

Letter of 3 July 2020 from the Minister of Finance, Wopke Hoekstra, and the State Secretary for Economic Affairs and Climate Policy, Mona Keijzer, to the House of Representatives presenting the FinTech Action Plan

The Netherlands has a history of financial innovation. For instance, the *Amsterdam Wisselbank*, the precursor of the modern central bank, and the first modern stock exchange were established in Amsterdam in the early 17th century. The past few decades have also seen a series of innovations in the Dutch financial sector. For example, the first cash machine in the Netherlands was brought into service in 1976, and paying with a debit card in shops has been possible since 1990. With the introduction of iDEAL in 2005, the Netherlands became one of the first countries to create an efficient and user-friendly method of online payment. Today the Netherlands is seen as a country where consumers can buy and use financial services online in an easy and efficient manner. A high level of digitalisation and innovation helps foster a diverse and competitive financial sector and, as a result, more consumer choice and a healthy market economy. The government wants to build on the rich history of innovation in the financial sector and work to maintain a leading position in the future too.

As announced in the letter to parliament of 9 April 2019 on innovation in the financial sector,¹ the government had a survey of the Dutch fintech sector and its growth potential carried out in the second half of 2019. The survey also looked at the possible risks associated with the development of fintech. The survey prompted us to draw up an action plan to enable the fintech sector to continue to flourish in the future.

The survey was conducted before the emergence of the global coronavirus pandemic. The pandemic will undoubtedly affect the growth forecasts of fintech companies set out in the report. Nevertheless, the report sheds light on the state of the innovative fintech sector in the Netherlands and its potential for further growth. The various emergency economic measures that have been taken are of relevance in this regard. Fintech financiers can apply for accreditation under the government's credit guarantee schemes, such as the SME loan guarantee scheme (BMKB), which has been expanded with a coronavirus facility (BMKB-C), and the small loans coronavirus guarantee scheme. Nineteen non-bank financiers have now been accredited under the BMKB-C. Among them are several fintechs specialising in SME financing. The government's aim is to help expand the finance landscape to include fintechs. This is important because the pandemic has greatly increased the need for business finance, and fintechs can help meet that need. It is also important for fintech lenders themselves, because their future prospects will improve if they are able to serve more target groups thanks to the guarantee schemes that are in place.

2019 Dutch fintech census

The survey shows that the Netherlands is in a strong position when it comes to the development of fintech. This is highlighted, for example, by the healthy growth in the number of fintech companies in the Netherlands in recent years, and the fact that a relatively large number of fintechs are based in the Netherlands (635 in 2019). A large proportion of these companies are forecasting sharp growth, in both turnover and personnel. The Netherlands also ranks among the top players in terms of consumer adoption of innovative financial products and services. Overall, the survey shows that the Dutch business climate is favourable for these innovative companies. This is due in part to a number of unique features, including our digital infrastructure, attractive culture, good command of English and central geographical location. The high standard of supervision (financial and otherwise) is also appreciated. Notwithstanding the Netherlands' favourable business climate, one significant finding of the survey was that the government could do more to publicise this fact. Countries like the United Kingdom and Lithuania, for example, have developed a fintech strategy. The survey also shows that the fintech sector faces challenges when it comes to attracting talent (salary demands and remuneration rules being key factors) and internationalisation. Finally, the

¹ <https://www.rijksoverheid.nl/documenten/kamerstukken/2019/04/09/kamerbrief-innovatie-in-de-financiele-sector>

report identifies challenges concerning the interpretation of legislation and how to deal with regulatory and supervisory differences between EU member states.

FinTech Action Plan

According to the survey, the Netherlands is ideally suited to the development of fintechs and it is important that it remains so in the future. The report sets out several ways of providing the fintech sector with even better support where necessary. That is why we decided to draw up a FinTech Action Plan. The table below provides an overview of the various lines of action.

| <i>What we want to achieve:</i> | | <i>How we are going to achieve it:</i> |
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| 1. Put the Dutch fintech climate and sector on the map, nationally and internationally | | |
| The Netherlands is a global leader in the area of fintech, and Dutch fintechs can grow both at home and abroad | Dutch fintechs can expand internationally, and foreign fintechs and investors are able to discover the Netherlands | <ul style="list-style-type: none"> Pursue an international agenda, in partnership with the sector. Publicise internationally the Netherlands' attractive features as a fintech country. Establish partnerships with leading fintech countries (e.g. Singapore, Israel), in consultation with the Netherlands Foreign Investment Agency (NFIA), the Dutch central bank (DNB) and the Dutch Authority for the Financial Markets (AFM). |
| | Fintechs can raise the capital they need to grow, both inside and outside the Netherlands. | <ul style="list-style-type: none"> Explore ways of stimulating fintech via the SME loan guarantee scheme (BMKB). Strengthen the EU capital markets union. |
| | Dutch consumers can readily make the right choices regarding innovative financial services | <ul style="list-style-type: none"> Use the Consultative Platform on Payment Technologies (MOB) to monitor the opportunities and risks of new payment technologies. Inform consumers about the opportunities and risks of financial innovation. |
| 2. Ensure fintechs have good access to knowledge and talent | | |
| In order to grow, fintechs require talent, and the applicable rules must be clear and easy to find | Fintechs have access to the information they require on regulations and procedures | <ul style="list-style-type: none"> Organise a periodic fintech roundtable to discuss opportunities and obstacles. Develop a website containing the most important information for fintechs. Strengthen the InnovationHub and the Regulatory Sandbox, and launch the DNB Innovation Forum. Investigate the possibility of establishing an innovation hub and sandbox at EU level. Investigate possible ways to improve the licensing procedure. |
| | Fintechs can attract the right talent | <ul style="list-style-type: none"> Develop a residence provision for essential staff for startups. Working with various regions and national partners, develop a branding strategy and information page aimed at attracting and retaining salaried international talent. Inform fintech companies of the possibility of obtaining MKB!dee funding to resolve training problems; the budget for 2020 has been raised to €10 million. Make it more attractive in tax terms to issue share options as salary. |
| 3. Ensure that legislation is future-proof and allows room for innovation | | |
| Fintechs can grow inside and outside the Netherlands, within a clear and uniform statutory framework | Dutch fintechs do not have to meet more stringent requirements than are necessary and proportionate | <ul style="list-style-type: none"> Ensure that legislation is proportionate for startups and small businesses. Ensure that supervisory costs are proportionate. |
| | At EU and international level, press for regulatory | <ul style="list-style-type: none"> Press for regulatory and supervisory harmonisation for financial services. |

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| | and supervisory harmonisation so that there are no differences in the rules (and their application) between member states | |
| | Ensure there is legislation and policy aimed at existing and future innovative services and products | <ul style="list-style-type: none"> • Press for EU legislation on cryptocurrencies (incl. stable coins) and the use of DLT in the financial sector. • Press for EU legislation on cybersecurity in the financial sector. • Implement the EU framework for crowdfunding. • Introduce legislation for robo advice. |
| | Encourage new innovation by means of legislation and policy | <ul style="list-style-type: none"> • Press for number portability and/or alias portability at EU level. • Adopt a position on EU legislation for open banking and open finance, with due consideration for safeguarding protection of privacy. • Press for EU legislation on the use of AI in the financial sector. • Further investigate, at EU and international level, the scope for central bank digital currency. |

The FinTech Action Plan aims to ensure that the Netherlands provides a fertile environment for the sustainable, responsible and innovative development of financial services and a flourishing financial and fintech sector, both now and in the future. We plan to conduct another fintech census in two years' time, to monitor the Netherlands' performance. In early 2021 we will update the House on how the action plan is progressing.