

# Steps Toward Opening up Iran's Capital Market to Fintech Ecosystem

*Unleashing Potential of Fintech*

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سازمان بورس و اوراق بهادار





# Agenda

- **Part one**
  - SEO Approaches
  - 2018 Trends in Fintech
  - Technical Perspective
  - Business Perspective
- **Part two**
  - IFB Approaches
  - Sandbox Establishment



# **Part one:** **SEO's Approaches**

Motahareh Moravvej - SEO CTO



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# Breaking Down Fintech

- Financial Technology is used to describe
  - Variety of Innovative Business Models
  - Emerging Technologies
- Have the potential of transforming Financial Industry

# Global Fintech Landscape Across 8 Categories

## Payments

- Payment processing, Money transfer Mobile payments, Forex, Credit cards, Prepaid cards, Reward programs

Examples: AliPay, Transferwise, PayPal, Square, Klarna, Lightspeed

## Insurance

- Broking, Underwriting, Claims, Risk tools

Examples: Oscar, Insureon, Lemonade, Knip, Analyze, ClearRisk

## Planning

- Personal finance, Retirement planning, Enterprise resource mgmt., Tax & budgeting, CRM, Compliance & KYC, Data storage, Infrastructure services

Examples: Strands, Slice Technologies, Mint

## Lending / Crowdfunding

- Crowdfunding platforms, Peer-to-peer lending, Mortgages & corporate loans

Examples: Avant Credit, SoFi, Asset Avenue, Lending Club, Funding Circle, DianRong, Kabbage



## Blockchain

- Digital currency, Smart contracts, Payments & settlement via blockchain, Asset tracking, Identity mgmt., Blockchain protocol developers

Examples: Coinbase, Ripple Labs

## Trading & Investments

- Investment mgmt., Roboadvisory, Trade pricing & algos, Trading IT, Trading platforms, Brokerage, Clearing

Examples: Succession Advisory, Wealthfront, Motif Investing, Nutmeg, Fuscent

## Data & Analytics

- Big Data solutions, Data visualization, Predictive analytics, Data providers

Examples: Credit Benchmark, Solovis, Zenefits, DocuSign, Kreditech

## Security

- Digital identity, Authentication, Fraud mgmt., Cybersecurity, Data encryption

Examples: Bit9, Veracode, TeleSign

# Why Fintech?

- Potential cost reduction in automation and robotics
  - Can reach from 20% to 50% (at scale)
  - Trade Cost Reduction
- Firms are looking to Fintechs for
  - Faster speed to market
  - Removing the barriers to entry
  - Decreasing IT expenditures



# Potential Areas in CM - part 1

- Clearing and Settlement
  - DVP, P2P settlement
  - Faster or Real-time
  - Cost Reduction
- Local and Global Custodianship, CSDs
- Portfolio and Wealth Management



## Potential Areas in CM - part 2

- Automatic, Exact and Standardized Supervisions
  - by Suptech, AI and ML
- RoboAdvisors, Algorithmic and HF Trading
- P2P lending platforms
- Social Trading Platforms



## Potential Areas in CM - part 3

- Crowd funding Platforms
- Automation of KYC and AML Compliance processes among Financial Institutions
- Smart Contracts
- Big Data analysis
- Reliability and traceability of records



# IOSCO Approaches

- International Organization of Securities Commissions (IOSCO)
- The board of IOSCO recently instituted Fintech NW in 2018 with four committees
  - DLT
  - Regtech and Suptech
  - AI and ML
  - Lessons Learnt



## Recent Measures in Iran

1. Fintech Committee of Vice-Presidency for Science and Technology
2. Finstars in 2017 and 2018
3. Regulating Crowdfunding in Iran in 2018
  - by the Exchange high council for cultural, IT and innovative activities
4. Categorizing Open Data
5. Providing Single Gateway for Startups

# Latest Statistics

## General Statistics of Active startups in the Field of FINTECH

Title	Number
Active Startups	158
Members of the Fintech Society of Iran	38

## The Number of Active Startups in the Fintech domain By division of activity

Payments	Financial Management	International money transfer	Insurance (Insurtech)	Wealthtech	Digital Currency	Crowd
76	18	11	11	19	6	17

## The Number of Active Startups in Finstars 2018 According to the IOSCO classification

Payments	Trading & Investments	Data & Analytics	Blockchain	Lending/ Crowdfunding	Planning	Insurance	Security	Etc.
19	17	8	6	5	4	3	1	1



# SEO's Ongoing Activities

- Setting Strategies
- Deregulation and Elimination of Red tape
- Valuation
- Supervision by SANDBOX



# Technical Perspective

- Reliability and traceability of records
- Providing Structural Data
  - File-based, Message-based transactions (HUB), Web Services
- Restful API is available
  - Trades, Data Dissemination and Historical Market Data
  - Batch and Real Time



# Proposed Model

- **Idea:** Removing the Red Tape in an Integrated and Harmonious Manner
  - Mutual process
  - Registry
  - Access management
  - Technical and Business Surveillance
  - IFB, RBC and IFCenter are main role players

# Proposed Process for Fintech Sandbox

- Process of Fintech Registration at Finstars Sandbox
- Open Data Access for Startups

**Finstars**

- Initial Registration
- Screening by Committee of Registration

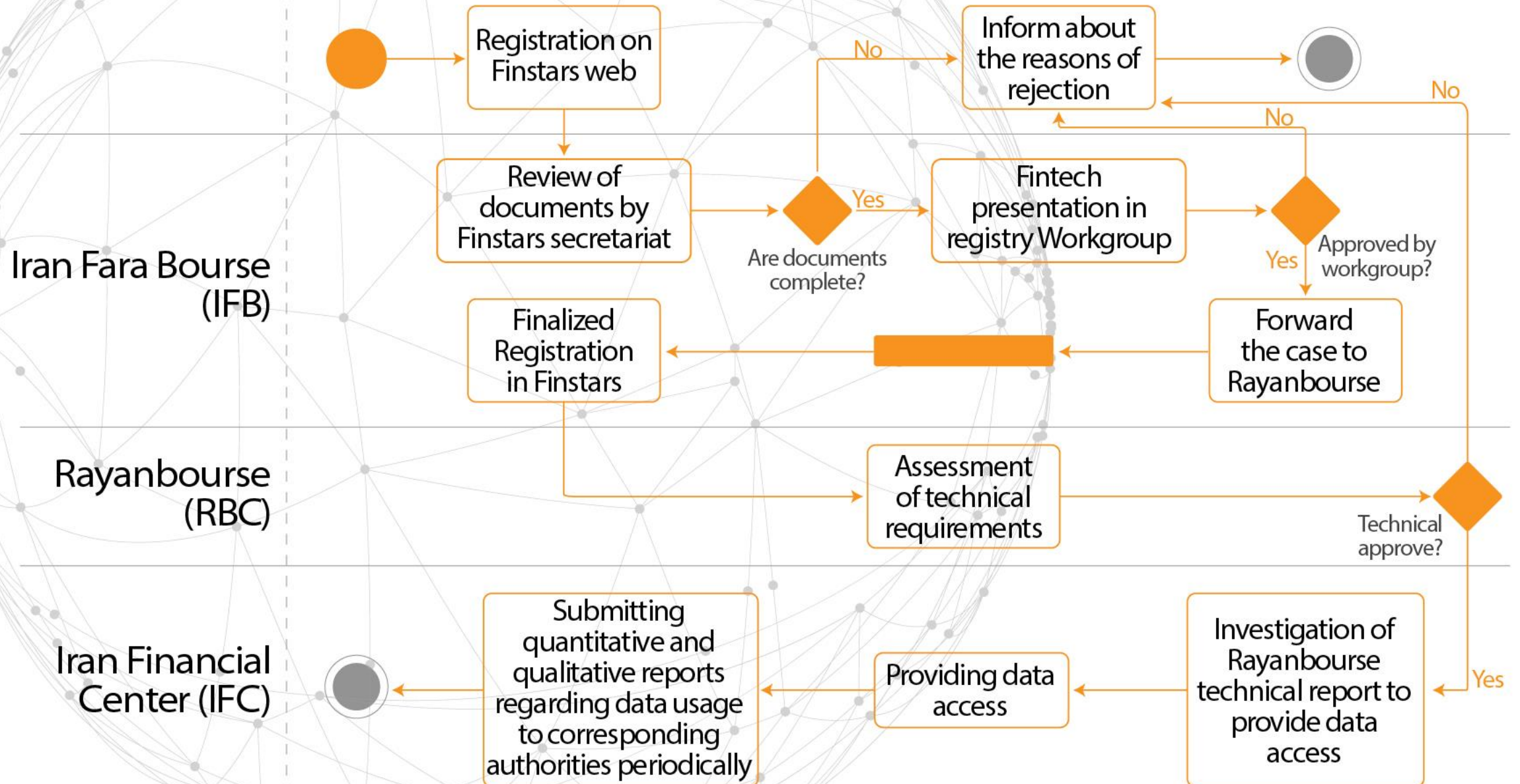
**Rayan**

- Technical Checking
- Approval

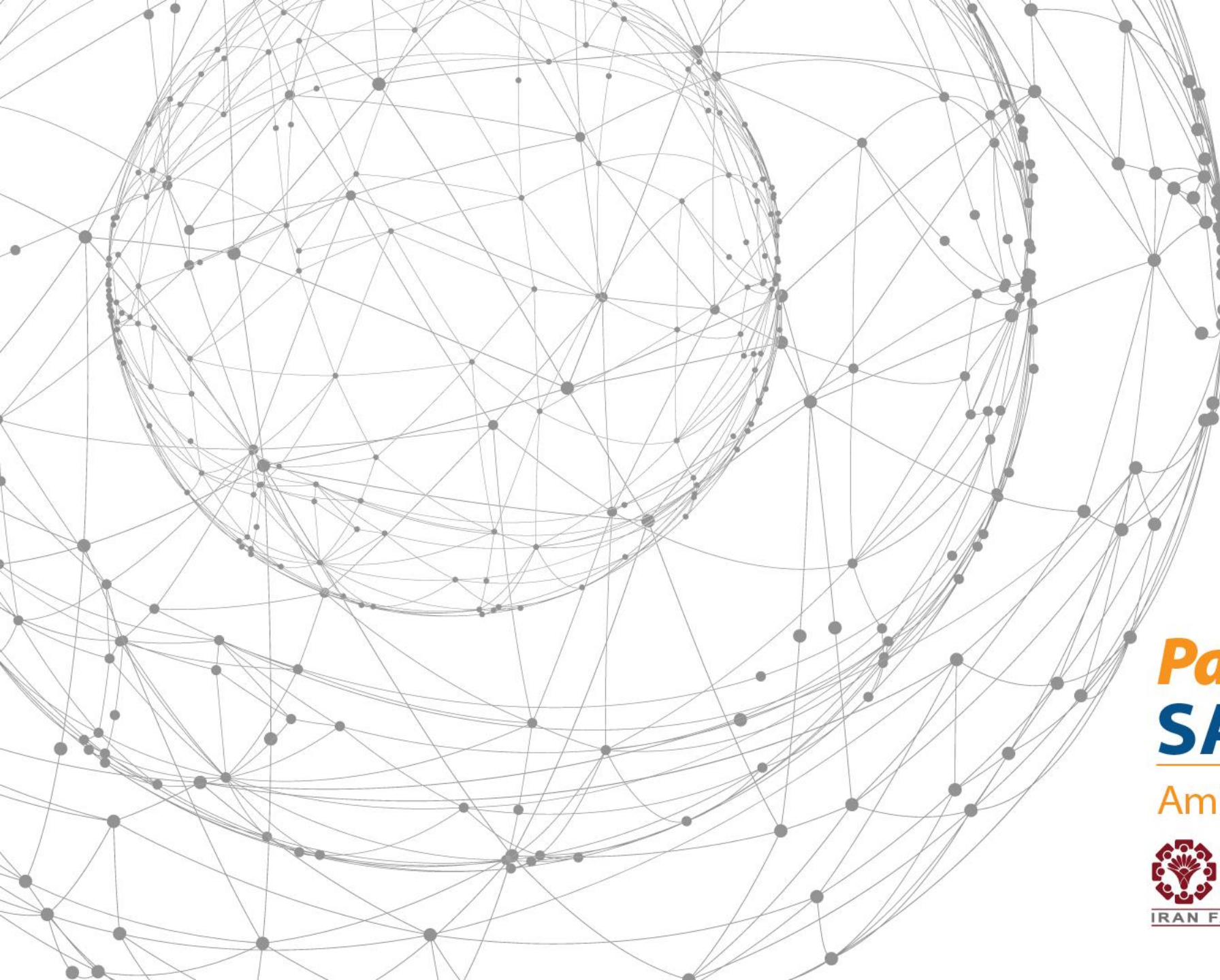
**IFC**

- Free Open Data Access (One Year)

# Proposed Model



A minimum of 1 month process



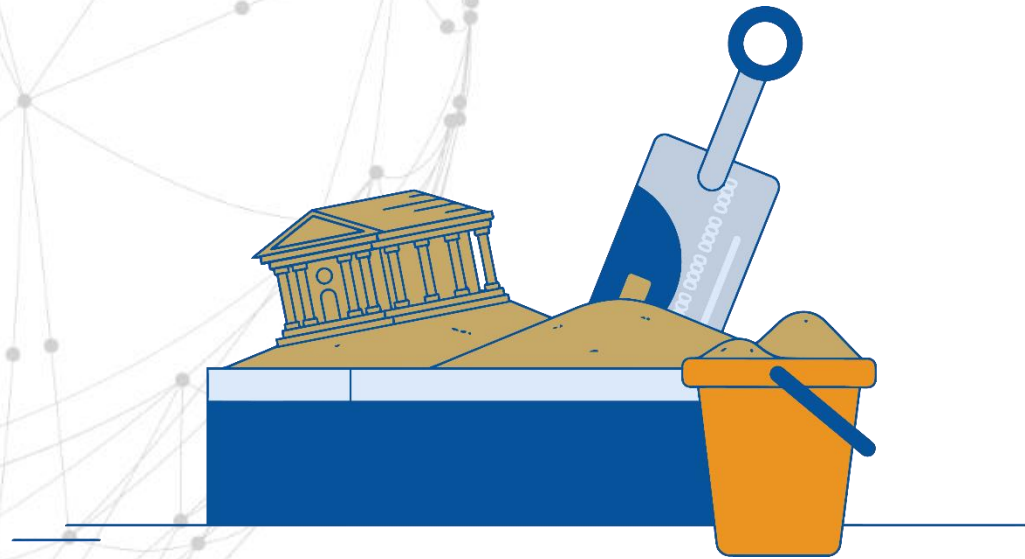
## *Part two:* **SAND BOX**

Amir Hamooni - IFB CEO



# What is a Sandbox?

… a mechanism for developing regulation that keeps up with the fast pace of innovation

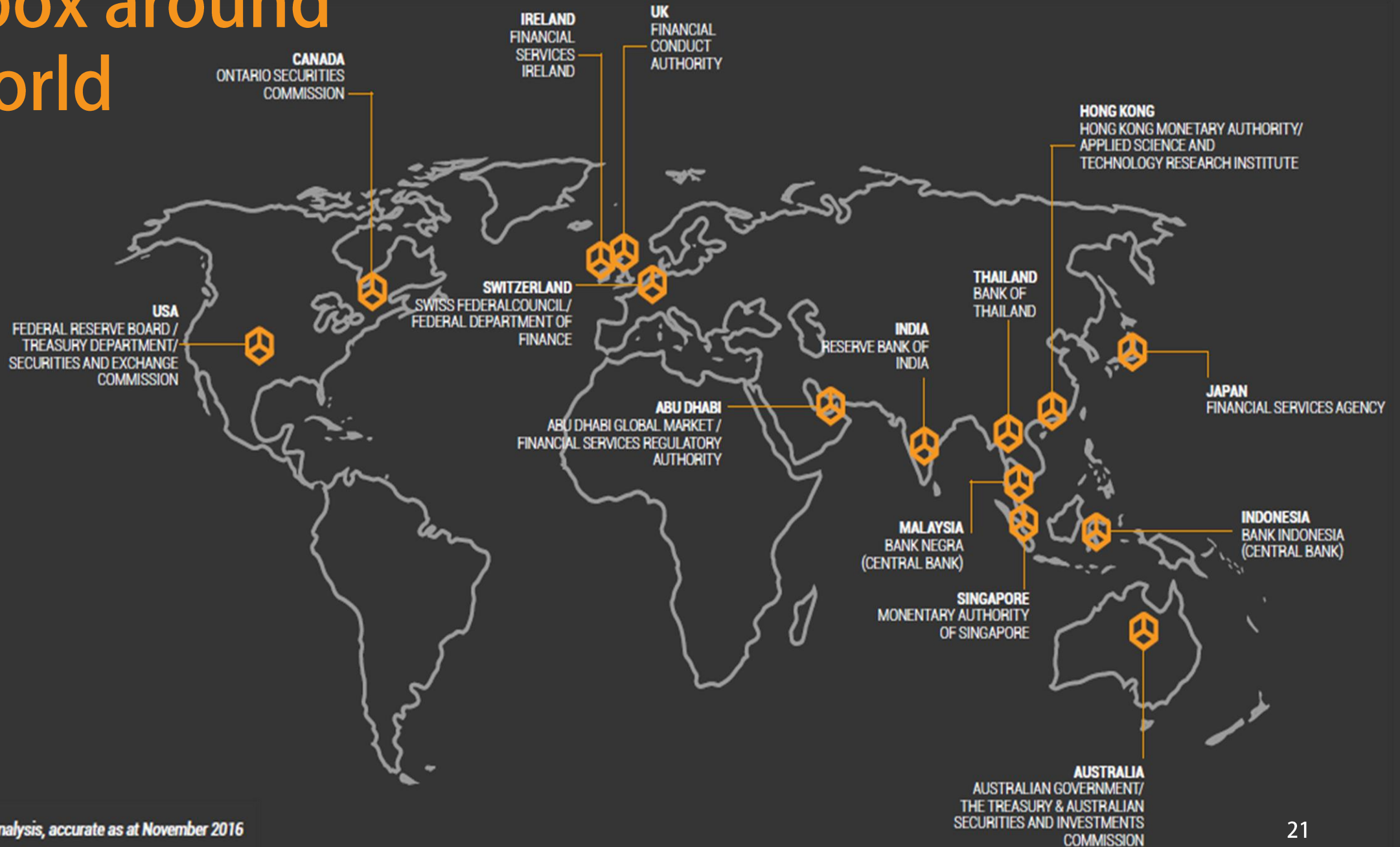




# Sandbox Brief History

- US Customer Financial Protection Bureau, 2012 known as Project Catalysts
- The first edition of the British regulatory sandbox began in early 2017 known as Active Hubs

# Sandbox around the world





# Why need Sandbox?

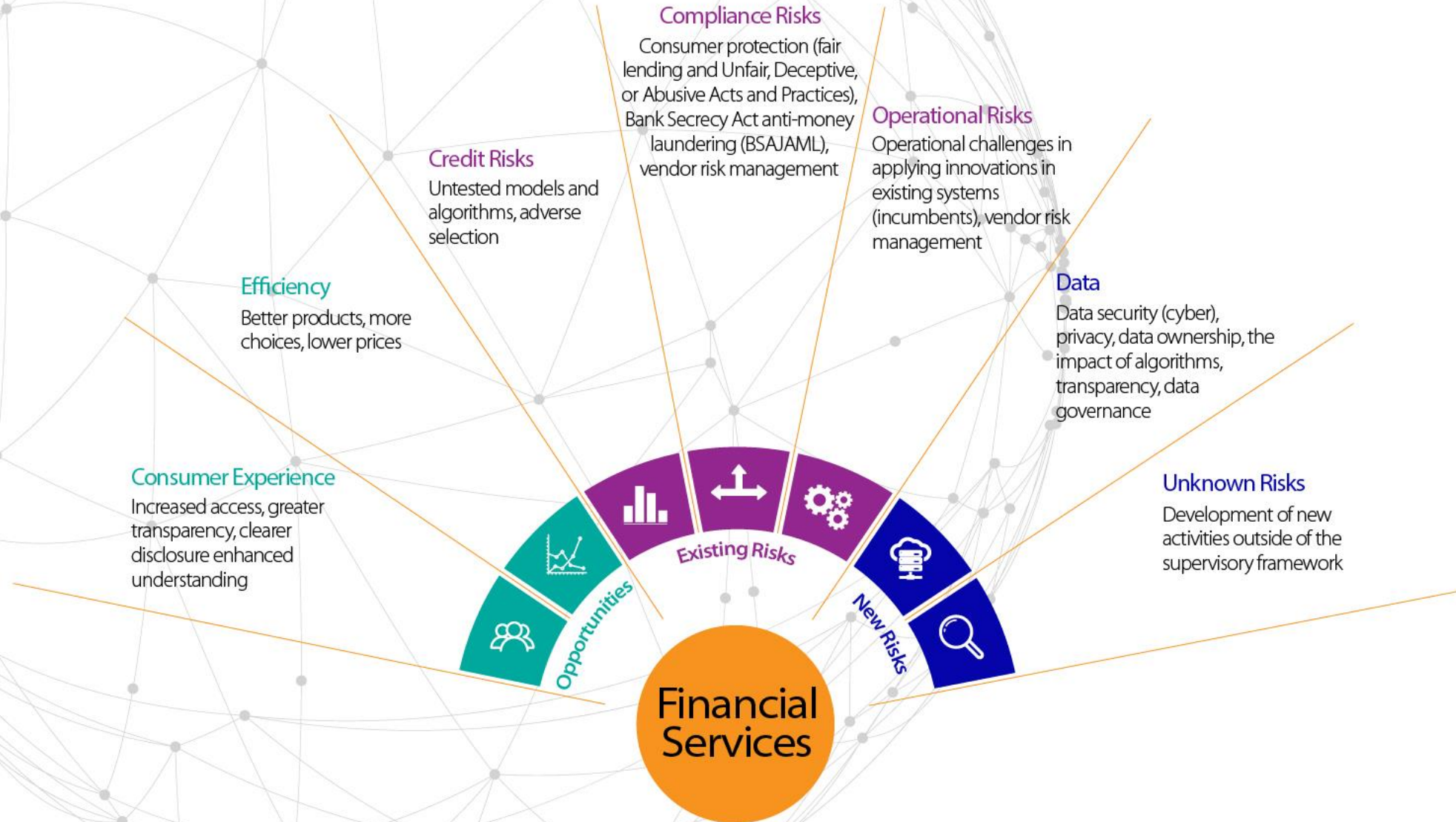
- Encouraging Fintechs
- Preparing requirements for setting up Fintechs
- Helping to enact applicable laws and regulations
- Facilitating New Financial Instruments Development



# Why need Sandbox in Iran?

- Reducing High Compliance Costs
- Shortening Time-Consuming Process for
  - Sharia' Compliance
  - Regulation Compliance
- Decreasing Time Action Lags Created by
  - Different environments, economically, legally, demands
  - ETCF as an example

# Sandbox; Strengths and Threats



# Current Process for financial instruments in Iran Capital Market



A minimum of 1 year process



## Exampels of Projects Duration

### Done Projects

### Project Duration (years)

ETCF

7

VC

3

Islamic T-Bill

3

SME Market

2

Mortgage Rights

2

ETF

2

Ijara Sukuk

2

MBS

1.5

Murabaha Sukuk

1

Istisna Sukuk

1

Option Market

1

# IFB Proposed Process for Financial Instruments Sandbox





# Innovate Finstars Including Sandbox in IFB

## IFB **Finstars** Brand

1. The first Fintech Sandbox in Iran Capital Market
2. The largest Fintech event in MENA



# IFB Proposed Process for Fintech Sandbox

Process of Fintech Registration at Finstars Sandbox  
Open Data Access for Startups

- Pillars:
  - Iran Fara Bourse as Finstars Secretariat
  - Rayan Bourse as Technical Partner of SEO
  - Iran Financial Center (IFC) as Iran Capital Market Data Center



# Process of Private Placement at Finstars Sandbox

## Market Core Access for Private Placement

- Pillars:
  - Iran Fara Bourse as Finstars Secretariat and VACHAR (market core) Owner
  - SEO and Shariah Compliance Committee
  - Financial Institutions
  - Sophisticated Investors

# Process of Private Placement at Finstars Sandbox

## Market Core Access for Private Placement

**Finstars**

- Initial registration of Private Placement Sketch by Financial Institutions
- Screening by Committee of Registration

**SEO & shariah  
Compliance Committee**

- Technical and Shariah Aspects checking
- Approval

**VACHAR**

- Private placement of new financial instruments by financial institutions to sophisticated investors in restricted time and volume



# Sandbox Implications

- Access reliable and real-time data
- Transparency in accessing information to all Fintechs in a fair manner
- Grant required authorities by Fintechs and encourage them to use data with protecting customers privacy



# IFB contribution to support SMEs & Startups

- Develop Intellectual Property Market
- Run Venture Capitals through Market

***Thanks for your attention***  
**Let's Welcome Fintechs as  
Potential Partners rather than Disrupters**



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