

Lesson 11: Regulatory Frameworks

Module 1: FinTech Fundamentals

Digital Finance

Key Frameworks

- PSD2: Open banking
- MiCA: Crypto assets
- DORA: Digital resilience
- GDPR: Data protection

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PSD2 Key Provisions

Core Requirements

- Strong Customer Authentication
- Open API access
- Third-party provider licensing
- Liability framework

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Market Effects

- 12M UK users (2023)
- 350+ registered TPPs
- £6B transaction value
- Innovation acceleration

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Three Categories

- E-Money Tokens (EMTs)
- Asset-Referenced Tokens (ARTs)
- Other crypto-assets
- Different regulatory tiers

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Issuer Obligations

- White paper mandatory
- Reserve requirements
- Capital adequacy
- Consumer protection

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Digital Operational Resilience Act (DORA)

ICT Risk Management

- Cyber resilience standards
- Third-party risk oversight
- Incident reporting (72h)
- Testing requirements

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Key Obligations

- ICT governance framework
- Threat-led penetration testing
- Business continuity plans
- Critical service oversight

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Data Protection

- Explicit consent required
- Right to be forgotten
- Data portability
- 4% turnover fines

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Divergence Strategy

- Financial Services Act 2023
- Edinburgh Reforms
- Sandbox expansion
- Equivalence negotiations

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Multiple Regulators

- Federal: OCC, Fed, FDIC
- State: Money transmitter licenses
- SEC vs CFTC crypto debate
- 50 state compliance burden

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figures/fintech_licensing_map.pdf

Compliance Costs

Cost Breakdown

- Initial licensing: **\$500K-2M**
- Annual compliance: **\$200K-1M**
- Staff: 10-15% headcount
- Technology: **\$100K-500K**

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`figures/sandbox_global_map.pdf`

International Coordination

- Basel Committee guidance
- FSB crypto recommendations
- IOSCO principles
- Cross-border challenges

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- **PSD2**: Enables open banking, 12M users in UK alone
- **MiCA**: Comprehensive crypto regulation, 2024 implementation
- **DORA**: ICT resilience, 72-hour incident reporting
- **Fragmentation**: US 50-state vs EU single market
- **Costs**: \$500K-2M initial + \$200K-1M annual