KPMG

The Netherlands: Europe's number one payments and e-money fintech hub?

March 2022

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Management summary

The European Commission's ambition for Europe "to become a global hub for fintech" is taking shape. Over the past five years, between 2017 and 2021, 852 firms were granted authorisation as a PI, EMI or AISP in the EEA. Europe is home to some renowned emerging giants (e.g. Adyen, Klarna and Revolut) and bigtechs (i.e. Google and Facebook) entering the European financial services domain. If we examine data on the countries that granted these 852 authorisations, we see that some EU countries outperform others in attracting local and foreign fintechs. Why is that, and how does the Netherlands compare to other EU countries in this respect?

Our research is based on the European Banking Authority (EBA) register: we examine the registrations of licensed payment and e-money institutions to analyse European countries and their fintechs. Based on our vast experience with supporting new entrants to set up their payment and e-money businesses across Europe, we then explore five key factors on which fintechs generally base their EU domicile decision: (i) access to knowledge and talent, (ii) digital savviness, (iii) access to funds and tax implications, (iv) market adoption of digital payments, and (v) ease of the application process. This analysis results in the following insights:

Market-entry numbers

The 852 firms that were granted authorisation as a PI, EMI or AISP in the EEA over the past 5 years can be broken down as follows:

530 firms **(62%)** were granted **Payments Institution** (PI) authorisation.

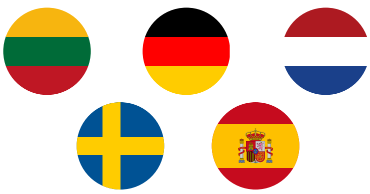
219 firms **(26%)** were granted **Electronic Money Institution** (EMI) authorisation.

103 firms **(12%)** were granted **Account Information Service Provider** (AISP) authorisation.

Countries leading in European market-entry

Lithuania, Germany, the Netherlands, Sweden and Spain saw the highest number of new entrants.

When setting off the number of authorisations against the potential domestic target market (i.e. the number of inhabitants), we see even more authorisations in Lithuania. Malta and Luxembourg also stand out, as these countries have a high ratio of registered payment and electronic-money firms to population compared with other EU member states.



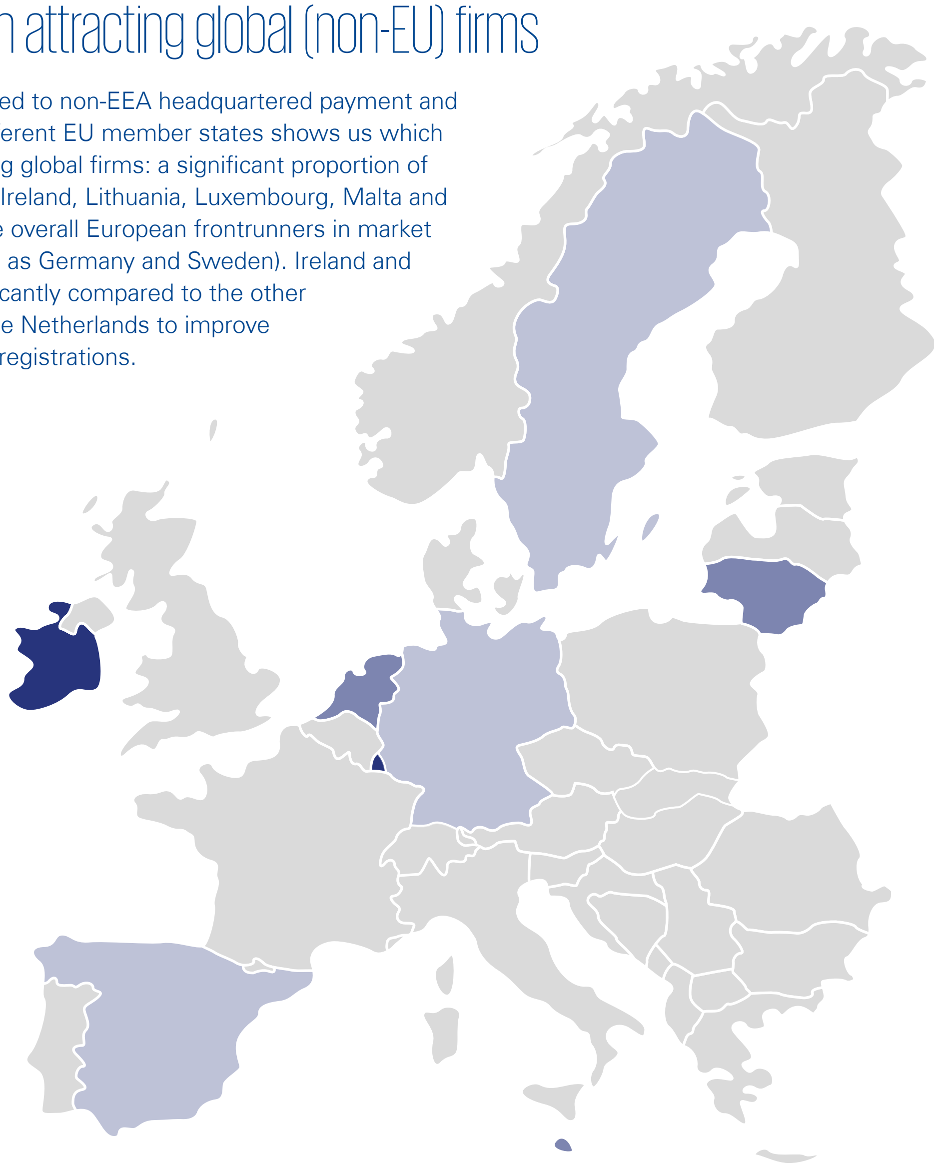
New payment services under PSD2

When zooming in on the two new services introduced by PSD2, we see that the EBA recorded 163 authorisations for payment initiation services and 275 authorisations for account information services over the past five years.

Germany emerges as the frontrunner on both types of PSD2 services, followed by Sweden, the Netherlands and France. Lithuania and Italy complete the top 5.

Countries leading in attracting global (non-EU) firms

Data on authorisations provided to non-EEA headquartered payment and e-money firms across the different EU member states shows us which countries excelled at attracting global firms: a significant proportion of non-EU companies opted for Ireland, Lithuania, Luxembourg, Malta and the Netherlands. Some of the overall European frontrunners in market entry are left far behind (such as Germany and Sweden). Ireland and Luxembourg stand out significantly compared to the other countries, leaving room for the Netherlands to improve in terms of attracting foreign registrations.



Conclusion

Europe has seen a steep incline in authorisations for payment and electronic money businesses over the past five years. The Netherlands now takes third position in the list of countries that authorised the highest number of PIs, EMIs, and AISPs over the past five years, with approximately 20% of registrations having foreign headquarters. Overall, the Netherlands is a major European fintech hub that positions itself with an innovative business climate. It also attracts a fair share of non-European companies that use the Netherlands as a gateway into Europe. Non-EU companies, however, also look at other member states that serve as a gateway into the European fintech market, such as Ireland, Lithuania and Luxembourg, which outperform other EU member states in terms of the five key factors that companies may consider when choosing a European country for their payments or electronic-money registration.

The Netherlands: Europe's number one payments and e-money fintech hub?

In March 2018, the European Commission formulated the ambition for Europe "to become a global hub for fintech, with EU businesses and investors able to make the most of the advantages offered by the Single Market in this fast-moving sector". Although the US and Asia are known for their larger footprint, Europe is increasingly seen as a breeding place for emerging giants (e.g. Adyen, Klarna, Revolut). Within Europe, countries are competing to become the most attractive location for businesses.

After Brexit, the arrival of PSD2, and global bigtechs entering the financial ecosystem, many institutions have to choose a country in which they want to establish their business.[1] In this article we take a closer look at how the Netherlands compares to other European countries in this respect. Atomico, a European venture capital firm headquartered in London, reports the Netherlands as one of the leading tech countries. Dutch Prince Constantijn, envoy of Techleap, however, is critical and claims that the Netherlands does not do enough to attract tech companies.

In this article we present our fact-based research based on the European Banking Authority (EBA) register of European countries and their fintechs, specifically in terms of payments and e-money[2]. Whereas other studies predominantly focus on investment volumes (including our own, the Pulse of FinTech), we now take a different angle. In our research, we analyse the registered number of licensed payment and e-money institutions from the EBA register. For this purpose, we analyse how successful European member states are in attracting these fintechs by examining various country-specific characteristics. Based on our extensive experience with license applications, we present an overview of **five key considerations** that play a role when fintechs select a European country for their payments or electronic-money registration.

[1] Payment and Electronic Money Institutions can obtain a license in one of the member states and 'passport' their license across all other member states.
[2] Data concerning banks (credit institutions) that offer payment/e-money services is not considered in this article.

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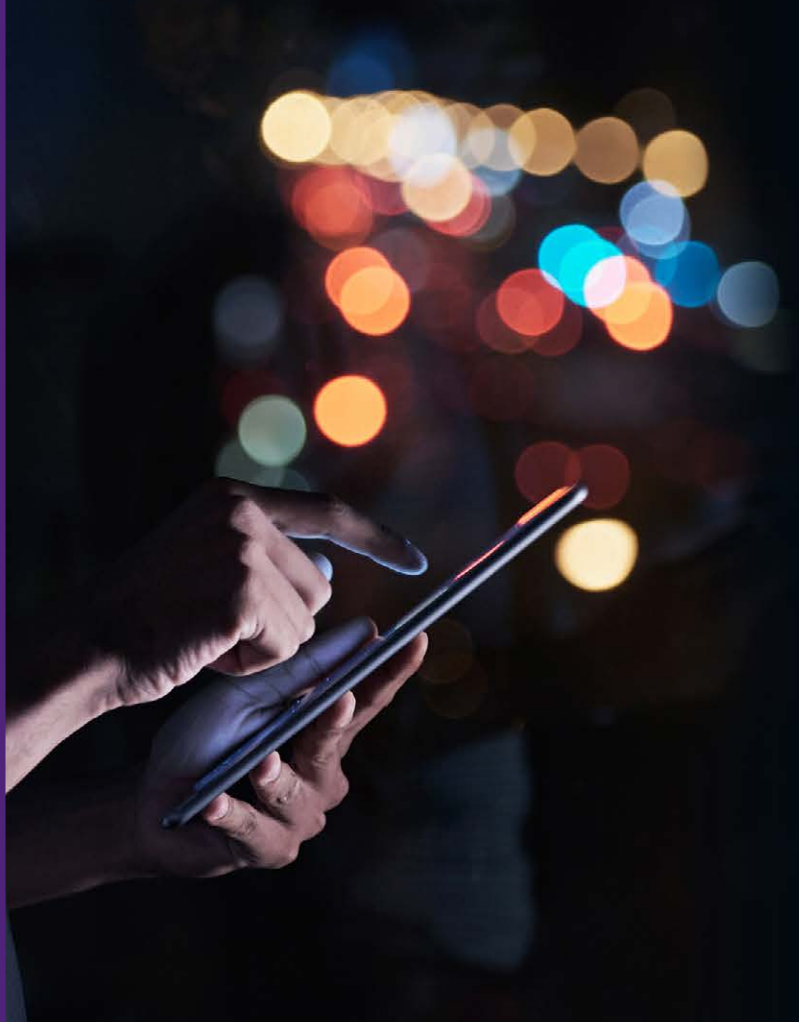


Part 1
The statistics

Between 2017 and 2021, **852 firms were granted authorisation as Payment Institutions (PIs), Electronic Money Institutions (EMIs) or Account Information Service Providers (AISP) for the European Economic Area (EEA).** This steep incline was bolstered by the introduction of the Second Payment Services Directive (PSD2) and Brexit relocations. Remarkably, some countries welcomed considerably more new entrants than others.

While not all fintechs require a license to operate, licenses are required when institutions offer payment services or issue e-money. Through analysis of new registrations in the EBA register, combined with our insights from supporting many new entrants in setting up their payment and e-money businesses across Europe, we will shine a light on the top-5 countries acting as major fintech hubs in the European payments market. What do they have in common? Which European countries welcomed the highest number of PSD2 authorisations? And which countries attracted the highest number of foreign firms establishing their business in Europe?

852 firms were granted authorisation as Payment Institutions (PIs), Electronic Money Institutions (EMIs) or Account Information Service Providers (AISP) for the European Economic Area (EEA).

Lithuania, Germany, the Netherlands, Sweden and Spain lead the pack

Figure 1 Total number of PI, EMI and AISP authorisations granted over the past 15 years in the EEA

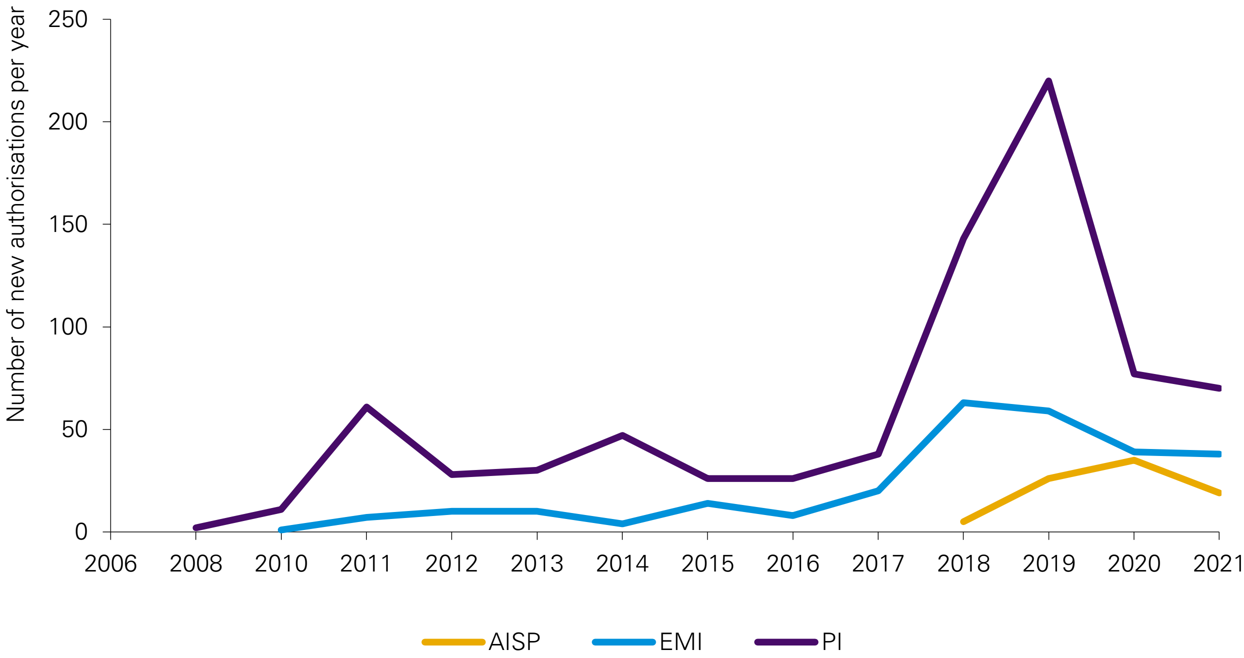
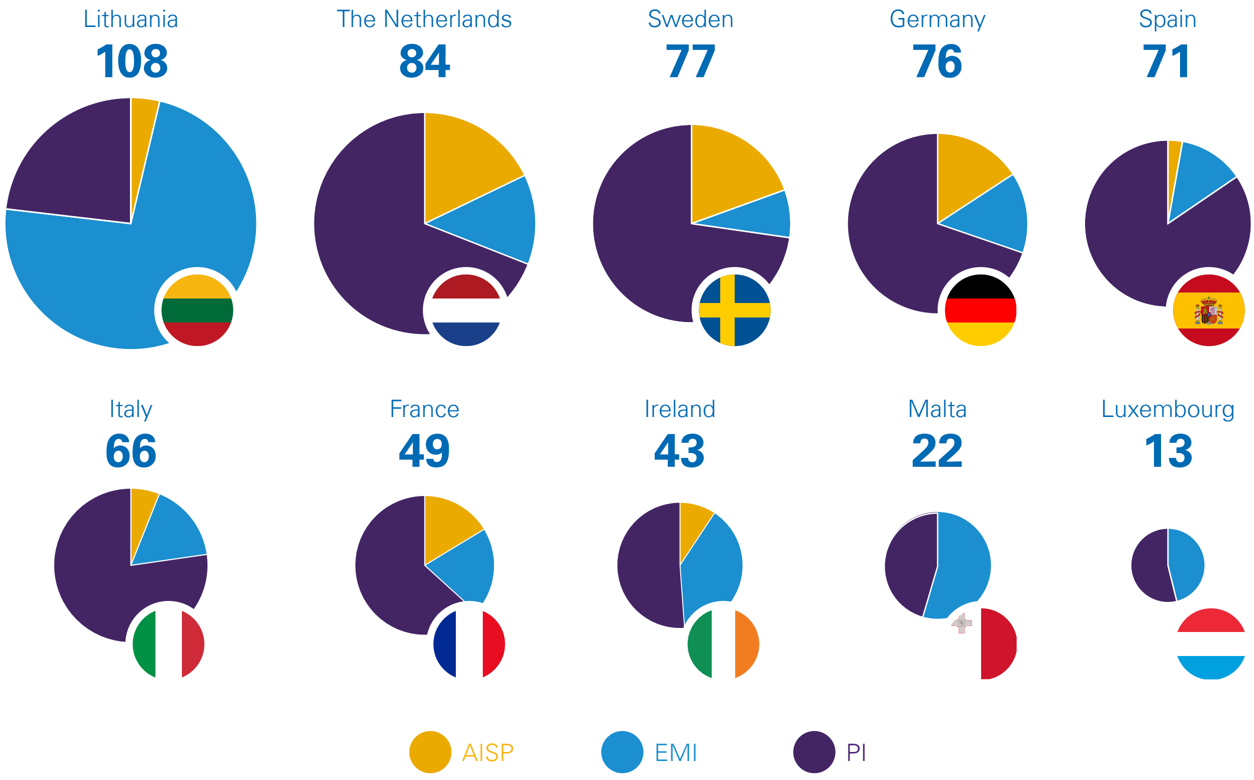


Figure 2 Top 8 countries granting the highest number of PI, EMI and AISP authorisations between 2017-2021



Number and types of licenses granted over the past five years

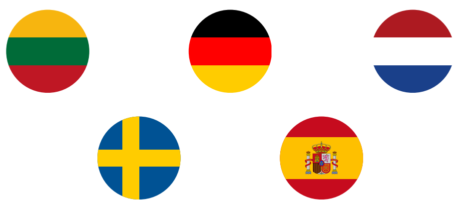
1 Over the past five years, between 2017 and 2021, **852** firms were granted authorisation as a PI, EMI or AISP in the EEA. This number can be broken down as follows:

530 firms **(62%)** were granted **Payments Institution** (PI) authorisation.

219 firms **(26%)** were granted **Electronic Money Institution** (EMI) authorisation.

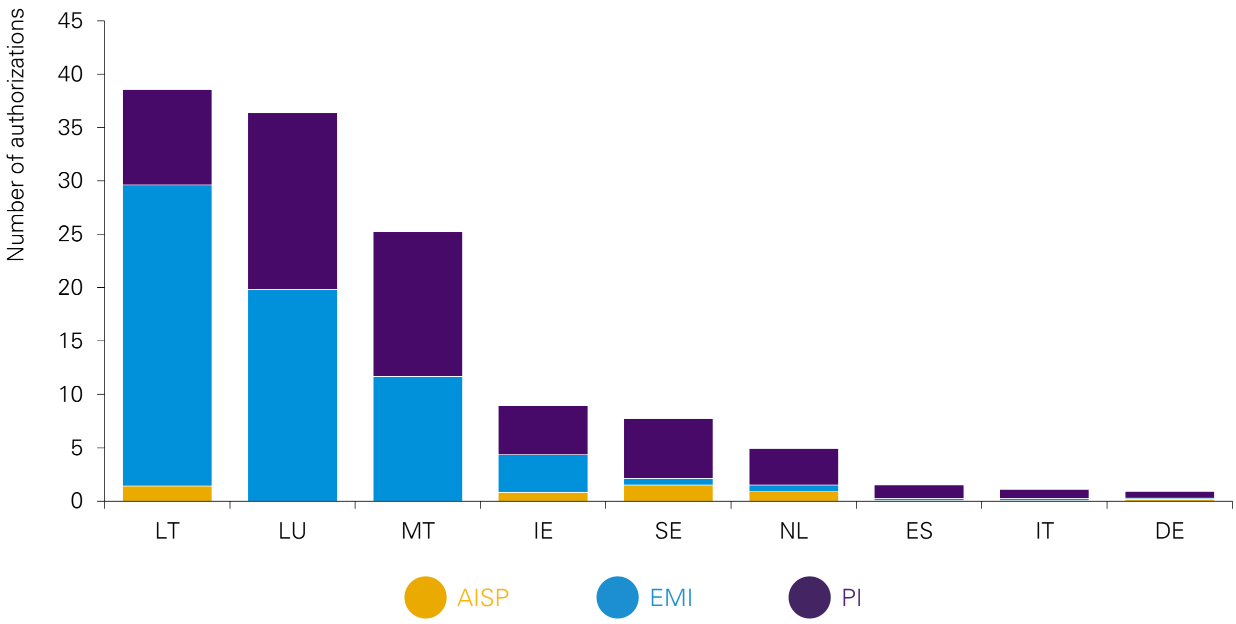
103 firms **(12%)** were granted **Account Information Service Provider** (AISP) authorisation.

2 Lithuania, Germany, the Netherlands, Sweden and Spain saw the highest number of new entrants.



3 These countries predominantly issued PI licenses, followed by EMI and AIPS licenses, in line with the mix of license types issued across Europe. However, **Lithuania welcomed an exceptionally large number of EMIs**, both in absolute (79 EMI licenses granted) as well as in relative terms (Lithuania is responsible for 68% of EMI licenses granted in the top-5 countries and 36% of EMI licenses granted in the EEA).

Figure 3 Number of authorizations per 1 million inhabitants (2017-2021)



When setting off the number of authorisations against the potential domestic target market (i.e. the number of inhabitants), we see even more authorisations in Lithuania. Also Malta and Luxembourg stand out, as these countries have a high ratio of registered payment and electronic-money firms to population compared with other EU member states. However, this metric does not take into account the size of the firms or the number of services offered to the market (nor passporting of these services to other EEA member state markets).

With the introduction of PSD2 in January 2018, two new payment services were added that enabled authorised firms to offer payment initiation services (PIS, payment activity 7 under PSD2) and account information services (AIS, payment activity 8 under PSD2). With a payment initiation service, a client can give the payment initiation service provider permission to execute a payment from their account. With an account information service, a third party can gain access to the transaction data of the client's payment account.

Although the success of PSD2 is still debated in the market, **the EBA recorded 163 authorisations for payment initiation services and 275 authorisations for account information services over the past five years.**[3] Germany emerges as the frontrunner on both types of PSD2 services, followed by Sweden, the Netherlands and France. Lithuania and Italy complete the top 5.

Figure 4 Distribution of authorizations service 7 (payment initiation service)

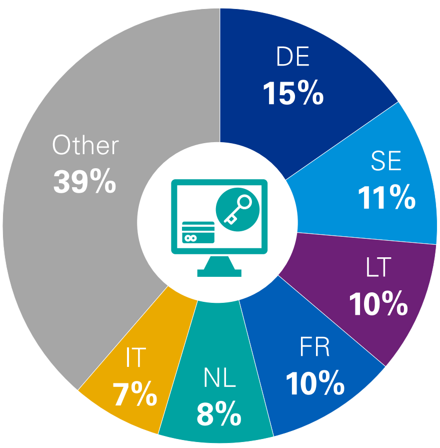
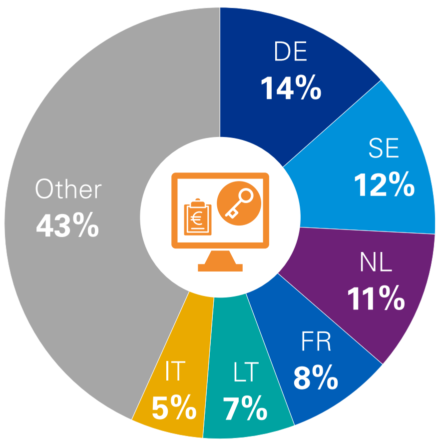


Figure 5 Distribution of authorizations service 8 (account information service)



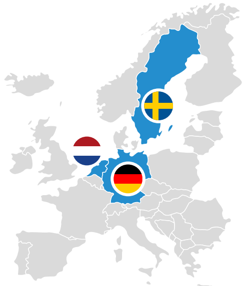
[3] Numbers exclude credit institutions (banks) which are authorised to provide payment services (including payment activities 7 and 8 under PSD2), as part of their credit institution license.

Number and types of licenses granted over the past five years

Since the introduction of PSD2 in January 2018:

163 **payment initiation services** (payment activity 7 under PSD2) were granted authorisation.

275 firms were granted authorisation for providing **Payments Information Account Services** (payment activity 8 under PSD2), of which 85 firms only offer this specific service (AISPs).



The majority of PIS and AIS authorisations were issued in **Sweden, the Netherlands and Germany**.

Lithuania, Italy and France complete the top 5 countries with the highest number of authorisations granted for PSD2 activities 7 and 8.

Europe's ambition to become the global fintech hub – where to domicile your fintech in Europe?

A few months after the introduction of PSD2, in March 2018, the European Commission unveiled an Action Plan for a more competitive and innovative financial market. The Commission formulated the ambition for Europe "to become a global hub for fintech, with EU businesses and investors able to make the most of the advantages offered by the Single Market in this fast-moving sector".[4] Increased competition often comes from new entrants and the incline in market entry as from 2018 is evident (figure 1). The introduction of the PSD2 itself, however, also introduced new institutions to the market, which in turn resulted in increased competition.

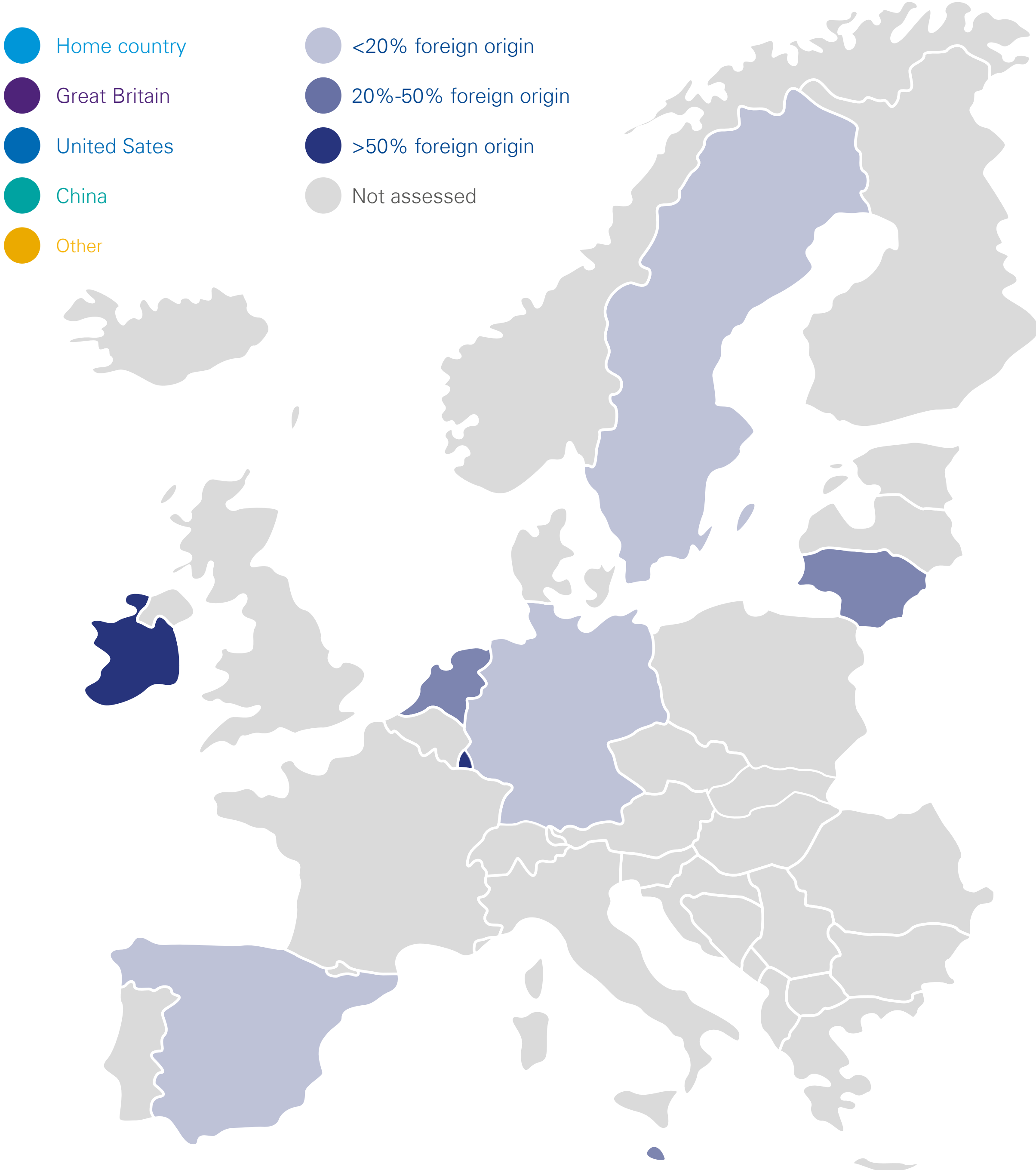
To become a global hub for fintech, Europe needs to become a breeding place for newcomers. In addition to attracting entrants from Europe itself, this ambition is boosted by attracting non-European businesses to set up their payments or e-money business in Europe, and by encouraging foreign investments in European start-ups. As the European Commission indicated, firms can take advantage of the Single Market. For PIs, EMIs and AISPs, this means in practice that firms can obtain a license in one of the European member states and 'passport' their license across all other member states (and offer their payment and e-money services across Europe). So as a first step, non-European firms with the ambition to offer payment or e-money services in Europe need to select a European country to set up shop. Which countries have excelled at attracting non-European fintechs over the past few years?

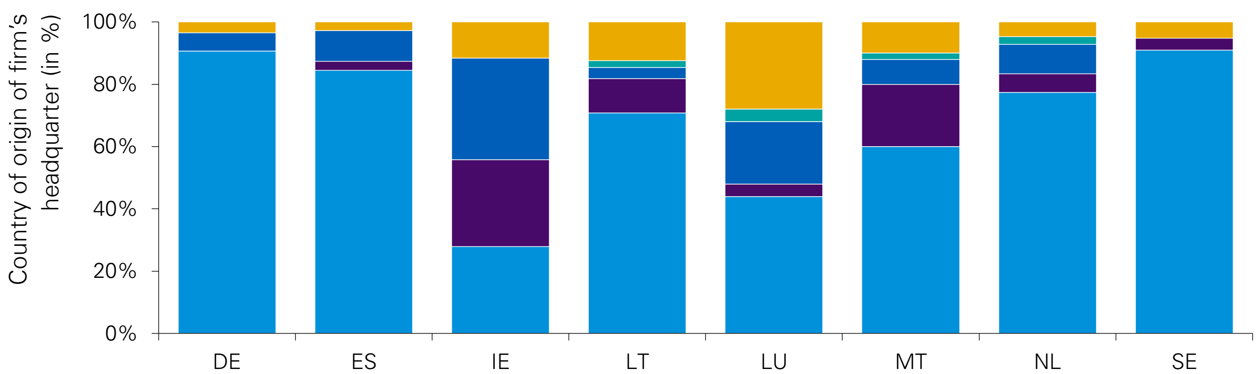
If we take a closer look at the number of authorisations provided to non-EEA headquartered payment and e-money firms across the different member states we can see which countries excelled at attracting global firms.[5]

The data reveals that a large share of non-EU companies have opted for **Ireland, Lithuania, Luxembourg, Malta and the Netherlands** as the main go-to countries within Europe, leaving some of the overall European frontrunners in market entry far behind (such as Germany and Sweden). **Ireland and Luxembourg** stand out significantly compared to the other countries, leaving room for the Netherlands to improve in terms of attracting foreign registrations.

[4] https://ec.europa.eu/commission/presscorner/detail/en/IP_18_1403
[5] As a proxy for non-European firms, we have used the domicile of the new entrants' headquarters.

Figure 6 Country of origin of firm's headquarter (in %)





Part 2

Fintechs: five key considerations in selecting a European country as domicile

What makes Ireland, Lithuania, Luxembourg, Malta and the Netherlands so successful in attracting foreign companies? Apparently, country-specific characteristics are pivotal to attracting foreign companies. Based on our vast experience with supporting new entrants to set up their payment and e-money businesses across Europe, we will shine a light on five key factors companies generally consider when establishing their business in Europe:

1. Access to knowledge and talent

2. Digital savviness

3. Access to funds and tax implications

4. Market adoption of digital payments

5. Ease of the application process

1. Access to knowledge and talent

Competition for talent is fierce: tech talent, and software development skills in particular, is scarce and valued by many firms. Increasing digitalisation of financial services, especially fintechs and bigtechs[6] by nature, generates a strong appetite for tech talent to advance products and services and outperform the competition. The presence of knowledge and talent in a given area is therefore an important factor in the EU domicile selection (source).

Looking at the five best-scoring countries on market entry, three out of five are positioned in the top 10 of INSEAD's Global Talent Competitiveness Index (GTCI) 2021[7]: Sweden, the Netherlands and Luxembourg. Ireland and Lithuania rank 11th and 22nd respectively, out of the 44 European countries. According to the GTCI, Sweden, the Netherlands, and Luxembourg stand out in terms of quality of formal education, ability for lifelong learning, and access to individual growth possibilities. The Netherlands in particular stands out as it ranks higher in attracting and growing talent.

In line with talent, proficiency in English is another key factor. Besides native English speakers in Ireland, the Netherlands jumps out by its top ranking in the global EF English Proficiency Index 2021[8] for non-native English speakers. The other top-scoring countries are ranked with high or very high proficiency, except for Spain (moderate).

Besides the quality of formal education and access to a highly-skilled workforce, fintech firms tend to cluster in specific geographic areas, supposedly to pool talent and create industry synergies. Stockholm is such an example where start-ups, investors, and other actors in the fintech ecosystem have created and leveraged the availability of talent, technology and innovation. We see that access to a highly-skilled workforce tends to be concentrated in areas where there is a clear innovative capability and interaction between formal education and other forms of knowledge clustering.

Although demographic access to knowledge and talent does influence the attractiveness of a European country, due to the COVID-19 pandemic, organisations may shift to more remote work operations. Will the physical presence of knowledge and talent within a specific country become a less significant factor as a result?

2. Digital savviness

The Digital Economy and Society Index[9], published annually by the European Commission, measures progress made by EU member states towards a digital

[6] Defined by the International Monetary Fund as: Large technology conglomerates with extensive customer networks with core businesses in social media, telecommunications, internet search and e-commerce.
[7] The Global Talent Competitiveness Index 2021 (insead.edu)
[8] EF English Proficiency Index (https://www.ef.nl/epi/)
[9] The Digital Economy and Society Index (https://digital-strategy.ec.europa.eu/en/policies/desi)

economy and society. It evaluates and ranks member states on a variety of topics, including connectivity, use of internet, and integration of digital technology. Connectivity to the internet enables users to connect with others and consume online goods and services, which is increasingly relevant due to the COVID-19 pandemic. Access to a fast and reliable broadband connection has improved, with over 89% of all EU citizens having access to the internet. Malta, Denmark and Luxembourg lead connectivity, as over 90% of all citizens have fixed very high capacity networks (VHCNs).

Over the past years, internet use has soared, boosted by the COVID-19 pandemic and the increasing availability of online goods, services, and intermediaries. In particular, online banking and shopping have become more popular, now used by 66% and 71% of internet users, respectively. Denmark, Luxembourg and Sweden are leading internet use with over 95% of citizens using internet services and online transactions. Similarly, enterprises are also increasingly digitizing and relying on technologies such as advanced cloud services and big data analytics. Large companies in particular (32%) rely on either one of these technologies. SMEs lag behind: only 17% use cloud services and a mere 12% big data analytics. When it comes to integration of digital technology by businesses, Ireland, Finland, Belgium and the Netherlands take the lead.[10]

Fintechs, bigtechs and large financial institutions rely on the digital economy and the underlying digital infrastructure. Not only can a digital infrastructure boost innovation, a well-established digital economy can also help citizens get connected to use the internet to consume online services and initiate online transactions. Finland, Sweden, Denmark and the Netherlands certainly rank high in terms of the quality of their digital economy, whereas Ireland and Malta have picked up steam over the past few years.

3. Access to funds and tax implications

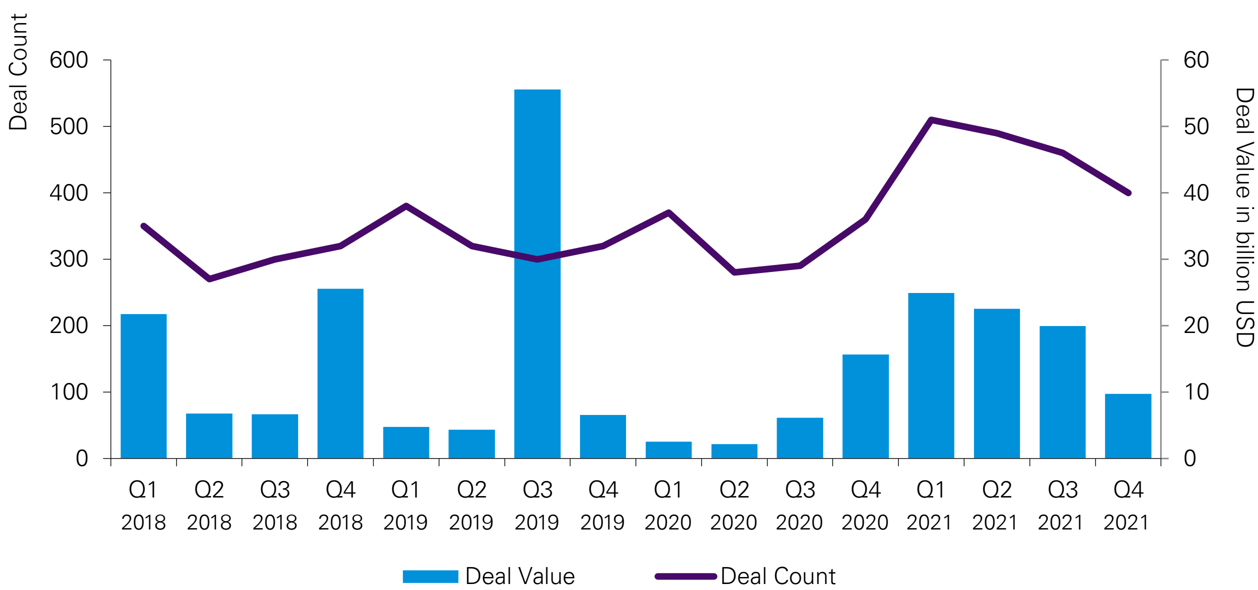
Partly as a result of the pandemic, consumers across the EMEA region have become more comfortable with digital products and services which has helped drive uptake for digital banking, insurance, wealth management, and other products. This resulted in a growing global fintech market over the past few years, with robust investment across VC, PE, and venture capital. Recent large funding rounds also reflect the growing maturity of fintech companies in the EMEA region, resulting in the delivery of economies of scale, which are needed to compete against traditional banks and insurance companies.

This broad access to funds is reflected in the increasing number of deals within Europe, as seen in figure 7 (below). Moreover, the average deal value has seen a steep increase from 2020 onwards.

Although Ireland and Luxembourg generally grant a lower absolute number of authorisations, they do tend to attract a higher number of listed companies such as Google, Facebook and Amazon in comparison with other European countries, as figure 8 shows (on the next page).

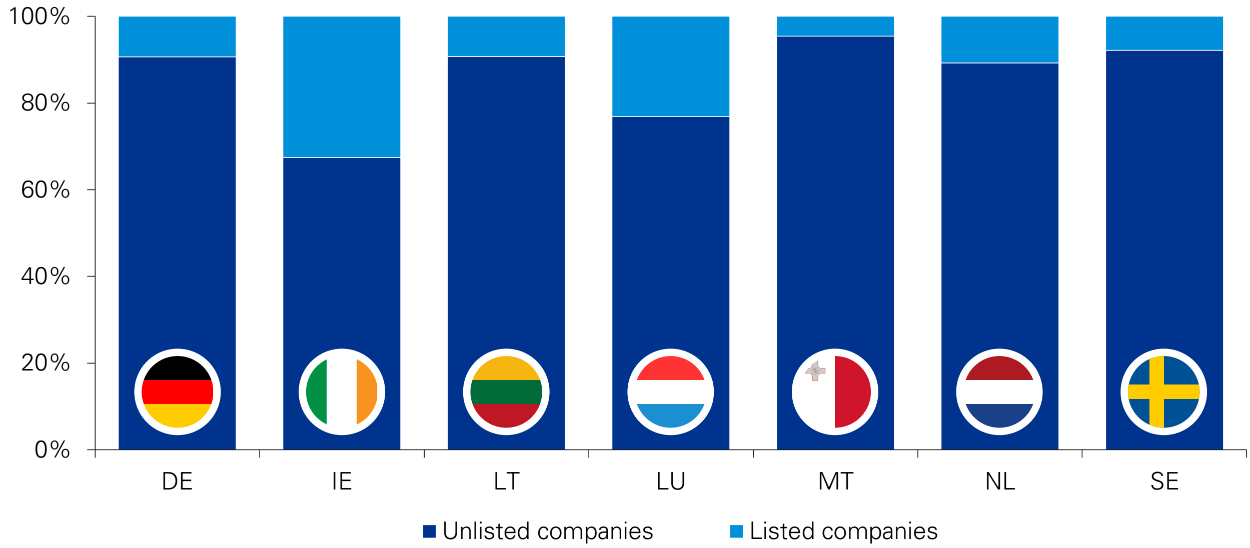
Although financing volume is generally strong across Europe, foreign companies may also want to reflect on the taxation policies of the licensing country of preference in order to gain advantages. From a tax perspective we can identify three main trends that form the key tax considerations for new entrants when they decide in which EU country they want to establish their business: tax burden, Corporate Social Responsibility and a rising demand for detailed tax data.

Figure 7 Total investment activity (VC, PE and M&A) in fintech in EMEA[11]



[10] The Digital Economy and Society Index (https://digital-strategy.ec.europa.eu/en/policies/desi)
[11] Pulse of Fintech H2 2021 (https://assets.kpmg/content/dam/kpmg/xx/pdf/2022/02/pulse-of-fintech-h2-21.pdf)

Figure 8 Percentage of listed firms of new authorizations (2017-2021)



Tax implications

Most companies try to minimize their tax burden to the extent that the law allows for this. The main focus is on the corporate tax regime, including the presence or absence of favourable legislation, which needs to be assessed on a case-by-case basis. Such an assessment should take into account for example the type of business and its characteristics of revenue and expenditure. Companies with large R&D expenditures, and, subsequently, profits from these innovative activities, might be interested in the Dutch 'Innovatiebox' tax regime.[12] Transfer pricing and VAT are equally relevant. The Digital Services Tax (DST) requires special focus in the market. The digitalisation of the economy has led to new views on the international tax system and the taxation of digitally-focussed multinationals. The Organisation for Economic Co-operation and Development (OECD) has been hosting discussions with over 130 countries to design a new international tax system. Current discussions focus on proposals where multinational businesses pay part of their income taxes where their consumers or users are located. This is of particular interest to tech and platform companies. Many OECD countries have announced, proposed, or implemented a digital services tax (DST), including countries such as France, Spain, Italy and the UK.[13]

Corporate Social Responsibility

At the same time, stakeholders focussing on ESG expect companies to conduct their tax affairs in a sustainable manner, measured in terms of good tax governance and paying their "fair share". The public disclosure of a company's approach to tax, and the amount and location of taxes paid are principal elements to assess whether the tax approach is a sustainable tax practice. Technology executives have taken notice: a clear majority of technology executives (76%) report that tax impacts are considered 'at least sometimes' or 'almost always' when they develop their ESG initiatives.[14] It appears that nowadays companies, also under fear of public scrutiny, do not approach their tax affairs as a solely numerical exercise.

Rising demand for detailed tax data

Tax authority demands for detailed digital data have grown extensively worldwide. More and more countries are requiring the electronic submission of detailed transactional data. A real-time reporting system means that relevant documentation is shared with the VAT authorities in real time. In Spain, for example, real-time reporting of transactions is already mandatory for certain categories of taxpayer. Reporting obligations can play a role in determining the best domicile. The most recent legislative endeavour by the European Council to combat VAT fraud is the adoption of a legislative package requesting payment service providers to transmit and exchange payment data through a database called the Central Electronic System of Payment information (CESOP).[15] The European Commission will work with member states' tax administrations to implement the proposal (expected go-live date is 1 January 2024). Although the reporting obligations should in theory be harmonised across the EU, experience teaches us that there will be differences in domestic legislation or for example the user-friendliness of the reporting tool for the PSPs, and this may influence the decision on domicile.

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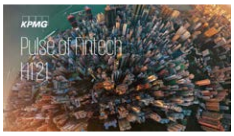

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[12] Innovatiebox (belastingdienst.nl)
[13] Digital Tax Update: Digital Services Taxes in Europe (taxfoundation.org)
[14] Tax perspectives from the tech sector (assets.kpmg)
[15] Central Electronic System of Payment information (CESOP) (europa.eu)

4. Market adoption of digital payments

Another aspect that may influence a company's decision to select a particular country for setting up European financial services is the characteristics of the target market. These characteristics, such as market size or the population's adoption of the digital world, could ease the transition of a company and foster its growth at the new destination. Take Sweden, which continues to be the profound EU Innovation Leader (European Commission, 2021[16]), which makes it an interesting domicile for payment companies to flourish and a place that sprouts vast new initiatives. The Netherlands, Germany, Luxembourg, France and Ireland are innovation leaders, too. Spain, Malta and Lithuania, however, lack in innovative ability, with the European Commission ranking them as Moderate Innovators.

When considering the adoption rate of payment innovations, such as card payments or digital wallet usage, Sweden and the Netherlands are again among the top performers. Germany, on the other hand, is rather conservative when it comes to embracing innovative payment methods: 49% of Germans state that cash payments are still their preferred payment method, compared to only 17% of the Dutch and 9% of the Swedish.[17]

The high adoption rate of new payment methods could compensate for the relatively small population of countries such as the Netherlands and Sweden, compared to Germany or France which have a larger population. Lithuania may seem the odd one out, but the Lithuanian government has developed a successful strategy to attract fintechs and payment companies. This strategy entails proactively assisting new joiners, having an open data policy and a focus on business-friendly regulations. As a result, Vilnius reached the number 1 position on the Tech Startups FDi attraction index and #4 on the Global Fintech Ranking[18].

5. Ease of the license application process

Obtaining a PI or EMI license is not an easy task. The process is time-consuming, as the license application has to be prepared, directors have to be recruited and the entity including an operating model needs to be established. The application must meet the requirements set out in PSD2, the EBA guidelines, technical standards and local laws and regulations. This means that country-by-country differences exist, but that the basis is uniform across Europe. When a license is secured in one country, it can be passported throughout the entire European Economic Area (EEA).

If we zoom in on the license application processes per country, it appears that the (average) timeframe from submitting an application to obtaining the license corresponds reasonably well across countries. Formally, a three-month period for processing a license application by the regulator is the standard, but in practice, the end-to-end approval process generally takes approximately six to twelve months, depending on the complexity of the business model, completeness and quality of the application, etc. For example, the time for the license to be granted in the Netherlands[19] is five to six months whereas Luxembourg[20] mentions four to twelve months as the average duration. When the regulator has questions or requires clarification, the three-month period ('clock') is put on hold until responses are submitted (chess-clock system).

Although legislation is highly harmonised across Europe and differences in formal timelines are negligible, the market knows that some countries promote and facilitate new market-entry more actively than others. The Lithuanian regulator, for example, is known for its facilitating attitude (and fast authorisations[21]), and advisory institutions like Invest Lithuania and the Fintech Newcomer Programme provide assistance to foreign businesses to establish domicile.

When we examine the application fees per country, on the other hand, we see some differences across European countries. Spanish regulators do not charge an application fee for payment and e-money institution license applications, but they do require various documents to be delivered in Spanish rather than English. Other countries, like Lithuania, Germany, the Netherlands and Sweden charge application fees, ranging from EUR 638 to EUR 20,000. Considering the total investment of setting up a regulated business, the application fees are usually not a key factor for choosing domicile.

[16] European Commission (https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3048)
[17] Klarna (https://thepaypers.com/payments-general/austrians-are-particularly-fond-of-cash-study-shows)
[18] FDI Intelligence (https://www.fdiintelligence.com/article/75880)
[19] DNB (https://www.dnb.nl/en/sector-information/supervision-sectors/payment-institutions/licensing-requirement-for-payment-service-providers-overview/fees-charged-upon-application/)
[20] CSSF (https://www.cssf.lu/wp-content/uploads/GDR_211217_fees_CSSF.pdf)
[21] Investlithuania (https://investlithuania.com/news/bank-of-lithuania-introduces-remote-fintech-licensing/)

Conclusion

What position does the Netherlands hold as Europe's fintech hub in terms of new license applications for payment and e-money services? **The Netherlands now takes third position in the list of countries that authorised the highest number of PIs, EMIs, and AISPs over the past five years, with approximately 20% of registrations having foreign headquarters.**

Access to talent and knowledge

The Netherlands stands out in terms of access to knowledge: it ranks high in attracting and growing talent compared to the other countries. Its highly-skilled workforce tends to concentrate around Amsterdam as the Netherlands' fintech hub, which has a clear innovative capability and interaction with formal education and other forms of knowledge clustering.

Digital savviness

Connectivity and internet use has soared in the Netherlands, with an increasing availability of online goods, services, and intermediaries that are connected to this growth. This also shows that the Netherlands' digital economy helps citizens get connected and use the internet to consume online services and initiate online transactions.

Access to funds and tax implications

In general, most companies try to minimize their tax burden to the extent that the law allows for this. We see that ESG considerations play an increasing role in the EU domicile decision. Additionally, we note that companies also consider the tax authorities' increased demand for detailed tax data, which takes on increasing importance given recent and future developments in terms of detailed tax data rules and regulations.

Market adoption of digital payments

When analysing payments and overall innovativeness, the Netherlands is not the highest-scoring country. Sweden ranks higher on all statistics covered, including card payments, cashless and innovation in the EU. However, the Netherlands ranks second of the countries reviewed in this article: reason to believe that the Netherlands has a strong relative adoption of digital payments compared to other EU member states.

Ease of license application process

The Netherlands performs well in terms of access to knowledge, digital savviness, tax implications and access to funds, as well as market adoption of digital payments. It is also on a par with other EU member states in terms of the regulatory complexity to obtain a license. Because regulatory requirements are harmonised and the costs involved are not significantly different among EU member states, these factors generally do not have a large impact on the domicile decision.

Overall conclusion

Overall, the Netherlands is a major European fintech hub that positions itself with an innovative business climate. It also attracts a fair share of non-European companies that use the Netherlands as a gateway into Europe. Non-European companies, however, also look at other member states that serve as a gateway into the European fintech market, such as Ireland, Lithuania and Luxembourg, which outperform other EU member states in terms of the five key factors that companies may consider when choosing a European country for their payments or electronic-money registration.

Whether firms are better off in the Netherlands or in another European country depends to a significant degree on certain firm-specific characteristics in relation to the five key factors identified in this article. KPMG's multidisciplinary, holistic approach helps clients deal with choices related to market-entry strategy, enabling them to reap the benefits of country-specific advantages in relation to their company goals.

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