



**REGIONAL CENTRE OF EXCELLENCE IN COLLABORATION WITH THE  
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

Hybrid workshop on

**Developments in Fintech and Blockchain innovation and  
implications for policy and regulation**

Venue: Maritim Hall, Maritim Resort & Spa, Balaclava, Mauritius

**Address by**

**Mr. Dhanesswurnath Thakoor, Chief Executive Financial Services Commission,  
Mauritius**

**26 July 2022**

**Mr Harvesh Kumar Seegolam**, Governor of the Bank of Mauritius and Chairperson of the RCE Governing Board

**Mr Mardayah Kona Yerukunondu**, Chairperson of the Financial Services Commission, First Deputy Governor of the Bank of Mauritius and Member of the RCE Governing Board

Board members of the FSC

Members of the RCE Governing Board

**Dr Carmine Di Noia**, Director of the Directorate for Financial and Enterprise Affairs of the OECD

**Mr Antonio Gomes**, Deputy Director for Finance and Enterprise Affairs, OECD

**Mr Oliver Garrett-Jones**, Head of Blockchain Policy, OECD

Distinguished panelists and speakers

Members of the Press

Distinguished participants

All protocols observed

Good Afternoon and Good Morning to you all (*depending on the countries from which you are following this event*).

On behalf of the Board of the Financial Services Commission and my own name, it is my pleasure and honour to welcome you all to workshop on the ‘*Developments in Fintech and blockchain innovation and implications for policy and regulation*’ organised by the FSC

and the OECD. Since the setup of the RCE, we are today organizing the 7<sup>th</sup> workshop, despite restrictions and challenges posed by the COVID 19 pandemic. In my previous welcome addresses, I have been mentioning that we would wish to welcome you on-site for such workshops when the sanitary conditions permit. Today, we have moved one step closer and are able to organize this workshop in a hybrid mode. We have unfortunately not been able to accommodate everyone. I hope you that our choice of the venue and hospitality of this resort will be up to your expectations.

Ladies and Gentlemen

Disruptive technologies and Fintech are transforming the way financial services are initiated and delivered. Payments and insurance are now being offered as a service embedded in other activities. For example, an airline booking service focusses on the air ticket, hotel and car services with insurance included in the package. Likewise, with Internet of Things, or IOT, a printer is able to order cartridges with pre-set payment methods. In these activities payments are embedded. The new technologies bring about a customer centric approach for service with the notion of anytime anywhere service. At the same time, the service providers are shifting from the traditional to the non-traditional domains.

Dear audience,

Fintech startups are positioning themselves as potential competitors to banks in areas such as lending, payments, wealth management, property and casualty products. In many countries, Fintechs have quickly established themselves as key players in the financial industry, partly due to a regulatory void in which they have operated up to now, and partly

due to the fact that many regulators around the world have adopted an evolutive approach to regulation in order not to stifle innovation. As Fintechs grow in size and show signs of systemic importance, they need to be regulated in order not to threaten the stability of the system.

However, supported by technology, the area of activity of Fintechs is changing at a fast pace posing a challenge to regulators to proactively come up with the right dose of regulation. The fundamental challenge facing regulators is that the costs and benefits of regulation are not shared equally across all parts of the society. Before I enumerate some of the regulatory pain points that are arising from the activities of Fintechs, let us reflect on the very purpose of regulation. Why do we regulate and what do we regulate? The answer to the former question may be derived from textbooks of economics, especially from the Classical and Neo-classical economists, who support that an economy moves naturally towards maximum economic welfare and full employment when its markets are allowed to operate freely. However, John Maynard Keynes's response to the Great Depression clearly showed that a macro-economy would not always automatically or quickly self-correct. Regulators therefore need to intervene to address vulnerabilities, protect consumers and provide an incentive to institutions to take into account systemic risks.

The second part of my reflection, "what do we regulate" becomes of particular importance when it comes to Fintechs and other disruptive technologies. Blockchain, for example, is a new technology and many people often ask us the regulators, do you regulate Blockchain? The point is that we regulate activities and not the underlying technology and therefore the regulation of Blockchain does not arise. We are more interested in the activities or

applications that are built on Blockchain. Regulators need to understand the use cases of new technology and how they are impacting on the market and on existing activities. This is how, one might discover that new regulations are not always needed. Securities tokens which are token from the digital world, are actually treated for all means and purposes as securities.

There are also many activities that have genuinely emerged as purely innovative creating a market of their own. Regulators need to give time to such activities to mature and save them from the existing regulatory burdens. This approach is being adopted by many regulators around the world under the so called “Regulatory Sandbox” which allow firms to test new technologies and business models in a controlled environment and enable regulators to address the potential risks of new technologies without stifling innovation.

Ladies and Gentlemen

As more applications are being built on the Blockchain technology, Regulators are faced with the challenge of ensuring the right balance between transaction transparency and privacy. As you are aware, Blockchain, in particular, the blockchain of the Bitcoin world, was created with an objective to have full transparency on all transactions in such a manner that any person can have access to the full transaction log and can check the history of transactions. This functionality appears to be in conflict with the laws protecting the privacy of banking transactions. Although some private blockchains do provide some degree of role based access, the fact remains that these networks are not within the purview of any regulator and enforcement would become difficult.

This takes us to Smart Contracts which are yet another form of fintech product rapidly gaining popularity. Smart Contracts are computer based verification, enforcement and execution of clauses of a contract. Blockchain technology has given a boost to Smart Contracts as the underlying cryptography ensures that the contracts cannot be tampered with. For regulators, this forms of application would require a revision of rules governing ownership and contractual rights and obligations.

One Fintech activity which is closely related to Smart Contracts is RegTech or Regulatory Technology which helps businesses comply with regulations efficiently and inexpensively through innovative technology. As businesses grow in diverse activities and new regulations add up, so do incidences of data breaches, cyber-attacks, money laundering and other fraudulent activities. RegTech uses big data, machine learning and Artificial Intelligence to ensure a company's compliance with different regulations in an automated way. We welcome such advancement and as regulators we need to ponder on the need to accept RegTech as a formal means of regulation.

Dear audience,

An interesting topic of today's workshop relates to financing of small and medium-sized enterprises (SMEs). As you are aware, SMEs are key contributors to economic growth and job creation. Digitalisation will be called to play a pivotal role in the future of SMEs. Digital businesses have a lower financial footprint in terms of setup and operational costs. As such these are faster to setup and benefit from a larger gamut of simulation and test beds that can help refine the ideas before the product is actually launched. The FSC with its forthcoming digital labs and innovation hubs, currently being setup in collaboration with the Bank of Mauritius, will accompany these setups into the Digital SMEs of tomorrow.

Ladies and Gentlemen,

I am also pleased to share with you that the Commission's efforts towards modernising regulation through the use of new technology will now step into a critical and revolutionary phase through the introduction of a "Digital Identity platform". The Digital Identity platform is aimed to provide Trusted Digital Identity services, and will act as a foundation to support the development of inclusive, digital and cross-border financial services in the broader digital economy. During the COVID-19 pandemic crisis, the possibility of identifying a person without physical presence became even more crucial, given that physical presence is not only cumbersome, but can even be dangerous, or just not possible while observing the safety measures to reduce the impact of the pandemic.

The ability of remote identify proofing will promote and increase the possibility of electronic transactions, while at the same time ensuring complete KYC and AML compliance in a fully digital environment. The Digital Identity platform will enable financial services institutions to streamline customer on-boarding, with the customer's explicit consent, while enabling a secure end-to-end digital experience, truly paperless and presence-less. This measure will undoubtedly go a long way in elevating the score of Mauritius in the ease of doing business index.

On this note, ladies and gentlemen, I wish you all a very successful workshop and look forward to your deliberations.

Dhanesswurnath Thakoor

*26 July 2022*