

A tailored and responsive FinTech regulation

By the ACPR, the French supervisory authority for banking and insurance sectors, attached to the Banque de France



ACPR and Fintech : a constructive dialogue

The remit of the ACPR

Licensing and supervising

Credit institutions and specialized credit firms

Payment and E-money institutions

Investment services
(together with the French financial market authority)

Insurance companies

Consumer protection

All those licensed institutions

Intermediaries in credit, insurance and payment activities

Loan-based crowdfunding platform (2014)

The FinTech-Innovation unit

❑ *Innovation Hub* of the ACPR

❑ **A single point of entry for FinTech**

- Team with a strong expertise in financial regulation
- Open-minded to innovation
- Set up to be agile and responsive
- Concrete insights on the French financial regulation
- Answer questions in a timely manner

❑ **A guide to the licensing process**

- A guidance for formalities
- A follow-up of the progress
- A close coordination with the French Financial Market authority (AMF), with our internal network of experts and with Banque de France's experts

The FinTech-Innovation unit

- ❑ **~100 innovative project leaders**

- ❑ **~20 innovative technology providers**
 - Blockchain, Big Data, Customer identification, RegTech

- ❑ **Incumbent banking and insurance players**

- ❑ **Partners (professional associations, private equity, advisory and accounting firms)**

FinTechs convey the digital transformation of financial services

Payment, Clearing and Settlement services	Lending, Deposit and Capital raising	Investment services
<p>New payment technologies <i>Mobile Payment, E-wallet</i></p> <p>New payment services <i>Digital account, payment initiation service, account information service (cf. PSD2)</i></p> <p>Virtual currencies</p>	<p>Crowdfunding <i>Fundraising, crowdlending and crowdequity, intermediation of minibonds</i></p> <p>Other intermediation platforms <i>Factoring</i></p> <p>Neo banks</p>	<p>Electronic trading <i>High-frequency trading</i></p> <p>Automated financial services <i>Robot advisory</i></p>

Data

Big data - Open data
Innovative uses of customer data
New development of risk scoring and marketing scoring

Cross-sectorial innovations

Cloud computing
Blockchain
Customer identification (digital identity, biometry)
Price comparator
Artificial intelligence – Internet of Things (IoT) – Bots – Chatbots

The FinTech forum

An open and innovative dialogue with the industry

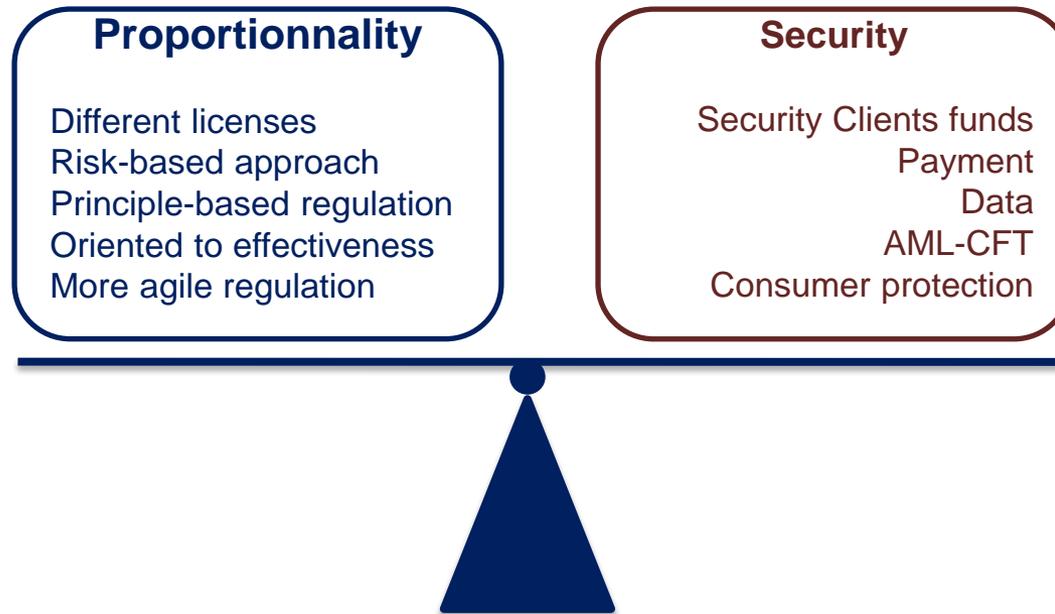
- ❑ Joint ACPR/AMF forum
- ❑ A majority of FinTech representatives
- ❑ Ministry of finance + French Data protection authority (CNIL) + TRACFIN for AML-CFT + French authority for IT security (ANSSI)



Mandate of that body

- ❑ Make proposals on regulation and supervisory practices regarding FinTech and innovation
- ❑ Identify the challenges and the issues associated with developments of FinTechs
- ❑ Issue opinions on the proposed changes to domestic or European regulations and on amendments to AMF or ACPR policy.
- ❑ Keep supervisors up to date on innovation and challenges

ACPR approach to FinTech



- **Respect of the EU framework**
- **Level playing field**

- **Oriented to effectiveness**
- **Sustain the proportionnalité principle**

Two concrete examples



Peer-to-Peer lending

- ❑ French regulatory framework introduced in 2014 and modified in 2016 to foster new channels of SME financing
- ❑ Registration but no licensing process
- ❑ Regulation focused to consumer protection and AML-CFT issues
- ❑ Regulation supports the development of the sector



Payment services

- ❑ License exemptions
 - Restricted network / limited range of goods and services
 - Automatic waiver if amount of payment below EUR 1 million
- ❑ Agent of a payment service provider
 - Controlled by the PSP
- ❑ Limited payment institution and fully-fledged payment institution
 - Principle-based approach for internal control
 - Risk-based approach for supervision
- ❑ Future DSP2 framework



Fintech a new challenge for deposit insurers ?

Start-ups in the financial industry

□ Challenges

- Business plans are often very optimistic and innovation is cash burning = *financial soundness / going concern issues*
- Managers may not have previous experience in the financial field = *governance issues*
- The firm is focused on IT developments and marketing = *compliance and control issues*
- Digital finance eases cross-border transactions and cross-border retail services (including deposits) = *cooperation issue*

□ Opportunities

- Innovation to *better meet customers needs*
- Innovation to *reduce costs and prices*
- Innovation to *improve financial inclusion and regulatory compliance*
- Innovation to *allow new players entering and challenging the market*

How fintech can blur the boundaries

□ ***of what is a credit institution, or at least who is the responsible credit institution***

- What is the regulatory status of platforms that offer to collect funds from the clients ?
- How can they offer their services in several countries in the EU ?
- If they partner with one or several credit institutions, which one will be responsible for the funds ? Which national deposit insurance scheme would pay ?

□ ***of what is a deposit, at least in the consumer mind***

- Are funds booked on a payment account open in a payment institution considered as deposits ? Why not?
- Are they covered by the deposit insurance scheme ? Why not ?

Conclusion

Our ambition is to be a financial centre of excellence in terms of security and appropriate rule-making. That will allow us to attract the most outstanding FinTech and financial innovation initiatives.



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**A dedicated webpage on the ACPR website
To keep the FinTech community informed about regulation**

<https://acpr.banque-france.fr/en/acpr/tasks/pole-acpr-fintech-innovation.html>