

Sector inquiry by the Hellenic Competition Commission into Fintech

a. Feasibility

The Hellenic Competition Commission, in the context of its responsibilities under Article 40 of Law 3959/2011 and following the relevant decision of the Plenary Session from 11.03.2020, declares the initiation of the sector inquiry into financial technology services (Fintech).

The financial technologies sector, i.e. the provision of financial services exclusively through innovative information and communication technologies, is a new and constantly growing market, which in our country is at an early stage of development. According to a survey by Ernst & Young, in 2019, 64% of active internet users worldwide were also users of financial technology services, while 96% of consumers were aware of at least one relevant service. Especially for Greece, although the respective percentages are not known, the penetration of the specific technologies presents significant growth prospects, given the rapid increase in the adoption of electronic banking and electronic payment systems in recent years, whereas this trend may continue intensively, especially due to the COVID-19 pandemic - related crisis.

The use of financial technologies offers significant benefits to consumers and businesses, as it contributes to the development of innovative products, which present significant advantages over traditional financial services such as speed, convenience, transparency, lower price and wide availability. In this way, the provision of integrated and more tailor-made services is favored, while the participation in the financial market without exclusions is enhanced. The use of the specific technologies also makes it easier for new players with different business models to enter the market, thus increasing competition in the relevant markets and making cartel operation more difficult.

Especially for businesses, financial technology services provide an additional benefit, that of the improvement of their access to finance and the enhancement of their liquidity, as they allow the use of alternative forms of finance (e.g. P2P lending platforms). This fact is especially important for Greek firms (mainly SMEs), whose financing has become particularly difficult in recent years, due to the malfunction of the banking system.

From the financial technology services providers' perspective, the spread of the specific services creates new business opportunities, which contribute to the boost of their competitiveness through the promotion of innovation, as well as economic growth and new jobs creation. It is worth mentioning the growing activity in the sector not only of credit institutions (which have set their digital transformation as a top priority), but also of other companies (especially e-commerce and business services' providers, as well as IT companies), start-ups and organizations.

Particularly after the liberalisation of the market, through the implementation of the Second Payment Services Directive (PSD2), the activity of the new categories of financial service providers defined in it (namely Account Information Service Providers and Payment Initiation Service Providers) is expected to be strengthened.

However, the basic characteristics of financial technologies, which are primarily the use of platforms, big data and algorithms, can facilitate the adoption of practices that are able to harm consumers and and impede innovation and competitiveness in the specific sector.

In this context, the HCC has taken the initiative to investigate in depth the competitive conditions prevailing in the market for financial technology services, in order to enhance consumer welfare, but also to actively contribute to the country's digital transformation and the promotion of innovation.

Given that the rapidly increasing use of electronic banking and electronic payment systems is expected to be further strengthened due to the COVID-19 pandemic - related crisis, this sector inquiry can be considered as part of the wider set of actions undertaken by the HCC to protect consumers at this difficult situation.

The inquiry will focus on the following sectors:

1. Payment services with a focus on mobile wallets and P2P mobile payments,
2. Deposits and lending with a focus on P2P lending.
3. Asset management services with a focus on comparison websites, robo-advisors and algorithmic trading.
4. Payment services via digital currencies with an emphasis on cryptocurrency payments and wallets.
5. Insurance service with a focus on comparison platforms and robo-advisors.

without prejudice to the HCC being able to specify and/ or delimit and/ or broaden the scope of the inquiry to other products or services with a substantial effect on financial services sector, depending of the findings of the inquiry as it develops.

The HCC will appreciate the participation in the consultation of new entrants as well as incumbent undertakings operating in said sectors as well as technology companies developing products and offering services to such undertakings.

Given that the systematic monitoring of the financial technology services sector has begun recently and the available data is limited, the inquiry into the specific sector aims to help the HCC get a comprehensive insight into the competitive conditions prevailing in the markets concerned, so that, subsequently, it can either intervene *ex post* or take initiatives to promote specific political competition or regulatory arrangements in the relevant sectors.

In that way, the sector inquiry into financial technology services is in the spotlight of the HCC's overall initiative to take measures to contribute to the country's digital transformation, and in particular - given the current situation - to restructure the economy and promote innovation after the end of the Covid-19 pandemic.

b. Objective

As part of the Fintech sector inquiry, the HCC will focus on the following issues:

- the delineation, definition and mapping of the relevant markets, research the adequacy of existing market definition instruments and assessment of market power,

- the regulatory and supervisory framework in such markets with a focus on licensing requirements, possible ambiguities or legal vacuums as well as the impact of such framework on market entry and expansion,
- the pursuit of non-interoperability of platforms as a means to hinder market access,
- the use of technical standards and standardization agreements to engage in anti-competitive market foreclosure and market sharing,
- control over access to data that results in exclusionary conduct,
- leveraging of power in traditional markets to strengthen position in novel technology markets
- the use of algorithms in order to coordinate market conduct and pricing,
- assessment of the suitability of the competition law toolkit to address the issues identified compared to sector specific legislation.