



## Central Bank of Trinidad and Tobago Statement on Financial Technology and Virtual Currencies

Recent developments in financial technology (Fintech) offer immense possibilities for improvement in the efficiency and security of financial transactions as well as financial inclusion by providing easier, cheaper and more accessible options to the public for engaging in such transactions. For example, use of blockchain/distributed ledger systems can allow businesses and banks to streamline internal operations, significantly reducing the expense, errors, and delays caused by traditional methods for reconciliation of records. One offshoot of this technology has been the development of virtual currencies or virtual money, which is a type of unregulated, digital money that is issued and usually controlled by its developers and used and accepted among the members of a specific virtual community. Many people view virtual currencies (such as Bitcoin and Ethereum) as interesting investment opportunities.

In consideration of these issues, the Central Bank of Trinidad and Tobago's current position is as follows:

- The Bank welcomes technological developments that strengthen efficiency and financial inclusion as these can potentially reduce transactions costs and can lead to a stronger financial system in Trinidad and Tobago in an environment of increasing global competition for financial services.
- The Bank is committed to engaging with Fintech companies/providers to understand the possibilities and application to the domestic financial institutions and the operations of the Central Bank itself, including in the area of regulation and supervision (Regtech).
- As part of its ongoing supervision activities, the Bank will discuss with its licensed financial institutions how they are adopting Fintech, and their plans to address risk and consumer protection issues.
- The financial landscape is evolving rapidly and some new and upcoming financial products may not have been foreseen under traditional legislation/regulation but affect a broad range of consumers and the wider payments system—for example digital wallets. The Bank will engage with those companies wishing to provide such new financial services in order to understand the products, and to assure that the framework for the conduct of such activities, including governance structure, risk management, recourse measures, financial soundness etc. are well established prior to public launch. A testing environment for the new products (called a 'Sandbox' in some countries) will facilitate the evaluation.
- Virtual currencies are already a fact of life in an integrated global world, and while aware of the potential opportunities that these may present for investors and as a means of settling transactions, the Bank strongly cautions that: a) the investments may be volatile and risky; b) the transactions may facilitate money laundering, terrorism funding and other criminal activities; and c) investors/depositors will not have the backing of deposit insurance or a financial supervisory agency in case of problems.
- The Bank does not consider the establishment of a Central Bank digital currency a priority at this time but will continue to study developments in this area.