



GOVERNOR'S REMARKS: OFFICIAL LAUNCH OF THE FINTECH CHALLENGE

Salutation...

On behalf of the Central Bank of Eswatini (CBE), I would like to extend a sincere and warm welcome to everyone here today on this occasion of the launch of FinTech Challenge.

The CBE is pleased that so many of you have taken the time out of your busy schedules to join us today. We appreciate your interest and willingness to walk the Fintech journey with the Bank.

In the corporate world continuous improvement is not an option but mandatory. Innovation offers the solution of providing application of better solutions that meet requirements, unarticulated needs, or existing market needs. While there is all type of innovation, our focus is on financial technology or FinTech.

Literature tells us of two types of innovations; namely **evolutionary innovations** (which are brought about by many incremental advances in technology or processes; and **revolutionary innovations** (which are often disruptive and new). Financial technology refers to a new technology and innovation for delivery of financial services. Fintech has evolved to disrupt and reshape commerce, payments, investment, asset management, insurance, clearance and settlement of securities and even money itself with digital currencies.

Financial innovation is important and, at its best, contributes to economic growth. However, this can only be achieved and sustained where consumers, especially in the financial services sector have confidence in those innovative products and services. In other words to qualify to be called an innovation the initiative or proposed solution must be replicable at an economical costs and must satisfy a specific need. One key aspect of building this confidence is ensuring that the regulatory environment remains relevant and robust.

The Central Bank is no stranger to embracing innovation. In 2015 we made a commitment, as part of our modernization strategy to have a virtually paperless Bank. Today we feel a sense of satisfaction as you will not find paper in our meetings.

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We are currently perfecting an innovative system across the Bank that provides efficiency and effectiveness. The Bank has never shied away from benchmarking with best practices in other central banks or corporate institutions both locally and externally. It is gratifying for the bank to observe that increasingly many central banks and some local institutions are coming to us to learn from our best practice. In the midst of the Fintech wave we are proud to say we are the among the first to establish a dedicated Fintech unit and capacitance it predominantly with young and properly qualified eMaswati.

To this end, the Central Bank of Eswatini, in collaboration with other key stakeholders in the financial services eco- system, wishes to keep up, learn and adapt itself to the changing financial services landscape. The approach of the CBE has been to articulate a FinTech program whose initial actions included the setting up of a research unit wholly dedicated to carrying out the necessary research and capacity building required to enhance and inform the regulatory approaches to FinTech.

As part of that broader program, the CBE Fintech Challenge we are launching today seeks to encourage and catalyze the research and development of FinTech solutions, which will address key challenges in the financial services industry in a relevant manner for people and businesses of Eswatini.

The challenge will look for innovative technology that present impactful solutions to some of the challenges faced by the financial industry such as financial inclusion

FinTech and RegTech

Fintech can bring innovative solutions for service providers seeking to deliver suitable consumer-focused products and services in a cost effective manner. It can also support them to meet their reporting requirements for product oversight and governance by the regulators.

We have also seen technology use cases that impact regulation and these are known as Regulation Technology, also known as RegTech. RegTech utilizes information technology to enhance regulatory processes and reduce the cost of



compliance for industry players. It puts a particular emphasis on regulatory monitoring, reporting and compliance much to the benefit of the financial services industry.

RegTech has the potential to enable a close to real-time and proportionate regulatory regime that identifies and addresses risk while also facilitating far more efficient regulatory compliance. Furthermore, increases in the volume and types of data that have to be reported to regulatory authorities represent a major opportunity for the automation of compliance and monitoring processes. These needs have sparked the facilitation into the development of RegTech.

The appropriateness of sandboxes to keep abreast of FinTech developments

I would now like to turn to regulatory sandboxes. Regulatory sandboxes provide the platform for live or virtual testing of new products or services, in a controlled environment, with or without any “regulatory relief”. A sandbox is a testing environment.

The CBE adopts the use of the sandbox to assist policymakers and regulators to stay abreast of FinTech developments - the sandbox allows all the players in the financial services eco - system to learn how the different use cases for FinTech solutions in the industry behave in a live environment and for regulators, the opportunity to assess what the regulatory responses should be to maintain an efficient and safe financial system.

Continuing collaboration between local and global authorities

Lastly, I would like to turn to the importance of continued collaboration by regulatory authorities. Given the fast pace of change and the global nature of these innovations, collaboration between regulators is important. A critical success factor of the challenge, and the sandbox, will be the ongoing collaboration with our fellow regulators. We will collectively determine the appropriateness of applicable regulatory frameworks and further review how our frameworks can strengthen policy goals such as monetary and financial stability and financial inclusion while contributing to the economic growth of the country.



Conclusion

In conclusion, technological advancement brings great change to the way we live our lives and how we consume financial services. The Central Bank is launching the FinTech Challenge, together with our partners, to create meaningful dialogue on FinTech matters, encourage innovation and create a platform for exploring FinTech use cases that could make an impact on the industry. The CBE intends to remain up to date with the evolving financial services landscape and we look forward to engaging with you on FinTech and RegTech developments.

It is therefore my pleasure to officially declare the Eswatini Fintech Challenge officially launched. As I sit down I would like to invite GM Finance of CBE to give details and qualifications of the Challenge.

Thank you.