



Klarna's EU **Pink Deal**

Klarna

The best vision for the future of Europe

Digitalization has revolutionized both the financial services and retail industry. We're talking about a financial reset that's breaking barriers and empowering European consumers like never before.

Thanks to digital innovations and a regulatory environment that supports progress, European consumers now can access sustainable credit options, lightning-fast payment methods, and smarter financial management tools. But guess what? It's just getting started. Generative AI will allow us to do so much more.

\$16 trillion-dollar global payments industry costs society an astonishing \$440 billion every year

At Klarna, we have a bold mission. We are challenging the banking and payments industry that has lost touch with its original purpose: smooth commerce. We want to make markets smooth – and reshape the landscape by helping people save time, save money and be in more control. We do so by prioritizing consumer choice, transparency and cost-effectiveness.

The \$16 trillion-dollar global payments industry costs society an astonishing \$440 billion every year - almost 40% of that staggering industry sits in Europe. That's crazy, right? And the worst part – much of it comes from products and services that aren't always in customers' best interest. Lock-in effects and a lack of competition is still real, resulting in higher costs to society.



This needs to change



The future of financial services will be one where you wake up one morning, and your AI advisor has analyzed your financial services and all your subscriptions overnight, as well as your spending patterns and the interest-rate outlook. It recommends you'd be better off switching providers, and it can make that happen for you. To save €20 a month, all you have to do is say "Yes", and it will take care of the rest – no more hassle with old contracts and terms. Now that's the kind of frictionless future we're talking about!

Sebastian Siemiatkowski
CEO of Klarna

is there

Now

time



Digitalization and AI aren't just buzzwords; it's an opportunity to supercharge competitiveness in the financial industry.

But to make that future a reality, Europe needs a combination of two things: a healthy regulatory framework and fearless entrepreneurs ready to shake things up.

Europe, it's time for smarter regulations that empower local fintechs to compete, innovate, grow and – ultimately deliver maximum value to consumers and society as a whole.

There is a **massive** opportunity to give back to society

In the next 5 years, we call on Europe to establish a regulatory framework that supports the digital transformation and innovation of financial services that promote well functioning markets. This can be achieved by minimizing switching costs, improving consumer mobility and fostering competition through outcomes-based and proportionate regulation aiming for necessary consumer protection without hindering system efficiency.



Here's what it takes

01

Developing laser-focused regulations that deliver best outcomes for consumers and society. EU legislation should focus on giving consumers more choice and define targets like KPIs instead of prescriptive ways of being compliant.

02

Be the world's best innovator and competitor. Capital markets in Europe suffer from a fragmented regulatory system, while US tech giants continue to charge high fees to EU companies and merchants. Instead, Europe needs to support the growth of local businesses and entrepreneurs and enforce fierce competition rules to promote innovation and competition.

03

Become an AI implementation champion. Europe can leave a mark and set a global AI standard by becoming a heavy-user of trustworthy AI that benefits society. At the same time, as more companies adopt these technologies, Europe needs to consider the implications for the individuals affected.

Europe needs to...

Be **laser-focused** on delivering best outcomes for consumers & society.

Europe needs to ensure consumers have choice. European consumers want more sustainable and fairer credit options, and access to faster, cheaper and safer payment solutions. They want to be able to control their own financial data, and be able to switch to providers that have their best interest at heart and provide higher value.



Consumers also want to enjoy the same protections whether they get their credit from a bank, a retailer, a big tech or a specialized fintech – there should be no loopholes. The digitalization of financial services is bringing many opportunities, but guardrails are needed, so they remain efficient.

Rules and requirements should make sense, not become a tick-the-box exercise. In order to focus on best outcomes for consumers and society, Europe must push for regulations that set a clear suite of outcomes-focused standards that providers have to meet, rather than prescriptive rules. Why? Because it allows a balance between setting guardrails and maintaining competition and innovation through new market entrants.

The EU should become a lean-machine reviewing its existing regulatory frameworks and honestly considering: is the regulatory friction delivering the best consumer outcomes or can this policy objective be achieved differently? Especially in the digital finance space, regulatory revisions should happen in short intervals aiming to increase regulatory flow and remove overlap to allow innovative companies to excel.

44%

*44% of Europeans want more choice in the European financial sector. For 18-34 years old, this is stronger.**

*YouGov, March 2024

Europe needs to...

Be the **world's** best innovator and competitor.

Choice is great if you have many exciting options to choose from. European consumers want new innovative products that solve their daily problems. This is where entrepreneurs come into play: entrepreneurs are willing to take risks to innovate and provide alternative solutions that truly help their customers. Competition is the best way to bring down costs for all, and give back excess profits to society. This can only happen if local businesses can continue to innovate.

However, digital markets are controlled by powerful US tech companies that levy hefty fees on companies, startups and developers, impacting businesses like a tax. **Europe must put an end to the unfair taxes imposed by US tech companies on European businesses.** These high fees limit EU companies' resources for growth and innovation and make it harder for them to compete globally.

Capital markets in Europe are underdeveloped compared to the US. Given that most investments are private, Europe needs to give its capital markets a much needed boost to leverage the full potential of its internal market. For example, **Europe must enable companies to grant employees more equity** to help them invest in the continent's future. A unified system simplifying grants and tax settlements that make it more attractive to individual and angel investors.



4/5

*4 out of 5 Europeans (80%) find it important that European-based companies are further supported.**

European funds and programs are often focused on strategic goals at a national level. The money isn't necessarily put towards the best ideas and talent. Transformative ideas can come from anywhere. **The EU needs to trust its entrepreneurs are capable of doing big things**, even though they might not currently understand what that next big thing is.

Europe needs to...

Become an AI implementation champion.

In the not-too-distant future, Klarna wants to be the first and only bank that offers the same awesome services in all European countries. AI will help play a crucial part to achieve this and help us realize our visions faster. Putting AI to work helps to save millions of euros in efficiency improvements.

Europe has the potential to lead in the ethical use of trustworthy AI, setting a global standard and maintaining its competitive edge. For that, it needs a framework that not only regulates but actively encourages the adoption of AI in ways that benefit society such as clear transparency and accountability.

However, we all need to acknowledge the broader implications of AI technology on society and on potential job losses. At Klarna, we encourage everyone to test and learn AI to empower them with the necessary skills for the future job landscape. This must be copied throughout Europe. The EU should heavily invest in training large parts of the population for the new AI age. Societies will also see new forms of fraud. These risks can be mitigated by an EU-sponsored digital and mobile ID and aligns the focus of AI on driving consumer value.

When it comes to AI, Europeans say the top 3 areas the EU should be concerned about are fraud and misuse of AI, privacy and data protection and transparency of AI systems.





Our commitment

As a leading global business, Klarna has a clear responsibility to engage transparently and ethically. Klarna leads the way in the consumer credit, banking and payments space by providing fair and transparent products and services that help consumers and society. Therefore, Klarna is fully dedicated in its discussions with policymakers to promote the European Union's competitiveness and better outcomes for European consumers and retailers.

Klarna EU Transparency Register: R909481346459-35.

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