

EUROPEAN FINTECH ALLIANCE (EFA)

SPEAKING POINTS FOR HEARING ON FINTECH REPORT

EUROPEAN PARLIAMENT, ECON COMMITTEE, 29 NOVEMBER 2016

INTRO

- EFA has been invited to represent the voice of European Fintechs in today's debate
- Our membership consists exclusively of FinTechs located in the EU, many of them SMEs and start-ups. Most of our members are active in the areas of financial management, investment, retail banking, e-money, (mobile) payment and currency exchange
- EFA was set up in July 2016, responding to the need to represent Fintech companies not only at national level but first and foremost at European level, and to meet the ever-growing interest of European legislators in the future potential of this sector.
- Our aim is to contribute to the European debate with our first-hand expertise in this sector

Jobs & growth

- The opportunities of FinTechs, both for businesses and consumers, are evident: they offer flexible, online, on-the-go solutions and have the potential to provide a significant boost to jobs and growth in the EU
 - o By keeping the European finance sector competitive in the face of competition from finance hubs in the US and South-East Asia
 - o By complementing the activities of established players in the sector, for example in the field of SME financing - lack of access to capital has been consistently named as one of the major obstacles for SMEs' growth potential
 - o By directly creating high-quality jobs and by contributing to the establishment of the Digital Single Market (by providing internet-based cross-border services)
- Although still in its nascence, financial technologies have already proved to be a driving force behind change in the finance sector, and it continues to grow. In 2015, fintechs accounted for more than 10% of the total funding raised by tech firms in Europe. Still, the industry remains small by comparison; at this stage, it does not represent a systemic risk to the economy
- In the coming years, we expect further evolution in the sector rather than a revolution, with established players taking advantage of these new opportunities through increased cooperation with Fintechs, as well as among financial institutions themselves, to develop new technologies.

Consumer protection

- Consumers want to take advantage of these new technologies as they offer convenience and customer-tailored services.
- At the same time, trust of businesses and consumers in these products is of paramount importance for the future growth of the sector. We are therefore first interested parties when it comes to protection of our customers and we very much look forward to the contribution of BEUC later to hear about their suggestions on how to increase confidence in these new technologies.
- Despite our different angles, we ought to be united in our common goal to achieve a regulatory framework that fosters consumers' trust without stifling innovation.
- This is of course easier said than done; it requires above all a better understanding of the sector and its potential, to help find the right balance between risk and opportunity
- EFA members therefore warmly welcome the efforts of the EU institutions to fill this knowledge gap – by launching studies, the setting up of Taskforces and through this very Hearing – and as said we plan to contribute actively to this debate, also through our own initiatives.

Future of the sector

- We see three main drivers for the future growth of the sector:
 - o Clear rules and proportionate legislation to allow entry to market for newcomers – as said before, the fintech sector is very diverse in terms of company size and products on offer, and much of the technology on which its business is based is still in its infancy; at this stage, tailor-made measures instead of one-size-fits-all regulation will help create a level-playing field and foster further innovation
 - To highlight the importance of level playing field and the need for clear rules across Member States, I would like to give you just two examples from the recently adopted PSD legislation before I conclude:
 - Stronger Customer Authentication under PSD2 (draft regulatory technical standards) – without exemption for anonymous prepaid instruments, products like gift cards, prepaid credit cards will disappear
 - Unclear definition of Payment Account under the PSD2 (credit card account, virtual account held by payment processors and E-money accounts also covered?) – different approaches in Member States
 - o Harmonised rules across the Internal Market
 - o Success of the Digital Agenda to ensure we have the necessary infrastructure in place
- Thank you again for this opportunity and I look forward to your questions.