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EBF preliminary key messages on the Regulatory Framework of experimentation

The European Banking Federation (EBF) welcomes the European Banking Authority's initiative regarding the FinTech Roadmap which includes the proposal to create a FinTech Knowledge Hub. We think it should provide the first step towards the creation of a regulatory framework of experimentation. The development of an ecosystem in which businesses could grow and foster innovation is a vital component of the Digital Single Market.

The EBF is convinced that an EU wide regulatory framework of experimentation would be the best solution to increasing the level of innovation happening in the EU while also bolstering the EU's competitiveness with other leading markets. The main benefit of such an approach is that new technologies, business models and the regulatory learnings that result from encountering innovation could reach across all EU member states more efficiently than following a more fragmented approach and, obviously, it would have great value as a testing ground for cross border projects.

We therefore urge the European Banking Authority to facilitate cooperation among national authorities. Doing so will encourage alignment, avoid unlevel regulatory playing fields across Members States and prevent potential fragmentation of approaches - something that would otherwise compromise the goals of the Digital Single Market. A level playing field across the EU is a powerful variable for both Financial entities and Supervisors to test and learn about risks and opportunities of applying new technologies and developing new business models, minimizing potential impacts and protecting consumers. Such an approach should be also neutral regarding technological developments and business models, following an activities-based approach.

The EBF also believes that a strong and efficient regulatory framework for experimentation in the European Union will benefit companies, authorities and consumers alike and would help achieving a more competitive and integrated European Market. As such, we fully support the objective of the EBA FinTech roadmap which includes, among other initiatives, to analyse innovation hubs with a view to developing best practices to enhance consistency and facilitate supervisory coordination. In this context we would like to bring to the attention of the co-legislators the following points:

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EBF key messages:

- ◆ **Regulatory framework of experimentation should be operated on an equal access basis:** The EU should not restrict access to innovators, banks or businesses of certain sizes or experience levels. A broad range of participation will increase the level of learning available to regulators and industry, whether new entrants or established firms. Banks, in particular, are able to leverage the considerable experience and lessons learnt in identifying risks and helping shape standards and governance for new technologies. Furthermore, banks have a proven ability in complying with rules and regulations, so being in a perfect position to early identify regulatory constraints. This will also help promoting competition, as well as greater understanding between regulators and industry that is one of the major benefits of regulatory framework of experimentation.
- ◆ **Collaboration among all actors in the regulatory framework:** In an increasingly digital world, the innovation being conducted by start-ups and established institutions is likely to be subject to regulation beyond financial services or outside of a single jurisdiction. An open dialogue between different actors and regulators is a very important element in increasing knowledge and understanding of technological developments and their place within existing and potential future regulations. Greater understanding between regulators and industry is one of the major benefits of regulatory frameworks of experimentation or other methods of encouraging FinTech experimentation by regulators. In the context of the regulatory framework of experimentation, all the parties should therefore be encouraged to establish meaningful cooperation with the relevant authorities (i.e. Data Protection, competition, consumer organization, financial services, tax, etc. Authorities). National Competent Authorities (NCAs) should thus include established channels of communication such as engagement leads for different sectors of the market as part of their experimentation offering.
- ◆ **Importance of establishing an EU framework with clear rules** (for example entry requirements, what happens while in the experimentation framework and how a successful project should enter the market).
- ◆ **Equal contribution to an innovative and competitive ecosystem:** Developments in the field of FinTech can lead to a series of changes with new players, new solutions and new products / services. However, the changes must not undermine the confidence in the financial sector, at national and at European level. The environment in which the firms are able to grow, and foster innovation should not be seen as a regulatory safe haven, but as a short term perioded alternative, which shall provide knowledges to both the FinTech company and to the regulator. This shall be considered as a unique opportunity to learn and to provide authorities with knowledge, in order to guarantee the security and the stability to the entire ecosystem. The European Banking Authority must always apply the principle of "same services, same activities, same risks, same rules and same supervision" in order to ensure that competition is preserved in this ecosystem and that innovation can be properly fostered.
- ◆ **Regulatory learnings should be shared publicly with both industry and regulators in other jurisdictions:** For innovation to spread and regulation to become more effective it is vital that the results of regulatory framework of experimentation testing be shared. It will often not be appropriate to share details of individual projects owing to strategic, competition or intellectual property concerns. However, the learnings that regulators gain from observing such tests or the outcome should be made available so that they can help creating a better understanding between regulators and industry of the different methods used.

About EBF

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.5 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth.

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