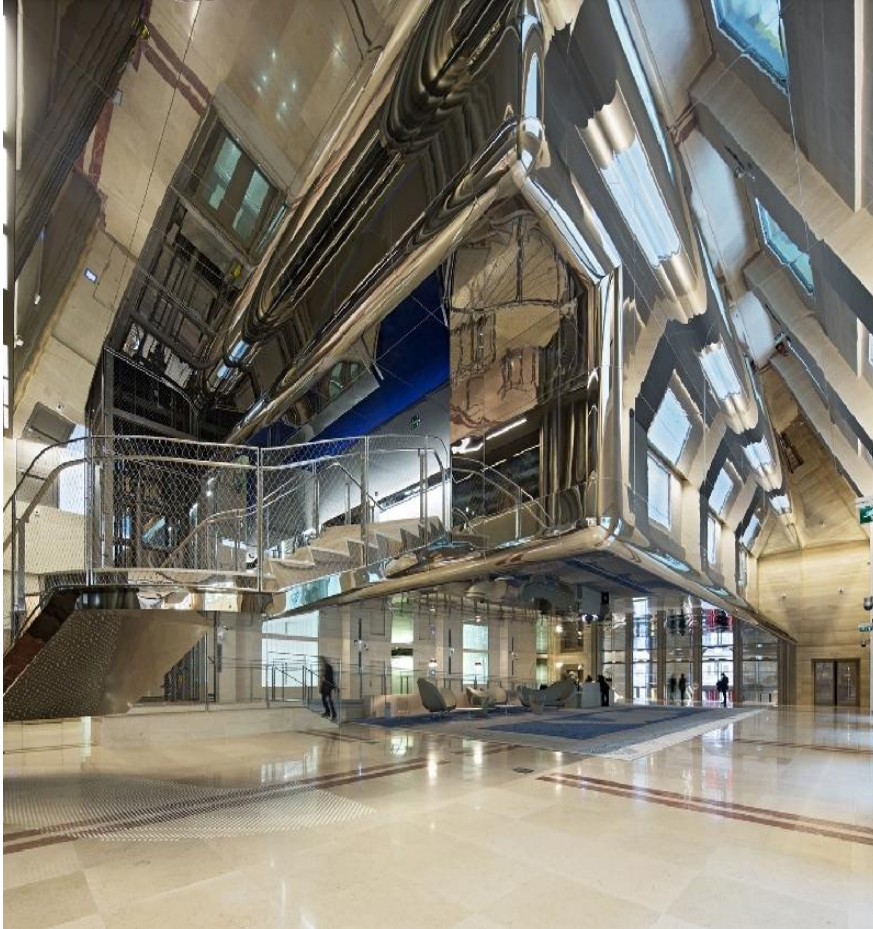


ACPR approach to FinTechs and innovation

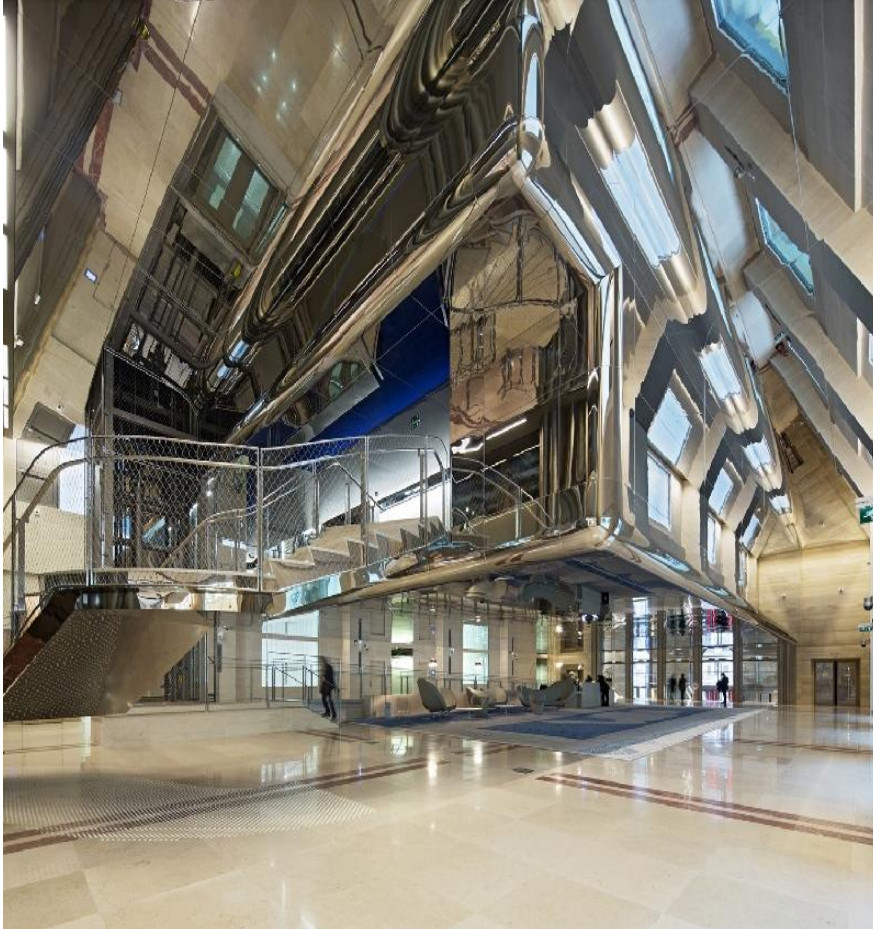
Nathalie Beaudemoulin
Coordinator : Fintech innovation Section
Prudential Supervision and Resolution Authority

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- I. **How does the ACPR adapt to financial innovation and FinTechs?**
- II. **How do we regulate for financial innovation and digital finance?**
- III. **What are our suggestions for innovative project creators ?**

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- I. How does the ACPR adapt to financial innovation and FinTechs?
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I. How we adapt at the ACPR

What are the findings?

- **An increasing number of innovative project owners**
 - Supply:
 - Technology factor (technology maturity)
 - Pressure on income (competition, low rates) and costs (regulations)
 - New regulations (DSP1, crowdfunding)
 - Demand:
 - Demographics (new generations)
 - Learning curve
 - Financial crisis

I. How we adapt at the ACPR

□ Such that the supervisory authorities are urged to adapt

- New dossier flows (new independent institutions, new business models)
- Owners of innovative projects and their need for specific support
- Far more international competition, including in the EU (European passport)
- Analyze, anticipate and suggest regulatory changes
- The ACPR contribution: knowledge of the market, its degree of compliance and improvements to tools it uses (RegTech/SupTech)

I. How we adapt at the ACPR

What conclusions can we draw?

□ **Setting up the FinTech-Innovation Section : a policy of openness**

- 1 June 2016 (3 people)
- Heightened coordination with the AMF
- Single point of entry for FinTechs at the ACPR
- Better knowledge of innovation (new stakeholders, established stakeholders) to prepare supervision (national, European, international)
- « Innovation Hub »

I. How we adapt at the ACPR

- **Setting up the FinTech innovation section : an upstream policy**
 - Explain the regulation and supervision framework, identify the most suitable status and provide support during the license application phase
 - Looser formalism
 - More reactivity (tighter knit team, priorities)
 - Capacity to mobilize our own experts

I. How we adapt at the ACPR

□ How the supervisor adapts

- Setting up an internal ACPR network (mobilizing our own experts, effects of digitization on banking and insurance)



□ *And how all of the Banque de France adapts as well*

- *FinTech network*
- *Security for means of payment (National Committee for Cashless Payments)*
- *Experimenting with blockchain technology*
- *Chief Digital Officer and a Department of Digital Transformation*



I. How we adapt at the ACPR

□ FinTech Forum

□ A unique body

- 35 representatives; mainly from FinTechs

□ Remit: intelligence gathering, dialogue and proposals

- Identifying and understanding the challenges better (risks and opportunities)
- Forming an opinion on national and European projects
- Reporting to the authorities on matters of concern to professionals

□ 3 main subjects

- Proportionality
- Use to which data are put
- Identifying customers and getting to know them



I. How we adapt at the ACPR

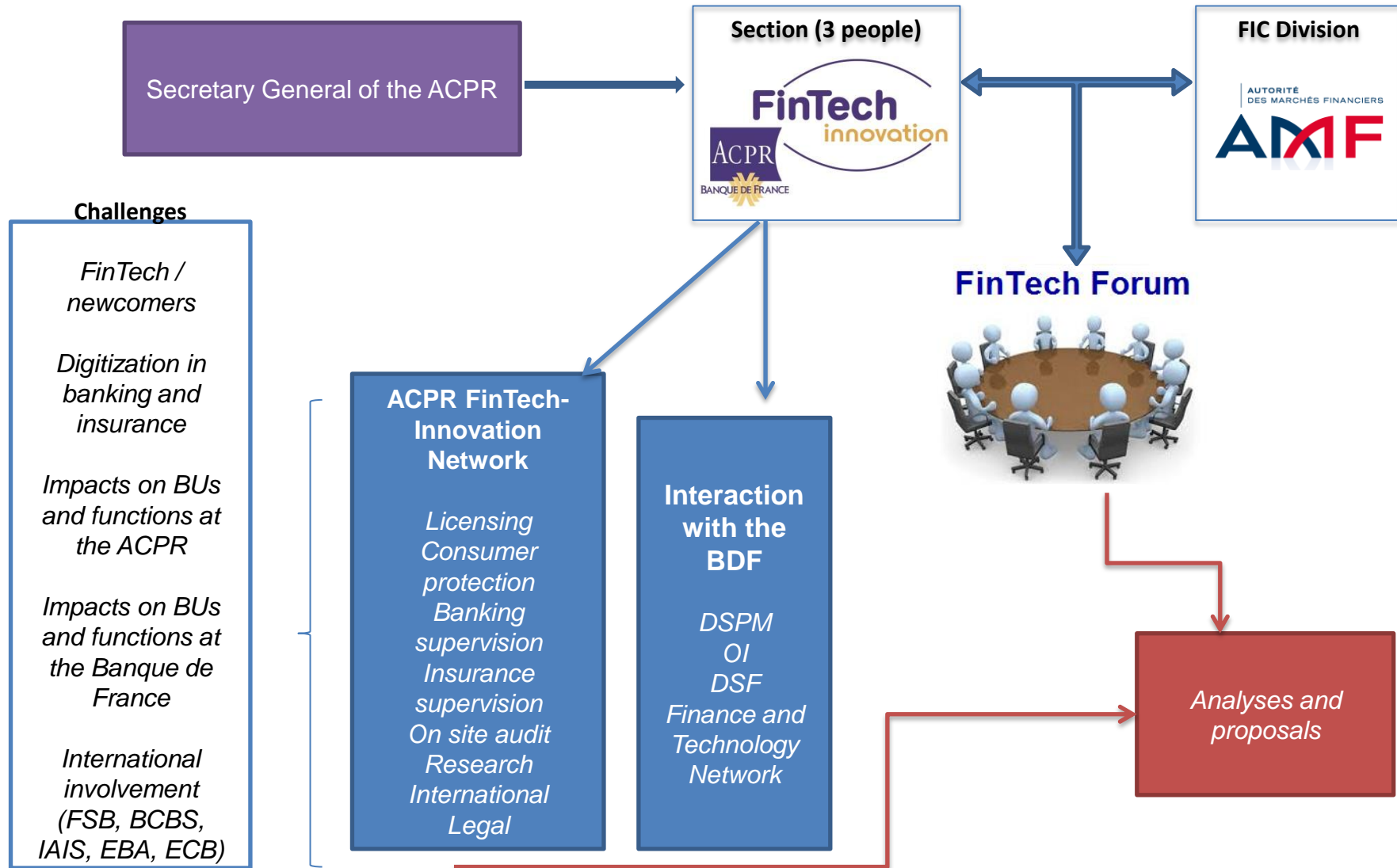
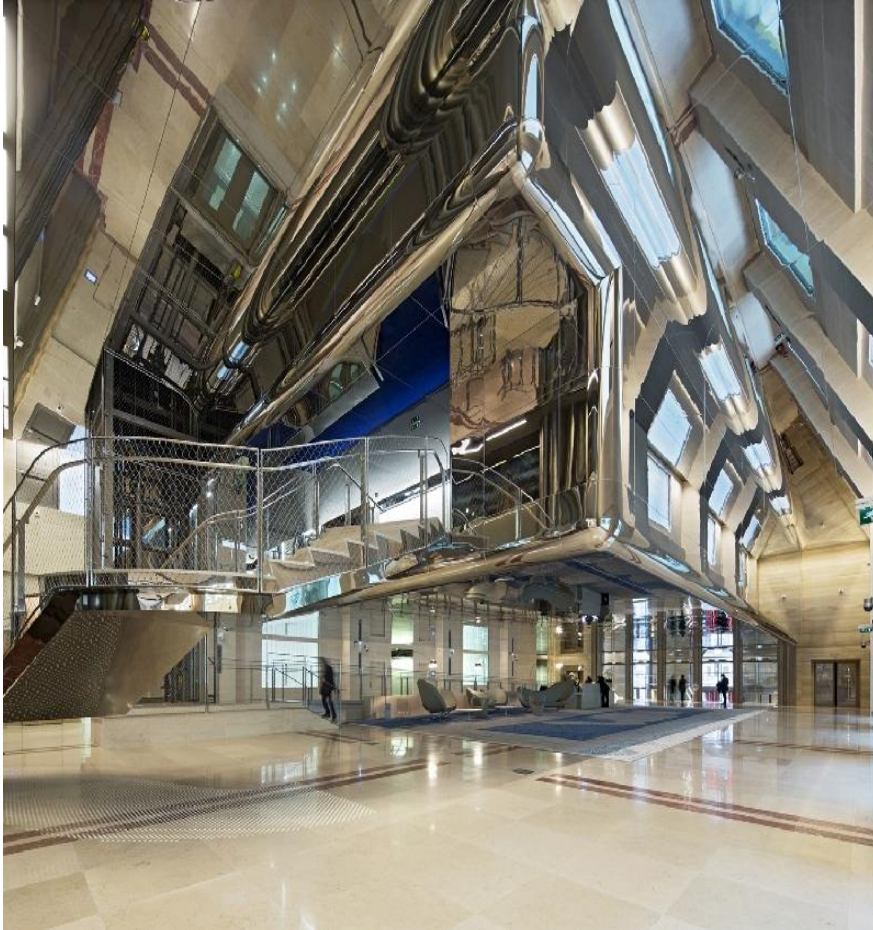


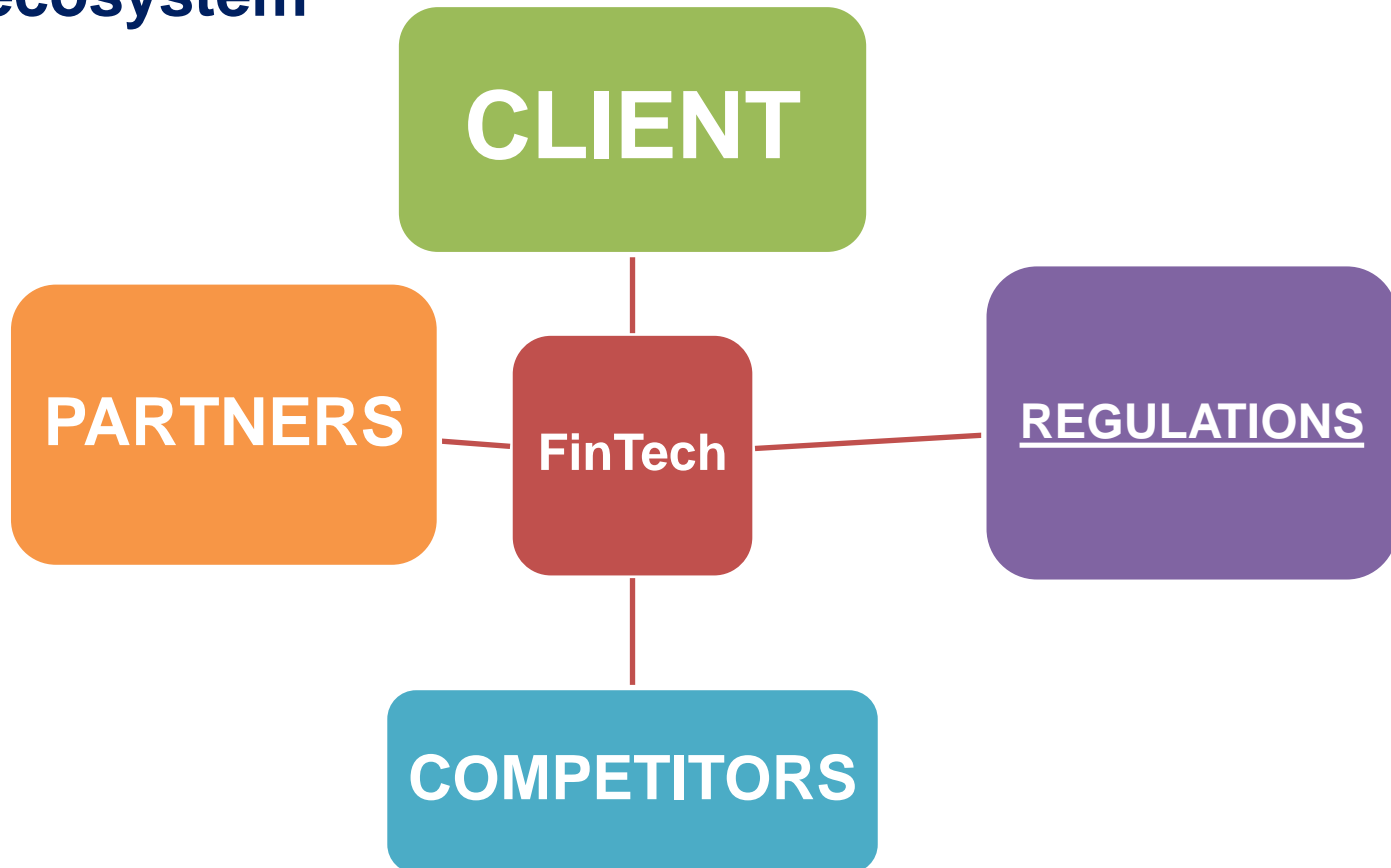
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II. The philosophy

- ❑ Regulations: an essential item that is not isolated from the FinTech/innovation ecosystem

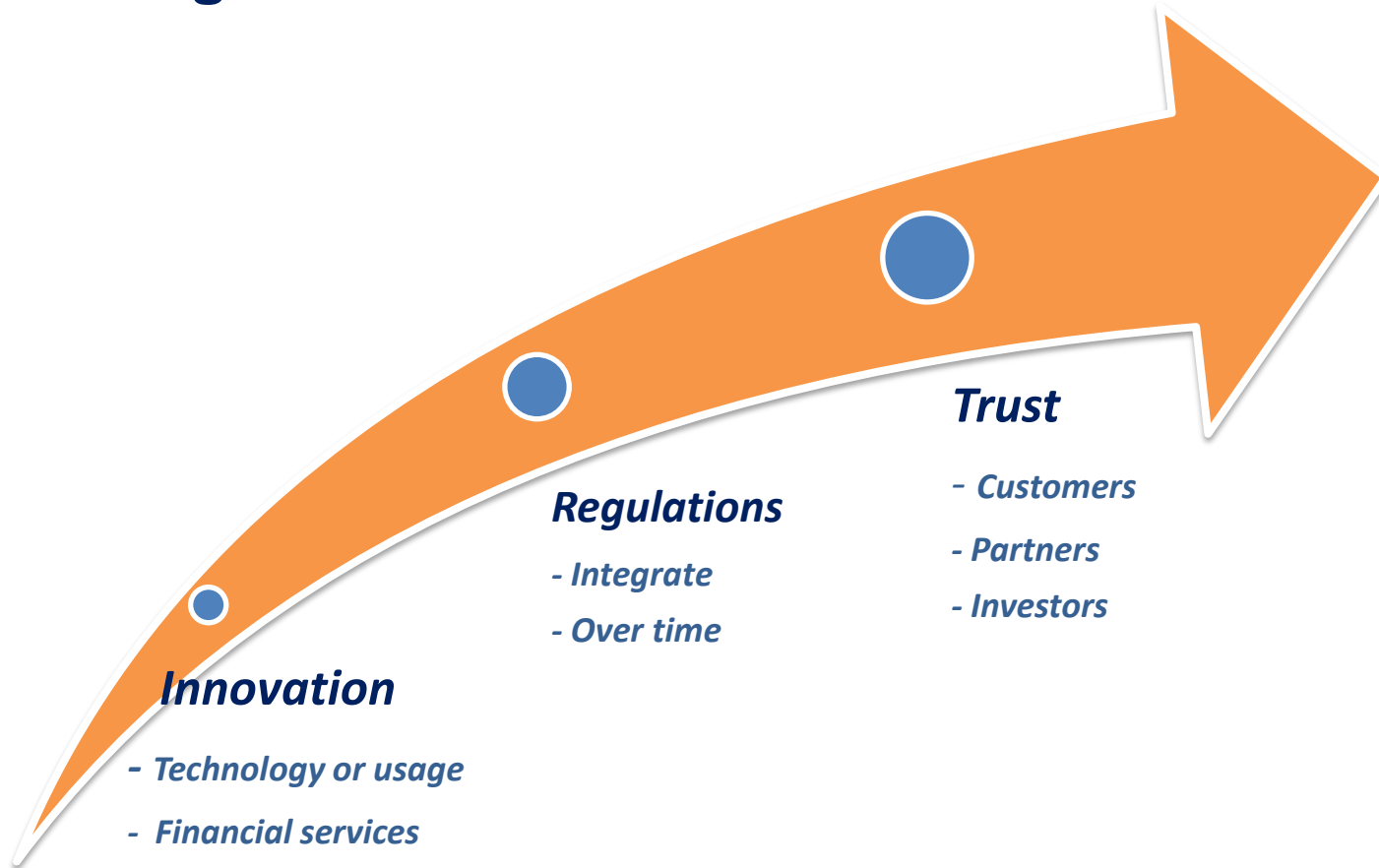


II. The philosophy

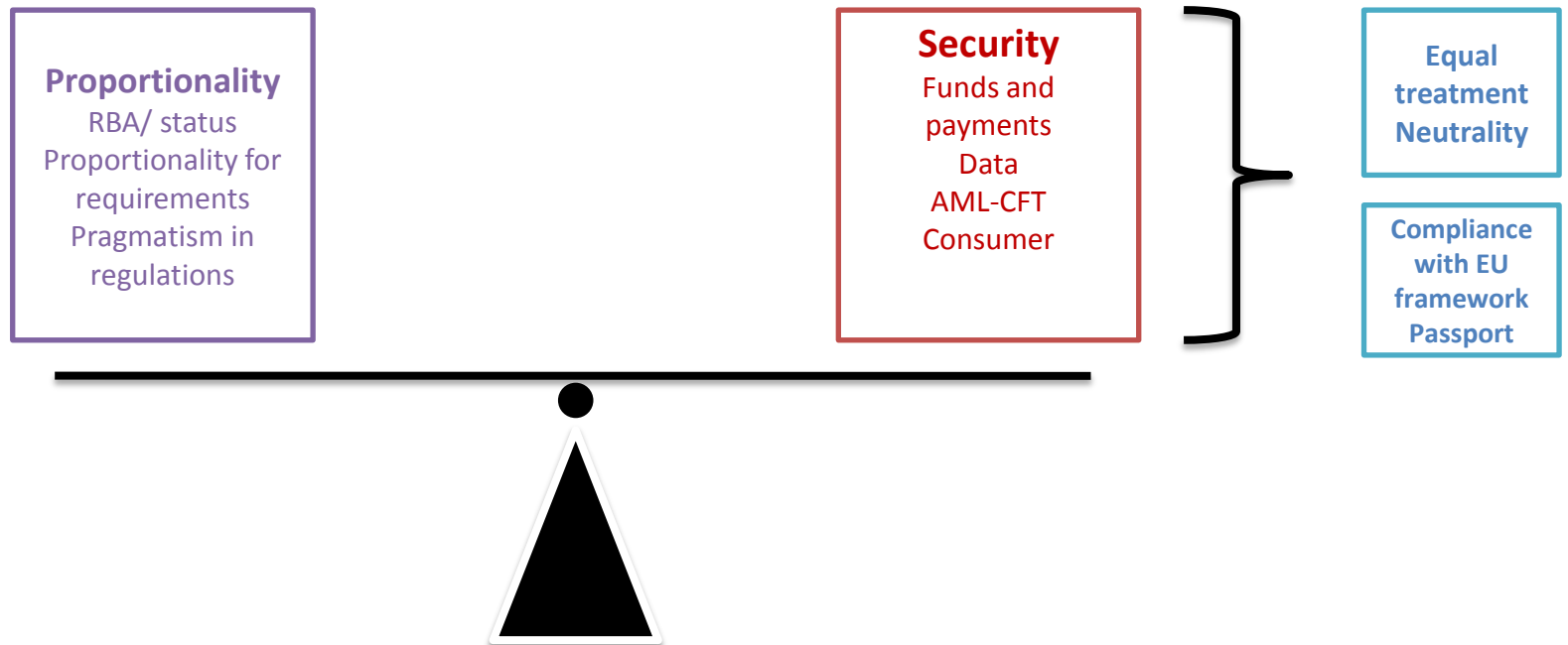
Opportunities	Risks
<ul style="list-style-type: none">- For the consumer: lower prices and improvements to products and services- For finance stakeholders: lower costs and better internal processes- Better compliance with regulatory requirements (<i>RegTech</i>) 	<ul style="list-style-type: none">- Less income- More operational risks (interdependence of the ISs, cybersecurity, <i>cloud computing</i>)- Heightened diligence regarding the challenges of AML-CFT and customer protection- Implementing supervision and regulations is harder (delocalization risk, fragmentation) 

II. The philosophy

Regulations: factor of trust



II. The philosophy



- ❑ Bring substance to the principle of proportionality
- ❑ Need for stability and regulatory visibility

II. The philosophy

□ Proportionality already exists

- In legislation
 - eg: order dated 3 November 2014
Reporting entities shall ensure they implement internal control by adapting all of the measures laid down in this order in addition to directly applicable European provisions, if necessary, **to the extent and volume of business , where they do business and the nature, the scale and the complexity of the inherent risks in their business model and their lines of business (article 4)**
 - Diversity of the statutes by which FinTechs set up business and develop in a secure framework
- In practice (control based on risks)

II. The philosophy

- **Monitor the digital transformation of the leading stakeholders in finance**
 - Detailed questionnaire sent to banks and insurance companies for a crossfunctional study
 - Impact of digital technology on business models
 - Digital strategy: definition and execution
 - Risks, especially cyber and data risks
 - Matters for regulation
 - Monitoring the innovative projects of established stakeholders
 - Fintech acquisitions
 - New products/ new ways of starting a business relationship
 - New licensed structures

II. The philosophy

□ And also....

□ Openness for dialogue and sharing experience

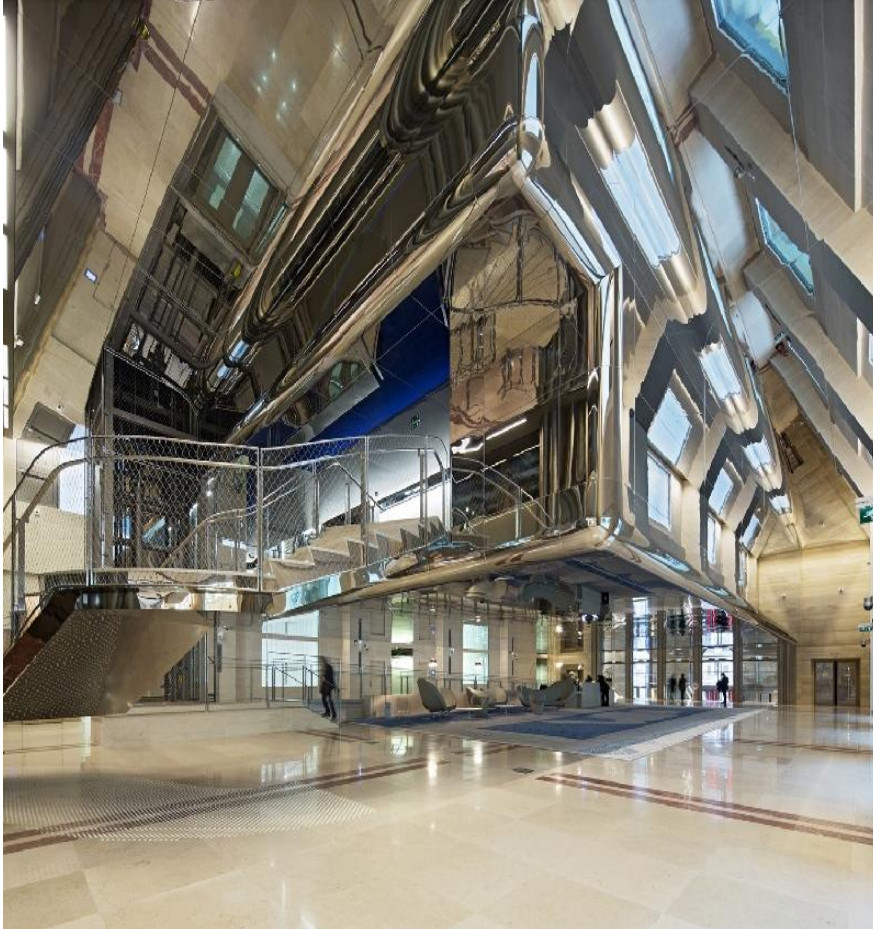
- New and established stakeholders
- Professional Federations
- Consulting firms and law firms

□ Initiate and organize interprofessional debate in the regulatory community

- ACPR
- Other authorities (CNIL, ANSSI)
- Legislator and Ministry of Finance

□ Involvement in international bodies (Basel Committee, IAIS, European Union etc.)

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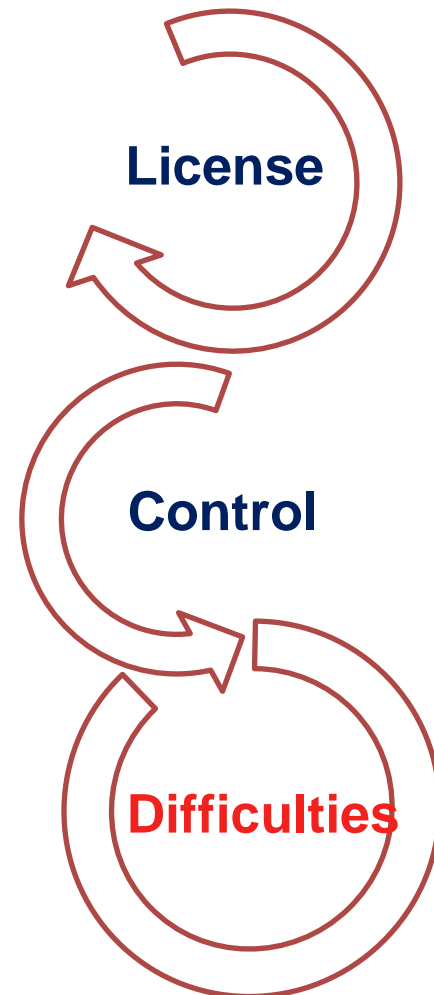


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III. Assessment criteria

□ Integrate and prepare the regulatory dimension as soon as possible

- License/Approval
 - Which regulatory status ?
 - Which shareholders ?
 - Which business model ?
 - Which income ?
 - Lead time for getting a license and an approval ?
- Control
 - Which controls (off-site, on-site)?
 - Which reports?
- Difficulties
 - Anticipate and let ACPR know
 - Protect customers



III. Assessment criteria

□ Which regulatory regime?

- 1st step: identify and qualify the business line
- 2nd step: determine the most suitable status
 - License?
 - Banking (credit, deposits)
 - Insurance
 - Payment services
 - Investment services
 - Intermediary?
 - Banking
 - Insurance
 - Crowdfunding
 - Non regulated business

III. Assessment criteria

□ Main points requiring attention with licensing

- Market research
- Available resources (funds, retroplan, partners, internal control, reporting)
- Governance measures (legal status, supervisory committee, effective management, training, availability, properness of management)
- Exhaustive and adequate risk heat map (incl: AML-CFT)
- Structure of internal control measures
- Prudential own funds and capital requirements (3 year business plan, target scenario and stressed scenario)

Conclusion

One email address (edress)

fintech-innovation@acpr.banque-france.fr

**Dedicated web pages on the ACPR website
For informing the FinTech community**

<https://acpr.banque-france.fr/lacpr/missions/pole-acpr-fintech-innovation/>

Conclusion

Our ambition is to be a hub for excellence both in terms of security and adapting to legislation; this way, we should be able to attract leading FinTech and financial innovation initiatives.



François Villeroy de Galhau
Governor of the Banque de France, Chairman of the ACPR
Roll-out of the ACPR-AMF FinTech Forum – 18 July 2016