

## Commonwealth Central Bank Governors Meeting Washington DC, 11 October 2017

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### SUMMARY OF DISCUSSION

1. Commonwealth Central Bank Governors met on the eve of the IMF/World Bank annual meetings. The meeting brought together Governors from all regions of the Commonwealth for discussions on *'Realising the Potential of Fintech: The Importance of Working Effectively with the Private Sector.'*
2. Governors were offered the opportunity to enhance their understanding of the potential applications of innovative technologies in financial services. Their discussions were aided by presentations from Fintech companies, investment firms, and by the sharing of country experiences, particularly as it pertains to Central Banks' engagement with Fintech and the private sector.
3. There was broad recognition among Governors of the potential value offered by Fintech. New business models leveraging technological developments, have, and can continue to play, a critical role in promoting greater access to financial services, particularly in developing countries. The recent progress made in a number of East African countries was noted, including in helping to bridge the urban/rural and gender divide in financial access.
4. Governors discussed the applicability of these technological developments to Central Banking and the wider public sector, especially distributed ledger technology (DLT) and 'Reg-tech' that could help with their regulatory and supervisory challenges.
5. It was noted that the use of 'Reg Labs' or Regulatory Sandboxes' has become increasingly common, with 23 such initiatives presently underway and driven by Central Banks globally. Additionally, the use of a permissioned distributed ledger operated by a consortium of Central Banks was flagged as a potential solution to the ongoing 'de-risking' challenge facing many Commonwealth members. However, issues around governance models, integration with existing banking and legal systems, accountability and privacy were highlighted as hurdles for its realisation in the short term.
6. Members also shared their thoughts on issuing digital fiat currencies, with one discussant highlighting ongoing uncertainties.

7. Governors heard from representatives of the Pacific and the Caribbean who provided an update on regional efforts to address de-risking. They cautioned that whilst the 'de-risking' phenomenon had eased, it continues to present a significant challenge, given that several financial entities have been left with a single correspondent banking relationship. Countries have pursued counter strategies such as increased engagement with US authorities and in the Caribbean, by focusing on improving 'know your customer' processes.
8. There was broad agreement that governments and the private sector should work together in developing these financial products, and suggested that Central Banks should not be held back by risks, but encouraged to manage them. Governors welcomed the opportunity to engage and called on the Secretariat to identify further ways or platforms in which Central Banks could share their knowledge and experience.

Dr Benno Ndulu  
Governor, Bank of Tanzania  
Chair, Commonwealth Central Bank Governors Meeting 2017