# Summary

Manama, Bahrain 8-10 May 2018

**The New World of Finance: Fintech, Blockchain and More** **10 May**

**Key points**

- Central banks around the world agree on the need to regulate emerging financial technologies and cryptocurrencies.
- Many businesses support this view in the belief that it will infuse trust into the system and protect people's money.
- Central banks need not regulate financial technologies per se, but their application.
- GCC countries, given their small populations, should aim for region-wide regulatory frameworks that enable technologies and businesses to operate seamlessly.

**Synopsis**

Regulators, by nature focused on stability and certainty, often face new technologies with anxiety for fear of risk and financial instability. However, the Central Bank of Bahrain realises that emerging financial technologies can be of immense benefit to the economy. Recent and ongoing regulatory changes are in fact pushing businesses to look towards fintech, H.E. Rasheed Al Maraj, Governor of the Central Bank of Bahrain, said.

The central bank has created a separate fintech unit, as well as a 'sandbox' that allows fintech businesses to experiment with products, services, business models and delivery mechanisms in a safe space without incurring all the normal regulatory and financial consequences. "What matters is the value [new technology] brings to improve the quality of people's lives," Al Maraj said, adding that as a regulator, he is unconcerned whether it is blockchain or any other tech. What matters is its utility, whether it provides faster services, uses less code, delivers to the end point, and so on.

Many technologies emerging these days will disappear, said Abdulaziz Al Jouf, Chief Executive Officer, Paytabs, Bahrain. "It's a big bubble, lots of technology is coming in… many cryptocurrencies appeared and then disappeared. The question is, what kind of trust do they bring to users?" he said, commenting that only those technologies that offer real utility will last. Businesses should welcome regulation in the interest of the faster adaptation of technology, he said. "I want my money protected, [and want] others' in my enterprise to be protected too." Businesses want to see more support from the banking industry to adopt dynamic technologies, and for universities to start training new graduates who can create and use new technology. Currently, in the GCC, it is not easy to get talent; companies such as his usually hire and train graduates for six months to a year, he said.

In an ideal world, central banks would institute standardised regulatory frameworks around the world, said Orion Despo, Research Associate and Co-founder, Stanford AI Lab and Orelias, United States. GCC countries, however, due to their small populations, must create region-wide regulatory frameworks that enable technologies and businesses to operate seamlessly; otherwise they cannot achieve scale to become profitable.

It is not about the technology but about what people are doing with technology, agreed Dilip Rao, Global Head of Infrastructure Innovation, Ripple, United States. Earlier blockchain was overhyped as a solution to all kinds of problems but now only those applications that have honed solutions to specific markets and for particular customers have survived. The use cases for various kinds of cryptocurrencies differ, such as Bitcoin's use to buy assets on the internet, Rao said, explaining that this niche needs regulation especially where the transfer of money is concerned. The role of regulators is to provide a safe house or a sandbox when the endgame could be transformation in reaching those currently unconnected, deliver services such as cross-border remittances cheaply, etc. At the same time, better know-your-customer norms will help, which is why cryptocurrency exchanges must be regulated.

Central banks have engaged a great deal, Rao said, adding that his company, which delivers solutions for cross-border money transfers, has seen the fastest uptake in the Middle East and North Africa region, which he explained was due to the “strategic vulnerability” prevailing in the region. The GCC countries have an opportunity in the common market, where the same fintech innovation could be used across the region, giving fintech companies a better chance to succeed, he commented.

It is important for regulators to talk to innovators and businesses, said Bernard-Louis Roques, Co-Founder and General Partner, Truffle Capital, France, but, in many jurisdictions, it takes months to get appointments, and regulators do not have the capacity to understand new technologies to be able to regulate them. In the GCC, however, the willingness and commitment to adopt fintech, to create a hub with a global reach, and to attract the required talent is clear.

**Session panellists**
**H.E. Rasheed Al Maraj**, Governor, Central Bank of Bahrain
**Abdulaziz Al Jouf**, Chief Executive Officer, Paytabs, Bahrain
**Orion Despo**, Research Associate and Co-founder, Stanford AI Lab and Orelias, United States
**Dilip Rao**, Global Head of Infrastructure Innovation, Ripple, United States
**Bernard-Louis Roques**, Co-Founder and General Partner, Truffle Capital, France

Moderator: **Samuel Burke**, Business and Technology Correspondent, CNNMoney, United Kingdom

**Disclosures**
This summary was produced by the Bahrain Economic Development Board. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Gateway Gulf Investor Forum.