

Regulatory Newsflash

European Commission outlines vision on retail financial services and FinTech

Introduction

On 23 March, the European Commission published its [Consumer Financial Services Action Plan](#), together with a [consultation on FinTech in the European financial sector](#).

Both documents aim to outline and further develop the Commission's strategy to strengthen the EU single market for retail financial services, and to improve customer access to these services. As the Commission considers innovative uses of technology in the financial sector to be instrumental in achieving these goals, particular attention is paid to harnessing the potential of FinTech.

Consumer Financial Services Action Plan

The Consumer Financial Services Action Plan should be considered a road map for the further development of a deeper and fairer Single Market. The Commission states that it envisions a "digitally enabled" Single Market, noting that new technologies could aid in removing barriers. However, the Commission warns that technology alone does not suffice to address all the obstacles to a Single Market for financial services.

To achieve these objectives the Action Plan sets out concrete steps to be taken along three strands of work:

- Increase consumer trust and empower consumers when buying services at home or from other Member States
- Reduce legal and regulatory obstacles affecting businesses when providing financial services abroad
- Support the development of an innovative digital world which can overcome some of the existing barriers to the Single Market

Whilst the Action Plan includes a multitude of actions to be taken, the Commission clearly indicates that it is conscious of the stifling effect overregulation can have on the market. To gauge the impact of any regulatory measures, the defined actions will be followed up

on with appropriate consultations and impact assessments. The Commission will even refrain from regulatory action if analysis points out that market dynamics would lead to more integrated and competitive markets for financial services.

A full overview of the actions intended by the Commission and an indicative timetable thereof are included in the [Annex](#) of the Action Plan, with the first steps to be taken by Q4 of 2017.

Consultation on FinTech: a more competitive and innovative European financial sector

To advance its policy approach on FinTech and innovation, the Commission also launched a consultation, in line with the idea of a “digitally enabled” Single Market. With this consultation the Commission invites stakeholders to share their perspective on the impact of new technologies.

In addition, the Commission also asks respondents to provide feedback on whether or not they consider the European regulatory framework to be in line with the Commission’s three core principles on innovation and FinTech:

- Technological neutrality, or the principle that the same activity should be subject to the same regulation
- Proportionality, between the regulatory requirements and the regulated activity
- Market integrity, meaning that technology should aid in achieving a higher level of transparency in the market without creating unwarranted risks

The Commission further identifies the main opportunities and challenges of FinTech. These priorities fit into the objectives set forth in the Action Plan, further evidencing the importance the Commission attributes to innovation. As such, the consultation revolves around the following four key points:

- Fostering access to financial services for consumers and businesses
- Bringing down operational costs and increasing efficiency for the industry
- Making the single market more competitive by lowering barriers to entry
- Balancing greater data sharing and transparency with data security and protection needs

The consultation will run until 15 June 2017.

The responses will serve as input for the Commission to draft an EU strategy on FinTech, which will determine the concrete actions required to further support the development of FinTech and create a technology-driven Single Market for financial services. This EU strategy is expected by Q4 of 2017, as stated in the Annex of the Action Plan.

Conclusion

The texts published by the Commission confirm the clear intention to create an enabling environment for innovation and FinTech. Whilst other interests such as consumer protection, market integrity and financial stability must be safeguarded, innovative uses of technology in the retail financial services are welcomed as an opportunity to further develop the Single Market.

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