



**ACPR-AMF Fintech Forum – Paris, 16 October 2023**

**Fintechs: at the forefront of “new frontiers”**

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Ladies and gentlemen,

I am very pleased to welcome you to the Banque de France for this third edition of the Fintech Forum, organised jointly by the ACPR and the AMF. I would like to extend a friendly greeting to Marie-Anne Barbat-Layani, President of the AMF.

Today, all banks and insurers are working in partnership with one or more innovative players, and therefore operating with a more open architecture. Once again, this is something to be celebrated: if existing players and Fintechs were not capable of innovating, and innovating together, then the Bigtechs would ultimately “sweep the board”. I am well aware that the French Fintech Week, of which our Forum is a part, is taking place this year in an environment that is probably less favourable than in previous years; the Banque de France and ACPR are therefore working even harder to support the innovative financial ecosystem (I), notably to help them better master the “new frontiers” of crypto-assets and climate risk (II).

## **I. The Banque de France and ACPR continue to stand firmly alongside the innovative ecosystem**

### ***1. A less favourable economic environment for the financing and creation of Fintechs***

As I was saying, the environment this year is less favourable for Fintechs, with one very telling figure: the amount of capital raised by Fintechs was about 60% lower in the first half of 2023 than in the same period in 2022,<sup>i</sup> when it admittedly reached a record high in a context of record low interest rates. The drop was also slightly larger than the fall of about 50% in the total amount of venture capital raised in France.<sup>ii</sup> Although Fintechs no longer top the ranks in terms of major capital raising operations, they are still as numerous, if not more so, in attracting investment. This trend, which is similar to that observed in Germany and the United Kingdom, is being interpreted by professional associations as a possible sign of maturity.

The Fintech-Innovation Unit, the ACPR's "hub" for project leaders, has naturally seen a decline in the number of requests for support this year (63 between January and August compared with about a hundred over the same period in 2022). However, the ACPR is continuing its efforts to assist innovative projects and help them navigate their regulatory process.

In 96% of cases (compared with 90% last year), the ACPR provided a response within two weeks of first being contacted. And once a project has begun the process of gaining authorisation, we have got even closer to meeting our Fintech Charter objective, with a response time now averaging 10 days (compared with 12 days last year... and 19 days on the part of the applicants).

In addition, we have started work to improve the *Parcours Fintech* website, to make it even easier to access and understand the regulations in force. This will notably help the least experienced project leaders to prepare their applications properly.

## **2. The current environment should not detract from the underlying trends**

The current environment should not detract from the underlying trends, and in particular some key structural strengths. Our Fintechs are continuing to grow; in France they have the advantage of being able to access a pool of recognised talent as well as an attractive and dynamic financial centre. Ongoing technological innovations, and especially current developments in artificial intelligence (AI), are opening up new horizons.<sup>iii</sup> This is illustrated by the exceptionally fast adoption of new generative AI tools, some of which have attracted over 1 million users in just five days.

At the Banque de France, to understand and take advantage of this new landscape, we have adopted an experimentation approach to speed up the learning process. In May 2023, *Le Lab*, our Open Innovation centre, launched a call for generative AI contributions from the innovation ecosystem, to help us better understand this technology and speed up its adoption by proposing concrete use cases – or even operational solutions. The call for contributions closed on 21 September and three French companies have been selected from

among the 25 high-quality application files that were submitted.<sup>iv</sup> The projects – a generative AI platform, a specialised conversational assistant and a tool to audit generative AI – will allow us to develop solutions that are suitable for use in our missions.

## **II. Application to two new frontiers: tokenised finance and the climate**

To conquer these new frontiers, we need to take a collective approach. The ACPR, the Banque de France and the AMF are committed partners in this respect. I would like to illustrate this by talking about two areas that are “at the frontier”: crypto-assets and climate risk.

### ***1. Tokenised finance, crypto-assets and the DeFI ecosystem***

The first “frontier”, and probably the most obvious one for our Fintechs, is tokenised finance. Blockchain technology,<sup>v</sup> which has emerged from the crypto-assets ecosystem, could bring undeniable benefits to financial markets in terms of transparency and transaction rapidity. We are therefore **supporting** private sector players in implementing the Pilot Regime,<sup>vi</sup> not just as competent authorities, but also by working at the Banque de France on a wholesale central bank digital currency (CBDC).<sup>vii</sup>

**We are also doing everything we can** to push and prepare for a future MiCA 2 regulation, following on from the adoption of MiCA, the pioneering European regulation. We have to address at least two issues. First, the “crypto conglomerates” – groups with large numbers of subsidiaries, operating in a diverse range of activities and geographical locations – which should be subject to transparency rules, especially the obligation to publish consolidated financial statements. Experience has shown that information-sharing between jurisdictions is essential to understanding these groups’ global structures, the interlinkages between entities and the associated risks.

Second, DeFI, or “disintermediated finance”, which seems to me to be a much more appropriate term than “decentralised finance” (due to the absence of intermediaries and to the high level of centralisation actually observed). Under MiCA, a report is due to be published by the end of 2024 on these new services,

which have already attracted 2 million users.<sup>viii</sup> In terms of value, DeFi is estimated to account for less than 5% of the crypto market:<sup>ix</sup> the value of DeFi assets has dropped from some USD 180 billion at the end of 2021 to around USD 40 billion today following the collapse of a number of crypto players. It is therefore limited in size. It also has limited use cases at present. Why should it interest us? For at least two reasons: DeFi poses numerous risks, especially for individuals (for instance, according to some estimates, it accounts for 80% of crypto-asset thefts<sup>x</sup>); above all, it could foreshadow some of the future transformations in finance.<sup>xi</sup>

It was with this in mind that the ACPR released last spring a public consultation document sketching out preliminary avenues for regulating DeFi. This consultation was widely welcomed and attracted some 40 high-quality responses which in many cases confirmed, and sometimes refined or added to the ACPR's assessment. A summary of this feedback was published on 12 October.<sup>xii</sup> We draw one firm conviction from it: that it is possible and desirable to construct an appropriate regulatory framework for DeFi, built on three main axes:

- (i) the stipulation of measures on the *reliability of the blockchain infrastructures* on which DeFi – or other activities linked to the tokenisation of finance – may develop;
- (ii) the drawing up of rules, for example on *certification*, suited to the nature and functioning of smart contracts;<sup>xiii</sup>
- (iii) the definition of *governance and conduct of business rules* to provide *adequate protection for users* against the risks posed by crypto-assets, which are complex and volatile instruments.

Of course, these first avenues will be the subject of additional reflection and discussion at the European level; some of them are also worth expanding on a technical level. This is why the ACPR and AMF, under the aegis of this Fintech Forum, will launch in the coming weeks a working group on the certification of smart contracts, an area that attracted strong interest from respondents.

## **2. Climate risk**

Let me turn now to the second frontier – which is actually the first by a clear margin in terms of stakes – climate risk. I would like to thank Valérie Masson-Delmotte for the insights she will provide over the course of this morning. The scale of climate risk no longer needs explaining, and its consequences will be decisive for the financial sector and central banks.<sup>xiv</sup>

The Banque de France – which has been recognised by NGOs as the “greenest” central bank in the G20 – was a pioneer in this field in 2017 when it set up the Network for Greening the Financial System (NGFS). It is now working on a broad project: the addition of a climate indicator to the financial rating it already attributes to French companies. This indicator will measure the degree to which firms are prepared for and have taken account of the physical and transition risks linked to climate change, and will have both a quantitative and qualitative component. It is being constructed progressively via field testing, and applied to increasingly large samples (550 firms this year). It will be expanded further over the longer term, in concertation with companies themselves and their representatives.

Its benefits are twofold. For companies, it is a single, objective measure, based on recognised methodologies, that will avoid the need to submit numerous different declarations, and allow them to gauge how far advanced they are in their transition compared with their sector average. For banks, it will be an additional, reliable and independent source of information.

Our contribution to greener finance will be a stimulus for other initiatives, from innovators in the ecosystem – Fintechs or Greentechs – who have the skills to develop tools to facilitate information-sharing, decision-making and ultimately the emergence of a financial world that is commensurate with our environmental ambitions.

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I shall conclude my speech with a quote from René Magritte, the Belgian artist who, granted, was not a specialist in finance: “Surrealism means banishing the ‘déjà vu’ and looking for the ‘not-yet seen’”. You, the Fintechs, are firmly

anchored in the real world, but are also playing a definitive part in its transformation by looking beyond established models. We, the ACPR and AMF, are realists but also have an eye firmly on the “not yet seen”. It is up to us, collectively, to make the most of technological innovations. Thank you for your attention.

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<sup>i</sup> France Fintech, [Étude](#), 25 July 2023.

<sup>ii</sup> Ernst & Young, [Baromètre du capital-risque en France : 1<sup>er</sup> semestre 2023](#)

<sup>iii</sup> For example, for summarising, extracting and classifying data, or for generating computer code or text.

<sup>iv</sup> [La Banque de France clôture son Appel à Contributions sur l'IA générative](#), press release, 21 September 2023.

<sup>v</sup> Or distributed ledger technology (DLT).

<sup>vi</sup> [Régime pilote pour les infrastructures de marché DLT | Banque de France \(banque-france.fr\)](#)

<sup>vii</sup> Villeroy de Galhau, F., [Wholesale CBDC: as decisive as retail CBDC, and actively experimenting](#), speech, 3 October 2023.

<sup>viii</sup> Estimate of the number of active users in the world, on a monthly basis.

<sup>ix</sup> TradingView, [Marché des cryptos](#)

<sup>x</sup> Chainalysis, [2023 crypto crime report](#)

<sup>xi</sup> This is why the Banque de France conducted Project Mariana in conjunction with the Bank for International Settlements, the Swiss National Bank and the Monetary Authority of Singapore. The project successfully tested DeFI technologies, specifically automated market makers or AMM). See [BIS and central banks of France, Singapore and Switzerland successfully test cross-border wholesale CBDCs](#), press release, 28 September 2023.

<sup>xii</sup> [DeFI: the ACPR draws conclusions from its public consultation and outlines concrete avenues for regulation](#), ACPR press release, 12 October 2023.

<sup>xiii</sup> IT protocols that execute predefined clauses, some of which may be conditional on events likely to occur.

<sup>xiv</sup> See notably Villeroy de Galhau, F., [The role of central bank in the greening of the economy](#), speech, 11 February 2021, or [The role of central banks in the "macroeconomics of climate change"](#), speech, 24 April 2023