

Chapter 9

Action Framework for Creating an Enabling Environment for Fintech



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Key points

Through consultation with the Commonwealth Central Bank Governors (CCBGs), academics and subject-matter experts from the private sector, the Commonwealth has devised an 'action framework' outlining:

- how to build an effective national or regional fintech task force;
- the steps that governments and that task force can take to create an enabling environment for fintech and fintech applications, from first establishing context through to public launch; and
- the ways in which governments and other stakeholders can support one another to build on success.

9.1 Introduction

Developed in response to calls from and in consultation with Commonwealth Central Bank Governors (CCBGs), as well as academics and subject-matter experts from the private sector, the Commonwealth Fintech Toolkit aims to help government policy-makers and regulators to take practical steps to create an enabling environment for fintech. It stands alongside other international efforts such as the Bali Fintech Agenda, which the International Monetary Fund (IMF) launched in association with the World Bank late in 2018.¹

In Part I of the Toolkit, we looked at tech topics. In Part II so far, we have considered the policy outcomes and other considerations that might lead a government to pursue fintech initiatives. We look now at an 'action framework' that will support

governments and other stakeholders in creating an environment that will enable those initiatives and improve the likelihood that they will be successful.

The best practice gathered in this chapter is drawn from both primary and secondary research (see Appendix 2), including interviews with representatives of Commonwealth governments and other fintech stakeholders. We directly quote some of these participants in this chapter to provide context and insights based on their practical experience.

At the outset, the Deputy Secretary-General of the Commonwealth Secretariat helped to define the work needed to convert the concepts which we have looked at so far into the actions that create an enabling environment for fintech in a country or a region:

There are several questions to be answered ... What regulations and policies do we need in this area? What is working and what is not working? What institutions are necessary for a fintech-friendly system and how do they work together as one? What infrastructure is needed? And last, but not least, do we have adequate human resources?

Dr Arjoon Suddhoo, Deputy Secretary-General, Commonwealth Secretariat

Because Bermuda has been at the forefront of developing fintech policy, enacting a series of enabling regulations and organising government offices to sponsor fintech

initiatives, the Honorable E David Burt, JP, MP, Premier of Bermuda, and members of his government played a key part in shaping the action framework:

We all recognise that fintech is a very open and collaborative industry. Bermuda's experience of working with some of the thought leaders in this space has helped us to develop our legislative and regulatory framework, which is the foundational pillar of our ecosystem. Bermuda is of the position that, since this was an emerging and disruptive technology or space that could present risk to our existing financial ecosystem and our reputation, it was important to create laws first so that people could have fair, safe and a well-regulated space [in which] to innovate, create and develop ideas.

Honorable E David Burt, Premier of Bermuda

The action framework therefore outlines:

- how to build an effective national or regional fintech task force;
- the steps that governments and that task force can take to create an enabling environment for fintech and fintech applications, from first establishing context through to public launch; and
- the ways in which governments and other stakeholders can support one another to build on success.

9.2 Building an Effective Fintech Task Force

An effective fintech task force at the country or regional level will be critical to building,

delivering and continuously improving any enabling environment for fintech.

The most successful task forces tend to comprise individuals from the public and private sectors, as well as so-called captains of industry, under the supervision of and support from a fintech champion in government (*see later in the chapter*).

To build an effective task force, we first need to identify the necessary skill sets and backgrounds that individuals need to bring to the table, and which interests need to be represented. This is most likely to emerge as part of the sense-making work we do in the initial stages of creating an enabling environment for fintech: when establishing context and during analysis. These skills sets, backgrounds and interests will

necessarily differ from country to country and region to region, and it is with these clearly defined person specifications that government leaders can identify, recruit and benefit from the expertise of specific individuals as part of the fintech task force.

Once convened, the task force must establish a regular schedule of meetings, set clear goals and practicable timetables, and distribute minutes to all participants to fuel continuity and accountability.

More broadly, a country's or region's fintech task force may wish to co-ordinate with other international bodies, to ensure that it can respond to issues that may arise in a globally connected financial system.

One such issue is cybersecurity: should an attack occur in one country or region, its effect might be contagious across many. Should a country's financial system—or even a single institution within that system—be hacked, for example, the proceeds of cyber theft might flow through multiple

other national systems (as was the case for the Bangladesh Bank cyber heist²). Another example is in the domain of central bank digital currencies (CBDCs), where questions of interoperability arise if CBDCs are to be realistic alternatives to conventional currencies.

The UK has long recognised that co-ordinating international standards and other efforts can drive a more effective response to systemic risk (also known as contagion risk) events. As such, the UK is involved in the work of the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO), the G7 cyber experts group, and the work of the Financial Stability Board (FSB).

For Barbados, a regulatory sandbox was the solution to mitigating risk as it began to experiment with fintech, offering a safe environment in which start-ups could test new technologies without risk of harm to consumers or to the country's financial system:

Our response has been centred around the development of a regulatory sandbox to better engage with start-ups that require greater regulatory clarity and to allow the Central Bank of Barbados (Bank) to better understand these new business models and their product offerings. ...

Most of the Bank's work related to fintechs has been structured by way of an internal cross-departmental work group that was established to leverage the differing perspectives from Legal, Bank Supervision, and Operations department. Some of this work has been relevant to the undertakings of the [Caribbean Community] CARICOM Fintech Work Group that Barbados chairs. This regional group has been focusing on issues such as the regulatory framework for digital currency, the efficiency of digital cross-border settlement and data protection provisions to enable greater digital payments. There are some similar realities across the region and as such, it makes sense to evaluate the varied regulatory approaches to fintechs, [acknowledging] what can be standardised and the potential efficiency gains.

Michelle Doyle-Lowe, Adviser, Central Bank of Barbados

9.3 Creating an Enabling Environment for Fintech

The work outlined in the appendices has allowed us to build consensus around a set of steps that governments can take to create an enabling environment for fintech and fintech applications. While these will be championed from within government and led by the fintech task force, participants agree that continuous stakeholder consultation is essential not only to inform the decision-making process, but also to ensure that the outcomes are more swiftly and more broadly adopted.

The six steps—or stages—through which governments and regulators

should progress when seeking to foster an enabling environment for fintech are as follows.

1. Establishing context
2. Strategic analysis
3. Project planning
4. Resource acquisition
5. Early implementation
6. Public launch

[T]echnology is moving at a phenomenal pace and revolutionising our way of life, work and even play. However, when we discuss technology in the context of development, [we] should not lose sight of the social and environmental issues. There are many demands and expectations from our diverse range of member countries and, to that end, the Secretariat views technological innovation as a catalyst for growth and development, particularly in the arena of ... financial technology ... Although the Toolkit is not yet comprehensive, it focuses on the core tech products and themes in the financial technology space. It provides case studies to showcase how fintech is being utilised for development.

Dr Arjoon Suddhoo, Deputy Secretary-General, Commonwealth Secretariat

9.3.1 Establishing Context

At the very outset, any government must reflect on *why* it is seeking to create such an

environment—that is, it must establish the context in which it aims to facilitate fintech:

In 2019, The Bahamas ... experienced one of the largest hurricanes to ever blow through the region and almost 100% of the banks were thoroughly destroyed. At the moment, the banks are still not fully operational, which really frustrates a lot of residents there. They have no means to send money, to receive money or even [to] commercialise with dignity. At the moment, a lot of residents are left with no money because prior to the hurricane they had been storing physical cash in their homes. It is a very sad realisation where we have discovered some newfound meaning to establishing [a CBDC]. There are true, meaningful and tangible ways to use and propagate this agenda. Obviously, it is also used to strengthen our national defences against [money laundering] as well as other illicit activities that are being carried by cash today and also [to] reduce the reliance on cash usage in the domestic market.

Chaozhen Bobby Chen, Assistant Manager E-Solutions, Central Bank of The Bahamas

As it does for all of its policy-making, the government will engage in this sense-making by:

- attending industry events to understand current trends;
- compiling and dissecting research reports;
- meeting with industry, academic and consultative experts;
- commissioning a study of the market and country-specific opportunities; and/or
- convening one or more multistakeholder working groups that span the public and private sectors and reflect the country's or region's strengths.

Motivation

Any government seeking to facilitate fintech must clearly define and communicate its motivation for doing so. For example, it might see fintech as a solution to one or more policy goals. It might be responding to market behaviour or demand. It might be trying to align itself more nearly with its trading partners.

For the Eastern Caribbean Central Bank (ECCB), the motivation was a need to remedy financial exclusion and to lower the high costs to consumers of doing business with commercial banks in the Caribbean region. It recognised the opportunity that a new, real-time payments system offered in terms of affordability and accessibility, and it was eager to harness that system to fuel financial inclusion:

DXCD Caribe is a secure, accessible, real-time payment system in the Eastern Caribbean Currency Union [ECCU] ... [W]hen we look at the DXCD Caribe, we have to consider the ultimate objective we are trying to achieve. We ask questions such as: why are we building this product? What platform capabilities are desired? Who are the players who are going to use the system? How are we going to interact with the platforms?

Sharmyn Powell, Chief Risk Officer, Eastern Caribbean Central Bank

Having recognised the potential of fintech to deliver a powerful policy outcome, the ECCB next assessed what technology it should use. Should it base the system on older technologies that were proved and stable, or on newer developments such as blockchain that would offer

transformational cost and performance improvements, but introduce technology risk?

The ECCB actively pursued a disciplined approach to this question, weighing up risk and benefit in the context of its goals:

... Once we are able to answer those questions, we are able to determine the best solutions we can use to deliver this product. We have chosen a blockchain product. Based on our research, we think this is best suited to deliver the product we want to provide our citizens.

Sharmyn Powell, Chief Risk Officer, Eastern Caribbean Central Bank

Bermuda, meanwhile, assessed its own financial services strengths and decided to root its enabling environment on both

'vertical' sector knowledge (of industries such as insurance or tourism) and 'horizontal' competency around regulatory equivalence:

It was decided to leverage Bermuda's reputation as a top jurisdiction for financial services, reinsurance and insurance to build an ecosystem for the fintech industry. We have regulatory equivalence along with Switzerland, which means that an insurance company that is domiciled in Bermuda can write business anywhere in the [European Union] or North America as if they were physically domiciled in those jurisdictions, but the company is in Bermuda. We want to do the same thing for the fintech industry as we try to create this kind of ecosystem or environment, where companies can set up their businesses here and benefit from our established reputation in tourism, international business and reinsurance, in financial services.

Major Allan Wayne Smith, Head, Fintech Business Unit, Government of Bermuda

If we understand acutely why we want to establish a robust fintech-enabling environment, we will be well placed to align our subsequent strategy, policy, planning and implementation towards a successful outcome.

Ownership

Understanding our context is only one part of the puzzle, however; if we intend to translate that understanding into action, we must be certain to attribute ownership.

Government must take clear ownership at the outset, identifying and empowering someone to champion the initiative. The fintech champion may be the head of state, a cabinet minister, a central bank governor or an equivalently placed individual. With sponsorship at a senior level in government, the fintech task force will be more likely to overcome organisational inertia, to maintain momentum, to secure sufficient resources, and to successfully co-ordinate action among governments and/or between the public and private sectors.

In some countries that have focused on enacting progressive regulations (e.g.,

Bermuda and Malta), the fintech initiative is sponsored by both the premier or prime minister's office and a governing regulatory body, such as the financial regulator or the central bank. In others, the regulator or central bank is driving fintech focus and its chief executive is the champion. Examples include the Monetary Authority of Singapore (MAS) and the Financial Conduct Authority (FCA) or the Bank of England in the UK, which collaborates with the Department for International Trade (DIT) and Her Majesty's Revenue and Customs (HMRC), among other partners.

When a government initiative in a complex, multi-stakeholder domain such as fintech is pushed from below only by industry professionals and without solid sponsorship at a senior government level, the story is invariably the same: the initiative struggles to achieve traction and fails.

9.3.2 Strategic Analysis

Once we have established our context, we must analyse that context strategically. While there are myriad tools that a government or the fintech task force can use to that end, we will look at only the most common—namely:

- SWOT analysis;
- PESTLE analysis;
- gap analysis; and
- systems mapping.

SWOT Analysis

Any government proposing to create an enabling environment for fintech must first analyse its strengths, weaknesses, opportunities and threats (SWOT). Such analysis—SWOT analysis—is a common tool in developing strategy, and in this context it will focus keenly on the nation's financial services capabilities. For example, one nation might have a strong insurance industry. Another might have greater capacity in payments or an attractive business tax regime. Yet another might have strengths in asset management or in outsourced software development. Few, if any, nations are equally effective in all aspects of financial services and, by establishing those areas in which it excels, the government will expose the strongest foundation on which it might build an enabling fintech ecosystem.

Any SWOT analysis is typically set out as a 2 × 2 grid (see Figure 9.1), each segment of which is populated with key bullet points that allow the stakeholder to explore the factors at play.

PESTLE Analysis

Another familiar framework for strategic analysis of the context in which we intend to introduce the fintech initiative is PESTLE analysis—that is, analysis of the political, economic, social, technological, legal and environmental (PESTLE) factors at play.

To some extent, the Toolkit itself has already explored a wide range of such factors, but

Figure 9.1 SWOT analysis.



the extent to and ways in which they impact on any given country or region and relate to a proposed initiative will vary. The government or fintech task force must take care to narrow its focus and analyse most closely those factors that are relevant to its own specific context.

Gap Analysis

A systematic gap analysis is a tool that the government and fintech task force can use to explore its current context, to identify existing shortcomings and to craft solutions that meet those needs.

At its simplest, a gap analysis comprises four steps—or, more properly, four questions:

1. Where are we now?
2. Where do we want to be?
3. What is the gap between where we are now and where we want to be?
4. How can we close that gap?

The ECCB conducted gap analysis when developing its blockchain payments system:

... [W]hat we did was undertake an analysis of our existing information security policies against the requirements of DXCD Caribe to see what gaps there were and what new policies [we] would need to implement. To date, we have updated our information security policy paying special attention to [anti-money laundering] AML industry standards, not only for blockchain, but [also for] the entire system, in terms of the best security practices we need to have internally to deliver the product that would best serve the people of the region.

Sharmyn Powell, Chief Risk Officer, Eastern Caribbean Central Bank

Systems Mapping

Finally, and in the most detail, systems mapping allows us to visualise multiple stakeholders and understand how they relate to one another in the established context. That systems map then informs systems thinking, revealing new opportunities—potential collaborators—and allowing us to militate against unintended consequences.

For example, one government with which we spoke had tried to manage the costs of new fintech to consumers by putting in place interest rate caps—a policy tool that some World Bank economists believe to be ineffective (see Chapter 1). These caps meant that it was no longer economically

viable for some lenders to participate in the market and they withdrew, leaving consumers with fewer choices, reducing competition and diminishing innovation.

In that case, while the government swiftly tried to correct its course, had it constructed a systems map and engaged systems thinking before implementing the measure, it could have avoided this outcome. Had it identified the risk, the government would have facilitated dialogue among stakeholders and found an alternative intervention.

Bermuda describes its nuanced risk management framework:

Some jurisdictions have taken the view that they can take existing case law or legislation and try to shoehorn these new innovative, disruptive companies into global legislation. That does not work. It is not what they need and will not encourage innovation and drive good options. It will not allow these companies to come and set up and create in a free manner. We take the view that it is about understanding the risks and establishing rules and laws around them.

The four types of risk that we have identified are business risks, custody risks, cybersecurity—many of you will have heard that it is not a question of if but when you will be hacked, so it is important for companies to develop strong cybersecurity policies—and compliance around [know your customer] KYC, know your customer's customer (KYCC), anti-terrorist financing and AML to ensure that your business plan and operating principles and methods are positioned so that the company is sound and can avoid these types of risk.

Major Allan Wayne Smith, Head, Fintech Business Unit, Government of Bermuda

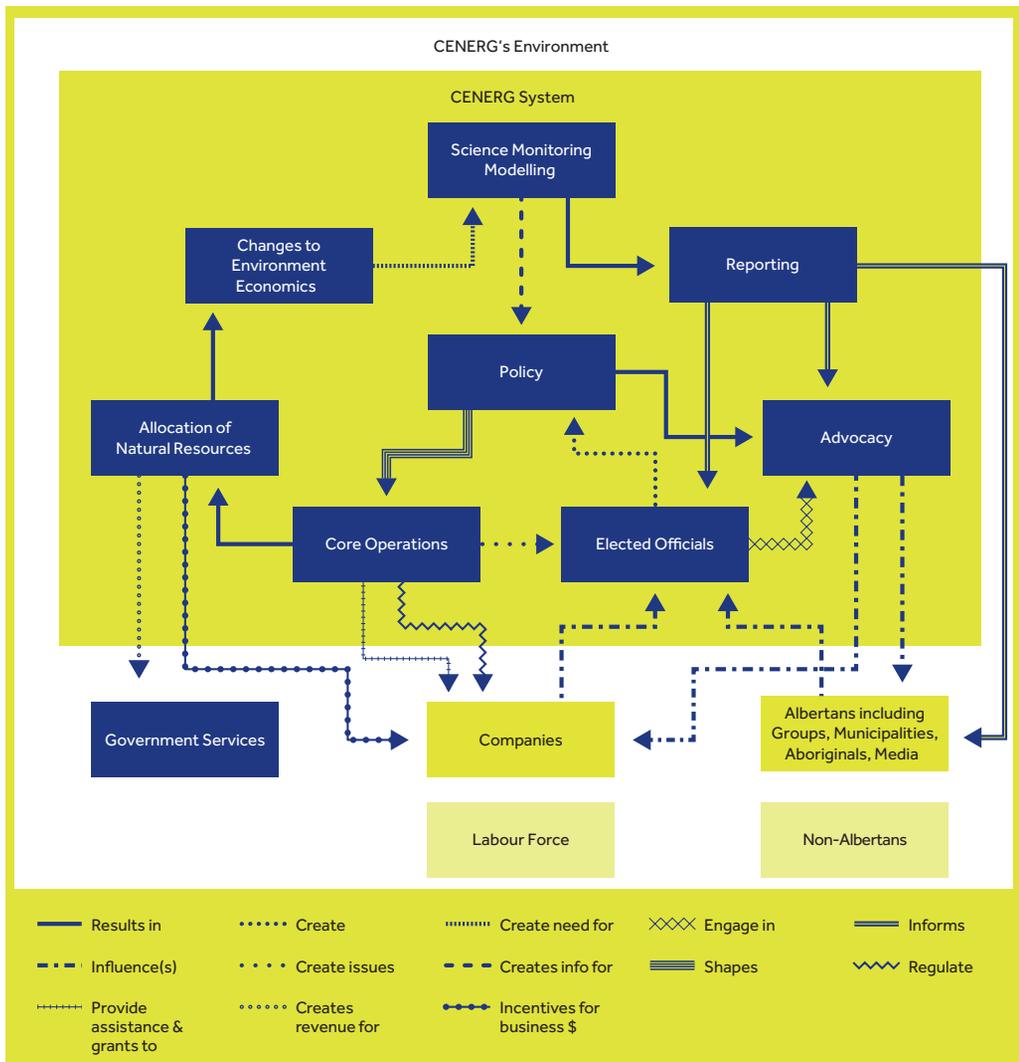
Figure 9.2 is an example systems map illustrating a policy-driven clean energy ecosystem for the government of Alberta, Canada.

In Figure 9.2, the inner box defines the core system, while the outer box spans the whole of the relevant environment. In a systems map of a country's fintech

environment, the central bank, finance ministry and even a technology ministry might be part of the core system, while fintech start-ups and incumbent banks might be part of the broader environment.

This type of systems mapping was integral to the approach that Bermuda took in considering its approach to fintech:

Figure 9.2 An example systems map.



Source: A Ryan, M Leung (2014). 'Systemic Design: Two Canadian Case Studies'. *FormAkademisk*, 7(3) [online]. Retrieved from: <https://journals.hioa.no/index.php/formakademisk/article/view/794>. Used under Creative Commons licence: <https://creativecommons.org/licenses/by/4.0/>

... [W]e are trying to look at where fintech is going. That is where blockchain starts to fit in. When we look at what is really happening in the long term, it is taking that traditional, vertically integrated stack, where you had innovations on payments, remittance and those layers, and the innovation happening on it, traditional fintech with Square and Alipay. We are seeing, because of these open distributed ledgers, the ability to start separating out the base core function of a bank, which is custody, and have open interoperability on top of it, in terms of accounts.

That allows us to generate data insights and have access to information, which means that, instead of having to build that vertical stack, like you saw with Square, of payments, point of sale and then lending, we could have multiple players sharing and interoperably driving the same data, to drive new services and innovations that do not require a whole stack. It can be more narrowly focused on a specific area of business, but with a much more global scale. We are going to see more innovation in lending that takes a global approach and can drive more efficiency and apps that specialise in each one of [the] areas leveraging the core infrastructure of custody, combined with open standards and interoperability. Back to that parallel of what happens when we digitise and can drive more insights, how do we drive control and leverage this kind of innovation?

Denis Pitcher, Chief Fintech Adviser to the Premier, Bermuda

9.3.3 Project Planning

The next stage, project planning, will necessarily be based on the results of strategic analysis.

Planning will involve identifying the specific actions that the government, fintech task force and other stakeholders must

take to implement the approach on which they have decided based on that analysis. It includes scheduling the project and developing a timeline, with key milestones, contingencies and gate reviews, and it demands that we anticipate the resources necessary, as well as the metrics that will be indicative of our success:

Contingency planning means you can then expand the horizon of risk taking as you are gaining assurances that the idea is moving along.

Marcelo Ramella, Director, Financial Stability Department, Bermuda Monetary Authority

Governments must carefully consider such metrics. For example, some countries have measured the success of fintech initiatives aiming to tackle financial inclusion by means of the number of bank accounts as a percentage of the total population. They swiftly recognised, however, that this was a worthless measure of nothing more than newly created

zero-balance, zero-activity bank accounts. Subsequent efforts in these and other countries have gone on to measure not only account ownership, but also activity within the account, with some countries now drilling down to add value by measuring whether core household spending runs through the account or only select and discretionary spending.

Crucial to planning for some governments will be the statutory time frame for introducing new legislation or expanding existing fintech mandates.

For example, Australia had granted few new banking licences in 20 years,³ but when the government decided to target greater competition in the market, it formalised a consumer data right (CDR) to facilitate open banking, and it introduced new regulations to facilitate choice and reduce costs for consumers.⁴ Likewise, when Kenya sought to enable the launch of M-Pesa and subsequently to adapt its evolving environment as more and more Kenyans began to use the mobile payment system in their everyday lives (see Case Study 10.2), it needed to develop a fintech-related legislation regime. Some states within and

outside the Commonwealth have even passed fintech-specific legislation after recognising that extant market activity fell outside the scope of existing laws.

The decisions made and the approach refined during the planning process will help to define the organisational mandate of fintech start-ups. Not only will the government, fintech task force and all other stakeholders, including start-ups, understand the scope of their powers and the expectations that they must meet, but also they will uncover those areas in which they need to work collaboratively—both among themselves and across jurisdictions.

Bermuda contemplated both risk and innovation in designing its fintech efforts as part of a global financial services system:

The key thing is looking at what your risk thresholds are and how you contain the risk but allow for innovation and what fits your jurisdiction. For us it is looking at how we embrace this innovation but constrain the risks well enough that we do not put our global industry at risk. For your own jurisdictions, it is looking at your own place. The biggest challenge ... is the potential to be excluded from correspondent banking and shut out of the global banking system.

How do we foster innovation? There have been a lot of moves with the interbank settlement network in trying to get around some of these problems and have other opportunities. How do we collaborate as jurisdictions to enable that, and how do we create environments that start building on some of this future vision that we are seeing globally around digital currencies and the potential?

Denis Pitcher, Chief Fintech Adviser to the Premier, Bermuda

9.3.4 Resource Acquisition

Building on project planning, resource acquisition demands that governments and the fintech task force gather the ingredients without which the initiative will fail. Resources, in this context, can be broadly defined and we will focus here on four key categories:

- funding;
- personnel;

- institutional capacity; and
- collaborators.

Funding is self-evidently a necessary ingredient in creating an enabling environment for fintech. Some of this may come directly from government sources, while some may be secured from international organisations such as the World Bank, the IMF, the Asian Development Bank

(ADB), the Inter-American Development Bank (IADB), the African Development Bank (AfDB), one or more export–import banks or private foundations, among others.

Personnel need to be recruited to the effort. Dedicated staffing is recommended, but it may be supplemented by full-time and/or part-time team members seconded either from within the central bank or finance ministry, or from across other government departments or agencies—noting that it is not always easy to identify or attract fintech professionals with the skills and backgrounds that will allow them to support the initiative effectively.

Governments may need to build **institutional capacity** around fintech. While professionals may be well versed in traditional banking and financial systems management, they may not have been exposed to the dynamics, technologies and participants in the fintech ecosystem. To remedy this, a government can draw on global expertise, diverse experiences and case studies by enrolling personnel in online learning with leading universities. Bespoke in-person workshops can also help governments to localise that learning to meet the specific needs of its own market.

Because fintech is a domain that spans disciplines, **collaborators** will help to

ensure the success of the initiative. Identifying, enlisting and co-ordinating collaborators from inside and outside of government is an essential component of resource acquisition. Government ministries (and corresponding industry representatives) ranging from education to information and communications technology are key players: economic development units are also likely to add value.

Collaboration has proved to be important in risk management and stimulating opportunity. For example, when Canada's federal government consulted on its efforts to streamline and innovate the Canadian payments system,⁵ that consultation in turn led private-sector actors to create Verified.me, an identity utility for the financial services industry, combining the experience of large incumbent financial institutions with start-up nimbleness to excellent effect.⁶

Collaborating across borders is another opportunity that effective resource acquisition will deliver. International groups and networks, such as the Global Financial Innovation Network (GFIN), the Finance Directorate of the Organisation for Economic Co-operation and Development (OECD), and the World Economic Forum (WEF) working groups, can be precious partners in new fintech initiatives:

[These partners] provide for private-sector concierge services for assisting new businesses looking to enter the market to establish themselves with key stakeholders and players in the jurisdiction.

Alex Marshall, Founder, BermudaChain

9.3.5 Early Implementation

Once we have established our context, analysed that context strategically, planned the project and acquired the necessary

resources, we can start to put 'flesh on the bones' with procedures and guidelines—the tools with which we will implement our initiative. Among them will be specific

guidelines and other materials to support government and personnel in delivering the initiative, as well as communications materials aiming to explain it to external stakeholders.

While not all governments will do the same, Bermuda focused first on embedding the legislative regime:

Developing a fintech ecosystem in your jurisdiction starts with legislation. You do not want the country to be the wild, Wild West and it could be like that if you do not have rules. Most human beings are creatures of habit and while we like to be creative, disruptive and anti-authoritarian sometimes ... it works better if we have rules because they make [for] fair play, as with any endeavour in life.

Major Allan Wayne Smith, Head, Fintech Business Unit, Government of Bermuda

Indeed, the legislative process offers opportunities for further consultation and public comment, which facilitates stakeholder voice and can include rounds of expert testimony or other formal comment mechanisms to ensure that critical input shapes the laws enacted. In this way, the early implementation stage can build buy-in and, carefully handled, can allow governments and fintech start-ups to

overcome stakeholder resistance before the final stage, launch.

To this end, Bermuda also thought critically about communicating the unique assets it would bring to the global stage with respect to fintech, noting candidly that no country is alone in seeking to offer attractive environments to new business and that a country's ability to differentiate itself rests on its strengths:

It is important to understand your economy proposition and what it is that you and your country can do. You must focus on your value proposition as you cannot be all things to all people. Identify what you can do and do that well, while marketing that to your internal and external stakeholders. ... One of the important tenets is stakeholder consultation and you cannot implement an effective policy if you have not done useful and collaborative conversations with your key stakeholders.

Major Allan Wayne Smith, Head, Fintech Business Unit, Government of Bermuda

9.3.6 Public Launch

With all of the necessary structures in place, the success of the final phase of the initiative—public launch—will depend on a robust communications strategy. Clear communications at this stage will continue

to share the benefits and opportunities of the fintech initiative with public and private stakeholders. A continuous engagement process aligned with the strategic objectives of the fintech initiative will be key, as Bermuda confirms:

You have to bring people along and communicate with internal and external stakeholders so that they know exactly what you are trying to accomplish. There is no point implementing an initiative that the whole country does not understand as they will not follow you or support the initiative ... That is ... where you can learn from our experience. We need to make sure that we devote the relevant resources and have a proper communication strategy with frequency of communication to deliver the messages to the entire country about what you are trying to accomplish to achieve buy-in.

Major Allan Wayne Smith, Head, Fintech Business Unit, Government of Bermuda

Moreover, maintaining that communications strategy *beyond* launch will help to secure continued support and a receptive audience for the fintech outcomes of the enabling environment we have worked hard to create.

9.4 Building on Success

In outlining these steps—from establishing context to public launch—we have set out best practices emerging from our research into and interviews with multiple individuals and governments, drawn both directly from experiences in launching fintech initiatives and from other government interventions.

When creating an enabling environment for fintech in any jurisdiction, a government must take into account all of the factors that are specific to it locally. If we simply mimic the activities of any other jurisdiction without tailoring the steps to meet our own needs, we set ourselves up to fail.

As governments within the Commonwealth apply this Toolkit, they will valuably gather their experiences and collate their learning, helping one another to refine the recommendations set out here and informing further iterations of the Toolkit itself—a collaborative spirit that the Bermuda Monetary Authority (BMA) models:

The Bermuda Monetary Authority (BMA) strives to maintain fit-for-purpose regulation. This type of iterative approach is often rare among regulators, but you will see it in Bermuda. Innovation is in the BMA's DNA and we know that a quick yet prudent response to the exponentially evolving market dynamics will help maintain Bermuda's position as a jurisdiction of choice. The Digital Asset Business Act was released in 2018, amended in 2019, and will likely be amended further if additional market innovations or events create the need for further requirements and controls. Our aim is to strike a balance between protection and pragmatism—upholding our high standards, particularly from a risk perspective, while acknowledging innovation and market needs. To accomplish this, we frequently engage with the local and international ecosystem, including our global regulatory counterparts, to benchmark progress and provide and solicit feedback on regulatory innovation. This collaborative spirit enables us to share best practices for the regulation of digital assets and digital finance technologies, as well as [to] conduct cross-border trials in a global sandbox.

Aqsa Zubair, Fintech Specialist, Bermuda Monetary Authority

This iterative process of continuous learning is one that governments in other jurisdictions, ranging from Kenya to Canada, practise, incorporating the lessons learned from early fintech experiments into refinements to legislation and regulation.

In the dynamic and ever-evolving arena of fintech, continuous learning is crucial. No single statute or regulatory regime can be both specific enough to suit current needs and yet general enough to withstand years of innovation. A robust working group of stakeholders can help a government to stay up to date with emerging technologies and emerging policy issues, allowing it to create and sustain a dynamic enabling environment for fintech that stays aligned with societal goals.

Endnotes

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