

ESMA responds to Commission consultation on Fintech

The European Securities and Markets Authority (ESMA) has sent today its response to the European Commission consultation paper on “Fintech: a more competitive and innovative financial sector”, welcoming the initiative to take a stock-take of the EU’s Fintech industry.

ESMA sees Fintech as a positive evolution overall as long as business models aim at improving financial consumer experiences and facilitate financial inclusion. In its consultation response, ESMA provides its intelligence on some of the issues raised, including for:

- **Artificial intelligence and big data analytics for automated advice and businesses** – while ESMA acknowledges potential benefits, it also believes that the use of such technologies may trigger a number of concerns. ESMA stresses that possible technology-driven cost savings should be passed on to consumers. Also, ESMA hopes the Commission will take into account work currently carried out within the Joint Committee and notes that any possible specific legislation in this field should be underpinned by a thorough impact assessment;
- **Crowdfunding** – ESMA reiterates its call for a specific crowdfunding EU-level regime, which would ensure investors across the EU are equally protected and which would enable crowdfunding platforms to operate cross-border based on a common regulatory framework;
- **Reg Tech** – ESMA notes that the use of technology by market participants and regulators to comply with regulatory and supervisory requirements is not new. ESMA recognises the possible additional benefits that Reg Tech could entail for regulators if they use more these technologies in particular for data reporting and analysis;
- **Outsourcing and cloud computing** – ESMA stresses that outsourcing arrangements, including to the cloud, should be implemented in a manner that complies with European legislation, including on data security and data protection rules;
- **Distributed ledger technology** – Following the publication of its report in February 2017, ESMA continues to monitor market developments around DLT and looks into whether a regulatory response may become necessary;
- **Role of regulation and supervisors** – ESMA believes that entities providing the same service should be regulated and supervised on an equal foot. However, Fintech start-ups might benefit from regulatory advice to navigate the applicable legal framework; and
- **Role of industry: standards and interoperability** – ESMA strongly supports the objective of data standardisation and harmonisations.

ESMA's response also includes a survey on regulated investment-based crowdfunding platforms in the European Economic Area (EEA), providing an overview of current activities and trends.