

PRESS RELEASE

The CNMC publishes a study on the impact of new technologies in the financial sector (Fintech).

- The development of new technologies in the financial sector (Fintech) must lead to rethink part of the financial regulation.
- Regulation must allow consumers and firms to make the most out of the digitization of the financial sector.

Madrid, November 13th 2018.– The CNMC (Spanish National Commission on Markets and Competition) has published a Study on the impact of new technologies in the financial sector or Fintech ([E/CNMC/001/18](#)). The CNMC analyzes this phenomenon from the point of view of competition and efficient economic regulation and consumer welfare.

The financial sector is very relevant for every economy. It is essential to facilitate economic transactions and channel savings and funds to firms, innovative projects and individuals and to provide protection against risks. It is also shaped by market failures that justify public intervention. In fact, the financial sector is one of the most regulated sectors in any developed country.

That is why financial sector regulation is very relevant from the point of view of efficiency, stability and consumer welfare. Hence, it is essential to ensure an optimal design of regulation.

The need for a new regulatory approach

In its recent study, the CNMC analyzes financial regulation in the face of technological innovation and the emergence of new operators, services and business models (fostered by the Fintech phenomenon), which demand new regulatory approaches.

The study analyzes, from the perspective of the competition authority, opportunities and challenges of the Fintech phenomenon, both in general terms and in a series of specific applications:

- Payment systems and services;
- Distributed ledger technologies, (DLTs);
- Asset management and advice;
- Crowdfunding;
- Insurtech.

Fintech is disruption to the financial sector thanks to the efficient use of information, key to financial activities amid an environment of uncertainty and information asymmetries. This can generate new business models and has an enormous potential

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to boost competition in the financial sector, which is very positive for consumers and firms. Although it is fair to admit that these innovations are not exempt from risks.

Furthermore, Fintech can help to address or mitigate market failures which, sometimes, justify public intervention, such as information asymmetries.

That is why, in order to bear the fruits of Fintech for firms and consumers, while minimizing its risks, it is important to ensure an appropriate regulation.

Six recommendations

Finally, the CNMC makes the following recommendations listed in its study:

1. **Regulation should welcome the Fintech phenomenon** and not hinder it unless it is necessary and proportionate to do so.
2. **The necessity and proportionality of the different regulatory requirements for entering and exercising financial activities must be re-evaluated**, under the premise that Fintech can correct or mitigate market failures.
3. **The regulation should focus on activities -not entities- and avoid activity reserves as much as possible.** The Fintech ecosystem must have the maximum margin for action possible in order to take advantage of efficiencies. Market failures are generally linked to a specific activity and not to its form of organization.
4. **Take advantage of new technologies for regulatory compliance (Regtech)**, to reduce the burdens imposed by regulation and supervision activities.
5. **Adopt a regulatory sandbox**, so that the most innovative models can be developed and its impact on the market can be assessed, instead of raising a restrictive regulatory response in advance and definitively.
6. **Allow Open-banking & insurance initiatives** to ensure the application of principles of technological neutrality and non-discrimination so that access to certain inputs can be carried out in reasonable terms.

The CNMC, under the provisions of Article 5.1.h of Law 3/2013, of June 4, on the creation of the National Commission of Markets and Competition, has among its functions the promotion of effective competition in markets through, among others, the elaboration of studies and research work in the field of competition, as well as general reports on economic sectors, where appropriate, with proposals for liberalization, deregulation or regulatory modification.

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