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*Committee on the Internal Market and Consumer Protection*

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**2016/2243(INI)**

22.3.2017

# **OPINION**

of the Committee on the Internal Market and Consumer Protection

for the Committee on Economic and Monetary Affairs

on FinTech: the influence of technology on the future of the financial sector  
(2016/2243(INI))

Rapporteur: Dita Charanzová



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## SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Notes that Financial Technology (FinTech) is expanding rapidly, and recognises that it could transform the global financial sector as well as the wider economy; stresses that developments in FinTech have the potential to yield benefits for both consumers and businesses, and more particularly for SMEs, by means of efficiency gains, accessibility, cost reductions and increased transparency; stresses, therefore, the need to promote the attractiveness of the EU and of the single market for financial services as a hub for their FinTech businesses;
2. Believes that innovation in the financial sector can create job opportunities and potential for further growth within the EU, and contribute towards a wider choice of services that are tailored to customers' needs; welcomes the drive towards the development of new products and services, as well as the further development of existing financial services from which consumers and businesses, especially SMEs, can benefit; calls on the Commission to examine how the EU could reap the benefits of FinTech to the fullest;
3. Considers that technological innovation in the financial industry presents opportunities, not only for new FinTech undertakings, but also for the established players, because of potential for cooperation of various scope, synergies and potential cost reductions; observes that competition driven by strong innovation and dynamism offers numerous opportunities for established market operators;
4. Believes that FinTech-related services and products shall be complementary to traditional financial institutions, especially in less developed and remote areas of Europe;
5. Welcomes the Financial Technology Task Force (FTTF) established by the Commission, which aims at assessing innovation in this field and, at the same time, devising strategies for meeting potential challenges presented by FinTechs; considers the Task Force as a fundamental step towards the development of a comprehensive strategy and reducing regulatory uncertainty for FinTechs;
6. Calls on the FTTF to present, before the end of its mandate, a comprehensive horizontal FinTech Action Plan of legislative and non-legislative measures; stresses that such an Action Plan should be based on competitiveness, financial stability, interoperability, transparency and consumer protection, while aiming at creating an environment of regulatory certainty and clarity for FinTech; believes this plan should be supported by a detailed sectorial analysis for the various segments that are part of the market, in order to achieve better and more tailored legislation reflecting the different business models of FinTech companies;
7. Underlines the potential benefits of FinTech, for enterprises, in particular SMEs and microenterprises, but also for families and underserved customers, in terms of extending the availability of credit and accelerating the loan process through alternative lending and investment channels, such as crowdfunding and peer-to-peer lending; believes that such schemes should be subject to measures to prevent abusive or unfair commercial practices;



8. Urges the Commission, nonetheless, to shape its legislative measures in a manner leaving sufficient flexibility for firms to operate and arrange finance, as well as stimulating partnerships between banks and FinTech companies in the area of lending;
9. Calls on the Commission to identify and remove existing barriers in the single market that are currently preventing the advancement of digital services, including in the area of FinTech, while ensuring financial stability and maintaining a high level of consumer and investor protection; notes that it is imperative that economic operators in the single market can access investment from operators in third countries and be responsive to technological evolution;
10. Is of the view that FinTech could play a positive role by bringing greater diversification of services and of the means by which they are provided; takes the view that a proportionate and balanced approach which also promotes innovation is required in order to create an environment conducive to competition and maintain equal competitive conditions for all market operators; asks the Commission to analyse the impact of FinTech, in particular with regard to innovation, while bearing in mind the need to ensure financial stability and an appropriate level of consumer protection;
11. Highlights that FinTech-related services can play a major role in the development of a future-proof European Digital Single Market, for example by making existing channels more cost-efficient, offering innovative, more transparent and rapid payment solutions, and increasing consumer trust in digital technologies; believes that the Commission should take a technology-neutral approach in its policy initiatives; calls on the Commission to ensure that initiatives are fit for purpose, outward-looking, and based on the innovation principle;
12. Believes that the completion of the Capital Markets Union will help support the development of FinTechs and a true single market for financial products and services;
13. Stresses that there is scope for further improvement in the means that can be used for cross-border payments; supports the development of such payment means within Europe, and regrets the high degree of fragmentation of the online banking market in the EU and the lack of a EU-wide, European-owned credit or debit card scheme; believes this is essential for the well-functioning of the Capital Markets Union, and a crucial part of the Digital Single Market, fostering European e-commerce and cross-border competition in financial services; calls on the Commission to identify the steps ahead towards creating an environment supportive to the growth of such a system; recognises the need for such a system to coexist and, where appropriate, be inter-operative with other innovative payment solutions in the interests of competition;
14. Underlines that the EBA's Regulatory Technical Standards (RTS) on 'strong customer authentication' should take FinTech and e-commerce practices into account; welcomes the adaptations made recently by the EBA to its RTS suggestion, averting a potential negative effect on online services and ensuring a level playing field encouraging financial innovation and improving competition between all market players while considering risk-based security policies;
15. Stresses that consumers are the driving force behind the rise of FinTechs; underlines that the goal of any future legislative changes should be to support consumers in this



transformation;

16. Takes note of the Commission's work in harmonising standards for financial services, but at the same time stresses that potential for innovation and for new market entries must be taken into account in any future standard setting; urges the Commission to support efforts towards the definition of common, open and interoperable standards for FinTech;
17. Recognises that FinTech refers to innovation occurring at the crossroads of finance and technology;
18. Recalls that FinTech also includes regulatory technology (RegTech) and insurance technology; underlines that technology should be used to allow a better and more efficient oversight by public authorities; acknowledges the benefits of RegTech in improving regulatory processes and protecting financial consumers; encourages national regulators to consider future developments in compliance technologies where deemed necessary;
19. Notes the need to promote digital and financial education among consumers and operators across the EU; underlines the importance of adequate competences and new digital skills, and encourages the Commission, Member States and FinTech industries to enable lifelong learning and training and skills development, since these are the key requirements to enable as many individuals as possible to have full access to financial services and FinTech tools;
20. Notes the increasing numbers of robot financial advisors, and welcomes this as it could reduce barriers to market investments by consumers;
21. Invites the Commission to monitor developments regarding the increased use of algorithms in FinTech; asks the Commission and the European Supervisory Authorities to examine potential for errors and biases in algorithms; stresses that, if a concern arises about error or discrimination, decisions made through automated FinTech services should be subject to a complaint and review process as well as an appropriate rectification;
22. Recognises the potential benefits of regulatory 'sandboxing' by allowing scale-ups and financial firms to test FinTech products in a live environment; encourages the exchange of best practices which can be learned from regulatory initiatives in sandboxing; is of the view that a similar approach at the European level could be encouraged while at the same time ensuring that consumers, if they are part of such a pilot project, are made aware of the related risks and that uncompetitive practices are prevented;
23. Underlines that cybersecurity issues must be addressed at the planning stage of all FinTech initiatives and that strong protective actions must be adopted to protect their infrastructure against cyberattacks; calls on the Commission and the Member States to investigate the adequacy of the protective measures against cyber-risks that have been adopted in this field, and calls on the Commission, the Member States and the FinTech industries to effectively cooperate by sharing information;
24. Calls on the Member States to ensure the timely transposition of the 'NIS Directive'; welcomes the new public-private partnership on cybersecurity recently launched by the Commission with the participation of the industry; asks the Commission to develop a series of new and concrete initiatives to strengthen the resilience of FinTech businesses in



this sector against cyberattacks, especially SMEs and start-ups;

25. Calls on the Commission, building on the work of the eIDAS Regulation, to further assess the framework for European e-ID schemes in order to ensure that they facilitate the supply of cross-border online financial services; asks the Commission, furthermore, to urgently assess the current regulatory barriers that hamper the wider use of e-identification techniques;
26. Welcomes Parliament's report on virtual currencies (VCs) and recalls the potential benefits of distributed ledger technology (DLT), beyond VCs; also notes, however, the risks inherent to the rapid diffusion of VCs and DLTs; asks the Commission to look into possible uses of DLT in FinTech and other DSM schemes, and to monitor and prevent the aforementioned risks;
27. Notes that collecting and analysing data plays a central role for FinTechs that wish to offer customers targeted services, and notes the increased use of 'digital/data on boarding' by FinTechs; supports, inter alia, the use of big data in risk management by FinTechs; at the same time notes the potential risks linked to the new payment solutions, such as those relating to fraud, misuse of consumers' data, weak authentication procedure, or lack of transparent and clear terms and conditions; therefore asks the Commission and Member States to ensure an adequate level of safeguards and effective remedies;
28. Calls on the Commission to take into consideration both the trends of higher data collection and use and remote verification, as well as the related risks, in particular with regard to the General Data Protection Regulation and the Second Payment Services Directive and 'Know-Your-Customer' rules, so as to allow for better access for consumers to cross-border FinTech services; underlines that data protection measures must be put in place and that consumers should be given a choice in how data is used and collected, in line with the GDPR;
29. Underlines the importance of users' data portability, which must be part of FinTech services in order to ensure that consumers are not locked into one service provider or product; asks the Commission to analyse the benefits of greater application programming interface (API) access for FinTech companies allowing supplementary services for consumers;
30. Notes that if minimum harmonisation has been introduced in the sector, financial passporting, could allow FinTech services to be offered across Europe while being subject to the regulatory control of a single Member State.



## INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	21.3.2017
<b>Result of final vote</b>	+: 32 -: 3 0: 2
<b>Members present for the final vote</b>	Dita Charanzová, Carlos Coelho, Sergio Gaetano Cofferati, Lara Comi, Anna Maria Corazza Bildt, Nicola Danti, Vicky Ford, Ildikó Gáll-Pelcz, Evelyne Gebhardt, Maria Grapini, Sergio Gutiérrez Prieto, Robert Jarosław Iwaszkiewicz, Liisa Jaakonsaari, Antonio López-Istúriz White, Morten Løkkegaard, Marlene Mizzi, Jiří Pospíšil, Marcus Pretzell, Christel Schaldemose, Andreas Schwab, Olga Sehnalová, Jasenko Selimovic, Ivan Štefanec, Catherine Stihler, Róza Gräfin von Thun und Hohenstein, Mylène Troszczynski, Mihai Țurcanu, Anneleen Van Bossuyt, Marco Zullo
<b>Substitutes present for the final vote</b>	Jan Philipp Albrecht, Pascal Arimont, Edward Czesak, Arndt Kohn, Julia Reda, Ulrike Trebesius, Sabine Verheyen
<b>Substitutes under Rule 200(2) present for the final vote</b>	David Coburn



## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

32	+
ALDE	Dita Charanzová, Morten Løkkegaard, Jasenko Selimovic
ECR	Edward Czesak, Vicky Ford, Ulrike Trebesius, Anneleen Van Bossuyt
PPE	Pascal Arimont, Carlos Coelho, Lara Comi, Anna Maria Corazza Bildt, Ildikó Gáll-Pelcz, Antonio López-Istúriz White, Jiří Pospíšil, Andreas Schwab, Ivan Štefanec, Róza Gräfin von Thun und Hohenstein, Mihai Țurcanu, Sabine Verheyen
S&D	Sergio Gaetano Cofferati, Nicola Danti, Evelyne Gebhardt, Maria Grapini, Sergio Gutiérrez Prieto, Liisa Jaakonsaari, Arndt Kohn, Marlene Mizzi, Christel Schaldemose, Olga Schnalová, Catherine Stihler
Verts/ALE	Jan Philipp Albrecht, Julia Reda

3	-
EFDD	David Coburn
ENF	Marcus Pretzell, Mylène Troszczynski

2	0
EFDD	Robert Jarosław Iwaszkiewicz, Marco Zullo

Key to symbols:

+ : in favour

- : against

0 : abstention