

EFA Policy Statement on Basel III

The European FinTech Association (EFA) welcomes the European Commission's (Commission) proposal to review the Capital Requirements Regulation and the Capital Requirements Directive, implementing the Basel III agreement in the EU.

The EFA broadly supports the principle of a more harmonised regulatory framework at an EU-level: It enables a functioning market for financial services in Europe, and has the potential to remove cross-border barriers for businesses and consumers. In addition, harmonised supervisory requirements and the removal of "gold-plating" on a national level create a more resilient European economy overall.

Ensuring a fair oversight

In the review proposal, the Commission envisages to address supervisory gaps relating to FinTech groups with banking operations in the EU. While the EFA strongly agrees with supervisory measures that would tackle fraudulent activities as well practices of misconduct in European financial services, we would like to **stress the importance of ensuring that this enhanced supervision does not lead to unfair or disproportionate targeting of the European FinTech sector.**

Instead, the regulations should uphold tech-neutrality, and follow the "same activity, same risk, same rules" principle. They should also aim to encourage flexible, innovative, sustainable solutions for granting credit, such as 'buy now pay later' (BNPL), which is emerging as a prominent way of financing in Europe, whilst supporting the objective to increase risk sensitivity of the SA-CR approach. Such parameters would allow for a level-playing field among market participants under the scope of the proposed regulation, keeping a financial services ecosystem that continues to foster innovation and competition, while also protecting financial stability and European citizens.

Safeguarding Competitiveness

The review enhances the definitions of the terms underpinning 'ancillary services undertaking'(ASU), 'financial holding company' and 'financial institution', in Article 4, broadening consolidated supervision towards entities that fall within these criteria. The EFA understands the approach taken by the Commission, but is concerned that **further clarity may be needed on the interpretation of these criteria, to ensure that certain business models are not inadvertently captured.**

The European FinTech sector has been growing exponentially over the past decade, giving consumers and businesses access to innovative solutions. **In this context, the EFA believes that any additional oversight envisaged in the review should bear in mind the competitiveness of European FinTechs on a global level.**

About us:

The European FinTech Association (EFA) is a not-for-profit organization representing leading FinTech companies of all sizes from across the EU. It brings together a diverse group of 35+ FinTech providers ranging from payments, to lending, banking, robo-advice, investment as well as software-as-a-service for the finance sector, with a clear focus on enabling a single market for digital financial services.

*For more information, visit www.eufintechs.com or follow **@EFAssociation** on Twitter.*