



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

21 September 2017

ECB publishes for consultation draft guides to bank licensing and fintech bank licensing

- ECB consults on a guide for assessing general credit institution licensing and a guide for assessing fintech credit institutions licensing
- The guides explain the application process, the licensing requirements for credit institutions in general and specific considerations for those with fintech business models
- Consultation runs until 2 November 2017

The European Central Bank (ECB) today launches a public consultation on two draft guides which explain the process of how entities can become banks and obtain a banking licence. The first document, the draft guide to assessments of licence applications, sets out the general process and the requirements for the assessment of such applications. The second document, the draft guide to assessments of fintech credit institution licence applications, is directed at entities with a fintech business model which are considering applying for a banking licence. Both guides aim to make the application process more transparent and help applicants in their preparations. They will also further enhance the harmonisation of licensing assessments, while at the same time maintaining all prudential standards for licensing new credit institutions. The guides are based on policies agreed between the ECB and the national competent authorities for interactions with licence applicants.

Granting licences for credit institutions is a core activity of every supervisory authority. Banks are credit institutions which are entrusted with taking deposits from the public and making loans to people and companies. In order to protect savers, and the economy as a whole, these activities are restricted by law to financial companies with a banking licence, which, in turn, are subject to banking supervision. The

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national competent authorities act as the first contact point for receiving licensing applications. However, the assessment of banking licence applications is conducted jointly with the ECB, which is the competent authority for making the final decision to grant, extend or withdraw a banking licence in the euro area.

During the assessment process, supervisors evaluate whether an entity complies with the licensing requirements defined in EU and national law. Among other things, an entity must meet supervisory capital requirements, have an adequate governance and risk management system in place, and ensure that its management passes a fit and proper assessment.

In the euro area, an increasing number of entities entering the financial sector have business models based on innovative technology – commonly known as fintech. This phenomenon is addressed by the draft guide to assessments of fintech credit institution licence applications.

The consultation on the guides runs from 21 September to 2 November 2017. The two draft guides and a list of frequently asked questions are available on the ECB's banking supervision website. The ECB will hold a public hearing on 26 October 2017 at its premises in Frankfurt am Main. A webcast of the hearing will be made available on the ECB's banking supervision website. Information on how to register to attend the public hearing and how to submit comments on the consultation documents can also be found on the website. Following the public consultation the ECB will publish the comments received, together with a feedback statement. A second consultation on an addendum to the draft guide to assessments of licence applications will be conducted at a later stage.

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