

## NEWSLETTER

# INNOVATION & FINTECH

February 2021



## CENTRAL BANK DIGITAL CURRENCY

We noticed in 2020 an acceleration of initiatives by Central Banks, in particular Banque de France, European Central Bank and People's Bank of China, to make Central Bank Digital Currency a reality.

### EUROPE

#### **Banque de France studies the creation of a digital currency - MDBC**

Banque de France is the first central bank in the euro zone to embark on the creation of a digital central bank currency (MDBC). Several different goals related to the **DIGITALIZATION** of central bank currencies were articulated: citizens' access to central bank money, efficiency gains, and reduced intermediation costs. In July 2020, **BANQUE DE FRANCE SELECTED 8 FINANCIAL GROUPS** (Société Générale, Euroclear...) to become its partners to test its digital currency. The testing programs covered the following use cases: payment in central currency against delivery of listed or unlisted financial instruments ("delivery against payment"); payment in central currency against digital currency of another central bank ("payment against payment"); payment in central currency against digital assets.

**European Central Bank** is looking into the topic "**A DIGITAL EURO**" and launched a public consultation which closed on January 12, 2021. Conceptually, a digital euro would exist alongside cash which would allow consumers to continue to have free access to central bank money. This initiative is significant on a number of different levels. It responds to the changing needs for digital payments, decreases the use of cash, prevents the rise of digital currencies issued outside of the Euro zone, perpetuates both access to central bank money and monetary sovereignty, creates **SYNERGIES WITH THE PAYMENTS SECTOR** enabling the development of new services and unifies digitalization in European economies.

**ON JANUARY 19TH 2021, THE FIRST** instance of a funds transaction using European Central Bank Digital Currency was successfully completed **IN FRANCE**. Banque de France, with this transaction, paves the way for a digital currency, based on a blockchain-based settlement.

## ASIA

### Chinese Central Bank and the Digital Yuan - CBDC

The Digital Currency in China's development, a project initiated in 2014, intensified in 2020, with People's Bank of China launching the "DIGITAL YUAN". Pilot projects enable its use by both private and public entities with some online shopping sites already accepting payments in digital Yuan. Unlike Banque de France or European Central Bank, the Digital Yuan is issued by the Central Bank of China to various banks. Recently, a bill amended the digital Yuan as China's official cryptocurrency. Several advantages are expected to emerge from this digital currency. These will include: **RECOVERING THE MARKET SHARE TAKEN BY WECHAT PAY AND ALI PAY** with reduced amount of Yuan put into circulation, challenging the US dollar as a reference currency for international trades and making the Yuan more competitive. In parallel, the focus is on **CROSS-BORDER PAYMENTS OPPORTUNITIES** that may arise **WITH HONG KONG**. Hong Kong Monetary Authority (HKMA) is closely monitoring how to promote mutual connectivity and seize opportunities from digital currency and electronic payments from Mainland China.

In the meantime, HKMA and Bank of Thailand (BOT) are well advanced in another project named "Project Inthanon (Note)-LionRock". It involves trials of cross-border trade payments by banks and corporates from both sides.

### Towards more regulation for crypto exchanges

In Hong-Kong, Securities and Futures Commission (SFC) announced on December 16th 2020 that it had granted the **FIRST LICENCE TO A VIRTUEL ASSET TRADING PLATFORM IN HONG KONG**. Services will be restricted to professional investors and will be closely supervised by the regulator and be subject to individual requirements in line with those established for securities brokers and automated trading venues. This is on the back of SFC proposing a new legislative framework that will position it to **REGULATE ALL CENTRALIZED VIRTUAL ASSET EXCHANGES**, regardless of whether they list securities tokens. This will replace the opt-in model that previously allowed virtual asset platforms, that did not deal in securities, to be exempt.





## INCUBATORS

### EUROPE

After BNP with WAI and AXA with KAMET, Société Général joins the adventure and has launched OPEN INNOVATION, a platform for professional and startup cooperation. With also a Global Market Incubator dedicated to financial market activities through the selection of several Fintechs to build innovative solutions, the question arises:

#### WHY THIS CRAZE IN THE BANKING WORLD FOR INCUBATORS AND STARTUPS ?

There are several factors to consider. The first is collaboration as an engine of change, to avoid the aging of traditional banks. The young and innovative start up offers rapid and DISRUPTIVE CHANGE with its elements of agility, Technological base, and situational team stimulation without the banking legacy constraints. Incubators allow a better articulation of the startups to the company's problems as well as a better connection to the different professions. Effectiveness can vary but many successes suggest that Start Up and Incubators are performance drivers and allow for more effective innovation. One must be attentive to the subject as the trend can be reversed as seen in Jiko group case, THE FIRST FINTECH TO BUY A BANK.

### ASIA

In order to benefit from the required ecosystem, many players in the Asian banking industry are reiterating in Asia the success of their European incubators initiatives. In November 2020, following the success of the Global Markets Incubator launched in Europe in 2018, SOCIETE GENERALE launched the first incubator program dedicated to market solutions in Asia Pacific. Other Banks, like ING, HSBC, HAVE CHOSEN SINGAPORE AS THEIR LAB INCUBATOR CENTER for payments systems or digital and mobile banking. Why the interest in extending the European success? The region's companies are experiencing the WORLD'S FASTEST GROWTH and present with the best opportunities for the next decade. To respond to opportunities for growth, adapting and responding to relevant emerging trends in the region make Asia-Pacific a premier market for business activities. Very successful events such as FinTechWeek Hong Kong, Singapore FinTech Festival further demonstrate how traditional players are now willing to embrace innovation and collaborate with the disruptors to enhance their services and create A NEW ECOSYSTEM.



## RECENT BRETTEVILLE CONSULTING ENGAGEMENTS



### TOKEN ISSUANCE

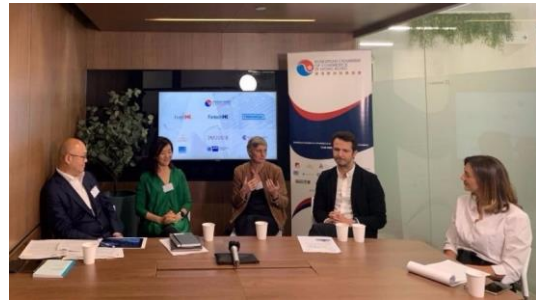
BRETTEVILLE CONSULTING has participated in a number of innovative R&D missions.

As part of its development, a French Fintech specializing in the sale of coins and metals, broadened its offer by acquiring the capacity to address new types of clients. This included the community of **CRYPTOCURRENCY HOLDERS INTERESTED IN INVESTING IN PHYSICAL GOLD**. The aim was to set up a platform to manage the KYC requirements and creation on demand of usage and exchange services. Bretteville Consulting started with POC, followed by MVP before moving to a "Go Live" platform.

This assignment demonstrated Bretteville Consulting's ability to execute such an end to end project, from analysis of the client's needs, to "operationalization" by the technical team through integration of appropriate technologies.

### NEOBANK REGULATORY ISSUE

BRETTEVILLE CONSULTING assisted a French **NEOBANK IN ITS BANKING LICENCE STRATEGY** to operate in the European market. The goal was to obtain a payment institution licence in order for the neobank to have more autonomy in its development and to take commercial advantage of this change. As an adjunct, the neobank required a **KYC FRAMEWORK** and operational process to fit this new regulated activity which Bretteville was able to additionally support. Bretteville Consulting can provide added value in supporting various aspects of new governance requirements such as Internal Control Charters and other Control and Risk Management processes around the introduction of new business activities and any associated new regulatory obligations.



## HONG-KONG

### Example of recent engagement - Operational efficiency and RPA

BRETTEVILLE CONSULTING worked on optimization of operational processes and **ROBOTIC PROCESS AUTOMATION (RPA)** for a key Investment Banking player in Asia Pacific. RPA combines robotic automation with artificial intelligence (AI) to automate human activities in the banking industry, such as data entry or recurring communications with customers. Bretteville Consulting carried out studies on existing set-ups to find areas of improvement for optimization and coordinated action between operations teams in Asia Pacific and all stakeholders (IT, Compliance, Legal, ...) to deploy RPA within the Operation department, involving thirty back office processes that were integrated into robots for the APAC region.

### Current Events

BRETTEVILLE CONSULTING is also actively following all the **INNOVATION AND REGULATORY (REGTECH) TRENDS** for 2021 and 2022, assessing the opportunities that may arise from the Greater Bay Area mutual connectivity to position itself as an intermediary and advisor between Fintechs and more traditional players in the Banking and Insurance industry. Bretteville Consulting had the pleasure to participate to the 2020 FinTech Week in Hong Kong and **LEAD** a fascinating hybrid event on **VIRTUAL BANKS, CRYPTOCURRENCIES, BIG DATA AND GBA** (Greater Bay Area) with the CEO of Societe Generale APAC, The CEO of Mox Bank, the Head of New Business Models of BBVA and the Associate Director General of InvestHK.

---

Our office locations

FRANCE

HONG KONG

SINGAPORE

LUXEMBOURG