidad and Tobago's capital market. While such potential exists, innovation without proper safeguards can pose risks to investors and to the stability of the financial system. Therefore, it is important for the TTSEC to implement the necessary safeguards to ensure the protection of investors and the securities industry. Accessible on the TTSEC's investor education (IE) website, [www.investucatett.com](http://www.investucatett.com), is a 'fintech pledge' platform, where investors and individuals can learn more about financial technologies and understand how they work: <https://investucatett.com/caribbean-fintech-pledge-initiative/>.

The financial system regulators: the TTSEC, the Central Bank of Trinidad and Tobago (CBTT) and the Financial Intelligence Unit of Trinidad and Tobago (FIUTT) have established a joint Fintech steering committee to

collaborate on matters relating to financial technology. This collaboration entails the establishment of a **Joint Regulatory Innovation Hub** and **Regulatory Sandbox**.

The Innovation Hub was established on September 30, 2020, and functions as a portal on the websites of the Regulatory Authorities. The portal became accessible to the public in October 2020 and provides the opportunity for individuals and entities to receive guidance on the regulatory requirements for proposed financial technology products and services.

**What is Fintech?** - Fintech can be described as "technology enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions, and the provision of financial services" – Financial Stability Board (FSB).

**What is an Innovation Hub?** - An innovation hub is an innovation facilitator set up by supervisory agencies that provides support, advice or guidance to regulated or unregulated firms in navigating the regulatory framework or identifying supervisory policy or legal issues and concerns (Basel Committee).

The Regulatory Sandbox will be launched in two phases and will allow interested entities to test their products and services in a controlled environment, under the supervision of the Regulatory Authorities.

Due to current legislative allowances, Phase 1 of the Sandbox will be operational upon granting of provisional registration to an E-Money Issuer (EMI). Phase 2 will apply to other Fintechs and will be launched at a later date. Further information on the Regulatory Sandbox can be obtained via the following link <https://www.central-bank.org.tt/fintech/regulatory-sandbox>.

The **Innovation Hub** will be used as a tool to facilitate two-way dialogue between Fintechs and Regulators on financial innovation and the applicable supervision regime including all rules and policies.

The objectives of the Innovation Hub are:

- For Regulators to understand the new financial technologies, products and services being proposed and the associated risks including mitigants for those risks;
- To provide entities with a better understanding of the regulatory and supervisory requirements to operate in the financial environment;
- To determine whether the entity is eligible for:
  - i. Registration under existing legislation or;
  - ii. Testing of services/ products in the Regulatory Sandbox (when developed).

The Innovation Hub performs the following:

- Provides a centralised point of contact with the (3) Regulators;
- Provides information and guidance on Regulatory and Operational Requirements for persons wanting to offer fintech products and services; and
- Allows persons to submit applications for approval of fintech products and services.

The **Regulatory Sandbox** is currently being developed and will be a regulatory tool set up by the Regulatory Authorities to provide entities with the facility to test innovative financial products or services, business models and/or delivery mechanisms, prior to launching them to the public. It is envisioned that this tool will enable Fintechs to obtain a provisional license and be subject to certain parameters and rules while testing in a live environment under the Regulators' close scrutiny.

**What is a Regulatory Sandbox?** - A regulatory sandbox usually refers to live testing of new products or services in a controlled environment. Sandboxes may be considered to be more than just a dialogue or an informal exchange, as they engage a supervisor's active cooperation during the test period. Sandboxes also imply the use of legally provided discretions by the supervisory agency. Their use depends on the jurisdictions (Basel Committee).

The main objective of the Regulatory Sandbox is to determine whether the innovative financial product or service can be introduced safely into the domestic financial environment.

Participants, in this process, can include all persons/entities proposing the development of innovative financial technology products, services, business models or delivery mechanisms in Trinidad and Tobago.

We encourage members of the public who are interested in participating, to visit our website

corporate website, [www.ttsec.org.tt](http://www.ttsec.org.tt).

You may also visit our Investor Education website at [www.investucatett.com](http://www.investucatett.com) or connect with us via any of our social media handles:



**Published Article – Business Express Newspaper  
April 7, 2021**