



EBA BS 2018 053

Joint Meeting (BoS/BSG)

18 April 2018/9:00-12:00

EBA - Unrestricted

Joint Meeting (BoS/BSG) Minutes

Item 1: Welcome and approval of the agenda

1. The EBA and BSG Chairpersons welcomed BoS and BSG members.
2. The EBA Chairperson informed that it was the last joint meeting of the current BSG and therefore thanked BSG members for their contribution. He also explained that the only topic to be discussed would be FinTech and welcomed the external presenter, the CEO of Fintech4Europe.

Item 2: Report on the activities of the BSG

3. The BSG Chairperson provided details on recent BSG activities since the last joint meeting in October 2017, in particular the joint letter prepared with the other stakeholder groups of EIOPA and ESMA regarding the ESA's review. He also informed about the end term report that the BSG is preparing.
4. The EBA Chairperson reminded BSG members about the BSG renewal process opened and encouraged to apply for those eligible for the next term. He also explained that their help and support would be very valuable for the Call for Advice that the EBA is expected to receive soon from the Commission.

Item 3: Discussion on Fintech

1. The EBA Director of Banking Markets, Innovation and Consumers presented an overview of the EBA's FinTech Roadmap, published in March 2018, setting out the priorities for 2018/2019 along with an indicative timeline for the completion of the respective tasks. He noted the creation of the newly established EBA FinTech Knowledge Hub, primarily of a virtual character, to promote and enforce sharing of best practices and knowledge among the regulators and supervisors and adopt a technologically neutral approach to the application of new technologies in the financial sector.
2. The CEO of Fintech4Europe presented an overview of FinTech companies by customer segments and products. He explained that FinTech firms are causing a broad range of disruptions in the provision of financial services and creating significant customer benefits. He compared the European FinTech industry with the one in US and Asia. He also explained why an ambitious EU FinTech-agenda is needed to counter the risk of falling behind (noting the relative scale of adoption of, and funding for, FinTech in the US and Asia) and noting the challenges of scalability.
3. In this context, he highlighted that the EBA's Roadmap shows a positive signal towards the digitalisation of financial services in Europe; however, more should be done. He focused the needs in licensing with a pan-European approach to facilitate new entrants and the adoption of

FinTech, pushing the use of cloud services, harmonising consumer protection matters and customer identification, and promoting a less formalistic approach to anti-money laundering (AML) compliance.

4. A BSG Member presented the UK experience with the Open Banking business model including its benefits, opportunities and the risk for consumers regarding the data management.
5. Another BSG Member presented the recent developments on regulatory sandboxes, reflecting on the EBA's Roadmap based on the report on sandboxes produced by the BSG and published in [date and link]. He explained the operational requirements to establish a sandbox and the exit conditions. Regarding the proliferation of sandboxes, he presented the EU approach compared to the rest of the world and the reasons behind the limited scale so far.
6. The BSG Chairperson presented the infrastructure and changing competition dynamics that FinTech represents in the banking industry. He explained that as digitalisation is blurring the boundaries between sectors, regulators and supervisors are challenged to provide a framework that ensures fair competition beyond sectoral boundaries and addresses new risks.
7. The BoS Vice-Chair welcomed the EBA's Roadmap and agreed on the priorities: authorisation, sandboxing and innovation hubs, institutions' business models and prudential risks and opportunities, consumer protection, cybersecurity and AML and countering the financing of terrorism (CFT) issues. He noted the Financial Stability Board's message in the first quarter of 2018 to implement a supervisory programme which ensures that risk management is identified and included in FinTech regulatory and supervisory work programmes.
8. He stressed the importance of communication and coordination between firms and supervisors for harmonisation across Europe. He did not agree with the opinion that the EU is lagging behind, however he acknowledged that the expansion of FinTech was bigger in other countries, such as India and China. Finally, he noted that the digitalisation business model should take a major role in supervision and banks should have to adapt to the digital world and change consumer expectations in that respect.
9. The EBA Director of Banking Markets, Innovation and Consumers summarised the key themes presented: (i) the need to foster scalability across the single market, including via providing additional clarity on licencing approaches, supporting the development of common approaches to regulatory sandboxes and innovation hubs, and removing unnecessary barriers to authorisation; (ii) the role of aggregated platforms emerging in the EU; and (iii) technical neutrality supporting the uptake of new technologies by incumbents and new entrant institutions, and convergence to facilitate the cross-border provision of financial services using new technologies (e.g. regarding requirements for disclosure of risks to consumers, noting that FinTech offers potentially significant benefits for consumers, but that complexities and differences in rules, may impede cross-border provision of services).
10. The BSG Members noted the importance of transparency in the business models and raised the risk of data decentralisation for consumers. A BoS Member noted the difficulties for regulators but also noted that they would have to move forward and adopt the new technology.
11. BoS and BSG Members had different views on sandboxes and the value of the harmonisation of design. Some BSG members considered that sandboxes can facilitate the uptake of FinTech; others noted that the impact appeared to be limited so far and there was no obvious need for harmonisation at this stage. One member also noted that the experience so far appears to show that there is no need to change the regulatory perimeter at this stage; just to ensure that there is a consistent approach to the application of existing levers to support proportionality. Innovation hubs, however, were better supported as a means of enhancing the dialogue

between firms and regulators about innovations and their regulatory treatment to embrace opportunities, and mitigate risks consistently (same risks, same rule approach).

12. The CEO of Fintech4Europe shared this opinion noting that FinTech companies do not ask for sandboxes as such but do see a role for, more resource-efficient, innovation hubs to facilitate dialogue and foster consistent approaches to the interpretation and application of regulation to new technology.
13. On competition, a BSG Member highlighted its importance in allowing consumers to exercise choice. However, he also expressed his concern about competition across FinTech firms if the platform was the only way of accessing. BoS Members explained that regulators did not have an explicit mandate to promote competition but they did have a consumer protection one. Regulators should ensure an appropriate standard of consumer protection – but not go beyond that (i.e. proportionate rules that are not going beyond what is necessary and therefore are not unduly impeding competition). The CEO of Fintech4Europe viewed that the issues of transparency in the banking business were not unique for FinTech firms, and that cloud computing was generating a more competitive market.
14. The EBA Chairperson shared the BoS and BSG views on the benefits of competition and on the partnerships between banks and FinTechs but also expressed his concerns regarding, in particular, partnerships complicating the visibility of risk.
15. A BSG Member shared the concerns regarding the numerous risks of FinTech, especially those related to AML. He asked for a solution so customers could benefit from FinTech products. Another BSG Member stressed out the importance of Fintechs for the Single Market, hoping that the technology will help consumers to overcome the actual barriers and to benefit from better offers from other markets.
16. Finally, the BSG Chairperson mentioned the challenges not only of monitoring the relationship between banks and FinTechs, but also the challenges of implementing a 'same risk, same treatment' approach to regulation and supervision, the possible connection to shadow banking risks and the need to ensure the effective monitoring of the regulatory perimeter.