

PSD2 and AMLD4/5 impact on FinTech

Yana Afanasieva

Swiss Finance + Technology Association
www.competitivecompliance.com

FAQ about FinTech startups:



Account Information Services are recognized and regulated

- ▶ Function as product comparison dashboards
- ▶ Don't touch clients' money, but have access to clients' transactional history via open APIs



- ▶ Use cases:
 - Sellers/small businesses selling across multiple platforms (EBAY, Amazon, own website, in-store);
 - Individuals with several bank accounts, credit cards and payment apps

Account Information Services are recognized and regulated

- ▶ Monetization:
 - Charge users (subscription) for analytics or reporting capabilities
 - Recommend savings and new financial products (new insurances, new accounts in different currencies, new pension plan, etc.)
- ▶ Offering financial products could mean entering the space of investment advice or brokering.

Payment Initiation Services is where most of the competition happens

- ▶ Allow users to initiate transactions with multiple other providers. Often call themselves “digital banks” or “virtual banks”
- ▶ Use cases: Online shopping checkout, remittances, split bills, P2P
 - Examples: Trustly, Sofort, Twint, Venmo, Lydia



Payment Initiation Services is where most of the competition happens

- ▶ Monetization is hard due to intense competition and low/no fee pricing, especially for personal payments. Many existing providers subsidize transactional costs, don't charge consumers and must absorb fraud losses
- ▶ Positive (=profitable) signs: integration/ large share of checkout with digital ecosystems or major marketplaces, FOREX commission on cross-border transactions, lending

Marketplaces must have a financial license or a financial partner

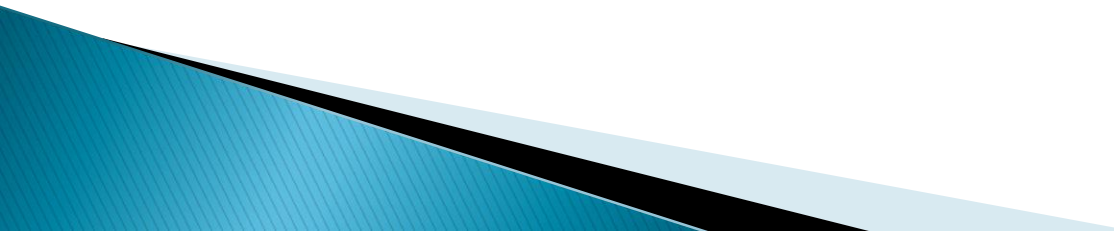
- ▶ Marketplaces – online platforms with multiple sellers and multiple buyers – can no longer facilitate transactions between their buyers and sellers.
 - Examples: EBAY, Mobile.de, Uber, Airbnb, Etsy
- ▶ Added value: vetting participants, managing disputes, protecting members from fraud, provide buyer and seller protection
- ▶ Look out for: flow of funds and financial licensing status
- ▶ Monetization:
 - Listing fee
 - Sales commissions
 - Ads and referrals
 - Payments processing fees

Virtual currencies exchanges and ICO are next in line to get regulated

- ▶ Crypto currency exchanges and wallet operators must get regulated and implement AML obligations under AMLD5. The licensing options are:
 - PSP license – for executing payment orders and remittances;
 - E-money license – where a cards is attached to the crypto-balance;
 - MIFID license – for leveraged trading and CFD.



Virtual currencies exchanges and ICO are next in line to get regulated

- ▶ Crowdfunding and ICO. There most frequently seen forms of crowdfunding are: lending-based, equity-based, rewards-based and donations
 - ▶ Debt and Equity based crowdfunding is reasonably well regulated in the EU as investment-type products
 - ▶ Reward-based crowdfunding (where a product or a service is offered in exchange of contributions) is barely regulated and sometimes was used for ICO operations
 - ▶ Some ICOs have used agency models, where a platform acts as an agent executing orders and acting on behalf of investors
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Thank you!

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