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Central Banks should take leading role in financial innovation



Willemstad/Philipsburg – Central banks have an important role to play “in adopting a proactive approach and giving direction to the changes and innovations currently affecting the financial sector”, said the acting president of the *Centrale Bank van Curaçao en Sint Maarten* (CBCS), Mrs. Leila Matroos-Lasten, during the **Bridging Financial Innovation and Regulation Seminar 2018**. ‘It is a great challenge for central banks to find the right balance between the clear benefits that financial innovations bring and identifying and mitigating the associated risks’, she added.

As announced earlier, the CBCS in collaboration with CINEX organized the Bridging Financial Innovation and Regulation Seminar on June 28 and 29, 2018. The aim of this seminar was to inform the public about the latest developments in the area of technological innovations in the financial sector, also referred to as Fintech. The seminar focused on the possible implications of these developments on the financial sector and the need for a new form of supervision.

The Fintech sector, which has grown exponentially in recent years, has known several startups that, by using creative solutions, have made the financial services sector more affordable, efficient, and user-friendly. Matroos-Lasten explained that Fintech is an important driver for competition, consumers’ choice, and innovation in the market. She pointed out, however, that Fintech also entails risks. Risks that, if allowed to build up in an unregulated sector, may impair financial stability in the long run.

“Regulators worldwide should closely monitor the developments in the area of innovation and Fintech to avoid jeopardizing the financial stability. At the same time, regulation should provide enough room for more innovation by, among other things, addressing legal issues that hinder innovation”, Matroos-Lasten added.

“Central banks around the world acknowledge this risk and recently have begun adopting a less conservative approach. A good example is that many central banks currently are exploring the

possibilities of issuing digital currency. With this in mind, it is of great importance that central banks engage in innovation and undertake the role of innovative leaders”, Matroos-Lasten said.

According to the acting president of the CBCS, proper supervision is essential in maintaining the confidence of both consumers and other market participants in new financial services or products. As a result, the input of all the stakeholders is highly valued, with the objective to have the Bank’s supervision approach better suit the developing financial sector.

The Bank’s most important asset is no longer its gold reserves, but rather, the confidence of the people in our central bank. Therefore, bridging financial innovation and regulation is essential in ensuring that financial innovation can contribute to sustainable economic growth and social welfare. Only in doing so can central banks remain worthy of the people’s confidence”, concluded Matroos-Lasten.

As of July 3, 2018, the presentations of the seminar can be downloaded from the CBCS’ website. The live stream of the presentations of June 28, 2018, can be viewed on the CBCS’s Facebook page.

Willemstad, June 29, 2018

CENTRALE BANK VAN CURACAO EN SINT MAARTEN