

# Why should the Danish regulator think about fintech?

Jesper Berg, Director General, Finanstilsynet

# We need to understand new technologies

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# Strategy 2020 - justified confidence



10 focus areas

7. Technology, cyber risk  
and new business models

# Fintech



## *Ambition*

Finanstilsynet shall have insight into the risks that are associated with new business models and the use of new technology. Finanstilsynet should be suited to understand and supervise financial institutions using these models and technologies.

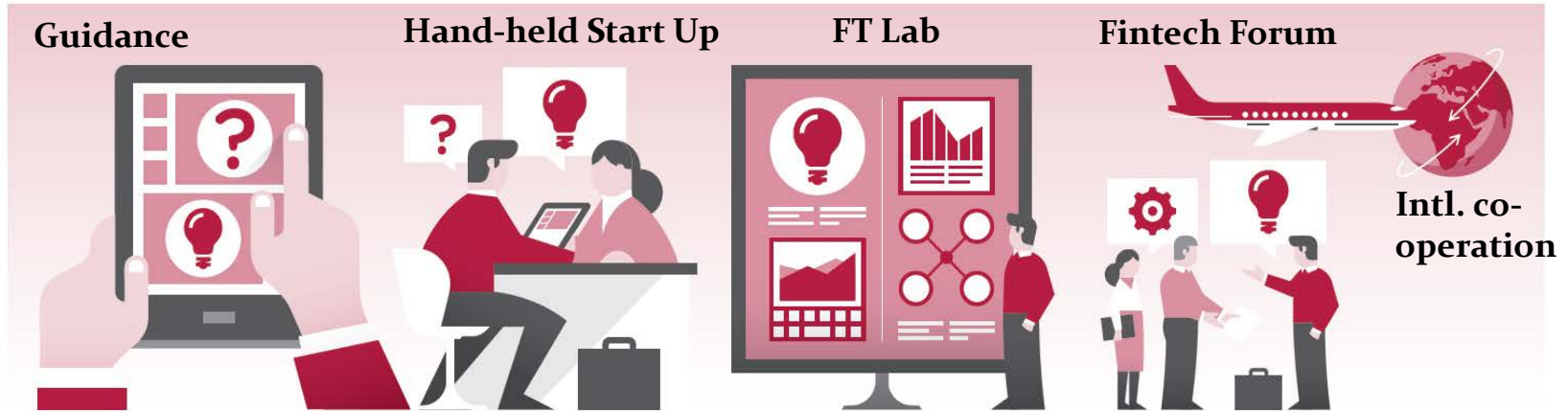
Finanstilsynet shall contribute to making Denmark a safe and good place to establish oneself as a fintech firm. This should be done by ensuring the necessary guidance is available to fintech start ups. In addition Finanstilsynet shall support the use of new technology in the financial sector, that balances the considerations between growth, consumer protection and financial stability.

### **Goals**

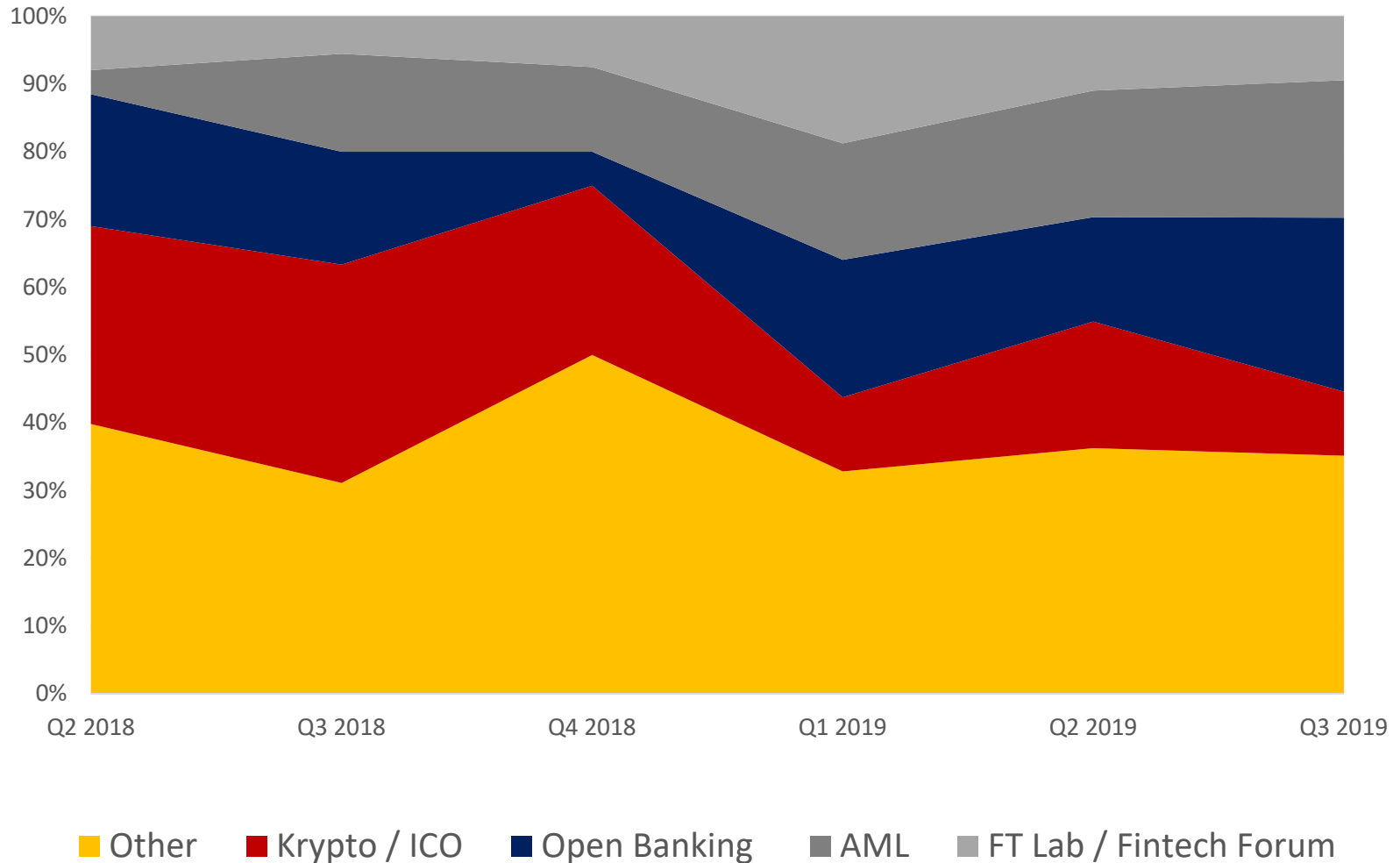
1. Our 5 fintech initiatives
2. Supervisory models/Best practices for the use of new technology in the financial sector

# Our five fintech initiatives

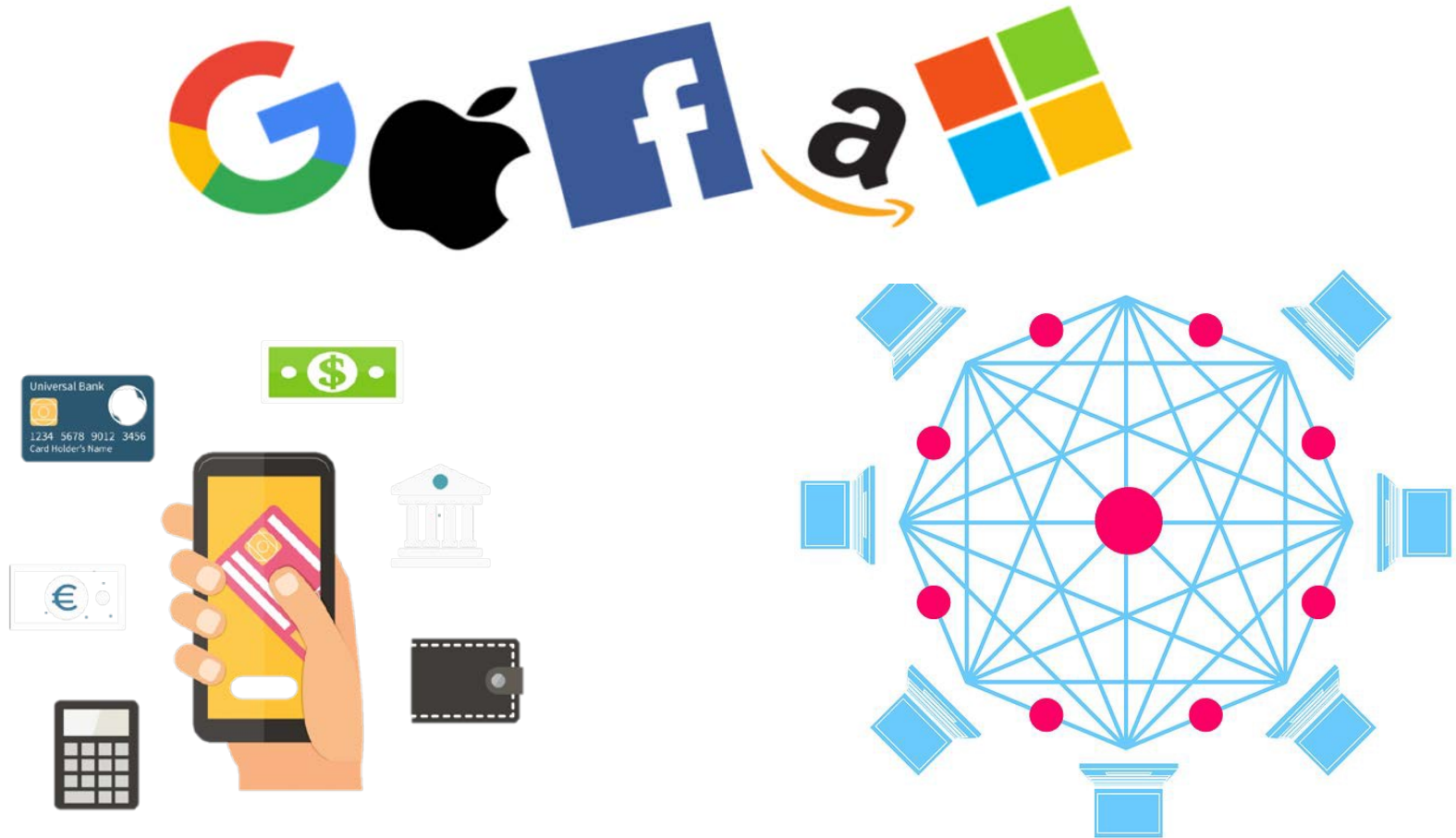
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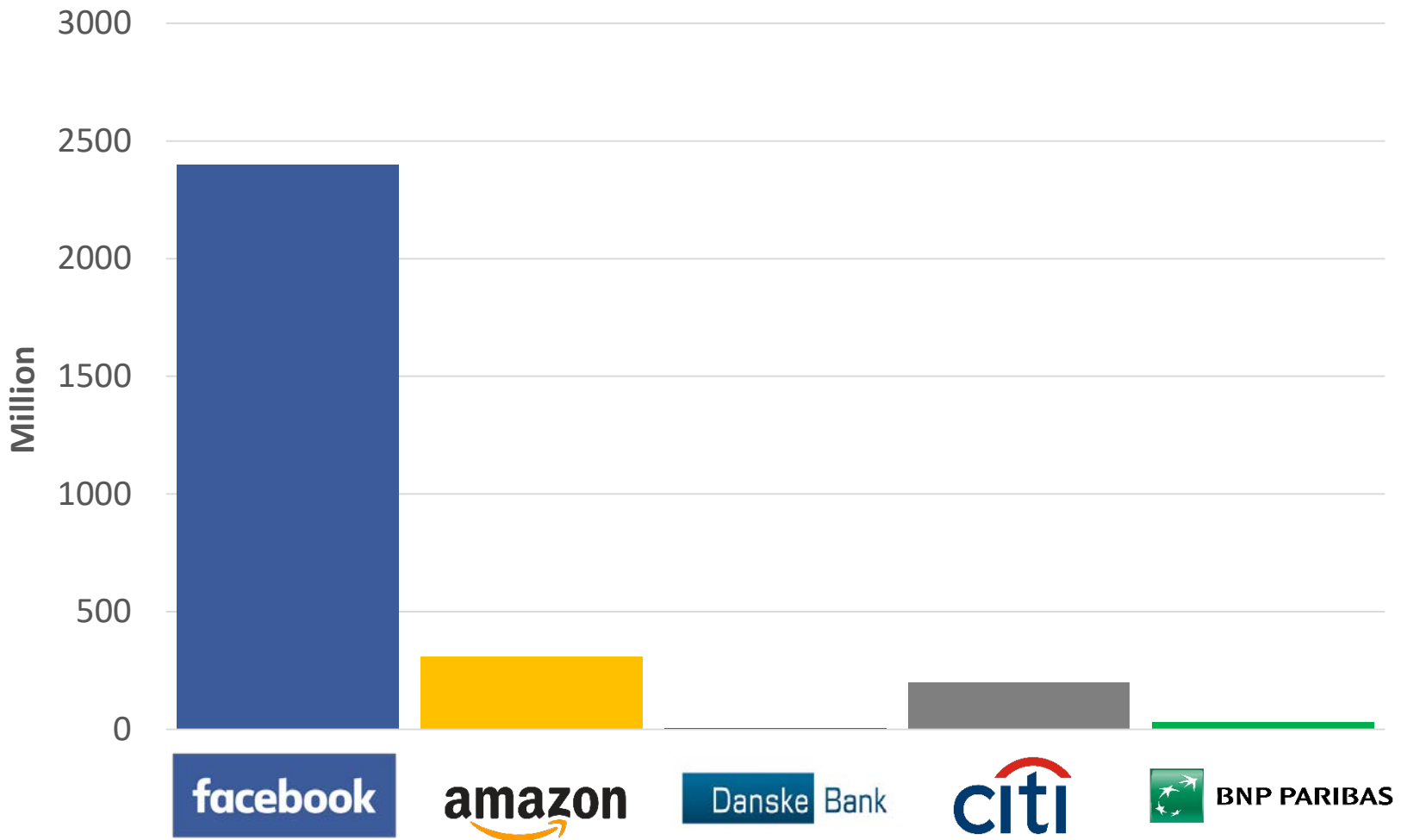
# More than 150 fintech related enquires each quarter



# A lot is happening



## Tech giants have high customer reach ...

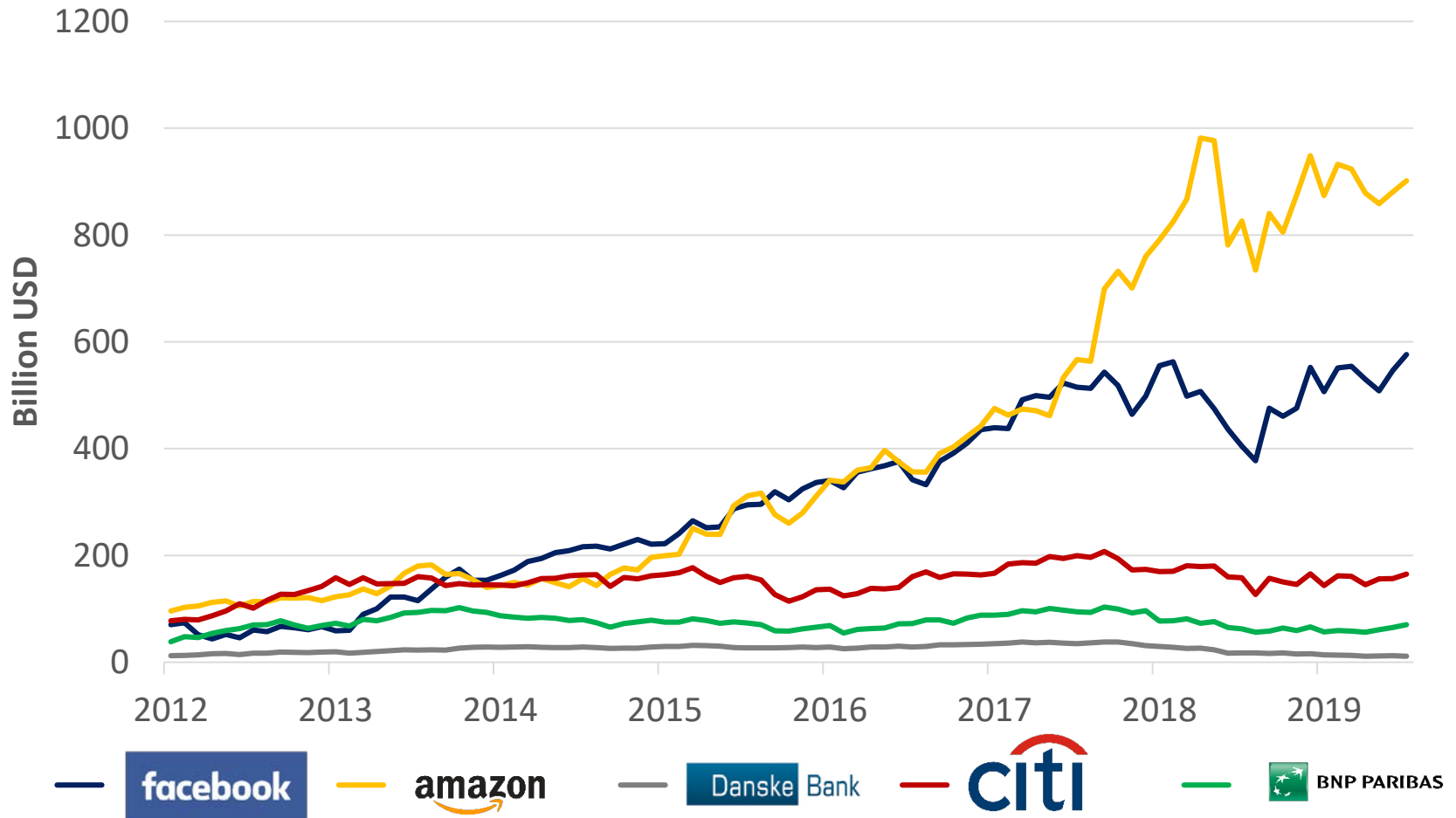




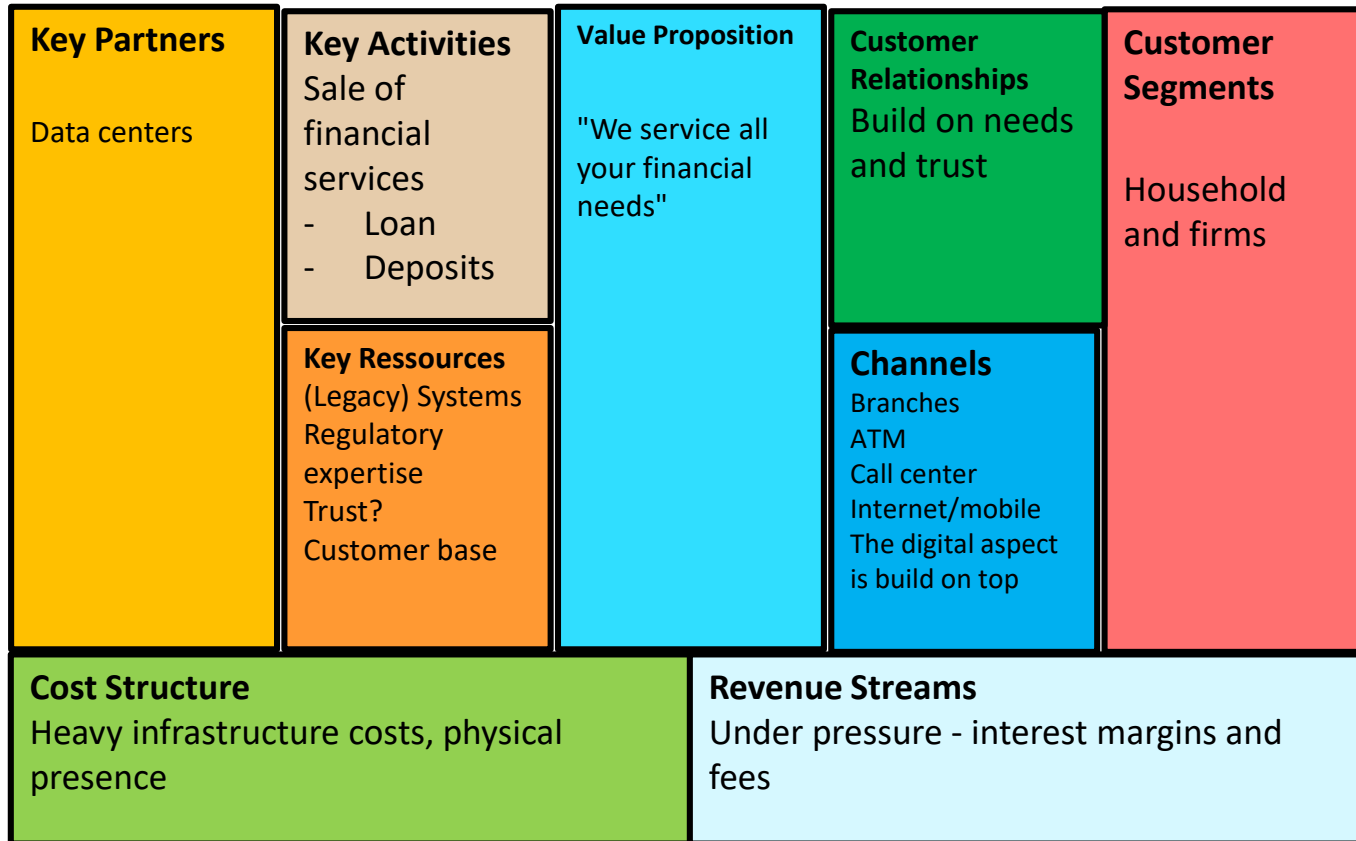
## Tech giants have high customer reach ...



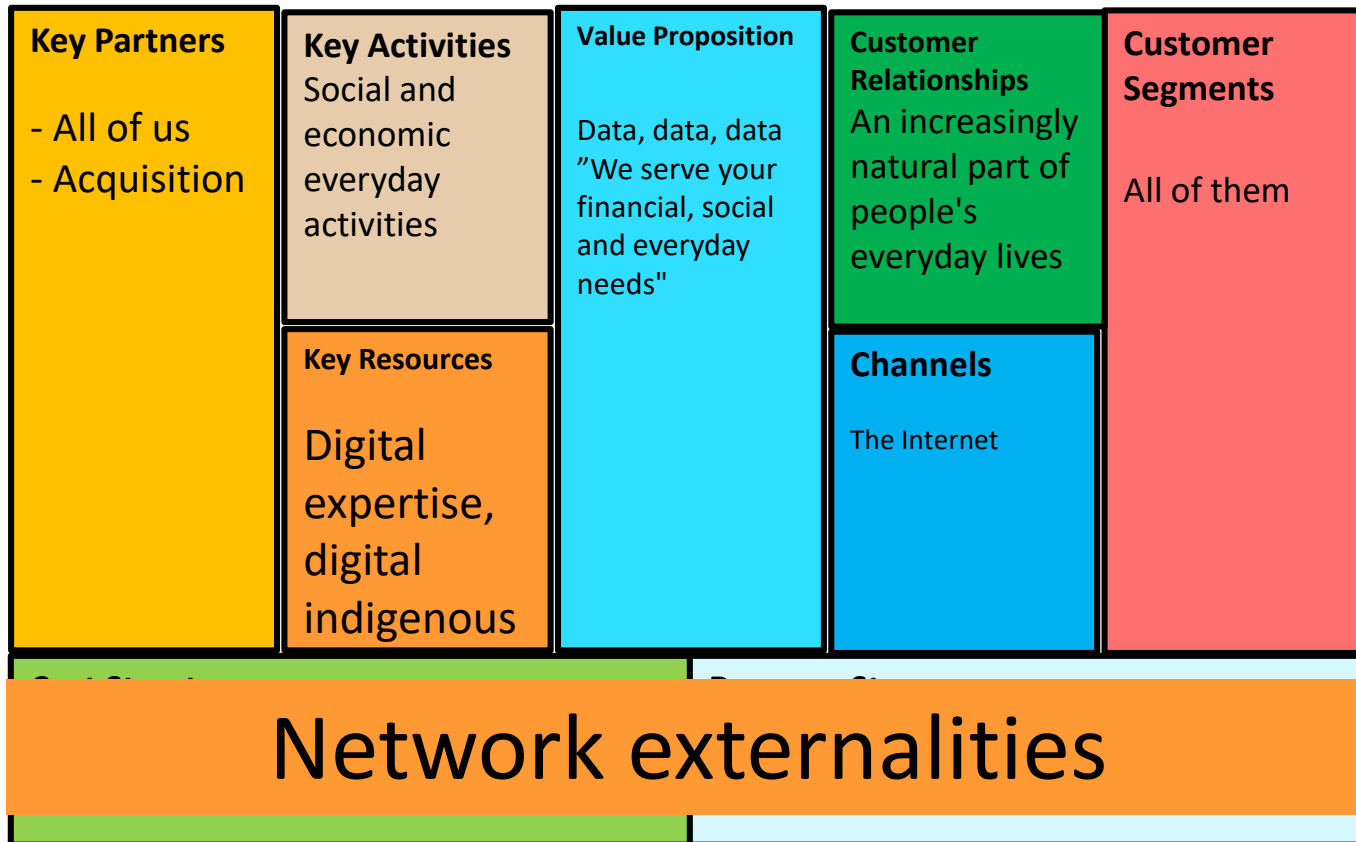
... which is valued highly by the market



# Business model canvas – Banking



# Business model canvas – Big Tech



## No free lunch?

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# Understanding the tech you use

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# Technology and AML

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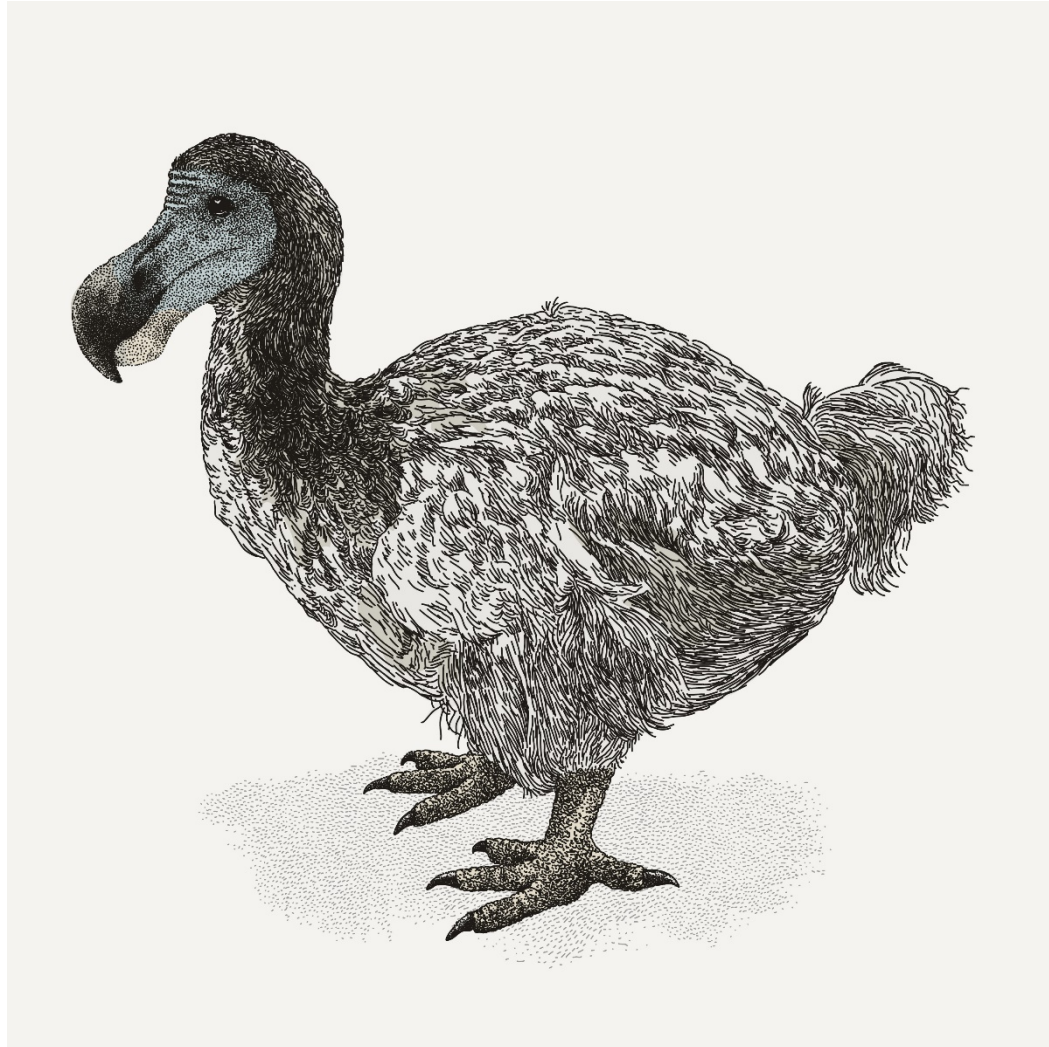
New technologies, new risks





## And what does all this entail for regulators and regulation?

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# We would like to hear your views...

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## Discussion paper

Fintech – in the area of tension between financial regulation and new technology

A blurred office scene with a man in a white shirt looking towards the camera. The background shows office desks, chairs, and windows, all out of focus. The text is overlaid on the right side of the image.

# Banks, fintech and regulation

Fintech conference 4<sup>th</sup> of December 2019  
The Danish Financial Supervisory Authority



# Agenda

- Banks and innovation
- Fintech
- Open banking & Data economy
- Libra and central bank digital currencies



OPINION

# 'The only thing useful banks have invented in 20 years is the ATM'

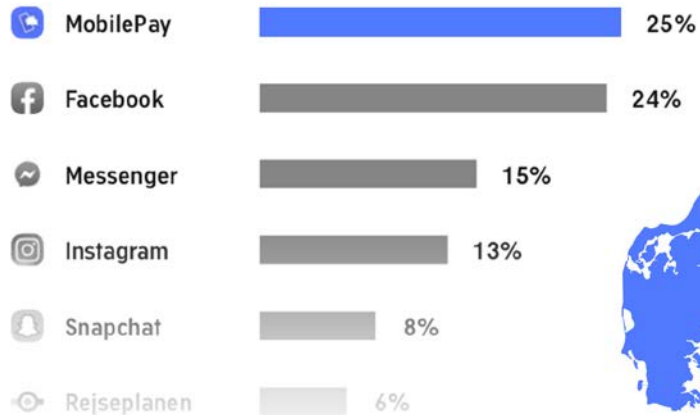
December 13, 2009 | 6:27am



*.. says PAUL VOLCKER, chairman of the Federal Reserve under Presidents Carter and Reagan and served on the Economic Recovery Advisory Board of President Obama*

# I disagree!

## Which app is the most indispensable on your mobile phone



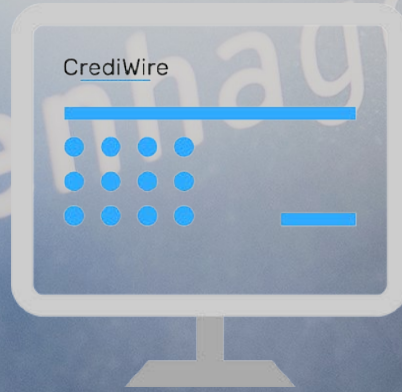
Source: AudienceProject Insights 2019

## The NemID code app



struggle and  
battle

Subaio



pleo

partnerships  
and  
cooperation

# Level playing field



- Regulation of activity, not business
- Technology-neutral regulation
- A risk-based approach



# Regulatory sandbox

## A strong ecosystem

An important prerequisite for partnerships between Fintech startups and established financial companies

## “The regulatory perimeter” and a risk based approach

The flexibility towards smaller startup companies helps them mature their business models – this way they become more attractive as partners with established companies



# Big tech

Google

amazon



Tencent



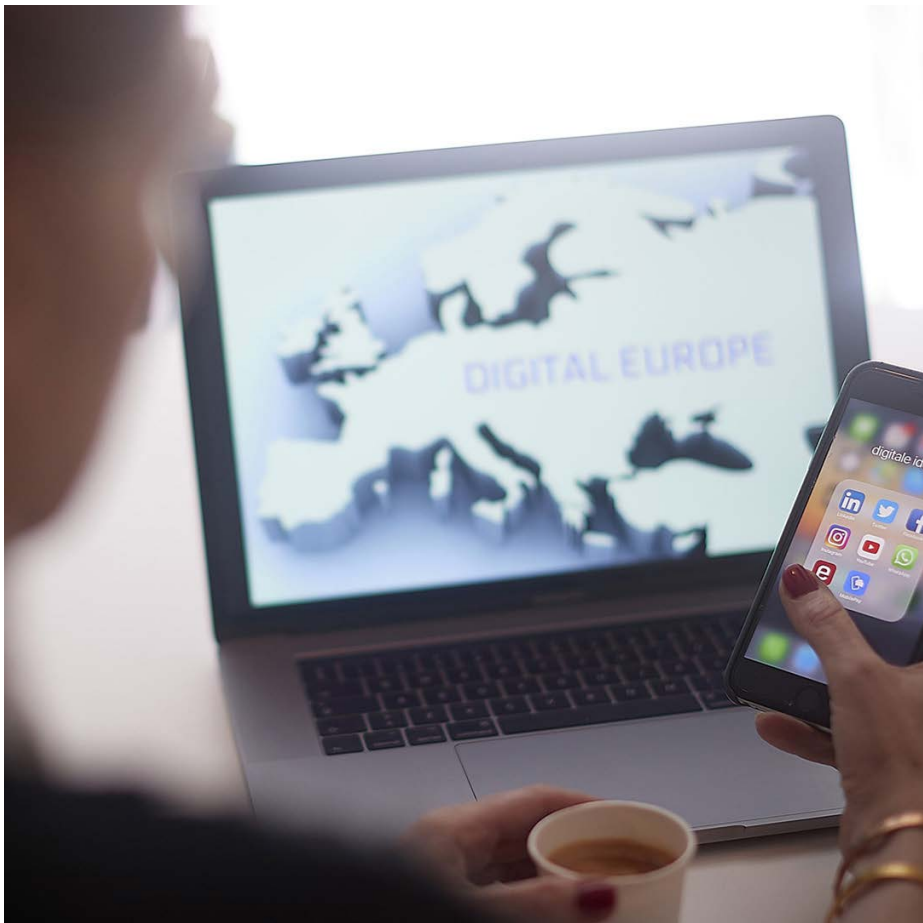
Alibaba.com



- Similar regulation for similar activities
- A narrow regulatory perimeter
  - Risks
  - Consumer Protection
- Platforms
- Consumers and competition

The image features a blue-tinted background with a blurred keyboard. A gold key is positioned on the right side, resting on one of the keys. The text "PSD2" is prominently displayed in the center in a white, bold, sans-serif font. Surrounding the text are twelve yellow five-pointed stars, arranged in a circular pattern similar to the European Union flag. The overall composition suggests a focus on digital security and financial regulations.

**PSD2**



## DATA ECONOMY

- Data increase value by sharing
- Data has significant potential for financial industry
- Secure APIs for all sectors
- Ethical usage and secure storage

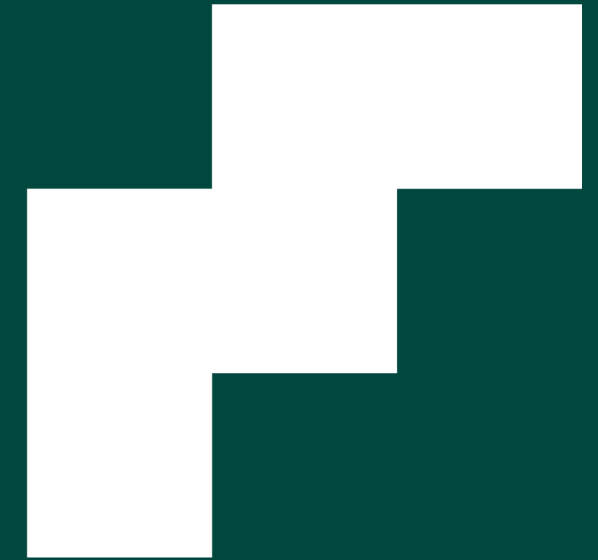
### How

- Voluntary partnership
- Cross-sectoral EU- regulation.

# New payment system?



# Copenhagen Fintech



How authorities can support  
entrepreneurship  
Thomas Krogh Jensen

**Elevating  
new nordic  
innovation.**



# Community fueled co-innovator

Backed by three strong organizations - Finance Denmark, the Financial Services Union and the Confederation of Danish Industry.

+200 partners, sponsors and members from the ecosystem. We are non-profit.














# Understand this

Tech and Financial Services  
matter!



## ARTIFICIAL INTELLIGENCE AND AUTOMATION

Outside of Technology, the Banking and Securities sector is the biggest spender on external AI services and has fast growth<sup>1</sup>

	\$ MILLIONS	2016	2019E
 Telecommunications		50	300
 Education		100	450
 Utilities		100	500
 Insurance		200	650
 Transportation		200	700
 Government		500	1000
 Manufacturing		900	4000
 Retail		1100	5000
 Other Industries		1000	5150
 Healthcare		900	5300
 Banking & Securities		1900	7500

# Understand this

Tech and Financial Services matter!

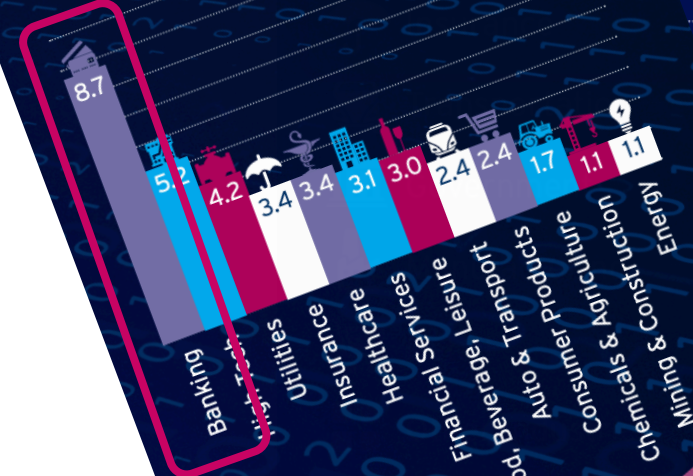


## ARTIFICIAL INTELLIGENCE AND AUTOMATION

Outside of Technology, the Banking and Securities sector is the biggest spender on AI services and has fast growth<sup>1</sup>

### CORE BANKING, CLOUD AND CHALLENGERS

Nearly 15-25% of Bank annual budgets were allocated to IT in 2016 and Banks have one of the highest median IT expense as a % of revenues – almost 2-3x other major industries<sup>2</sup>



Industry	2016	2019E
Banking & Securities	1900	7500
Insurance	100	500
Utilities	100	500
Healthcare	100	500
Financial Services	100	500
Food, Beverage, Leisure	200	650
Auto & Transport	200	700
Consumer Products	200	700
Chemicals & Agriculture	500	1000
Mining & Construction	900	4000
Energy	1100	5000
Banking & Securities	900	5150
Banking & Securities	900	5300

# Startups

120+ lived @ our Lab

# THE DANISH FINTECH STARTUP SCENE



# Partners & Sponsors

A transforming industry

## PARTNERS

INDUSTRIENS FOND  
FREMMEK DANSK  
KØBSTÆDERNES FOND  
The Danish Industry Foundation

skandia:

FINANS FORBUNDET

FINANS DANMARK

spar nord

KØBSTÆDERNES FORSIKRING

SDC

## SPONSORS

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Velliv

IBM

Keylane

CHARLIE TANGO

edlund  
- a part of KMD

KMD Business

Topdanmark

SAP

Tryg

infinite

DLA PIPER

care  
JØ FØR - JØ BEDE

JYSKE BANK

VÆKSTFONDEN

Industriens Pension

Nykredit

PA

bankdata

BEC

PFA  
Mere til dig

Jutlander Bank

djaf

Nordea

netcompany

Danske Bank

experian

tia

cardlay®

EY

SimCorp

SAXO BANK

nets

VP SECURITIES  
investing in the future

# Global Partners

Not including hubs & investors

## GLOBAL PARTNERS

tieto



VISA

amazon



[ING 

 BNP PARIBAS

 **NRI** 未来创先  
Dream up the future.  
野村総合研究所  
Nomura Research Institute

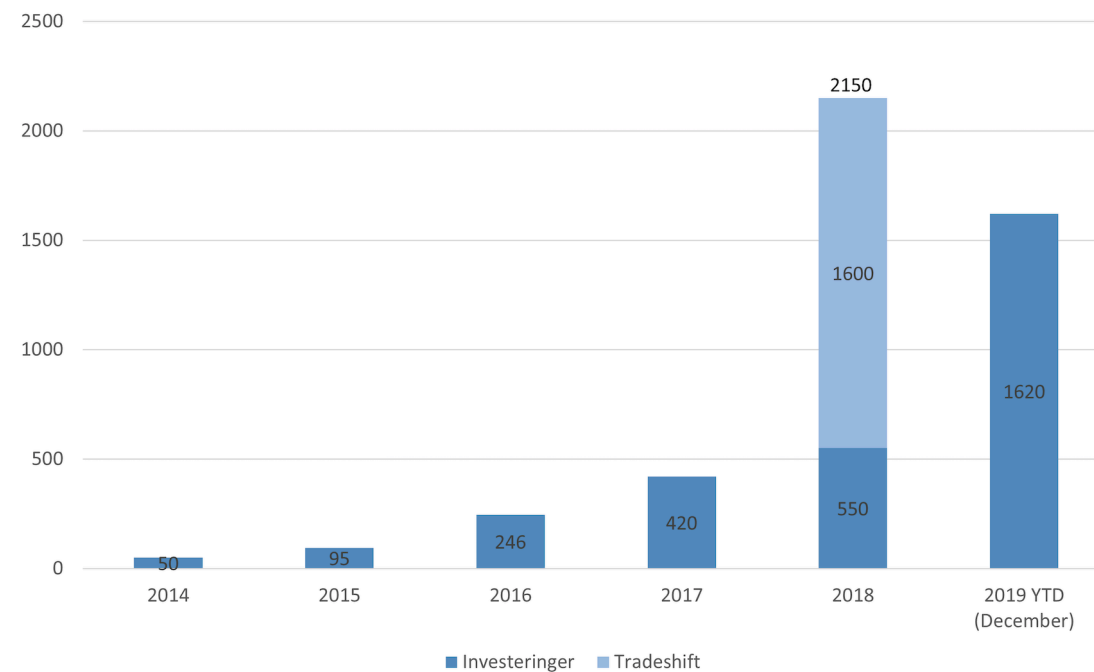
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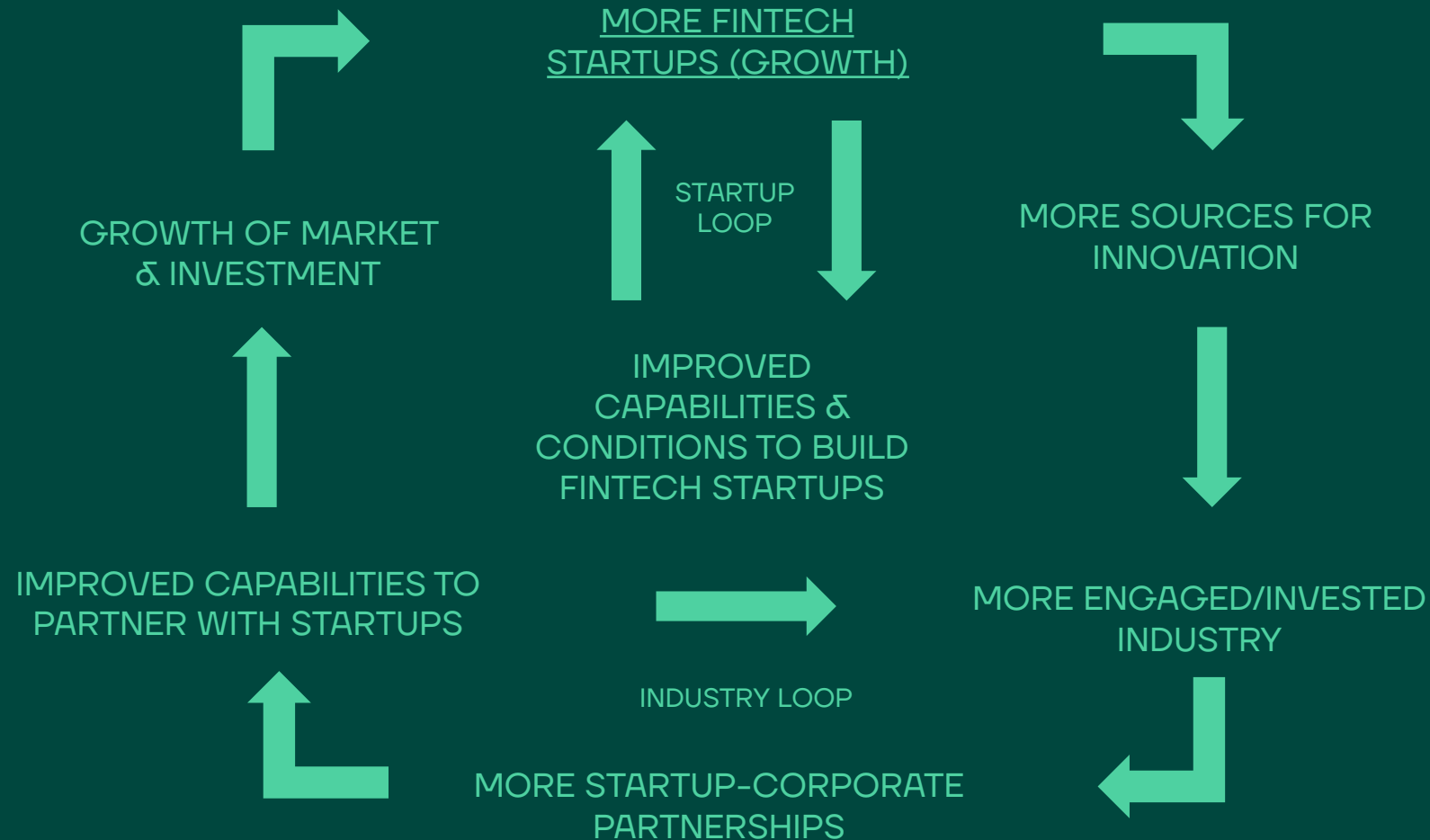


# Does it work?

We think so :-)

Investeringer i danske fintech virksomheder i mio. kr.







**How might  
authorities support  
entrepreneurship?**



# Engage actively

Copenhagen  
Fintech



© LIVE

© LIVE



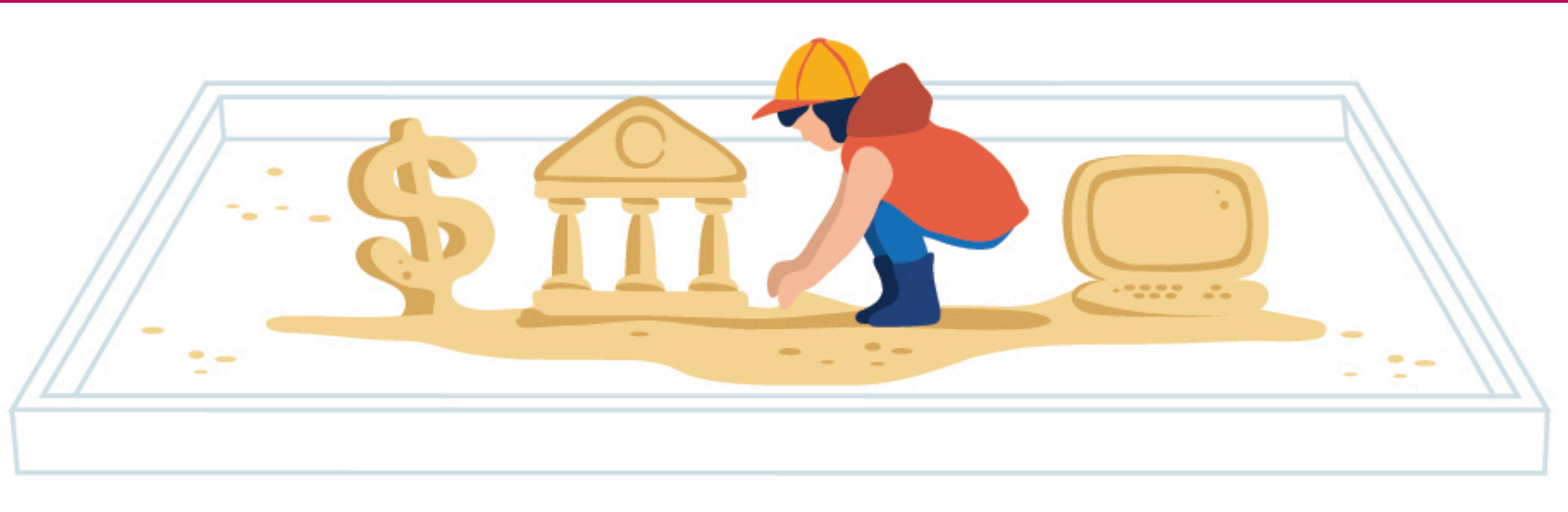
# The sandbox



FINANCIAL SUPERVISORY AUTHORITY

## FT lab

*The Danish FSA's sandbox initiative, where selected companies have the possibility to test their innovations in a secure environment.*





# The sandbox

Do we have a  
'sandbox'  
mindset' in general?



FINANCIAL SUPERVISORY A

## FT lab

*The Danish FSA  
possibility to test*



"This really is an innovative approach, but I'm afraid we can't consider it. It's never been done before."

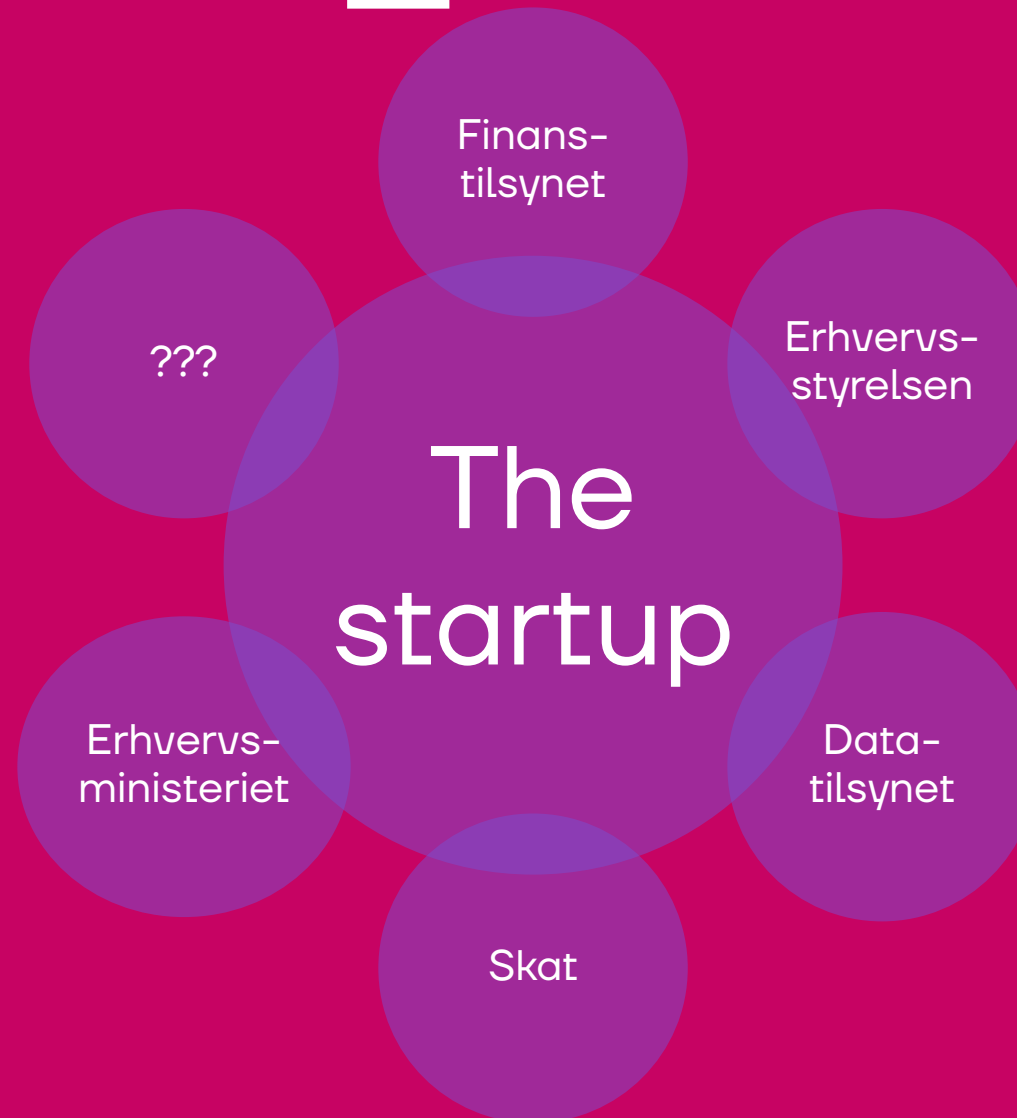
*panies have the  
ment.*



# Capabilities

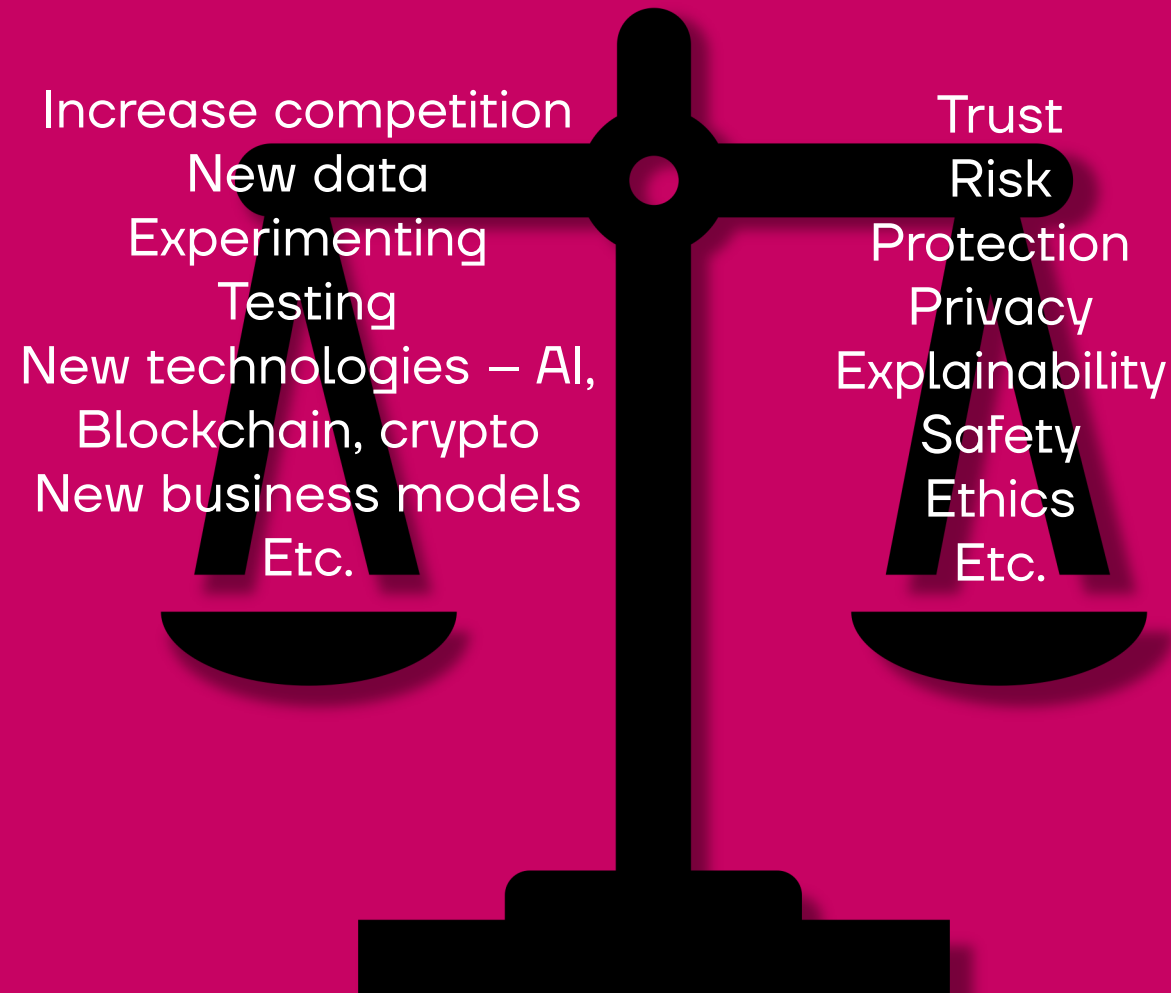
- Ability to look beyond ‘the mandate’
- Impact of new technologies (and in combination)
  - Not only evaluate, but also consume!
- In combination with new business models
- New entrants from other industries
- ...in a global context
- With a focus on consumer protection, promote competition, trust and ethical application

# Help navigate





# It's a balance





# Thank you!

Thomas Krogh Jensen  
Copenhagen Fintech

Let's connect

<https://www.linkedin.com/in/thomaskroghjensen/>