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Bank Negara backs innovation, fintech

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KUALA LUMPUR: Bank Negara has reiterated its support for innovation, promising new regulatory changes following its trials with start-up companies.

The central bank's regulatory sandbox, launched last October, is a test bed for selected fintech companies which will be issued licences to run their ventures within perimeters set by the regulator. It is understood that the central bank would soon be announcing the handful of companies selected to participate in the sandbox.

"Let me make clear that the central bank is open to new innovation," said the bank's chairman for financial technology enabler group (FTEG) unit Aznan Abdul Aziz.

Speaking at Finnovasia KL, Aznan said that it is a myth that fintech company must collaborate with financial institution to participate in the sandbox.

"Our sandbox allows for standalone fintech company to test their innovative solution as long as it is able to prove that it meets the eligibility criteria and that it has appropriate measures and safeguards in place.

"In fact, most of the innovative applications received for the sandbox are from fintech companies.

"Having said that, a fintech company that collaborates with financial institutions could gain



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added advantage from the guidance and support provided," he said.

Aznan added the bank is open to creating new regulations or amend existing regulations to allow new solutions to be offered by licensed players.

"The sandbox allows us to learn from innovators and adapt new and emerging risks emanat-

ing from the offering of new solutions," he said.

The central bank is also exploring several critical enablers to provide enabling infrastructure and framework for innovative fintech solutions.

This includes facilitating the creation of centralised digital identity to allow for effective and efficient management of customer due diligence, as well as enabling open application program interface.

In addition, Bank Nerga to enable the use of cloud computing to allow for efficient and secure storage of data, as well as facilitate the adoption of distributed ledger technology, which is particularly efficient in addressing counterparty risks.

Meanwhile, AmInvestment Bank Bhd CEO Raja Teh Maimunah believes that the digital solution is the only way for Islamic banks to grow.

Hence, the former managing director and CEO of Hong Leong Islamic Bank Bhd is calling for fintech firms to venture into the Islamic finance space.

"Islamic banks are small and relatively late to the game. They can never grow as large or as fast as conventional banks, in terms of branches, network or offices around the world.

"So, opportunities lie for the fintech industry to venture into the Islamic finance space.

"Most are not familiar with Islamic finance, but take these challenges. Be solution providers to these Islamic banks and make your mark in the industry," she said.