

Supporting the Development of FINTECH: Approaches and Challenges for Consumer Protection

CVM - BRAZIL

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FinTech Hub launched on Jun 7th, 2016.

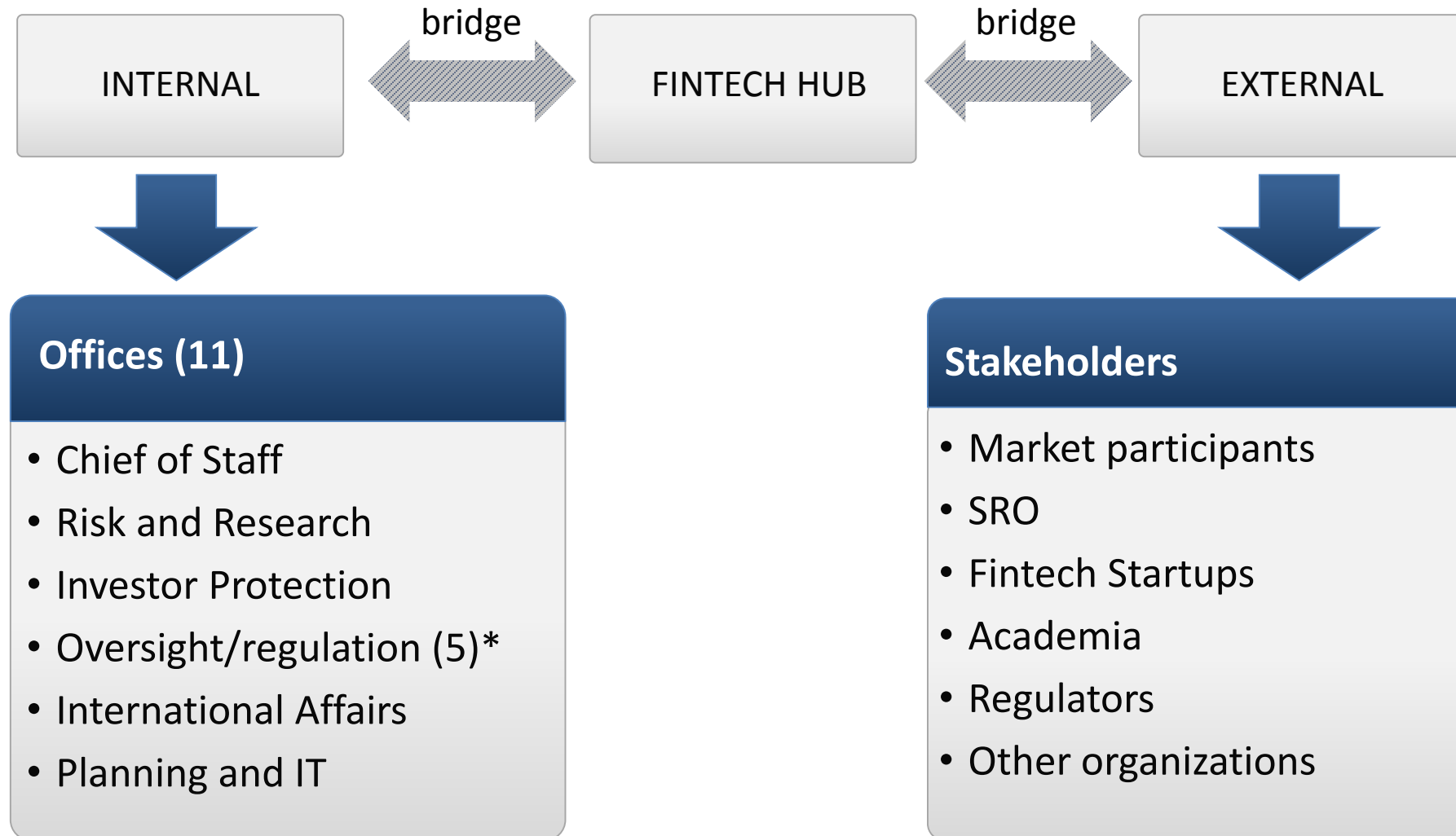
Activities:

- Establish a dedicated communication channel between the regulator and the market
- Foster research and studies
- Stimulate and facilitate internal discussions
- Provide information and assistance to fintech startups
- Promote educational initiatives (fintech startups and entrepreneurs)*
- Assess potential impacts on markets regulated by CVM
- Forge partnerships with similar international hubs

*Educational Centre: education (publications and events) and local partnerships.

Guidelines:

- Achieve the right balance between financial innovation and investor protection/financial stability;
- Foster greater competition in markets;
- Proactive approach:
 - expanding the outreach to Fintech startups;
 - identifying trends;
 - monitoring market practices.



* 5 Offices: Market Regulation; On-Site Inspections; Institutional Investors; Market Surveillance; and Securities Registration.

**BEHAVIOURAL SCIENCES
AND INVESTOR EDUCATION
CONFERENCE**

**Emerging
Trends
in Financial
Education**
CVM-OCED Latin America
& Caribbean Seminar
CVM OCED

 **Português**

Home **Meet the Speakers** **Schedule**

**Rio de Janeiro**

5 to 9 December 2016

This week's events will focus on subjects related to FinTech, investor education and behavioural studies, including the celebration of the CVM 40th anniversary. Featuring the foremost Brazilian and international scholars and researchers, as well as representatives of regulatory and self-regulatory bodies, the gatherings will provide a multidisciplinary approach in the fields of psychology, economics, anthropology, education and others, as well as offering an opportunity to debate innovative strategies and public policies in financial education.

Registration is over

Schedule

05 / December
MONDAY

"FINTECH DAY"

FINTECH
day

06 / December
TUESDAY

Research Seminars on Financial
Education and Behaviour

**Research Seminar
on Financial Education
and Behaviour**

07 / December
WEDNESDAY (MORNING)

Ceremony to Mark the 40th Anniversary
of CVM Securities and Exchange
Commission

40
YEARS
CVM

A) THE EVENT:

- One-day event (Dec. 5th)
- Speakers: regulators, SRO, academics, market participants, fintechs and entrepreneurs.
- Participants: 500 attendees (Brazil and abroad).

B) AGENDA:

- Opening remarks – Chairmen of Israel Securities Authority and CVM
- Keynote - Corporate governance and innovation: building bridges
- **OVERVIEW:**
 - FinTech: Overview and trends
 - DLT in capital markets
- Keynote - Cubo: fostering entrepreneurship in Brazil
- **DISCUSSION:**
 - Round-table - FinTech impact on capital markets
 - Case Studies Panel

Example:

- Prof. Juan Pablo Pardo-Guerra (PhD, Department of Sociology, University of California, San Diego).
- *"Evaluation Cultures, Organizational Logistics, and the Limits of Financial Regulation"*
- Why a certain securities regulator took 6 years to act on a practice? Why fail to act?
- Analysed 7,500 speeches of commissioners
- Data on the professional background of Commissioners combined with congressional debates, oral histories etc.
- Showed that the dominance of professional background withing economics, law and accounting hindered the ability of the regulator to act on highly technical controversies of market infrastructure and market technology

Data collection period: from August to October 2016 (publication: June 2017)

Sources: fintech firms (e-mail and website link)

Survey Highlights:

- 94 respondents, 80 fintech firms;
- 75% from São Paulo e Rio de Janeiro;
- 70% staff < 11 employees (including founders);
- For 67%, personal funds were the primary means of startup, including launch with funding founder and family; and only 10% funded by financial system;
- 57% need funding;
- Areas: Crowdfunding, Digital Securities, Automated Advice, Distributed Ledger Technology, Algorithmic Trading, High-Frequency Trading and Financial Education;
- Suggestions to improve regulation or processes.

A) INVESTMENT-BASED CROWDFUNDING (NEW RULE)

- Public hearing in 2016 (to be issued in 2017)
- Based on in-depth studies regarding crowdfunding practices in Brazil and abroad
- Replace current system of automatic exemptions with a new rule that not address a single activity but rather the market as whole

Expected benefit: Promote a higher growth of crowdfunding market in the following years (benefiting market innovation and capital formation in securities markets)

Objectives:

- Facilitate SME capital formation;
- Protect investors;
- Provide certainty to different participants (small firms, portals and investors);

Highlights :

- Automatic exemption registration of offering and issuer, and
- Registration and supervision of funding portals;
- Provide investors with educational materials.

Key aspect and main consequence of the proposed rule:

- Reduces red tape and regulatory costs on funding for small firms;
- On the downside, efficiency gains may impact investor protection.

Adoption of a twofold approach:

- Investor protection increased.
- New tools to engage the VOICE OF RETAIL INVESTORS in the regulatory process:
 - understand investors' preferences pertinent to the new regulation; and
 - bring the views and opinions of those affected by the proposed rule.

Engaging investors:

- Seeking input from retail investors before and after the public announcement of the Public Notice and Comment period.
- Method: surveys (before/after) and in-depth interviews (after).

a) 1st Survey:

- July 2015 (before the public notice and comment period).
- Questionnaire sent out to 316 investors (44% replied).
- Conclusions:
 - 86% would invest in a startup;
 - For 88%, the investment limit (R\$ 10 thousand) was fine and could be even smaller (attention to regulatory costs);
 - Preferred sectors: technology, health, food industry, real estate;
 - Identified risks: fraud, business failure, misinformation, illiquidity;
 - However, 56% wanted returns in less than 2 years.

b) 2nd Survey:

- Feb-March 2017 (after the public notice and comment period);
- Questionnaire sent out to 1,039 people with questions on investor's preferences;
- 20% invest and 70% would invest in a small firm.

c) Interviews:

- May 2015 (after public notice and comment period).
- 22 in-depth interviews:
 - 14 open-ended questions; and
 - introductory overview of the research project and the draft rule.
- Conclusions:
 - 70% want to invest AND support the society and entrepreneurs; and 30% are seeking high-risk and high return investments.
 - Preferences on educational materials: short videos, simplicity, success stories.
 - "Crowdfunding" is an English expression evoking rewards-based/donation-based crowdfunding.
 - A need for detailed information on funding portals.

Highlights of the new rule:

- Creation of a regulatory framework for portals serving as a GATEKEEPER to the information required for investor` decision making process.
- Streamlined procedure. Funding portals will register with CVM by filling a form and are exempted from broker-dealer registration requirements.
- All offerings will be exempted of registration under the public offerings rule. CVM staff may review the information provided by the portal.
- Allows for Syndicate Funding. Platforms will also offer syndicated deals (beyond non-syndicate deals), where a "*lead investor*" will select a startup, conduct due diligence and monitor its progress on behalf of other investors ("*backers*"). In SF, lead investor` skills and reputation are important for backers make investment decisions.

Investor protection rules:

A) Investment limits for individual Investors of the course of the year:

- Permission to invest (in the aggregate across crowdfunding offerings) up to R\$ 10,000 (or US\$ 3,000);
- If annual income or financial investments > R\$ 100 thousand: upper limit is R\$ 10,000 or 10% of the greater of: investor`s annual income or financial investments.

B) Limits on capital raised:

- Issuers permitted to raise a maximum aggregate amount of R\$ 5 mi (US\$ 1,6 mi).

C) Funding portal:

- Written procedures must be implemented so as to achieve compliance with CVM rules
- Records must be created and maintained for 5 yrs.
- Needs to handle investor`s complaints
- Educational materials for investors will be developed.
- Annual Report must be published.
- Escrow accounts must be set.

Investor protection rules:

D) Issuers:

- Disclosure requirements on the firm, business plan, securities offered, post-offering information, conflicts of interest, risks etc.

B) INVESTMENT ADVISORS AND ASSET MANAGERS (Proposed amendments to existing rules: Rule # 43, of 1985; and Rule # 558, of 2015)

- addresses the use of automated systems and/or algorithms (robo-advisors) by market participants to provide investment advice/analysis;
- services should comply with securities regulation; and
- market participants are not exempted from their responsibilities (conduct standards toward investors; segregation of activities within the same financial institution etc.).

Objectives:

- protect investors by:
 - properly allocating responsibilities among registered market participants;
 - setting rules to ensure the monitoring of those systems.

A) CVMTECH

Motivation

- Strategic Project INSIDERS > recommendation to improve analysis capacity
- Exponential growth of computing power and data availability
- Increased market interconnection
- Multifaceted and not fully mapped challenges to regulators' ability to effectively exercise their legal mandates
- New risks and vulnerabilities
- Redesign of traditional regulatory perimeters (e.g. crowdfunding)

Objective:

- By March 2018, deliver a Digital Strategy (DS) for CVM, covering areas such as: people (skills and organizational culture), technologies (tools and data), processes and services.
- DS will include a vision statement (for 2023) and a roadmap, establishing initiatives and priorities.
- REGTECH, DATA INFRASTRUCTURE, hiring & training, disclosure rules etc.



B) FINANCIAL INOVATION LAB

Objective

- Foster the debate on green funding, and the creation and dissemination of financial instruments and mechanisms that promotes sustainable development in Brazil. Market competitiveness.

Projects

- Green Bonds, Social Impact Instruments, and Green Finance. 3 yrs.

Participants:

- **Founders:** Interamerican Development Bank, CVM and the Brazilian Association of Development Banks.
- **Partners:** other Brazilian regulators, Ministry of Finance, SRO`s, financial institutions, NGO`s, specialists etc.
- **Consultants:** hired for the projects.

LAUNCH: International Seminar on AUG 3rd, in Rio de Janeiro.



CONFERÊNCIA
DE CIÊNCIAS COMPORTAMENTAIS
E EDUCAÇÃO DO INVESTIDOR



Novas
Tendências
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Financeira
Seminário Latino-americano
e Conferência CVM OCDE
CVM OCDE

 English

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Rio de Janeiro

7, 8 e 11, 12 de Dez/2017

Além dos habituais temas relacionados a educação do investidor e estudos comportamentais, os eventos da semana de 7 a 12 de dezembro deste ano tratarão também o Seminário Regional sobre Novas Tendências em Educação Financeira. Contando com a participação de renomados acadêmicos, pesquisadores nacionais e internacionais, bem como representantes de órgãos reguladores e autorreguladores, os encontros proporcionarão uma abordagem multidisciplinar, seja nos campos da psicologia, economia, antropologia, educação e outros, assim como debaterão estratégias e políticas públicas inovadoras de educação financeira.

Inscrições em breve

Programação

07/Dezembro
QUINTA-FEIRA

Conferência de Ciências
Comportamentais e Educação do
Investidor



CONFERÊNCIA
DE CIÊNCIAS COMPORTAMENTAIS
E EDUCAÇÃO DO INVESTIDOR

08/Dezembro
SEXTA-FEIRA

Conferência de Ciências
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Investidor



CONFERÊNCIA
DE CIÊNCIAS COMPORTAMENTAIS
E EDUCAÇÃO DO INVESTIDOR

11/Dezembro
SEGUNDA-FEIRA

Seminário Regional sobre Novas
Tendências em Educação Financeira



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IOSCO Celebrates World Investor Week 2017

From 2nd through 8th October 2017, securities regulators on six continents will promote investor education and protection through World Investor Week, an initiative of International Organization of Securities Commissions (IOSCO).

[Learn More](#)

COUNTRIES

Find out what is happening in your country and how to get involved.



RESOURCES

Guidelines and tool for participants in World Investor Week.



CONTACT US

Questions? Email Us.

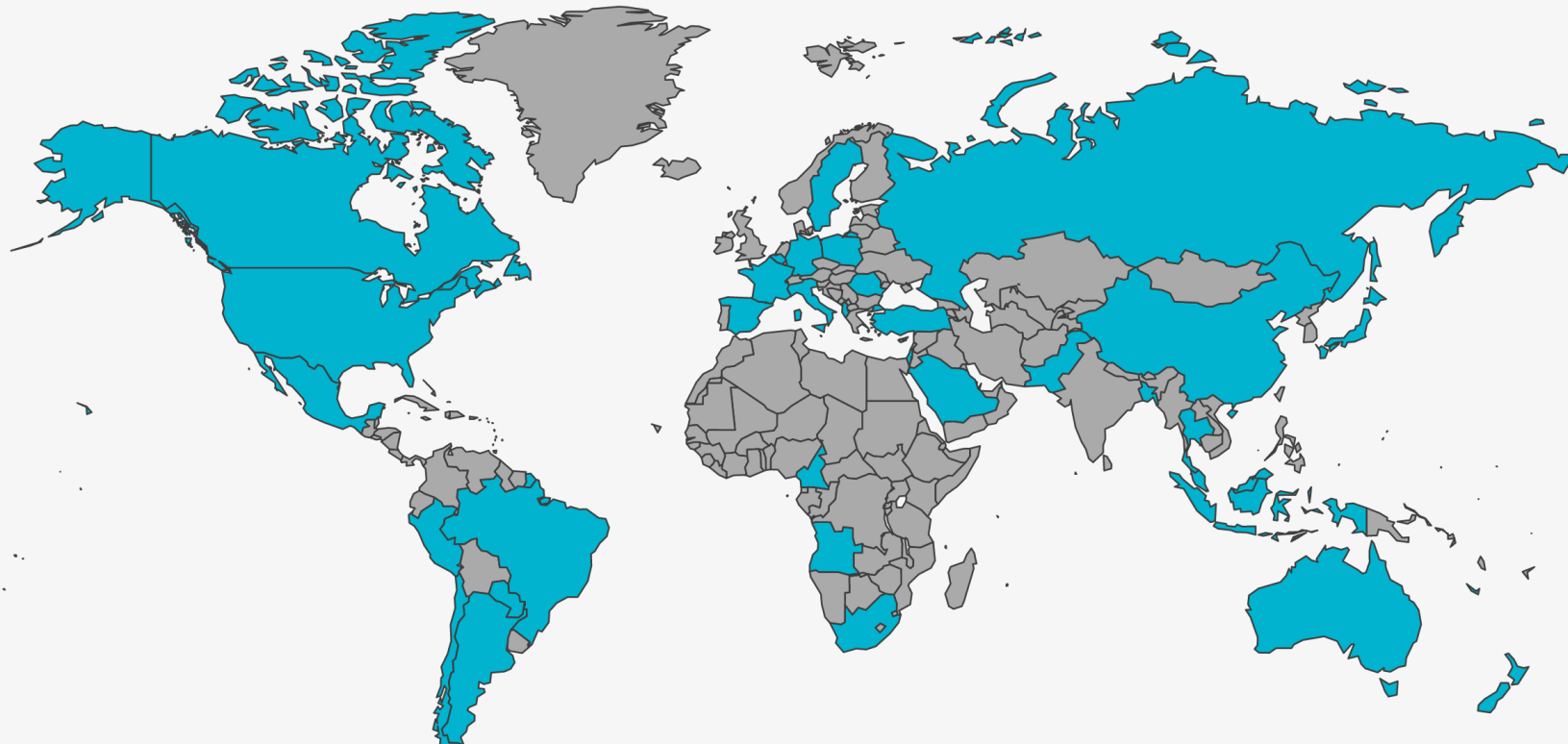
ANNOUNCEMENTS

Press Release: IOSCO Celebrates World Investor Week (28 June 2017)

Resource: WIW Implementation Guide Now Available

Participating Countries

As information becomes available about World Investor Week activities, you will be able to click this map to find out what is happening around the world. In the meantime, if your organization is interested in participating in the campaign, please **contact us**. Click on a participating country to view details or see the **full country list** below.



Obrigado!

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CVM:

- Website: www.cvm.gov.br
- Investor`s Portal: www.investidor.gov.br
- Blog: pensologoinvisto.cvm.gov.br
- “CVM Educacional” (social media):
 - Twitter: twitter.com/CVMEducacional
 - YouTube: www.youtube.com/CVMEducacional
 - Facebook: facebook.com/CVMEducacional
 - LinkedIn: www.linkedin.com/company/cvm
 - Instagram: www.instagram.com/cvmeducacional

Brazilian National Strategy for FE (ENEF):

- ENEF (Life&Money) website: www.vidaedinheiro.gov.br