Basic information

2016/2243(INI) INI - Own-initiative procedure	Procedure completed
FinTech: influence of technology on the future of the financial sector **Subject** 2.50.04 Banks and credit 2.50.08 Financial services, financial reporting and auditing 3.30.06 Information and communication technologies, digital technologies	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	VAN NIEUWENHUIZEN Cora (ALDE)	15/06/2016
	Shadow rapporteur HAYES Brian (PPE) IVAN Cătălin Sorin (S&D) FOX Ashley (ECR) MATIAS Marisa (GUE/NGL) REIMON Michel (Verts/ALE) VON STORCH Beatrix (EFDD) KAPPEL Barbara (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	CHARANZOVÁ Dita (ALDE)	26/09/2016

European Commission

Commission DG	Commissioner
Budget	MOSCOVICI Pierre

Key events			
Date	**Event**	**Reference**	**Summary**
06/10/2016	Committee referral announced in Parliament		
25/04/2017	Vote in committee		
28/04/2017	Committee report tabled for plenary	A8-0176/2017	Summary
16/05/2017	Debate in Parliament		
17/05/2017	Decision by Parliament	T8-0211/2017	Summary
17/05/2017	Results of vote in Parliament		
17/05/2017	End of procedure in Parliament		

Technical information	
Procedure reference	2016/2243(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/07726

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE597.523	27/01/2017	
Amendments tabled in committee		PE601.075	09/03/2017	
Committee opinion	IMCO	PE595.754	22/03/2017	
Committee report tabled for plenary, single reading		A8-0176/2017	28/04/2017	Summary
Text adopted by Parliament, single reading		T8-0211/2017	17/05/2017	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2017)511	26/09/2017	

FinTech: influence of technology on the future of the financial sector

2016/2243(INI) - 28/04/2017 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Cora VAN NIEUWENHUIZEN (ALDE, NL) on FinTech: the influence of technology on the future of the financial sector.

Defining an EU framework for FinTech: Members welcomed the new developments in the area of FinTech, and called on the Commission to draw up a comprehensive FinTech Action Plan in the framework of its Capital Markets Union (CMU) and Digital Single Market (DSM) strategies. They called on the Commission to deploy a proportionate, cross-sectorial and holistic approach to its work on FinTech and to act as first mover in order to create a favourable environment for European FinTech hubs and firms to scale up.

They stressed legislation and supervision in the area of FinTech should be based on three principles:

- **Same services and same risks:** the same rules should apply, regardless of the type of legal entity concerned or its location in the Union;
- **Technology neutrality**;
- **A risk-based approach**, taking into account the proportionality of legislative and supervisory actions to risks and materiality of risks.

Members emphasised the importance of regulators and supervisors developing sufficient technical expertise to adequately scrutinise increasingly complex FinTech services so that they can detect and anticipate specific risks of different technologies and step in immediately and with a clear agenda when it becomes necessary.

They recognised that:

- FinTech companies contribute positively to the development of financial intermediation, but also create new risks related to financial stability;
- RegTech has the potential to improve compliance processes, in particular the quality and timeliness of supervisory information, by making them less complicated and more cost-efficient.

Members called on the relevant authorities to take a proactive approach in trying to understand the barriers to using new FinTech and RegTech solutions in areas of pre- and post- trade processes that are covered by the Markets in Financial Instruments Directive (MiFID), the European Market Infrastructure Regulation (EMIR) and the Central Securities Depositories Regulation (CSDR) and, where no barriers exist, to clarify the right of actors to use such solutions for the purpose of fulfilling their obligations under those pieces of legislation.

They called on the Commission and the European Supervisory Authorities (ESAs) to:

- monitor and avoid overlaps of regulation, new barriers to entry on the market, and national barriers to those services;
- to apply, where applicable, passporting regimes to providers of new financial services offered across the EU.

They also supported the Commission's efforts to address how the EU can help improve choice, transparency and competition in retail financial services to the benefit of European consumers, and emphasised that this goal should be complementary to the objective of improving the efficiency of the financial system.

Data: Members recalled that the collection and analysis of data play a central role for FinTech, and therefore stressed the need for **consistent, technology-neutral application of existing data legislation**, including the General Data Protection Regulation (GDPR), the Revised Payment Service Directive (PSD2), the Electronic Identification and Authentication Services (eIDAS) Regulation, the Fourth Anti-Money Laundering Directive (AMLD4) and the Network and Information Security (NIS) Directive.

They emphasised the **need for clear rules on data ownership, access and transfer** and stressed that while the GDPR provides a clear legal framework on personal data **more legal certainty is needed** regarding other categories of data.

Cybersecurity and ICT risks: Members called on the Commission to make cybersecurity the number one priority in the FinTech Action Plan, and on the ESAs and the ECB in its banking supervision role to make it a **key element** of their regulatory and supervisory programmes. They called on the Member States to ensure the timely transposition of the directive on security of network and information systems (NIS Directive).

Blockchains: Members underlined the potential of blockchain applications for cash and securities transfer, as well as for facilitating 'smart contracts', which open up a wide range of possibilities for both sides of financial contracts, in particular trade finance and business lending arrangements. They are, nevertheless, concerned by the increased use of **unpermissioned blockchain applications** for criminal activities, tax evasion, tax avoidance and money laundering.

Interoperability: Members stressed the importance of interoperability of traditional and new payments solutions in order to achieve an integrated and innovative European payment market. They asked the ESAs to identify in which cases targeted or risk-based authentication can be an alternative to strong authentication and the Commission to investigate whether the strong authentication processes can also be executed by other entities than banks. They called on the ESAs, in cooperation with national regulators, to develop technology-neutral standards and licences both for know-your-customer and remote identification techniques.

Financial stability and consumer and investor protection: Members called on:

- the Commission to pay specific attention, in designing its FinTech action plan, to the needs of retail consumers and investors and the risks to which they might be vulnerable, in the light of growing expansion of FinTech in services to non-professional clients, for example in crowdfunding and peer-to-peer lending;
- regulators and supervisors to monitor the impact of digitisation on the competitive situation across all relevant segments of the financial sector, and to design and deploy tools to prevent or remedy anti-competitive behaviour or distortions of competition.

Financial education and IT skills: Members called on the Commission and the ESAs to increase their support for initiatives to improve financial education and stressed that vocational training and information on consumer and investor rights should be easily accessible.

FinTech: influence of technology on the future of the financial sector

2016/2243(INI) - 17/05/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 544 votes to 107, with 14 abstentions, a resolution on FinTech: the influence of technology on the future of the financial sector.

Defining an EU framework for FinTech: Members welcomed the new developments in the area of FinTech, and called on the Commission to draw up a comprehensive **FinTech action plan** in the framework of its Capital Markets Union (CMU) and Digital Single Market (DSM) strategies. They called on the Commission to deploy a **proportionate, cross-sectorial and holistic approach** to its work and to act as first mover in order to create a favourable environment for European FinTech hubs and firms to scale up.

The resolution stressed that legislation and supervision in the area of FinTech should be based on three principles:

- **Same services and same risks:** the same rules should apply, regardless of the type of legal entity concerned or its location in the Union;
- **Technology neutrality**;
- **A risk-based approach**, taking into account the proportionality of legislative and supervisory actions to risks and materiality of risks.

Members recommended putting in place a **controlled environment for experimentation** with new technologies and stressed the need for a **dialogue** with market participants and all other relevant stakeholders, is necessary and can help supervisors and regulators to develop technological expertise. More **research projects** related to the FinTech should be supported.

Moreover, Members emphasised the importance of regulators and supervisors developing **sufficient technical expertise** to adequately scrutinise increasingly complex FinTech services. The potential benefits of a **single point of contact** for market participants was highlighted in this regard.

Members recognised that FinTech companies contribute positively to the development of financial intermediation, but also create new risks related to financial stability.

Parliament urged the regulatory and supervisory authorities to consider how they could obtain the appropriate supervisory information for **maintaining financial stability** and, where necessary, to impose regulatory constraints on their balance sheets.

Members also called on the relevant authorities to take a proactive approach in trying to **understand the barriers** to using new FinTech and RegTech solutions in areas of pre- and post- trade processes that are covered by the Markets in Financial Instruments Directive (MiFID), the European Market Infrastructure Regulation (EMIR) and the Central Securities Depositories Regulation (CSDR) and, where no barriers exist, to clarify the right of actors to use such solutions for the purpose of fulfilling their obligations under those pieces of legislation.

With a view to **boosting financial innovation** in Europe, Members called on the Commission and the European Supervisory Authorities (ESAs) to: (i) monitor and avoid overlaps of regulation, new barriers to entry on the market, and national barriers to those services; (i) apply, where applicable, **passporting regimes** to providers of new financial services offered across the EU.

They also supported the Commission's efforts to address how the EU can help improve choice, transparency and competition in retail financial services to the benefit of European consumers, and emphasised that this goal should be complementary to the objective of improving the efficiency of the financial system.

Data: Parliament recalled that the collection and analysis of data play a central role for FinTech, and therefore stressed the need for **consistent, technology-neutral application of existing data legislation**, including the General Data Protection Regulation (GDPR), the Revised Payment Service Directive (PSD2), the Electronic Identification and Authentication Services (eIDAS) Regulation, the Fourth Anti-Money Laundering Directive (AMLD4) and the Network and Information Security (NIS) Directive.

Members emphasised the need for **clear rules on data ownership, access and transfer** and stressed the need for a common approach to the use of cloud computing across national competent authorities (NCAs).

Cybersecurity: Parliament called on the Commission to make cybersecurity the **number one priority** in the FinTech action plan, and on the ESAs and the ECB in its banking supervision role to make it a key element of their regulatory and supervisory programmes. It called on the ESAs to regularly review existing operational standards covering ICT risks of financial institutions.

Blockchains: Members underlined the potential of blockchain applications for cash and securities transfer, as well as for facilitating 'smart contracts', which open up a wide range of possibilities for both sides of financial contracts, in particular trade finance and business lending arrangements. They are, nevertheless, concerned by the increased use of unpermissioned blockchain applications for criminal activities, tax evasion, tax avoidance and money laundering.

Interoperability: Parliament stressed the importance of interoperability of traditional and new payments solutions in order to achieve an integrated and innovative European payment market. It called on the ESAs, in cooperation with national regulators, to develop technology-neutral standards and licences both for know-your-customer and remote identification techniques.

Financial stability and consumer and investor protection: Members called on:

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the Commission to pay specific attention, in designing its FinTech action plan, to the **needs of retail consumers and investors** and the risks to which they might be vulnerable, in the light of growing expansion of FinTech in services to non-professional clients, for example in crowdfunding and peer-to-peer lending;

- regulators and supervisors to monitor the impact of digitisation on the **competitive situation** across all relevant segments of the financial sector, and to design and deploy tools to prevent or remedy anti-competitive behaviour or distortions of competition.

Financial education and IT skills: Parliament called on the Commission and the ESAs to increase their support for initiatives to improve financial education and stressed that vocational training and information on consumer and investor rights should be easily accessible.