

FinTech & Cryptocurrency Regulation Emerging Trends

Webinar for

Interactive Brokers

by

BCMstrategy, Inc.

12 February 2020



Disclosures

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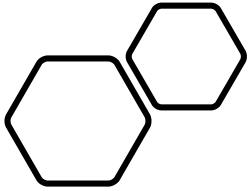
Past performance is not indicative of future results.

Agenda

- Identifying Inflection Points/Predictable Policy Risk
- What To Expect (FinTech Regulation)
 - Banking/Credit Intermediation
 - Crowdfunding
 - Insurtech
- What to Expect (Cryptocurrency/Stablecoin Regulation)
- What to Expect (CBDC policy)

How To Trade The News

Top Ten Rules Recap

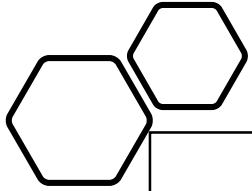


Rule 1 – Be Objective

Beware

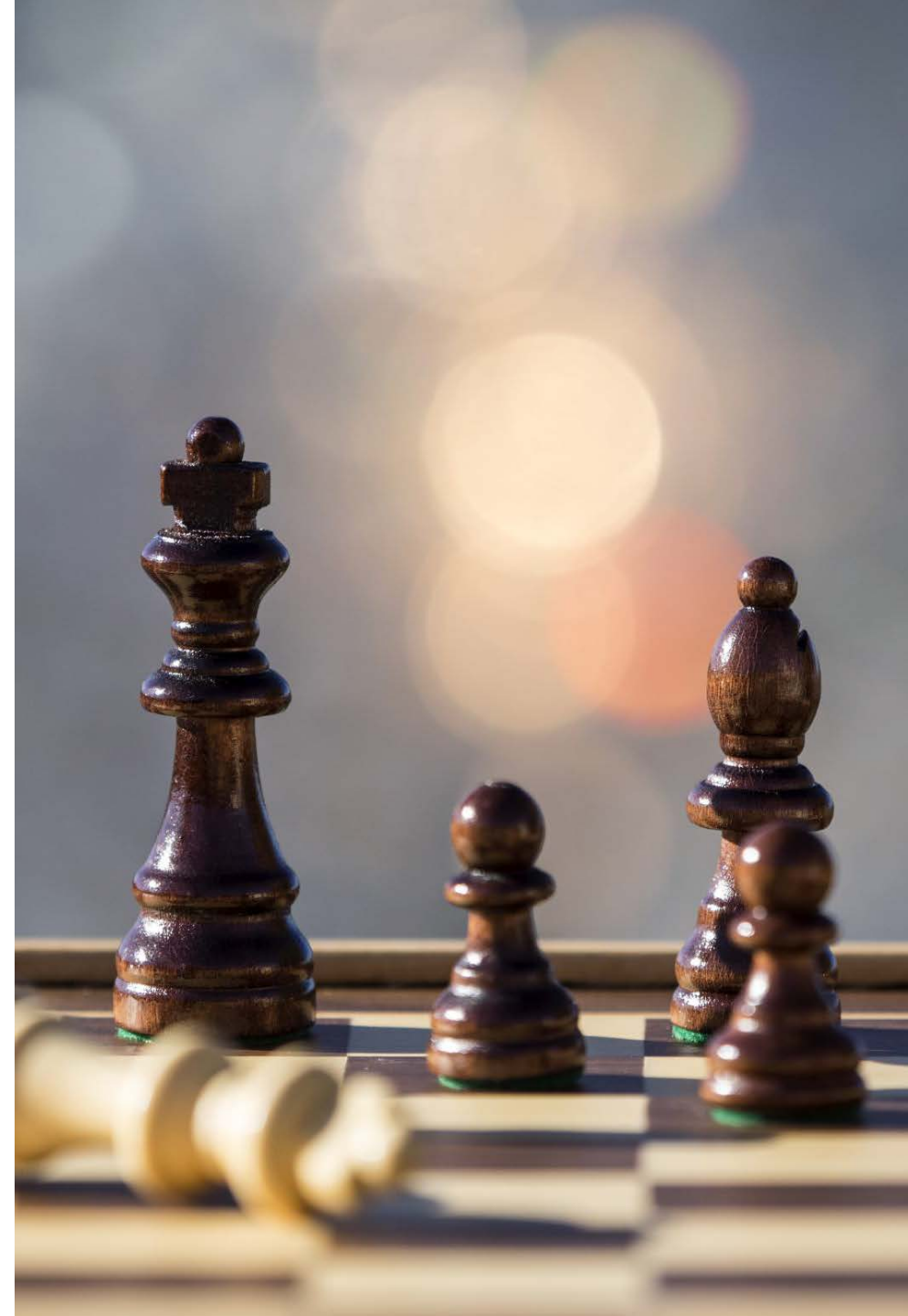
- Emotions (Denial and Disbelief)
- Surprise/ Justification
- The Lemming Effect





Identifying Policy Momentum

- **Rule 2**: The Trend Is Your Friend...even if you disagree with the direction of policy
- **Rule 3**: Be Strategic
- **Rule 5**: Be Relentless



Rule 4 and Rule 9: Data Types

Rule 4: Economic Data

GDP

PMI

Trade Flows



Rule 9: Alternative Data

Habit Data

IoT-Generated Data

New Combinations of Data

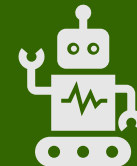


Rule 9: New Data

Machine-Generated Data

New Correlations

Language Data



Rule 10: Distinguishing Rhetoric from Action

Rhetoric

The News Cycle, including Leaks

Action

Today's action generates tomorrow's headlines

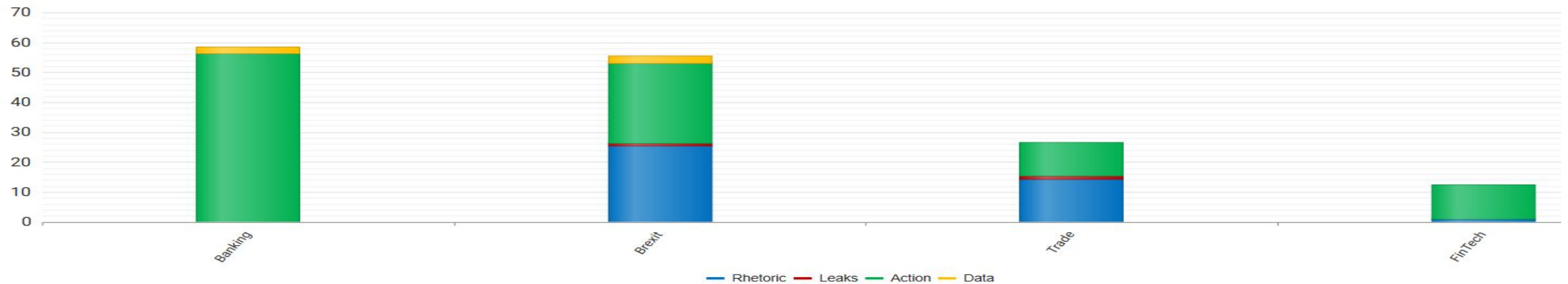
Scan Date

10/02/2019



VIEW GRAPH

Policy Risk Indicators: [Date: 10/02/2019]



Source: BCMstrategy, Inc.

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Key Take Aways

- Policy Risk Can – And Should – Be Measured
- Advanced technology can
 - minimize headline risk,
 - increase operational efficiencies, and
 - increase strategic opportunities.
- Nowcasting and predictive analytics provide strategic advantages to investors when applied to public policy risk.



Planning Ahead – Predictable Inflection Points



Identifying Inflection Points

- **Rule 8: Nowcasting**
 - Align time horizons (meetings vs. options expiration dates)
 - Revisit assumption daily based on new facts
 - “Past performance does not *always* indicate future results”
- **Rule 7 and Rule 10: Action vs. Rhetoric vs. Leaks**
 - Look past the headlines
 - Don’t look back

The background features a blurred grid of green numbers on a dark blue and green gradient. Three white hexagonal shapes are positioned at the top center, with one larger hexagon overlapping the text box and two smaller ones above it. A large, semi-transparent grey hexagon is on the right side, and a large black-outlined hexagon is on the bottom right.

Know Your Policymakers

- **The EIFG Entities:**

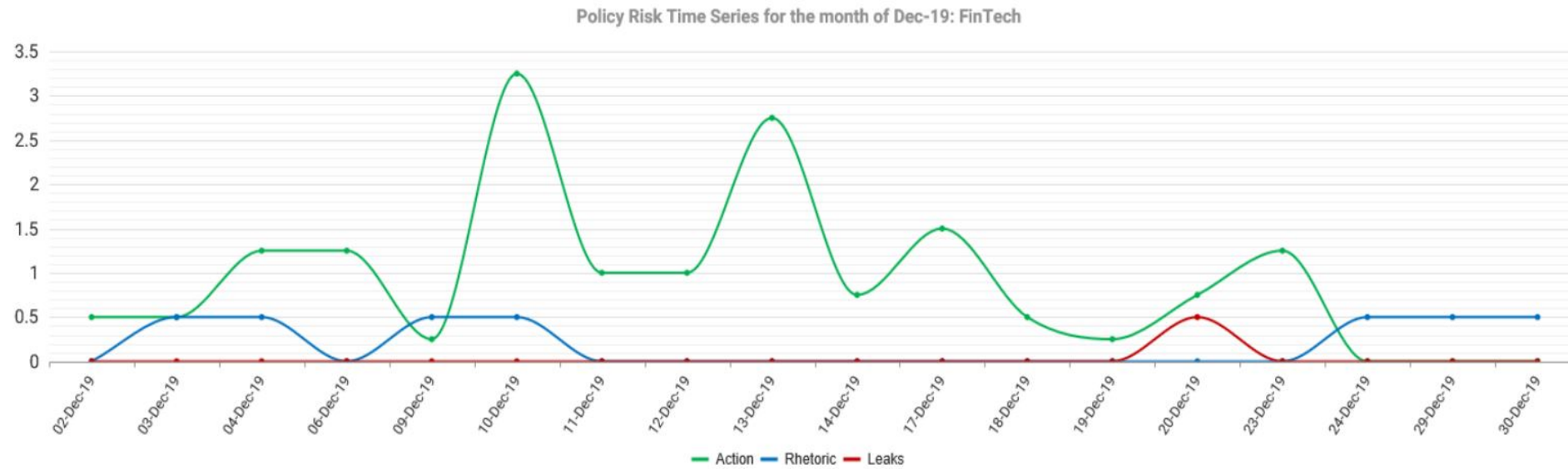
- E: European (ECB, EP, EC, EBA, EIOPA, ESMA, ESM, EFSF)
- I: International (IMF, IAIS, IAEA, BIS, IOSCO, BIS Innovation Hub, etc.)
- F: Cross-border (FSB)
- G: HOSG, Ministerials (G7, G20, G24)

- **National Processes**

FinTech Policy – Data and MacroTrends

FinTech Policy

Jan 2019 vs
Jan 2020



InsurTech

Scan From* Scan To* Lexicon Term*



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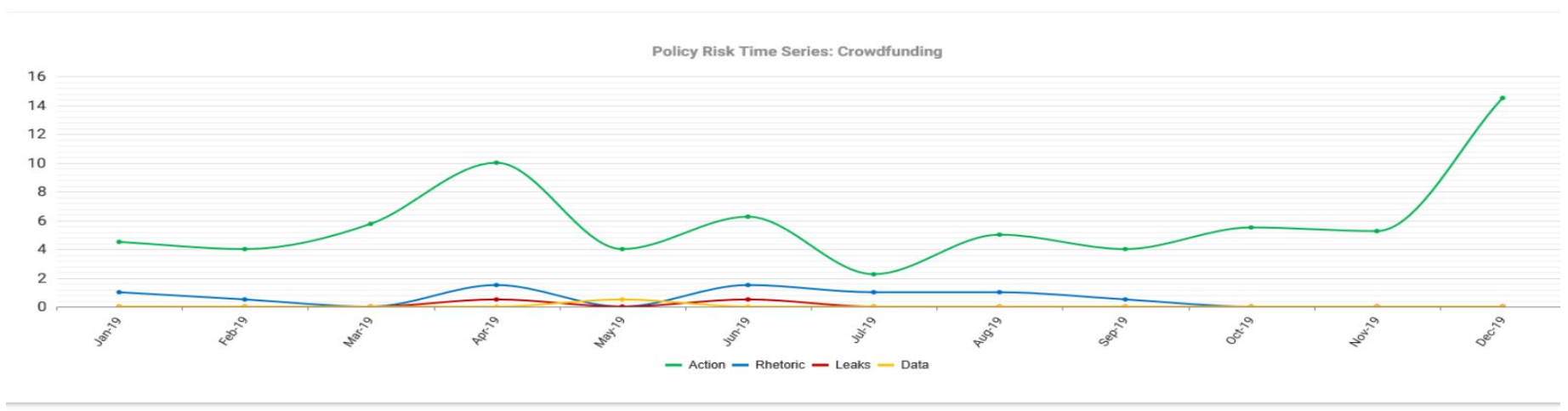
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Crowdfunding

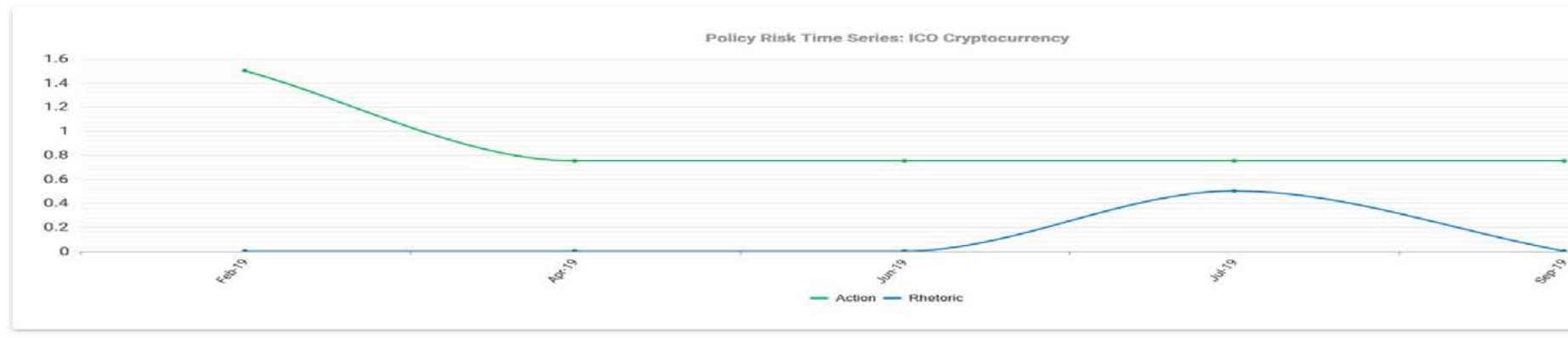
ICO

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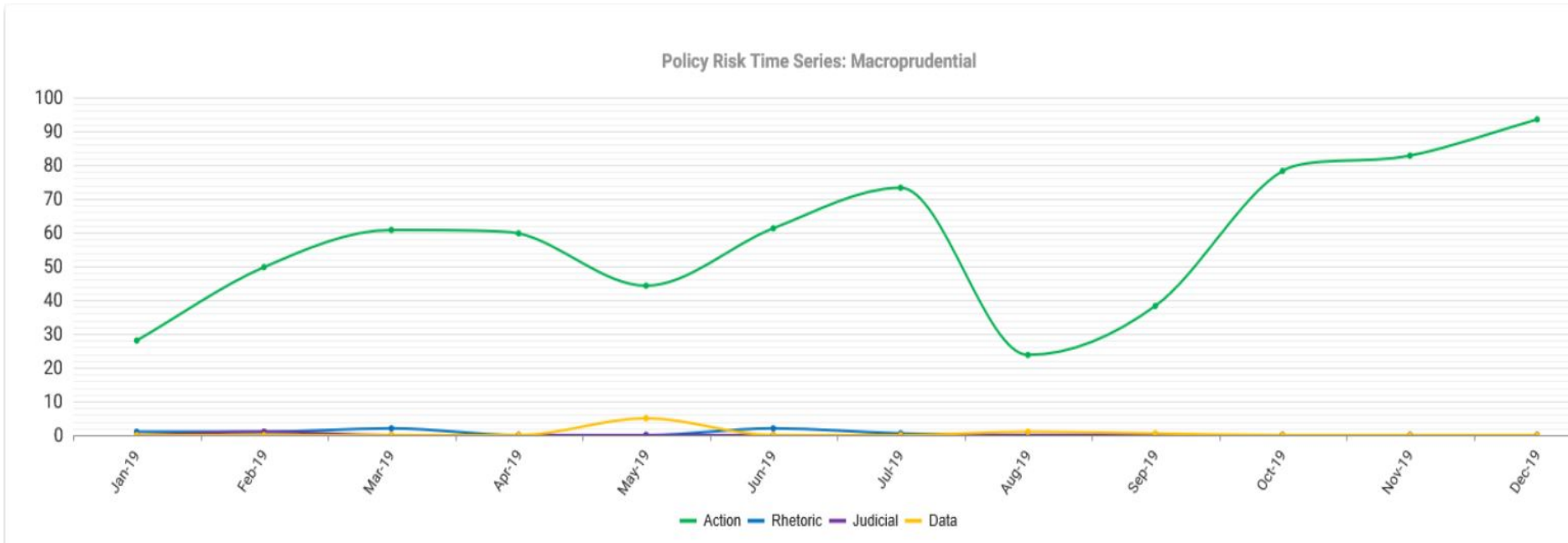
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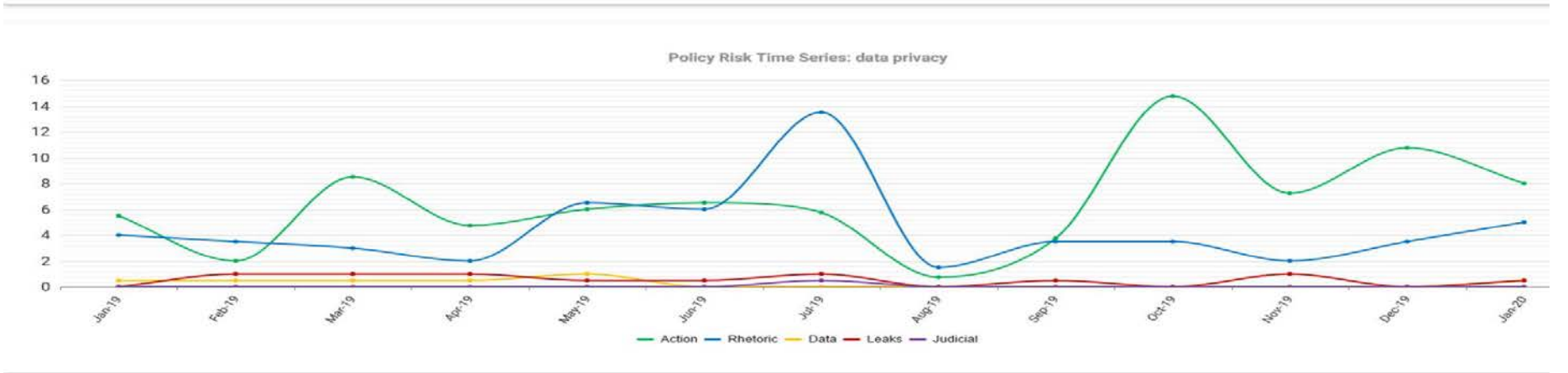


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MacroPru & Data Privacy

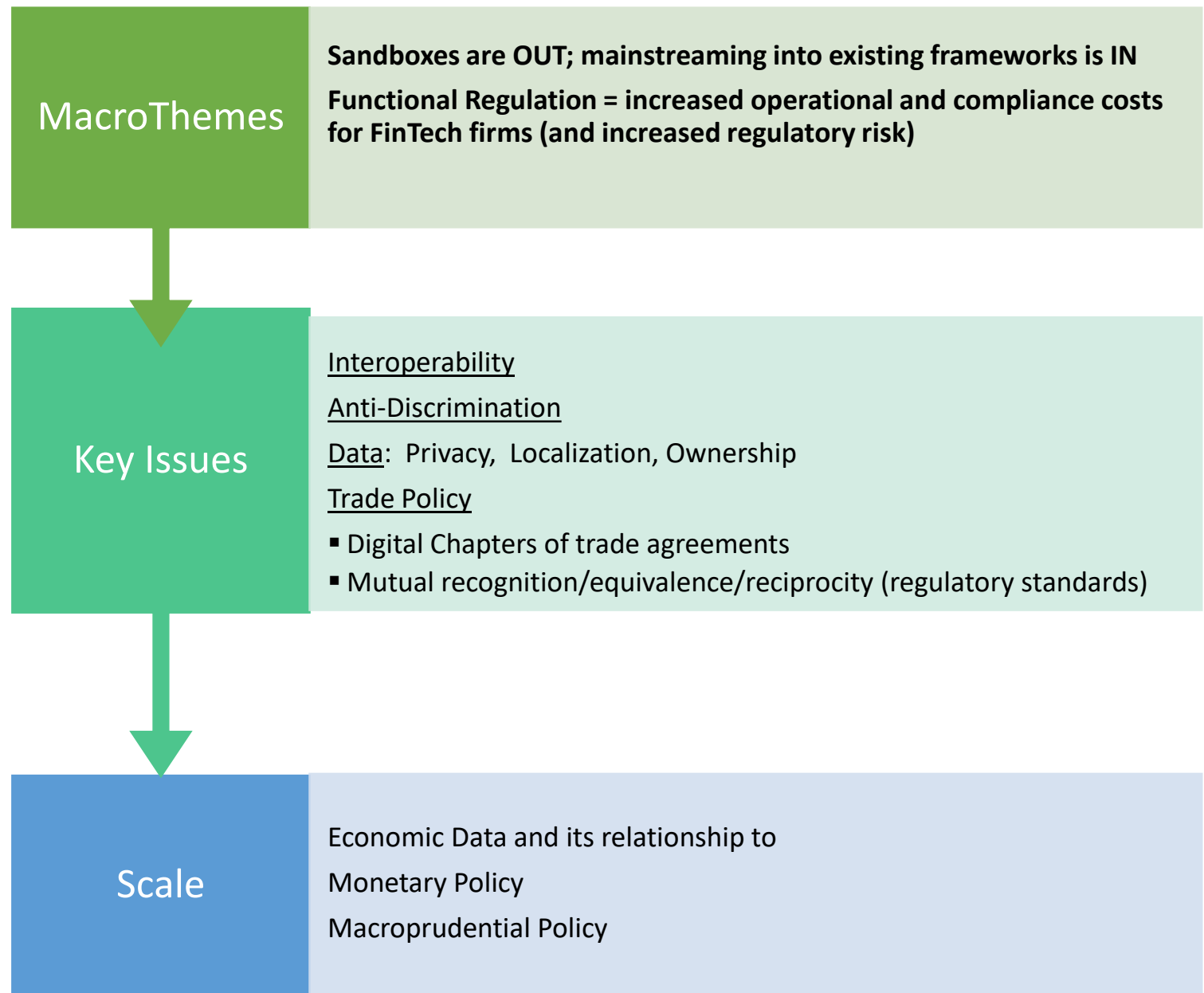


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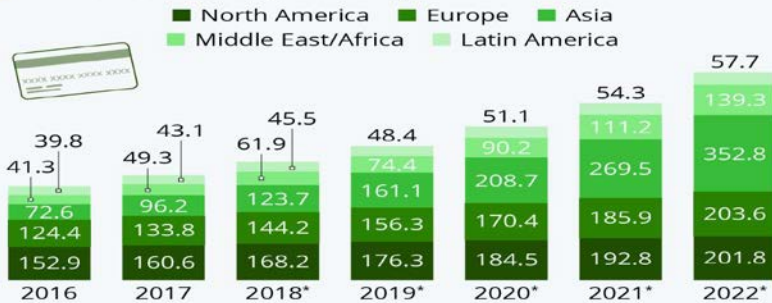
FinTech

2020 Themes & Trajectories



Asia Leading the Cashless Revolution

Number of non-cash transactions worldwide from 2016 to 2022 (in billions)



* Estimates from World Payments Report 2019
Source: Capgemini



statista

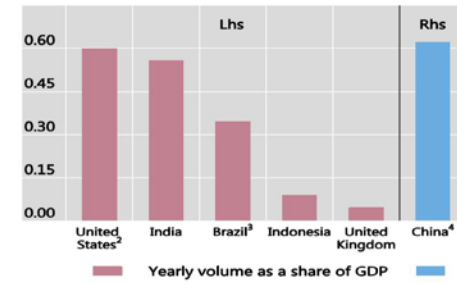
Mobile payments and bank accounts¹

Source: De Nederlandsche Bank

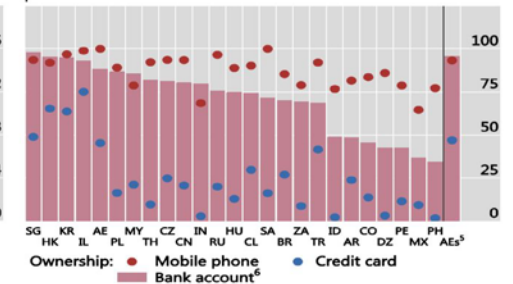
Graph 1

In per cent

Big tech mobile payment services



Fraction of population with bank accounts, mobile phones and credit cards

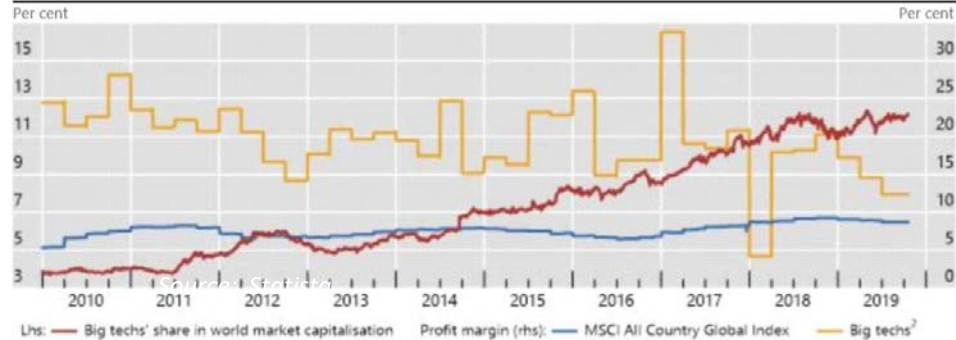


¹ 2017 data. ² 2016 data. ³ Estimate based on the public data for Mercado Libre. ⁴ Only mobile payments for consumption data (i.e. excluding mobile payments for money transfer, credit card payments and mobile finance). ⁵ Advanced economy average. ⁶ Respondents who report having an account at a bank or another type of financial institution or report personally using a mobile money service in the past 12 months.

Sources: Frost et al (2019); World Bank; Forrester Research; GlobalData; iResearch; Mercado Libre; Nikkei; Worldpay; national data; BIS calculations.

Big techs¹ have a rising share in overall market capitalisation and higher profitability

Graph 3



¹ The sample comprises Alibaba, Amazon, Apple, Baidu, eBay, Facebook, Google, Kakao Corp, Line, Microsoft, NTT Docomo, Rakuten, Samsung and Tencent. ² Average profit margin.

Source: Bloomberg.

Source: Bank for International Settlements

Macro-mapping of the financial system

21+EA-Group

Source: Financial Stability Board

Exhibit 2-1

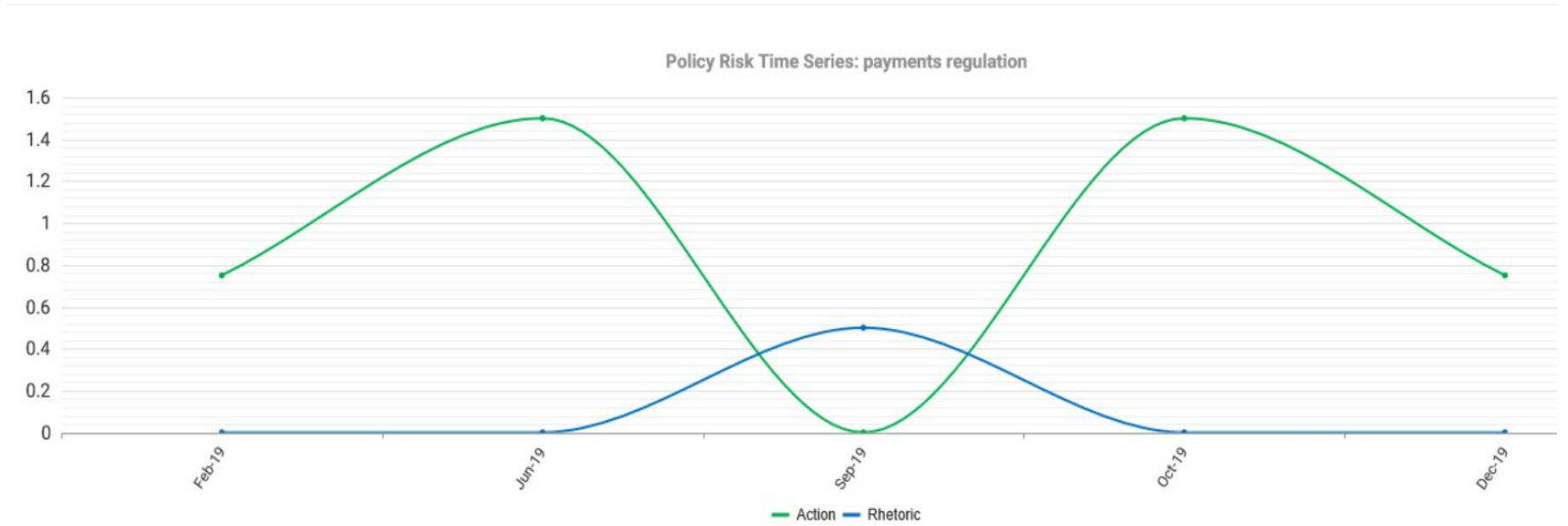
	Total global financial assets	Central banks	Banks	Public financial institutions	MUNFI	Insurance corporations ¹	Pension funds	OFls	Financial auxiliaries ²
Size at end-2018 (USD trillion)	378.9	30.1	147.9	17.3	183.7	32.9	35.6	114.3	1.0
Share of total global financial assets (%)	100.0	7.9	39.0	4.6	48.5	8.7	9.4	30.2	0.3
Growth in 2018 (year-over-year, %)	1.4	2.5	2.8	3.2	-0.1	0.2	0.4	-0.4	8.8
Growth 2012-17 (annualised growth, %)	5.9	8.5	3.4	4.7	7.8	5.5	6.3	9.0	8.8

¹ For some jurisdictions, data on insurance corporations include separate accounts. ² Financial auxiliaries are institutional units principally engaged in serving financial markets, but do not take ownership of the financial assets and liabilities they handle (SNA 2008). The figures for financial auxiliaries excludes the euro area due to reporting constraints.

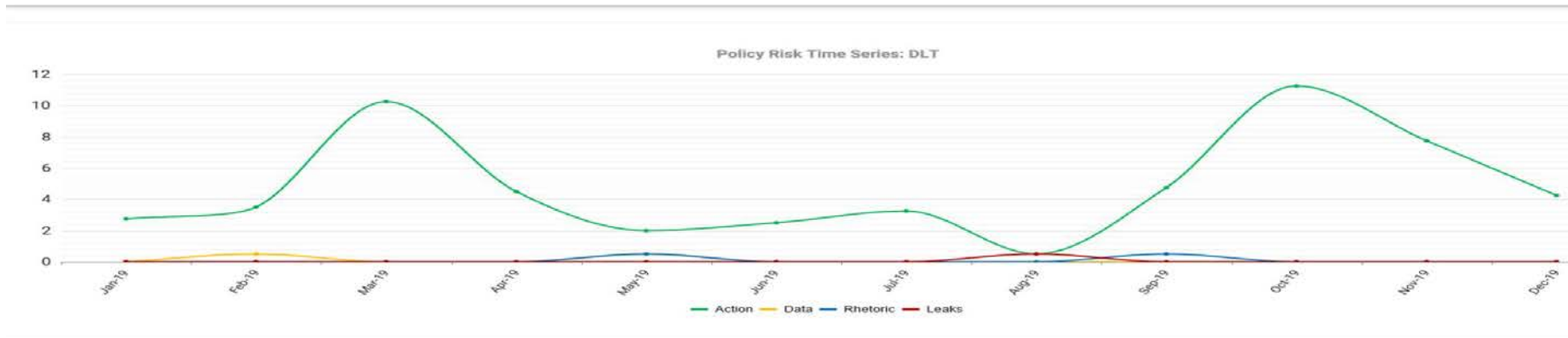
Sources: Jurisdictions' 2019 submissions (national sectoral balance sheet and other data); FSB calculations.

Payments – Data and MacroTrends

Payments



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Payments -- 2020 Themes & Trajectories

MacroThemes

- Low frequency/high impact activity
- Ancillary areas generate forward policy momentum
 - DLT
 - Non-bank access

Key Issues

- Accessibility/Inclusion
- Data Gathering
- Monetary Policy

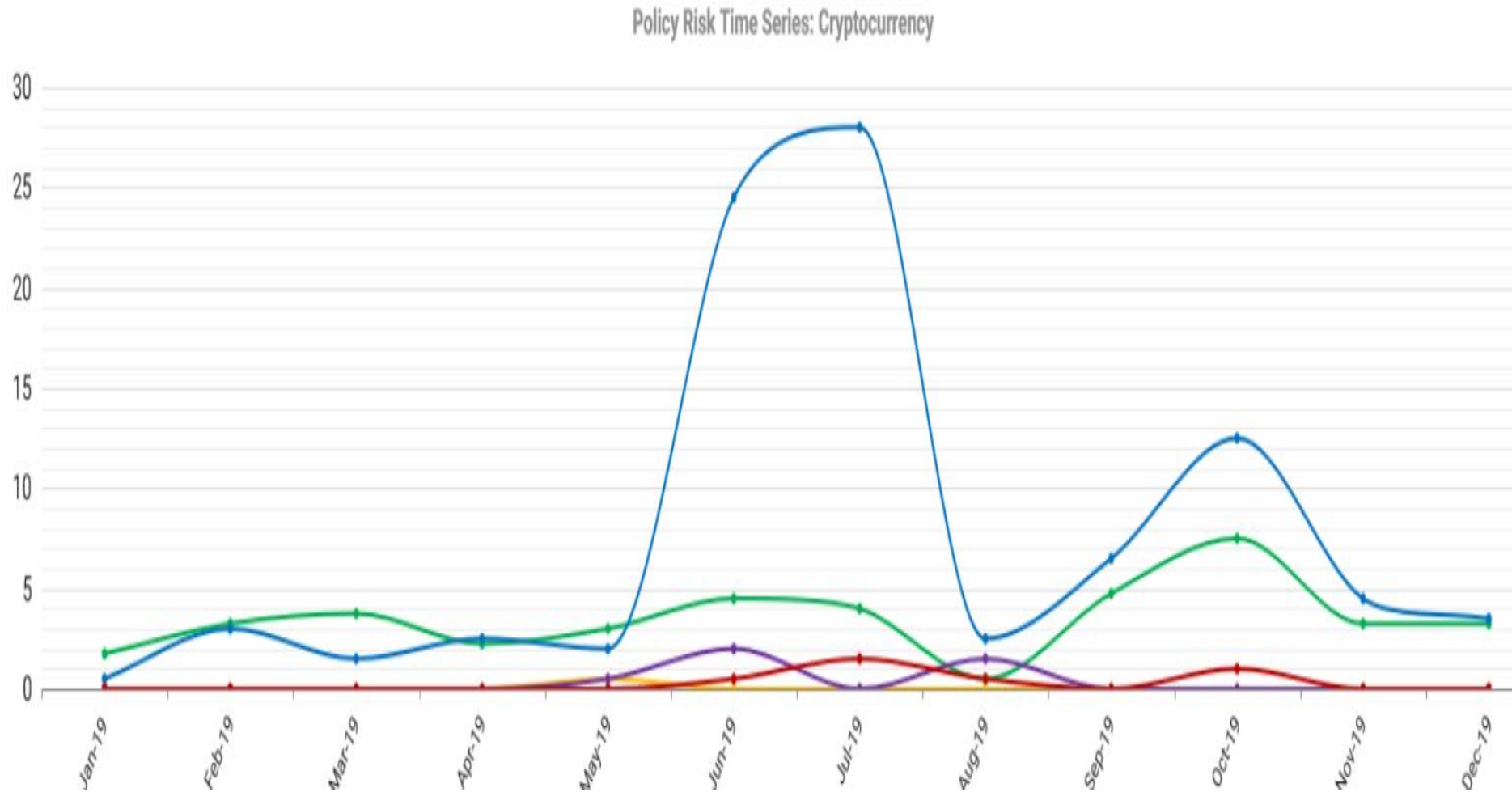
Key Overlap – electronic currencies

- Competition issues

Cryptocurrency, Stablecoins, and CBDC Policy

Data and MacroTrends

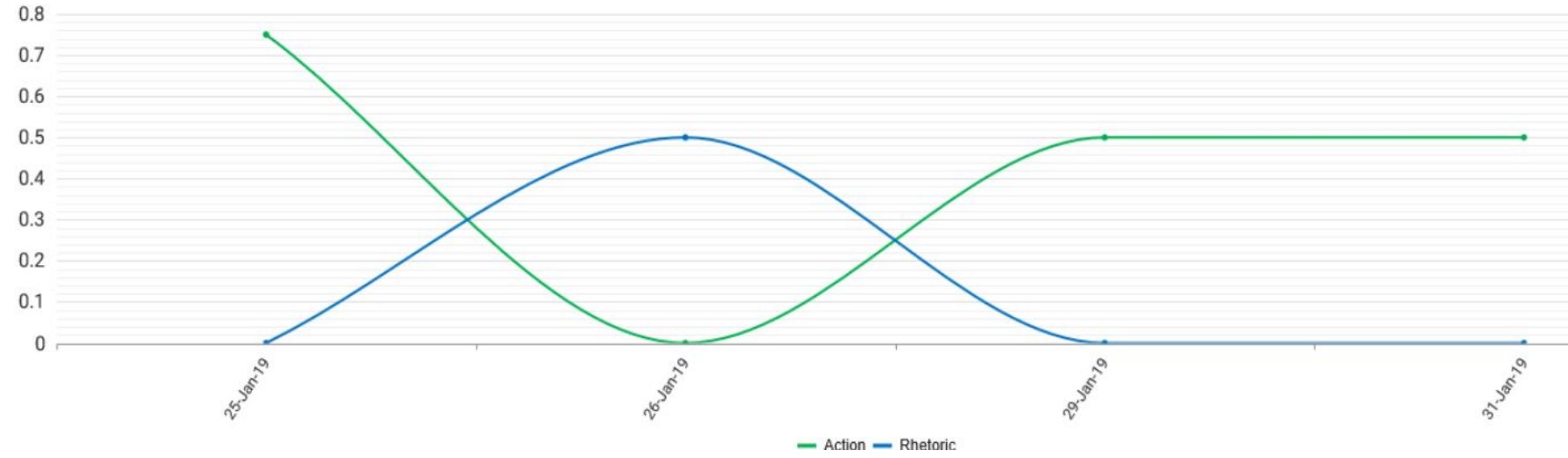
Crypto & Stablecoins



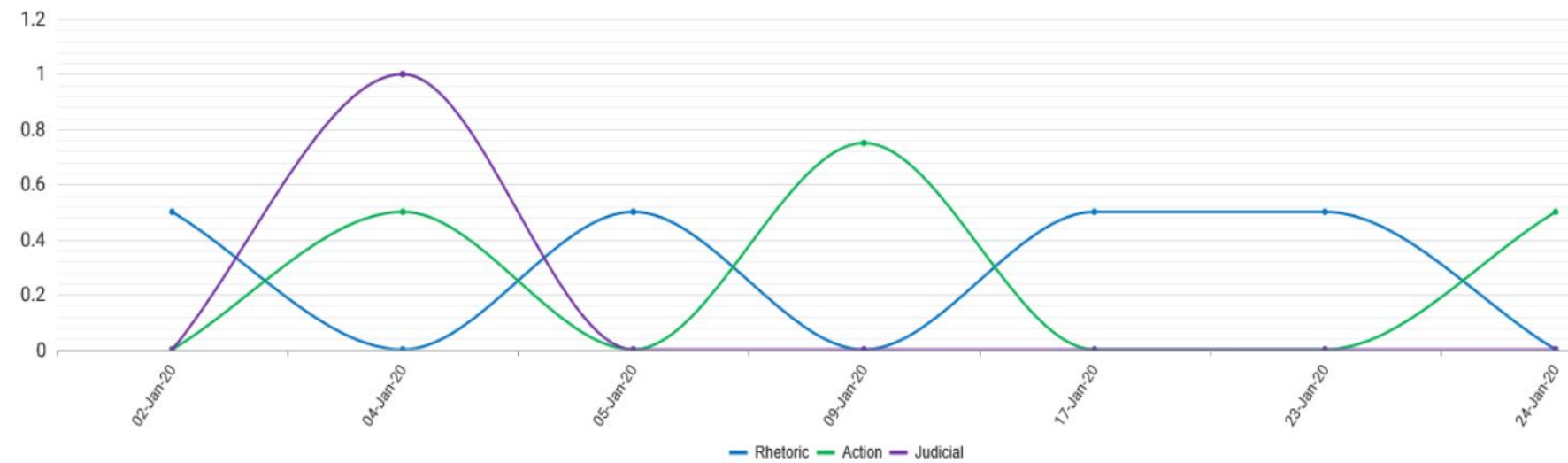
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Crypto Jan 2019 vs Jan 2020

Policy Risk Time Series for the month of Jan-19: Cryptocurrency

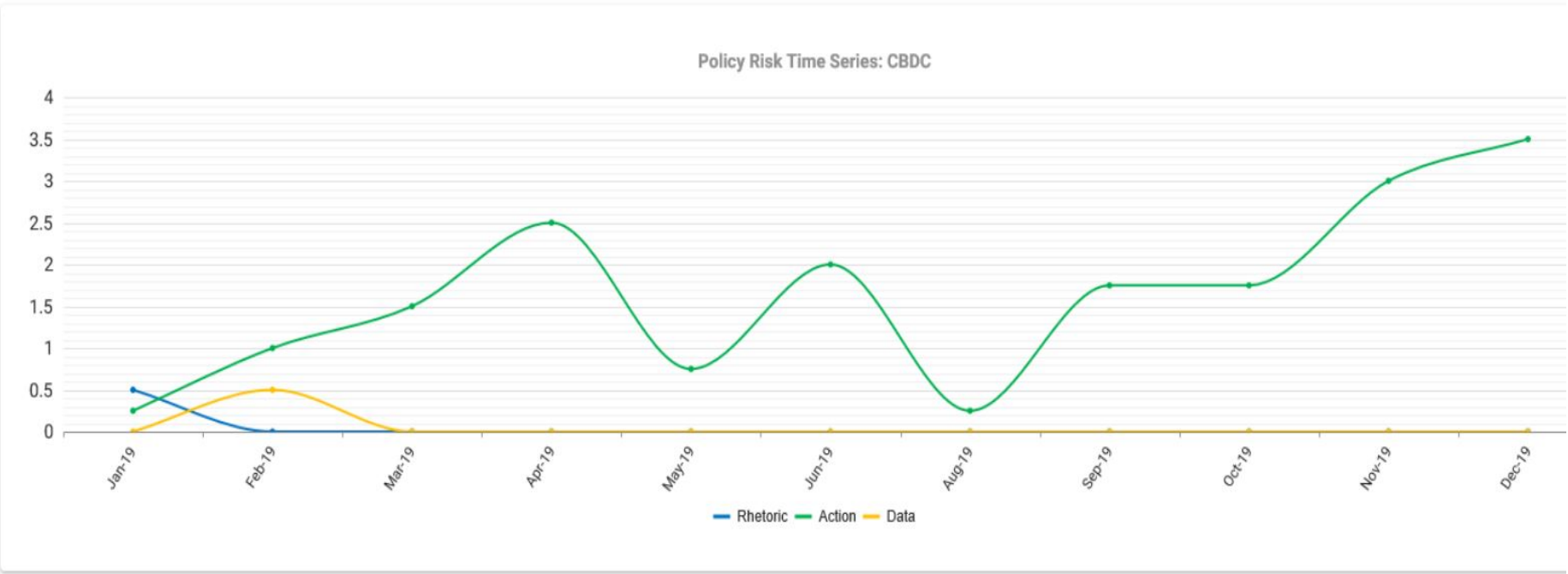


Policy Risk Time Series for the month of Jan-20: Cryptocurrency



CBDC

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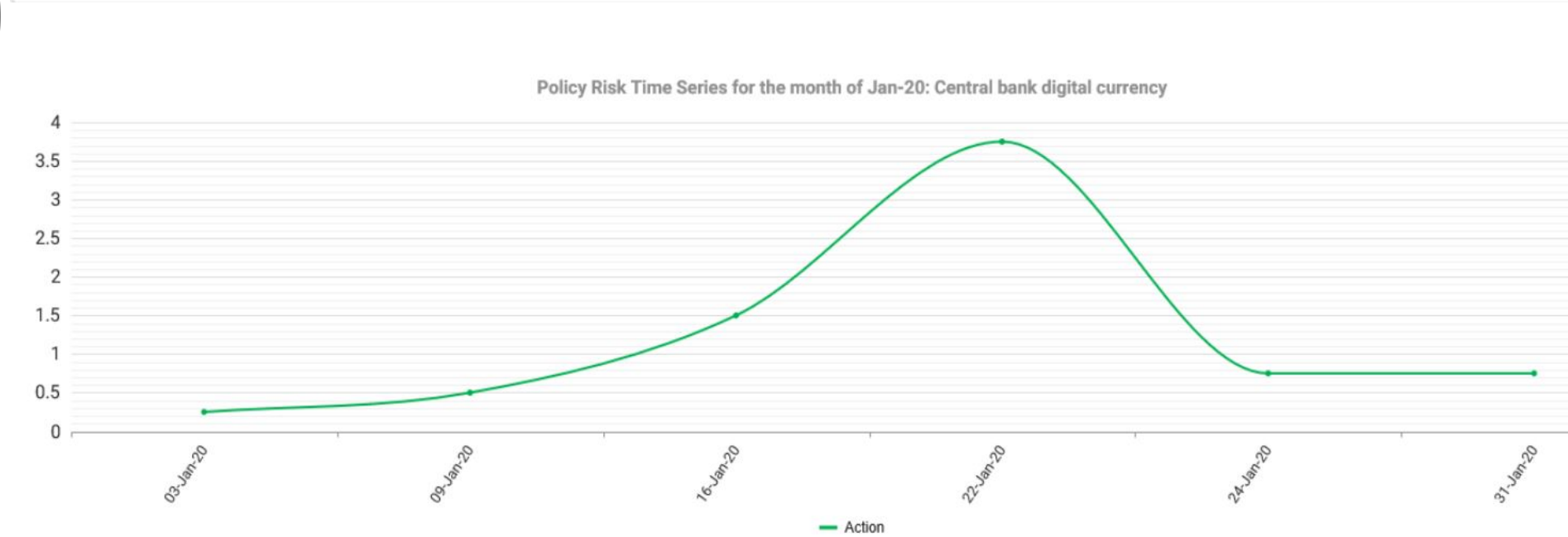
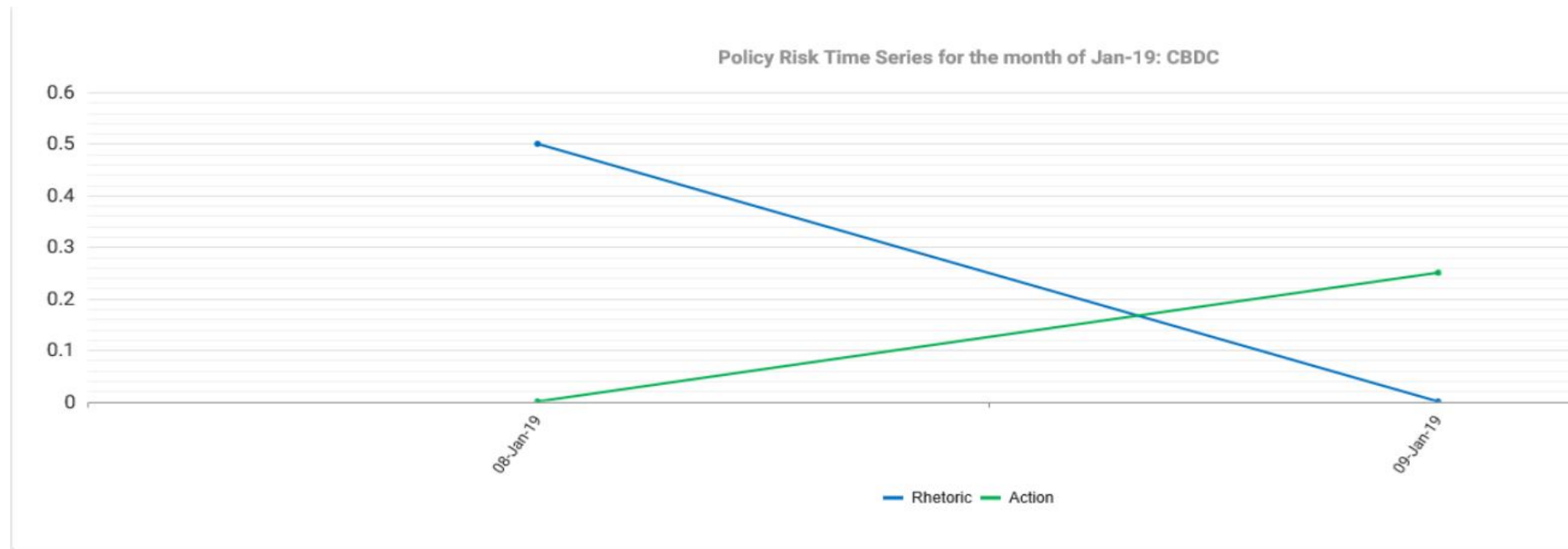


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CBDC Jan 2019 vs Jan 2020



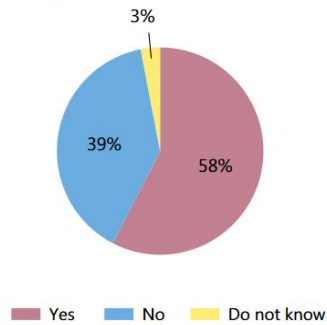
Official Sector Data Tells Us Policymakers are Just Warming Up

Many central banks are not yet analysing the impact of private digital tokens

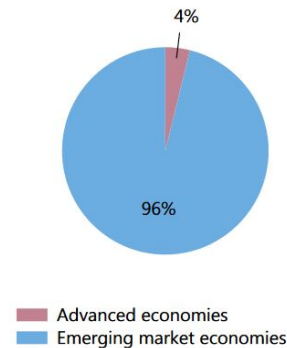
In per cent of respondents

Graph 8

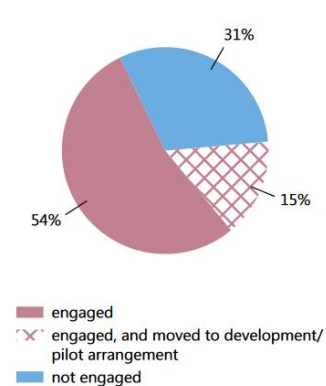
Are you analysing the potential impact on monetary and financial stability of stablecoins?



Central banks that responded "no"



Central banks that responded "no" (engagement in CBDC work)



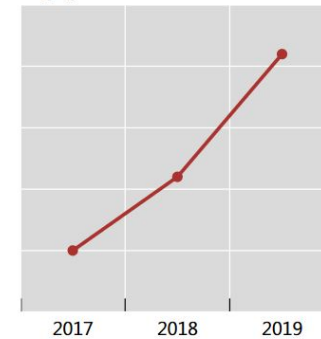
Source: Central bank survey on CBDCs.

Central banks continue to work on CBDC

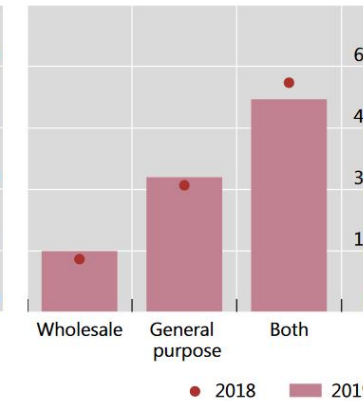
Share of respondents

Graph 2

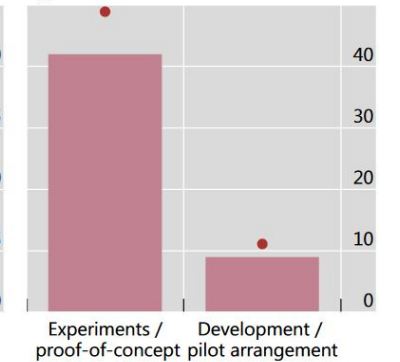
Engagement in CBDC work



Focus of work



Type of work in addition to research¹



¹ Share of respondents conducting work on CBDC.

Source: Central bank survey on CBDCs.

Crypto & CBDC

2020 Themes & Trajectories

Cryptocurrency

- Fading as a focus of attention
- Securities enforcement actions

CBDC – 2020 is the focus

- Wholesale (inter-corporate, inter-bank) initial priorities
- Transparency priorities
- Monetary Policy

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Traders' Academy Online Course

Presentation



Trading the News

REVIEWS QUESTIONS

Are you tired of headline risk? Do you worry about how policy developments generate market volatility and risk for your portfolio? Would you like to position yourself strategically to make the noise of the news cycle work to your advantage? Our "How to Trade the News" course describes the components needed to start treating public policy risk as an asset class which can be measured, managed, and hedged. Course segments include descriptions of how to distinguish between rhetoric and concrete action, how to engage with both economic and the growing array of alternative data, and how to understand leaks. Segments provide suggestions for how to select technology vendors and how to minimize exposure to third party vendor risk. Individual rules can be found in the Interactive Brokers Traders' Insight blog.

Those enrolled in Traders' Academy can access a complimentary copy of the Trading the News eBook.

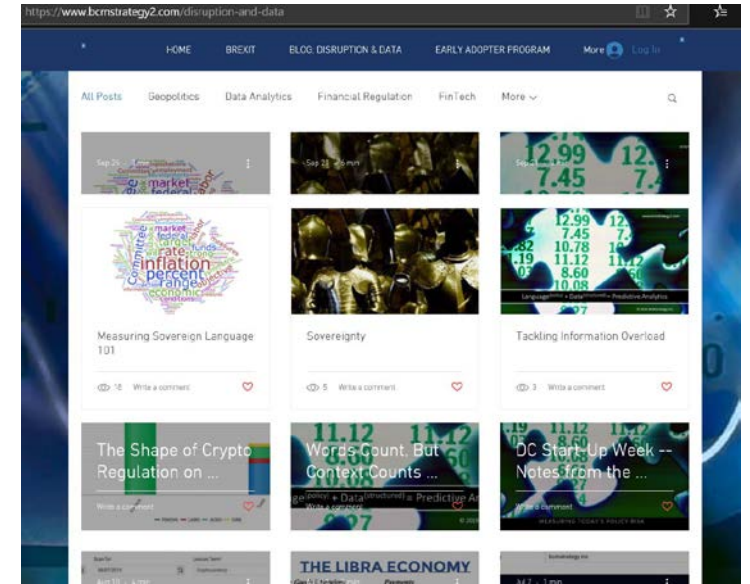
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Traders' Insight Blog

Contributor



Disruption & Data Blog

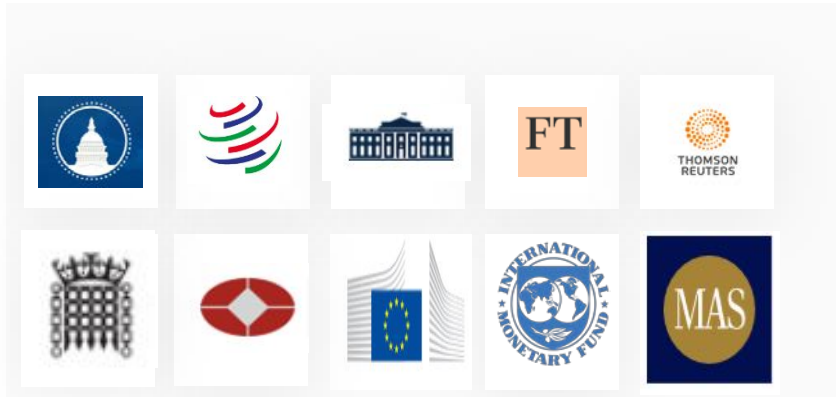


Additional Resources

About BCMstrategy, Inc.

The Value

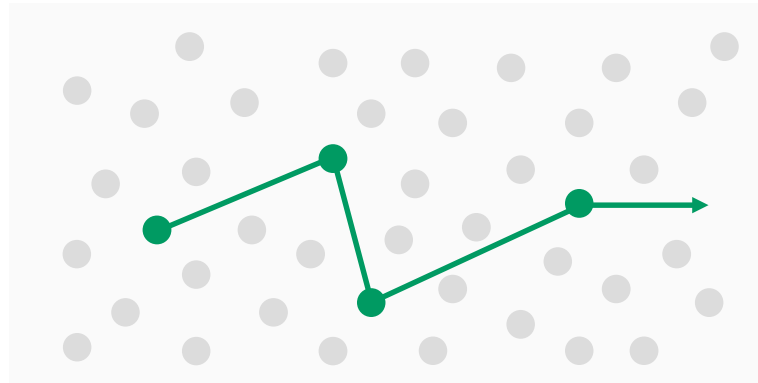
Faster Information Acquisition



Less time scanning headlines

Less time scrolling through email newsletter digests and duplicative information

Increased efficiency



More time for high-value analysis regarding policy momentum and conceptual correlations.

Better Strategic Decisions



Generate more and better strategic decisions than competitors using concrete data.



About [BCMstrategy, Inc.](#)

BCMstrategy, Inc. is a start-up company using patented technology to provide investors and executives with transparent, objective data from the public policy process so they can make better decisions faster and better than their competitors.

For information about our Pilot Program or to learn more, please [contact us](#).

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