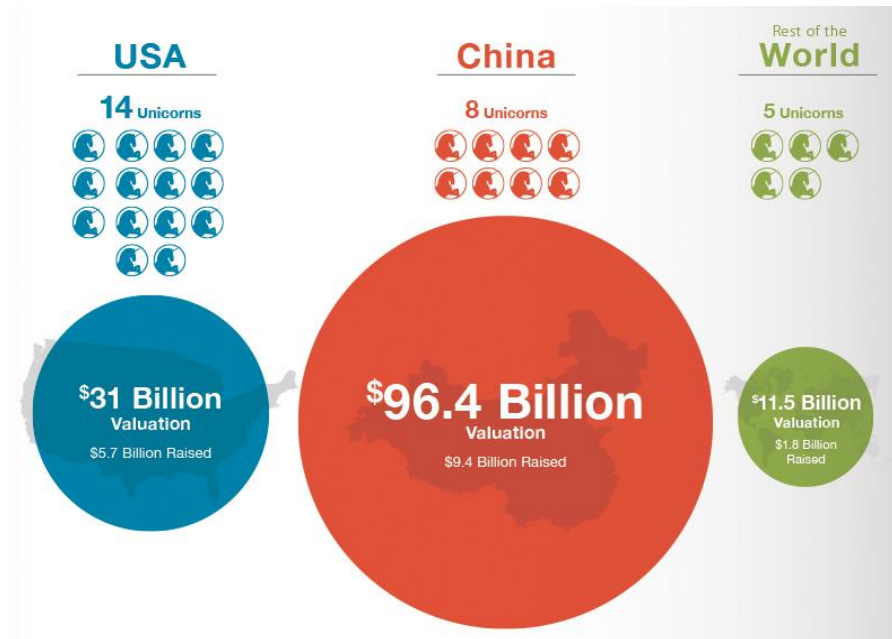




CENTRAL BANK APPROACH TO FINTECH SERVICES





CHINA IS WELL-KNOWN FOR ITS DOMINANT ROLE IN GLOBAL FINTECH SCENE



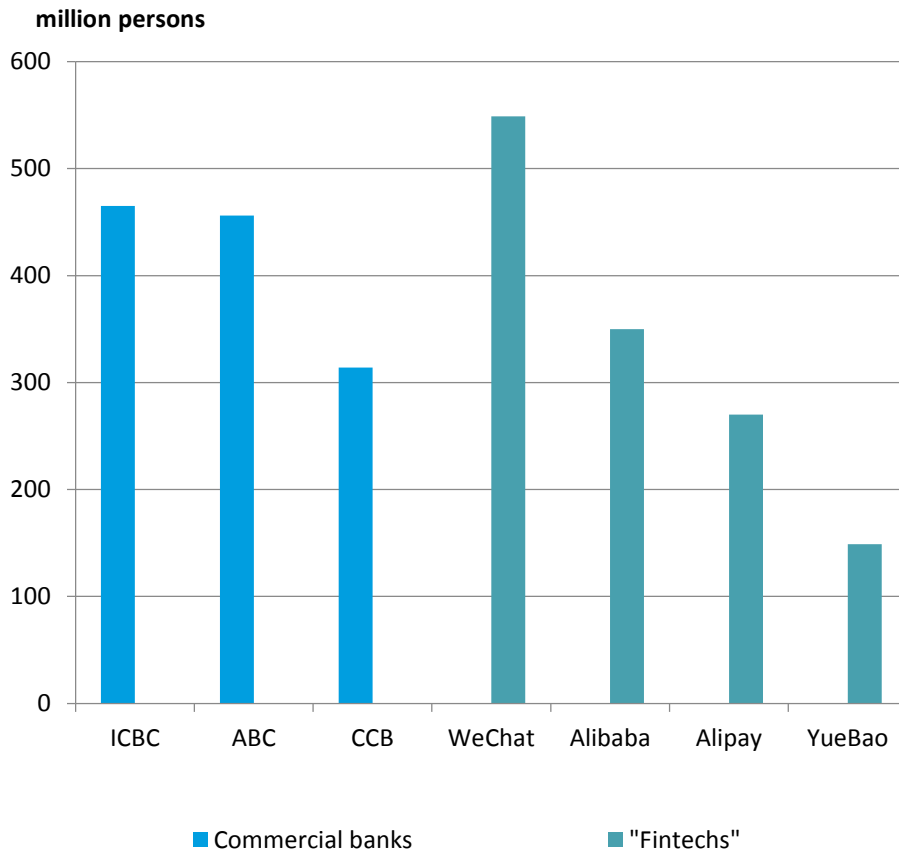
But how did China reached this flourishing Fintech eco-system?

What lessons can be learned from the Chinese Fintech-story?



THE CHINESE FINTECH STORY

CHINESE FINTECHS ARE AMONG THE LARGEST MARKET PARTICIPANTS



NUMBER OF CUSTOMERS OF LARGEST
FINANCIAL SERVICE PROVIDERS IN CHINA, 2014

Number of Fintechs' customers reaches or exceeds that of biggest commercial banks

Fintechs became dominant in retail financial services

MAIN REASONS FOR FINTECH-PAYMENT SUCCESS



Wide scope of usage: not only payments, but other functions
e.g. booking an appointment for doctors

Relatively loose regulatory conditions during the initial period

Personalized marketing and strong customer relationship based on the utilization of customer-data

Innovative marketing methods

Discounts at merchants

Different consumer habits:

- *Wide prevalence of smartphones;*
- *Younger generations prefer mobile payments for bank cards.*

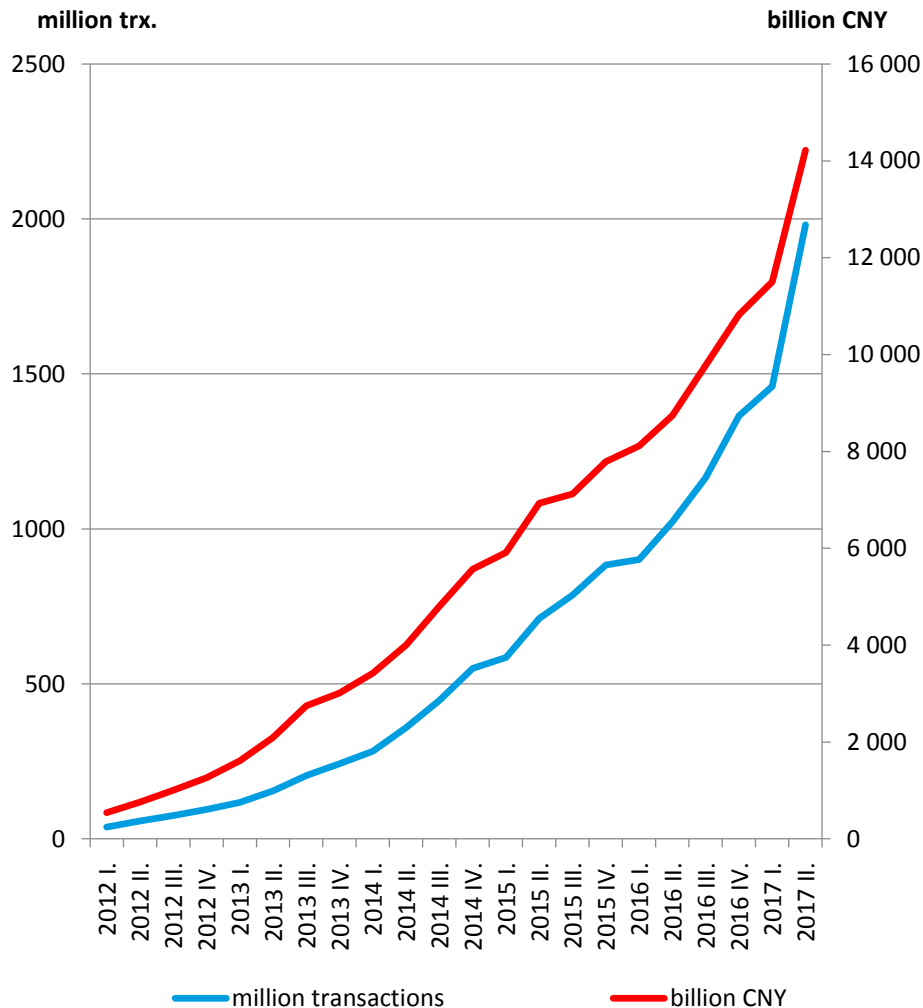


CHINESE BANKS STRIKE BACK



Implementation of instant
payments (IBPS)

Innovative payment solutions
based on bank cards



TURNOVER OF IBPS, 2012-2017

Stricter KYC and AML rules

More sophisticated supervision methods for non-bank payment service providers

Centralized platform for the clearing of Fintech payments to monitor money flows





THE HUNGARIAN PATH



Innovation Hub

- Direct connection for market players, so that they can obtain guidance easier concerning regulatory requirements.



Regulatory Sandbox

- Regulated, strictly monitored testing of market innovations.

MNB EFFECTIVELY SUPPORTS FINTECH INNOVATION



Two projects were launched within MNB, which follow international best practice and aims to support Fintech innovation.

DUAL ORIGIN OF FUTURE CHANGES IN THE PAYMENTS MARKET



New European regulation PSD2



New instant payment infrastructure in Hungary

NEW EUROPEAN REGULATION WILL CHANGE PAYMENT LANDSCAPE

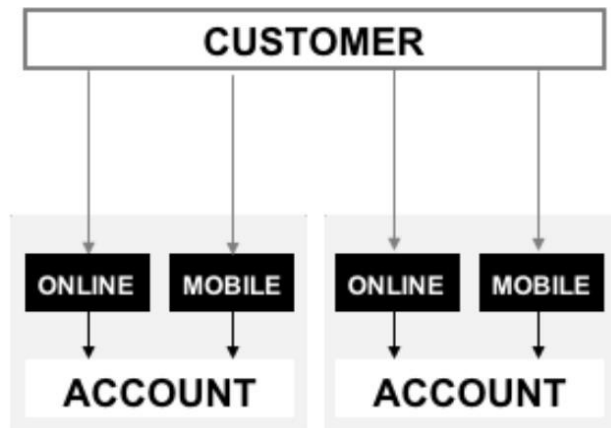


New Third-party Payment Providers (TPP) will appear

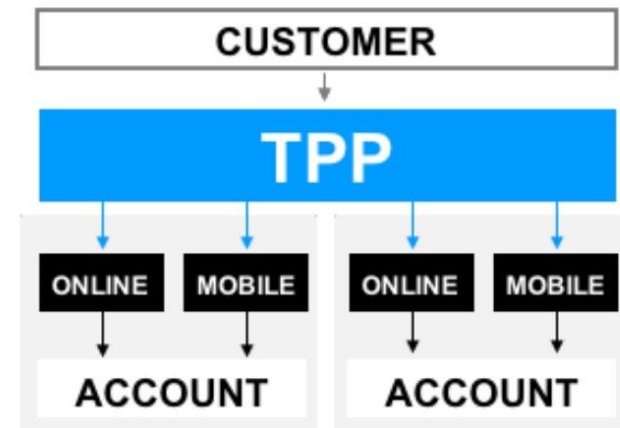
Banks' customer relations might loose

Entry to the payments market will be easier for Fintechs

PRE PSD2 XS2A*



POST PSD2 XS2A*



*XS2A: access to accounts

HUNGARIAN INSTANT PAYMENTS: LAYERED OPERATIONAL MODEL



Supplementary services from market participants:

- Increased competition
- Constant innovation
- More comfortable solutions for consumers
- Cheaper acceptance for merchants



Central infrastructure platform:

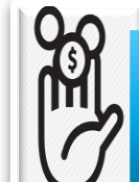
- Any service provider can join
- Interbank clearing of instant credit transfers
- Central proxy database
- Non-financial messages: e.g. request-to-pay



BASIC OPERATIONAL RULES OF THE INSTANT PAYMENT SYSTEM



Continuous (24/7/365)
operation



Domestic credit transfers
under 10 M HUF



Secondary account IDs
(proxies)



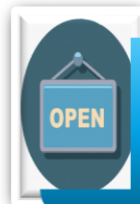
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Request-to-pay messages



Optional positive and
mandatory negative
response messages



Open standards,
interoperability

BOOSTING INNOVATION

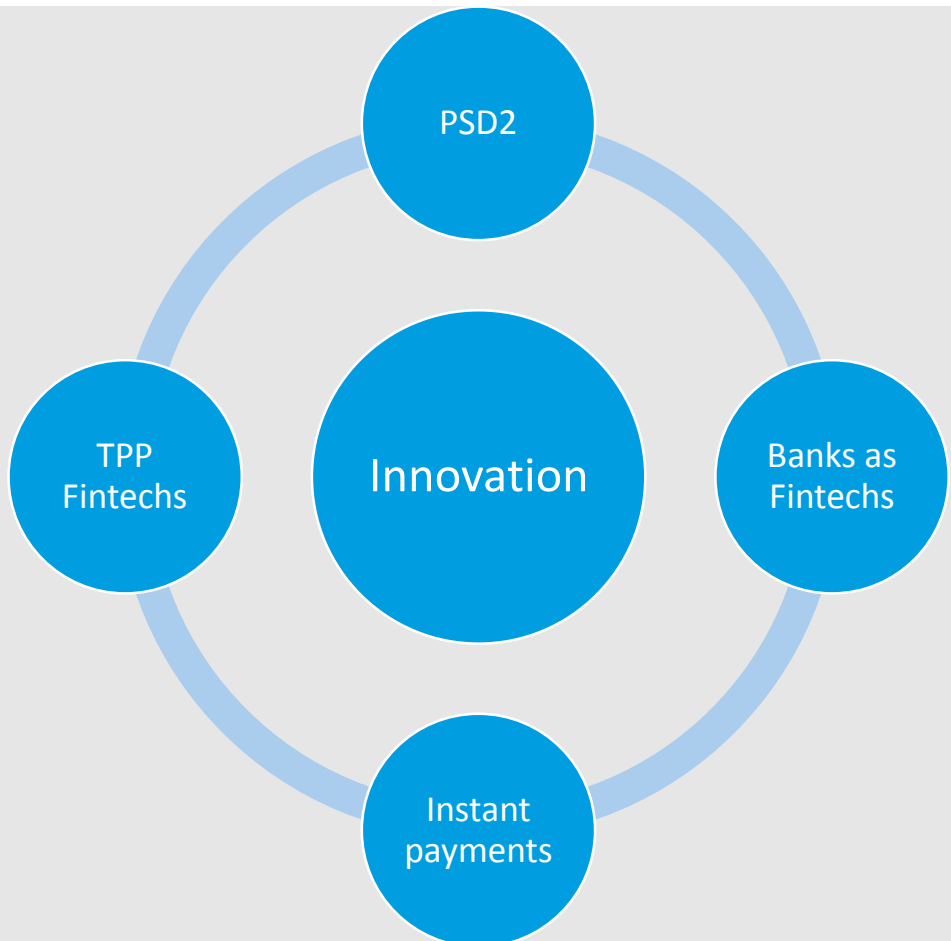


The implementation of instant payments is initiated and coordinated by MNB

It provides new opportunities for innovation

New Fintech companies can emerge

Banks can also act as Fintech-type service providers





THANK YOU FOR YOUR
ATTENTION!