



The Race of Innovation in Financial Services and the Regulatory Chase: Some Thoughts on the Regulation of Crypto-Currencies

Dr. Sephoko I. Motelle
Central Bank of Lesotho

Executive Summary

The race of financial innovation is giving regulators a tough time as they try their best to catch up. The need for innovation in order to create customer value in terms of cost reduction, convenience and expansion of the menu of products and services exerts pressure on financial institutions to re-invest themselves to remain competitive. Crypto-currency is one key innovation that has made the financial regulation landscape very convoluted. The risks associated with technological developments underscore the need for an appropriate regulatory response. Regulators need to respond in a manner that does not throttle innovation but creates a conducive environment for further innovation while at the same time ensuring that financial stability is not threatened.