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Luxembourg,

Introduction

- a. Definition of Fintechs
- b. CSSF's regulatory approach towards financial technology
- c. The CSSF challenges
- d. Organization
- e. Future of FinTech: PSD 2

Definition of FinTechs

A business model where the production and delivery of financial services is based on technology.
disruptive or not

- transferring value via a new technology, operating a financial service?
- providing financial infrastructure services to the financial industry?

The Luxembourg FinTech landscape

Serving all financial industry segments



Note: Illustrative – non exhaustive

CSSF's regulatory approach towards financial technology

CSSF is in FinTech since 2007

- Payment service directive 1
- Work of the supervisor fundamentally changed
- The financial sector actors fundamentally changed

CSSF's regulatory approach towards financial technology

- The CSSF was one of the first regulators in Europe to adopt a clear position with regards to virtual currencies in February 2014. This position has been confirmed by the European court of justice in October 2015.
- A first exchange platform enabling customers to exchange Bitcoins against EUR and USD between them and vice versa, has been authorized by the Luxembourg Minister of Finance, on 19 April 2016.

CSSF's regulatory approach towards financial technology

- Currently the CSSF investigates how and under which conditions **public clouds** could be used by regulated entities of the financial sector. In order to do this, the CSSF closely works with some big cloud providers willing to comply with financial regulators expectations.
- The CSSF has no Innovation Hub but an **Innovation department** since April 2015


CSSF's regulatory approach towards financial technology

- With regards to the distributed ledger technology the CSSF observes closely the latest trends in the industry.
- RegTech, or regulatory technology is another aspect of FinTech, describing the use of technology, specifically information technology (IT), in the context of regulatory monitoring, reporting and compliance.
- New models of "FinTech banking".

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The CSSF challenges

- Having a balanced approach toward financial regulation trying to apply an existing regulatory framework in a proportionate way and in remaining technological neutral
 - Determine the potential benefits of the submitted innovation and whether there could be regulatory barriers linked to the innovative character of the business model we could address without circumventing the regulatory requirements
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The CSSF challenges

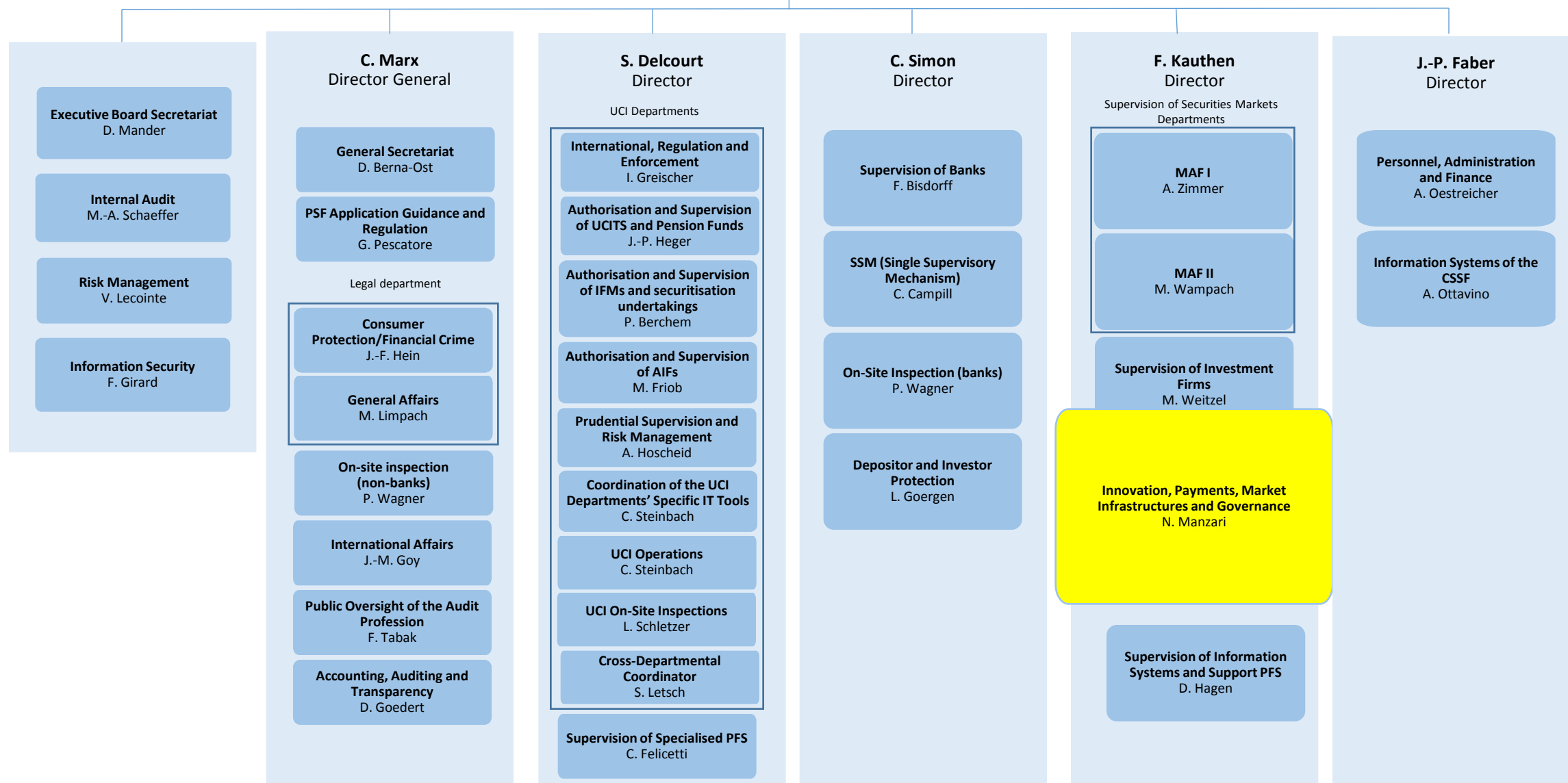
- Identify potential risks, cyber risks, fraud and AML/FT risks which have to be properly assessed and for which mitigants have to be applied

Organization

- The CSSF has no Innovation Hub but an **Innovation department** since April 2015
- Sandbox v. pilot testing

Organisation chart of the CSSF's Executive Board

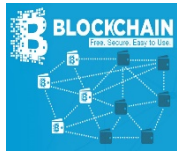
Executive Board



CSSF's regulatory approach towards financial technology



GT FinTech
Composed of CSSF experts
& industry experts




Fintech Ecosystem



Future of FinTech: PSD 2

- Payment service directive 2 → is preparing for a new evolution in payments and consequently in FinTechs too
 - The new payment services directive will allow third party access to accounts, the use of API's to connect merchant and the bank directly and the ability to consolidate account information in 1 portal.
- These developments will disrupt current payment services in Europe.

Future of FinTech: PSD 2

- FinTech developments are calling for a new perspective on supervision.
 - FinTechs needs the supervisory authorities to respond promptly and to communicate clearly on authorization applications.
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end

Thank you for your attention

Disclaimer:

The views expressed in this presentation are those of the presenter only. Official positions of the CSSF are determined only after extensive due process and deliberation.