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Central Banks should take leading role in financial innovation



Willemstad/Philipsburg - “There’s an important role to play for central banks in adopting a proactive approach and giving direction to the changes and innovations that are currently affecting the financial sector”, the acting president of the *Centrale Bank van Curaçao en Sint Maarten* (CBCS), Mrs. Leila Matroos-Lasten, said 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 was 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. “Fintech, however, also entails risks. Risks that, if allowed to build up in an unregulated sector, may impair financial stability in the long run”, she stated.

“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, addressing legal issues that hinder innovation”, Matroos-Lasten added.

“Central banks around the world acknowledge this risk and are recently adopting a less conservative approach. A good example is the fact that many central banks are currently exploring the possibilities of issuing digital currency. Thus, 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 both consumers’ and other market participants’ confidence in new financial services or products. As a result, the input of all the stakeholders is highly valued, with the objective to better suit the developing financial sector with the Bank’s supervision approach.

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

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