

# Fintech Security and Regulation

5-Slide Teaser

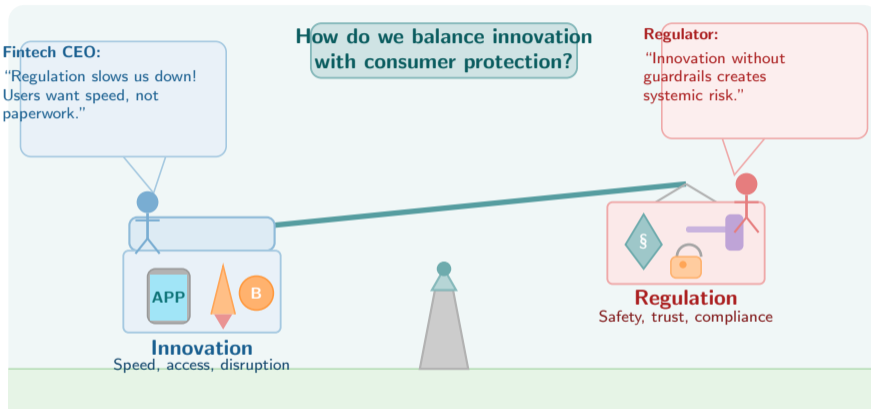
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# Why Regulate Fintech? The Innovation–Regulation Balancing Act



# What Are the Regulatory Approaches? A Global Comparison

## Comparing Fintech Regulatory Frameworks Across Major Jurisdictions

Jurisdiction	Approach	Crypto / DeFi	Sandbox?	Key Legislation	Strength / Weakness
United States	Patchwork; multi-agency (SEC, CFTC, OCC, FinCEN)	<b>Fragmented:</b> SEC vs CFTC turf battles	<b>Limited</b> (state-level)	BSA/AML, state MTLs, proposed FIT21	<b>Deep markets / regulatory uncertainty</b>
European Union	Harmonised; single-market rules	<b>MiCA</b> (2024): unified crypto framework	<b>Yes</b> (national level)	MiCA, PSD2/PSD3, DORA, GDPR	<b>Legal clarity / compliance burden</b>
United Kingdom	Activity-based; FCA-led	Evolving; crypto promotion rules	<b>Pioneer</b> (FCA sandbox 2016)	FSMA, crypto TBD	<b>Sandbox model / post-Brexit divergence</b>
Singapore	Licensing tiers; MAS-led	<b>PSA:</b> tiered crypto licensing	<b>Yes</b> (MAS sandbox)	PSA 2019, licensing tiers (SPI, MPI, DPT)	<b>Clear tiers / small domestic market</b>

### No Global Standard

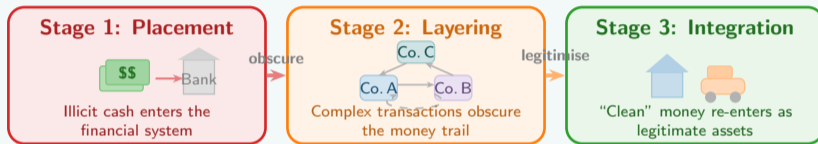
Regulatory fragmentation creates arbitrage opportunities. Firms "jurisdiction shop" for the most favourable regime, raising concerns about a **race to the bottom**.

### The Sandbox Paradigm

Regulatory sandboxes let firms test innovations under **relaxed rules with guardrails**. Over 70 countries now operate some form of sandbox programme.

# How Does Money Laundering Work? The Three Stages

## Anti-Money Laundering (AML): The Classic Three-Stage Model



## Why Fintech Makes AML Harder

### Crypto Pseudonymity

Blockchain wallets lack traditional identity links

### Instant Transfers

Real-time rails leave no time for manual review

### Cross-Border Scale

Global P2P apps cross jurisdictional boundaries

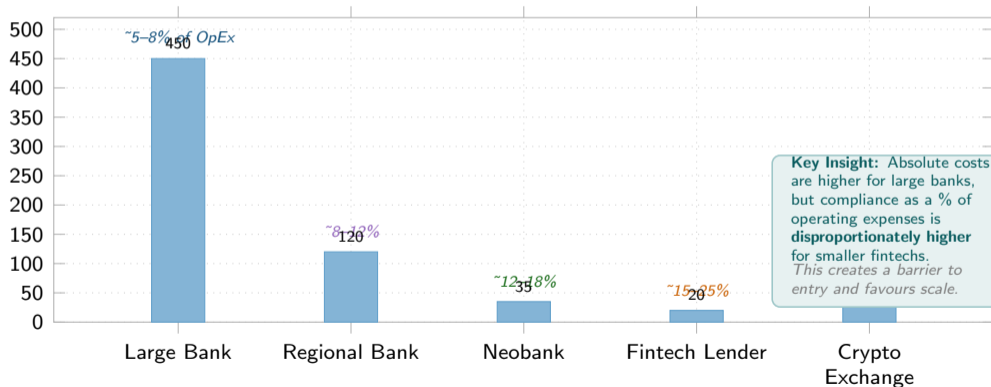
### Mixing / Tumbling

Privacy tools deliberately break the audit trail

# Where Do Compliance Costs Fall? Burden by Firm Type

## Illustrative Annual Compliance Spending by Firm Type

Illustrative Annual Compliance Cost (USD millions)



**Key Insight:** Absolute costs are higher for large banks, but compliance as a % of operating expenses is **disproportionately higher** for smaller fintechs. This creates a barrier to entry and favours scale.

# So What? Evaluating Regulatory Regimes and the RegTech Promise

