

Impact of PIs and EMIs business models from FinTech

Fields marked with * are mandatory.

Introduction

In the context of the European Banking Authority's FinTech Roadmap (March 2018) and its ongoing monitoring of emerging trends and impact of FinTech on institutions' business models, the EBA is currently seeking input from payment institutions and e-money institutions to analyse the impact of FinTech on their business models and strategies.

The EBA is interacting on an ongoing basis with all the stakeholders through different channels and means to better understand the overall impact of FinTech on financial services. Questionnaires and surveys to the industry are useful to obtain insights on the FinTech activity and feed the EBA work, aiming to better understand the phenomenon of Fintech and make more informed decisions as to future supervisory approaches and regulatory proposals.

To support this work, the EBA is kindly inviting EU authorised payment institutions and e-money institutions to respond to this short questionnaire on a best effort basis. The questionnaire results will be referred to in an aggregate form, in compliance with confidentiality requirements.

While responding to this questionnaire is voluntary, the EBA hopes this will be well-received as the industry participation will provide with helpful insights.

For the purposes of this questionnaire, the following apply:

- (-) '**FinTech**' is defined at the EU and international standard-setting levels as 'technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services'.*
- (-) '**Crypto-assets**', as defined in the EBA Report with advice for the European Commission (January 2019), means an asset that depends primarily on cryptography and distributed ledger technology (DLT) or similar technology as part of its perceived or inherent value, is neither issued nor guaranteed by a central bank or public authority, and can be used as a means of exchange and/or for investment purposes and/or to access a good or service.*
- (-) '**Unregulated FinTech firms**' in line with the EBA FinTech Roadmap (March 2018) means entities that are not authorised or registered under either national or EU law and are using FinTech (e.g. FinTech start-ups).*
- (-) Business model relates to the business mix underpinning the capacity of an institution to preserve and grow sustainable and predictable risk-adjusted earnings in markets and sectors in which it maintains a material presence.*

Profile

* Name of institution

* Contact person

* Contact email address

* Name of EU competent authority (from which the institution has obtained its authorisation)

Public website (if applicable)

A. Authorisation and licensing

Question 1. What licence do you hold? *More than one option can be selected.*

- credit institution
- payment institution
- e-money institution

Question 2. What regulated services do you provide?

- 1. Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account.
- 2. Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account.
- 3. Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: (a) execution of direct debits, including one-off direct debits;
- 3. (b) execution of payment transactions through a payment card or a similar device;
- 3. (c) execution of credit transfers, including standing orders.
- 4. Execution of payment transactions where the funds are covered by a credit line for a payment service user: (a) execution of direct debits, including one-off direct debits;
- 4. (b) execution of payment transactions through a payment card or a similar device;
- 4. (c) execution of credit transfers, including standing orders.
- 5. Issuing of payment instruments and/or acquiring of payment transactions.
- 6. Money remittance.

- 7. Payment initiation services.
- 8. Account information services.
- E-money services
- Any other regulated services (apart from payment or e-money services)

Question 3. Do you provide any unregulated services? If 'Yes', please provide an indicative list of such services in the "Comments" box, on a best effort basis.

- Yes
- No
- N/A

Comments

Question 4. Do you foresee to request a credit institution licence or authorisation for additional services within the next 2 years?

- Yes, credit institution licence
- Yes, additional services
- Yes, both
- No
- Unknown
- Prefer not to disclose

Question 5. Have you established a branch in another EU Member State or providing cross-border services in the EU? If 'Yes', please indicate in the "Comments" box the EU Member States in which you have established a branch or you are providing cross-border services to.

- Established a branch
- Provide cross-border services
- Both
- No

Comments

Question 6. What is your main service/business (from a revenue stream perspective)?

Question 7. Do you perform any crypto-asset activities or offer any services related to crypto-assets? If 'Yes', please describe briefly in the "Comments" box, on a best effort basis.

- Yes
- No
- N/A

Comments

Question 8. What is the level of competitive pressure you are facing from unregulated FinTech firms?

- High
- Medium
- Low
- N/A

B. Engagement with FinTech

Question 1. Please respond to the following:

| | Yes | No | N /A |
|--|-----------------------|-----------------------|-----------------------|
| (i) Do you form commercial partnerships (e.g. joint ventures) with other regulated firms (e.g. credit institutions or payment institutions or e-money institutions) to offer new products/services or explore new technologies? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (ii) Do you form commercial partnerships (e.g. joint ventures) with unregulated FinTech firms to offer new products/services or explore new technologies? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (iii) Do you directly invest in unregulated FinTech firms (i.e. acquire shareholding)? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (iv) Do you indirectly invest in unregulated FinTech firms (e.g. through Venture Capital funds)? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 2. If your answer in Q1(ii)-(v) is 'No', please respond to the following: Do you currently have any relationship with unregulated FinTech firms?

- Yes
- No
- N/A

Question 3. If your answer in Q2 is 'No', please respond to the following: Do you plan to engage with an unregulated FinTech firm within the next 1 year?

- Yes
- No
- N/A

Question 4. Do you develop your own products/services in-house using FinTech, without the involvement of any external providers?

- Yes
- No

N/A

Question 5. Have you setup your own FinTech lab/incubator?

Yes

No

N/A

Question 6. What is the level of application of the following technologies/enabling technologies in your institution?

| | In use /launched | Pilot testing | Under development | Under discussion | No activity |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Cloud computing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Digital/Mobile Wallets | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Distributed Ledger Technology (e.g. blockchain) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Big Data Analytics | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Biometrics | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Artificial Intelligence (including Machine Learning) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Smart Contracts | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Other technologies <i>(please specify in the "Comments" box)</i> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Comments

Question 7. Could you provide us with some examples where technologies (listed in Q6) are currently used in your operations/processes/activities (e.g. use of Machine Learning for customer due diligence etc.)?

Question 8. Have you encountered any legal or regulatory impediments to the adoption of the technologies listed in Q6? If 'Yes', please elaborate in the "Comments" box.

- Yes
- No
- N/A

Comments

C - Impact on profitability and strategy

Question 1. Do you envisage making material changes to your business model going forward?

- Yes
- No
- Unknown
- Prefer not to disclose

Question 2. Do you expect an overall increase in your profitability in the next 6-12 months?

- Yes
- No
- Unknown
- Prefer not to disclose

Question 3. What changes do you expect to your below indicators as a result of the FinTech developments?

| | Increase | Decrease | No change | Unknown |
|----------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Pricing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Costs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Number of customers | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Customer loyalty | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| New products/services | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Revamped products/services | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Entry to new markets | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Staff resources | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Investment in digitalisation/automation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Competitive pressure | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Operational risk (including cyber security, AML /CFT) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 4. In which areas do you invest when it comes to technologies (e.g. Artificial intelligence, DLT, etc.)?

| | Yes | No | N /A |
|---|-----------------------|-----------------------|-----------------------|
| Customer-facing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Back office operations (including infrastructure) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 5. Please indicate the actual amount spent in 2018 on the following (as a % on revenues):

a) Direct and Indirect investment in unregulated FinTech firms

Only values between 0 and 100 are allowed

 %

b) Internal FinTech developments

Only values between 0 and 100 are allowed

 %

c) IT spending (e.g. related to IT upgrade/maintenance, automation) excluding (i) investments in unregulated FinTech firms and (ii) internal FinTech developments

Only values between 0 and 100 are allowed

 %

Question 6. Please indicate your estimated change in 2019 on the following:

| | Increase | Decrease | No change | Unknown |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Direct and Indirect investment in unregulated FinTech firms | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Internal FinTech developments | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IT spending (e.g. related to IT upgrade /maintenance, automation) excluding (i) investments in unregulated FinTech firms and (ii) internal FinTech developments | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 7. Which of your services do you expect to be negatively affected by FinTech developments?

Question 8. What is your current relationship with BigTech firms (as per BCBS, Bigtech refers to large globally active technology firms with a relative advantage in digital technology. Examples: Google, Amazon, Facebook, Apple, Baidu, Alibaba, Tencent, Microsoft and IBM). *More than one option can be selected.*

- Partners
- Customers
- Competitors
- N/A

Question 9. Do you expect BigTech firms to more actively participate in the EU payments and e-money sector in the near future?

- Yes
- No
- Unknown

Question 10. What changes would you expect from a potential increase of participation of BigTech firms in the EU payments and e-money sector? *More than one option can be selected.*

- Improved customer experience
- Offer innovative services and products to customers
- Lower pricing
- Increased customer turnover
- Increased competitive pressure
- Concentration on the provision of specific services
- Threat to the viability of our current business model
- Impact to our main revenue stream
- Concerns on consumer protection

Question 11. What would be your response to a potential increase of participation of BigTech firms in the EU payments and e-money sector? *More than one option can be selected.*

- Engage and partner with BigTech firms
- Compete directly with BigTech firms
- Invest in customer loyalty
- Explore M&A deals
- Cooperate with other regulated firms
- Cooperate with unregulated FinTech firms
- This would require regulatory response

D. Regulatory framework

Question 1. Do you perceive PSD2 as a threat or opportunity? Please specify which particular areas you perceive as threat/opportunity in the "Comments" box.

- Threat
- Opportunity
- No opinion

Comments

Question 2: Do you provide or make use of the new services under this Directive (AIS and PIS)? If 'Yes', please explain in the "Comments" box how these add value to your business in the context of Fintech, if applicable. *More than one option can be selected.*

- AIS
- PIS
- N/A

Comments

Question 3. Do you act as ASPSP (account servicing payment service provider) and TPP (third party provider)?

- ASPSP
- TPP
- ASPSP and TPP
- N/A

E. Relationship with external providers

Question 1. Do you currently outsource any activities? If 'Yes', please list some of your outsourced activities in the "Comments" box.

- Yes

No

N/A

Comments

Question 2. Have you increased outsourcing to third party providers in the last 2 years?

Yes

No

N/A

Other comments (please include here any other remarks you would like to provide)