



Regulatory Newsflash

FinTech – EC Action Plan, Regulation on Crowdfunding and AML / CFT developments

Introduction

On 8 March 2018, the European Commission (EC) and the Financial Action Task Force (FATF) both shared noteworthy initiatives regarding FinTech that are likely to impact the future regulatory framework.

As such, the EC published its [FinTech Action Plan for a more competitive and innovative European financial sector](#), together with an accompanying timeline in [annex](#). Linked to this, the EC also published a [proposal for a Regulation on European Crowdfunding Service Providers for Business](#), supplemented by an [annex](#).

These publications form part of the EC's efforts to build a Capital Markets Union (CMU) and a true single market for consumer financial services. They draw input from extensive preparatory work, including the Internal Task Force on Financial technology, the CMU Action Plan and mid-term review, and the EC's public consultation on FinTech.

The FATF on the other hand put forth its [FinTech and RegTech initiative](#), a new section on the website that should function as

a platform for the FATF's anti-money laundering and terrorist financing (AML/CFT) network.

In the following paragraphs, we put these developments into context.

FinTech Action Plan

In the FinTech Action Plan, the EC sets out 23 concrete steps to make the most of rapid advances in technology whilst preserving a high level of investor and consumer protection. These steps focus on fostering innovation within the financial sector through a myriad of new initiatives clustered around three main objectives:

- **Enabling innovative business models to reach EU scale.** The EC envisages achieving this goal by allowing authorised firms to benefit from a European passport and supporting the development of open technological standards. In addition, the EC emphasizes the importance of innovation facilitators and commits to developing a report on good practices for regulatory sandboxes.
- **Supporting the uptake of technological innovation in the financial sector.** By reviewing the suitability and technological neutrality of regulation, the EC aims to facilitate the integration of innovative solutions in the financial sector.

High-profile initiatives include the new EU Blockchain Observatory and Forum, and the EU FinTech Lab. By stimulating the exchange of information between regulators and technology solution providers, the EC hopes to raise the level of regulatory and supervisory knowledge about new technologies.

- **Enhancing security and integrity of the financial sector.** The EC notes that cyber-security remains at the centre of EU policy action, especially for the EU financial sector. The EC acknowledges the need for a coherent cyber resilience-testing framework, inviting the European Supervisory Authorities to provide additional recommendations on the matter.

Proposal for a Regulation on crowdfunding

As crowd and peer-to-peer lending services currently do not fall fully under the existing regulatory framework, these services could not fully benefit from the initiatives listed in the Action Plan. There is, for instance, no regulatory framework to harmonize and introduce a European passport. As part of the FinTech Action Plan, the EC is developing such a framework.

The current proposal grants ESMA the power to authorise and supervise crowdfunding service providers, who in turn would

be able to offer their services throughout the EU based on a single set of rules. These rules would also ensure the protection of investors through information disclosures, rules on governance and risk management and a coherent approach to supervision.

FATF FinTech and RegTech initiative

The FATF considers the rapid technological innovation to be one of its main areas of attention in safeguarding the integrity of the financial system. The new FinTech and RegTech initiative is meant to serve as a platform where the FATF's network can enter into a constructive dialogue with the private sector, as well as share initiatives and developments in the area of AML / CFT regarding innovative technologies. In addition, the webpage contains an overview of the latest positions of the FATF on Fin-and Regtech.

Conclusion

The Action Plan clearly sets out the EUs commitments in the area of Fintech in the near future. Whilst the plan includes few concrete legislative initiatives besides from a proposal for a Regulation on Crowdfunding, it cements Fintech as one of the main areas of regulatory focus in the years to come. For an in-depth look at the FinTech Action Plan, we invite you to consult our [blog](#) on the matter.

Likewise, the FATF's Fintech and RegTech initiative demonstrates the attention regulatory and standard setting bodies allot to innovative technologies in the financial sector. It is also exemplary in its focus on dialogue and careful fostering of innovation, rather than taking normative actions.

These initiatives provide a stepping stone for further (regulatory) action. Although it is difficult at this time to gauge their full impact, they will serve as a guide in understanding future developments.

Contact

For further information with respect to this subject, please contact [Caroline Veris](#) or [Edwin Somers](#).

Caroline Veris

Partner – FSI Governance, Risk and Regulation

Edwin Somers

Director – FSI Governance, Risk and Regulation

EMEA Centre for Regulatory Strategy

David Strachan - Head of EMEA Centre for Regulatory Strategy



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018. For information, contact Deloitte Belgium.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.