What is the Best Regulatory Response to Fintech?

Tilburg University

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PHILIPS

Connectivity
Artificial Intelligence
AI
Roboti
IoT
Blockchain
Platforms
Social Media
Internet
PC
1980
1990
2000
2010
2020

Connectivity
BANK
Keeping you informed
HSBC
Artificial Intelligence
AI
Roboti
IoT
Blockchain
Platforms
Social Media
Internet
PC
Decentralized
1980
1990
2000
2010
2020

BANK
Keeping you informed
HSBC
Day-to-day operations
Business decisions
Regulatory compliance
Litigation & dispute resolution
BANK
Connectivity
Artificial Intelligence
AI
Roboti
IoT
Blockchain
Platforms
Social Media
Internet
PC
Market grows for 'regtech', or AI for regulation
Artificial intelligence and biometrics help banks comply with rules
Decentralized
1980
1990
2000
2010
2020

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Cumulus
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Payoff
Zebit
SnapCheck
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digit
credit sesame
PayNearMe
regalii
chime
covestor
Remitly
affirm
thumzap
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uphold
EMBROKER
varo
rize
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GUSTO
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P2Binvestor
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Even
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GoCo
Namely
wave
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CB INSIGHTS

Decentralization & Fintech

WHO ARE MILLENNIALS?

"GEN Y"

BORN BETWEEN

1980 — 2000

GREW UP

ALONGSIDE TECHNOLOGY

LARGEST GENERATION YET

80 MILLION IN THE U.S

2.5 BILLION WORLDWIDE

MOST ETHNICALLY & RACIALLY DIVERSE

DOMINANCE OF SOCIAL NETWORKS

Banks are failing to cater to 3 generational traits:
Ys' desire for instant gratification
Ys' expectation for thoughtful personalization
Ys' pusuit of digital education resources
WHO AR
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MOST
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You
Tube
DOMINANCE OF
SOCIAL NETWORKS

Financial Inclusion

Customer Experience

Innovative

Dialogue

Financial Health

Blockchain Technology

Global VC Investments in "Fintech" Startups

Asia VC Investments in "Fintech" Startups

So what?

Regulatory Responses

17 Jurisdictions

Regulatory Responses

Re-active

Pro-active

No Action

Fragmented

Priority

Guidance

Room to Experiment

Regulatory Sandbox:

(1) allowing fintech to be tested;

(2) under the supervision of the regulator;

(3) evaluating the risks;

(4) regulating under the existing regime or new regime?

Regulatory Impact

Methodology

First-time "VC" Investments in Fintech Companies with operations in 12 Jurisdictions

YoY %-Growth of "First-time" VC-Backed Fintech Companies

YoY %-Growth of "First-time" VC-Backed Fintech Companies

The Dutch InnovationHub - June 2016 to December 2016

Regulation Matters, but

Israel's Fintech Success

Unique Society

- Educated & skilled workforce:
  Ranked 2nd in the world in percentage of engineers and scientists in the work force
- Israel experienced several waves of highly educated immigrants coming from all over the world
- Young people already receive a high technical training during their military service and are equipped with a high sense of responsibility and success orientation

Market

- Lack of natural resources led to a scientific-technological innovation system developed to ensure Israelis a high quality of life
- The country's small size and geographical isolation from its neighbors enhanced domestic dynamics

Government Support

- The government's technology incubator program supports innovation and start-ups' growth
- Demand for technical innovations for defense and military purposes
- The 'Investment Law' enables foreign companies to benefit from a company tax rate of only 10%, and investment grants of up to 24%.

Strong R&D Focus

- **No. 1 in the world** in R&D expenditure per capita
- Israel invests about 4.25% of its GDP in R&D, which is the **highest ratio of any country** in the world
- Israel's universities are ranked among the world's leading research institutes

VC Industry

- **Ranked 5th in the world** for venture capital availability
- Israel's venture capital industry has approximately 70 active venture capital funds, of which 14 are international VCs with offices in Israel

Highly innovative & strong managerial entrepreneurship

- Israeli managers were **ranked 2nd in the world** for business entrepreneurship
- Israel is world renowned as being **the "start-up nation"** and is the **world leader** for number of start-ups per capita with ~5,000 active technology start-ups
- Profit-driven Israeli innovations include a long list of market firsts such as disk-on-key technology, IP telephony, ZIP compression, the ingestible pill-size camera, modern drip-irrigation technology, ICQ instant messenger, and many more

Leading multinational companies

- **Fortune 500 companies** such as Google, Microsoft, Facebook, Apple, IBM, Intel, SAP, Cisco, Johnson and Johnson and over 300 global tech leaders have local presence in Israel

Experimental & Collaborative Regulation is Essential

More Research on Regulatory Sandboxes in 2017

Join the Conversation!

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