“The Future of FinTech”

Governor Dr. Nandalal Weerasinghe

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Good morning.

Honourable Eranga Weeraratne, Deputy Minister of Digital Economy, Dr. Hans Wijayasuriya, Chief Advisor to the President on Digital Economy, distinguished guests from financial institutions and the FinTech industry, ladies and gentlemen.

It is my great pleasure to address you this morning on 'the future of FinTech', a topic which carries significant importance in shaping the future of our financial system and the economy.

As we all know, Sri Lankan economy has travelled a remarkable journey over the past few years. The economic crisis of 2022 tested the resilience of our institutions, businesses and households in an unprecedented way. Over the last three to four years, through difficult but necessary reforms, we have made significant progress towards restoring macroeconomic stability, rebuilding confidence and strengthening economic resilience. However, stability is not the destination; it is the foundation upon which sustainable growth must be built.

Our next challenge is to move into a higher gear, which means raising productivity, attracting investment, creating employment and expanding economic opportunities for all Sri Lankans. Achieving this requires us to embrace innovation, through which we can improve efficiency and unlock the full potential of our economy.

The financial sector plays a crucial role in this transformation. As we know, the financial sector mobilises savings, channels capital towards productive investment, facilitates trade and enables households and businesses to participate more effectively in economic activity. FinTech can strengthen each of these functions by making financial services faster, more accessible, more affordable and more inclusive. For instance, technology can help small businesses grow, connect underserved communities to formal finance and improve the allocation of resources across the economy by reducing transaction costs, improving the use of data and enabling new business models. In this sense, FinTech is not merely about modernising financial services; it is about enabling national economic development.

Sri Lanka has already made meaningful progress in this journey. Our banking sector has adopted digital channels that allow customers to access services beyond traditional banking hours and physical branches. Digital payments, mobile banking, internet banking, payment cards and digital payment applications have transformed the way individuals and businesses transact. National payment infrastructure, including LankaPay systems, has underpinned these electronic payments through interoperability and high reliability.

Digitalisation is also creating opportunities in capital markets through introduction of electronic trading and digital access to investment services with modernized and efficient market infrastructure. Looking ahead, we can expect further innovation in open and

interoperable financial services, digital identity, data-driven lending, cross-border payment connectivity and the delivery of investment products.

Emerging areas such as digital assets may also present opportunities, but they require clear regulatory frameworks, appropriate safeguards and careful consideration of their implications for the wider financial system. In this context, our legal framework matters. Under the current legal framework in Sri Lanka, digital assets, also called virtual assets, cannot be used for payments between residents. This position is important in preventing the substitution of the Sri Lankan rupee in domestic transactions and in safeguarding the country's monetary sovereignty.

As technology evolves, regulatory clarity must evolve with it, without undermining these essential objectives. Our approach must be proportionate, risk-based and forward-looking, providing clarity to responsible innovators while maintaining firm safeguards against unacceptable risks.

As we welcome the possibilities generated by FinTech, I wish to emphasise one fundamental principle: financial stability cannot be compromised and must be preserved at all costs. Innovation must advance in a manner that safeguards confidence in our financial system and protects the interests of the public.

We must be cognizant of the fact that FinTech can introduce new risks through cyberattacks, operational disruptions, fraud, data breaches, inadequate consumer disclosures, excessive leverage and the concentration of critical services among technology providers. Cross-border digital transactions can also complicate oversight, while certain digital assets may expose consumers to substantial volatility and facilitate illicit financial activity.

We must therefore strike the right balance: encouraging competition and innovation while ensuring effective supervision, sound risk management and strong consumer protection.

Let me conclude by reaffirming that the Central Bank of Sri Lanka remains open to innovation. We acknowledge that new technologies, financial products, service delivery models, and partnerships will shape the future of financial services.

We are committed to engaging constructively with innovators, and we hope to support responsible experimentation and appropriate regulatory coordination. The central bank has already taken a step in this direction by launching its FinTech Regulatory Sandbox, which provides a structured environment for testing eligible innovative financial solutions under appropriate safeguards.

Our message is clear: we welcome innovation, we encourage competition, and we support progress, but always with stability, trust and consumer protection at the centre. If we get this

balance right, FinTech can become a powerful catalyst for a more inclusive, competitive and resilient Sri Lankan economy.

Thank you.