

Some high-level principles on how to encourage and frame the FinTech development in the EU

The Nordic Securities Association welcomes the European Commission consultation “FinTech: a more competitive and innovative European financial sector”.

The Nordic Securities Association’s objective is to promote sound and efficient financial markets. We are therefore positive to all factors, including new technological development, that contribute to the achievement of that goal.

Throughout history, technological innovation has led to an increase in efficiency as well as to a reduction of costs in the financial services industry. That positive development will continue as new FinTech solutions are developed and taken into use. Nevertheless, as the financial sector goes through a technological transformation there are some important principles that need to be respected. The development of new financial technology needs to be done in an environment where consumers/investors are protected and where the level playing field principle is respected so as to ensure that confidence in the sector is high and that it does not jeopardize financial stability. It is also important that regulators are flexible to guarantee that progress is not hampered by regulations that become outdated.

To maintain a high level of confidence in the financial sector and more specifically in financial markets, it is important that customers can be sure that a financial service is covered by the same regulation independent of who is the provider of the service or how or by which means the service is provided. Hence consumers need to be protected by the same regulations independent of which counterparty they have when they are active in the financial markets and independent of whether the service is provided in a more traditional way or by a technological solution. With that follows that it is rather the financial service that needs to be regulated than the provider. The risk is otherwise that the regulator does not have enough resources to monitor all new providers of financial services. Depending on the financial service and more specifically the risk connected to it there should, of course, be some room for proportionality. Also, consumers need to be sure that there are strict rules as regards data handling otherwise confidence in the sector could quickly erode.

A level playing field is also important when it comes to limiting the building up of financial risks that could hamper financial stability. New technological solutions could lead to the building up of financial stability risks with transactions flows becoming more decentralized and difficult to monitor. This underlines the importance of applying the same rules to similar services independent of the provider.

At the same time regulation often means an increase in the administrative burden and thereby of costs which could hamper development and competition. Hence, new regulation needs to be thoroughly thought out and also flexible as the market and the financial services evolve. Otherwise it will become an obstacle to competition and development. It is also important that we have a proportionate interpretation of old rules until regulation has become technically neutral as it is difficult to ensure a perfectly technically neutral regulation. Regulators could contribute to an increase in competition and to a reduction in the administrative burden by being open for dialogue and by showing a high level of flexibility as regards the regulatory process but also by investing in different RegTech solutions.

We are at your disposal for any questions you may have.

On behalf to Nordic Securities Dealer Association.

Yours sincerely,

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