Template for comments

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

Institution/Company

TrustBK

Contact person

Mr/Ms

Mr

First name

Pierre-Henri

Surname

Labarre

Email address

pierre-henri.labarre@trustbk.com

Telephone number

33651616755

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General comments

.TrustBK generally agrees with the provisions set forth by the Guide, except for the comments displayed in the following sheet.

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	4 - Structure	4.2	11	Amendment	We read that "Given the propensity for higher levels of outsourcing by a fintech bank which involves data sharing across a broader range of parties, the bank's vulnerability to cyber attacks is increased". We think this is an overstatement : while a Fintech has probably more "IT points of contact with the outside world", these points of contact are probably less exposed to residual cyber-risk. Indeed, it is true that, generally speaking, fintechs have a more outsourced tooling than large players but these tools are also (i) more modern - integrating concerns over data security from their design phase -, (ii) better maintained by the editor - which includes the fast resorption of any identified data security leak - and (iii) likely to be better understood and monitored by the Fintech IT team than sometimes very old tools - created at a time when data security was not a concern - used by larger players, which do communicate with outside of the bank.	Exposition to cyber-risk if key for IT monitoring.
2	6 - Capital	6.2	16	Amendment	We read that "Online depositors can exhibit price sensitive behaviours, being more likely to withdraw their deposits and switch to a competitor paying higher interest rates. There is a risk that online deposits accepted by fintech banks are more likely to be volatile and less "sticky" than traditional bank deposits;" We think this is an overstatement for three reasons : 1. Fintech banks are not 100% online, and online deposits are also part of product range of traditional bank. 2. The stickness of a deposit is first of all defined by the type of client, then the type of product and finally by the interest rates. The current sentence may therefore imply, for example, that a retail deposit from a Fintech is less "sticky" than a deposit from high networth individuals 3. Higher interest rate concept in a low interest rate environment is relative. The risk is mainly within traditional bank with today large amount of excess deposits in current accounts. To conclude, the stickness of a deposit is not mainly dependant on the Fintech / Traditional Bank status but by other criteria - already defined by the LCR for example.	Confusion on deposit stickness
3	6 - Capital	6.2	16	Amendment	We read that "If a fintech bank mainly relies on interbank financing, its lack of profitability, particularly in the early stages, may have an influence on the price of refinancing." We think this is an overstatement. The first driver for interbank financing is a credit approach analysis where the level of capital is key, not a profitability analysis. Every bank which is not profitable will have difficulty to raise Additional Tier 1 Capital for example or other debt instrument where the pay off is based on the capacity to generate profit.	Interbank financing will not be driven by Fintech classification but by other criteria