

FinTech: A revolution in the legal and commercial sectors

Within the popularity of business we are seeing companies that are gaining space in the corporate market through technological financial services. These are called Fintechs, companies that through their technologies offer innovative business models that work hand in hand with the financial sector. These companies have revolutionized the financial sector, offering alternative solutions to traditional banks and facilitating access to credit, savings, investment and payments. However, Fintechs also pose significant challenges for the legal and commercial world, as they imply new risks, regulations, and opportunities.

In the legal aspect, Fintechs entail a transformation of business models, regulations and contracts that govern relationships between financial agents, given that these require an adequate regulatory framework that guarantees security, transparency, and consumer protection. Some countries have developed specific laws to regulate Fintechs, while others have chosen to adapt existing regulations or create testing spaces (regulatory sandboxes). In addition, Fintechs raise legal issues related to privacy, intellectual property, civil and criminal liability, and dispute resolution. Some of the biggest legal problems that Fintech companies face are potential security breaches in the use of essentially technological products and services, and the risks associated with the rise of cybercrime.

In the commercial aspect, they represent an opportunity to improve efficiency, competitiveness, financial inclusion and economic development. Fintechs allow companies to access alternative financing sources, reduce operating costs, optimize processes and offer better services to customers. At the same time, they favor the creation of new business models, strategic alliances and collaborative ecosystems between the actors of the financial sector.

Among the alternative sources of financing that they present, we can identify crowdfunding, peer-to-peer lending or equity crowdfunding. In financial operational services, they facilitate billing, accounting, collection and automation of due diligence processes. In addition, Fintech companies promote the digitization and internationalization of companies, by allowing them to operate in global markets with greater ease and security. Businesspeople can take advantage of the advantages offered by Fintech, but they should also be aware of the legal, fiscal and operational requirements that they entail, considering the regulation or non-regulation that exist in various countries.

In the Dominican Republic, Fintech is already a concept that is used in practice, but is not subject to any particular regulation. Despite the fact that supervision in financial matters is robust, establishing regulations regarding Fintechs should be considered, as has been done in other countries.

*Image created using artificial intelligence

Currently, Singapore is one of the main countries with the most development in Fintech matters, being recognized as the world capital of Fintech. The Monetary Authority of Singapore (MAS) has a regulatory sandbox that provides an environment for companies to experiment with innovative Fintech products and services. The sandbox scheme allows any organization inside or outside the financial services industry to experiment with new Fintech products and services under less stringent regulatory requirements. The Fintech Sandbox framework allows financial institutions and Fintechs to experiment with innovative financial products or services in a live environment, but within a well-defined space and duration.

In the Fintech world we can identify the following business models:

- Digital payments: They offer facilities for making digital payments such as payment methods, draft operations, digital wallets and international transfers.
- Lending: Loan and credit services through digital platforms.
- Regtech: Regtech is responsible for the management of regulatory processes within the financial industry and its main functions include monitoring, reporting and regulatory compliance.
- Crowdfunding: They allow users to invest in projects and companies.
- Insurtech: They use technology to improve efficiency and the user experience in the insurance sector.
- Blockchain technology and cryptocurrencies: They seek to take advantage of these technologies to offer innovative, efficient and accessible solutions to users and the financial sector. They offer services related to blockchain technology for storage or processing of data and cryptocurrencies for operations, transactions and investment with this digital asset.
- Personal finances and wealth management: They help the user in organizing their monthly expenses, payment schedule and investment proposals.
- LegalTech and LawTech: It is the use of technology to improve the provision of legal services and facilitate access to justice, for example: Smart contracts, intellectual property registration platforms, digital identity, legal consultation chatbots and signature platform. of legal documents among others.

Fintechs are a phenomenon that has transformed the financial sector and has a great impact on the legal and commercial world. Therefore, it is necessary to be up to date with the trends, challenges and opportunities offered by this constantly evolving field.



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*This summary contains only general information on the topics covered, so this document does not constitute a legal opinion. Ulises Cabrera recommends seeking specific legal advice for each case.