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## FCA Call for Input: Potential competition impacts from the data asymmetry between Big Tech and firms in financial services

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The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **FCA's Call for Input: Potential competition impacts from the data asymmetry between Big Tech and firms in financial services**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate for stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

We summarise below our high-level response to the Call for Input, which is followed by answers to the individual questions raised.

### Executive Summary

AFME supports the development of fair, competitive and safe data markets. Key to this will be the creation and maintenance of a level data playing field between different sectors. Such a level playing field does not exist currently. In fact, we observe data asymmetries, with BigTechs holding data advantages relative to financial services firms that could lead to fragmentation and uneven cost allocation across the value chain. This is of growing relevance with the advent of new data-analytics technologies such as GenAI. Furthermore, these asymmetries (or their impact) are not mitigated by regulatory constraints; to the contrary, financial services firms face more stringent regulatory requirements than BigTechs.

Given these concerns we support the FCA expanding its existing work to include wholesale markets, for instance through further impact analysis on data asymmetries in wholesale markets. We stand ready to support and engage with policymakers in this follow-up work.

### Questions

**Q1: a. What are the competition or data-based competition issues arising in wholesale markets? b. Are these similar or different to the issues that we are considering in retail markets? c. Should we be expanding our scope to include wholesale markets?**

a. Data-based competition issues arising in wholesale markets:

AFME strongly holds the view that the data market should be fair, competitive and safe, and supports cross-sectoral data sharing to develop a truly innovative data market. However, a key principle to achieve this outcome is that a level playing field needs to be maintained between different sectors. As the FCA has noted, Big Tech firms possess certain data advantages that may grant them the ability or incentive to more easily enter financial markets compared to financial institutions. Thus, any cross-sectoral data access asymmetry that exists between Big Techs and traditional financial market participants has the potential of negatively impacting the financial sector and distorting healthy economic competition at large.

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Furthermore, Big Tech's data advantages and influence on the data market can give rise to asymmetries in the data economy resulting in fragmentation and uneven allocation of costs across the data value chain. This can also have an impact on wholesale markets.

In addition, AFME views that the adoption of new technologies such as AI, that require vast amounts of data for optimal performance, is an area where competition in wholesale markets which may be impacted by data asymmetry. For instance, the volume of data required to train foundation AI systems, challenges the commercial viability for financial institutions to create such systems in-house and therefore will be required purchase foundation models from a third-party provider, most likely a Big Tech.

#### b. Comparison with issues in retail markets

While there is less evidence of Big Tech firms entering wholesale financial markets compared to retail financial markets, policies should safeguard competition between sectors and maintain a level playing field in view of potential future market developments.

#### c. Expansion of existing work to include wholesale markets

We support the FCA to expand its existing work to include wholesale markets. We believe that additional impact analysis is required in this area and stand ready to support and engage with policymakers.

### **Q3: Are there regulatory (or other) constraints that mitigate or prevent: a. the asymmetry of data between Big Tech firms and other firms in financial services, or b. the adverse impact of this data asymmetry on competition?**

We do not view there are regulatory (or other) constraints that mitigate or prevent the asymmetry of data between Big Tech firms and (wholesale) financial services firms. In fact, we view that the financial services sector follows stricter regulation across the board which may lead to constraints which increase data asymmetry and reduce competition.

We note that in general the level of regulation for financial services is more sophisticated compared to that of Big Tech, given the incumbent history of financial services and the refinement of the regulatory framework in the last 15 years following the Global Financial Crisis. For example, financial services are clearly defined and regulated under the existing policy framework, whereas Big Tech services are not generally. This can pose challenges in terms of horizontal data sharing, as creating policies to require financial services to share their data on legally defined and regulated activities is easier than obliging Big Tech firms to share data on undefined and unregulated activities.

With regards to data sharing initiatives, the lack of definition of the boundaries of data usage across sectors can give rise to an unlevel playing field. The potential for Big Tech to be able to combine data in such a way that other market participants cannot, will perpetuate data asymmetry if there are no provisions to account for Big Techs' role and influence in data markets and the data economy.

In addition, we note a multitude of financial services-specific rules that apply to the sector, including the Senior Managers and Certification Regime, which do not per se deal with the direct provision of services but rather with governance and conduct; there are no current equivalent rules applying to Big Tech firms despite their market size and influence. While we remain strongly supportive of enhanced conduct and governance regimes, we also believe that the financial services sector on the whole bears a greater cost of regulation compared to Big Tech firms, and this can also directly or indirectly impact firms' investments in and appetite for new business innovation.

**Q10: We welcome information on how partnerships between Big Tech firms and financial services firms have evolved, the potential benefits they bring, and any potential competition concerns.**

While we outline potential concerns for competition between the financial services and Big Tech firms above, we also view that there is strong evidence of cooperation and collaboration between the sectors leveraging their unique strengths which have delivered on beneficial public policy and social outcomes, including advancing ESG capabilities, digital innovation and financial inclusion. Nonetheless, where financial services and tech firms are in cooperation with each other, it is imperative for both to be clear about the responsibilities and regulatory expectations around compliance, internal controls, risk management, business initiatives and other measures (e.g. use of AI, use of data, cyber security, etc).