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Basel, 31st October 2017  
MHE

## **Consultation on Implications of Fintech Developments for Banks and Bank Supervisors**

Dear Sir or Madam,

The Swiss Bankers Association would like to thank for the opportunity to comment on the consultative document “Sound Practices: Implications of fintech developments for banks and bank supervisors” issued in August 2017

In our view, the document is both, timely and relevant as it addresses important challenges of technical innovation within the financial services sector and describes their implications to the business models of banking institutions and technology companies. The stocktaking of current issues is very adequate to inform and guide market participants and national Authorities. As such, it is conducive to leading to more in-depth policy discussions and to ensuring that banks continue to successfully exercise their role as an efficient and trustworthy catalyzer for economic development.

While the issues raised are to the point, much care must now be taken that the regulatory framework continues to ensure the well-functioning of the financial sector under an accelerated development of changing technologies and business models. In concrete, particular provisions should apply to bank-like activities provided by non-banks in order to prevent the emergence of new risks by technological work-arounds. In the future, BCBS standards will thus have to focus more on the licensing of activities of market participants independently on their legal or licensing status. If new and innovative players are subject to similar rules by regulators and supervisors, they have little reason to fear problems when ensuring market discipline.

Another issue the Swiss Bankers Association would like to highlight is on the modalities for opening up bank interfaces to third parties. Recommendation 3 rightly points out to the own inherent risks application programming interfaces (APIs) pose, and that banks thus should ensure to address them accurately. We would like to note that any obligation to allow for screen scraping would act as a drag to the banks’ efforts to effectively address those risks. Such provisions would compromise the highest level of security which can only be guaranteed if customers and banks cooperate. A forced opening by

the state is dangerous because bank-specific security principles are not fully addressed. Given our efforts to ensure trust, we must avoid provisions that risk creating security gaps.

Finally, we note that the consultative document pays little attention to the issue of new technologies and business models that make it difficult or even impossible to attribute a market participant or an activity to a particular jurisdiction. The possibilities of non-localizable business give rise to significant challenges for taxation or supervision and, hence, to risks for economic and financial stability. Given the unresolved problems and their respective uncertainties, we think that additional work in this area is warranted and encourage the Committee to include this issue in its work programme going forward.

We hope that our comments on the Consultative Document are useful for you. Please contact us if you have any further questions.

Yours sincerely,  
Swiss Bankers Association



August Benz



Martin Hess