

Risk-Based Supervision for Inclusive Digital Financial Services

ASSIGNMENT 2 SCENARIO: Techland

The National Financial Supervisory Authority (NFSA) of Techland is embarking on a significant transformation journey. Historically, NFSA used a compliance-based supervision model, focused on checklists, uniform requirements, and equal treatment of all DFS providers regardless of their size, complexity, or risk profiles.

This model was once effective for a small and stable financial sector, but Techland's digital financial landscape has changed dramatically.

Techland's Digital Financial Landscape

In the past five years, Techland has seen a boom in DFS. The ecosystem now includes non-bank e-money issuers, fintech startups, super-apps operated by large platform companies, complex agent networks, and partnerships between telecom operators and financial services providers.

Millions of consumers in Techland rely on DFS for payments, savings, remittances, bill payments, merchant transactions, and microcredit. This growth has accelerated financial inclusion, especially for rural households and women.

However, it has also introduced new and amplified risks, such as fraud, cyberattacks, agent liquidity gaps, inadequate consumer disclosures, operational failures, market dominance, and data misuse.

Despite the sector's growth, NFSA faces serious supervisory constraints:

- **Limited staffing and skills**, especially in IT risk, cyber risk, and advanced analytics.
- **Fragmented data collection**, making it difficult to understand systemic trends.
- **Overlapping mandates** with the telecommunications authority, competition authority, consumer protection agency, and data protection office.
- **An outdated licensing framework**, which relies on rigid categories that do not fit innovative business models.
- **Weak market monitoring tools**.

Senior leadership recognises that the traditional model is no longer suitable. To keep pace with the industry, the authority adopts a **risk-based supervision (RBS) approach** to allocate supervisory resources proportionately and focus the most attention on the highest-impact risks and providers.

NFSA forms an **RBS Implementation Team**, responsible for the first year of transition. The team is tasked with establishing the foundational elements of RBS in Techland.

Your role

You have been selected as a member of the RBS Implementation Team.

You are required to answer the following 10 questions to demonstrate how RBS concepts can be applied to Techland's supervisory challenges.

