

## Facilitating safe and convenient financial services—fostering digital innovation

*Germany is on the threshold of becoming a digitalised society. Financial transactions can be carried out simply and quickly—anywhere. Millions of people are benefiting from this trend. The Savings Banks Finance Group plays an active role in responsibly developing new services so as to provide convenient and safe digital technologies. However, what we need for this purpose is a regulatory environment that fosters this development. The crucial question is not who uses what technology—but how the technology is used, and for what purpose.*

- *The same rules must apply to the same business. Innovative financial products should therefore be subject to regulation that is “technologically neutral”.*
- *Legal certainty is needed to develop data-based business models, not only within but also outside the Internet industry.*
- *Innovation that supports Germany’s decentralised economy and complies with high data protection standards must be facilitated and promoted.*

### **Same business: same rules**

Customers’ demand for digital financial services has stimulated the banking sector and is spawning many new services. In this context, fair competition of ideas and business models must be ensured. Banks and fintech firms should therefore not be subject to separate regulation. As in the past, the aim must be to regulate according to risks—not in accordance with categories of enterprises.

Identical risks must be regulated with the same intensity—regardless of who provides a certain technology-driven financial service.

With reference to specific fields of application, this means that separate fintech regulation for start-ups and scale-ups is neither appropriate nor necessary. We are opposed to regulation which grants preferential treatment to purely data-based advisory services (“robo-advice”). Likewise, a bias toward supporting credit platforms and crowd funding is not appropriate.

In all of these fields, non-regulated areas may create unintended risks for consumers. The principle must therefore be: “same risks, same rules”.

The same rules require both the same supervisory standards and a level playing field. While it may make sense to have new financial service providers closely monitored by supervisory authorities, this must not lead to special treatment in terms of regulation or supervision (modelled after the regulatory “sandbox” in the U.K.).

### **Guaranteeing data security—enabling data usage**

Data is the raw material of the 21st century—we want to make use of this raw material. To this end, legal certainty is needed to develop data-based business models, not only within but also outside the Internet industry. The EU General Data Protection Regulation provides a good basis because we consider that the security and protection of customer data is non-negotiable.

It is important to distinguish between data sovereignty and data portability. Transferring enriched data records to associated service providers is part of the division of labour in a modern economy and facilitates the provision of innovative products for consumers. If secure data transmission is unnecessarily restricted, the potential for growth will be reduced.

#### Active support of groups of associated banks

The Internet economy favours centralised globally networked corporations. However, we want to preserve decentralised social and economic structures. National and European competition and antitrust law must therefore provide equal opportunities—not only for banks and fintech firms, but also for single players and groups.

To be able to keep up with multinational players like Apple, Google et al., it is important to ensure that the group of savings banks and the group of co-operative banks can market standardised solutions for innovative financial products, if necessary jointly. To this end, competition law must provide an environment that facilitates initiatives in this field, instead of thwarting them. This is the only way to effectively counter a concentration of power and the development of monopolies in the Internet economy.

Another field for potential action is tax law. VAT exemption within the framework of a tax-free association of group partners would make it easier for groups of associated banks to implement the necessary digitalisation projects.

#### Supporting innovative business approaches

Innovative products and/or services stimulate the market. To facilitate market access for innovative products, we support the idea that supervisory authorities should set up specific contact and information centres (hubs) on technology-driven financial services.

We use our own “S-Hub” to develop new solutions in co-operation with fintech firms. The S-Hub is also ready to engage in an exchange of experience and views with supervisory authorities.

#### We want to remain Sparkassen—and become more digital.

The Savings Banks Finance Group develops and uses innovative financial products that facilitate the everyday lives of millions of customers, including private households, manufacturers and distributors.

- We are supporting consumer-oriented digital services.
- We are supporting new infrastructure initiatives such as Cloud, data analytics, and modern IT architecture.
- We are establishing technological interfaces with fintech firms.
- We are developing products of our own.
- We are using the blockchain technology.

Despite some adjustments, Sparkasse still maintain Europe’s most extensive network, with approx. 14,000 branches. Altogether, they are Germany’s largest online bank today.

- With nearly 5 million users, the Sparkassen app is the most popular financial app in Germany.
- Our Internet branch is visited approx. 1 billion times a month—which makes it one of the most frequently visited banking websites.
- The Savings Banks Finance Group is leading the way with regard to the introduction of instant payments (launched in November 2017).
- With over 580,000 registered users (as of November 2017), “Kwitt”—our mobile-to-mobile payment function—has become the market leader in this segment in one go.
- In 2018, we will make mobile payments fit for everyday use—the more than 40 million cash cards (SparkassenCards) in the market will then be available as a mobile phone function.

Hence, we are making a major contribution towards the digitalisation of Europe’s biggest economy.