



Regulatory Transformation

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DISCLAIMER

Views expressed herein are those of the author. They do not necessarily reflect the views of the CBCS.

.... who is right ?



Regulatory Crossroad: Evolution and Innovation

Innovation and **Technology** as drivers of Market Resilience and (Inclusive) growth are driving our agenda's. Innovation and Technology are sectors, markets, and boundaries transcending which can be disruptive, facilitating, and compelling.

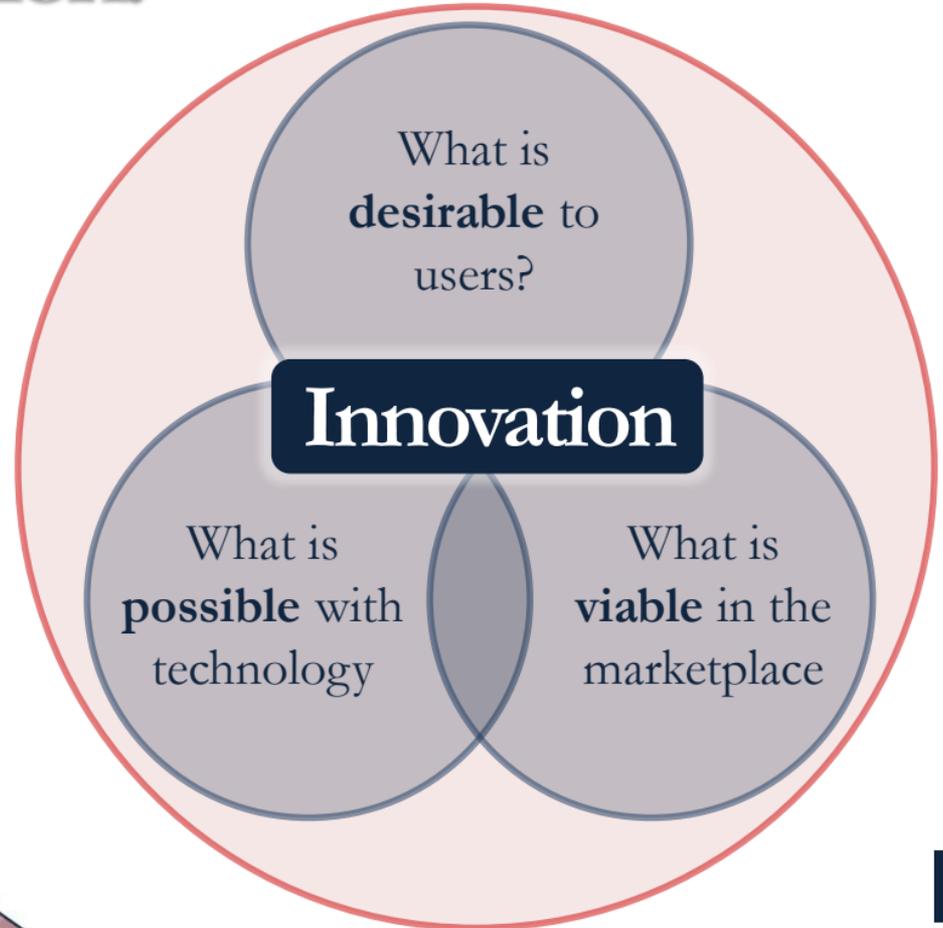
Innovation: a new idea or method, or the use of new ideas and methods

Evolution: a gradual process of change



Financial Innovation: Regulatory Innovation or Evolution

Regulation





Regulatory challenges and opportunities of Innovation

- Rules and regulations get outdated, but are directly related to legal mandates. Figuring out how to apply them to new ideas is challenging.
- Lack of familiarity with new technology can trigger “regulatory” anxiety which is the foundation of bad or unnecessary regulation. Should regulators also focus on opportunities instead on only (potential) risks?

Regulatory challenges of Innovation (cont.)

- Should Regulators show more cautious curiosity for innovation. Regulators should put in more efforts to learn and understand these new technologies.
- Are standards keeping regulators too focused on adherence to outdated rules rather than achieving meaningful and willing collaboration in the interest of participants (consumer protection) and market integrity (deterring fraud).





Re-thinking Regulation: Regulatory Transformation

- Emergence of new players alongside existing market participants (start-up's vs traditional vendors).
- From re-active regulations (post crises) to pro-active regulations (alternative financing, new payment system regulations, P2P, etc).
- Regulators are now seeking to lead and to drive the innovation discussion: RegTech and SupTech.

Some potential benefits of Innovation:

- Data driven compliance and regulation.
- Harmonization of data standards (for sharing purposes).
- Real time transaction analysis, online registration, open source compliance systems.
- Regulatory policy modelling (regulatory impact measurement potential).





CBCS' approach to Innovation

- New strategic objectives including Innovation
- Creation of the Innovation Platform (“IP”)



The Innovation Platform (“IP”)

- September 2018 official launch of the IP.
- Functions as an advisory body.
- Internal “innovation” committee comprises of experts from the different corners of the CBCS’ responsibility universe.
- The ultimate aim is to develop policies that support advancement and innovation, whilst ensuring compliance with international standards, rules, regulations, and legislation.
- Balancing innovation promotion and safeguarding financial stability (speed and penetration).
- ...but facilitating requirements should not take precedence over important policy objectives such as risk mitigation, investor protection, market resiliency and transparency.

Efforts by the IP related to Innovation

- Engaging with relevant stakeholders.
- (Experiential and experimental) learning and education.
- Deep dive assessment of our regulatory regime and framework. Is our framework supportive or limiting to innovation?
- Passive participation in external platforms/taskforces.
- Focusing on education and building resiliency both internally as externally for a transformed thinking.
- Strengthening consumer protection requirements.



Other IP Developments

- Active regional and global discussions on how to properly (collaboratively) deal with innovation. We do not have (all) the answers yet, but at least we are trying to ask the right questions.
- Enhancing collaboration with local and international partners and stakeholders, including innovators, and others.
- Conduct research and assess benchmarks on the effects and benefits of FinTech and Innovation. Determine the need for SupTech.
- Conduct testing and sandboxing (local and/or global).



Innovation-driven developments

- Peer-to-peer lending platforms.
- Crowdfunding platforms.
- Digital assets trading platforms.
- Initial token offerings.
- Compliance and client acceptance open solutions.
- Instant payment systems and solutions.
- Central Bank Digital Currency.



The CBCS' path forward

- Finding the right balance of compliance and financial stability, while fostering a fertile environment for innovators.
- Formulation of an compliant yet innovation-friendly regulatory approach.
- Education is one area of strategic importance for the creation of a modern and vibrant regulator and an innovative market.



The CBCS' path forward

- Are Regional regulatory playgrounds a viable tool? Shared learning and responsibilities for local, regional and even global innovators, regulators, and other stakeholders.
- Market integrity should also be a shared responsibility. We need to foster continued engagement.
- Keep engaging Regional and Global partners such as GFIN, IOSCO, OECD, OSC LaunchPad, and others.





Concluding remarks

- Cross-sector, cross-jurisdictional, and multi-stakeholders' collaboration is more important than ever.
- Innovation and effective regulation are mutually dependent. Regulatory Innovation = Evolution.
- The markets are changing and all stakeholders need to keep adapting and transforming. Regulatory agility will aid the creation of a vibrant market.

THE END

