



صندوق النقد العربي  
ARAB MONETARY FUND

Concept Note  
Arab Regional Fintech Working Group

*Arab Monetary Fund*

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## 1. Introduction:

In reference to the rapid growth in the use of Fintech in the banking and financial sector, and the great opportunities offered especially in the area of access to finance and financial services and the promotion of entrepreneurship, it became crucial to explore on the policy level the implications and trends of these new technologies in order to optimize the benefits offered on one hand, and to reduce the negative repercussions on the integrity of banking and financial sector on the other hand. There is a need to scale up supervisory and regulatory frameworks for the financial services industry based on Fintech, stimulating their development and growth, and encouraging innovation in a controlled environment that promote financial stability and the efficiency of financial, banking and capital markets' institutions.

Hence, the Arab Monetary Fund has highlighted the fintech issue during the regular meetings of the council of Governors of Arab Central Banks and monetary authorities. The Fund also introduced the different Fintech topics to the work programmes of all the committees and task forces of the council in all its aspects. Where the Arab Committee for Banking Supervision and the Financial Stability task force discussed the issue in terms of its repercussions on financial stability and the role of central banks in the regulation and control development. Also, the Regional Financial Inclusion Task Force tackles Fintech matters to enhance the financial inclusion by using digital financial services in the Arab countries. The Arab Committee for payment and settlement systems also addressed Fintech and its implications for the development of electronic payment tools and reducing the cost of remittances and financial transactions. Furthermore, the Arab Committee for Information discussed several aspects of the development of credit information services using modern technologies and big data technologies, including the role of these technologies in the exchange of credit information.

Therefore, it has been recommended to establish a **specialized working group at the Arab regional level** within the framework of the Arab Monetary Fund, including

those involved and experts to deliberate and exchange ideas and knowledge, which in turn will help to enhance the growth of Fintech industry and optimise its benefits to Arab countries.

### **1. Introduction to the Fintech Working Group:**

A working group comprising technicians and experts from the Arab countries from the public and private sectors in addition to experts from regional and international financial institutions, service providers and leading organizations in Fintech industry at the international level, aiming at consultation, sharing experiences and knowledge on Fintech issues and the development of different visions to revitalize and regulate the industry in Arab countries.

The group will also contribute through the exchange of expertise in the promotion of diversified knowledge to support the Fintech industry and the development of innovation, helping the Arab authorities to develop and regulate the use of Fintech solutions & applications within the strategies and the visions of each state. The group will strengthen the capacity-building of the supervisors and regulators in the Arab countries and build a network of relations between Arab and international experts from the public and private sectors to promote this area in the Arab countries.

**3. Drivers and Mandate of the group:** the main purposes and tasks of the group include:

- i. Follow-up on developments in the Fintech industry and conduct analyses of these developments, their trends and repercussions on the Arab economies in general, and on the financial and banking sector in particular.
- ii. Consultation, advice and recommendations on strengthening Fintech techniques and overcoming the related challenges in the Arab states, at various levels, whether legislative or regulatory, particularly the cross-border regulatory and control mechanisms, service providers and innovative solutions or even entrepreneurship level, and other issues that may hinder the growth of the Fintech industry in the Arab countries.

- iii. Exchange of experiences and sharing expertise & knowledge with specialists in the field within the Arab region and beyond and to learn about the new developments in Fintech worldwide. This will be on several aspects, whether the conduct of surveys within the Arab region, and formulating policy recommendations that simulate the growth of the industry in the Arab countries, the development of regulations and legislations, drafting a guide for best practices of the Fintech industry, as well as the establishment of the appropriate experimental environment
- iv. Proposing training courses, workshops, forums and conferences that will transfer knowledge, build capacity and share experiences and expertise on Fintech and its various issues.
- v. Drafting papers and reports on numerous topics of Fintech, whether technical, regulatory or legislative, the innovations of several products and services, access to finance and other related issues.
- vi. Partnerships with regional and international organizations, regional and international development institutions, central banks and international regulatory bodies, and with universities and specialized institutes.
- vii. Developing appropriate mechanisms for cooperation and consultation through the Council of Arab Finance Ministers, the council of Governors of Arab Central banks and monetary authorities and its committees & its respective task forces, in order to promote a common understanding of different topics related to various Fintech aspects.
- viii. The creation of mini-technical task forces stemming from the group to address specific topics, helping the group to carry out its tasks.
- ix. Participation in similar international commissions for the exchange of information, the acquisition of expertise and the introduction of topics of interest to Arab states, such as the Committee on Fintech of the Basel Committee, of IOSCO, and others.

#### **4. Composition of the group:**

It is recommended that the Working group involves representatives of the following entities:

- i. Representatives of the supervisory and regulatory bodies and financial authorities in the Arab countries: this includes ministries of finance, central banks and Arab monetary authorities, anti-money-laundering and terrorist financing units in Central banks and monetary authorities, as well as capital market authorities.
- ii. Representatives of financial and banking institutions in the Arab countries: this involves banking and financial service providers' associations, in addition to the participation of some large banks and financial services companies in the leading Arab countries in this regard within the framework of specific rules.
- iii. Financial technology providers in the Arab countries: including representatives of some leading Fintech companies in the Arab countries, within specific rules.
- iv. Representatives of regional and international financial institutions: this comprises representatives from the International Monetary Fund (IMF) and the World Bank Group (WBG), the Bank for International Settlements (BIS), the International Finance Corporation (IFC), the Islamic Development Bank Group (IsDB), the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Investment Bank and the Bank of the European reconstruction and development.... etc.
- v. Representatives of international development Institutions and agencies: this includes representatives from the Organization of Economic Cooperation and Development (OECD), the German Development agency, the French Development Agency, the Japan Development Agency and the European Commission...etc.
- vi. Representatives of some of the world's central banks: leading global central banks can be invited in Fintech working group such as: the European Central Bank, the U.S. Federal Reserve Bank, the Chinese People's Bank, the central

- Bank of Germany, the Bank of France, the Bank of England, and the Monetary Authority of Singapore, Hong Kong, Reserve Bank of Australia .... etc.
- vii. Representatives of global Fintech companies: representatives of some of the world's leading Fintech companies can be invited.
  - viii. Representatives of entities interested in developing and supporting emerging business: incubators, business accelerators and venture capital companies can be invited.
  - ix. Representatives of research centres and universities: some research and academic institutions active in Fintech domain, which are actively engaged in research, may be invited and have established specialized centres to discuss the topics of modern technologies.

#### **5. The scope of the group's work:**

The group tackles all topics and issues related to Fintech scope, blockchain techniques, bigdata, artificial intelligence, cyber risks, crypto currencies, digital currencies issued by central banks, digital financial services and electronic payment services, as well as controls, supervisory and regulatory rules on Fintech techniques.

#### **6. Group meetings:**

The Fintech working group meets twice a year, with other meetings being called as needed, taking into consideration the opportunities of conferences and workshops held in Arab countries to arrange the group meetings.

#### **7. Technical Secretariat of the working group**

The Arab Monetary Fund will act as the technical secretariat for the working group, and its mandate will include among others, the preparation, the organization as well as the invitation to the working group meetings. It also includes the regular communication and the follow up with the committee members regarding their contribution in the committee affairs, particularly those related to working papers. The

technical secretariat will also be responsible of drafting reports and minutes of meetings covering the working group activities and meetings and the follow up on the recommendations. Moreover, the secretariat will exert relevant efforts to follow up on a specified set of objectives that have been determined on a yearly plan basis and its achievement and measurement.

## **8. Governance of the working group**

An executive committee is to be established, it will comprise five members, three are representing supervisory authorities in Arab countries at the level of deputy governors of Arab central banks and monetary authorities or deputies of Finance ministries, in addition to a representative of the Arab Monetary Fund and another one from an international financial organization such as the World Bank Group.

The executive committee will be selected during the first meeting of the working group. The committee will be assigned to coordinate and follow up on the different topics tackled by the group and its action plans.

## **9. Duration of the Fintech Working Group**

The duration of the group's mandate is three years, after which the need to continue is assessed.