

**Existing Financial Regulation is Adequate
to Cope with New Competitors from Big
Tech Companies**

Responses to Selected Questions

This position paper reproduces the responses of Deutsches Aktieninstitut to ESMA's Call for Evidence on Digital Finance. The responses has been uploaded on ESMA's website using the official reply form on 27 July 2021.

Q27 Are you aware of mixed activity groups (MAGs), including BigTech groups, whose core business is not financial services but that have subsidiary undertakings that provide financial services in the EU?

N/A

Q28 Which types of financial services do these entities provide?

N/A

Q29 In such MAGs, how and to what extent the dependency of a subsidiary financial firm on its parent company and/or other subsidiaries of the same group influences the provision of the financial service?

N/A

Q30 Do you see new or exacerbated risks in relation to MAGs?

See response to Q 32.

Q31 Do you consider that there is a risk of unlevel playing field between individual ('solo') financial firms and MAGs?

See response to Q 32.

Q32 In your opinion, is the current EU regulatory framework adequate for MAGs?

Yes, from Deutsches Aktieninstitut's point of view the current framework for MAG is adequate.

Though we agree that new competitors for existing financial institutions from large technology companies need to be observed to ensure a level playing field, we do not see any need for changes in regulation. The existing financial regulation addresses this issue already in an adequate manner as the provision of financial services is only possible when the respective firm has been granted the necessary

licences by supervisory authorities. Supervisory authorities also ensure that prudential regulation as well as numerous additional duties are complied with by the supervised financial firm (also with respect to potential links of the financial sector firm to the broader group) in order to avoid financial stability risks and to protect customers of the financial firm. It is thus a matter of applying existing rules adequately not a matter of changes to the regulation itself.

Any potential change to the principle that only financial firms are supervised directly by the authorities thus bears the risk of unlimited scope of regulation. This is particularly true if supervision was linked to the vague term of “mixed activity groups” which could bring into scope also non-financial-companies (as industrial companies) having a financial sector subsidiary in the group although the core business of the broader group is clearly not the provision of financial services. This kind of regulatory overshooting need to be avoided in any case in order to avoid unintended negative side effects on non-financial companies.

Q33 Do you consider there is a need for new cooperation and coordination arrangements between financial supervisors and other authorities (data, competition, consumer protection, AML/CFT, cyber) within the EU and/or with 3rd countries in order to ensure effective supervision of MAGs?

N/A

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