Are FinTechs hindered by supervisory fees in the Netherlands?

The impact of supervisory fees on FinTech businesses in the Netherlands

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Building a better working world

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1.
Introduction

Over the past ten years, FinTech companies have become an integral part of the worldwide financial services industry, creating a more innovative, competitive and transparent sector. FinTechs can be defined as organizations that are combining innovative business models and technology to enable, enhance and/or disrupt financial services. The FinTech population is diverse, covering a broad spectrum of activities related to financial services. For example, some FinTechs operate as full challenger banks, while others concentrate on a small part of a value chain, e.g. credit risk scoring. In addition, FinTech is representing subdomains such as InsurTech and RegTech. What most FinTechs have in common is their focus on innovation and technology and their start-up size and nature.

Part of the FinTech sector falls under financial service supervision. In the Netherlands this supervision is carried out by two entities: the Dutch central bank (DNB) for prudential supervision and the Dutch Authority for the Financial Markets (AFM) for behavioral supervision. Financial institutions under supervision pay a yearly supervisory fee to cover the costs of supervision. These fees are separate from the initial fee that financial institutions pay in order to obtain a license. The supervisory fee construction is governed by the Financial Supervision Act (Wbft), which has been in place since 2013.

The Netherlands Authority for Consumers and Markets (ACM) has received information that the supervisory fees for FinTechs could be disproportional compared to the size of their business. These fees could have a significant impact on FinTechs' balance sheets, and could lead to a competitive disadvantage compared to larger organizations in the financial services sector. As a result, FinTechs might be hesitant to start a business in the Netherlands, or experience slower growth and development of their business. This triggers the following question:

Research question

To what extent do supervisory fees impact the entrance or growth of FinTech businesses in the Netherlands?

To answer this question, EY conducted a study commissioned by the ACM from August to October 2017. This study addressed four topics:

1. Which part of the Dutch FinTech population encounters supervisory fees?
2. How do supervisory fees for small firms compare to supervisory fees for large firms in the Netherlands and in other European countries?
3. Which factors do FinTechs consider when choosing their business location?
4. Which factors influence the growth of FinTechs located in the Dutch financial market?

This research includes a quantitative investigation of supervisory fees in the Netherlands compared to nine other European countries, including an analysis of the impact of company size. EY also conducted a series of interviews with FinTechs and other key stakeholders in the Netherlands focusing on factors impacting FinTech entrance and growth (see box 1 for the research methodology).

Key findings

This research study shows that supervisory fees do not have a significant impact on the entrance or growth of FinTech businesses in the Netherlands. Within some sectors however, the supervisory fees have a higher impact on balance sheets of smaller firms compared to larger firms.

Box 1. **Research methodology**

I. Quantitative investigation of supervisory fee constructions
The supervisory fee constructions in the Netherlands and nine other European countries are analyzed per sector to investigate differences between small and large firms and between countries. This quantitative investigation consisted of the following steps:

1. Information concerning each country's supervisory fee construction was gathered from publicly available resources. These were clarified by EY specialists in the local markets
2. For a hypothetical "small" and "large" firm in the banking, insurance and payments sectors in all countries, the corresponding supervisory fee was calculated. We used annual reports to determine appropriate balance sheet sizes for "small" and "large" firms in each sector (based on the lowest and highest pricing bands in the supervisory fee constructions) and validated these with the Dutch supervisor. For each country, the resulting supervisory fees were validated by EY specialists in the local markets (UK as exception with no local confirmation)
3. Within the Netherlands, supervisory fee constructions were compared per sector. We analyzed absolute amounts (i.e. euro) and relative impact (i.e. supervisory fees as percentage of a firm's balance sheet) for small and large firms and all firm sizes in between. Moreover, for each sector the scope of all bands in their respective digressive construction were taken into account, to analyze the effect of the transfer from one band to its successor
4. Dutch results for small and large firms were compared with supervisory fee constructions and actual amounts in nine European countries

II. Interviews with FinTechs and other stakeholders
We conducted interviews with ten FinTechs and five stakeholders in the financial sector and FinTech environment to obtain insights in the impact of supervisory fees on strategic decisions regarding business location and growth.

Interviews were held with FinTech founders, owners and/or senior officers. The ten FinTechs existed of organizations in different stages in their development and in different geographies:

- Four start-up FinTechs that are only active in the Dutch market
- Three established FinTechs that have grown their business expanding from the Dutch market to other European countries
- Two established FinTechs that have expanded into the Netherlands from another European country
- One established FinTech that is active in various European markets, but not in the Netherlands

The five stakeholders that were interviewed represented different perspectives on the FinTech environment and supervision:

- Amsterdam city council
- Dutch Ministry of Finance
- Holland FinTech
- DNB
- AFM

2.
Analyzing the population

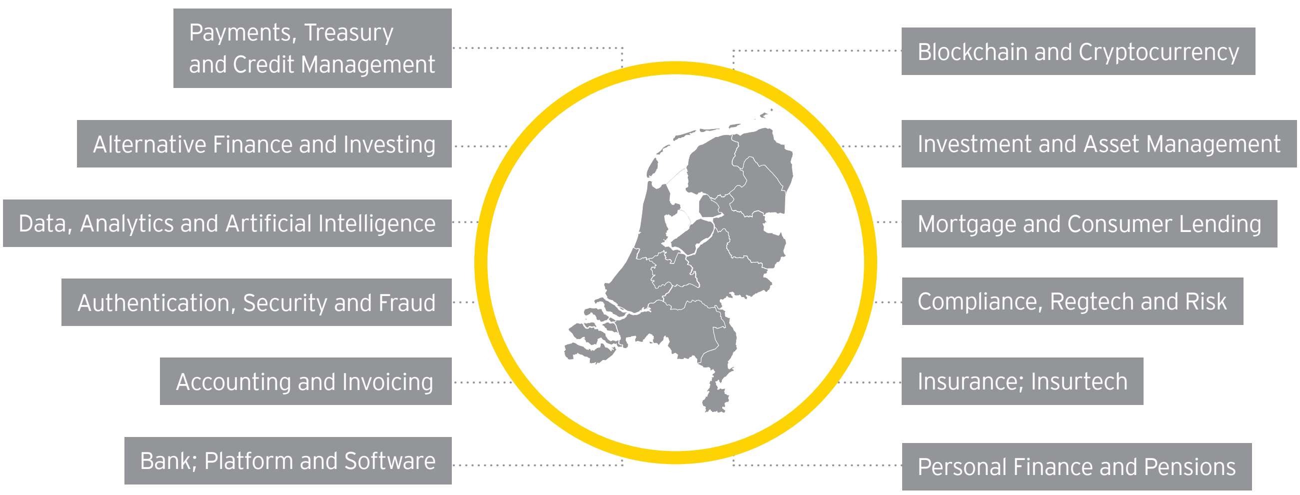
As FinTechs cover a broad spectrum of activities and not all activities in the financial services sector are regulated, not all FinTechs are affected. Currently the FinTech landscape in the Netherlands consists of approximately 350 FinTech companies. These firms can be divided into twelve categories (see figure 1).

Not all FinTech firms fall under DNB or AFM supervision. Organizations that manage and/or process money for others, and organizations that are selling products or services that have a degree of financial risk for the users fall under supervision of DNB and AFM and are thus required to have a license and pay supervisory fees. FinTechs that operate in the non-licensed space of the financial services landscape offer for example financial planning support to customers, technical solutions/platforms or execute credit scoring for other financial institutions.

FinTechs with innovative ideas start-up every day. Some activities may not be easy to classify as requiring supervision or not. If it is unclear whether a license is required, the supervisor will discuss and assess these activities. This could result in exemptions, amended licenses or a ban on the activities. One example is crowdfunding. For lending and equity-based crowdfunding regulation has evolved in the last few years. Specific regulation is not yet available for donation and reward based crowdfunding[2].

Even non-licensed firms will experience certain features related to the supervision of the financial services sector. For example, non-licensed firms could have regular contact with the supervisory bodies in the financial services sector, because they play a crucial part in the value chain of a licensed organization. Also, a licensed organization could pose certain demands on its suppliers related to its own regulatory obligations.

Figure 1: The Dutch FinTech environment
Visualization of the Dutch FinTech landscape



[1] *Dutch FinTech Landscape Version 3.0 (https://hollandFinTech.com/wp-content/uploads/2016/11/HollandFinTech_DutchInfographic3.01.jpg)*

[2] *https://www.afm.nl/nl-nl/professionals/doelgroepen/crowdfundingplatformen/vergunning-vereisten/vergunning*

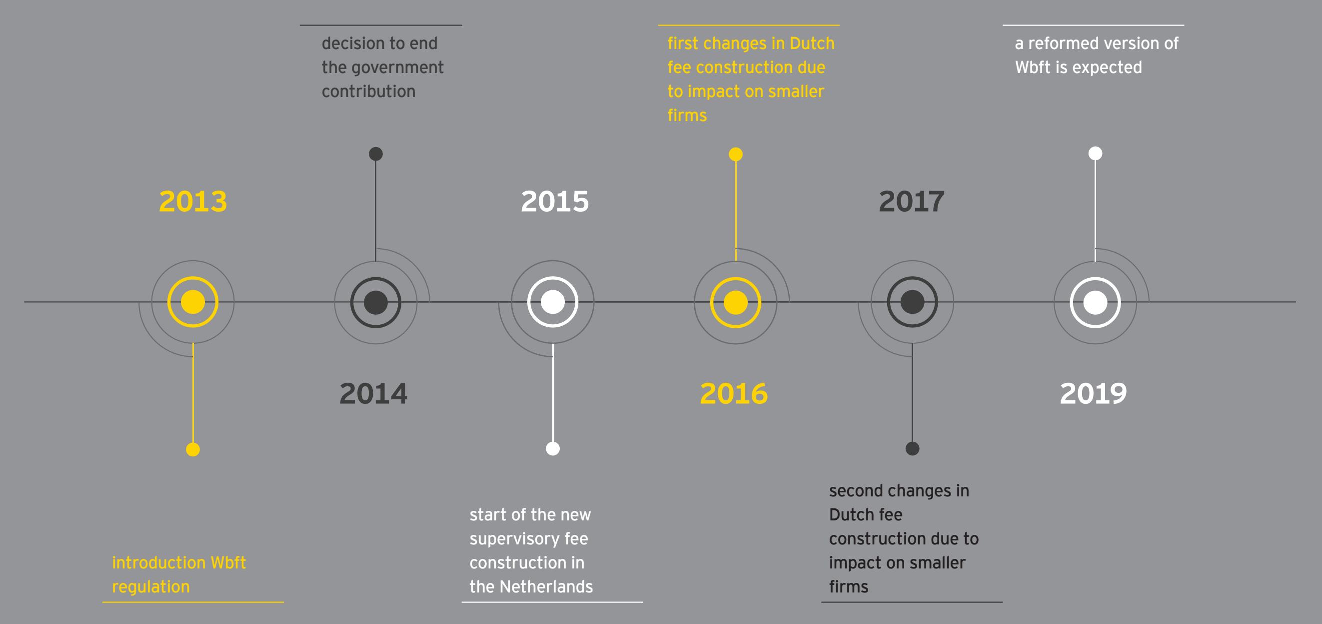
3.

Comparing supervisory fees for small and large firms

Comparison within the Netherlands
In the Netherlands, supervision is carried out by DNB and AFM. Since 2015, the operational costs of these two supervisory bodies are financed through fees, fines and penalties paid by the financial service organizations which fall under supervision. An exception is supervisory activities in the BES islands (Bonaire, Saba and St. Eustatius), these are mainly financed by the Dutch government. The allocation of the total supervisory costs is regulated by act, which is accorded by the parliament. The Minister of Finance, with input from the supervisors DNB and AFM, determines for each sector how much each firm in that sector contributes by means of a yearly supervisory fee. These supervisory fee constructions are built on a digressive basis, where larger companies pay a higher absolute supervisory fee, but a lower relative supervisory fee in terms of percentage of its balance sheet. The reasoning behind this is that the supervision of small firms requires relatively more effort than the supervision of large firms. Nevertheless, supervisory fees also need to incorporate the ability for small firms to bear the cost in order to maintain a level playing field and not create unnecessary boundaries for small firms entering the Dutch market.

The current supervisory fee construction is the result of several changes since 2013. Before 2013, supervisory cost constructions were governed by multiple laws. Each law defined which part of the supervision costs was paid for by the government and which part was financed by a specific financial sector. In 2013, the Financial Supervision Act 'Wet bekostiging financieel toezicht' (Wbft) was put in place. In the first two years after the introduction of the Wbft, there was still a government contribution to cover supervisory costs. In 2014, the Dutch legislator decided to end its contribution starting from January 2015. The main reason behind this was that the financial sector itself is the core beneficiary of supervision. The ending of government contribution also resulted in the side-effect that this provided the opportunity to save approximately 40 million euro of tax money per year. This change meant that Dutch financial market organizations fully financed supervision costs. The impact of this decision was felt by all market players and had a particularly large impact in the payments sector, since this sector had a government contribution of approximately 80% until 2015. To mitigate the impact on this sector, the supervisors have adjusted their supervisory fee constructions on a yearly basis since 2015 to lower the impact on smaller firms, especially for the payments sector (see figure 2).
For 2019 new adjustments to the regulations are expected.

Figure 2: Development of supervisory fee constructions in the Netherlands



Based on the 2017 supervisory fee construction, we have calculated supervisory fees for three financial service sectors (banking, insurance and payments) for a range of companies from small to large in terms of balance sheet. The results are displayed in figures 3 and 4.

Figure 3 clearly shows that a larger firm is required to pay higher supervisory fees in absolute amounts than a smaller firm. This is the same for all three sectors. Figure 3 also demonstrates that the growth rate of the supervisory fee gradually slows down, illustrating the digressive aspect of the supervisory fee construction in the Netherlands.

Figure 3: Supervisory fees in banking, insurance and payments

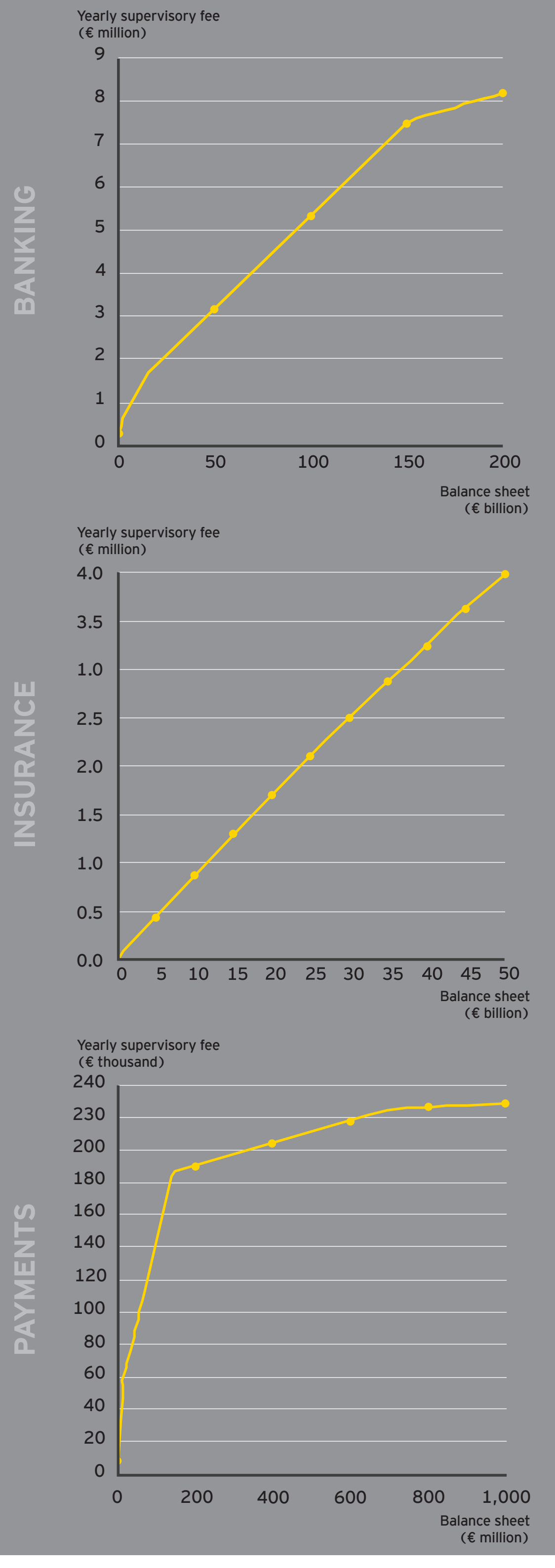
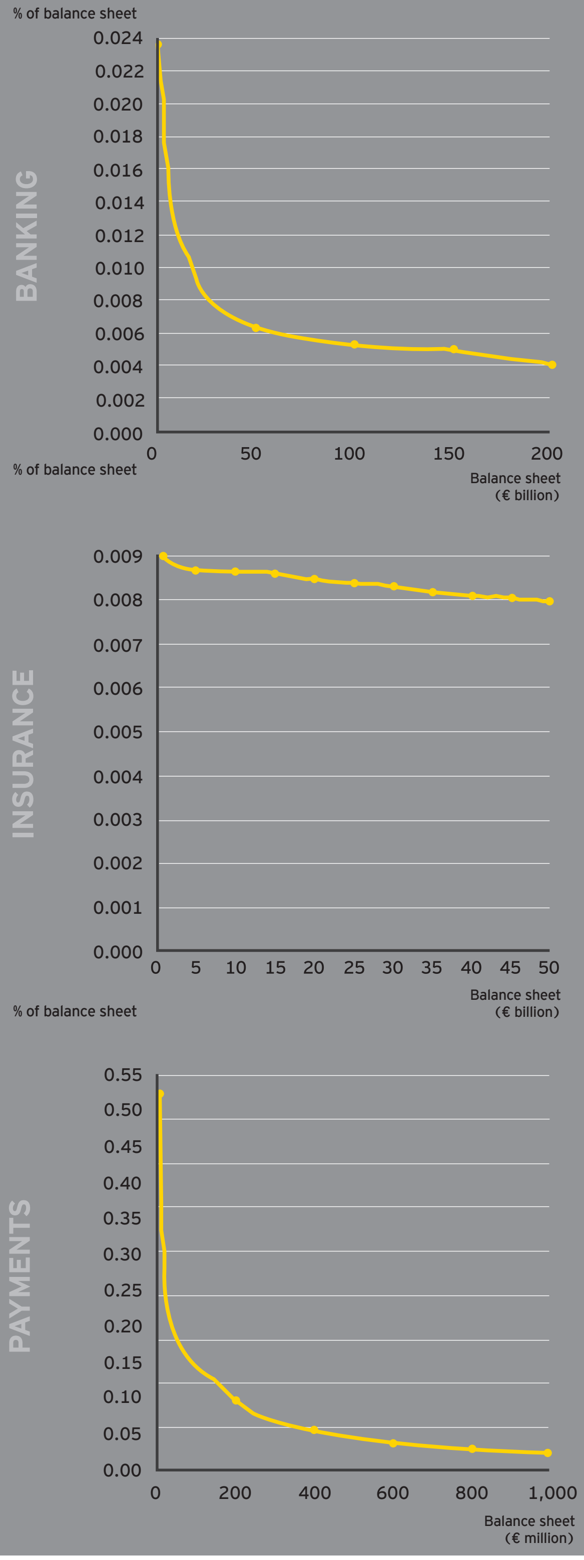


Figure 4 illustrates that supervisory fees for small firms are generally higher in terms of balance sheet impact, compared to those for large firms. This underlines the digressive nature of the Dutch supervisory fee construction. However, the differences between sectors are quite significant (see figure 5). We have drawn out the difference between the lowest ("small firm") and the highest ("large firm") pricing bands of the different fee constructions. The smallest difference is in the insurance sector, where a small firm pays 0,009% of its balance sheet and a large firm pays 0,008%. In contrast in the banking sector, a small firm pays 0,024% of the balance sheet and a large firm pays 0,004%. The supervisory fee therefore has 6 times more impact on a small firm. For payments firms, a small firm has a supervisory fee impact of 0,5%, while a large firm has a supervisory fee impact of 0,02%. Therefore, the supervisory fee impact on a small payments firm is 25 times higher than the impact on a large payments firm. On top of this, small payments firms pay more in terms of their balance sheet (0,5%) than small banking (0,024%) or insurance firms (0,008%).

Figure 4: Supervisory fees as percentage of a firm's balance sheet for banking, insurance and payments



Comparison between supervisory fee constructions across Europe

When comparing the Dutch fee constructions with those of nine other European countries, the major finding is that supervisory fee constructions differ between countries, and between sectors within countries. There are common elements in the way fees are calculated, but the general picture is a collection of individual constructions per sector per country (see Table 1).

One of the differences between the supervisory constructions is the use of a fixed fee versus the use of a variable fee, combinations also occur. In this perspective, Switzerland is one of the few countries that maintains only a fixed fee for a small and large firm in each sector. France on the other hand uses in each sector a percentage of that sector's basis (capital requirements or insurance premiums) to calculate the supervisory fee for a firm. In the Netherlands a combination of variable and fixed fees is applied.

Another difference is the use of pricing bands. Pricing bands are used in the Netherlands and UK. The Dutch system has a digressive character which means that pricing band percentages decrease as the balance sheet increases, while the UK has a progressive character where the pricing band percentages show a slight increase when the modified eligible liabilities increase. Similar to the Netherlands, most countries have different supervisory fee constructions for the three different sectors (banking, insurance and payments). A noticeable example is Portugal, where only the insurance sector has to pay supervisory fees and banking and payments do not. Although different constructions per sector occur in most of the ten countries, Ireland is an exception. The framework for calculating the supervisory fee is similar across all three sectors. The impact score, i.e. the impact that bankruptcy of a firm ("default") might have on the economy, is the parameter used in all three sectors. The only difference per sector is the supervisory fee amount connected to each impact score level.

Most of the ten countries do not have a government contribution to finance the supervision costs. The costs of supervision are charged annually to the financial sector itself, as is the case in the Netherlands. In Belgium, a firm pays the supervisor the exact amount of the costs the supervisor incurred that year supervising that particular firm. The only countries with government contribution are Portugal and Poland. In Portugal no supervisory fee is charged to the banking and payments sector, whereas the insurance sector does have a supervisory fee. The national supervisor, Banco de Portugal, finances these costs through management of the Portuguese gold reserves and its own asset portfolio. In Poland the difference between total expenses and total income (mainly supervisory fees) is covered by the government.

Figure 5: Supervisory fees as factor of small vs large for banking, insurance and payments

The balance sheet sizes of small and large firms for each sector were determined by taking the average balance sheet for a number of small and large firms in each sector.

	Banking	Insurance	Payments
Small firm	€1 billion balance sheet: 0,024%	€1 billion balance sheet: 0,009%	€1,5 million balance sheet: 0,5%
Large firm	€200 billion balance sheet: 0,004%	€50 billion balance sheet: 0,008%	€1 billion balance sheet: 0,02%
Factor difference	**6**	**1**	**25**

Table 1: Comparison of supervisory fee constructions across Europe

	Supervisory fee construction			
Country	**Banking**	**Insurance**	**Payments**	**Government contribution**
Belgium	▸ Initial pay of 90% of previous year costs of supervision: ▹ Fixed fee ▹ Systemic risk fee based on balance sheet ▸ End year actual supervision cost per specific firm are calculated and settled	▸ Initial pay of 90% of previous year costs of supervision: ▹ Fixed fee ▹ Systemic risk fee based on balance sheet ▸ End year actual supervision cost per specific firm are calculated and settled	Fixed fee depending on the firm's amount of equity	No
Germany	Determined by calculating the proportion between the total amount of the balance sheet of the concerned organization and the total amount of the balance sheets of all organizations for which the supervisory fee is applicable	Determined by calculating the proportion between the total amount of received gross premiums of the concerned organization and the total amount of the received gross premiums of all organizations for which the levy is applicable.	Determined by calculating the proportion between the total amount of the balance sheet of the concerned organization and the total amount of the balance sheets of all organizations for which the supervisory fee is applicable	No
Finland	▸ Fixed fee ▸ Fixed percentage of the balance sheet	▸ Fixed fee (same for all sizes) ▸ Fixed percentage of the balance sheet (same for all sizes)	▸ Fixed fee (same for all sizes) ▸ Fixed percentage of the balance sheet (same for all sizes)	No
France	Fixed percentage of a firm's capital requirements	Fixed percentage of a firm's total insurance premiums	Fixed percentage of a firm's capital requirements	No
Ireland	Fixed amount depending on the impact score of a firm (the impact default might have on the economy)	Fixed amount depending on the impact score of a firm (the impact default might have on the economy)	Fixed amount depending on the impact score of a firm (the impact default might have on the economy)	No
The Netherlands	▸ Fixed fee ▸ Cumulated amount of all applicable bands: ▹ Each band defined by a firm's MTV (minimum size qualifying capital) ▹ Band rates gradually decrease	▸ Fixed fee ▸ Cumulated amount of all applicable bands: ▹ Each band defined by a firm's premium income ▹ Band rates gradually decrease	▸ Fixed fee ▸ Cumulated amount of all applicable bands: ▹ Each band defined by a firm's commission income ▹ Band rates gradually decrease	No
Poland	Fixed percentage of balance sheet total	Yearly calculated weighted rate of the premium income reduced by the correction coefficient of the premium income	Fixed percentage of total amount of payment transactions	Yes
Portugal	No fee is charged	Fixed percentage of the total revenue processed	No fee is charged	Yes
Switzerland	▸ Fixed amount for small banks ▸ Fixed amount for large banks	▸ Fixed amount for small insurance companies ▸ Fixed amount for large insurance companies	▸ Fixed amount for a payment firm below a specific gross profit amount ▸ Fixed amount for a payment firm above that specific gross profit	No
United Kingdom	▸ Band withs defined by a firm's Modified Eligible Liabilities (MELs) ▸ Rate per band increases on a graduate basis	▸ Fixed percentage of a firm's Gross premium income (GPI) ▸ Pixed percentage of a firm's Gross technical liabilities (GTL)	▸ For a small payment firm a fixed fee ▸ For a large payment firm a fixed percentage of a firm's relevant income	No

Comparison of supervisory fee amounts across Europe

For this report EY compared the actual amounts of supervisory fees for the three sectors (banking, insurance and payments). The analysis was done for a hypothetical small and large firm across eight countries, including the Netherlands. The results are shown on the next page in figures 6, 7 and 8 and display supervisory fees as a percentage of a firm's balance sheet.

Belgian and German supervisory fees could not be included in this quantitative analysis as the Belgian system is based on paying actual costs. There are several variables influencing actual supervisory effort and hence actual supervisory costs; it is not possible to determine a fee for a hypothetical firm based on firm size only. For the German supervisory fees, firms pay part of the total supervisory costs relative to their market share. Since our analysis is based on firm size and does not incorporate market share, German fees cannot be calculated.

For the banking sector the supervisory fee impact on a small firm is highest in Poland and the Netherlands compared to the other countries (see figure 6). For a large firm, the impact is higher in Poland compared to the other seven countries. Looking at the difference in impact for a small or a large firm, Switzerland and the Netherlands score highest with a factor six (meaning the impact of supervisory fees on a small firm is six times higher than on a large firm) compared to an average impact of factor one for the other countries.

In the insurance sector the impact of supervisory fees on small and large firms is less pronounced (see figure 7). The impact on a small firm in the Netherlands is average compared to the other countries with 0,009% impact of supervisory fees on the balance sheet. For a large firm, the supervisory fees are highest in Portugal and Finland with impact percentages of 0,017% and 0,011% of the balance sheet respectively. When these impact percentages for the small and large firm are compared to each other for each country, most of the countries have a factor of approximately one. This means that the impact of supervisory fees on a small firm is roughly equal to the impact of supervisory fees on a large firm. The exception for the insurance sector is Switzerland. In Switzerland, for both a small and a large firm, the impact of the supervisory fees on the balance sheet is very low compared to other European countries. Although this impact is small, the impact of the supervisory fees on a small firm's balance sheet is twice as big as the impact on a large firm's balance sheet. The opposite is the case in Ireland, where the impact of the supervisory fee on the large firm's balance sheet is five times higher than the impact on the small firm's balance sheet.

For the payments sector, figure 8 shows that the impact of supervisory fees in Switzerland is quite high. Not only is the impact on a small firm seven times higher and on a large firm more than two times higher than in the Netherlands, the impact of supervisory fees on a small Swiss firm is also 400 times higher than the impact of supervisory fees on a large Swiss firm. The reason for this is the fixed fee construction in Switzerland resulting in a proportionally high fee for a small payments firm compared to the proportionally low fee for a large payments firm. When comparing the Netherlands with the other countries, the impact on both a small and large firm's balance sheet is quite high. The impact of supervisory fees on a small firm's balance sheet is 25 times higher than the impact of supervisory fees on a large firm. This factor 25 is however comparable to the seven other European countries in our analysis. The United Kingdom shows a factor 40 and Finland a factor 45, not to mention the factor 400 in Switzerland.

Figure 6: Supervisory fees in the banking sector compared across Europe (supervisory fee as percentage of a firm's balance sheet)

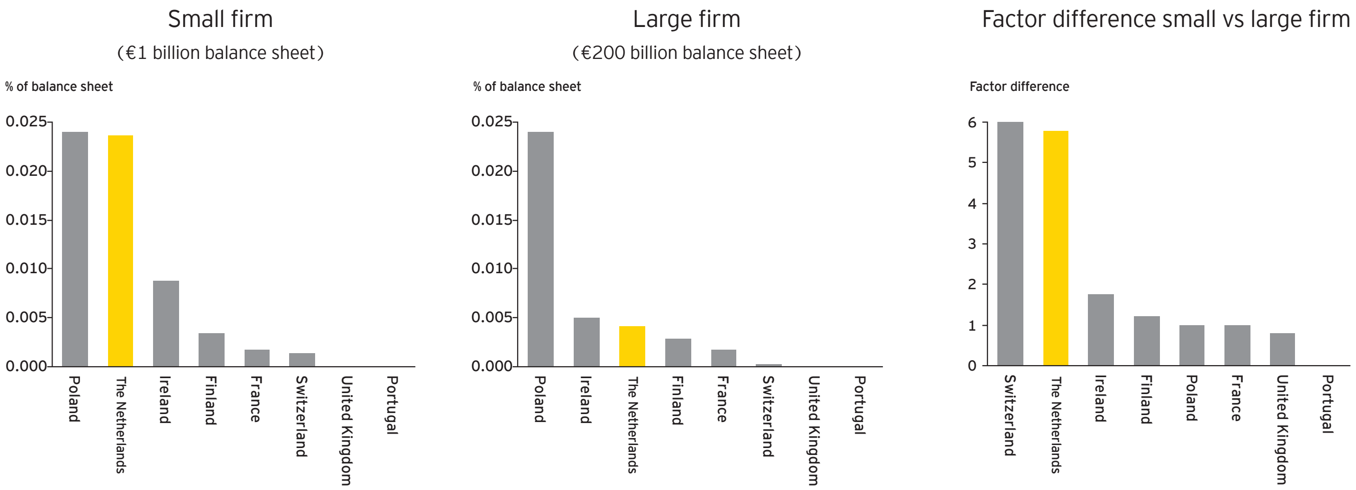


Figure 7: Supervisory fees in the insurance sector compared across Europe (supervisory fee as percentage of a firm's balance sheet)

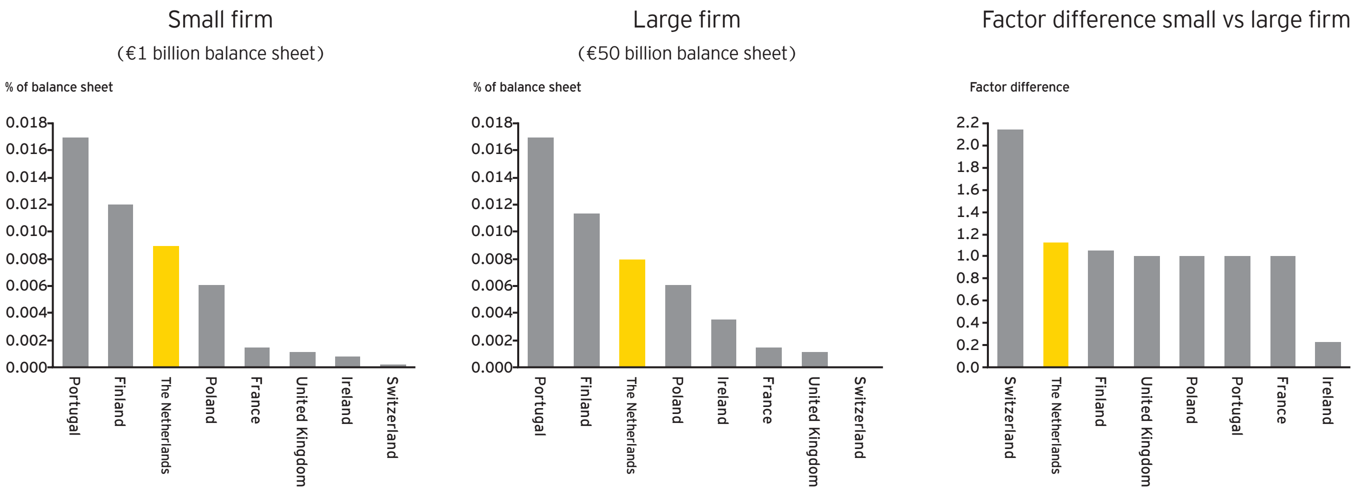
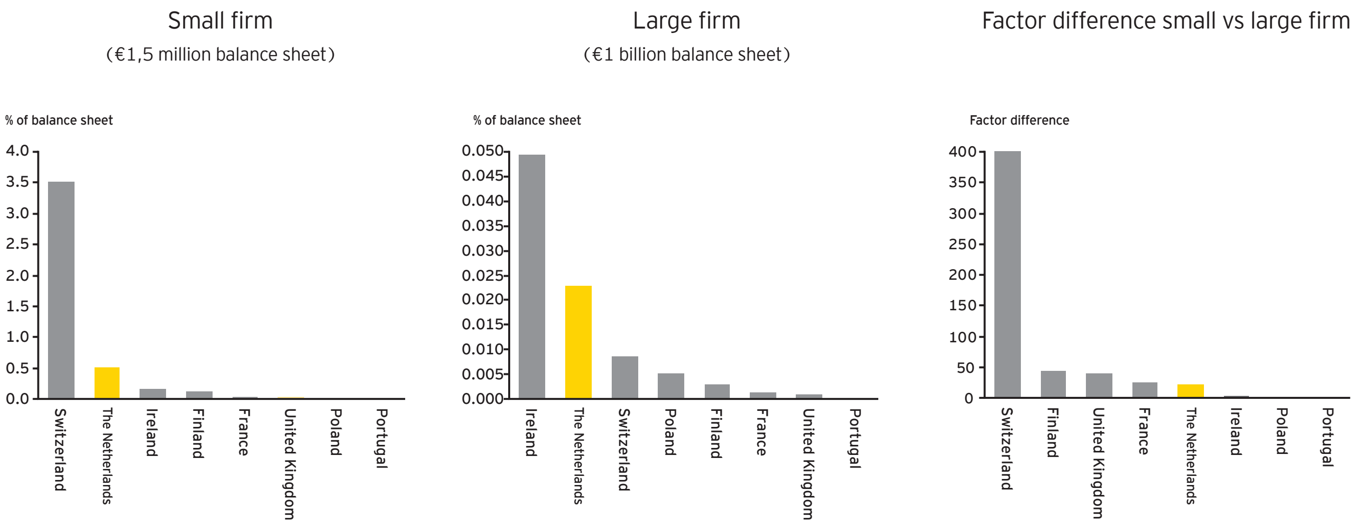


Figure 8: Supervisory fees in the payments sector compared across Europe (supervisory fee as percentage of a firm's balance sheet)



4.

Factors influencing business location

Previous EY research shows that FinTechs carefully consider the "ecosystem" they will operate in, as it is this ecosystem that will determine whether their business will thrive or not. The FinTech ecosystem consists of four main factors that influence location decisions: talent, demand, policy and capital (see figure 9). Supervisory regime and related supervisory fees fall under the Policy factor. However, the interviews with ten FinTechs (see box 1) suggest that supervisory fees do not play a large role in location decisions. One FinTech argued that supervisory fees should not have an impact on a business model as they are minimal compared to other costs a company has to make.

Another FinTech respondent commented that supervisory fees do not influence their strategical decisions, it is just the "cost of doing business." As exception, one FinTech stated that the end of government contribution in 2015 had a major impact on the supervisory fee amount it had to pay, but the firm also saw in 2016 and 2017 that the supervisors adjusted their construction to reduce the supervisory impact on small payment firms. Instead of the supervisory fee, FinTechs reported they consider other aspects, mainly talent and demand. For example, one of the interviewed FinTechs stated that their main goal in the Netherlands is to find high level developers and that the main other location which provides such talent, is San Francisco. Also, a FinTech stated that they looked at the demand in the Dutch market and argued whether they could get enough market share with their business model. One of the other FinTechs summed up its decision to enter the Dutch market as follows: "highly educated people, a digital infrastructure, low costs to establish operations and good regulations to protect consumers, but also no off-balance regulatory aspects that could damage the company's reputation when they are not fully met".

Talent

Talent is a key factor when considering location, whether it is immediately available or in the pipeline. FinTech companies are not only interested in a high level of technical and financial service talent, but also the likelihood that future talent will be available. The ability to attract foreign talent is also a major factor for FinTechs when choosing a location.

Policy

Policy concerns the regulatory regimes, government programs and taxation policy. Here, both the rules and regulations are important to ensure a 'clean' market and level playing field, but also flexible supervision which is open to the new FinTech way of working.

Demand

Demand means that in the country of establishment a FinTech's services and solutions are required in that country's financial market. FinTechs will establish their business in an environment where consumers need their product or service and financial institutions want to adapt their business.

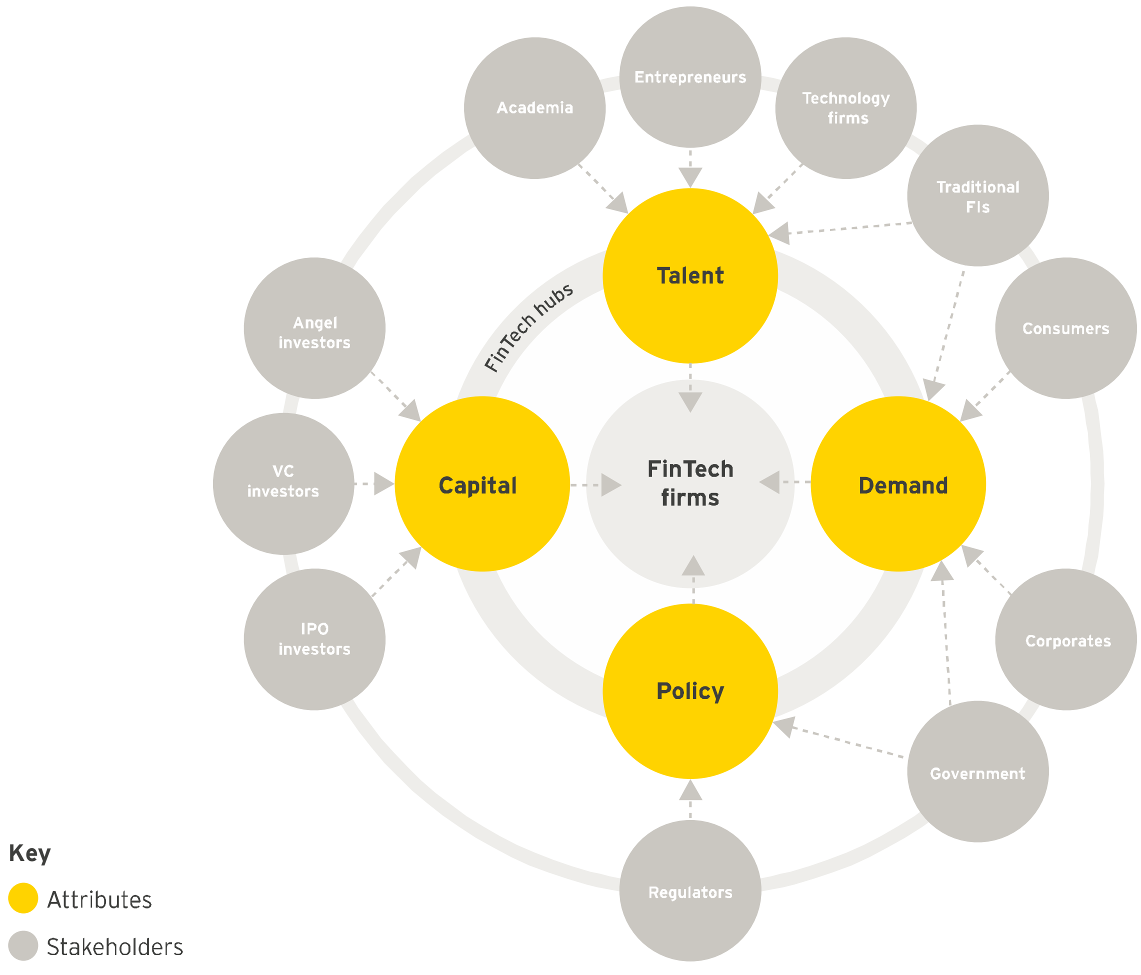
Capital

Capital entails the ability to obtain start, growth or listed capital. If these types of capital are not available, this provides a very high risk environment for FinTechs to establish themselves. Without access to capital FinTechs will not be able to enter the market.

The interviews also suggest that the indirect cost of supervision may be more important than direct supervisory fees. These indirect costs are the costs that are encountered by complying to both regular and thematic supervision information requests, e.g. in FTE and time spent on regulatory reporting. Especially in relation to the thematic supervision, most FinTechs found the procedures inefficient and lacking transparency with regard to why certain information is requested. Complying with and delivering the requested information demands many employee hours and effort from the FinTechs. Some FinTechs commented that they feel they should have given this more consideration when making their location decision.

Nevertheless, the majority of FinTechs interviewed for this study also expressed positive elements of the Dutch supervisory system. Although the high level of regulation in the Netherlands imposes direct and indirect supervisory costs, FinTechs commented it also results in a clean financial market and the exclusion of unstable and dubious organizations. They feel that complying with Dutch regulations sends a positive signal to customers that a particular FinTech company is financially stable and a trustworthy actor. Furthermore, FinTechs are also appreciative of the open two-way communication with DNB and AFM. Both supervisors are receptive to input and feedback from the FinTech market and adapt their supervision where appropriate.

Figure 9: The FinTech ecosystem [3]



[3] *UK FinTech on the cutting edge: An evaluation of the international FinTech sector, 2016*
http://www.ey.com/Publication/vwLUAssets/EY-UK-FinTech-On-the-cutting-edge/%24FILE/EY-UK-FinTech-On-the-cutting-edge.pdf

5.

Factors influencing FinTech growth

Previous EY research on the ecosystem that determines whether FinTechs thrive or not shows, that the same four factors that influence location decisions, also influence growth: talent, demand, policy and capital (see also figure 9).

First, talent has to be present in the environment the FinTech decides to grow in. This factor was also underlined by the five interviewed stakeholders (see also box 1), where one stakeholder stated that the major factor for FinTechs when choosing their business location is the ability to recruit high level talent. Furthermore, the demand for a FinTech's services has to be high enough to grow their market share or expand business to another European financial market. Policy factors, e.g. tax and regulations, need to be supportive of, rather than hinder, FinTech growth. Finally, sufficient capital needs to be present in the market if growth ambitions are to be fulfilled.

The interviews with ten FinTechs (see also box 1) suggest that supervisory fees are not considered to be hindering FinTech growth. Similar to the location decision, FinTechs commented that supervisory fees are part of their "cost of doing business" and that the amounts and time spent on regulatory requirements generally do not stand in the way of their innovation or business development activities.
Also, FinTechs commented that they feel they get something in return for the supervisory efforts and costs. This includes a clean financial market, the exclusion of unstable and dubious organizations and a trustworthy image with customers and business partners. This came forth in the interview with one of the five stakeholders who stated that: "Supervision is seen by FinTechs as strict, but companies do not perceive that as a negative factor. Most companies prefer a firm regulator."

Finally, the FinTechs mentioned passporting as an enabler for growing business in the European Union (EU). The EU's financial passporting system has been set up to support the EU single market. Through passporting, financial firms are allowed to set up new branches of their business in other EU countries without having to go through the licensing process for those countries, except for specific additional local requirements. This means that supervisory fees only play a role in the countries where FinTechs initially started their business. FinTechs also pointed out that through passporting, the typically long and costly licensing process for each individual country can be avoided.

6.
Summary of results

To what extent do supervisory fees impact the entrance or growth of FinTech businesses in the Netherlands?

This research study shows that supervisory fees do not have a significant impact on the entrance or growth of FinTech businesses in the Netherlands. Within some sectors however, the supervisory fees have a higher impact on balance sheets of smaller firms compared to larger firms.

1. Which part of the Dutch FinTech population encounters supervisory fees?	Part of the FinTech population in the Netherlands is affected, as not all activities in the financial services sector fall under supervision. Organizations that manage and/or process money for others, and organizations that are selling products or services that have a degree of financial risk for the users fall under the supervision of DNB and AFM and are thus required to have a license and pay supervisory fees.
2. How do supervisory fees for small firms compare to supervisory fees for large firms in the Netherlands and in other European countries?	Of the firms required to pay supervisory fees, small firms pay lower supervisory fees than large firms in absolute amounts. However, in relative terms supervisory fees for small firms are higher than for large firms, this is due to the digressive nature of the Dutch supervisory fee structure. There is also a large difference between the banking, insurance and payments sectors. In the insurance sector, the difference between small and large firms is small. Whereas in the banking sector, the impact of supervisory fees on the balance sheet of a small firm is 6 times higher than the impact on the balance sheet of a large firm. The biggest difference is in the payments sector, where the supervisory fee impact for a small firm is 25 times higher than for a large firm. A comparison of the Dutch fee constructions with those of nine other European countries shows that supervisory fee constructions differ between countries, and between sectors within countries. There are common elements in the way fees are calculated, but the general picture is a collection of individual structures per sector per country. Comparing the impact of supervisory fees on the balance sheet of small and large firms our European analysis also reveals sector differences. In the insurance sector, the Netherlands and most of the other countries' supervisory fee has a roughly equal impact on a small firm compared to the impact on a large firm. Whereas in the banking sector, the impact difference of supervisory fees on a small firm compared to a large firm in the Netherlands is high compared to most other countries. The payments sector has the highest difference, where the impact of supervisory fees on a small firm's balance sheet is much higher than the impact of supervisory fees on a large firm. Nevertheless, the impact difference in the Netherlands is average compared to the other European countries in our analysis.
3. Which factors do FinTechs consider when choosing their business location? 4. Which factors influence the growth of FinTechs located in the Dutch financial market?	Despite the amounts to be paid, the interviews indicate that FinTechs do not consider supervisory fees a factor in their strategic decision making. They report other factors, such as talent and demand as the main drivers for entrance or growth in a market. Nevertheless, FinTechs commented they are spending a considerable amount of time and effort on complying with rules and regulations. They also feel they get something in return, such as a fair financial market, the exclusion of unstable and dubious organizations and a trustworthy image with customers and business partners. In addition, the current supervisory regulations enable passporting, allowing financial firms to set up new branches of their business in other EU countries without having to go through the licensing process for those countries, except for specific additional local requirements.

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