



Alternative Finance Forum: Fintech, Social Finance and More

Copernicus Conference Centre, Warsaw, Poland

October 5, 2017, Warsaw, Poland

FORUM SUMMARY

The Alternative Finance Forum was held on 5 October 2017 at the Copernicus Conference Centre in Warsaw, Poland. It was organised by the European Investment Bank Institute and the Microfinance Centre. The theme and tag line of the Forum was “Fintech, Social Finance and More”, which served as an organising principle for the Forum.

The Alternative Finance Forum was the first of its kind in Europe, and the interest in the topic – which surpassed the initial expectations of the organisers – showed that there is a need to engage in a public discussion of the issues related to new forms of finance. It was also the first forum that brought together fintech and social finance innovations, which together represent a broad range of new developments in the financial markets that challenge the traditional status quo.

The purpose of the Forum was to discuss:

- The current trends in the development of alternative finance institutions in Europe
- Opportunities and risks associated with the continued growth of the alternative finance sector
- Public policy perspectives as they relate to alternative finance (job creation and inclusion)
- Advantages and disadvantages of different country-level approaches to regulation of the alternative finance sector
- Regulatory needs, constraints and trade-offs in various EU countries.

The Forum brought together 22 speakers and attracted around 150 participants, making it a very well attended and vibrant event – the first its kind in the EU.

Background

Since the global financial crisis, alternative finance, which includes financial instruments and distributive channels that exist outside the traditional financial system, has thrived in the US, Europe and Asia. From equity-based crowdfunding to marketplace/peer-to-peer consumer and business lending, from invoice trading to reward-based crowdfunding, these alternative finance activities are supplying credit to small businesses, providing venture capital to start-ups, offering more diverse and transparent ways for consumers to invest or borrow money, nurturing creativity, fostering innovation, generating jobs and funding worthwhile social causes.

The rise of disruptive technology and microfinance is helping many alternative finance institutions challenge the current financial landscape. However, questions arise as to what extent further development of the sector is desired and what are the risks associated with such growth dynamics. The issue of regulatory under-reach or over-reach comes to the fore of the policy debates. In this respect, the EU countries have adopted various regulatory regimes that either enable, restrict or are neutral as far as alternative finance institutions are concerned.

Forum Structure

The Forum was organised around the two main themes that predominate in alternative finance and mark the departure from traditional financial service provision: fintech and social finance. Although not mutually exclusive, these two strands of financial services are typical of the new developments in the provision of financial services that became prominent after the recent financial crisis and the advent of new technologies.

Each session was structured as a two-part mini-workshop: the first part was devoted to the presentation of the cases of alternative finance, and the second part consisted of a discussion of the various issues related to the workshop topic in a panel format.

Forum Sessions

The Forum was opened by Ms Luisa Maria Ferreira from the EIB Institute who greeted the Forum participants. Next, the Forum was welcomed by Mr Grzegorz Galusek who addressed the participants on behalf of the Microfinance Centre. Both speakers briefly presented their organisations and described their interest and involvement in the alternative finance segment.

The Forum had five programmatic sessions in addition to the opening and closing sessions:

1. Session 1

9:20 – 10:20 Setting the Stage: What's Alternative about Alternative Finance?

This session was moderated by Mr Christos Pouris from the European Investment Bank (EIB) in Luxembourg, and had three speakers:

- Tania Ziegler, the Cambridge Centre for Alternative Finance, UK, who presented the preliminary results of the latest edition of research on the alternative finance market in Europe and the US;
- Oliver Gajda, European Crowdfunding Network, Belgium, who set out the current state of, and trends in, crowdfunding in Europe;
- Dr Georgina Gomez, Erasmus University Rotterdam, the Netherlands, who focused on the role of alternative finance, in particular local currency options for local and regional development.

The follow-on discussion among the speakers focused on ways of deepening the understanding of alternative finance, the emerging trends and the role of alternative finance in local

development. The discussion revealed the various aspects of alternative finance, from new fintech companies using cutting-edge technologies to social innovations like community currencies linked to local economic and social development. The leading theme in this discussion was the social benefit aspect of alternative finance, and the extent to which it offers the promise of a better life by providing access to finance through the new channels and products.

2. Session 2

10:20 – 11:20 Technology Alternatives

This session was moderated by Piotr Serwin, Fintech Trends, Poland, and had four speakers representing different business models and sectors among the new technology-driven financial service providers:

- Case 1: Equity Based Crowdfunding
Tero Weckroth, Invesdor, Finland
- Case 2: Global Market Place for Alternative Lending Companies
Janis Pranevics, Mintos, Latvia
- Case 3: Cross-border B2B payment with Bitcoin Blockchain
David Yen, BitPesa, Luxembourg
- Case 4: Alternative Credit Scoring
Dr Srin Sundaram, Aire, UK

The session presented four cases of new fintech applications, each providing an alternative to traditional services such as equity funds, microfinance investment vehicles, bank-based international payment systems or traditional credit scoring based on financial history. The discussion that followed the case presentations centred on the question of whether fintech will replace traditional finance service providers.

The conclusion of the debate was that so far the trend is to collaborate with the traditional providers and be a complementary service, although banks and other traditional financial institutions are increasingly acquiring fintech companies or rolling out fintech of their own. So far there is no convergence of traditional and alternative finance, and neither is winning out over the other.

3. Session 3

11:50 – 12:50 Social Alternatives

This session was moderated by Professor Milford Bateman, University of Pula, Croatia, and had five panelists:

- Case 5: Democratic Finance and Economy for the Common Good
Gerd Hofielen, Humanistic Management Practices GmbH, Germany
- Case 6: Local Currency Initiative

Dr Paolo Dini, London School of Economics, UK

- Case 7: Gender and Finance
Simone Brummelhuis, The Next Women, the Netherlands
- Case 8: New Microfinance for the EU
Elvin Groenevelt, Qredits, the Netherlands
- Case 9: Social Enterprise Platforms
Samuel Clause, European Investment Fund (EIF), Luxembourg

The session focused on socially motivated financial initiatives that attempt to go beyond the traditional objectives of financial services to reach out to new market segments (such as women entrepreneurs in Europe or start-up small enterprises), develop alternative financial systems for local economies (such as local currency systems connected with other local financial institutions), or create new types of financial institutions such as democratic banks which evolve from the credit cooperatives. The panelists discussed the challenges still faced by individuals, businesses and communities which spur the need for alternative socially oriented finance. Social finance is gaining popularity and is increasingly applying fintech solutions to make it more efficient. Similarly to fintech, there is little convergence with traditional finance providers; on the contrary, social finance providers stress their differences in terms of their ethical and social objectives, which challenge the traditional market.

4. Session 4

14:00 – 15:00 Enabling or Discouraging? Current Perspectives on Policy and Regulation of Alternative Finance

This session was moderated by Kaiser H Naseem, International Finance Corporation (IFC), UAE, and had three panelists:

- Case 10: Capital Markets Development in the EU
Piotr Nowak, European Commission (EC), Belgium
- Case 11: EU Framework for Social Finance and Impact Investing
Anna Krzyzanowska, European Commission (EC), Belgium
- Case 12: Financial Regulation of Fintech
Dr Krzysztof Korus, dell Korus Okun Radiolike Prawns esp., Poland

The focus of the presentations was on the regulatory framework and its role in supporting the new forms of alternative finance – in particular fintech, which is new and still not fully understood by the regulators due to the evolving nature of the innovations. The key takeaway from the discussions was that the regulators, on both the national and EU levels, are supportive of the new developments and are open to consultation on how to shape the regulatory framework to facilitate the prudent growth of this new financial market segment.

5. Session 5

15:30 – 16:30 Fintech, Social Finance or More? Discussion

The last session was moderated by Piotr Korynski, Microfinance Center (MFC), USA, and had five panelists (all session moderators), and two additional guest speakers: one from Banca Etica and another from the EU Commission:

- Christos Pouris, European Investment Bank (EIB), Luxembourg
- Dimitrios Niafas, European Commission (EC), Belgium
- Piotr Serwin, Fintech Trends, Poland
- Milford Bateman, University of Pula, Croatia
- Kaiser H Naseem, International Finance Corporation (IFC), UAE
- Gabriele Giuglietti, Banca Etica, Italy

Each panelist provided a brief summary of the session that they moderated, which served as a summary of the sessions. This was followed by an open discussion with the audience on the topics and challenges that had emerged during the Forum presentations.

Closing

The AFF forum was addressed by Ms Luisa Maria Ferreira from the EIB Institute and Mr Grzegorz Galusek from the Microfinance Centre, who thanked the participants and the panelists for a day rich with information, discussion and new ideas. The event was followed by a reception for all the participants.