



Participation in the presentation of the WHITE PAPER ON WEALTHTECH

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19 February 2020

I would like to thank the organisers of this event (the Spanish FinTech Association and Insurtech, CECABANK and Pinsent & Masons) and their representatives who are here today (Rodrigo García, José María Méndez and Idoya Arteagabeitia) for inviting me not only to say a few words at the presentation of this White Paper on Wealthtech, but also for having asked me to preface the paper, which I have done with pleasure.

Everyone is aware that we are living through times of change due to technology. The incorporation of new technologies is combined with an increasing and ever intensifying automation, in general. This occurs in practically all areas of economic activity, and of course, intensively in the sphere of the provision of financial services and in the financial sector as a whole.

What is commonly known as digital transformation in the industry entails a very significant change in the way financial institutions interact with each other, with market infrastructures and with their clients. A change that is also going to potentially change mentalities and which creates new business models, new stakeholders, and normally profit for clients: lower costs, higher quality of the service or easier access to the products. This is one of the reasons why at the Spanish National Securities Market Commission we consider that we must support and encourage the phenomenon, ensuring that the new ways of trading have clear supervisory criteria and promoting the existence of an appropriate regulatory framework.

This would always be in the context of our supervisory function, which requires us to act with caution and apply an appropriate consideration and treatment for potential risks, both those that may arise when carrying out any financial activity or new risks that may emerge or those that may be increased as a result of a more intensive use of technology.

In line with this approach, the CNMV has developed various initiatives in recent years.

For example, at the end of 2016, we opened our FinTech Portal, a meeting point for the industry where promoters of projects based on new technologies can obtain useful information and even certain advice on regulatory aspects of these types of issues. The objective, in line with our intention of facilitating, with the necessary precautions, this type of activity, was to create an environment where the supervisor's support and closeness is perceived.

As those present here know, the portal is the so-called innovation hub, and I must say that we have been one of the first financial supervisors who have made available a tool like this to anyone who was interested. It is useful for the sector but also for the institution itself, as it allows us to know what types of particularly innovative activities are being planned or developed.

A large proportion of the projects received via the Portal fall under the concept of “wealthtech”, as they refer to automated advisory or management services or the so-called “social trading” (based on observing and following the investment and divestment decisions of a third party with different profiles). Some projects represent business models that are new or more or less disruptive, while others consist of increased automation of processes or the incorporation of elements of artificial intelligence or other technological components into traditional services.

We at the CNMV highly value these types of projects. Regarding investors, the development of wealthtech is going to enable, thanks to technology, an increasing number of investors to access different methods and approaches of service, which until now have been, in general, reserved for clients with greater financial capacity. These initiatives are also helping, through greater competition but also a complementarity and collaboration phenomenon, entities to develop new services more efficiently and effectively. Big-techs have also been joining the activity recently. They are increasingly interested in offering financial services using, in general, financial institutions as suppliers.

The projects which, as I have said, are seen on the Portal prove that in Spain we have talent, in terms of quantity and quality, to participate in the development of the industry without any kind of complex. The CNMV wants to do its bit so that our country stands out in wealthtech innovation, without forgetting, as I have said, the necessary investor protection and the appropriate treatment of risks that may arise.

The philosophy that we are applying is based on trying to be open to reasonable interpretations of legislation that help to make many of these initiatives a reality.

In any case, our regulatory and supervisory approach is based on three basic principles.

- Firstly, the principle of technological neutrality, i.e. that the regulation and supervision must be the same, regardless of who the supplier of the financial service is, and the channel used.
- Secondly, the principle of proportionality, which we always take into account in our actions, but in this context, where it is common for small companies or start-ups to trade, we especially try to bear in mind.
- Lastly, the principle of market integrity, which implies that under no circumstances must what is regulated or authorised violate the basic principles governing the securities market.

Another example of an action in this regard that is typical of our approach is what we have done in recent years with regard to the cryptocurrency phenomenon or, to use a broader and more popular term - and which monetary authorities certainly like - crypto-assets.

At the end of 2017, there was a real buzz about the level of knowledge and interest among the public in general in relation to cryptocurrencies, such as the bitcoin which, in addition, resulted in the apparent boom or proliferation of ICOs (Initial Coin Offerings). The CNMV's reaction consisted in warning about the risks that could arise from the acquisition of these types of assets, defending the application of investor protection legislation for securities to many of these transactions.

In February 2018, we published a joint statement with the Bank of Spain highlighting risks such as the lack of specific European or Spanish regulations, the difficulties deriving from the eminently cross-border nature of the phenomenon, the high risk of loss in these types of investments, potential liquidity or volatility problems, and the lack of quality in the information provided by investors, in many cases.

Simultaneously, we published a second statement addressed to professionals of the financial sector clarifying that many of the transactions carried out as ICOs should be treated as issues or public offerings of securities, and we provided certain criteria in this regard. Our thinking evolved with experience and as a result of the debate at European and international level, until we decided to publish, in September 2018, a document expressly dedicated to the CNMV's criteria on ICOs.

I consider that the sector, in general, acknowledges that this CNMV document on ICOs represented an effort of flexible implementation of legislation.

In 2018, we also carried out a supervisory action that consisted in identifying ICO projects addressed to Spanish investors. This resulted in 73 preliminary investigations and 44 requests for information, as well as the daily or weekly monitoring of certain transactions. This revealed that fundraising through these types of transactions was actually very low, which I must admit, reduced our warning level in this regard.

We are still receiving cases of these types of projects, but the level of interest has clearly declined, at a point in time where we are also waiting for the European Commission to issue a regulatory proposal in this regard, following the on-going public consultation that ends at the end of March.

I consider that this European-level draft regulation is going to be very useful to organise everything related to this activity. In addition to this, and in broader terms, is the upcoming implementation of the regulatory sandbox in Spain. In fact, yesterday the Government adopted the relevant draft law, and the Spanish Parliament is going to start dealing with it. We highly value this tool, which is going to give more visibility to Spain as a jurisdiction with a favourable environment for financial innovation.

I would like to finish by welcoming the White Paper that is being presented here today and congratulating the promoters of the initiative, and its authors. There is nothing more positive and useful than the industry reflecting on the great change arising from the implementation of new technologies in the sphere of the provision of financial services.

Thank you very much.