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

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

**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

10/03/2017
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 proportionnality 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?
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.

François Villeroy de Galhau
Governor of the Banque de France, Chairman of the Autorité de contrôle prudentiel et de résolution (ACPR)
One single e-mail address

fintech-innovation@acpr.banque-france.fr

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