

European Banking Authority

Brussels, 6 November 2017

Re: Discussion Paper on the EBA's approach to financial technology (FinTech)

Dear Sir/Madam,

Eurofinas, the voice of consumer credit providers at European level welcomes the opportunity to respond to the European Banking Authority's (EBA) Discussion Paper on the EBA's approach to financial technology.

We appreciate the extensive work carried out by the EBA on the matter upon to this point, the mapping exercise performed in connection with this Discussion Paper and the comprehensive work agenda proposed going forward by the authority.

Eurofinas supports the work of the EBA in ensuring that market actors engaging in financial innovations can do so with confidence across Europe, subject to consistent regulatory and supervisory frameworks, and that consumers are provided with a high level of consumer protection. We trust that our comments will be taken into account and remain at the disposal of the authority should any further questions arise.

As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, universal banks, specialised banks and captive finance companies of car or equipment manufacturers. The products sold by Eurofinas members include all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, furniture, electronic appliances, education etc. It is estimated that together the Eurofinas members financed almost 427 billion euros worth of new loans during 2016 with outstandings reaching 1024 billion euros at the end of the year.

We generally welcome and agree with the conclusions and further work set out by the EBA. We believe that risks are adequately outlined and that the proposed actions and future work will be important to further enable the uptake of FinTech by consumer credit lenders and to answer to customers' growing demand for a fully digital experience and a high level of personalisation of services and products.



We welcome the extensive mapping exercise carried out on the subject-matter. It is a valuable exercise to enable a more complete overview of the current situation for the various activities and entities in order to assess the need for further actions going forward. This is especially important in order to allow for the appropriate and consistent regulatory and supervisory treatment of similar activities and risks as well as to determine the scope for potential follow-up actions within the remit of the EBA's competence.

In this context we want to highlight that, traditionally, consumer credit firms either can be banks, bank-owned subsidiaries, independent firms or the financing arms of manufacturing companies (known as captive companies). When they are banks or belong to a banking group, consumer credit companies are required to apply EU prudential regulation, either directly at legal entity level or through the inclusion of their activities in the requirements that are applied to the group at consolidated level. Also, depending on the Member State, EU prudential regulation may be applied to financial institutions. In this, it is important to stress that further EBA actions in the field of consumer credit and FinTech may not only likely apply to our member credit institutions, as well as their subsidiaries, but also to non-bank, members. We therefore want to stress the great interest for our Federation to remain strongly involved in any future discussions.

Specific comments

Authorisation and registration regimes and sandboxing/ innovation hub approaches

We agree with the EBA that different treatment of FinTech firms offering similar financial services could benefit from further investigation. This is required to enable a level playing field as well as to address regulatory and supervisory concerns and inconsistencies.

Initiatives such as regulatory sandboxes may play an important role to encourage and capitalise on innovation relating to truly disruptive new business models and / or technologies. However, in order to achieve a greater general uptake of innovative technologies and to foster partnerships and other collaborative measures between different market players, we believe more in a wide-encompassing supportive approach by relevant supervisors. This could provide for a bigger effect than such directed measures towards a limited number of players.

Common guidelines, other high-level principles and the sharing of best practices could play an important role to achieve a more consistent framework relevant for experimentation with new and truly disruptive technologies and / or business models.

Prudential risks and opportunities for credit institutions

The risks, especially in relation to ICT issues, as outlined in the Discussion Paper are generally correctly identified and complete.

Due to the use of FinTech technology, more data is being stored and processed. The risk of cyber-attacks, and other cyber related crimes pose an ever-increasing threat. In this context, we believe further common measures and cooperation between all concerned stakeholders, at national, EU and international level, could play a significant role to counter such risks. We therefore welcome the focus on to strengthen cross-border cooperation between competent authorities across, and call upon all relevant authorities and stakeholders to be involved.

An increased exchange of information is necessary between businesses and supervisory authorities. However, this is presently only done in a limited extent due to a lack of joint trust and legal certainty as to the possibility to share data (also within company groups). Further actions should therefore be taken in order to bring further legal clarity on the possibility of information sharing between market players.

Opportunities and threats arising from FinTech

Consumer credit providers are presently exploring and taking advantage of improved and new technologies in order to enhance processes and to better perform core activities, i.e. the safe and responsible provision of credit, to comply with regulatory requirements and to offer their customers with new and improved products as well as greater convenience.



Big Data analytics, Artificial Intelligence, machine learning, e-identity solutions and automation systems are all used or considered in these efforts to provide consumers with a greater and more relevant experience in connection to the distribution of financial products and services, in marketing activities and in other customer engagement situations, e.g. contacts with customer services. Providers are also taking advantage of FinTech tools in order to provide their customers with improved tools for personal finance management, to gain a better understanding of their respective financial situation and to improve their financial literacy.

It is important that providers can develop within an innovation-friendly and stable framework. Any measures going forward must be consistent with existing work that has been carried out, e.g. in relation to the new Payment Services Directive, in order to avoid inconsistent rules and duplication of work.

Consumer protection and retail conduct of business issues

We welcome further work by the EBA to enable a consistent high level of consumer protection independently of the entity providing a product or service. It is important that also new entrants to the market conform to the same regulatory standards as existing players. This is essential to enable a level playing field and to uphold consumers' rights and trust. All entities involved in the same activity in the relevant jurisdiction should be subject to the applicable legislation. Increased cross-border activity and forum shopping by new entities may warrant specific attention and we welcome further work on the subject-matter.

In addition, we welcome further work by the ESAs on Big Data analytics to determine if there is a need for further guidelines on the subject-matter to safeguard consumers' rights. We want to stress that it is essential for lenders to evolve together with their customers' trust in the use of their data and in full compliance with all applicable legislation in their further use and uptake of new tools and technologies, e.g. Big Data analytics or Artificial Intelligence. The forthcoming General Data Protection Regulation (GDPR) further strengthens the rights of European consumers. It is an important tool for the safe processing of personal data and provides the necessary trust for consumers in the use of their data as well as for its safety and accuracy. However, in this context, we believe it is important to stress that overly restrictive interpretations and/or guidelines could severely limit the possibility for consumer credit providers to effectively use Big Data analytics to the benefit of their customers. In addition, we would like to stress that any restrictive rules on the use of Big Data should apply to all actors, including big tech firms, and not only to credit institutions.

The impact of FinTech on AML/CFT

As recognised by the EBA, the differing regulatory and supervisory approaches taken in relation to the anti-money laundering framework in place have affected the ability of financial services providers to enable a fully digital experience, requiring the ability to remotely identify and verify a customer. We welcome the work carried out to address this issue by the European Supervisory Authorities (ESAs) as well as by the European Commission. We want to stress the need to achieve a consistent, innovation-friendly approach across the National Competent Authorities (NCAs).

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleague Isak Bengtzboe (i.bengtzb@eurofinas.org - tel: + 32 2 778 05 73).

Yours sincerely,

Leon Dhaene
Director General

Eurofinas is entered into the European Transparency Register of Interest Representatives with ID n° 83211441580-56