

Joint call to advance the FinTech ecosystem

Innovations in financial services require new regulation and a shared vision

The Hague, January 21, 2016 – While neighboring countries are getting serious about digital innovation in the financial services, three barriers are holding the FinTech sector in the Netherlands back: outdated regulation, insufficient expertise at the regulators, and poor cooperation between startups, existing players and government. This is the conclusion of a joint study by Rabobank, ING Netherlands, Holland FinTech and the consultancy firm Roland Berger.

According to the study, financial technology, generally abbreviated as FinTech, will drastically change the financial sector in the coming years. Digital technologies are making it possible to loan, transfer and invest money in new and different ways. The study, *Barriers to FinTech innovation in the Netherlands*, concludes that the Netherlands has the potential to become a FinTech hub, but that for innovation to succeed, government, regulators and the private sector must do their homework.

Don Ginsel, director of Holland FinTech, explains: "It's not just because the financial sector generates 7 percent of GDP, but also because of what FinTech can mean to the other 93 percent. Our country's people and companies need the best financial infrastructure possible." Rabobank and ING want to emphasize that FinTech has broad application, from simplified payment streams in healthcare to smart contracts for legal services.

Three barriers

For the study, researchers spoke to eighteen FinTech experts and fifteen regulatory experts. They also conducted a survey among startups, investors, innovation managers at banks, and other innovation experts. The results were discussed on Thursday, January 21 in the Finance Committee of the House of Representatives of the Netherlands.

The study found that the Netherlands is home to a strong digital infrastructure, a financially attractive business climate, and that salaries and offices here are affordable. At the same time, however, three barriers stand in the way of a flourishing FinTech sector:

- **Regulatory and legal frameworks:** Set up for the traditional financial sector, these frameworks are not clear-cut for FinTech purposes like crowdfunding, block chain technology, or the handling of information about payment streams. Meanwhile, though, FinTech often has to comply with the same criteria that traditional banks do. Regulations in the Netherlands are among the most stringent in the EU, which slows down innovation for both existing players as well as new ones.
- **Regulators:** De Nederlandsche Bank and the Netherlands Authority for the Financial Markets (AFM) sometimes differ in their assessments of the same FinTech company because the necessary expertise is spread out over many people or because guidelines for handling a new technology do not exist. Sometimes no assessment is even made, a situation that the AFM is addressing with its recently established FinTech desk.
- **Cooperation:** At the moment, everyone is mainly working on their own, but innovation's pace and quality benefit from startups that work together and with large players, large players that are open to new dynamics, and a government that offers a place where ideas, financiers and (business) experience can come together.

"The Netherlands has the potential to become a leader in FinTech," says Ginsel from Holland FinTech. Globally, this sector is growing fast, tripling in investments between 2012 and 2014 with more than 12 billion dollars devoted to FinTech companies. Ginsel continues, "To be a follower, then we at least need to adapt our regulations along the lines of our neighbors. If we want to lead, then more needs to be done." Mark de Jonge, partner at Roland Berger, adds, "The Netherlands won't catch up to London, but we do have the potential to become the point of entry for British companies that want to expand on the continent."

A sector vision is needed

For de Jonge, the United Kingdom can be an example. "They have shown how much a clear vision for the sector, developed together by the government, regulators and market players, can contribute to its success." Ginsel agrees. "A shared vision, which establishes what each player can do, will help FinTech considerably. In any case, it will make the jobs of regulators easier." De Jonge adds, "It would also help if it were possible to issue provisional permits. This could create a 'testing ground' where regulators and companies can come together to discover the brand-new terrain of FinTech and gain valuable knowledge in turn."

According to Ginsel, banks and other financial institutions can play a bigger role in the development of the FinTech sector by taking a more open position. Their systems and processes are not equipped for cooperation with FinTech startups. "If the government, regulators and private players do their homework, FinTech can become the next 'mainport' of the Netherlands: or should we say the next 'payport'."

FinTech policy paper

In order to establish what needs to be done, Holland FinTech, on behalf of its supporters, has written a policy paper. "Regulators and government are starting to realize the need to play an active role in this changing market," explains Ginsel. "We want to help them by providing an understanding of the developments. This will hopefully create room for responsible financial innovation."

For more information (not for publication):

About Holland FinTech:

Holland FinTech is an independent organization. Since its establishment in 2014, it has strived to accelerate financial innovation and to improve the transparency, accessibility and efficiency of the financial services. Holland FinTech provides expertise on global FinTech developments and opens avenues for interaction between its more than 120 members and its global network of over 3,500 people. Holland FinTech encompasses the entire FinTech ecosystem of startups, investors and service providers, including financial institutions and government, and works together with other stakeholders such as regulators. See www.hollandfintech.com.

About Roland Berger:

Roland Berger is the only European player among the top-3 international strategy and management advisory firms. We combine pragmatism and entrepreneurship with a sensitivity for local cultures and an understanding of the role that organizations play in society. Our Amsterdam office was founded in 2002, and since that time has grown from seven to ninety employees. It is one of the most successful and fastest growing offices of the firm. Roland Berger was founded in 1967 in Munich, and has 50 offices in 36 countries. See www.rolandberger.nl.

If you would like to receive a copy of the Holland FinTech policy paper or get in touch with Don Ginsel, please contact 020-8946408 or info@hollandfintech.com. For Mark de Jonge at Roland Berger, please contact Eline van Loon at 020-7960611 or eline.vanloon@rolandberger.com.