ECB Public consultation on the draft Guide to assessments of fintech credit institution licence applications

EACB Comment Paper

ID	Paragraph	Page	Amendment Deletion Clarification	Detailed comment	Explanation
1	1.1, 1.2, 1.3, 6.1, 6.2	3-5, 16	C	In general, we welcome the ECB initiative to introduce a consistent approach to the assessment of licence applications for new FinTech banks. We appreciate the ECB's objective to ensure that FinTech banks uphold the same standards as all credit institutions in terms of licence requirements.	It is of the utmost importance that all players compete on a level playing field regardless on whether they are banks, FinTechs or other tech companies (e.g. Google, Apple, etc.). Capital requirements should clearly be adjusted to cater for the risks entailed and the principle of "same services, same risks, same rules and same supervision" should apply. However, the Draft Guide is not sufficiently detailed 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.
2		6	A	The word exactly needs to be deleted (second sentence page 6). The words "In addition" need to be added (first sentence second para pag 6)	The content of box 1 implies that the suitability requirements are not exactly the same as for any other bank but that there should be a particular attention to technological knowledge.

2	6.1, 6.2	16	A	The Draft Guide indicates 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”. Consequently, it seems that ECB considers risks entailed by FinTechs higher than for other credit institutions and therefore proposes higher capital requirements. We would support this approach. However, unlike 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 ratios for FinTech banks.
3	1.1	3	C	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” by FinTech banks for those member states with the most favorable or lenient regulatory environment. Therefore, consistency in the authorization of credit and payment institutions should pursued across national legislations of Member States.	A fair, level and competitive playing field must be in place to address not only the threat of “cherry-picking”, but also the concern that specially licensed FinTech companies 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. The ECB Draft Guide is a first step towards such as consistent EU-wide approach.
4	1.2, 1.3	3, 4	C	We see a certain inconsistency in the definition provided in para. 1.2. of FinTech bank with the FSB's definition of "fintech", which may lead to a certain confusion due to circular argumentation, i.e. is a "fintech banks" an "existing bank" or a newly established "fintech bank"? Para. 1.3. indicates: "... supervisory considerations of particular relevance to fintech bank applicants. [...] are not	Existing banks, while they may leverage on FinTech solutions, already retain the level of prudential requirements and supervision that is necessary to operate in the credit market. In such cases the assessment of risks not covered by Pillar I requirements is an ongoing activity performed during the SREP with the supervisor.

				exclusively applicable to fintech banks and may equally be relevant to the assessment of banks with more traditional business models."	
5	4.1, 4.2	9, 10	A	A key element of the draft Guide is the reference to "alternative credit scoring". The ECB indicates that these methods rely for instance on “underlying analytical data models and alternative data sources, such as payments of medical bills and social media profiles, and therefore differ from standard credit-scoring models which use only credit history and indebtedness as inputs." However, there is no widespread evidence that those "alternative" credit scoring can be applied with the same quality, consistency and reliability than the “traditional” scoring models used by banks. Regulation should be technology neutral and business model neutral, as such we see that there are no traditional credit scoring and alternative credit scoring systems, but only "credit scoring" which has to prove sound, well founded and on a level playing field.	

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