

Sector-specific inquiry on “fintechs”: the *Autorité* launches a public consultation

As part of its ongoing sector-specific inquiry on new technologies applied to financial services and, in particular, to payment services, the *Autorité de la concurrence* has launched a public consultation to gather stakeholders’ comments with regard to a number of points. The deadline for stakeholders to reply to the *Autorité*’s questions is 19 June 2020.

On 13 January 2020, acting on an *ex officio* basis, the *Autorité de la concurrence* decided to assess the state of competition on the use of new technologies in financial services and, in particular, payment services.

As part of this sector-specific inquiry, the *Autorité* is now launching a public consultation to gather comments from stakeholders with regard to a number of points. The deadline for stakeholders to reply to the *Autorité*’s questions is 19 June 2020.

Recent changes in the sector of new technologies applied to financial services and, in particular, to payment services

In recent years, there have been some major changes in how new technologies are used to provide financial services and, in particular, payment services:

- The impact of technological advances on financial services in particular in the area of payments

On the supply side, the *cloud*¹, *blockchain*² and other new technologies have led to the emergence of new services in the sector. In the area of payment services more specifically, there has been rapid growth in new services, such as the eWallet, and new exchange instruments, such as crypto-assets.

On the demand side, new consumer behaviour driven by digital advances, including the increasing and widespread use of smartphones and the development of connected devices, have created new consumer expectations in this sector.

- The emergence of new players

In recent years, non-banking players that offer financial services using new technologies have emerged, particularly in the payments sector. These players include both brand new companies as well as existing companies whose core business is not banking.

¹ For the purposes of this public consultation, this means all IT services (software, platform services, and IT infrastructure) used to store, transfer and manage data that are not hosted on the user’s computer. Under this model, the user’s computer is no more than an interface enabling the connection to these services.

² For the purposes of this public consultation, this means all technology and computerised procedures used to secure, in a decentralised manner (hence the term “blockchain”), certain types of transactions. In practice, this means that transactions can be authenticated without the intervention of a trusted third party (e.g.: for certificate production, financial transactions, etc.).

On the one hand, information and communication technology has fostered the development of a wide range of new companies, generally small start-ups, that provide innovative services often at low cost, in niche markets or segments of these markets. The term "FinTech" is used to refer to these companies.

While on the other hand, big digital platforms are now developing services in the sector of new technologies applied to financial services. Certain payment services, for instance, have already been rolled out in France, including Apple Pay and Google Pay.

- The response of banking groups to the emergence of new players and new services

Banking groups are adapting to these changes in various ways:

- by acquiring FinTech companies, such as the acquisition of Leetchi by Crédit Mutuel Arkéa in 2015, or by setting up new companies, like Paylib, a company set up jointly in 2014 by BNP Paribas, La Banque Postale and Société Générale;
- by signing cooperation and partnership agreements with FinTech companies;
- or by investing in research and development with a view to, for example, setting up business incubators aimed at developing new services.

Public consultation

The Autorité's Investigation Services are publishing this document with a view to gathering contributions from stakeholders that have not had the opportunity to reply to the preliminary information requests or that wish to supplement their earlier responses. This consultation covers three main subjects:

- The first focuses on the respondents' understanding of the changes that have taken place in the sector in recent years;
- The second addresses issues relating to market definition as well as to the market position and competitive advantages held by the different players;
- Third, and last, the respondents are asked about the business practices likely to be implemented by the different players.

First part: your understanding of the changes that have taken place in the sector in recent years

1. What is your view on the entry of Fintechs into the payment sector in France?
2. What is your view on the entry of big digital platforms into the payment sector in France?
3. What is your view on the acquisition of Fintechs specialized in payment services by banking groups?
4. What has been the impact of technological developments, such as blockchain and cloud services, on the functioning of the payment sector?

Second part: issues relating to market definition and to the market position and competitive advantages held by the different players.

5. In your opinion, are the different payment services provided in France by new entrants (Fintechs, big digital platforms, Internet service providers) substitutable or complementary to the ones already offered by banking groups?
6. In your opinion, which factors would likely confer a significant competitive advantage, or even market power, to any company (banking groups, Fintechs, big digital platforms and other players) offering payment services?
7. In your opinion, what are the main competitive advantages held by the different players that already offer payment services in France?
8. In your opinion, do some players, that offer payment services in France, already have strong market power? If so, please specify which ones.

Third part: business practices likely to be implemented by the different players.

9. Would you be able to identify any competitive issues in the sector of new technologies applied to payment activities? If so, please indicate which ones.
10. Would you be able to identify any competitive issues related to the development of crypto-assets? If so, please indicate which ones.
11. Would you be able to identify any competitive issues related to the use of blockchain technology by certain players in the sector of new technologies applied to payment activities? If so, please indicate which ones.
12. Regarding your payment services, would you be able to identify any competitive issues related to the provision of cloud services? If so, please indicate which ones.

Practical information

If you would like to take part in the public consultation launched by the *Autorité de la concurrence*, please send us your responses to the questions above, by email to avis.paiements@autoritedelaconcurrence.fr, giving the name of the company (or organisation) in whose name you are responding, and indicating the sector in which it operates.

Please provide your contribution in French or, if you wish to submit your contribution in English, please also provide a French translation.