Template for comments

Public consultation on a guide to assessments of fintech credit institution license applications

Institution/Company

Division Bank and Insurance of the Austrian Economic Chamber (legal representation of the whole Austrian banking industry)

Contact person

Mr/Ms

Mr Dr

First name

Franz

Surname

Rudorfer

Email address

bsbv@wko.at

Telephone number

0043 (0) 590 900 3135

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General comments

In general, we welcome the initiative to introduce a consistent approach for the assessment of licence applications for new FinTech banks. We appreciate the ECB's objective to ensure that FinTech banks are held to the same standards as all other types of credit institutions in terms of licence requirements.

We consider it important that all players in the financial industry are competing on a level playing field regardless if they are banks, FinTechs or other tech companies (e.g. Google, Apple, etc.) who compete in the financial industry. Capital requirements should be adjusted to the involved risk and the principle of "same services, same risks, same rules and same supervision" should apply.

The Draft Guide does not provide very detailed information on some of the assessment criteria, for example regarding capital and liquidity requirements (Chapter 6), which are fundamental issues for credit institutions, e.g. no "assessment box" is provided.

Risk assessment of FinTechs

The Draft Guide states that "The start-up phase of a fintech bank could pose a greater risk of financial losses which may progressively reduce the amount of own funds available" (Chapter 6.1). Consequently, ECB considers risks of FinTechs higher than for other credit institutions and therefore proposes higher capital requirements. We agree on this thesis. However, unlike for all the other sections in the Draft Guide, no "assessment box" is provided for chapters 6.1 and 6.2. It would be useful to know in detail what requirements the ECB and NCAs will consider in terms of capital, liquidity and solvency ratons from FinTech banks.

National legislation issues and authorisation regimes for FinTech firms

Apart from ECB's assessment of licence applications, differences in national legislation as well as regulatory regimes could potentially lead to level playing field issues and "cherry-picking" of FinTech banks for those member states with the most favourable regulatory environment. Therefore, consistency in the authorisation of credit and payment institutions should be the aim across national legislations in the EU member states. A fair, level and competitive playing field must be in place to address not only the threat of "cherry-picking" for certain member states among FinTech firms, but also the concern that specially licensed FinTech activities would be able to offer services and products in direct competition with full-service banks (incumbent banks), while being subject to a limited and less burdensome regulatory regime. We consider the ECB Draft Guide on the assessment of FinTech credit institution licence applications as a first step towards such as consistent EU-wide approach.

Deadline:	2 November 2017

ID	Chapter	Paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board
1	3 - Shareholders	3	7	Clarification	Sufficient “competence” needs to be more concrete and excludes non-financial services experts/private inviduals who simply want to invest (of course fully MiFID II compliant)	
2	3 - Shareholders	Box 2	8	Clarification	Financial soundness should be covered by being fully MiFID II compliant	
3	3 - Shareholders	3	7	Deletion	Further restrictions for business incubators/seed investors are not necessary	
4	4 - Structure	4.1	9	Clarification	The assessment factor "identity – to prevent fraud" is e.g. not explicitly mentioned for “traditional” banks. We would appreciate to have a harmonized version for KYC (incl. AML, Fraud ,etc.).	
5	1 - Intro		3	Amendment	… processes or products with an associated material effect on the provision of financial services or changed expectation of customer behaviour using financial services without provision effect.	