



# Emerging Fintech: Opportunities and Risks for Cyprus

## Regulation and Responses

Wednesday 8 December 2021

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# Presentation

This presentation is available at <https://fintechcyprus.com/about.html>

- *I am happy to speak with attendees on a one to one basis should anyone wish to know more about the presentation or have questions on the material herein and covered during my intervention. **My contact details are in the presentation and if you wish to connect with me on LinkedIn, please place in your request a message saying that you were an attendee of today's event.** <https://www.linkedin.com/in/peteroakes/>*
- *The presentation was delivered by Peter Oakes, a non-executive director of financial services companies and fintechs regulated by the Central Bank of Ireland. Peter is a former central banker (Ireland & Saudi Arabia) and regulator (UK & Australia) and CRO of Bank of America Merchant Services operations in the EU. The views expressed are personal and are not attributable to, and should be read as being endorsed by, any company where Peter is a director.*
- *Today's audience includes executives from private industry, central banks, regulators, financial intelligence units, banks, fintechs, other financial institutions and representative bodies.*
- *Thank you to the team at **Centre for Financial Crime and Security Studies at RUSI**. I commend the work of the Centre to you.*



# Peter Oakes / Fintech Cyprus



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**Peter Oakes**

[peter@peteroakes.com](mailto:peter@peteroakes.com) / [office@complireg.com](mailto:office@complireg.com) / [hello@fintechcyprus.com](mailto:hello@fintechcyprus.com)  
Phone IRL: +353 87 273 1434 / UK: +44 75 6352 6834  
[www.peteroakes.com](http://www.peteroakes.com) / [www.complireg.com](http://www.complireg.com) / [www.fintechcyprus.com](http://www.fintechcyprus.com)



# Fintech Cyprus (About 1/2)



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FINTECH CYPRUS CENSUS

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Established in **2018**

Join the [mailing list by becoming a Network Member](#)

**Our Mission**

To advance a fantastic Fintech Cyprus Network

**Our Leadership Team**



Peter Oakes



Stephen Fletcher




Gregory Dellas

## Our Mission

*To advance a Fintech Cyprus Network which supports Cyprus being a Leading EU Fintech Hub*

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# Fintech Cyprus (About 2/2)



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2. Join the Fintech Cyprus Map by completing the Census –
  - <https://fintechcyprus.com/fintech-cyprus-census.html>



3. View the current edition of the Map v 1 –
  - <https://fintechcyprus.com/fintech-cyprus-map.html>



4. Join the Fintech Cyprus LinkedIn Group –
  - <https://www.linkedin.com/groups/13654107/>



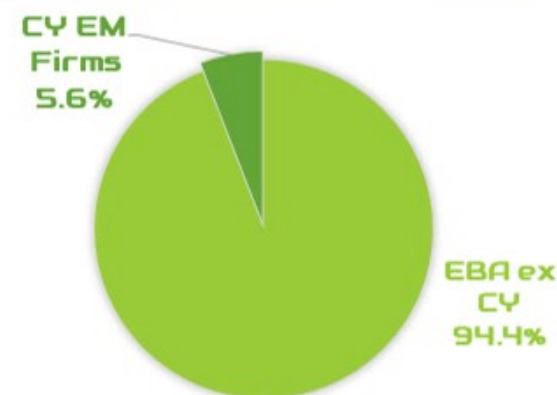
5. Follow Fintech Cyprus on Twitter –
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# Number of Authorised Cypriot E-Money and Payment Services Firms (EBA records)



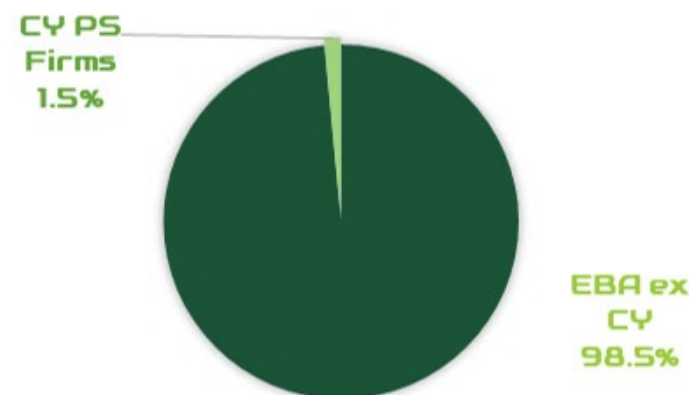
- **Cypriot Authorised Electronic Money firms (15) as a % of total EEA (268)**

- 253 Emoney firms passport into Cyprus



- **Cypriot Authorised Payment Services firms (11) as a % of total EEA (774)**

- 763 Emoney firms passport into Cyprus



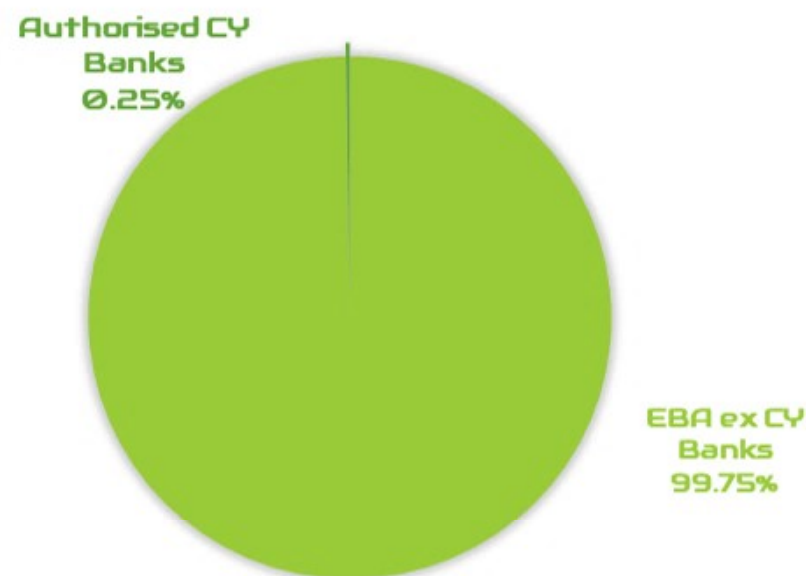
Source: © EBA Registers as at 08/12/2021

- The EBA does not record any Account Information Services Providers being registered in Cyprus. The records show that 86 AISPs passport into Cyprus
- <https://euclid.eba.europa.eu/register/>

# Number of Authorised Cypriot Banks (EBA records)

## ◦ Authorised Cypriot Credit Institutions (11) as a % of total EEA

- 5 EEA Banks have a branch in Cyprus
- 13 Non-EEA Banks have a branch in Cyprus



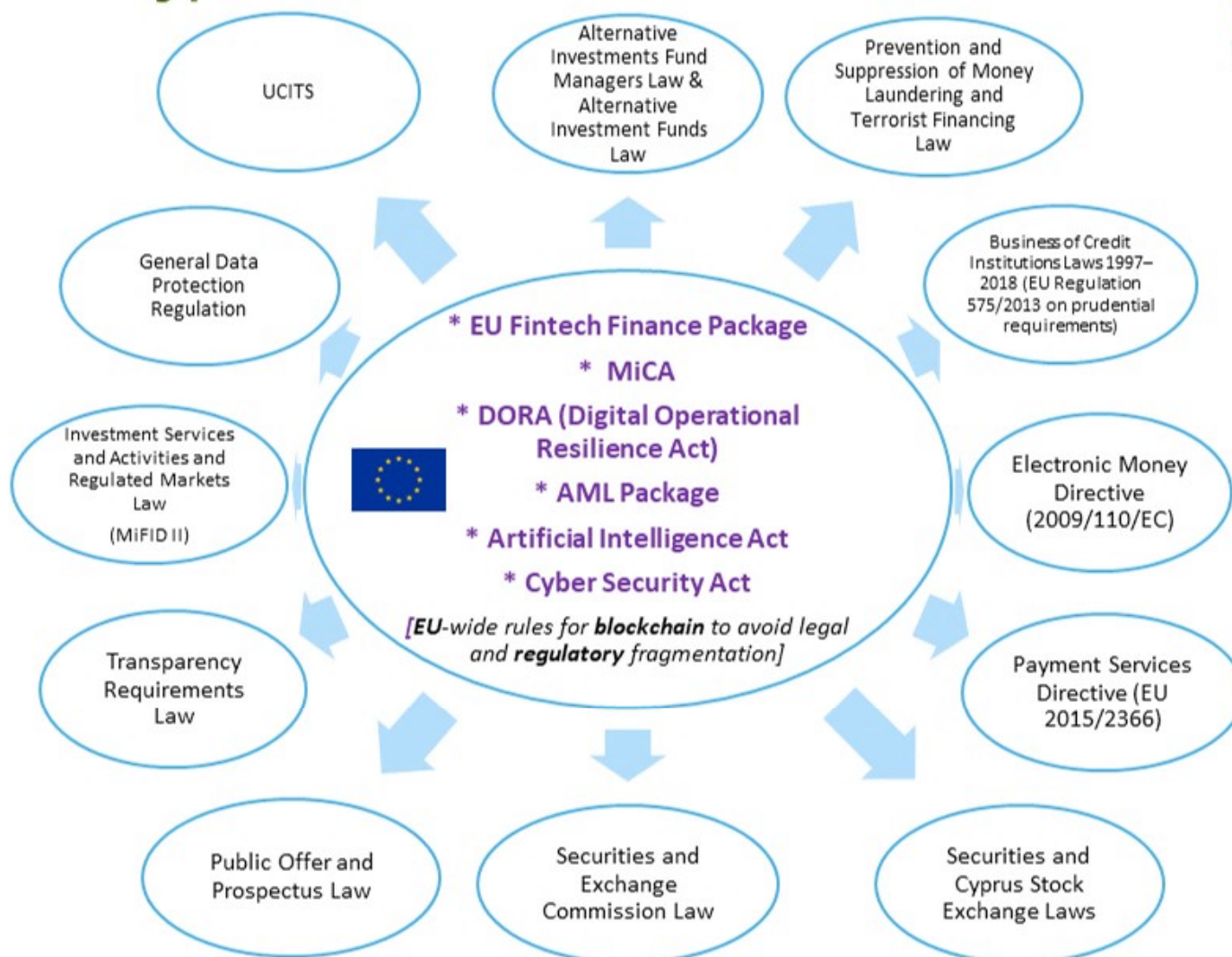
Source: © EBA Registers as at 08/12/2021

- Total Authorised Credit Institutions = 4,371 / Cyprus = 11 (0.25%)
- <https://euclid.eba.europa.eu/register/>

# Sample of Cypriot & EU 'Fintech' relevant laws



Sample of Cypriot & EU laws and frameworks for Financial Services and Fintech.



Produced by **CompliReg.com**



# What do Central Banks and Regulators care about?



1. Financial Stability (Prudential / Conduct Risk)
2. Market Integrity (Prudential / Conduct Risk)
3. Consumer Protection (Conduct Risk)
4. *Financial Crime (Prudential / Conduct Risk)*



Central banks & regulators say they will act on the emerging risks, opportunities and challenges presented by **financial innovation** and the rapidly evolving technological landscape within which it, the firms and individuals that it supervises and regulates operate.



# Regulators – how they think (Probability v Impact)

		Impact				
		Trivial	Minor	Moderate	Major	Extreme
Probability	Rare	Low	Low	Low	Medium	Medium
	Unlikely	Low	Low	Medium	Medium	Medium
	Moderate	Low	Medium	Medium	Medium	High
	Likely	Medium	Medium	Medium	High	High
	Very likely	Medium	Medium	High	High	High

# Regulators – how they think (categories of risk) - Example of Irish Probability Risk and Impact System (PRISM)



© Central Bank of Ireland, Probability Risk and Impact System (PRISM), PRISM Explained (2011- present)

Source: <https://www.centralbank.ie/regulation/how-we-regulate/supervision/prism>

# Two recent speeches on the intersections of regulation and innovation



Gary  
Gensler

## Remarks before the European Parliament Committee on Economic and Monetary Affairs (01/09/2021) Gary Gensler, Chair, US SEC

- “Further, for those who want to encourage innovations in crypto, I’d like to note that financial innovations throughout history don’t long thrive outside of public policy frameworks.” <https://www.sec.gov/news/speech/gensler-remarks-european-parliament-090121>



Mairead  
McGuinness

## Keynote speech at European Payment Institutions Federation Annual Conference (16/11/2021) Mairead McGuinness, Commissioner, Financial Services, Financial Stability and Capital Markets Union

- “We want a competitive, innovative and well-regulated EU payments market with a high level of consumer protection ... The EU is one of the first places in the world to look to regulate crypto-assets and stablecoins. We are making good progress with the MICA proposal, the regulation on markets in crypto-assets.” [https://ec.europa.eu/commission/commissioners/2019-2024/mcguinness/announcements/keynote-speech-european-payment-institutions-federation-annual-conference\\_en](https://ec.europa.eu/commission/commissioners/2019-2024/mcguinness/announcements/keynote-speech-european-payment-institutions-federation-annual-conference_en)

# Recent Cypriot & FATF Statements on Crypto

September 2021



October 2021



*Well worth reading both!*

Source: © CYSEC <https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=13075523-a19e-43d9-8cce-e2c0e0f5bca9>

© FATF <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets-2021.html>

# The Empire Strikes Back (against money launderers)



## Commissioner Mairead McGuinness

Financial services, financial stability and Capital Markets Union

17 May 2021

### Speech at the AML Intelligence Boardroom Series

*“At the heart of our plans are more harmonised rules and a new AML Authority at EU level. The idea is to have common standards, common application and common supervision of our rules. That is as it should be in a single market.”*



In helping reduce proceeds of crime laundered within and throughout the EU (and globally), the EU will establish an AML Authority.

Without utilisation of **regtech** and **suptech**, likely to have limited impact on money laundering and terrorist financing.

The United Nations Office on Drugs and Crime (UNODC) estimates that between 2 and 5% of global GDP is laundered each year. **That’s between EUR 715 billion and 1.87 trillion each year.**

<https://www.europol.europa.eu/crime-areas-and-trends/crime-areas/economic-crime/money-laundering>

© European Commission

Source: <https://complireg.com/blogs--insights/eu-commissioner-mairead-mcguinness-on-new-eu-aml-authority>

## EU AML Legislative Package

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- AMLA - Regulation establishing Authority to transform EU AML/CFT supervision;
- AML / CFT Regulation - new Regulation containing 'directly applicable' rules
- ALMD6 - Sixth Directive on AML / CFT; and
- Transfer of Funds Regulation Recast - amending existing Reg 2015/847/EU to capture the tracing of crypto-asset transfers.
- Publication date 20 July 2021

## Objectives of New Framework / Regime

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1. Ensuring effective implementation of existing EU AML/CFT framework.
2. Establishing EU single rulebook.
3. Establishing EU-level AML/CFT supervision.
4. Enforcing EU-level criminal law provisions & information exchange.
5. Strengthening the international dimension of the EU AML/CFT framework.



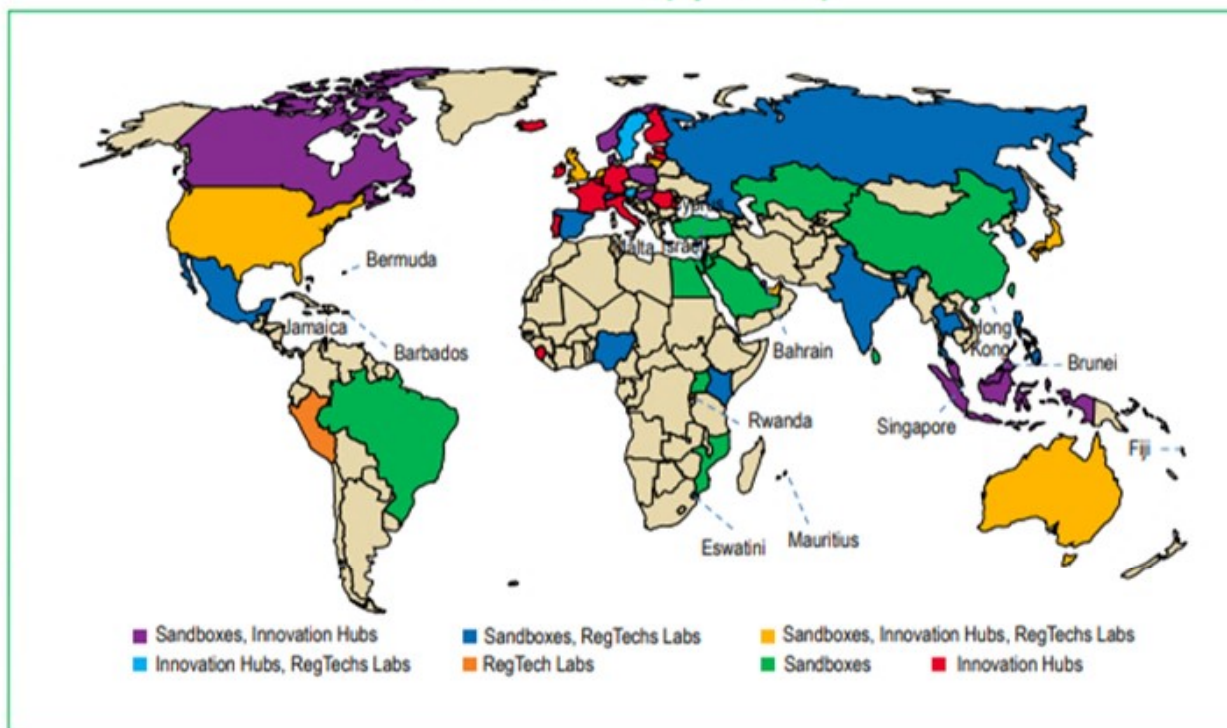
## Objectives of New Framework / Regime

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1. 1 January 2023 - to be established.
2. 1 July 2025 - AMLA to make first selection of obliged entities. Updated every three years.
3. Early 2026 - commence activity of direct supervision.

# Sandboxes & Innovation Hubs – What’s Your View? (1/2)

Figure 1.1. Sandboxes, Innovation Hubs, and Regtech Labs Around the World (April 2020)<sup>8</sup>



Source: WBG Research.

Source: © World Bank (April 2020) <https://openknowledge.worldbank.org/bitstream/handle/10986/34789/Global-Experiences-from-Regulatory-Sandboxes.pdf>

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## Sandboxes & Innovation Hubs – What’s Your View? (2/2)

**Front-end**



**Back-end**



## Peter Oakes, Founder of Fintech Ireland & Fintech UK, recognised Leading Fintech Consultant: Chambers & Partners 2021

*Peter Oakes, who has vast international regulatory experience as a former director of the Central Bank of Ireland.*

Clients say:

- *Peter is high-profile, he has very strong governance capabilities and is very good for a regulated FinTech company*
- *his area of expertise is in licensed applications with the Central Bank. He can explain what is required in black and white from the regulator but also what is left unsaid*
- *Peter would be my first port of call for any FinTech looking to obtain an e-money licence*
- *Peter's reputation really helps; he's top of the list of local Dublin-based regulatory consultants*



Peter Oakes

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<https://bit.ly/38ecPig>



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# International Central Banking & Regulatory Experience



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

Director of Enforcement & AML/CFT  
Supervision (Senior Management  
Committee)



ASIC

Australian Securities & Investments Commission

Senior Officer, Legal Division &  
Registrar, Federal Tribunal



مؤسسة النقد العربي السعودي

Saudi Arabian Monetary Authority

(Consultant) Advisor to Deputy  
Governor of Banking Supervision  
(Supervision/Enforcement)

*Organisations went  
through transformational  
change.*

*All now focussed on  
innovation, fintech and  
digital transformation.*



(FSA) Enforcement Lawyer

# Q & A

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# Get in Touch

	<p>office@complireg.com hello@fintechcyprus.com peter@peteroakes.com</p>
	<p>Ireland: +353 87 273 1434 UK: +44 75 635 26834</p>
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