

Project Overview

Paolo Giudici and Anca Mirela Toma, University of Pavia

January 17, 2019

Financial Technologies I

- ▶ The Financial Stability Board (2017) defines Financial Technology (FinTech) as “technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and on the provision of financial services”
- ▶ Fintech denotes innovative financial services (peer to peer lending, robot advisory asset management, crypto innovative payments), enabled by disrupting technologies (big data analytics, artificial intelligence, blockchain).

Financial Technologies - II

- ▶ While innovation in finance is not a new concept, its pace has increased significantly, leading to new business models which offer a more inclusive access to financial services (European Commission, 2018).
- ▶ Fintech services are competitive, and generally increase financial inclusion, but may bring advantages: higher credit risks, market risks, cyber attack and fraud risks. All amplified by systemic risk, due to the high interconnectedness of Fintech platforms, which increases contagion.
- ▶ Fintech risk management becomes a central point of interest for regulators and supervisory bodies, to protect consumers and preserve financial stability.

FINTECH - HO2020: Motivation I

Across the board, we are working to strike the right balance between risks and opportunities, so that Europe can benefit fully from new technologies in the financial services sector.

Valdis Dombrovskis, Vice President of the European Commission

FINTECH - HO2020: Motivation II

- ▶ There is a strong need to improve the competitiveness of the European fintech sector, introducing a framework for a common risk management approach across all countries, that can supervise fintech companies without stifling their economic potential.
- ▶ A framework that can help both fintech and supervisors: on one hand, Fintech firms that want to grow and scale-up across Europe need advanced regulatory technology (RegTech) solutions; on the other hand, the supervisory bodies' ability to monitor innovative financial products proposed by fintechs is limited, and advanced supervisory technology (SupTech) solutions are required.

FINTECH - HO2020: Proposal I

- ▶ We believe that a training support action, coordinated at the European level, and benchmarked at the worldwide level, could help to close the gap between technical and regulatory expertise, in particular providing risk management procedures common to Regtech and Suptech and uniform across countries.
- ▶ The coordinated support action should eventually lead to the development of a fintech risk management framework that encourages innovations while protecting their users.

FINTECH - HO2020: Proposal II

- ▶ In line with the previous needs, the FIN-TECH project, under the EU's Horizon2020 funding scheme, aims to create a unified European training (knowledge exchange) programme, aimed at providing shared risk management solutions that automatize compliance of Fintech companies (RegTech) and, at the same time, increases the efficiency of supervisory activities (SupTech).
- ▶ In other words, we aim at connecting FINancial supervision with TECHnological compliance, from which the acronym of the project: FIN-TECH

FINTECH - HO2020: Factsheet I

- ▶ How: several activities, organised around three types of events:
 - ▶ Three workshops aimed at benchmarking the research activity of the with the regulatory needs, expressed by an international advisory body composed of members of European and International regulatory bodies
 - ▶ Training sessions carried out at the location of the involved supervisor, in each of the 29 countries (EU+UK+CH), led by academic and fintech experts, with consolidated knowledge in technology, their financial applications and the measurement of the associated risks.
 - ▶ Training sessions with coding carried out at a centralized European level. The purpose of these sessions is to allow participants to practically implement risk management tools.

FINTECH - HO2020: Factsheet II

▶ Who?

- ▶ Fintechs and fintech hubs, who have detailed understanding of business models based on financial technologies;
- ▶ Regulators and supervisors, who have detailed understanding of the regulations and risks that concern financial technologies;
- ▶ Universities and research centres, which have detailed understanding of the risk management models that can be applied to financial technologies

FINTECH - HO2020: Factsheet III

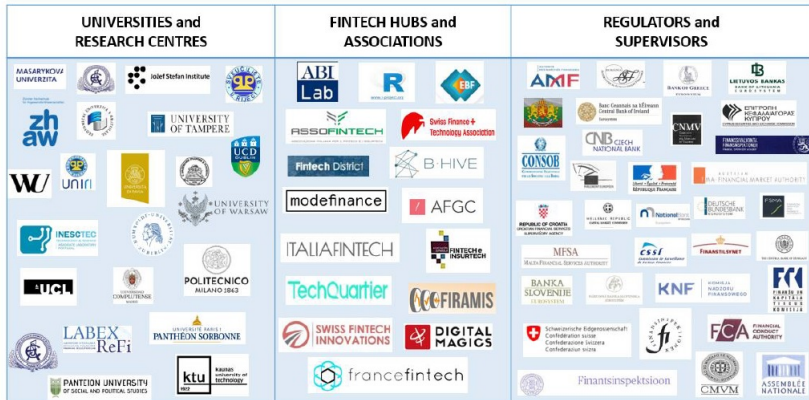


Figure 1: The FINTECH-HO2020 Consortium