

ADVANCING GOOD GOVERNANCE in International Development

Making Market-based Approaches to Development Work for the Poor

4 – 5 June 2015

Rhodes House, Oxford

Briefings on Recent Developments: Trade Finance and Electronic Payment Systems

Houman Shadab (Professor, New York Law School) discussed recent work on trade finance and electronic payment systems, including Mpesa, and governance issues related thereto.

Key Points from the Session:

1. **Developments in financial technology** (“FinTech”) **are changing the landscape of the financial system.** FinTech is enabling every person to be his or her own bank, and to access capital, from the convenience of a smartphone. As a result, banks are no longer the gatekeepers they used to be. Western Union and Money Gram are now the leaders for global remittances, and in London, TransferWise exchanges £500m per month globally. Taking the traditional financial institution out of the equation has benefits with respect to speed and decreased cost. It also empowers the individual by providing him with choices for managing, saving, or investing his capital. However, concerns remain about this new technology, including with respect to what it means for financial security.
2. **FinTech can play a significant role in development.** FinTech can provide the individual with access to capital – examples include microfinance, crowdfunding, and P2P lending. In this way, it can be used as a channel for aid. It can also be used for greater transparency over the sources of funds, as it leaves an electronic trail, and accountability and control over the flows of funds as it enables real time auditing of expenditures. On the other hand, P2P technology is also vulnerable to money laundering and criminal finance when it exists outside strong regulatory contexts (Bitcoin is one example).

Emerging Questions:

1. What does the regulatory future of FinTech look like?
2. What impact will regulation have, and will it support or stifle FinTech?
3. What place will intermediaries (traditional financial institutions) have in a future increasingly dominated by FinTech?