Speech by Marie-Anne Barbat-Layani, AMF Chair - Fintech AMF-ACPR Forum, Monday 16 October 2023

Check against delivery

Governor,
Ladies and Gentlemen,

I am particularly pleased to welcome you to this 4th edition of the Fintech Forum, organised jointly by the AMF and the ACPR as part of the "French FinTech Week 2023", with the aim of promoting the dynamism of the global fintech ecosystem in France.

I would particularly like to thank François Villeroy de Galhau, Governor of the Banque de France and Chairman of the ACPR, for welcoming us to such a beautiful venue in the heart of Paris.

This is the first time I have spoken at this event since my appointment as Chair of the AMF at the end of October 2022, and I am delighted to do so. I would like to thank you, ladies and gentlemen, for attending this annual event, which has become an essential part of the French landscape for financial innovation.

This presents me with an opportunity to:

— Take stock of the past few years in terms of innovation and support for fintechs;
My presentation will be structured in three parts.

1. First of all, and as you are aware, I would like to emphasise that the AMF has been heavily involved in supporting innovation in the financial sector for several years.

This is one of the priorities set out in the AMF's strategic guidelines for 2023-2027 ("Impact 2027"), which I presented last June. As one of our top priorities, I took the opportunity to strongly reaffirm our position as an open, innovation-friendly regulator. This openness is reflected in our commitment to welcoming innovative projects. In fact, this aspect is central to the role of our dedicated "Digital Finance and Innovation" team, whose function is to listen to all project owners, many of which you will be familiar with.

This team meets with over a hundred project owners every year, which is a testimony to the dynamism of the innovation sector, which we are delighted about, and gives us strong expertise in this area.

When it comes to supporting innovation, we need, as a regulator, to strike a balance between our intent to provide the best possible environment for innovation, and the need to act decisively where necessary to enforce regulations and protect investors. There is no contradiction between these objectives.

The remarkable development of Paris as a financial centre, now the largest in Europe in terms of market capitalisation, has been underpinned by the role of a demanding regulator, whose work has contributed to its quality. This has been our approach in tackling all issues for which we are responsible.

2. With regard to the crypto-asset ecosystem in particular, I would like to reiterate that blockchain technology is a priority for the development of an innovative ecosystem that will serve the benefit of investors and in enabling the transition towards new regulations, both in:

- Discuss developments specific to the crypto-asset ecosystem;
- And also, to outline the challenges ahead, particularly those related to artificial intelligence.
Firstly, with regard to “traditional” financial securities. This is the core of our focus at the AMF. These were already covered by a number of European regulations, which had to be amended to allow for experiments with the registration of financial securities on the blockchain (“tokenisation”), and in order to lift certain regulatory aspects relating to the settlement and delivery of securities, in exchange for appropriate regulatory guarantees.

This has been made possible by the “European Regulation on a pilot regime for market infrastructures based on distributed ledger technology,” which came into force in March 2023, and whose resolutely pro-innovation nature I welcome. It is now up to the economic actors to take advantage of this regime.

I will not go into detail about how the regime works and the opportunities it opens up, which will be the subject of the first round table.

The AMF, working closely with the ACPR and the Banque de France, is ready to welcome project holders to France and support them in their transition towards this regime.

Separate to the pilot regime, we also have crypto-assets (which in France are referred to as digital assets, and are not financial instruments). We are today left to observe that the world of crypto-assets and its perception has changed radically in the space of the last year. The collapse of FTX in early November 2022 led to strong reactions in several countries. International discussions are accelerating with a view to tighter regulation in all jurisdictions.

The crypto world is now expected to comply with regulations and, I would add, to demonstrate its economic and social usefulness, which we can evaluate in four ways:

1) The ecosystem’s direct contribution to the economy and to job creation.

2) Contribution to the financing of the economy and of businesses.

3) Contribution to investment and investor protection. Studies show that between 8% and 10% of the French people hold crypto. This is far from anecdotal, and it is only natural that investor protection issues are becoming more salient. In fact, crypto assets have become the
number one issue referred to by the AMF in relation to complaints received from retail investors.

4) And finally, the contribution to financing a transition towards a sustainable economy.

The crypto world, in particular, cannot steer clear of this issue, at a time when the environmental impact of its technology itself is being questioned.

In particular, we hope that the potential of green fintechs, which will be discussed during the morning's second round table, will materialise.

The world of crypto assets has also evolved from a regulatory perspective, with different approaches being taken in different jurisdictions.

Europe has decided to go down the path of regulation with MiCA, which requires compulsory authorisation of crypto-asset service providers by the end of December 2024.

We had been hoping and anticipating for this harmonised European framework, which will replace the French regime under the PACTE Law in 2024.

The transition to a strengthened framework is a prerequisite for restoring the confidence of investors in the crypto ecosystem.

In this context, we face two major challenges:

— supporting the French ecosystem in its transition towards a better regulated environment,

— ensuring that implementation is as harmonised as possible at European level.

We have registered almost a hundred DASPs in 3 years (with half as many registered last year) and the first full optional authorisation was granted in July. We hope there will be more in the coming months.

This shows the dynamism of the French crypto-asset ecosystem. However, we need to face up to the fact that this ecosystem is now at a regulatory crossroads. MiCA approval is an important step forward. It is not certain that all DASPs registered with the AMF will have the resources to make it through this stage.
It is up to these actors to prepare and equip themselves with the means to comply with these increased requirements, at the latest by the end of June 2026 in the case of those that serve French customers exclusively.

The AMF has gained a solid experience in its engagement with the crypto ecosystem, understanding business models and examining applications with our colleagues at the ACPR.

This constitutes a genuine advantage in the new upcoming era of crypto regulation with MiCa, and we will continue to support stakeholders in this important new stage that concerns the protection of investors. A workshop this afternoon will be devoted to the preparation for MiCa in particular.

The experience we have gained in implementing the French DASP regime is very useful to us in the extensive European work which is underway at ESMA regarding MiCA Level 2 measures. Over 30 regulatory technical standards (RTS) - I will spare you the full list - are to be drafted on a host of important issues such as the establishment of an effective retail investors complaint handling procedure.

With MiCA, competition across the European Union will be just a click away: any platform authorised in Europe will have a passport and will be able to offer its services to French investors. That is why we are contributing to the work at the ESMA level to avoid opening the door to forum shopping, which would allow certain actors to pit national authorities against each other in a dangerous race to the bottom with respect to regulatory requirements.

The AMF is therefore closely monitoring the development of these technical standards to ensure, as far as possible, the same level of requirements from all European regulators who will grant MiCA authorisations, and we fully support ESMA in its efforts to coordinate on the implementation of this new regime.

Cooperation is essential with our European counterparts, but also at the international level, in particular through the work of the International Organization of Securities Commissions (IOSCO). The final version of the IOSCO report on the regulation of crypto assets will be published in a few weeks' time.

I am also thinking of the work carried out by the Financial Stability Board, which shows the specific risks posed by “crypto conglomerates”, i.e. integrated actors that are generally global in scope and conduct their activities globally, combining services that are normally segregated in traditional finance. These risks are very different in nature:
— risks of conflicts of interest due to the coexistence of several types of services within the same group, or even the same legal entity, and confusion between the assets of the group and those belonging to its clients;

— risks of default and loss of customer assets, with intra-group exposures that may not be controlled;

— uncertainty about pricing and liquidity, with global platforms that may be outside the oversight of national authorities or in countries where these activities are not regulated.

The FSB has made recommendations to the G20 on this subject. This work is of crucial importance. We will seek to be at the heart of the discussion on a MiCA 2, which more and more of us are calling for, if the proposal for such an evolution can be brought to a rapid conclusion.

Some activities involving crypto-assets are not covered by MiCA: this is particularly true of Decentralised Finance (DeFi).

The French authorities - the AMF and the ACPR - have looked into the issue and have produced reports that highlight the regulatory challenge posed by this ecosystem.

These discussions must be open and they need to be held with all of you. Many of you, actors in both the crypto asset sector and more traditional finance, gave us feedback in response to our discussion paper on Decentralised Finance, published last June.

We will continue this discussion in close collaboration with the ACPR, as part of a working group that we will set up under the patronage of the ACPR-AMF Fintech Forum, as mentioned by the Governor of the Banque de France just now.

The aim of this working group will be to explore certain technical features - for example, the certification of smart contracts, which are at the heart of the DeFi protocols - and to study the possibility of using them as a possible element of a future regulatory system.

In this case too, international discussions are more necessary than ever, given the cross-border nature of DeFi activities.

The AMF has played an active role in the IOSCO work on Decentralised Finance and has contributed to the drafting of a report that is currently open for consultation (until 19 October). To address the market integrity and investor protection concerns raised by decentralised financial activities, IOSCO puts forward nine recommendations.
Once finalised, these recommendations should, as with crypto assets, provide a clear and consistent regulatory approach on a global scale, across jurisdictions, for Decentralised Finance activities.

3. Finally, it remains for me to outline the challenges ahead, particularly those related to the technological potential of artificial intelligence.

This is a topic for the future, and perhaps one that we will be working on the most over the next few years: the accelerated development of artificial intelligence. AI can bring new questions and also new opportunities in terms of supervisory tools. In fact, we make use of AI-based tools in our market surveillance at the AMF and are currently measuring their effectiveness.

We have launched a series of studies to understand the issues surrounding the development of AI by financial market actors.

AI has many use cases, in particular in the case of front-office facing activities:

— within market activities, trading and order execution, in order to establish trading strategies and optimise execution costs;

— in the context of asset management: where for example, the analysis of information derived from alternative data can be used in fundamental analysis or the creation of quantitative strategies.

Many actors, particularly Fintechs or "RegTechs", are using AI for activities that serve to automate and optimise processes (such as automatic data capture), risk management and compliance (including solutions for detecting fraud, monitoring operations or risks, or generating regulatory reports).

For regulators, however, AI can pose potential risks, particularly in relation to:

— the accuracy and reliability of certain AI models;

— their lack of transparency;

— cybersecurity and personal data protection issues;
— or even, in some cases, the risk of market manipulation, if AI were to generate false information that was widely disseminated.

This is obviously a point of focus for the AMF and the entire regulatory community. That is why we will be actively involved in international work on this issue.

I would like to thank you for listening, and I wish you all to have a constructive exchange of views throughout the day.

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