



INNOVATIONS AND FINTECH IN HUNGARY – FROM THE REGULATOR'S POINT OF VIEW





THE MNB ACTIVELY SUPPORTS THE
FINTECH INNOVATIONS

WHY?



If there is more innovative solution in the market...



Faster



Cheaper



Safer



... there is more positive impact on financial competitiveness!

THE SPREAD OF FINTECH SOLUTIONS HAS A SIGNIFICANT IMPACT ON THE FINANCIAL INTERMEDIARY SYSTEM



Risks

- Possibility of cheating
- Deceiving customers
- Data Security
- Outsourcing of activities
- Cyber Security
- Regulatory Arbitrage
- Financial stability



Balance between financial stability and innovation

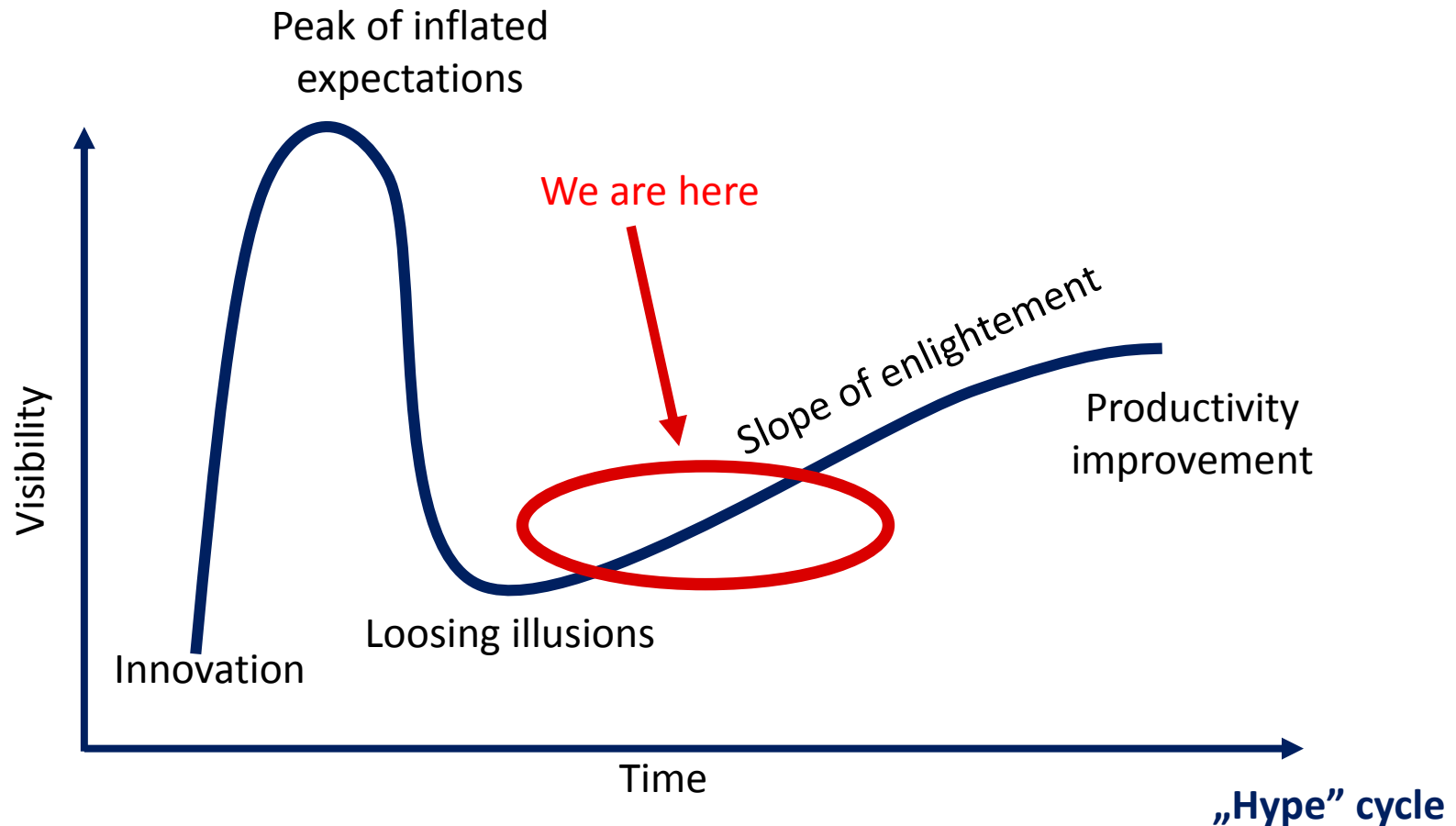


- + Efficiency, cost reduction
- + New services and business models
- + Improved service quality
- + User base growth
- + Reduce system risks

Opportunities

From the regulatory side, the goal is to develop a framework that, while minimizing the risks, will adequately support the spread of innovations

FINTECH SOLUTIONS DESERVE SPECIAL ATTENTION DUE TO THEIR LONG-TERM POTENTIAL



Due to its long-term potential and the impacts on incumbent institutions, FinTech continues to be in the focus of the regulators

A SUPERVISORY DILEMMA OCCURS IN CONNECTION WITH FINTECH INNOVATIONS



Losing control

Spreading of cross-border activities, regulatory arbitrage

Aim:

Finding the balance between excessively flexible and overly restrictive approaches

Unfair advantage

Competitive advantage of FinTech over strictly regulated financial institutions

Excessive restrictions

Obstacles to innovation

Maintaining the inefficient business models of incumbent institutions and hampering development

Promoting FinTech innovations with cooperation between the regulator and market participants, while maintaining financial stability

„Laissez faire”

Consumer protection?

Threat to depositors and investors

Possible solutions

Innovation Hub

- FinTech innovators get legal **guidance** from the supervisor
- It helps FinTech innovators to **find information on the legislative environment**

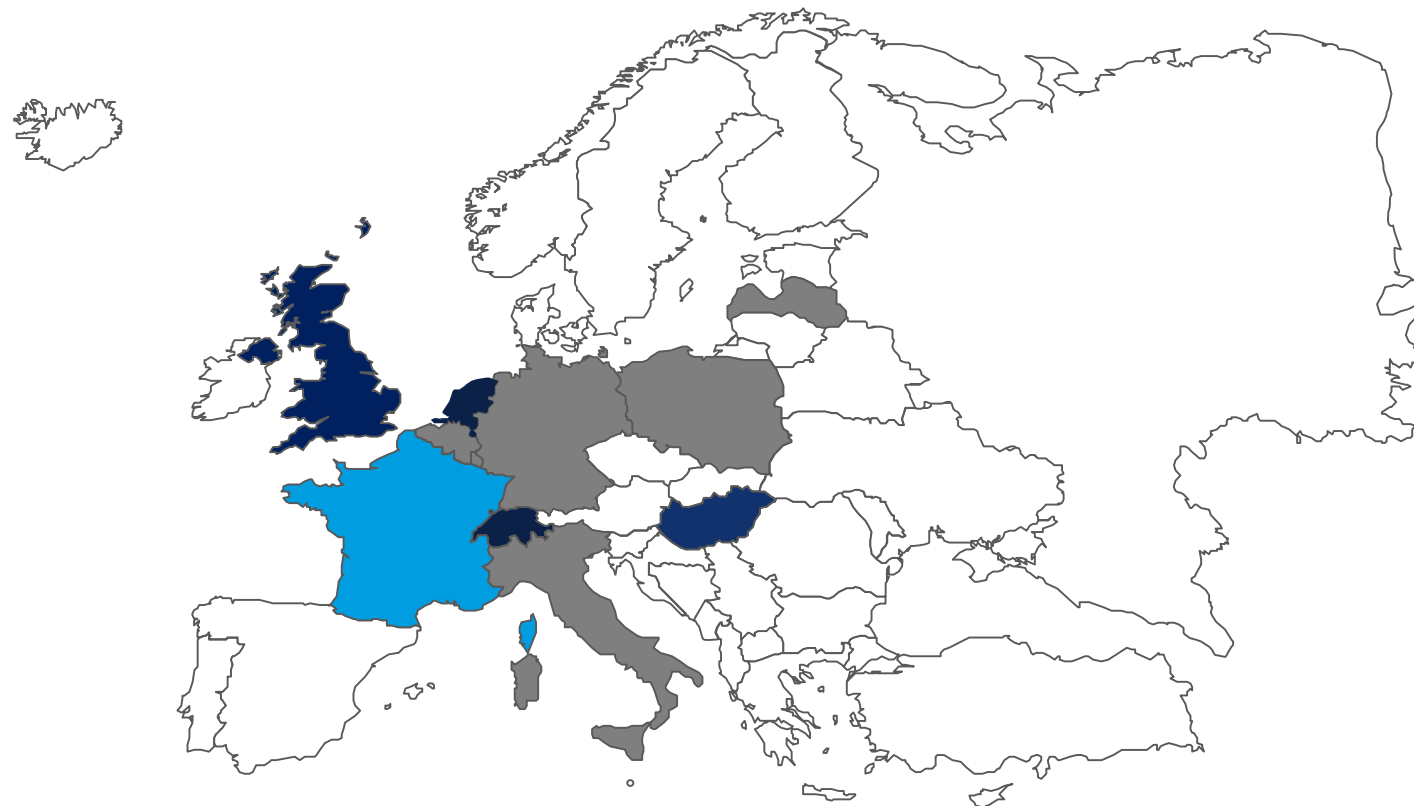
Regulatory sandbox

- FinTech innovations can be tested
- for a **certain time** and under **predefined conditions**
 - on a limited number of **real consumers**
 - with **exemption from certain regulatory requirements**



INNOVATION HUB AND IT'S WORKING METHOD

MORE AND MORE COUNTRIES RECOGNIZE THE NEED FOR A PROPER REGULATORY RESPONSE TO THE FINTECH PHENOMENON

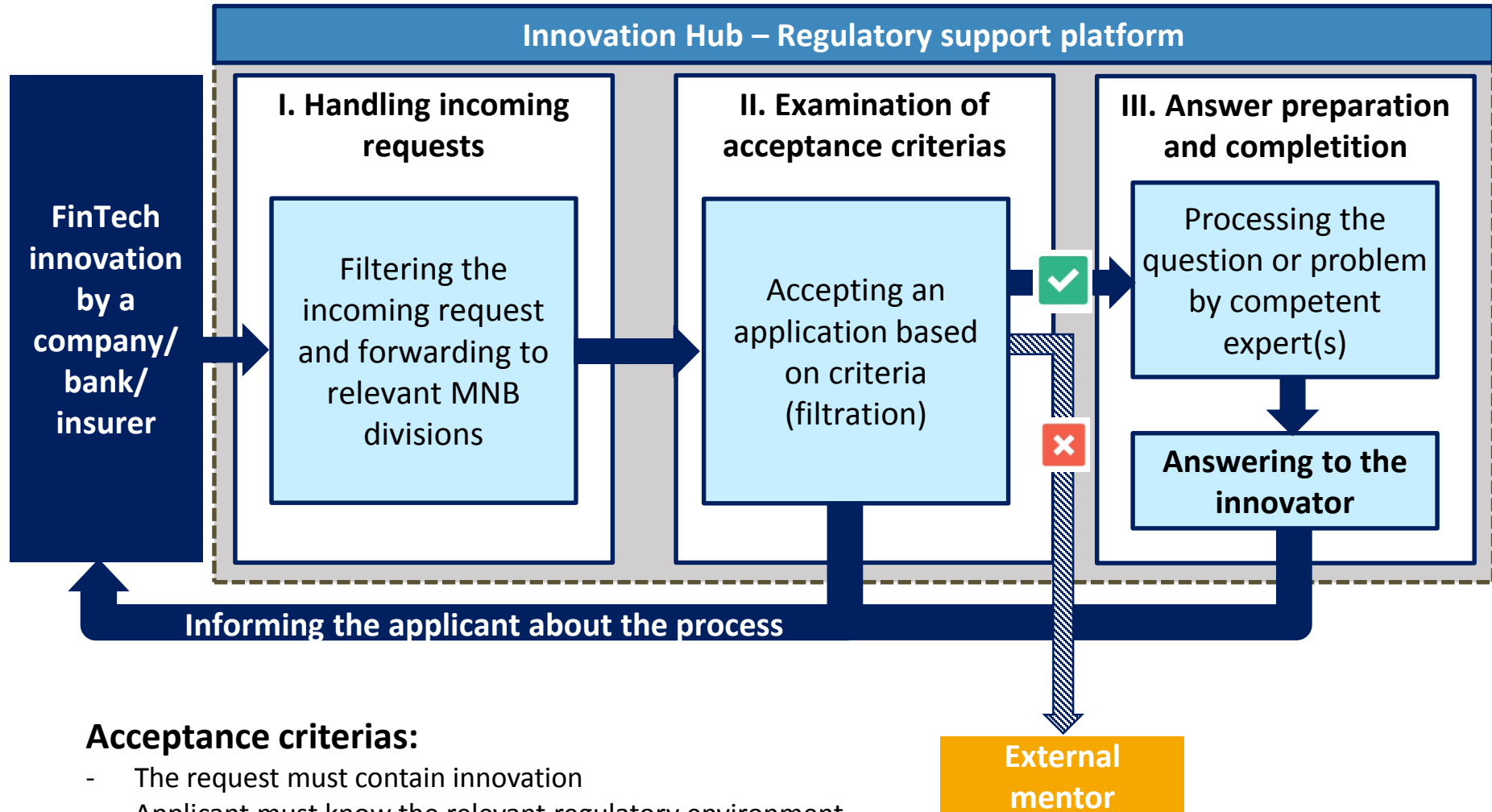


Innovation support from Regulators	Dedicated Innovation HUB	Dedicated Innovation Hub and Regulatory Sandbox
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Innovation Hubs and Regulatory Sandboxes in Europe

Supervision practice is not consistent at international level, but targeted solutions are being applied in more and more countries

DIRECT MNB GUIDANCE CAN BE REQUESTED VIA THE INNOVATION HUB PLATFORM



Acceptance criterias:

- The request must contain innovation
- Applicant must know the relevant regulatory environment
- There is no prior regulation



REGULATORY SANDBOX

SETTING UP A REGULATORY SANDBOX FRAMEWORK CAN SUPPORT MARKET ENTRY OF INNOVATIVE SOLUTIONS I.



Phase I: Application period

1

Application of innovators

- Orientation on acceptance criteria
- Online application form

2

Handling incoming requests

- Evaluation
- Distribution within the MNB

3

Examination of acceptance criterias

- Preliminary opinion on compliance
- Decision on acceptance criteria compliance

Phase II: Testing and evaluation



Acceptance criteria

- Solution is proven to be innovative
- The aim is to introduce the solution on domestic market
- Concept is ready for the test

SETTING UP A REGULATORY SANDBOX FRAMEWORK CAN SUPPORT MARKET ENTRY OF INNOVATIVE SOLUTIONS II.



Phase II: Testing and evaluation (following application period)

Phase I: Application period

4

Launch of testing period

- Discussion on conditions and details of testing
- Decision on launching test period
- **Resolution on exemption**

5

Testing

- Monitoring based on reports and consultations
- Regular review

6

Evaluation

- Discussion and evaluation with the innovator
- MNB evaluation based on preliminary KPIs

The whole process coordinated by a dedicated case officer



Possible outcomes of testing

A) Compliance with decrees

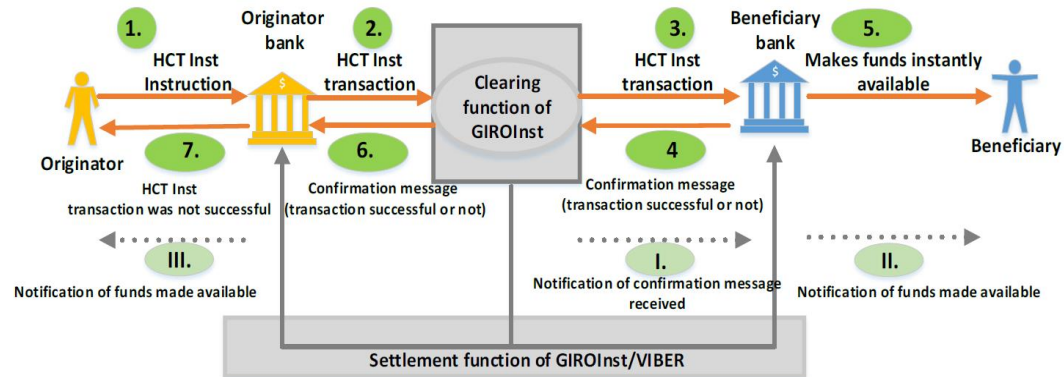
B) Amendment of decrees

C) Termination of the activity



IN LINE WITH THE NEXT STEPS
IN HUNGARY: INSTANT
PAYMENTS AND DIGITAL
SOLUTIONS

Processing of payment



Continuous operation with no planned downtime

Mandatory for credit transfers under HUF 10 million

5 seconds maximum execution time

Mandatory negative and optional positive responses

Prefunding at the Central Bank

Clearing and settlement on a per-transaction basis

Main rules appear in legislation or in standards

Secondary IDs
Request to pay



Start date

01/07/2019 at 0h:00m:01s



**THANK YOU FOR YOUR
ATTENTION!**