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MAS-IFSCA Cooperation Agreement: Landmark Partnership in FinTech

Vinod Rai

Summary

The Monetary Authority of Singapore and the International Financial Services Centres Authority in Ahmedabad signed a landmark agreement to pursue regulatory sandbox collaboration and sharing of non-supervisory related information and developments on innovation in financial products and services between the two jurisdictions. This agreement offers a huge potential to innovate, create new jobs and investments and further strengthen the development of the financial technology sector in India and Singapore.

On 18 September 2022, the Monetary Authority of Singapore (MAS) and the International Financial Services Centres Authority (IFSCA) signed a FinTech Co-operation Agreement to facilitate regulatory collaboration and partnership in the financial technology (FinTech) domain. The agreement was signed in the Gujarat International Finance Tec-City (GIFT) by MAS' Chief Fintech Officer, Sopnendu Mohanty, and IFSCA's Chief Technology Officer, Joseph Joshy. Singapore's Deputy Prime Minister and Finance Minister, Lawrence Wong, witnessed the signing ceremony.

Located in the GIFT City, IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSC) in India. According to MAS' media release, the agreement will promote the following:

Regulatory Sandbox Collaboration

MAS and IFSCA will leverage existing regulatory sandboxes in their respective jurisdictions to support the experimentation of technology innovations. It will include companies' referral to each other's regulatory sandboxes and enable innovative cross-border experiments in both jurisdictions. The agreement will also allow both organisations to evaluate the suitability of use cases which could benefit from collaboration across multiple jurisdictions and invite relevant jurisdictions to participate in a Global Regulatory Sandbox.

Sharing of Information

MAS and IFSCA will share non-supervisory related information and developments on innovation in financial products and services, facilitate discussions on emerging FinTech issues and participate in joint innovation projects.

The agreement is premised on the Memorandum of Understanding on Supervisory Co-operation signed by MAS and IFSCA in July 2022. The cross-border testing of use cases between Singapore and India will pave the way for operationalising a broader collaboration framework for FinTech use cases involving multiple jurisdictions.

The agreement is hailed as a watershed moment that ushers in a FinTech Bridge to serve as a launch pad for Indian FinTechs to Singapore and a landing pad for Singapore FinTechs to India, leveraging the regulatory sandboxes. It offers the possibility of global collaboration on suitable use cases through a global regulatory sandbox. This agreement offers a multi-faceted potential for the FinTech Ecosystem.

It has the potential to open up the space for FinTech companies from both countries to experiment and pilot innovative products and services to serve both markets. The collaboration provides the gateway to innovate, create new jobs and investments, and further strengthen the development of the FinTech industries in India and Singapore. It will help MAS and IFSCA maximise the use of existing sandboxes in their respective jurisdictions, supporting experimentation of readied technological innovations.

The collaborative move is a key milestone for Asia’s FinTech ecosystem, with the continent’s second most populous nation rapidly emerging as a FinTech centre, joining forces with one of the region’s established FinTech hubs. Both countries enjoy high levels of FinTech adoption. According to Ernst and Young, two-thirds of Singapore’s digitally active consumer base (67 per cent) and a vast majority of India’s (87 per cent) have adopted FinTech in their daily lives. The sharp rise in FinTech adoption in Singapore is underlined by its strong credentials as a financial hub, reflecting the availability of FinTech services offered by banks, insurers, stock brokers and other incumbent institutions. Likewise, India has a population of nearly 1.3 billion people, with smartphone penetration projected to reach as much as 96 per cent by 2040.

Expected to be completed by 2024, the IFSCA Tower headquarters endeavours to support FinTech firms for proof of concept, minimum viable product, prototype development, product trials, commercialisation, global market access and more. The GIFT-IFSC offers the unique advantage of being a separate financial jurisdiction within India which is treated like an offshore jurisdiction from the Foreign Exchange Management Act applicability perspective with no restriction on currency convertibility. The framework issued by IFSCA, a unified regulator for banking, capital markets, insurance and funds management in IFSC, will enable FinTech firms with innovative ideas or solutions across the banking, capital or insurance sector to have seamless interaction with a single regulator. The FinTech firms located in the GIFT City will bring operations in areas and sectors like agritech, blockchain-powered solutions, unified KYC solution and customer onboarding digital infrastructure, insurance distribution solutions, and deep-tech quantum-based algorithms. In order to mobilise capital flows for corporates, governments and institutions in India and other parts of the world, to achieve their environmental and social goals, an International Sustainability Platform has also been launched at the GIFT City.

Considering that FinTechs have been taking slices of the financial market operations, such regulatory exchanges between the two authorities will help drive change in financial services that lie at the intersection of traditional institutions, large technology companies and the FinTech firms.

In recent years, the Indian government's initiatives towards greater digitisation of all financial activities have given a fillip to FinTech services. There has been greater awareness that signals the country's intention to gradually move away from paper currency. Thus, the teaming up of Asia's two largest FinTech forces offers a huge potential for combining the strength of conventional financial institutions. This will include managing risk and the regularity environment, with the secure infrastructure and innovative data, analytics and artificial intelligence tools that large technology companies offer alongside the customer experience that FinTechs can provide at the front-end. This has been the strength of Singapore's financial and technology institutions which will now attain a smooth segue into the Indian financial sector.

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Mr Vinod Rai is a Distinguished Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He is a former Comptroller and Auditor General of India. He can be contacted at isasvr@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.