

CEN response to the European Commission's Public Consultation on FinTech: a more competitive and innovative European financial sector

June 2017

Executive Summary

CEN welcomes the opportunity to respond to the EC consultation on 'Fintech: a more competitive and innovative financial sector'.

There are a number of new and emerging trends such as digitalisation and new business models affecting the service sector in how services are being delivered and consumed. The financial services and insurance industries, in particular, have seen drastic technology-led changes over the past few years. FinTech has the potential of bringing benefits for EU businesses, including cost reductions and faster provision of financial services, and new opportunities to streamlining of business processes.

CEN Members welcome the intention of the European Commission to include Fintech among the topics of the 2017 ICT Rolling plan for European standardization and the establishment of the EC Task Force Financial Technology (Fintech). CEN Members ready to embark on new activities that for standards to help drive the growth of Fintech.

CEN confirms that the use of European Standards encourages information exchange between technology developers and financial service providers, underpins trust of consumers in new products and services, boosts innovation and enables compliance with financial laws and regulations.

Therefore, mapping the existing standards landscape around Fintech is critical to identifying gaps and defining terminology (definitions and vocabulary) in order to establish an agreed to and consistent approach. Standards could support this more coherent approach, through reflecting interactions and interdependence along the whole value chain in the financial and/or

insurance service provision. To this aim, CEN established the CEN/BT WG 220 'Fintech' in May 2017. The CEN standardization mapping on Fintech should be finalized before the end of 2017 and presented to the EC Task Force on Financial Technology.

CEN members fully support the emerging standards setting within ISO/TC 68 'Financial services' (including the ISO Fintech TAG) and ISO/TC 307 'Blockchain and electronic distributed ledger technologies'. CEN members are fully engaged with ISO to develop international standards on Blockchain/DLT that are compatible with regulations and controls in financial systems, to ensure market confidence and consistency in the use of this technology. CEN acknowledges that wide stakeholder involvement is essential to establishing a level playing field where protocols and standards can be developed to encourage competition, boost innovation among market players and reduce barriers to trade.

Standards are needed to share a common understanding on Fintech

Digital innovation is transforming industry at a fast pace; new technologies, competitors as well as a shifting consumer demand bring new business opportunities as well as challenges. It is essential that standards are in place to ensure the uptake of these technologies such as Blockchain/Distributed ledger technologies.

CEN confirms that the use of standards encourages information exchange between technology developers and financial service providers and is likely to result in greater competition between companies developing new financial products and/or services. Because the technology is under active development, the terminology on Fintech is evolving and formal definitions have not been fully established. One of the challenges encountered in the Distributed Ledger Technologies/Blockchain community is insufficient clarity about and inconsistent understanding of the terminology being used by stakeholders, especially in the technology area.

Interoperability and standards setting for financial technologies

As technology takes an ever-larger place in the delivery and management of financial services, CEN and its members acknowledge the crucial role of standardization in the digital transformation of European industry, and re-affirm their efforts to support digitization of financial and insurance sectors. CEN members are engaging with European and national Fintech initiatives, as well as other stakeholders, to identify digital standardization needs and consider the relevance of existing and new digitization architectures.

Standards are valuable tools for the promotion of best practice, increased efficiency, interoperability, and better quality of products and services including financial ones. This has been confirmed by the new Regulation on European standardization (1025/2012) which recognizes the role of the European Standardization Organizations in developing service standards and providing legitimacy for European standards, to be used as a tool in support of European legislation and public policy, including Fintech-related topics.

CEN members welcome the intention of the European Commission to include Fintech among the topics of the 2017 ICT Rolling plan for European standardization and the establishment of the EC Task Force Financial Technology (Fintech). It is understood that better use of data enables the safe provision of financial products and services for an increased number of consumers that have more sophisticated demands. European standards are needed to ensure long-term stability and effectiveness of the financial system for the benefit of the European economy and its citizens. Communication data models are already well considered by standardization and could serve as a basis to provide interoperability among the Fintech data infrastructure.

In this context, interoperability between Fintech products and services are imperative for the financial and insurance industries to build a network-effect that would benefit consumers and industry stakeholders alike. Standards can notably facilitate interoperability between traditional and new payment solutions as well as the interoperability of financial infrastructures to reduce the risk of a fragmented ecosystem and to allow for innovative solutions developed in one country to be easily taken up in global markets.

CEN emphasizes that standards can also support the development of emerging financial products and facilitate interoperability between start-ups (e.g. e-wallet and e-money providers), or distributed ledger technologies. Standardizing processes and procedures are also essential to achieve effective cooperation in cross-border and cross-community environments. For the insurance industry, CEN/TC 445 'Digital information interchange in the insurance industry' is now developing a European standard setting out a data model representing the KID (Key Information Document) for PRIIPs with naming, semantic meaning, and ordering of the different elements of the KID, and at least one syntax-specific implementation. The development and use of more standards for Fintech and Blockchain/DLT is necessary, timely, and requires the involvement of the financial industry, regulators, Fintech firms and consumers.

CEN roadmap on existing standardization initiatives related to Fintech

Standardizing the approach to deploying new technologies and business models helps reduce the complexity of the new business environments that deploy them; which in turn makes it easier to secure the resulting digital environment. Mapping the existing Fintech standards landscape is therefore critical to identifying gaps and defining terminology (definitions and vocabulary) in order to establish an agreed to and consistent approach. Standards could support this more coherent approach, and reflect interactions and interdependence along the whole value chain.

To this aim, CEN established the CEN/BT WG 220 'Fintech' in May 2017. The mapping will provide an opportunity to identify European, international and national standards and other initiatives related to Fintech, with the potential to release growth and innovation in the

financial sector, evaluate their market impact and facilitate new paths to increase the competitiveness of the Fintech sector.

To make the most of this exercise, CEN will further engage with financial services and insurance industries, Fintech start-ups and technology developers to define a comprehensive analysis of Fintech-related topics. In the follow-up to this study, CEN will look into new standards and supporting protocols for the broad adoption and use of new technologies which contribute to the establishment of industry, consumer and market confidence in the application of Blockchain technologies.

The long-standing cooperation of CEN and CENELEC with ISO and IEC has allowed the alignment of European Standards with international ones, contributing to the global competitiveness of European businesses. Strengthening this cooperation will facilitate the development of ISO and IEC standards to support European legislative and policy needs. CEN links with ISO are key strengths in international markets and full advantage should be taken of the international standards within Europe, which are supported by stakeholders.

With 34 national members active in standardization for over 20 years, CEN has a strong European network with global outreach through ISO that can provide the framework for Europe to capture global market opportunities. In 2017, ISO established a new technical committee (ISO/TC 307 'Blockchain') of which work program identifies as priority topics the development of international Blockchain standards covering key technical aspects: terminology, process and method, cybersecurity, interoperability and other key technical aspects of Blockchain.

Blockchain needs international standards that are compatible with regulations and controls in financial systems to ensure market confidence and consistency in the use of this technology. Wide stakeholder involvement is critical to establishing a level playing field where protocols and standards can be developed to encourage competition, support innovation and reduce barriers to trade.

For more than a decade now, CEN members have been involved in setting international standards on financial services (ISO/ TC 68 Financial services). Anticipating both market and regulatory demands, the International Standards Organisation (ISO) Financial Services Committee (ISO TC/68) set up the Fintech Technical Advisory Group (Fintech TAG). The ISO TAG task acts as an advisory sounding board; it provides a platform for dialogue among financial institutions, their regulators, supply chain and Fintech companies on the growing need for data and technology standards, required for secure global commerce.

Annex 1 – European Standards and other deliverables in the area of financial services

| Published documents | |
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| Title | Publication (latest edition) |
| CWA 16744-1:2014 Improving transparency in financial and business reporting - Harmonisation topics - Part 1: European Data Point Methodology for supervisory reporting | April 2014 |
| CWA 16744-2:2014 Improving transparency in financial and business reporting - Harmonisation topics - Part 2: Guidelines for Data Point Modelling. | April 2014 |
| CWA 16744-3:2014 Improving transparency in financial and business reporting - Harmonisation topics - Part 3: European XBRL Taxonomy Architecture. | April 2014 |
| CWA 16744-4:2014 Improving transparency in financial and business reporting - Harmonisation topics - Part 4: European Filing Rules. | April 2014 |
| CWA 16744-5:2014 Improving transparency in financial and business reporting - Harmonisation topics - Part 5: Mapping between DPM and MDM. | April 2014 |
| CWA 16745:2014 Improving transparency in financial and business reporting - Metadata container. | April 2014 |
| CWA 16746-1:2014 Improving transparency in financial and business reporting - Standard regulatory roll-out package for better adoption - Part 1: XBRL Supervisory Roll-out Guide | April 2014 |
| CWA 16746-2:2014 Improving transparency in financial and business reporting - Standard regulatory roll-out package for better adoption - Part 2: XBRL Handbook for Declarers | April 2014 |
| CWA 16008-1 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform -Base Architecture - Programmer's Reference - Release 2009 | August 2009 |
| CWA 16008-2 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Pin Keypad Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-3 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Magnetic Stripe & Chip Card Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-4 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Text Input/Output Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-5 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Cash Dispenser, Recycler and ATM Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-6 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Printer Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-7 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Alarm Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-8 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Sensors and Indicators Unit Device Class Interface - Programmer's Reference | August 2009 |



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| CWA 16008-9 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Depository Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-10 (2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Check Reader/Scanner Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-11(2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Camera Device Class Interface - Programmer's Reference | August 2009 |
| CWA 16008-12(2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Vendor Dependant Mode Specification - Programmer's Reference | August 2009 |
| CWA 16008-13(2009) - J/eXtensions for Financial Services (J/XFS) for the Java Platform - Scanner Device Class Interface - Programmer's Reference | August 2009 |

| List of CEN and ISO Technical Bodies |
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| Title |
| CEN/TC 445 'Digital information interchange in the insurance Industry ' |
| CEN/TC 447 'Horizontal standards for the provision of services' |
| CEN/BT Working Group 220 'Fintech' |
| CEN Workshop 84 on a 'Self-Sovereign Identifier(s) for Personal Data Ownership and Usage Control' (CEN WS ISÆN) |
| ISO/TC 68 'Financial services' including the FinTech Technical Advisory Group (TAG) |
| ISO/TC 307 'Blockchain and electronic distributed ledger technologies' and its study groups on Reference architecture and ontology, Use cases, Security and privacy, Identity, Smart contract. |

About CEN and CENELEC

CEN (European Committee for Standardization) and **CENELEC (European Committee for Electrotechnical Standardization)** are recognized by the European Union (EU) and by the European Free Trade Association (EFTA) as European Standardization Organizations responsible for developing and defining standards at European level. These standards set out specifications and procedures in relation to a wide range of products and services.

The members of CEN and CENELEC are the National Standards Bodies and National Electrotechnical Committees of 33 European countries including all of the EU member states plus Iceland, Norway, Switzerland, Turkey and the former Yugoslav Republic of Macedonia.

European Standards (ENs) are developed through a process of collaboration among technical experts nominated by business and industry, research institutes, consumer and environmental organizations and other societal stakeholders. Once adopted, these standards are implemented and published in all of the 34 countries covered by CEN and CENELEC.

CEN and CENELEC also work to promote the international harmonization of standards in the framework of technical cooperation agreements with ISO (International Organization for Standardization) and IEC (International Electrotechnical Commission).

For more information, please see: www.cencenelec.eu
