



BANKING AND FINANCE

Public consultation on FinTech: a more competitive and innovative European financial sector

Fields marked with * are mandatory.

Introduction

Thank you for taking the time to respond to this consultation on technology-enabled innovation in financial services (FinTech). Our goal is to create an enabling environment where innovative financial service solutions take off at a brisk pace all over the EU, while ensuring financial stability, financial integrity and safety for consumers, firms and investors alike.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-fintech@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

1. Information about you

*Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

*Name of your organisation:

Better Finance

Contact email address:

The information you provide here is for administrative purposes only and will not be published

tosciano@betterfinance.eu

*Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
- No

*If so, please indicate your Register ID number:

24633926420-79

*Type of organisation:

- Academic institution
- Consultancy, law firm
- Industry association
- Non-governmental organisation
- Trade union
- Company, SME, micro-enterprise, sole trader
- Consumer organisation
- Media
- Think tank
- Other

*Please indicate the size of your organisation:

- less than 10 employees
- 10 to 50 employees
- 50 to 500 employees
- 500 to 5000 employees
- more than 5000 employees

*Where are you based and/or where do you carry out your activity?

Belgium

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- Accounting
- Asset management
- Auditing
- Banking
- Brokerage
- Credit rating agency
- Crowdfunding
- Financial market infrastructure (e.g. CCP, CSD, stock exchange)
- Insurance
- Investment advice
- Payment service
- Pension provision
- Regulator
- Social entrepreneurship
- Social media
- Supervisor
- Technology provider
- Trading platform
- Other
- Not applicable



Important notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

1. Fostering access to financial services for consumers and businesses

FinTech can be an important driver to expand access to financial services for consumers, investors and companies, bringing greater choice and more user-friendly services, often at lower prices. Current limitations in traditional financial service markets (e.g. opacity, lack of use of big data, insufficient competition), such as financial advice, consumer credit or insurance, may foreclose access to some categories of individuals and firms. New financial technologies can thus help individuals as well as small and medium-sized enterprises (SMEs), including start-up and scale-up companies, to access alternative funding sources for supporting their cash flow and risk capital needs.

At the same time, potential redundancy of specific back-office functions or even of entire market players due to automation via FinTech solutions might have adverse implications in terms of employment in the financial industry, even though new jobs would also be created as part of the FinTech solutions. The latter, however, might require a different skill mix.

Question 1.1: What type of FinTech applications do you use, how often and why? In which area of financial services would you like to see more FinTech solutions and why?

From our experience, there is an emerging trend among retail investors and financial services users to acquire or manage their portfolios through FinTech applications. The main reasons behind this trend is the fact that these FinTech applications reduce the costs charged by intermediaries who act as a link between the investor and the companies operating in the real economy, and sometimes the lack of trust in established financial institutions. Therefore, the products that investors acquire are less expensive and the net benefits of the investor increment.

BETTER FINANCE will welcome solutions in every area of financial markets as there is room for improvement and these ameliorations could represent great advantages for retail investors. In particular, we would like to see improvements:

- in the personal Pension Products,
- in cross-border equity investing and exercise of shareholders' rights,
- in cross-border taxes on dividends and other investment income inside the EU
- in forex transactions (especially card purchases in foreign currencies),
- in life insurance,
- in investment funds,
- in bank accounts and savings,
- in mortgages.

However, it is very important to ensure that each of the consumer's rights achieved until the present are maintained, and that there are no inconsistencies among these FinTech improvements and the EU Directives of MiFiD II and IDD.

Artificial intelligence and big data analytics for automated financial advice and execution

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 1.2: Is there evidence that automated financial advice reaches more consumers, firms, investors in the different areas of financial services (investment services, insurance, etc.)?

- Yes
- No
- Don't know / no opinion / not relevant

If there is evidence that automated financial advice reaches more consumers, firms, investors in the different areas of financial services, at what pace does this happen? And are these services better adapted to user needs? Please explain.

Automated financial advice has been increasing - and even with a higher speed in the past years - among retail investors. This is even truer among millennials and young people than the "baby boom" generation (1946 - 1964), which is more reluctant towards adopting new technologies (2) .

The services that consumers are offered are generally better adapted to their needs due to the fact that the selection of products are based on investors' goals and risk tolerance. Moreover, there are most often no incentives from the distributor's side to offer one or another product. Therefore, these services are better adapted to users' needs.

Question 1.3: Is enhanced oversight of the use of artificial intelligence (and its underpinning algorithmic infrastructure) required? For instance, should a system of initial and ongoing review of the technological architecture, including transparency and reliability of the algorithms, be put in place?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your answer to whether enhanced oversight of the use of artificial intelligence is required, and explain what could more effective alternatives to such a system be.

Yes, an oversight of the use of artificial intelligence (and its underpinning algorithmic infrastructure) should be required. A first step would be to compare, for a given consumer case, the different propositions from various algorithm-based providers. For example, in rob-investing, testing the same specific case in terms of amount, time horizon, risk tolerance, etc. and examine the variability of the results in terms of the recommended asset allocation. If the variability is high, it would mean that the risk of their low quality is also high. BETTER FINANCE is willing to participate to such tests.

Question 1.4: What minimum characteristics and amount of information about the service user and the product portfolio (if any) should be included in algorithms used by the service providers (e.g. as regards risk profile)?

Any information related to risk profile and the aim of the client's investment need to be included in order to give a precise consumer's profile and be able to adapt the products offered to his/her needs.

It is important to ensure that the algorithm is well calibrated and some tests must be done before it enters the production phase (to ensure that it offers an advice at least as adequate of a human advisor).

The information should be included in the new product information documents (KID for PRIIPs and IPID for non-life insurances) before the contract is signed. Moreover, the information delivered should be fair, clear and not misleading (MiFiD II and IDD). BETTER FINANCE research (3) shows that this is one of the least enforced provisions of financial user EU protection rules. Consumers should be able to understand the information offered to them, independently from their financial education level.

Finally, it is also important to mention that consumers should have the possibility - at any phase of the online service - to ask for clarifications to a human advisor. Furthermore, the consumer should be able to interrupt the service without any cost or loss of data protection.

Question 1.5: What consumer protection challenges/risks have you identified with regard to artificial intelligence and big data analytics (e.g. robo-advice)? What measures, do you think, should be taken to address these risks/challenges?

BETTER FINANCE identified several main risks/challenges:

- There is room for improvement in determining the risk profile of the client and being able to adapt his/her necessities to the products offered (less custom-based advice).
- The same consumer protection requirements must be applied to robo-advice and to human-advisors. One very important potential improvement is the reduction of charges and commissions - especially in the life-insurance sector - which are highly responsible for mis-selling cases.
- Transparency of costs is an indispensable pre-condition for an adequate online service. Therefore, there must not be "hidden" charges or fees, or any kind of costs. Moreover, the algorithm should always include the option of determining that the contract is not the appropriate one (following the consumer's needs and demands) and the sale of the product is not recommended.
- Another significant issue is the possible legal disputes due to the unclear allocation of liabilities, especially when it is a recommendation from an automated tool. In this respect, it is important to ensure that even in cases of IT manipulation consumers will have the technical possibility to preserve a comprehensive documentation of the entirely online service up the point they have reached.
- It must be guaranteed that incorrect data can be changed and that the provider uses only verifiable and relevant data.
- How can we make sure that the big data collected by robo-advice are used to improve the offering towards the customer?
- Can the Commission make sure that big data are used to create a level playing field for all market players, i.e. existing ones and new FinTech companies because the retail consumer should benefit from improved competition.
- Risk of insufficient transparency with respect to the underlying algorithms for the consumer as well as modelling imperfections resulting from e.g. wrong data input
- Risk of confidentiality of data and property rights (is it sellable to other vendors? It should not be).

Social media and automated matching platforms: funding from the crowd

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 1.6: Are national regulatory regimes for crowdfunding in Europe impacting on the development of crowdfunding?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether there are national regulatory regimes for crowdfunding in Europe impacting on the development of crowdfunding. Explain in what way, and what are the critical components of those regimes.

In our response to the EC's consultation on crowdfunding (4), we mentioned that while national regulators are best placed to supervise the selling and advertising practices of crowdfunding projects, ESMA is best placed to supervise crowdfunding platforms as they might incur significant transnational activity in diverse EU Member States.

At that time (in 2013) we were already concerned about the MS not following a EU-wide regulatory framework and instead drafting their national crowdfunding regulations. Better Finance considers it necessary that the Commission investigates whether there are gaps in the current legislative framework that raise investor protection concerns.

Donations, rewards and pre-selling should be considered as "electronic means of payment" because there is not investment component linked to these activities. On the contrary, profit-sharing, lending and securities entail a clear investment component.

As we recommended in our response to the EC's consultation paper 2013, it is necessary to harmonize pre-contractual information and conduct of business rules for both of these categories with the relevant existing regulations at EU level.

At the same time, the Public Authorities should not stifle the emergence and development of such alternative funding platforms that respond to a need and typically offer better terms both to borrowers and issuers on the one side, and to lenders and shareholders on the other side, compared to established banking networks. In the mid to long term, the development of crowdfunding may therefore also lead to more competitive banking services.

BETTER FINANCE is concerned with the lack of EU-wide harmonized ceilings for crowdfunding transactions. One big risk of crowdfunding is too little scale and too little risk diversification. The most developed crowd investing and crowd lending platforms are based in the UK and they face regulatory barriers to develop cross-border business (and therefore diversify risks and become more resilient and competitive) as other MS (like France) have set much lower ceilings on crowdfunding transactions, without any harmonization effort at EU level.

Question 1.7: How can the Commission support further development of FinTech solutions in the field of non-bank financing, i.e. peer-to-peer/marketplace lending, crowdfunding, invoice and supply chain finance?

BETTER FINANCE believes that there is room for improvements of FinTech solutions in the field of non-bank financing. In this respect, we would like to mention few aspects that could be further developed:

- Create a category of adviser. As we mentioned in our reply to the 2013 consultation paper on Crowdfunding, the French Supervisor proposed to create a special category of adviser (Conseiller de Financement Participatif).
- Guarantee in case of Crowdfunding platform bankruptcy. We hold the idea that there should be provisions as a guarantee in case of platform bankruptcy. Those guarantees could take the form of some kind of deposit guarantee scheme or insurance. Moreover, specific provisions should be in place for the transfer of crowdfunding projects to other platforms.
- Harmonization of pre-contractual information and conduct of business for every category with the relevant existing regulations at EU level.

Question 1.8: What minimum level of transparency should be imposed on fund-raisers and platforms? Are self-regulatory initiatives (as promoted by some industry associations and individual platforms) sufficient?

A technology neutral approach would be the minimum with regard to transparency : firms running the platforms should be required to ensure that investors have the information they need to be able to make informed investment decisions and that all communications are fair, clear and not misleading.

BETTER FINANCE is highly skeptical of self-regulation. Multiple evidence shows that it does not work in the financial services area: for example interbank money markets (LIBOR and EURIBOR). One of the next scandals to happen will be in the totally unregulated forex markets. At least, the industry codes of conducts should be reviewed and approved (or rejected) by Public Authorities, and their design must include user-side stakeholders.

Sensor data analytics and its impact on the insurance sector

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 1.9: Can you give examples of how sensor data analytics and other technologies are changing the provision of insurance and other financial services? What are the challenges to the widespread use of new technologies in insurance services?

In the insurance sector up to now we see three main applications of this new data analytics: telematic black boxes for motor vehicle insurances, “smart homes” with special burglary and housebreaking insurances and fitness or activity trackers linked to health policies.

The main challenge here is to ensure that the terms and conditions of the contract clearly disclose the measures of data protection taken by insurers.

Question 1.10: Are there already examples of price discrimination of users through the use of big data?

- Yes
- No
- Don't know / no opinion / not relevant

Please provide examples of what are the criteria used to discriminate on price (e.g. sensor analytics, requests for information, etc.)?

There is an existing dilemma that the more “big data” is used the more the “law of large numbers” loses its foundation. Private insurances are based on this fundamental principle. The more premiums are calculated on an individual basis the more the mutual exchange of risks on a collective basis is reduced. Effective and efficient insurance relies upon the mutualisation of risks. If they are all priced specifically, then it destroys the very principle and economic and social usefulness of insurance.

In order to prevent from any price discrimination mainly of consumers who are classified as “bad risks” we make the following proposal for the premium calculation: for each tariff there should be a definite cap for good risks might be broader than for bad risks. Both caps should be disclosed in the product information documents by the insurers.

Other technologies that may improve access to financial services

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 1.11: Can you please provide further examples of other technological applications that improve access to existing specific financial services or offer new services and of the related challenges? Are there combinations of existing and new technologies that you consider particularly innovative?

The frequent and comprehensive use of this kind of applications - which must be independent from any particular product and from any manufacturer - should be a crucial part of any financial guidance for consumers. However, contrary to this independent application, very often well-established comparison websites for financial services do not fully disclose neither the range of providers nor the commissions that they charge. This is why we consider the development of independent comparison tools and web site as crucial in the Financial Consumer Action Plan released by the EC last March.

2. Bringing down operational costs and increasing efficiency for the industry

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

FinTech has the potential of bringing benefits, including cost reductions and faster provision of financial services, e.g., where it supports the streamlining of business processes. Nonetheless, FinTech applied to operations of financial service providers raises a number of operational challenges, such as cyber security and ability to overcome fragmentation of standards and processes across the industry. Moreover, potential redundancy of specific front, middle and back-office functions or even of entire market players due to automation via FinTech solutions might have adverse implications in terms of employment in the financial industry, even though new jobs would also be created as part of the FinTech solutions. The latter, however, might require a different skill mix, calling for flanking policy measures to cushion their impact, in particular by investing in technology skills and exact science education (e.g. mathematics).

Question 2.1: What are the most promising use cases of FinTech to reduce costs and improve processes at your company? Does this involve collaboration with other market players?

Robo-advice and robo investing as analyzed in detail in BETTER FINANCE research (see our research reports of 2016 and of 2017 (5)).

Question 2.2: What measures (if any) should be taken at EU level to facilitate the development and implementation of the most promising use cases? How can the EU play its role in developing the infrastructure underpinning FinTech innovation for the public good in Europe, be it through cloud computing infrastructure, distributed ledger technology, social media, mobile or security technology?

BETTER FINANCE heard that the EC "TRACE" project to automatize the withholding taxes on cross-border investment income inside the EU has been abandoned by the EC. IT should be resumed asap in our view. As this is a preliminary and pre-requisite step in the enforcement of the 60 year old treaty of Rome on the free movement of capital inside the "single" market. Modern technologies should facilitate this preliminary action. To end the massive discrimination between EU citizens as savers according to their MS of residence.
Also, savings for savers and for financial intermediaries would be huge.

Question 2.3: What kind of impact on employment do you expect as a result of implementing FinTech solutions? What skills are required to accompany such change?

No comment

RegTech: bringing down compliance costs

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 2.4: What are the most promising use cases of technologies for compliance purposes (RegTech)? What are the challenges and what (if any) are the measures that could be taken at EU level to facilitate their development and implementation?

No comment

Recording, storing and securing data: is cloud computing a cost effective and secure solution?

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 2.5.1: What are the regulatory or supervisory obstacles preventing financial services firms from using cloud computing services?

No comment

Question 2.5.2: Does this warrant measures at EU level?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the regulatory or supervisory obstacles preventing financial services firms from using cloud computing services warrant measures at EU level.

No comment

Question 2.6.1: Do commercially available cloud solutions meet the minimum requirements that financial service providers need to comply with?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether commercially available cloud solutions do meet the minimum requirements that financial service providers need to comply with.

No comment

Question 2.6.2: Should commercially available cloud solutions include any specific contractual obligations to this end?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether commercially available cloud solutions should include any specific contractual obligations to this end.

No comment

Disintermediating financial services: is Distributed Ledger Technology (DLT) the way forward?

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 2.7: Which DLT applications are likely to offer practical and readily applicable opportunities to enhance access to finance for enterprises, notably SMEs?

No comment

Question 2.8: What are the main challenges for the implementation of DLT solutions (e.g. technological challenges, data standardisation and interoperability of DLT systems)?

No comment

Question 2.9: What are the main regulatory or supervisory obstacles (stemming from EU regulation or national laws) to the deployment of DLT solutions (and the use of smart contracts) in the financial sector?

No comment

Outsourcing and other solutions with the potential to boost efficiency

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 2.10: Is the current regulatory and supervisory framework governing outsourcing an obstacle to taking full advantage of any such opportunities?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the current regulatory and supervisory framework governing outsourcing is an obstacle to taking full advantage of any such opportunities.

No comment

Question 2.11: Are the existing outsourcing requirements in financial services legislation sufficient?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the existing outsourcing requirements in financial services legislation are sufficient, precising who is responsible for the activity of external providers and how are they supervised. Please specify, in which areas further action is needed and what such action should be.

No comment

Other technologies that may increase efficiency for the industry

Question 2.12: Can you provide further examples of financial innovations that have the potential to reduce operational costs for financial service providers and/or increase their efficiency and of the related challenges?

3. Making the single market more competitive by lowering barriers to entry

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

A key factor to achieving a thriving and globally competitive European financial sector that brings benefits to the EU economy and its society is ensuring effective competition within the EU single market. Effective competition enables new innovative firms to enter the EU market to serve the needs of customers better or do so at a cheaper price, and this in turn forces incumbents to innovate and increase efficiency themselves. Under the EU Digital Single Market strategy, the EU regulatory framework needs to be geared towards fostering technological development, in general, and supporting the roll-out of digital infrastructure across the EU, in particular. Stakeholder feedback can help the Commission achieve this goal by highlighting specific regulatory requirements or supervisory practices that hinder progress towards the smooth functioning of the Digital Single Market in financial services. Similarly, such feedback would also be important to identify potential loopholes in the regulatory framework that adversely affect the level playing field between market participants as well as the level of consumer protection.

Question 3.1: Which specific pieces of existing EU and/or Member State financial services legislation or supervisory practices (if any), and how (if at all), need to be adapted to facilitate implementation of FinTech solutions?

As we stated in our response on the Mid-term review of the Capital Market Union (6), of high importance is “the promotion of independent comparative websites, surfing on the new possibilities offered by FinTech. “Independent” is the key word here”. MiFID II will reinforce the principle of independent advice. The EC should examine how to expand these provisions to comparing tools.

The implementing acts of the new Shareholders Rights Directive will be crucial to end the cross-border barriers to shareholder engagement and voting.

In our view, this is a crucial feature for a strong single market for retail investors, which should have been included in the Green paper for retail financial services. This should be reflected in the CMU Action Plan.

We also mentioned the harmonization of ceilings for crowdfunding transactions between Member States.

Most often low cost, fee-based Fintech providers need critical mass and economies of scale: tax and administrative barriers and discriminations against EU citizens not residing in the provider’s Member State of residence must be once again addressed and eliminated. In other words, the single best service the EU can render to the development of a strong and competitive European Fintech industry is to actually implement the Treaty of Rome provision for a single market in retail financial services.

Question 3.2.1: What is the most efficient path for FinTech innovation and uptake in the EU?

See previous comment

Question 3.2.2: Is active involvement of regulators and/or supervisors desirable to foster competition or collaboration, as appropriate, between different market actors and new entrants?

- Yes
- No
- Don't know / no opinion / not relevant

If active involvement of regulators and/or supervisors is desirable to foster competition or collaboration, as appropriate, between different market actors and new entrants, please explain at what level?

See comment on Q 3.1

FinTech has reduced barriers to entry in financial services markets

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

But remaining barriers need to be addressed

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 3.3: What are the existing regulatory barriers that prevent FinTech firms from scaling up and providing services across Europe? What licensing requirements, if any, are subject to divergence across Member States and what are the consequences? Please provide the details.

See previous comments; especially tax discriminations against non-resident EU citizens and administrative burdens for these persons.

Also, BETTER FINANCE agrees that technological progress has been achieved to reduce the listed barriers (pages 14 & 15). However, with respect of licensing requirements, it is important to mention that - as it has been pointed out by the EC in the consultation document - "it must be applied in a proportionate manner, reflecting the business model, size, systemic significance, as well as the complexity and cross-border activity of the regulated entities".

We believe that more proportionate rules are needed to promote competition and enhance the resilience of financial system. In order to promote smaller start-ups, the proportionality principle should be applied.

We are not sure about the argument of stakeholders (mentioned in page 15) of having an all-encompassed FinTech licence for all the players. This could create inequalities among the players due to the fact that there are some that have much more resources than others. Moreover, there is no difference in the licence with respect to have the company offers is advice, guidance or asset management activities).

Question 3.4: Should the EU introduce new licensing categories for FinTech activities with harmonised and proportionate regulatory and supervisory requirements, including passporting of such activities across the EU Single Market?

- Yes
- No
- Don't know / no opinion / not relevant

If the EU should introduce new licensing categories for FinTech activities with harmonised and proportionate regulatory and supervisory requirements, including passporting of such activities across the EU Single Market, please specify in which specific areas you think this should happen and what role the ESAs should play in this. For instance, should the ESAs play a role in pan-EU registration and supervision of FinTech firms?

Licensing of Fintech services should follow the same rules as for the same services executed by “brick and mortar” providers.

The ESAs should be the entities which take control of the supervision of the companies’ activities referred to FinTech. As we expressed in our response to the EC’s public consultation on the operations of the ESAs (7), the restructuring of the ESAs should help to better identify the sectors that are under each Authority’s supervision tasks.

Question 3.5: Do you consider that further action is required from the Commission to make the regulatory framework more proportionate so that it can support innovation in financial services within the Single Market?

- Yes
- No
- Don’t know / no opinion / not relevant

If you do consider that further action is required from the Commission to make the regulatory framework more proportionate so that it can support innovation in financial services within the Single Market, please explain in which areas and how should the Commission intervene.

BETTER FINANCE recommends the EC to follow on the “consumer financial services action plan”, released on the 23rd March 2017, and to build independent web-based comparing tools for retail long-term and pension investments, and other financial services.

Question 3.6: Are there issues specific to the needs of financial services to be taken into account when implementing free flow of data in the Digital Single Market?

- Yes
- No
- Don’t know / no opinion / not relevant

Please elaborate on your reply to whether there are issues specific to the needs of financial services to be taken into account when implementing free flow of data in the Digital Single Market, and explain to what extent regulations on data localisation or restrictions on data movement constitute an obstacle to cross-border financial transactions.

No comment.

Question 3.7: Are the three principles of technological neutrality, proportionality and integrity appropriate to guide the regulatory approach to the FinTech activities?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the three principles of technological neutrality, proportionality and integrity are or not appropriate to guide the regulatory approach to the FinTech activities.

No comment.

Role of supervisors: enabling innovation

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 3.8.1: How can the Commission or the European Supervisory Authorities best coordinate, complement or combine the various practices and initiatives taken by national authorities in support of FinTech (e.g. innovation hubs, accelerators or sandboxes) and make the EU as a whole a hub for FinTech innovation?

Regulators and supervisors should work together to coordinate, complement or combine the various practices to support FinTech.

For the solutions proposed by the EC to support supervisor's endeavours, we believe that enhancing the understanding of FinTech by supervisors through regular forums with all stakeholders (innovation hubs) is a good solution. We also think that consumer representatives should play an active role here due to their knowledge about customers' needs and requirements.

The introduction of basic principles for firm support at EU level should also be helpful to support supervisors' tasks, as they would structure the criteria for support of firms.

Finally, facilitating or creating regulatory sandboxes could be useful for testing new regulation and its interpretation and implementation for new firms' solutions if potential conflicts of interests of the supervisory authorities are being mitigated.

Question 3.8.2: Would there be merits in pooling expertise in the ESAs?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether there would be merits in pooling expertise in the European Supervisory Authorities.

See previous answer

Question 3.9: Should the Commission set up or support an "Innovation Academy" gathering industry experts, competent authorities (including data protection and cybersecurity authorities) and consumer organisations to share practices and discuss regulatory and supervisory concerns?

- Yes
- No
- Don't know / no opinion / not relevant

If you think the Commission should set up or support an "Innovation Academy" gathering industry experts, competent authorities (including data protection and cybersecurity authorities) and consumer organisations to share practices and discuss regulatory and supervisory concerns, please specify how these programs should be organised.

BETTER FINANCE believes that an "Innovation Academy" - which would gather experts from the industry, EU institutions and consumers' side - could be a useful tool to discuss regulatory and supervisory concerns.

The programs should be organized regularly in order to have a consistent outcome. They should be structured around the "most relevant" topics and concerns from each side (industry, regulators and consumers). The institution's representatives should lead this "group" work and try to come with a document that could be the basis for a future regulation in this field. This Academy should be allowed to act « independently from the Commission » in terms of agenda/topics etc. and also with a research budget if possible.

Question 3.10.1: Are guidelines or regulation needed at the European level to harmonise regulatory sandbox approaches in the MS?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether guidelines or regulation are needed at the European level to harmonise regulatory sandbox approaches in the MS?

A harmonization of sandbox approaches in the MS could be helpful to supervisors because it would support the EU MS in the adoption of EU regulation. FinTech is a field that has been growing its significance in the recent years, and it seems that this tendency is going to stay. That is why every development to strengthen the EU Law framework - and even more in new technologies applied to the financial markets - should be reinforced and promoted.

Question 3.10.2: Would you see merits in developing a European regulatory sandbox targeted specifically at FinTechs wanting to operate cross-border?

- Yes
- No
- Don't know / no opinion / not relevant

If you would see merits in developing a European regulatory sandbox targeted specifically at FinTechs wanting to operate cross-border, who should run the sandbox and what should be its main objective?

See previous answer

Question 3.11: What other measures could the Commission consider to support innovative firms or their supervisors that are not mentioned above?

No comment

Role of industry: standards and interoperability

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 3.12.1: Is the development of technical standards and interoperability for FinTech in the EU sufficiently addressed as part of the European System of Financial Supervision?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the development of technical standards and interoperability for FinTech in the EU is sufficiently addressed as part of the European System of Financial Supervision.

No it is not sufficiently addressed. For example, as mentioned earlier, the cross-border interoperability in the post-trading area, and especially in the exercise of voting rights process is non-existent despite having been identified as a “Giovanini barrier” close to two decades ago.

Question 3.12.2: Is the current level of data standardisation and interoperability an obstacle to taking full advantage of outsourcing opportunities?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the current level of data standardisation and interoperability is an obstacle to taking full advantage of outsourcing opportunities.

See previous comment

Question 3.13: In which areas could EU or global level standards facilitate the efficiency and interoperability of FinTech solutions? What would be the most effective and competition-friendly approach to develop these standards?

Experience (notably the standards for general meetings Group) shows that standard setting must include all stakeholders of course but must be managed by EU Public authorities with mandatory deadlines for issuing those standards and for implementing them.

Question 3.14: Should the EU institutions promote an open source model where libraries of open source solutions are available to developers and innovators to develop new products and services under specific open sources licenses?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether the EU institutions should promote an open source model where libraries of open source solutions are available to developers and innovators to develop new products and services under specific open sources licenses, and explain what other specific measures should be taken at EU level.

No comment

Challenges

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 3.15: How big is the impact of FinTech on the safety and soundness of incumbent firms? What are the efficiencies that FinTech solutions could bring to incumbents? Please explain.

No comment

4. Balancing greater data sharing and transparency with data security and protection needs

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 4.1: How important is the free flow of data for the development of a Digital Single Market in financial services? Should service users (i.e. consumers and businesses generating the data) be entitled to fair compensation when their data is processed by service providers for commercial purposes that go beyond their direct relationship?

The free flow of data for the development of a Digital Single Market is quite relevant because – as it is mentioned in the text – it “can improve SME’s credit risk evaluation and allow for new services. It can also reduce operational costs in managing data and promote better asset allocation via better quality financial services and products”.

BETTER FINANCE believes that the mentioned advantages should be reflected in the consumers’ best interest. In this respect, the reduction of the operational costs should mean a lower cost for the customer.

Moreover, if the data is processed by service providers for commercial purposes that go beyond their direct relationship, consumers should benefit from other kind of discounts (or price decrease) as a fair compensation to the commercial purposes of the data processing. And it should be transparent to consumers that their data is being processed (if this is not already covered by existing EU regulation).

Storing and sharing financial information through a reliable tool

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 4.2: To what extent could DLT solutions provide a reliable tool for financial information storing and sharing? Are there alternative technological solutions?

Based on the definition given by the ECB (8), the DLT “is essentially a record of information, or database, that is shared across a network. It may be open, publicly accessible database or access may be restricted to a specific group of users. From a technical perspective it can be used, for example, to record transactions across different locations”.

The technical tool that allows this to happen is called “blockchain”. It stores individual transactions in groups – or blocks – that are linked to each other to create a chain. This chain is then put together using cryptography, which ensures the security of the data.

DLT appears to be a very effective and efficient data management solution. It could help a lot in getting rid of the antiquated processes for post trade and for cross-border voting in particular (see for example the current Estonian project using blockchain). Safety and integrity of the data recorded, right to access and correction are still issues to be clarified. But this is a question that only IT specialists can answer.

Question 4.3: Are digital identity frameworks sufficiently developed to be used with DLT or other technological solutions in financial services?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether digital identity frameworks are sufficiently developed to be used with DLT or other technological solutions in financial services.

No comment

Question 4.4: What are the challenges for using DLT with regard to personal data protection and how could they be overcome?

A challenge would be to share "individual" information because it is saved in "groups/blocks of people" under a certain categorization. However, if the features/characteristics from the people that the company wants to obtain the information from differ from the categorization used, it could be problematic.

Whenever personal customer data are recorded, the right of access and of correction if wrong must be very well ensured and enforced. It must be a user-friendly process.

The power of big data to lower information barriers for SMEs and other users

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 4.5: How can information systems and technology-based solutions improve the risk profiling of SMEs (including start-up and scale-up companies) and other users?

The information asymmetry against SMEs risk data (compared to big companies) limits them in their access to finance.

We agree with the EC's statement - mentioned in the consultation document - that "big data analytics, often combined with a match-making platform and credit information sharing between bank and non-bank financial services providers, could deliver significant results, if properly applied".

Question 4.6: How can counterparties that hold credit and financial data on SMEs and other users be incentivised to share information with alternative funding providers ? What kind of policy action could enable this interaction? What are the risks, if any, for SMEs?

No comment

Security

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 4.7: What additional (minimum) cybersecurity requirements for financial service providers and market infrastructures should be included as a complement to the existing requirements (if any)? What kind of proportionality should apply to this regime?

No comment

Question 4.8: What regulatory barriers or other possible hurdles of different nature impede or prevent cyber threat information sharing among financial services providers and with public authorities? How can they be addressed?

No comment

Question 4.9: What cybersecurity penetration and resilience testing in financial services should be implemented? What is the case for coordination at EU level? What specific elements should be addressed (e.g. common minimum requirements, tests, testing scenarios, mutual recognition among regulators across jurisdictions of resilience testing)?

No comment

Other potential applications of FinTech going forward

Please [refer to the corresponding section of the consultation document](#)  to read some contextual information before answering the questions.

Question 4.10.1: What other applications of new technologies to financial services, beyond those above mentioned, can improve access to finance, mitigate information barriers and/or improve quality of information channels and sharing?

Like for many other retail services: recognition by fingerprints, or eye or facial recognition. To improve cyber security and personal data protection.

Question 4.10.2: Are there any regulatory requirements impeding other applications of new technologies to financial services to improve access to finance, mitigate information barriers and/or improve quality of information channels and sharing?

- Yes
- No
- Don't know / no opinion / not relevant

Please elaborate on your reply to whether there are any regulatory requirements impeding other applications of new technologies to financial services to improve access to finance, mitigate information barriers and/or improve quality of information channels and sharing?

Please see previous answer

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

a7729d2d-6669-4ac5-b45c-52d415d96fdf/BETTER_FINANCE_General_comments___footnotes.docx

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[Consultation details \(http://ec.europa.eu/info/finance-consultations-2017-fintech_en\)](http://ec.europa.eu/info/finance-consultations-2017-fintech_en)

[Specific privacy statement \(https://ec.europa.eu/info/sites/info/files/2017-fintech-specific-privacy-statement_en.pdf\)](https://ec.europa.eu/info/sites/info/files/2017-fintech-specific-privacy-statement_en.pdf)

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