

## Technology

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### Europe Opens Up Banking Sector to Fintech Companies

Canadian fintech companies should take note that Europe has taken a significant step in opening up the banking sector. The European Commission's vision of unifying the European financial services market, and thereby creating a digital single market, has come a step closer to reality with their adoption of the Revised Directive on Payment Services ("PSD2"). The hope for Canadian fintech companies is that this will be the impetus for similar legislation and regulations to be enacted in Canada.

#### Background

PSD2 was adopted by the Council of the European Union in November 2015 but member states were allowed up to two years to incorporate PSD2 into their domestic laws. The upcoming enactment of PSD2 across member states, and its effect on the financial services sector, was a key point of debate at the 2017 European Payment Summit, held March 8-9, 2017, in The Hague. Once incorporated into the domestic laws of member states, PSD2 will open up the financial services market to fintech companies operating within or looking to break into the European Union.

#### Assisting Fintech Companies Disrupt Digital Payment Systems

PSD2 supports efforts by fintech companies to disrupt digital payment systems, a space currently dominated by traditional financial institutions, by creating a legal right for non-bank financial service providers (such as fintech companies) to access banks' customer information. Fintech companies can use banks' customer information to develop financial services applications; either for collaborations between the banks and fintech companies, or for developing applications that bypass the banking sector entirely.

#### Implications for Canadian Banks and Fintech Companies

If similar legislation is enacted in Canada, it may pressure or require Canadian banks to be more strategic in collaborating with fintech companies (such as adding third-party capabilities to their core business offerings) and developing their in-house fintech capabilities. Canadian banks may decide to get out ahead of similar legislation by integrating third-party technology into their current platforms or collaborating with innovative fintech companies ahead of any legislative requirements.

For further information on opportunities available to fintech companies, please contact any member of our Technology Group.

#### Goodmans Technology Group

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