I. Introduction

The Basel Committee on Banking Supervision (BCBS) issued the consultative document on "Sound Practices: Implications of FinTech developments for banks and bank supervisors" to provide insight into the development of FinTech, and more specifically to explore the implications of this development for supervisors and banks' business models. To this end, the document analyzes the development of FinTech; proposes a classification of FinTech providers; ponders possible forward-looking scenarios; and analyzes the implications of FinTech for banks, banking systems, supervisors and regulatory frameworks.

The following sections set forth the comments made by members and the General Secretariat of the Association of Supervisors of Banks of the Americas (ASBA) about the document.

II. General Comments

1. Even though it is still early to determine the magnitude of the impact of FinTech on banks and supervisors, given the limited statistical information and ongoing developments, the recommendations provided by the consultative document are sound.
2. ASBA's Members concur with the emphasis on the recommendations for the sharing of experiences to support peer-to-peer learning among supervisors. It also supports that international cooperation among supervisors/regulators would be needed, and would welcome the establishment of fora to facilitate such enhanced cooperation.
3. ASBA's members appreciate the recommendations that encourage the extension and application of the existing supervisory principles to the new environment. However, moving forward, it is contended that the current principles, though sound, may be insufficient to capture the nuances of the technological impact on the financial markets and its risk profiles; thus, it recommends to keep an open mind to the possibility of developing specific guidance and even new principles.
4. Regulators are facing the need to develop regulatory frameworks while understanding and testing several innovations in financial business models, products, and services without incurring in significant risks. At the same time, they must avoid conducting time-consuming activities, such as pre-test tailored regulations for each product. ASBA would welcome suggestions from the Committee to defining areas of regulatory priority within the new environment.
5. Public and private sectors should seek to collaborate with the aim of developing a FinTech assessment tool-kit that would make it possible to identify the benefits and risks of innovative products and services in a controlled off-market environment. The tool-kit should be useful for regulators to determine if a particular product or service meets existent regulatory standards or requires further analysis.
6. Many FinTech products and services target unbanked and underbanked population, contributing to financial inclusion in an optimal environment. ASBA recommends that, as a complement to the regulation and supervision process, and especially when the regulatory framework is in the process of adapting to the new environment, regulatory bodies should further promote financial education programs aimed at fintech to guarantee financial consumer literacy.

7. Market conduct guidelines and consumer protection policies should be developed to enable a responsible and financial inclusive adoption of FinTech.

III. Specific Comments

1. The consultative document mentions that some countries have registries of FinTech providers and the products offered by them, but it does not make specific suggestions about how supervisors could appropriately generate and maintain these registries. Therefore, ASBA recommends for the Committee to develop both guidance on the minimum information expected in these registries as well as a database that may be used to gain further insight into areas of interest.

2. In Recommendation 2, the Committee proposes having effective processes to identify, manage and monitor risks associated with the use of enabling technologies. For this purpose, the Committee recommends the “implementation of the Basel Committee’s Principles for sound management of operational risk (PSMOR).” However, PSMOR does not contemplate the inherent characteristics of FinTech products and services such as new operational frameworks, market conduct, technological, and cyber risks associated. ASBA recommend revising the PSMOR to include further guidance to attend to the characteristics of this new segment.

3. The Committee’s efforts to categorize fintech by identifying the three main sectors of innovation represents excellent progress. The three sectors are credits, deposits, and capital-rising services; payments, clearing and settlement services; and investment management services. However, under the BCBS´s definition of FinTech, Mobile Points of Sale and Insurtech could be included in the classification.