



DIGITAL FINANCE AND INVESTOR PROTECTION

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CONTENTS

■ What digital finance encompasses

■ What should consumers be protected from

■ How to prevent risk and harm and protect consumers

WHAT DIGITAL FINANCE ENCOMPASSES

Products

- Banking, insurance, securities
- Crypto assets
- Decentralized Finance

Applications

- Access bank account, verify account details
- transfer funds,
- deposit cash, renew deposit
- pay bills, book tickets

Processes

- Robotics
- Machine learning
- Artificial intelligence
- Big data

Business Models

- Payment services
- Trading platforms
- Exchanges
- Custodial wallet providers
- Robo Advice



LEGAL ACTS



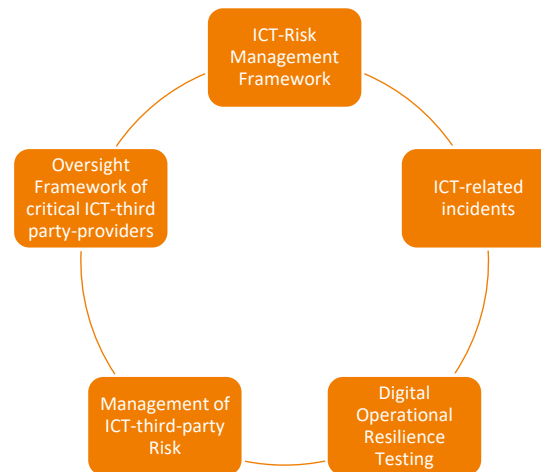
Regulation on Markets in Crypto Assets (MiCAR)

- Crypto winter
- Increasing number of crypto fraud cases \leftrightarrow trust
- Strong requirements to protect consumers wallets
- Level playing field regarding authorization
- Legal basis for comprehensive and uniform supervision



Digital Operational Resilience Act (DORA)

- Consolidation and harmonization of previous sector-specific requirements
- Communication plans regarding the notification of customers in the event of ICT-related incidents are required
- Focus on the protection of customer data in the event of outsourcing, particularly in non-EU countries





LEGAL ACTS



Artificial Intelligence Act (AIA) – COM PROPOSAL

- Specific requirements for harmonised rules for placing on the market, putting into service and use of AI systems in the EU
- h-risk AI systems and obligations for operators of such systems
- Rules on market monitoring and surveillance

AI-USAGE / CONCERNS

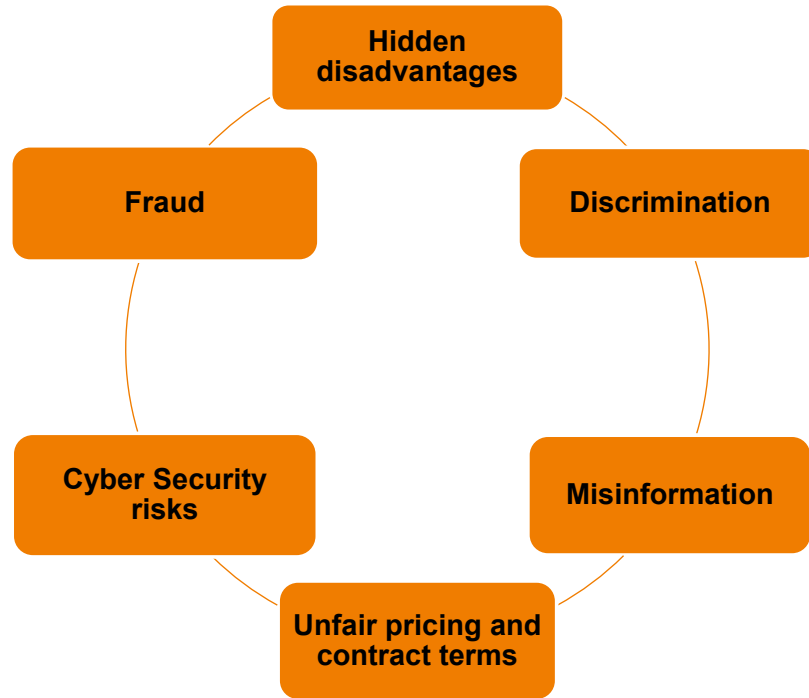
- The use of robotics (RPA) and machine learning has increased significantly in most sectors
- Spotlight: Concerns in insurance supervision
 - Differential pricing practices, leading to unfair customer treatment or even exclusion
 - Unintentional biases in training data
 - AI/Big data analytics can be used to reconstruct protected customer data (e.g. gender)
 - A lack of transparency in such models
 - Non-discriminatory use of AI systems by Austrian insurers will undergo sample-based checks by the FMA in 2023

DLT pilot regime for market infrastructure

- Specific permission for the operation of DLT market infrastructures on the basis of an authorization
- Investment firms, market operators or central securities depositories
- Exemption from specific requirements of existing EU financial services legislation for a limited period of time
- NCA may require additional conditions and compensatory and remedial measures necessary to grant exemptions
 - E.g. information requirements, liability rules
- Expansion of the definition of financial instruments in order to include DLT-based instruments
- Challenges in supervision, e.g.:
 - Technical expertise and staff capacity
 - Interoperability of the DLT networks (communication between trading and settlement systems with different technical platforms); liquidity problems when settling DLT-based instruments and fiat currencies

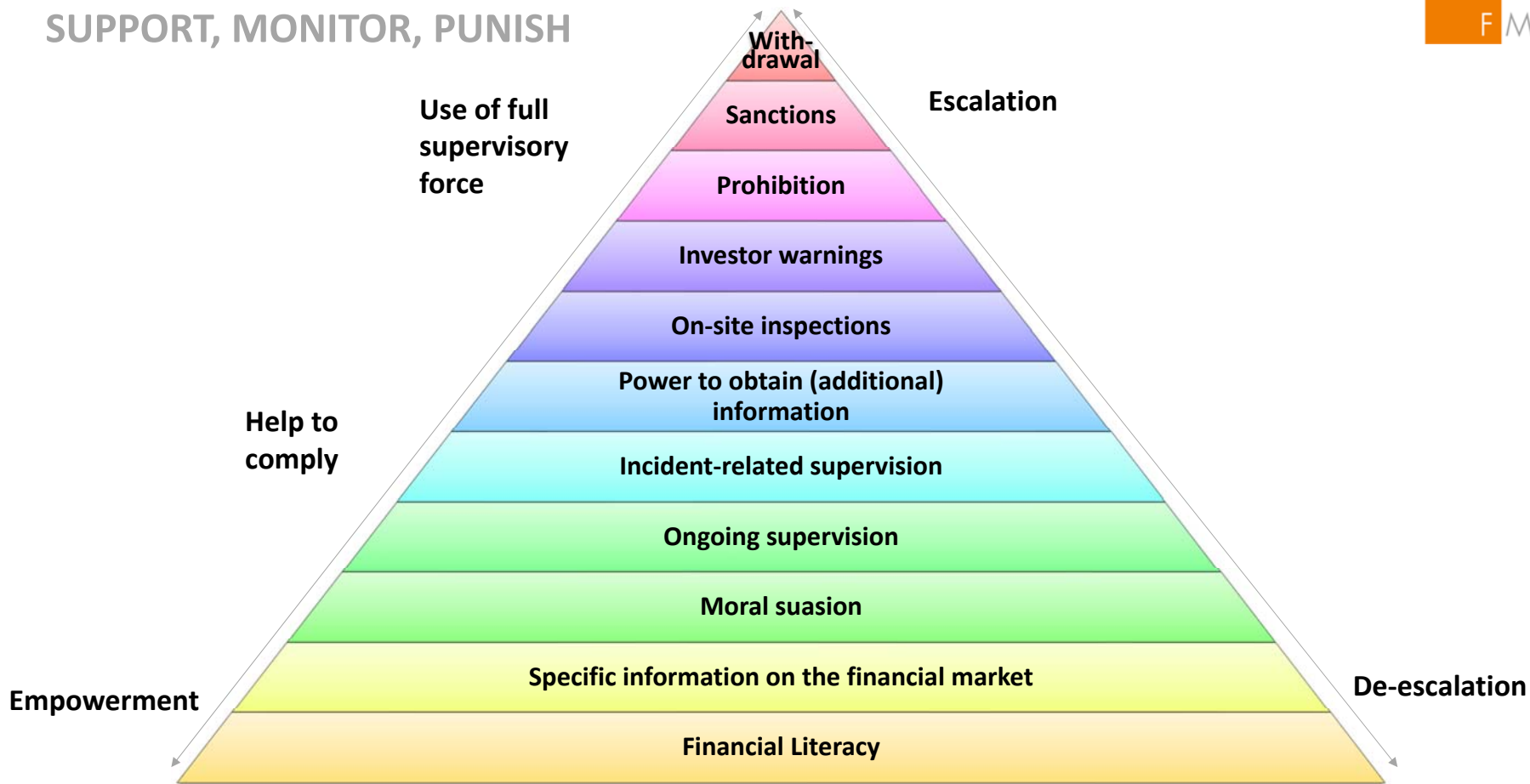


WHAT SHOULD THE CONSUMER BE PROTECTED FROM?





SUPPORT, MONITOR, PUNISH





COLLECTIVE CONSUMER PROTECTION



- **The FMA's legal competence to collective consumer protection is limited:**

- “Enabling personal responsibility“

- **Three main aspects of collective consumer protection in the FMA:**

- Financial literacy: national financial education strategy, Let’s talk about money, website, supporting schools, ...
- Compliance with regulatory law and soft law: along the compliance pyramid to ensure a clean financial market, monitoring transparency and information obligations e.g. with a web crawler, ...
- Complaint management: supervisory priority





FMA - CONSUMER COMPLAINT ENQUIRY DATABASE



■ VERBA (*Consumer Complaint Enquiry Database*) tool for complaints and enquiries

- State-of-the-art complaints handling and processing of consumer enquiries
- Contribution to data driven supervision by use of AI to analyse data
- Dashboard with just in time information

■ Use of data for the early detection of irregularities and misconduct

- Preparation of on-site inspections
- Causes management meetings with supervised entities
- Peer group comparison
- Market monitoring
- Product intervention
- Current trends for consumer information initiatives

FMA DASHBOARD FOR COMPLAINTS AND INQUIRIES

