

Public Consultation of the Banco de Portugal No 8/2022 - The Banco de Portugal's strategic approach to innovation facilitators

A. Overview and objectives

The way the financial sector operates has undergone highly significant changes in recent years as a result of technological innovation, developments in the macrofinancial and regulatory environment, changes in the behaviour of consumers and depositors and the emergence of new players in the financial system, FinTech firms.

Through its own action and through cooperation within the scope of Conselho Nacional de Supervisores Financeiros – CNSF (National Council of Financial Supervisors) with the other financial sector Authorities – i.e. Comissão do Mercado de Valores Mobiliários – CMVM (Securities Market Commission) and Autoridade de Supervisão de Seguros e Fundos de Pensões - ASF (Insurance and Pension Funds Supervisory Authority) –, the Banco de Portugal has promoted initiatives to engage and cooperate with market participants, to mitigate barriers to innovation in the Portuguese financial market and gain knowledge and experience in technological innovation, emerging business models and new services offered, thereby contributing to its role as regulator, supervisor and policy-maker in the financial sector.

These initiatives include [Portugal FinLab](#), launched in 2018 by the three financial sector supervisory Authorities (Authorities) to promote closer communication between firms with innovative technology-based projects for the financial sector (insurance, banking, and markets in financial instruments) and the Authorities. This initiative has enabled the Authorities to address market challenges in terms of technological innovation and some of the risks it poses, with a view to defining the regulatory perimeter of new activities and acquiring new key knowledge to accomplish the supervisory function. Three editions have already taken place, with a total of 100 applications submitted. The fourth edition is underway and will run until the end of October 2022.

The Banco de Portugal also provides [Fintech+](#), a contact channel, available on its institutional website, to expedite the clarification of issues raised by FinTech firms regarding innovation in financial products and services and to provide relevant information in this area.

These two initiatives are part of the innovation hub concept,¹ i.e. a dedicated point of contact for firms to raise enquiries with competent authorities on FinTech-related issues and to seek non-binding guidance on the conformity of innovative financial products, financial services, or business models with licensing or registration requirements and regulatory and supervisory expectations.

In addition, the publication of [Decree-Law No 67/2021](#) on 30 July 2021 establishes the regime and defines the governance model for the promotion of technology-based innovation through the creation of [free technological zones](#) (ZLTs) by the Agência Nacional de Inovação - ANI (National Innovation Agency).

¹ According to the [BoS Report on Sandboxes and innovation hubs.docx \(europa.eu\)](#).

ZLTs consist of physical environments, geographically located in a real or near-real environment, used for testing and experimenting technologies and innovative technology-based products, services, and processes, with direct and permanent monitoring by the competent regulators, particularly in terms of testing, providing information, guidelines, and recommendations, corresponding to the regulatory sandbox concept.²

Additionally, at an international level, new instruments to connect supervisors and financial market players have emerged in several jurisdictions and are used to promote the appropriate regulatory framework for new activities, in particular those based on new technologies, and to mitigate the risks associated with innovation.³ These instruments are generally referred to as innovation facilitators and mainly take the form of an innovation hub or regulatory sandbox.

In view of (i) the dynamic FinTech market, which challenges financial supervisors to closely monitor new products, services, and business models and to revisit the supervisory techniques and tools used, (ii) the emergence of new instruments for contact with supervisors, and (iii) the need for a reassessment of the Banco de Portugal's position in this context, in an attempt, on the one hand, to respond more rapidly to new initiatives in the market and, on the other, to pursue its tasks, the Banco de Portugal considers that the approach to be followed regarding the so-called innovation facilitators should be discussed.

Against this background, and to support this discussion, this public consultation aims to gather the market's input on the Bank's interaction with innovators and to assess the type of initiatives deemed most appropriate for the Banco de Portugal to communicate and collaborate with the FinTech market.

B. Subjective and objective scope

This public consultation process is open to the general public, with a particular focus on individuals and organisations with a direct or indirect interest in the activity of technology-based financial services.

C. Response to the public consultation

Interested parties should forward their comments in an editable format, using the consultation response form, by 21 November 2022 to pc_innov@bportugal.pt with the subject "Response to Public Consultation No 8/2022".

Any questions or doubts should be forwarded to the same e-mail address.

The Banco de Portugal may publish the comments received under this public consultation. Respondents who do not authorise full or partial publication of their comments should mention this in their response.

The Banco de Portugal will only consider responses sent to the above email address before the deadline.

² Regulatory sandboxes are schemes to enable firms to test innovative financial products, financial services, or business models pursuant to a specific testing plan agreed and monitored by the competent authorities. This type of innovation facilitator may entail the granting of statutory and regulatory exemptions provided by the regulator (depending on the applicable EU law and national law, on a case-by-case basis), but they cannot at any time mean non-compliance or breach of EU law that is not legally prescribed.

³ The [European Forum for Innovation facilitators](#) (EFIF) was established at EU level with the main objective of monitoring and updating developments on innovation facilitators, in liaison and close cooperation with the European Commission. The [Procedural Framework For Cross-Border Testing](#) and [EU Digital Finance Platform](#) were created within this forum.