

PORTUGAL  
**FINLAB**  
WHERE REGULATION MEETS INNOVATION

# PORTUGAL FINLAB REPORT

2<sup>nd</sup> EDITION

# 01.

PORTUGAL FINLAB  
AN OVERVIEW **5**

# 02.

2<sup>nd</sup> EDITION  
THE FIGURES **7**

Timeline **7**

Relevant Statistics **7**

Selected Projects **8**

# 03.

PARTICIPANTS  
THE FEEDBACK **11**

Alfredo **11**

Apres **12**

Coverflex **13**

Criptalia **14**

Finanfly **15**

Impact Market **16**

Iwels **17**

Mcontabilidade **18**

Speedy Version **19**

Swood **20**

# 04.

## ORGANISERS THEIR INSIGHTS **22**

What are the main outcomes  
of the 2<sup>nd</sup> edition? **22**

How does Portugal FinLab  
compare with other  
european solutions? **24**

Why is it import to launch  
a 3<sup>rd</sup> edition? **26**

# 05.

## COVID-19 THE IMPACT, OPPORTUNITIES AND CHALLENGES FOR FINTECHS **29**

**01.**

# PORTUGAL FINLAB

## AN OVERVIEW

Portugal FinLab is the result from a close cooperation between the three Portuguese financial competent authorities – Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF), Banco de Portugal (BdP) and Comissão do Mercado de Valores Mobiliários (CMVM) (henceforth “the Authorities”).

This joint platform<sup>1</sup> was created to be a privileged communication channel between innovators that operate or intend to operate in the Portuguese financial market – startups or incumbents – and the Authorities. By joining forces, the Authorities aim to foster an ecosystem for growth, cooperation and stability envisaging FinTech, InsurTech and RegTech development in Portugal.

It is also the aim of the Authorities to increase transparency and address concerns over the Portuguese regulatory framework, to keep up with the sector and to be aware of emerging needs driven by financial innovation.

Portugal FinLab was designed to have two pitch days per edition. The pitches are an opportunity for the innovators to meet the Authorities, present the projects and explain their regulatory questions directly to them. At these meetings, the candidates obtain clarifications on the regulatory requirements for implementing their projects and on how to operate within the applicable legal framework.

After each pitch day, 5 projects from the total applications are selected by the Authorities for a detailed analysis whereby the regulatory aspects which may, in whole or in part, impact or hinder their execution are identified. For the selected projects, the support is also materialised by providing a very comprehensive and detailed report with a non-binding position that reflects the Authorities’ understanding on the regulatory issues raised by the participants. The report may also include the possible regulatory obstacles and critical issues identified, so that innovators understand

their boundaries and possibilities within the Portuguese regulatory framework.

During the two editions of Portugal FinLab, the Authorities have received over 70 applications, which shows the success and interest of this initiative for the FinTech market. Although the majority of the applications were from Portuguese companies, this programme has also proven to be able to capture companies with innovative technology-based projects established in foreign jurisdictions, seeking to pursue their business activity in Portugal.

Regarding the projects’ nature, Authorities have been challenged by many different business models, with a significant part directly or indirectly related to payment services. A number of relevant business models that combined various financial services represented an increase in the complexity of the projects presented in the 2<sup>nd</sup> edition.

This projects’ diversity required the involvement of each and every Authority and, in some cases, the joint assessment of the three Authorities. In fact, these results are the best accomplishment of the main goals of Portugal FinLab, along with the opportunity to increase their knowledge on new technologies being used in financial services or new business models. The three Authorities also had the opportunity to work together on the development of FinTech businesses and/or projects compliant with the regulatory framework.

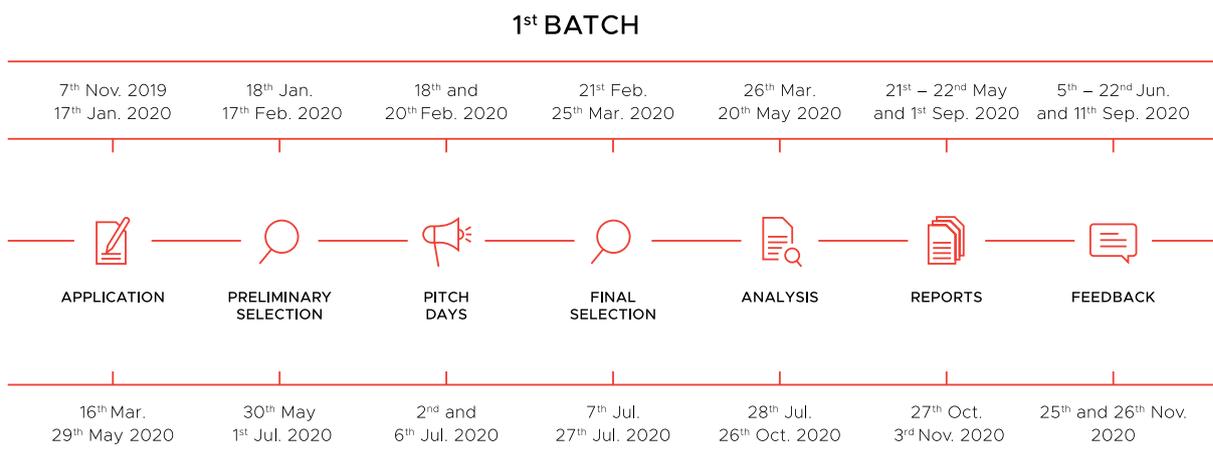
<sup>1</sup> Portugal FinLab’s website can be visited here: <https://www.portugalfinlab.org>.

02.

# 2<sup>nd</sup> EDITION

## THE FIGURES

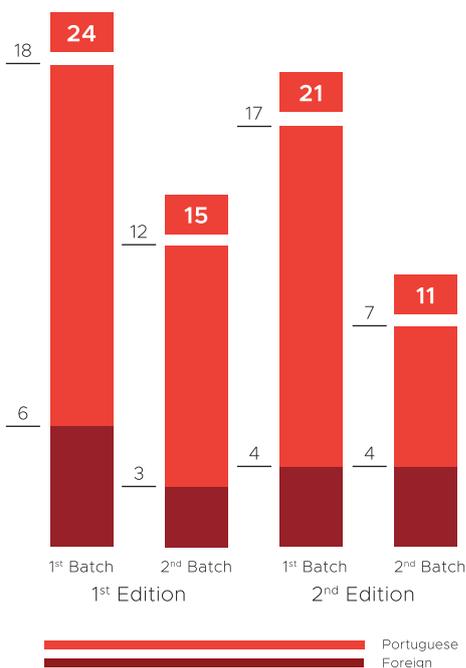
### TIMELINE



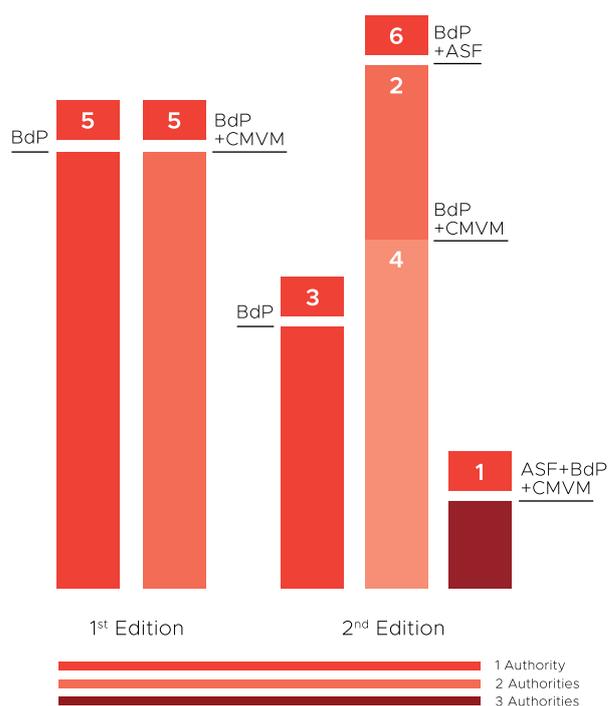
### 2<sup>nd</sup> BATCH

### RELEVANT STATISTICS

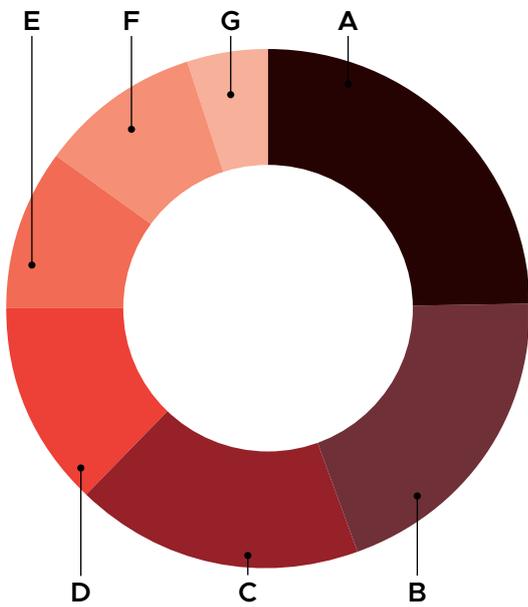
#### Number and origin of applications



#### Number of projects assessed by Authority



## Applications by activity sector



### 1<sup>st</sup> EDITION

**A** 25%

Lending & Credit

**B** 20%

Alternative Finance

**C** 17%

Payments

**D** 13%

RegTech

**E** 10%

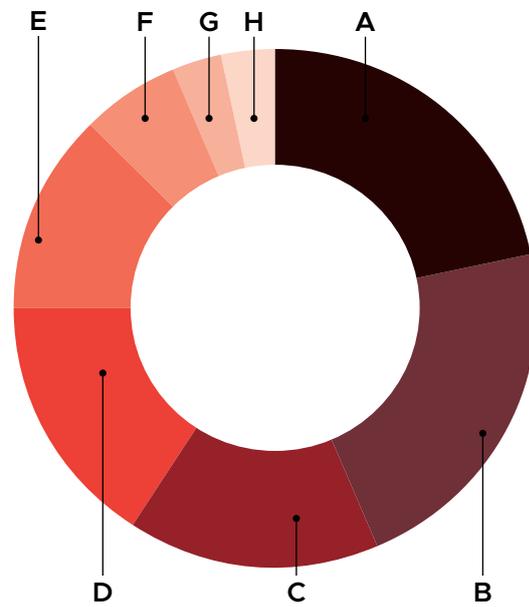
Capital Markets & Wealth Management

**F** 10%

InsurTech

**G** 5%

Blockchain & Crypto



### 2<sup>nd</sup> EDITION

**A** 22%

Cross-sectorial (incl. Payments)

**B** 22%

Capital Markets & Wealth Management

**C** 16%

Payments

**D** 16%

RegTech

**E** 12%

Blockchain & Crypto

**F** 6%

InsurTech

**G** 3%

Lending & Credit

**H** 3%

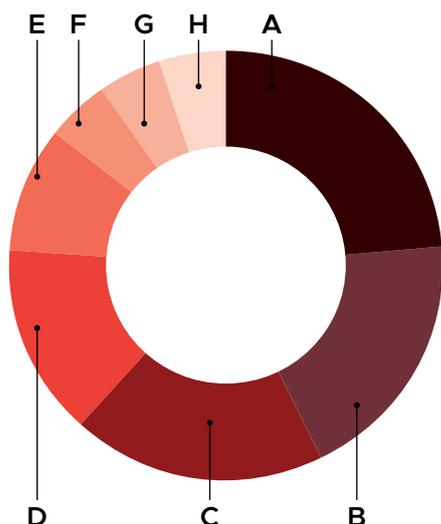
Deposits

## SELECTED PROJECTS

In the 2<sup>nd</sup> edition, 10 projects (5 for each batch) were selected for analysis by the Authorities. The first batch has received 21 applications,

which compares with the 24 applications of the first batch of the previous edition. These projects were mainly submitted by portuguese innovators (81% of the applications) and the leading activities were related to Capital Markets, Payments and RegTech.

### 1<sup>st</sup> Batch | Applications by activity sector



**A** **24%**

Capital Markets & Wealth Management | Criptalia | Iwels

**B** **19%**

RegTech | Alfredo

**C** **19%**

Payments | MContabilidade

**D** **14%**

Blockchain & Crypto

**E** **9%**

InsurTech

**F** **5%**

Lending & Credit

**G** **5%**

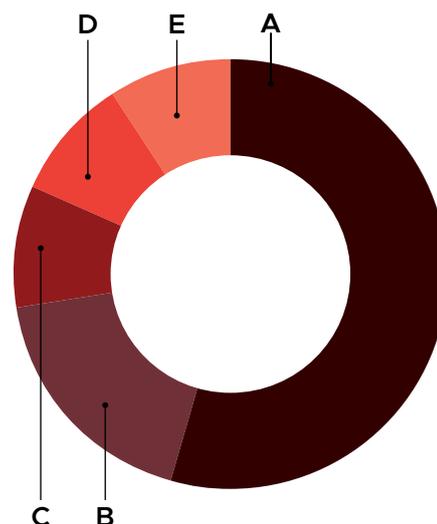
Deposits

**H** **5%**

Cross-sectorial (incl. Payments) | Coverflex

During the second batch, Portugal FinLab has attracted 11 applications, comparing with a total of 15 for the corresponding batch of the 1<sup>st</sup> edition. This time, the projects have revealed a more diversified origin (36% of the applicants were foreign) as well as an interesting particularity: more than a half of them were

### 2<sup>nd</sup> Batch | Applications by activity sector



**A** **55%**

Cross-sectorial (incl. Payments) | Finanfly | Swood

**B** **18%**

Capital Markets & Wealth Management

**C** **9%**

Payments | Speedy

**D** **9%**

RegTech | Apres

**E** **9%**

Blockchain&Crypto | Impact Market

a combination of different financial activities, which often included the provision of payment services. The selected participants, announced on 27<sup>th</sup> of July of 2020, were also representative of the prevalent segments of activity – Capital Markets, Payments and RegTech.

03.

# PARTICIPANTS

## THE FEEDBACK

### ALFREDO

Alfredo 



GONÇALO ABREU



GUILHERME FARINHA



MÁRIO DUARTE GAMAS

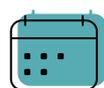
### DESCRIPTION OF THE PROJECT

**Alfredo** real estate analytics is a digital platform that brings intelligence to the real estate market. The project was launched in Portugal in the beginning of 2019 due to the lack of structured online real estate data and the thriving residential market. The founding team saw an opportunity to use the latest state of the art machine learning techniques bringing novel ways to create data pipelines in the real estate world. The process resulted in an intelligent AI powered business suite for real estate stakeholders which streamlines their data collection and intelligence pipelines putting them ahead of competition. Alfredo's products include an instant AI powered real estate market report, a unified asset listing platform and a lead generation funnel. Alfredo's clients include realtors, agents, analysts, appraisers and financial institutions.

### PARTICIPATING IN PORTUGAL FINLAB

"Alfredo Real Estate Analytics belongs to the community Portugal Fintech and is a member of the Portugal Fintech House. We heard about this initiative due to our involvement with these stakeholders. The program is a great way to have contact with Authorities and to ask for feedback regarding the regulatory nature where startups operate. We had a very

positive participation since all of our questions were answered promptly and thoroughly. Portugal FinLab was useful since the feedback provided legitimised our operation with financial institutions such as banks, real estate investment funds and with real estate agents and appraisers."



Established  
**April 2019**



Headquarters  
**Lisbon**



Offices and Countries  
where operates  
**Portugal**



Target Clients  
**Realtors, real estate agents, analysts, real estate appraisers and financial institutions**



Website  
**www.alfredo.pt**

APRES



BLAKE ABER



MATT WAITE



MIHOVIL KOVACEVIC



RAHUL KUMAR



SUBBU BALAKRISHNAN

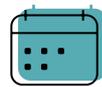
## DESCRIPTION OF THE PROJECT

**Apres** is a data platform that helps companies build explainable AI. We offer a simple integration that allows entire organizations to improve & interpret AI decisions, on-demand. Companies use our solution to build trust with customers, reduce data/model management, and ensure GDPR compliance.

## PARTICIPATING IN PORTUGAL FINLAB

"We were introduced to FinLab through Techstars, an accelerator program in Lisbon. Gaining an audience with regulators is not easy for an early stage company. This was a unique opportunity to both share our unique impact on regulation and gain feedback on our approach.

We found this to be a wonderful experience with meaningful feedback. For us, this is an important piece of validation that we can share with potential partners. It was critical to understand if our interpretation of regulation aligns with our approach. The conversations and resulting report provided the clarity we needed to double-down on certain product decisions and direction. It was absolutely helpful."



Established  
**March 2018**



Headquarters  
**Lisbon**



Offices and Countries  
where operates  
**San Francisco,  
California, USA &  
Lisbon, Portugal**



Target Clients  
**Financial  
Services (Banks,  
Insurance,  
FinTech) & AI  
teams**



Website  
**[www.apres.io](http://www.apres.io)**

COVERFLEX



JOSÉ AIROSA



LUÍS ROCHA



MIGUEL AMARO



NUNO PINTO



RUI CARVALHO

## DESCRIPTION OF THE PROJECT

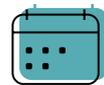
**Coverflex** is a flexible compensation solution for modern companies, making it easy to award and enjoy benefits, meal allowance, insurance and discounts. It's an all-in-one platform, where companies can manage all of their flexible compensation together and give their employees a budget they can use through an app and a payment card to spend as they choose on a wide range of fiscally efficient benefits as well as meals and groceries.

## PARTICIPATING IN PORTUGAL FINLAB

"We heard about Portugal FinLab from one of our investors, João Andrade from Associação Portugal Fintech. He told us it would be a good idea to participate because we would be in contact with the three main regulators that interested us in our business: having them validate our pioneering concept in Portugal was really important at the time. That direct contact was invaluable. We had a lot of questions, we wanted to be sure that what we wanted to do was possible and how it would work legally.

Portugal FinLab's support completely exceeded our expectations. We needed quick answers and

we got them. The three regulators understood what we were setting out to do but also validated it and didn't find any problems with it. The report we got was very comprehensive, answered all of our specific questions, and gave us a very interesting legal framework. It was great to unblock us at that moment."



Established  
**2018**



Headquarters  
**We are remote first**



Offices and Countries  
where operates  
**Portugal in 2020  
and Spain in 2021**



Target Clients  
**B2B SMB's**



Website  
**[www.coverflex.com](http://www.coverflex.com)**

## CRIPTALIA



DIEGO DAL CERO



MASSIMO MUZZI



MATTEO VALLIN



MATTIA ROSSI

### DESCRIPTION OF THE PROJECT

**Criptalia** is a regulated crowdlending platform for businesses. It connects small and medium enterprises looking for finance with people and organisations looking for high-return investments. Companies submit their growth projects, and after a careful selection, they are published on the platform. Investors have the opportunity to buy portions of loans starting from 20 euros and gain attractive returns up to 9% APR.

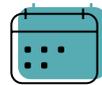
### PARTICIPATING IN PORTUGAL FINLAB

"We heard about the Portugal FinLab initiative during our participation at Web Summit 2019, thanks to Marco Nigris, Managing Partner at the Fintech House.

We decided to participate because Portugal FinLab is a unique opportunity to talk directly with the regulatory authorities and analyse our business through their views.

We are delighted with our participation in Portugal FinLab. We had the opportunity to explain directly to the CMVM and Banco de Portugal our business proposal and have them analyse it and elaborate a very comprehensive report on how we could develop our business in Portugal.

Thanks to our participation in Portugal FinLab, we are now planning on also establishing in Portugal and getting licensed. Because of the Covid-19 emergency we are delaying it a little bit. We are now planning on establishing before Q2 2021."



Established  
**February 2018**



Headquarters  
**Bergamo, Italy**



Offices and Countries  
where operates  
**Bergamo (Italy)  
and Barcelona  
(Spain)**



Target Clients  
**European SMEs**



Website  
**[www.criptalia.com](http://www.criptalia.com)**

## FINANFLY



BERNARDO GUIMARÃES



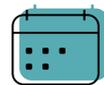
JAIME HERNÁNDEZ  
DE LA PEÑA

### DESCRIPTION OF THE PROJECT

**Finanfly** is a payment solution provider that allows air travellers to break down the price of their plane ticket at little to no cost. It works directly with airlines to reward flyers that purchase their tickets in advance with the breakdown of their payments in affordable instalments. In the current complicated market environment, Finanfly aims to support air travel by making the market more efficient and transferring the full benefit to the consumer.

### PARTICIPATING IN PORTUGAL FINLAB

“The FinTech space poses a steep regulatory challenge for startups that lack the resources to navigate a heavily regulated sector, but that, like Finanfly, strive to make a positive social contribution with their work. Given the innovative approach to payment solutions that Finanfly is creating, its regulatory fit is rather complex, so we sought to establish a dialogue with the Regulators prior to launching in Portugal. Portugal FinLab offered just that, and they became the perfect partners to help us identify and understand the key regulatory aspects of our product. This has enabled us to design a go-to market strategy that is fully compliant as well as commercially attractive. Thanks to the feedback and support from the Portugal FinLab team we will now have the ability to launch our product in Portugal with more certainty.”



Established  
**2018**



Headquarters  
**UK, Portugal**



Offices and Countries  
where operates  
**UK, Portugal**



Target Clients  
**Online customers  
purchasing plane  
tickets**



Website  
**[www.finanfly.com](http://www.finanfly.com)**

## IMPACT MARKET



AFONSO BARBOSA



BERNARDO VIEIRA



MARCO BARBOSA

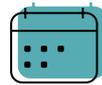
### DESCRIPTION OF THE PROJECT

**Impact Market** is a decentralized crowdfinance infrastructure to empower people out of poverty, by enabling free access to finance, open & transparent philanthropy, and unconditional basic income.

### PARTICIPATING IN PORTUGAL FINLAB

"It was great for our project, not only on understanding where our system stands (as we use blockchain and tokens), while helping us navigating critical points of concern both on fiscal and legal sides. We were able to simplify our approach and refine several aspects which reduces complexity both on development and implementation.

We heard about the Portugal FinLab initiative through LinkedIn connections. As we were finishing the MVP and designed a governance token, participating in this initiative was a good opportunity to test its design and discuss ways to improve it. As the regulatory side of cryptocurrencies is still a "grey" area, it's important to get feedback and understand potential risks and opportunities. Our participation in Portugal FinLab was good, which helped us a lot on navigating this space and how we can operate. And it was useful for the development of our project, especially due to its nature. As it is related with cryptocurrencies and blockchain, it is important we understand different perspectives and ways of making it happen without majors risks."



Established  
**March 2020**



Headquarters  
**Establishing it now**



Offices and Countries  
where operates  
**N.A.**



Target Clients  
**We do not sell anything. It's open and free.**



Website  
**[www.impactMarket.com](http://www.impactMarket.com)**

## IWELS



ABDOLLAH FARAHMAND

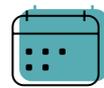
### DESCRIPTION OF THE PROJECT

**iWels** is an investment solution that works for everyone. iWels' users choose Active Investing to trade stocks and ETFs they like, commission-free. Alternatively, they select Auto Investing to allow iWels' technology to create a personalised portfolio for them. iWels leverages cutting edge technology to democratise the investing landscape. Users can start investing as low as €1 while having access to the same trading provisions and personalised portfolios once were only reserved for wealthy investors.

### PARTICIPATING IN PORTUGAL FINLAB

"Since we have had the idea to incorporate and get our license in Portugal, we decided to apply to FinLab. The program ran as planned. We pitched, then had a meeting with the regulators and finally we received a very detailed report that includes many useful information. Participating in FinLab is a no-brainer for FinTechs, do not hesitate to apply. From the Regulators' side, there are areas to improve. First, start an incubation program with mentors having heavy regulatory experience. Second, allow regulatory sandboxes. Third, revisit the regulations, specifically with regards to the prudential levels. Currently there are huge regulatory arbitrage opportunities that favour other European states over Portugal. These are not necessarily the result of other states lowering their requirements. Strangely, it is Portugal that has created one of the tallest prudential barriers in Europe. For instance

the type of license that Portuguese regulators instruct us to apply for, requires almost three times the prudential levels in Portugal than in other European states."



Established  
**N.A.**



Headquarters  
**N.A.**



Offices and Countries  
where operates  
**N.A.**



Target Clients  
**European individual investors**



Website  
**[www.iwels.com](http://www.iwels.com)**

## MCONTABILIDADE

## M CONTABILIDADE



ANTÓNIO FERY ANTUNES



ANTÓNIO RAMOS FERNANDES



EURICO INOCÊNCIA



FERNANDO CAVALHEIRO



VITOR PINHO

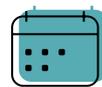
### DESCRIPTION OF THE PROJECT

**M-Contabilidade** is the only service in Portugal that directly connects Businesses and Accountants, digitally, amid the new open banking environment. Within the Millennium BCP website for Companies, Businesses are able to sign up for the service and establish a direct connection with their Accountant. From that moment on, the Accountant, on the TOC online platform (from the Certified Accountant Org) is able to receive the company's daily financial data, integrate the account statements into the platform and benefit from automated financial reconciliation. The Accountant, once completed the handling of the customers' taxes, employees' payroll and/or suppliers' payments, is able to submit all payments details through the Bank/Business Customer's account. The Business owner receives an alert for pending payments. Additionally, as it has authorised linking from the Bank to the Accountant platform, it can access on the Bank website to its financial data (P&L), namely the evolution of the sales and main expenses.

### PARTICIPATING IN PORTUGAL FINLAB

"We heard about Portugal FinLab from the Portuguese Bank Association (APB) and decided to participate because innovation is a trade

mark of BCP. We found our participation very relevant to accelerate new digital offerings to our Bank Customers. The discussion with Banco de Portugal teams regarding the development of new financial services was essential to ensure that all relevant topics are evaluated and also to mitigate the risk of making new developments not compliant or with the need of future developments afterwards."



Established  
**March 2018**



Headquarters  
**Oeiras, Portugal**



Offices and Countries  
where operates  
**Portugal, Poland  
and Mozambique**



Target Clients  
**Microcompanies  
and Entrepreneurs**



Website  
**<https://ind.millenniumbcp.pt/pt/negocios/solucoes/Pages/M-Contabilidade.aspx>**

## SPEEDY VERSION



CARLOS STREET



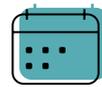
MARIA FERREIRA

### DESCRIPTION OF THE PROJECT

**Speedy Version** is focused on trying to implement accessible, low-cost, secure and non-traditional payment methods, especially based on the use of mobile phones for low-value payments.

### PARTICIPATING IN PORTUGAL FINLAB

"We discovered the initiative in a meeting organised by Portugal FinLab. The issue of licensing concerns us, so it was necessary to understand how regulation works in Portugal. We decided to participate in order to obtain a Road Map and to facilitate obtaining our license. In the conference calls carried out, we became aware of the legislation in force and it was possible to clarify many doubts about the way of operating. Our team has over 20 years of experience in the area of electronic payment methods but in other Geographies. Our main objective is, first of all, the Portuguese market, which in our opinion has a lot to grow in this area and, from here, move on to the European market."



Established  
**September 2018**



Headquarters  
**Lisbon**



Offices and Countries  
where operates  
**Portugal,  
Mozambique  
and S. Tomé  
e Principe**



Target Clients  
**Consumers and  
merchants**



Website  
**[www.pay24international.com](http://www.pay24international.com)**

## SWOOD



BRUNO LIMA



JULIA COHEN



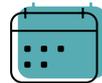
LEONEL SANCHES

### DESCRIPTION OF THE PROJECT

**Swood** helps companies take care of their talents through an all-in-one platform that combines financial and HR features. This solution simplifies the process, gives employees freedom of choice, boosts their well-being, increases engagement and talent retention. It's a way of letting HR department focus on what really matters: people!

### PARTICIPATING IN PORTUGAL FINLAB

"We get to know the initiative through the media. Then we went to look for more information to understand what the program's objectives were and how it worked. We decided to apply because we had a lot of doubts about the legislation and licenses and we believed that Portugal FinLab could help clarify these issues. This actually happened and we now have a lot more knowledge than we had before participation. With the in-depth analysis of the competent authorities, which was delivered to us through a report, we were able to understand certain frameworks that were previously confusing to us. After Portugal FinLab we know what steps we must take to be legally adequate and we can thus accelerate our go to market."



Established  
**March 2020**



Headquarters  
**Ílhavo, Portugal**



Offices and Countries  
where operates  
**Portugal**



Target Clients  
**SMEs**



Website  
**<https://useswood.com/>**

**04.**

# ORGANISERS

## THEIR INSIGHTS

### HÉLDER ROSALINO

Member of the Board of Directors  
of Banco de Portugal

#### WHAT ARE THE MAIN OUTCOMES OF THE 2<sup>nd</sup> EDITION?

The 2<sup>nd</sup> edition of Portugal FinLab, in particular the 2<sup>nd</sup> batch, launched in March of 2020, took place in a notorious adverse context due to the COVID-19 pandemic. Resources reallocation from the three Authorities had to be performed as well as readjustments following the near impossibility of holding promotional events.

Despite these, the 2<sup>nd</sup> edition has attracted 32 innovators, not very far from the 39 that applied for the 1<sup>st</sup> edition, and its development and conclusion occurred without significant delays.

Regarding the applications submitted, the 2<sup>nd</sup> edition had the participation, for the first time, of an incumbent institution, which presented an interesting project that combines different services. This project supports the fact that incumbents are also innovators, that Authorities care with the “level playing field” between incumbents and new entrants and that Portugal FinLab has reinforced its credibility in the market.

Authorities have also observed an increase in the complexity of projects under development. The trend is to offer a mix of different financial activities. In fact, these type of projects are the ones that benefit the most from the Portugal FinLab format, since they require the collaboration and support of the three Authorities with the purpose of guiding

and supporting the development of those innovative solutions.

In this edition, the Authorities made an additional effort to clarify the regulatory doubts of the non-selected candidates through bilateral communications. Those projects were all appointed to a designated Contact Authority, who acted as their contact point for further information requests.

The main regulatory questions highlighted during the 2<sup>nd</sup> edition along with the main topics and findings are the following:

### **Blockchain & Crypto**

There has been an increase in the number of questions on the application of blockchain technology to crypto-assets. The projects in this edition covered a broad range of financial services in innovative models with new and complex features. Applicants envisaged to understand if projects based on crypto-assets and blockchain technology need to be regulated;

### **Capital Markets and Wealth Management**

It was registered an increase in the number of questions concerning capital markets and wealth management activities, especially the requirements applicable to the activity of the so-called robo-advisors. The main concerns were in the fields of authorisation, supervision, portability of requirements in the European Union (EU) and the liability arising from the automation inherent to new technologies;

### **InsurTech**

The 2<sup>nd</sup> edition of Portugal FinLab received more projects from the insurance area. The regulatory questions of this type of business models were mainly related to legal and authorisation requirements, and it is also worth noting that InsurTech business models often

come associated with other financial services, e.g. payments;

### **Payments**

Similarly to what occurred in the previous edition, a very high number of projects in this field was also submitted in this 2<sup>nd</sup> edition. The candidates' doubts were related with the authorisation to provide account information services (AIS) and payment initiation services (PIS) as well as the respective technical requirements to provide those services, but also on more traditional payment services applied to innovative Open Banking based business models that combine financial and non-financial services;

### **RegTech**

In this edition the number of RegTech projects increased. The regulatory issues were mostly related with the use of advanced data analysis models for the purpose of business decisions;

### **Cross-sectorial**

A relevant number of business models that combine various financial services has been presented to the Authorities (e.g. collaborative financing and tokens or payments and insurance intermediation services). These projects have raised questions on possible legal requirements exemptions.

Likewise in the 1<sup>st</sup> edition, the 2<sup>nd</sup> edition of Portugal FinLab has shown that understanding the regulatory compliance since the conception of a project and designing a roadmap that is adjusted to the legal requirements is the appropriate way to reduce simultaneously the time-to-market and the regulatory uncertainty.



## JOSÉ MIGUEL ALMEIDA

Member of the Board of Directors  
of CMVM

### HOW DOES PORTUGAL FINLAB COMPARE WITH OTHER EUROPEAN SOLUTIONS?

Regulating financial innovation proportionately and appropriately is an especially demanding activity at a time when new technologies are embedded in the lives of people and companies, escalating in quantity, size, number of users and complexity. Hence, it is more likely to have conflicting interests such as consumer and investor protection and market development, which makes the regulators' task more difficult. It should be noted that the regulation of the financial sector is demanding and may create constraints to innovation, due to the difficulty for innovators in their embryonic phase, to understand the regulatory framework of the activities and services they intend to provide.

In this context, a relevant number of financial regulators in the EU have adopted various initiatives to facilitate financial innovation, including the establishment of innovation facilitators, and this number has grown rapidly in recent years.

In this regard, the European Supervisory Authorities (ESAs) were mandated by the European Commission to carry out an analysis of innovation facilitators and to identify best practices.

In 2019, the ESAs have published a joint report on innovation facilitators (regulatory sandboxes and innovation hubs)<sup>2</sup> that sets out a comparative analysis between the facilitators established to date within the EU<sup>3</sup>.

Following to the joint ESA report, which identified a need for action to promote greater coordination and cooperation between innovation facilitators to support the scaling up of FinTech across the single market, the European Forum for Innovation Facilitators (EFIF) was established. This Forum provides a platform for supervisors to meet regularly to share experiences, technological expertise and to reach common views on the regulatory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination. The EFIF is also responsible for the update of the number of innovation facilitators, which at the moment totalizes 43<sup>4</sup>, with some of the countries having more than one type of facilitator.

Portugal FinLab, which is one of the innovation facilitators included in the EFIF list, is an innovation hub involving the three Portuguese financial regulatory authorities, a feature that proves to be an enormous advantage in the global market, as FinTech, InsurTech and RegTech projects tend to have regulatory questions that cover all fields of the financial sector. It is a one-stop shop whereby the three Authorities provide custom-made guidance for participants on how to navigate and operate in the Portuguese financial sector. Almost half of the candidates of Portugal FinLab cover activities subject to more than one authority competences, which is significant and proves the point. When the 1st edition of Portugal FinLab was launched, none of the innovation facilitators of the EU had a solution that covered the entire financial sector. Portugal

FinLab, and its results, is well positioned in comparative terms with its EFIF pairs in terms of number of participants, projects' diversity and markets' feedback.

Furthermore, in addition to providing a dedicated point of contact, Portugal FinLab also provides great flexibility and celerity to the interaction with the incumbents and startups, due to the fact that the three Authorities are in constant communication and seated at the same table with the candidates. This feature makes it easier for Authorities to easily coordinate and provide the right answers expeditiously, generating security and fluidity for the market and supporting innovation, while ensuring simultaneously that all players are carrying out their financial activities within the same rules and with a full understanding of their regulatory perimeter.

Also, the different batches and applications periods allow the Authorities for greater focus and dedication to respond in a fully, consistent and effective manner to the most challenging regulatory questions and to those that matter the most for the candidate to operate safely in the Portuguese jurisdiction. The full analysis report delivered by the Authorities to the participants is an actual tailor-made response to the questions presented, which facilitates the future process of registering a new financial activity.

In a nutshell, Portugal FinLab is a successful platform among peers in the EU because it is adapted to the needs of the local FinTech market and provides a pragmatic, useful and efficient approach to provide participants with the necessary clarity for conformity of their innovative FinTech projects.

<sup>2</sup> The Joint Report on innovation facilitators was published in January 2019, and is available here: <https://esas-joint-committee.europa.eu/Pages/ESAs-publish-joint-report-on-regulatory-sandboxes-and-innovation-hubs.aspx>.

<sup>3</sup> As at the date of the report, 21 EU Member States and 3 EEA States have established innovation hubs and 5 EU Member States have regulatory sandboxes in operation.

<sup>4</sup> The complete list of innovation facilitators in the EU is published here: <https://esas-joint-committee.europa.eu/Pages/Activities/EFIF/European-Forum-for-Innovation-Facilitators.aspx>.



## MANUEL CALDEIRA CABRAL

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### WHY IS IT IMPORTANT TO LAUNCH A 3<sup>rd</sup> EDITION?

The experience brought by the two editions was very positive for both innovators and financial authorities.

In particular, the 2<sup>nd</sup> edition has confirmed the merits and success of Portugal FinLab. Not only the Authorities have enriched their knowledge on the FinTech entities that operate in Portugal, or intend to operate, but also more innovators have taken advantage of this programme by getting access to a direct communication channel with the Authorities which can help them to be regulated by design.

Portugal FinLab has shown that financial regulation can be, not a barrier to innovation, but part of the environment where innovation occurs. Portugal FinLab poses itself as an innovation hub where regulation meets innovation and vice-versa.

The Portuguese innovation hub has also confirmed the conclusions of some studies already performed with the aim to characterise the FinTech market in Portugal. Indeed, it was found that the vast majority of FinTech entities in Portugal have a Business-to-Business (B2B) model and that they are in an early (pre-seed or seed) stage of their development when seeking clarification from the Authorities.

Therefore, this hub offers the Portuguese FinTech market the support that best serves its interests. The fact that the three Authorities collaborate for the same purpose, with two pitch days per year and a program that is designed to facilitate the communication between the project owners and the Authorities and offer the innovators the support they need, has proven to be a very good fit to our growing FinTech, InsurTech and RegTech local market. In addition, the fact that the number of applications in the two editions exceeded by 3.5 times the number of reports produced reveals a continuing interest in this initiative.

Portugal FinLab is also very valuable for the Authorities themselves, namely for the

prosecution of functions such as accompanying and knowing the market, protecting consumers and anticipating questions impacting their regulatory perimeter.

Consequently, the Authorities strongly believe that Portugal FinLab adds great value to the Portuguese financial system and puts Portugal on the radar of foreign financial investors and innovators. This is an excellent reason to have a third edition, with room for some adjustments and improvements but maintaining the essentials of the model and above all, the guiding principle “same businesses, same risks, same rules”.



05.

# COVID-19 THE IMPACT, OPPORTUNITIES AND CHALLENGES FOR FINTECHS



JOÃO FREIRE  
DE ANDRADE

President of Portugal Fintech

All FinTechs were impacted. Some positively, some negatively. In a situation where almost every person saw their most common habits changed, where we observed unprecedented shocks in the demand and supply and where digital was, many times, the only solution, FinTechs were obviously impacted.

In a global overview, where FinTech has a strong footprint on the Business-to-Consumer (B2C) model, we have observed the stronger negative impacts on sub verticals of the challenger banks (with huge reduction in FX revenue, one of the most important source of income), Insurance Property & Casualty brokerage (especially classic motor insurance, despite the rise of the gig-economy and flexible packages) and lending (loan books still holding but a very cautious look in future decrease on credit portfolio repayment capacity). On the brighter side of the picture, we identify positive impacts on payments (especially due to an increase in e-commerce, where FinTech holds a higher share-of-wallet when compared with other merchants segments), health insurance and all matters related with RegTech, digital onboarding, fraud detection and cyber security.

Another important fact, and especially relevant during the biggest uncertainty periods (mainly from the end of March until the beginning of

May) was that Venture Capital (VC) money was frozen. After a long period of high valuations, lots of dry powder due to the flow of capital that entered the VC circuit seeking for yield in the low interest environment, this freeze created a huge liquidity stress for the FinTechs that were fundraising during this period. Currently this is totally unfrozen and there are sectors that are hotter than ever (for example EdTech, SaaS, low-code and no code, as well as telemedicine). The inherent reason is that there are many segments benefitting from — not struggling with — COVID-19 tailwinds, and part of the FinTech landscape is not an exception as pointed out above.

In Portugal, these impacts were measured during April, with results reflecting the same international trend described earlier. Nevertheless, with two important differences. The first relies on the specific characteristic of the Portuguese reality which is the fact that we have a much bigger weight on B2B solutions, so during the lockdown all mature players were holding from opening new relations with FinTechs and focusing only on moving all the teams to remote work. But for the startups already installed enabling digital journeys saw exponential increases in traction of over 10x multiples. Then, after a habituation period to the remote work, mature players were intensifying digital transformation projects until today. The second difference is the fact that the support given by the government was totally inadequate for high growth companies, such as FinTechs. This was not the case internationally, which created an even bigger funding gap between Portugal's tech scene and the European peers.

To conclude, COVID-19 was a catalyst of the digital transformation and the financial sector was not an exception. The customer will not want to get back to inefficient and bureaucratic solutions. Regulation is not an island in this reality. To clarify, enabling and incentivising digital first solutions is very important. It is also crucial to create the conditions for the entrance of new and innovative players, which is key to make sure we have a more and more resilient financial system to future pandemic situations.



