

CAPITAL MARKETS AUTHORITY

***CAPITAL MARKETS PERSPECTIVE ON FINTECH INCUBATION, ACCELERATION AND
REGULATORY SANDBOX***

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OVERVIEW

- ❑ Introduction
- ❑ Capital Markets Fintech Landscape
- ❑ Capital Markets Fintech Development
- ❑ CMA's role in promoting innovation
- ❑ What sandbox framework aims to achieve
- ❑ Fintech Developments in the Capital markets
- ❑ CMA Sandbox Eligibility Criteria





Introduction

INTRODUCTON

- ❑ Financial Technology (FinTech) has been a remerging, fast-developing sector within the financial services industry
- ❑ It is being pioneered by those who are developing or innovating new technologies to modify the way financial markets traditionally operate.
- ❑ Technology has been a source of structural change for the capital markets and exchanges.
- ❑ Financial institutions and regulators have turned to technology as a way of improving the effectiveness of their processes while reducing costs.
- ❑ Regulators need to find ways to safely leverage the opportunities offered by innovation to expand and deepen the reach of financial services.



Capital Markets Fintech Landscape

Fintech Landscape within Capital Markets is characterized by; Increasing use of mobile phones, more automation of capital markets services through RegTech, Investments-Tech, artificial intelligence, and distributed ledger technology

There are two broad ways in which Fintech in capital markets can be reviewed;

Technology disruptors – A technology, or a business innovation that creates a new market and value network and eventually disrupts an existing market and value network,

Technology enhancers - Firms with point solutions that solve difficult problems with greater automation, effectiveness or better leveraging of data



Understanding Challenges hindering innovation



Data protection



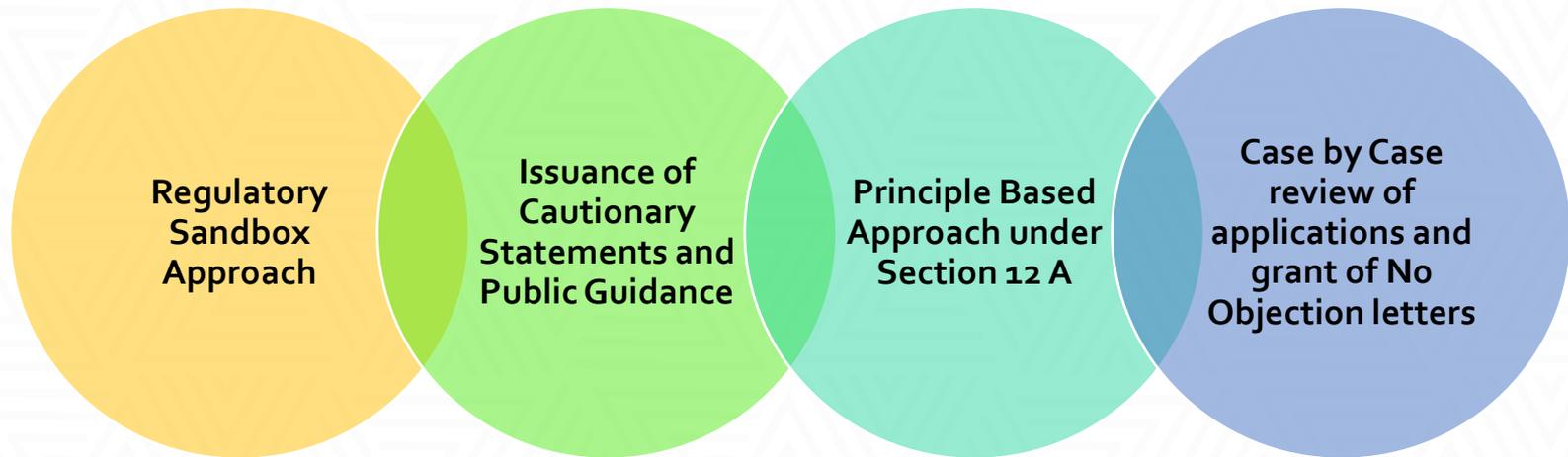
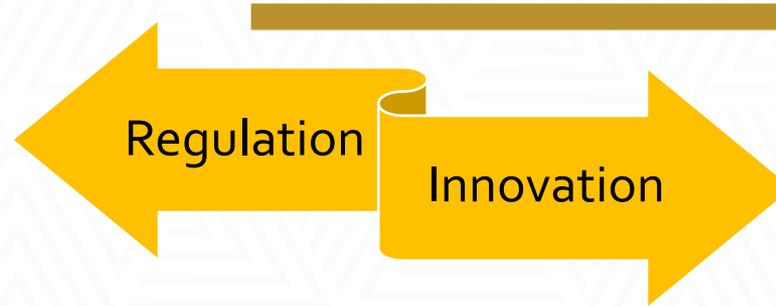
Unclear
Regulation

Sandbox cited
Sandbox as a
favorable
framework to help
curb regulatory
challenges and
support
innovation and
growth

Lack of Capital
and talent to
support scale of
innovations



Alternative Regulatory Approaches to Innovation



CMA's regulatory and policy role in promoting innovation

Improve outcomes globally

- Through organization of Securities Commissions (IOSCO) and the Global Financial Innovation Networks.
- **Substantive regulatory developments** to encourage innovation across markets are likely to be facilitated by international standard setting bodies.

Continuous follow ups with Fintech firms

- Follow up with Sandbox firms to ensure they are successfully **establishing themselves in the market post testing** as well as providing guidance to firms through regulatory processes to get to market faster

Engagements and Partnerships

- To enhance their responses, partnerships and expansion of their innovation capabilities.



Role of Regulators and Policy Makers in promoting innovation

Supportive regulatory environment

Providing broad support that encourages positive innovation coming to market both domestically and internationally.

Enhancing regulatory certainty

Firms can establish their innovations in the market with greater regulatory certainty.

Stakeholder Engagements and Partnerships

To understand market developments and sentiments



Fintech Developments in the Capital Markets

Development of Research and policy papers on the Regulatory sandbox

Landscaping Study aimed at establishing the status, size and the relevant FinTech firms

Formulation of the Policy Guidance Note on Regulatory Sandbox

6 firms admitted into the sandbox and over ten companies being reviewed

2 companies exited the sandbox for mass roll out

Strategic Plan 2018-2023 leveraging technology to drive the capital markets value chain.

Approval of the CMA Regulatory Sandbox Policy Guidance Note on March 2019 and its operationalization



What the CMA Sandbox Framework aims to achieve

Provide a framework to allow for testing innovative products and services with the potential to deepen/accelerate the capital market

Enable tailored regulatory environment for limited scale, live tests of innovative products and services

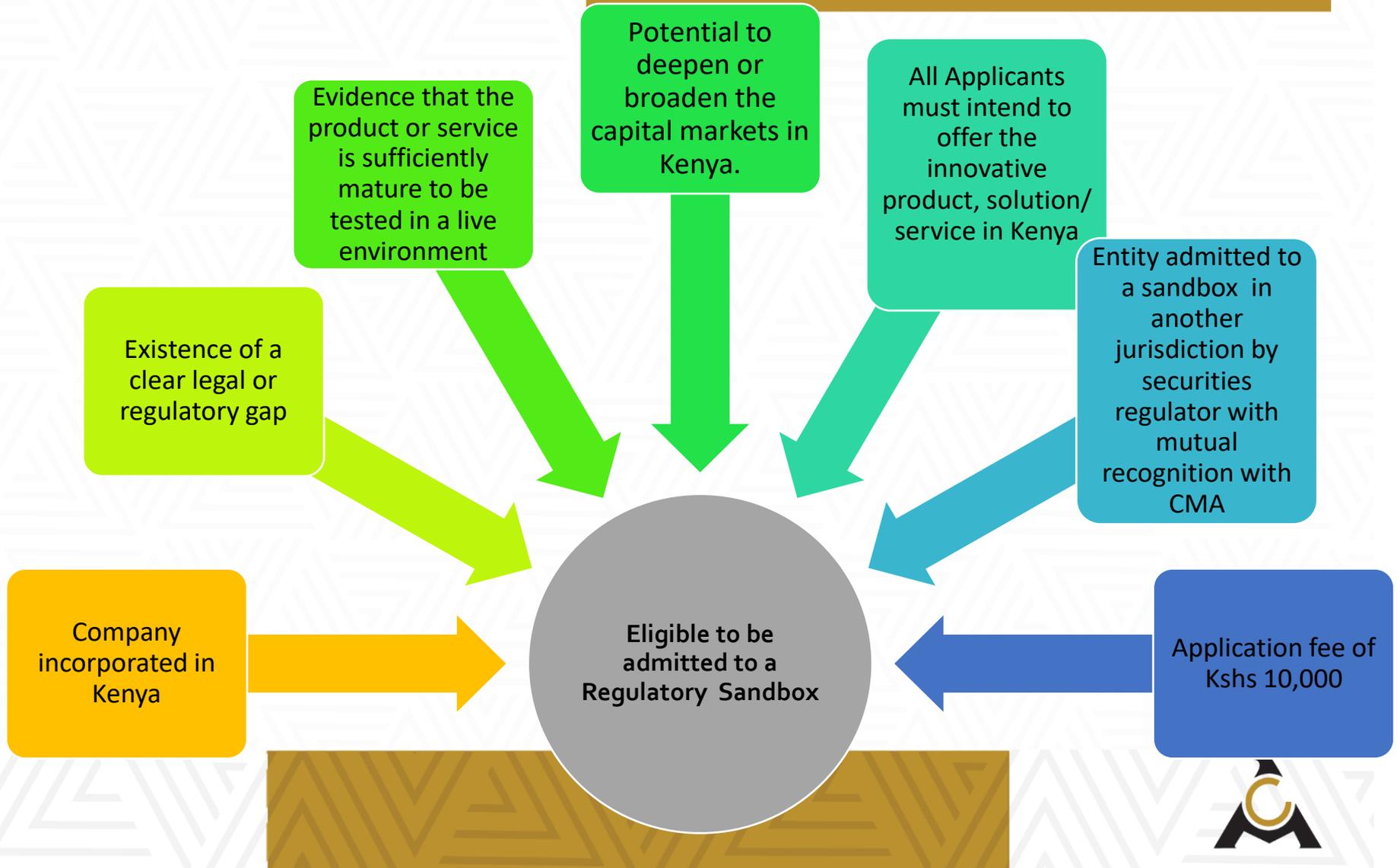
Provide evidence-based tool for fostering innovation without overlooking investor protection, stability and integrity risks

Set out the eligibility requirements and application as well as testing processes for innovative products and services

Inform the review and adaptation of the legal and regulatory environment that may unintentionally inhibit innovations in the market



CMA Sandbox Eligibility Criteria



CONCLUSION

- ✓ Stringent regulatory and compliance requirements have previously been more of an obstacle than a facilitator for potential innovators
- ✓ Innovations can make financial services more reliable, faster, convenient and at lower cost.
- ✓ Fintech and the regulatory sandbox within the financial sector will unlock the inherent immense economic potential through innovation.
- ✓ Encourage more companies to reach out and demonstrate their innovations



THANK YOU

*Thank
you*

