

Digital Economy Outlook

MARCH 2018



The framework for digital regulation in Latin America

How to balance innovation and safety?

Latin America lacks a financial regulation framework suited to the challenges of the digital age. There is an urgent need to address this challenge for Latin America to take advantage of the benefits of digitisation of financial services

How to build the regulatory framework?

- 01 Based on risks and activities
- 02 Holistic
- 03 Cross-cutting
- 04 Flexible
- 05 Agnostic to technology



Five major challenges

- 01 Achieving "end-to-end" digital financial products and services
- 02 Ensuring data protection and regulating the rules for accessing this properly
- 03 Establishing a harmonised and clear-cut regulatory framework to allow cloud computing to be adopted in the financial sector
- 04 Enhancing the efficiency and robustness of the payments system
- 05 Regulatory Sandboxes

Decentralized Applications (DApps):

The building blocks of the future Internet

What are they?

- DApps are applications, which do not run on a company's proprietary servers, but on peer-to-peer networks
- No single node in the network has complete control over the DApp



Characteristics

- Open source
- More flexible and transparent
- Internal "currency": token.
- Decentralized consensus
- No central point of failure

WEB 2.0 APPS

Decentralized equivalents of today's common Internet applications

WEB 3.0 DAPPS

BROWSER



VIDEO AND AUDIO CALLS



MESSAGING



Opportunity and challenge:

The combination of DLTs (as infrastructure) and DApps (as consumer-facing service provisioning instruments), together with the development of "tokenomics" could potentially represent a quantum leap towards a totally different way of doing businesses



And eventually, the birth of a whole new type of economy

Instant Payments

Wider roll-out of instant payment systems heralds more competition between payments rails

Generally defined as a transaction where the funds are available to the recipient nearly immediately and with 24/7/365 service

The EU's revised Payment Services Directive (PSD2) is expected to strengthen and expand the existing role of payment initiation



Instant payment systems are now available in nearly all OECD countries

- The EU's instant payment scheme (November 2017)
- SEPA Instant Credit Transfer (SCT Inst)
- The USA-based Clearing House's Real-Time Payments
- Australia's New Payments Platform (February 2017)

The European Payments Council SCT Inst Scheme, entered into force on 21 November 2017. Since its launch 25% of European payment service providers (over 1,000) have joined the scheme by connecting to a participating system

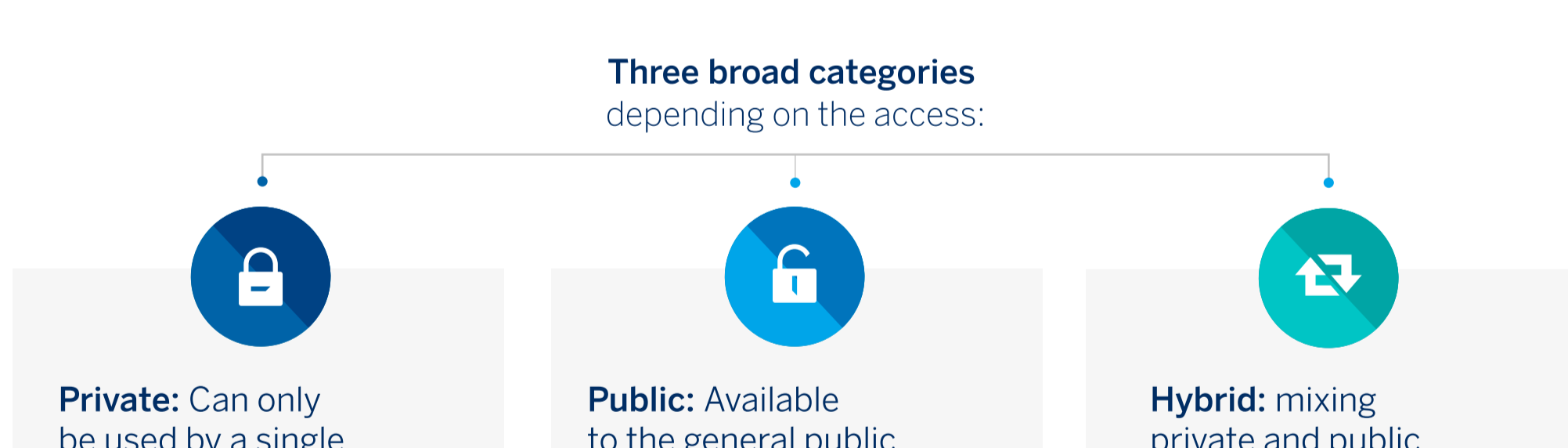
The cloud vs mainframe conundrum

Cloud computing is a new IT paradigm that provides resources to develop and run software, abstracting away the underlying hardware

Three broad categories depending on functionality:



Three broad categories depending on the access:



The advantages

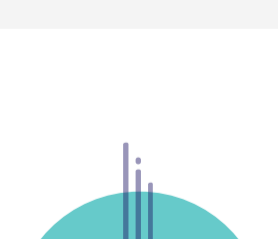
Flexibility and scalability



Disadvantages

Lack of interoperability standards; shortage of technical skills

Most financial authorities consider cloud computing to be a form of outsourcing



On the other hand, mainframe computers, that is, the larger and more powerful computers used traditionally by large organizations for critical applications, bulk data and transaction processing

Have been the IT standard for decades thanks to their proven reliability, availability and serviceability



Enhancing Economic Empowerment through Financial Inclusion

2 billion people

worldwide do not participate in the formal financial system. Why?

WEF launches a set of specific metrics to analyze participation in payment systems, credit, savings services and the regulatory environment of the financial system

- Improve the perception of demand for financial services with greater emphasis on use
- Create a framework through new indicators that helps to better understand the impact of financial inclusion on people's well-being
- Raise awareness of the importance of measurement in setting targets to improve levels of financial inclusion

Goals:



01

Aim to build a framework to better understand how data can be further employed to measure access, impact and usage of financial services

02

Focus on a better understanding of financial inclusion and be aware that if you cannot measure it, you cannot improve it