

**Speech delivered by Mr Joseph Cuschieri, Chief Executive Officer
Malta Financial Services Authority at the
3rd Annual Fintech and Regulation Conference - Brussels**

FinTech – An opportunity for Malta, the MFSA and Europe

Ladies and Gentlemen,
distinguished guests.

It is a great honour and pleasure to be here today as part of this discussion on FinTech. FinTech, which as you are aware is the use of innovative technology to enable financial services, is a phenomenon which has, and will surely continue to redefine the financial services sector. Being something, which is constantly evolving, it is not surprising that FinTech brings about a number of challenges for all stakeholders within our industry. To this effect, regulators across the globe have embarked on novel projects aimed at nurturing innovation and facilitating the industry's access to FinTech. These initiatives - aptly termed FinTech facilitators - can be broadly grouped into three: [i] Regulatory Sandboxes; [ii] Innovation Hubs; and [iii] Innovation Partnerships. The MFSA's holistic vision in this area is to create an innovation friendly environment within the financial services sector whilst concurrently ensuring effective investor protection, financial market integrity and financial stability. This may sound challenging or even to a certain extent ambitious; however, I am positive that by working together any challenges which may be faced can be translated into opportunities for us as regulators, industry stakeholders, investors, the Maltese economy and Europe in general.

At the MFSA, we have recently published our vision for the next three years - Vision 2021. We have placed FinTech at the forefront of our agenda and aim to build on past successes as a financial services centre, by working with new and existing companies to attract and drive the implementation of FinTech in our jurisdiction. Having said that, the MFSA will of course ensure that a level playing field is maintained between firms which are innovative and those firms which are more traditional in their approach.

The MFSA has also issued its FinTech strategy for consultation. We have a vision to establish Malta as an international FinTech hub and are currently assessing viable solutions to foster FinTech and nurture innovation, particularly with respect to the implementation of a regulatory sandbox and an innovation hub. Without going into the intricacies of the strategy

itself, we envisage a focus on six strategic pillars: [i] regulation; [ii] ecosystem; [iii] architecture; [iv] international links; [v] knowledge; and [vi] security. However, prior to proceeding with the implementation of the detailed proposals set out in the strategy, we are seeking stakeholders' views. The consultation document is available to the public on the MFSA's new website and I urge you all to participate in the online survey developed specifically for this purpose.

MFSA has also established a framework for the regulation of crypto assets and related service providers. We have worked actively since November 2017 when we started our regulatory journey in this field and today we are the first EU jurisdiction to have a complete framework which caters for all key areas of risk, being the risks to consumers, market integrity, financial crime and cyber security. We have also worked closely with our peers in this area and I would like to congratulate our colleagues at ESMA and EBA for the excellent reports on the regulation of crypto assets published earlier on this year.

I also wish to point out that the MFSA is currently undergoing an organisational restructuring exercise aimed at: [i] addressing supervisory fragmentation; [ii] streamlining the organisational structure; [iii] ensuring efficacy in the decision-making process; and [iv] addressing supervisory gaps, as well as, eliminating duplication of supervisory processes. Specifically, with respect to fintech, the restructuring will see the establishment of a Strategy Policy and Innovation Directorate which *inter alia* will, going forward, house a Fintech function.

As you can see, during the past year, the MFSA has made great strides in the field of fintech and we are expecting this momentum to be maintained. Of course, prior to taking any decision, the MFSA will undertake a thorough analysis of risks which are inherent to this sector, particularly in relation to FinTech. Taking the VFA framework as an example, one of the main risks identified at the conceptual stages of the framework, was the risk that entities operating in this sphere are used for purposes of money laundering and the financing of terrorism. In this respect Malta has sought to mitigate this risk by going beyond what is required by the EU's fifth anti-money laundering directive and legislating to make all operators in this field subject persons for anti-money-laundering purposes. Another risk identified was that of Cyber-security. In this respect we have been proactive and have, in the past days, issued a set of Guidelines on cyber-security within the context of crypto assets for public consultation. Going forward we plan to take a similar proactive approach in relation to all sectors falling within our remit.

All I have stated so far is indeed very positive for the MFSA, for Malta and its economy; however, I wish to go a step further. How can we collaborate more with our peers in order to harness fintech's potential? First and foremost, I reiterate the MFSA's commitment towards cooperation with other regulators – we would be happy to exchange views and collaborate both formally and informally with our peers on all areas of financial regulation in general and FinTech in particular. We are strong believers that mutual sharing of expertise and experiences

is highly beneficial and also has a role in strengthening mutual trust between financial supervisors. In this regard, in the coming months, the MFSA will be embarking on another exciting initiative – the formation of an Academy of Excellence for Financial Supervisors with a two-fold objective: [i] that of training young and upcoming financial supervisors; and [ii] giving the opportunity to experienced supervisors to grow further and update their knowledge. The Academy will in particular focus on training supervisors in the area of FinTech. We plan to work with our peers on these training initiatives.

It has been declared by many that fintech is the future. I prefer saying that fintech is a present reality which is shaping the future of financial services. It is only through working together and mutual collaboration that we can harness its full potential.

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