



The European Association of Corporate Treasurers

Response to the European Commission's consultation on FinTech: a more competitive and innovative European financial sector

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The European Association of Corporate Treasurers (EACT)

The EACT is a grouping of national associations representing treasury and finance professionals in 18 countries of the European Union. We bring together about 13,000 members representing 6,500 groups/companies located in the EU. We comment to the European authorities, national governments, regulators and standard-setters on issues faced by treasury and finance professionals across Europe.

We seek to encourage professionals across treasury, corporate finance and risk management, promoting the value of treasury skills through best practice and education.

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Introduction

The EACT welcomes the opportunity to respond to this consultation. We support the already existing Commission initiatives in the area of fintech, such as the Task Force on Financial Technology, and we encourage the Commission to develop a broader strategy for fostering fintech and innovation, while ensuring adequate levels of supervision and financial stability.

Corporate treasurers have strong interest in the development of fintech. Both disruptive and non-disruptive fintech has the potential to bring about efficiency gains, reduce costs, speed up and facilitate transactions, eliminate manual processes and errors linked to them by digitising, and so on. Technology clearly supports the treasury function, and innovation in this area will benefit not only treasury departments but also the entire companies.

Furthermore, corporate treasurers welcome the positive way in which fintechs can change the dynamics of the financial sector in the EU and elsewhere, by bringing about competition to

incumbents, forcing out redundant systems and inefficiencies, and promoting customer focus and customisation. It is however important in our view that there is also collaboration between new fintech companies and existing banks and providers so as to facilitate the take up of new systems and services by companies. Corporates are typically reluctant to be the first movers, and require a certain level of maturity and scalability, as well as a good understanding of the possible shortcomings and risks before adopting new technologies. Corporates have appetite to adopt fintech solutions, although the practical examples of corporates doing so until now are somewhat limited.

We have limited our responses to the consultation questions to only the ones that are relevant to us.

Responses to specific questions

1 Fostering access to financial services for consumers and businesses

1.1. What type of FinTech applications do you use, how often and why? In which area of financial services would you like to see more FinTech solutions and why?

Currently corporates are mostly using the most developed FinTech solutions, such as FX platforms, financing platforms (mostly small caps) and payments solutions. The reason for usage varies between companies but main factors are cost savings, flexibility and transparency.

New areas where corporates are looking for solutions provided by FinTech include:

- **Payments: crossborder payments, instant payments, payment reconciliation**
- **KYC processes and documentation**
- **Letters of credit, documentary credits**
- **Syndicated loan process**
- **Bank statements / account aggregators**
- **Innovative use of data provided through new APIs provided by banks in the framework of PSD2**
- **Use of DLT/blockchain to improve transfer of ownership (receivables financing, other collaterals, etc...)**

1.5. What consumer protection challenges/risks have you identified with regard to artificial intelligence and big data analytics (e.g. robo-advice)? What measures, do you think, should be taken to address these risks/challenges?

As suggested in the consultation document, there is a need to have systems to be capable of double checking data to identify fails and exemptions.

1.6. Are national regulatory regimes for crowdfunding in Europe impacting on the development of crowdfunding? In what way? What are the critical components of those regimes?

Platforms are developing their solutions with uncertainty about the future regulation and they therefore risk taking wrong decisions on their business model due to this lack of clarity and guidelines.

1.7. How can the Commission support further development of FinTech solutions in the field of non-bank financing, i.e. peer-to-peer/marketplace lending, crowdfunding, invoice and supply chain finance?

The Commission could support in this area by promoting regulatory sandboxes or other such initiatives.

2 Bringing down operational costs and increasing efficiency for the industry

2.1. What are the most promising use cases of FinTech to reduce costs and improve processes at your company? Does this involve collaboration with other market players?

Use cases of FinTech for such purposes include:

- **The consolidation, checking and reporting of group wide cash balances; cash flow monitoring and analysis as well as the development of comprehensive cash flow forecasting tools**
- **KYC intercompany documents control**

2.3. What kind of impact on employment do you expect as a result of implementing FinTech solutions? What skills are required to accompany such change?

Fintech is expected to help eliminate and streamline manual processes and take over some of the day-to-day activities that treasurers currently perform. This will reduce human intervention and the need for staff for those tasks. We see this as an opportunity to develop and transform the function of corporate treasurers to a broader role than it is today, towards an advisory role that will require a different skill set than currently, for instance analysis and interpretation of data will become more important.

2.7. Which DLT applications are likely to offer practical and readily applicable opportunities to enhance access to finance for enterprises, notably SMEs?

Corporate treasurers currently have a certain lack of visibility in terms of the practical uses that DLT will offer them, not only with regard to access to finance but more widely. The most apparent applications would seem to be in the area of payments, loan syndication, KYC, or for instance in trade finance and also for improving the ownership transfer for receivables financing. Furthermore, DLT could offer easier and faster settlement of assets (from T+3 to intraday for certain bonds) and therefore simplify the services offered by custodians.

2.8. What are the main challenges for the implementation of DLT solutions (e.g. technological challenges, data standardisation and interoperability of DLT systems)?

We see standardisation as the main challenge. We are seeing plenty of initiatives working with this new technology but it is not possible to find any proposals that would ensure that their technology will be accepted and used everywhere.

3 Making the single market more competitive by lowering barriers to entry

3.7. Are the three principles of technological neutrality, proportionality and integrity appropriate to guide the regulatory approach to the FinTech activities?

Yes, we support these principles and believe they are appropriate for guiding the approach to regulating fintech in the EU.

On one hand, we recognise that too early regulatory intervention on fintechs might stifle innovation, but on another hand we believe that the uncertainty and lack of clarity on the regulatory framework might also be factors preventing users from adopting fintech solutions. Corporates and other users need to be able to rely on the legal responsibility of fintech providers. In this respect, the collaboration between fintechs and banks can be beneficial as banks are traditionally trusted partners.

Supervisors should be ready to intervene if and when problems arise, and in order to be able to do this, supervisors should gain sufficient expertise in the area of fintech.

3.10. Are guidelines or regulation needed at the European level to harmonise regulatory sandbox approaches in the MS? Would you see merits in developing a European regulatory sandbox targeted specifically at FinTechs wanting to operate cross-border? If so, who should run the sandbox and what should be its main objective?

We would support the development of EU regulatory sandbox.

3.13. In which areas could EU or global level standards facilitate the efficiency and interoperability of FinTech solutions? What would be the most effective and competition- friendly approach to develop these standards?

In our view such areas would include payments, bank account management (eBAM), KYC, and also enhancing data access through APIs by defining the range of data available from all financial providers.

4 Balancing greater data sharing and transparency with data security and protection needs

4.9. What cybersecurity penetration and resilience testing in financial services should be implemented? What is the case for coordination at EU level? What specific elements should be addressed (e.g. common minimum requirements, tests, testing scenarios, mutual recognition among regulators across jurisdictions of resilience testing)?

In order to strengthen cybersecurity and prevent fraud, it is essential to authenticate users and partners. For instance, frauds have been committed when hackers impersonate legitimate business partners and request change of business partners' details such as bank account or contact information. A pan-European centralized service, or a network of interconnected national services providing secure identification would considerably reduce the risk of malicious impersonation and fraud. Today, this is in practice done by large Hi-Tech companies, Internet service providers that provide digital certificates. But these organisations do not guarantee security standards, transparency or privacy rights. There is a need for international cooperation at state level to address this key issue, otherwise multiple standards and practices will lead to fragmentation of solutions and the diversity will leave loopholes to fraudsters.

Such a fundamental topic as identity should not be left to private organisations, but should be dealt with by states. The current status of digital identity is comparable to a situation where passports or identity cards would be issued by private organisations.

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