

## Rasheed Al Maraj: Financial technology and its impact on the banking and financial sector

Keynote address by His Excellency Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, at the 1st Middle East and Africa FinTech Forum, Manama, 29 March 2017.

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Your Excellencies, distinguished guests, ladies and gentlemen, Assalam u Alaikum and good morning. I welcome you all to the AFS Fintech conference. This conference will discuss a very important and topical subject – financial technology and its impact on the banking and financial sector. AFS deserves our appreciation for arranging this conference.

We are living in an era of unprecedented changes mainly brought about by technological advancement. Technology was once the backoffice function of a bank. Then came the time when technology took the front seat and started **driving** the industry. Now we are witnessing the next phase when technology is **defining** financial services. Technology influences heavily the banks' strategy. If a bank is unable to satisfy its tech-savvy customers in an era of super mobility, hyper connectivity and immense computing power, it risks losing them to competition. This is the new normal.

At the Central Bank of Bahrain we understand the disruptive nature of Fintech to business models and jobs but we have made a conscious decision to adopt it. The pace of innovation is not reversible, so the only choice we have is how well we prepare ourselves for the disruption. The CBB issued yesterday a white paper for consultation on a Regulatory Sandbox for Fintech in which new companies can test their Fintech solutions. We will also issue by the end of next month draft rules for consultation on crowdfunding platforms for both conventional and sharia compliant services. We will also release soon our new directives on cloud computing.

These new initiatives are continuation of our efforts to provide the right mix of policies and products to develop and enhance the quality and competitiveness of services in the financial sector.

Bahrain has had a long history of proactive adoption of new technology. In the past few years the CBB has taken a number of important steps in this regard, which include:

- ♦ Introduction of a new license of Payment Service Provision and allowing Payment Service Providers to issue prepaid cards to allow the unbankable segment access to affordable payment services including remittances.
- ♦ Introduction of EFTS commercially known as fawri and fawrit as mandatory for all retail banks.

The CBB is all for embracing innovation and new technology, but we cannot afford to be complacent in assessing the risks posed by these technologies and taking action to mitigate them. We have to ask the common sense questions:

- What is fundamentally new in this offering?
- What is the cost, benefit equation for the customer?
- What new risks it poses to the financial system?
- How can we mitigate these risks? and
- On balance, is it beneficial to allow this offering?

We believe that a nuanced and sensible approach rather than blind following of every trending technology is the ideal way to regulating in these uncertain times. We have always been accessible to the industry and given the nature of Fintech it becomes even more critical to consult the market participants before introducing new rules. I encourage market players to take the initiative and enlighten us if they have strong views on any Fintech related area.

Ladies and gentlemen, I once again would like to thank AFS for arranging the conference and wish you all a productive conference today and tomorrow. Thank you.