Consultation on a new digital finance strategy for Europe / FinTech action plan

https://ec.europa.eu/info/consultations/finance-2020-digital-finance-strategy_en

Introduction

1. Background for this consultation

Digitalisation is transforming the European financial system and the provision of financial services to Europe's businesses and citizens. In the past years, the EU and the Commission embraced digitalisation and innovation in the financial sector through a combination of horizontal policies mainly implemented under the umbrella of the Digital Single Market Strategy, the Cyber Strategy and the Data economy and sectoral initiatives such as the revised Payment Services Directive, the recent political agreement on the crowdfunding regulation and the FinTech Action Plan. The initiatives set out in the FinTech Action Plan aimed in particular at supporting the scaling up of innovative services and businesses across the EU, for example through enhanced supervisory convergence to promote the uptake of new technologies by the financial industry (e.g. cloud computing) but also to enhance the security and resilience of the financial sector. All actions in the Plan have been completed.

The financial ecosystem is continuously evolving, with technologies moving from experimentation to pilot testing and deployment stage (e.g. blockchain; artificial intelligence; Internet of Things) and new market players entering the financial sector either directly or through partnering with the incumbent financial institutions. In this fast-moving environment, the Commission should ensure that European consumers and the financial industry can reap the potential of the digital transformation while mitigating the new risks digital finance may bring. The expert group on Regulatory Obstacles to Financial Innovation, established under the 2018 FinTech Action Plan, highlight these challenges in its report published in December 2019.

The Commission's immediate political focus is on the task of fighting the coronavirus health emergency, including its economic and social consequences. On the economic side, the European financial sector has to cope with this unprecedented crisis, providing liquidity to businesses, workers and consumers impacted by a sudden drop of activity and revenues. Banks must be able to reschedule credits rapidly, through rapid and effective processes carried out fully remotely. Other financial services providers will have to play their role in the same way in the coming weeks.

Digital finance can contribute in a number of ways to tackle the COVID-19 outbreak and its consequences for citizens, businesses, and the economy at large. Indeed, digitalisation of the financial sector can be expected to accelerate as a consequence of the pandemic. The coronavirus emergency has underscored the importance of innovations in digital financial products services, including for those who are not digital native, as during the lockdown everybody is obliged to rely on remote services. At the same time, as people have access to their bank accounts and other financial services remotely, and as financial sector employees work remotely, the digital operational resilience of the financial sector has becoming even more important.

As set out in the Commission Work Programme, given the broad and fundamental nature of the challenges ahead for the financial sector, the Commission will propose in Q3 2020 a new Digital Finance Strategy/FinTech Action Plan that sets out a number of areas that public policy should focus on in the coming five years. It will also include policy measures organised under these priorities. The Commission may also add other measures in light of market developments and in coordination with other horizontal Commission initiatives already announced to further support the digital transformation of the European economy, including new policies and strategies on data, artificial intelligence, platforms and cybersecurity.

2. Responding to this consultation and follow up

Building on the work carried out in the context of the FinTech Action Plan (e.g. the EU Fintech Lab), the work of the European Supervisory Authorities and the report issued in December 2019 by the Regulatory Obstacles to Financial Innovation Expert Group, and taking into account the contribution digital finance can make to deal with the COVID-19 outbreak and its consequences, the Commission has identified the following four priority areas to spur the development of digital finance in the EU:

1. ensuring that the EU financial services regulatory framework is fit for the digital age;
2. enabling consumers and firms to reap the opportunities offered by the EU-wide Single Market for digital financial services;
3. promoting a data-driven financial sector for the benefit of EU consumers and firms; and
4. enhancing the digital operational resilience of the EU financial system.

In this gather stakeholders' views on policies to support digital finance. It follows two public consultations launched in December 2019, focusing specifically on crypto-assets and digital operational resilience.

This consultation is structured in three sections corresponding to the priorities areas 1, 2 and 3 presented above. Given that the ongoing consultation on digital operational resilience fully addresses the issues identified as part of this priority area, questions on this priority area are not reproduced in this consultation. As for priority area 1, this consultation includes additional questions given that this priority area goes beyond the issues raised in the currently ongoing consultation on crypto-assets. In addition, the Commission will also be consulting specifically on payment services. Payment services and associated technologies and business models are highly relevant for the digital financial fabric, but also present specificities meriting separate consideration. These considerations are addressed in a specific consultation on a Retail Payments Strategy launched on the same day as this one. Finally, and specific to financial services, the Commission is also supporting the work of a High Level Forum on Capital Markets Union, that is expected to also address key technology, business model and policy challenges emerging from digitalisation.

The first section of the consultation seeks views on how to ensure that the financial services regulatory framework is technology neutral and innovation-friendly, hence addressing risks in a proportionate way so as not to unduly hinder the emergence and scaling up of new technologies and innovative business models while maintaining a sufficiently cautious approach as regards consumer protection. While an in-depth assessment is already on-going on crypto-assets, assessment of whether the EU regulatory framework can accommodate other types of new digital technology driven services and business models is needed. Looking at a potentially more complex financial ecosystem - including a wider range of firms, such as incumbent financial institutions, start-ups or technology companies like BigTechs - the Commission is also seeking stakeholders' views on potential challenges or risks that would need to be addressed.

The second section invites stakeholder views on ways to remove fragmentation of the Single Market for digital financial services. Building on the preparatory work carried out in the context of the 2018 FinTech Action Plan, the Commission has already identified a number of obstacles to the Single Market for digital financial services and is therefore seeking stakeholders' views on how best to address these. In addition, the consultation includes a number of forward-looking questions aiming to get stakeholders' feedback as regards other potential issues that may limit the deepening of the Digital Single Market and should be tackled at EU level.

Finally, the third section seeks views on how best to promote a well-regulated data-driven financial sector, building on the current horizontal frameworks governing data (e.g. General Data Protection Regulation; Free Flow of Data Regulation) but also on the recent sectoral developments such as the implementation of the revised Payment Services Directive in the EU. Considering the significant benefits data-driven innovation can bring in the EU across all sectors, the Commission recently adopted a new European Data Strategy and a White Paper on Artificial Intelligence. Building on these horizontal measures, the Commission is now seeking stakeholders' views on the potential additional measures that would be needed in the financial sector to reap the full benefits of the data economy while respecting European values and standards. Responses to this consultation will inform forthcoming work on a Digital Finance Strategy/FinTech Action Plan to be adopted later in 2020.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-digital-finance@ec.europa.eu.

More information:

- on this consultation
- on the consultation document
- on digital finance
- on the protection of personal data regime for this consultation

General questions

Europe's strategic objective should be to ensure that European consumers and firms fully reap the benefits stemming from digital finance while being adequately protected from the potential new risks it may bring. To achieve that, the European financial sector needs to be at the forefront of innovation and its implementation in a market and production environment in order to better serve consumers and firms in an efficient, safe, sound and sustainable manner. Strong and innovative digital capacities in the financial sector will help improve the EU's ability to deal with emergencies such as the COVID-19 outbreak. It will help to further deepen the Banking Union and the Capital Markets Union and thereby strengthen Europe 's economic and monetary union and to mobilise funding in support of key policy priorities such as the Green Deal and sustainable finance. It is also essential for Europe to safeguard its strategic sovereignty in financial services, and our capacity to manage, regulate and supervise the financial system in a way that promotes and protects Europe's values and financial stability. This will also help to strengthen the international role of the euro.

With a view to adopt a new Digital Finance Strategy/FinTech Action Plan for Europe later this year, the Commission is now seeking your views to identify the priority areas for action and the possible policy measures.

Question 1. What are the main obstacles to fully reap the opportunities of innovative technologies in the European financial sector (please mention no more than 4)?

Please also take into account the analysis of the expert group on Regulatory Obstacles to Financial Innovation in that respect.

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Among the various obstacles that prevent taking full advantage of the opportunities offered by innovative technologies in the European financial sector, we highlight the following:

- The lack of an IT Governance model for the management, supervision and monitoring of risks related to the use of innovative technologies (AI, DLT).
- The lack of harmonization of current local and community legislation and the presence of a simplified regulatory framework.
- The lack of a European sandbox infrastructure that allows a favourable context of collaboration and testing for the development of financial innovation and an alignment between the technological skills of the supervisory bodies and the fintech world in the various countries of the European Union.
- The lack of homogeneity in the regulation of cryptocurrencies in the European Union to protect investors and consumers.

Question 2. What are the key advantages and challenges consumers are facing with the increasing digitalisation of the financial sector (please mention no more than 4)?

For each of them, what if any are the initiatives that should be taken at EU level?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Advantages

- Facilitated access to financial services and asset management.
- Efficient control of financial transactions.
- Cost reduction.

Challenges

- Consumer must acquire greater awareness of the use of their data which can also be collected through third party bodies or social networks.
- Consumer will have to become more aware of the risks associated with the use of technology.
- Consumers' ability to use the technology becomes vital in order to access financial services.

Building on previous policy and legislative work, and taking into account the contribution digital finance can make to deal with the COVID-19 emergency and its consequences, the Commission services are considering four key priority areas for policy action to spur the development of digital finance:

1. ensuring that the EU financial services regulatory framework is technology-neutral and innovation friendly;
2. reaping the opportunities offered by the EU-wide Single Market for digital financial services for consumers and firms;
3. promoting a data-driven financial sector for the benefit of EU consumers and firms; and
4. enhancing the operational resilience of the financial sector.

Question 3. Do you agree with the choice of these priority areas?

X Yes

o No
o Don't know / no opinion / not relevant

Question 3.1 Please explain your answer to question 3 and specify if you see other areas that would merit further attention from the Commission:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Among the other areas worthy of attention by the Commission, we highlight the need of:

- promote greater awareness of the opportunities but also of the threats related to the use of technology.
- strengthen the regulatory and control system with respect to IT risks

- give importance to ethical-legal assessments on the impacts of digital innovation in the economic system.

I. Ensuring a technology-neutral and innovation friendly EU financial services regulatory framework

In order to be fit for the digital age, the EU financial services regulatory framework should neither prescribe nor prevent the use of particular technologies whilst ensuring that regulatory objectives continue to be satisfied. It should also not hinder the emergence and scaling up of innovative business models, including platform-based ones, provided that the new risks these new business models may bring are properly addressed. The Commission undertook an in-depth assessment of these issues in the context of the FinTech Action Plan and is already acting on certain issues. Even so, in this fast-moving and increasingly complex ecosystem, it is essential to monitor technological and market trends on a regular basis and to identify at an early stage whether new regulatory issues, including e.g. prudential ones, are emerging and, if so, how to address them in a proportionate manner.

Question 4. Do you consider the existing EU financial services regulatory framework to be technology neutral and innovation friendly?

- o Sì
- X No
- o Don’t know / no opinion / not relevant

Question 4.1 If not, please provide specific examples of provisions and requirements that are not technologically neutral or hinder innovation:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The existing regulatory framework does not appear fully technologically neutral as certain standards may hinder the development of certain technologies, for example competition rules. We should foster European and international cooperation, through the adoption of a common European infrastructure that should be created through the testing at EU level of regulatory projects and sandboxes, which can encourage the development of innovation and new technologies, in order to be able to consolidate legislation at the end of the sandbox period.

In Italy the Legislative Decree n. 34/2019, converted into Law 28 June 2019 n. 58, envisaged the establishment of sandboxes for the Fintech sector. The possibility of extending sandboxes in other areas should be checked.

Question 5. Do you consider that the current level of consumer protection for the retail financial products and services established by the EU regulatory framework is technology neutral and should be also applied to innovative ones using new technologies, although adapted to the features of these products and to the distribution models?

- o Sì
- X No

○ Don't know / no opinion / not relevant

Question 5.1 Please explain your reasoning on your answer to question 5, and where relevant explain the necessary adaptations:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our view, the level of consumer protection for retail financial products and services guaranteed by the current EU regulatory framework is not satisfactory.

For example, it is hoped that an update, in consideration of the operating paradigms of the Blockchain / DLT technology, of EU Regulation no. 2016/679 - General Data Protection Regulation (GDPR), of the eIDAS Regulation (electronic IDentification, Authentication and trust Services European Regulation n. 910/2014 for electronic identification and trust services for electronic transactions in the internal market), e-commerce and MiFID II.

With the development of new technologies, deviant behaviours have evolved and legislation is deemed necessary to protect consumer rights by ensuring the reliability and safety of online transactions.

Identify areas where the financial services regulatory framework may need to be adapted

The use of Distributed Ledger Technology (DLT), and in particular the use of one of its applications, the so-called crypto-assets, have been identified as an area where the European regulatory framework may need to be adapted. A public consultation on crypto-assets is on-going to gather stakeholders' views on these issues. Beyond the area of crypto assets, and looking at other technological and market developments, the Commission considers that it is important to identify potential regulatory obstacles to innovation at an early stage and see how to best address these obstacles not to slow down the uptake of new technologies in the financial sector.

Question 6. In your opinion, is the use for financial services of the new technologies listed below limited due to obstacles stemming from the EU financial services regulatory framework or other EU level regulatory requirements that also apply to financial services providers?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Distributed Ledger Technology (except crypto- assets)					X	
Cloud computing			X			
Artificial Intelligence/Machine learning				X		
Internet Of Things (IoT)			X			

Biometrics			X			
Quantum computing				X		
Other						X

If you see other technologies whose use would be limited in the financial services due to obstacles stemming from the EU financial services legislative framework, please specify and explain:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It should be stressed that while not forgetting the thematic complexity of DLT in general, particular attention should be paid to the peculiarities of digital identity and smart contracts.

Question 6.1 Please explain your answer to question 6, specify the specific provisions and legislation you are referring to and indicate your views on how it should be addressed:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our opinion, distributed ledger technologies are the basic tool for improving AML, KYC and operational processes in the financial sector. Precisely for this reason, their regulatory framework should be specified on the basis of concrete experiences and not through a set of national solutions, often not harmonized with each other.

In order to provide fair competition, regulations should be technologically neutral and limited to establishing the basic requirements on compliance, governance and risk assessment methodologies in the organizations that manage these infrastructures.

The use of artificial intelligence and quantum computing requires uniform regulation, for the definition of the customer / supplier relationship.

Question 7. Building on your experience, what are the best ways (regulatory and non-regulatory measures) for the EU to support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Setting up dedicated observatories to monitor technological and market trends (e.g. EU Blockchain Observatory & Forum; Platform Observatory)				X		
Funding experimentation on certain applications of new technologies in finance (e.g blockchain use cases)				X		

Promoting supervisory innovation hubs and sandboxes					X	
Supporting industry codes of conduct on certain applications of new technologies in finance				X		
Enhancing legal clarity through guidance at EU level for specific technologies and/or use cases				X		
Creating bespoke EU regimes adapted to nascent markets, possibly on a temporary basis					X	
Other						

Please specify what are the other ways the EU could support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In addition to the options that the Commission has considered, ABIE identifies two efficient solutions to support the adoption of nascent technologies and business models that rely on them.

First of all, public funds are believed to be a powerful tool to support the adoption of new technologies and business models based on them. Not surprisingly, the United States and China have allocated a dedicated budget to encourage innovation, and it is considered of the utmost importance that the EU also set up one.

Secondly, the definition of technological standards harmonized with regional preferences could be useful to encourage the development of a European industry, reducing the dependence on proprietary and extra-European technologies. Also, in this sense, the experimentation of digital technologies in an appropriate legislative regime seems in any case the best way available for the EU to achieve digital sovereignty.

Assess the need for adapting the existing prudential frameworks to the new financial ecosystem, also to ensure a level playing field

Financial services providers are increasingly relying on technology companies to support delivery mechanisms for financial services. Technology companies are also increasingly entering financial services directly. Such trends will have an impact on the customers, the supply chain, incumbent financial institutions and their regulators and supervisors. Big technology companies are able to quickly scale up services due to network effects and large user bases. Their entry may accordingly over time significantly change market structures. This may require a review of how the EU financial legislative framework regulates firms and activities, in particular if technology companies were to become direct providers of specific services (e.g. lending) or a broader range of financial services or activities. This may also require a review of how to supervise the overall risks stemming from financial services of such companies.

Financial regulation should harness the opportunities offered by digitalisation – e.g. in terms of innovative solutions that better serve customers - while protecting the public interest in terms of e.g. fair competition, financial stability, consumer protection and market integrity. The Commission accordingly invite stakeholders' views on the potential impact of technology companies entering financial services and possible required policy response in view of the above public policy objectives.

Question 8. In which financial services do you expect technology companies which have their main business outside the financial sector (individually or collectively) to gain significant market share in the EU in the five upcoming years?

Please rate each proposal from 1 to 5:

	1 (very low market share - below 1%)	**2 (low market share**	**3 (neutral)**	**4 (significant market share)**	**5 (very significant market share - above 25%)**	**N..**
Intra-European retail payments			X			
Intra-European wholesale payments		X				
Consumer credit provision to households with risk taking		X				
Consumer credit distribution to households with partner institution (s)		X				
Mortgage credit provision to households with risk taking		X				
Mortgage credit distribution to households with partner institution (s)		X				
Credit provision to SMEs with risk taking			X			
Credit distribution to SMEs with partner institution(s)				X		
Credit provision to large corporates with risk taking			X			
Syndicated lending services with risk taking			X			
Risk-taking activities in Life insurance products			X			
Risk-taking activities in Non-life insurance products				X		
Risk-taking activities in pension products			X			
Intermediation / Distribution of life insurance products			X			

Intermediation / Distribution of non- life insurance products				X		
Intermediation / Distribution of pension products		X				
Other insurance related activities, e.g. claims management				X		
Re-insurance services			X			
Investment products distribution			X			
Asset management			X			
Others						

Please specify in which other financial services you expect technology companies to gain significant market share in the EU in the five upcoming years:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

N/A

Question 8.1 Please explain your answer to question 8 and, if necessary, describe how you expect technology companies to enter and advance in the various financial services markets in the EU Member States:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As noted several times and by many parties, international retail payment services are the weak point of the EU economy.

Attempts to oppose this state of affairs appear without a real supranational dimension (Central Bank Digital Coin, regional interbank consortia for payment systems). It would be worth considering whether it is no longer useful to tax the profits of these services rather than trying to encourage competition in an extremely capital-intensive sector.

Continuing the analysis, it is reasonable to assume that the most profitable segments of the market will be the first to be subject to competition. Already, in the SME finance sector, EU banks are beginning to face competition from new fintech services.

Other activities, such as the distribution of insurance products in the life sector, appear to be more difficult to conquer, as they produce less margin and commercial banks have the advantage of a strong presence in the area. On the other hand, the non-life insurance market (motor insurance sector) appears particularly vulnerable to the penetration of second choice insurance products, perhaps supplied by the current players themselves, in search of new distribution channels. In this sense, even the handling of claims for compensation could have surprising developments (factoring repayments).

Question 9. Do you see specific financial services areas where the principle of "same activity creating the same risks should be regulated in the same way" is not respected?

- o Yes
- X No
- o Don't know / no opinion / not relevant

Question 9.1 Please explain your answer to question 9 and provide examples if

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The principle of "*activities associated with similar risks should be regulated in a similar way*" appears uniformly applied in the financial regulation of the Union.

The problem, if anything, is the opposite: the development of integrated products and services sometimes requires that this principle is not applied too rigorously. The development of an innovative product in a specific regional context and with a specific social purpose (e.g. insurance against landslides in a mountain community) should enjoy special regimes, in the context of a sandbox or a regulatory testing area of the EU.

Question 10. Which prudential and conduct risks do you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years?

Please rate each proposal from 1 to 5:

	1 (significant reduction in risks)	2 (reduction in risks)	3 (neutral)	4 (increase in risks)	5 (significant increase in risks	N.A.
Liquidity risk in interbank market (e.g. increased volatility)			X			
Liquidity risk for particular credit institutions				X		
Liquidity risk for asset management companies			X			
Credit risk: household lending			X			
Credit risk: SME lending		X				
Credit risk: corporate lending			X			
Pro-cyclical credit provision			X			
Concentration risk for funds collected and invested (e.g. lack of diversification)					X	
Concentration risk for holders of funds (e.g. large deposits				X		

or investments held in a bank or fund)						
Undertaken insurance risk in life insurance			X			
Undertaken insurance risk in non-life insurance				X		
Operational risks for technology companies and platforms				X		
Operational risk for incumbent financial service providers				X		
Systemic risks (e.g. technology companies and platforms become too big, too interconnected to fail)					X	
Money-laundering and terrorism financing risk					X	
Other						

Please specify which other prudential and conduct risk(s) you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Further risks are the danger of concentration in the offer of financial services (i.e. the creation of oligopolies and the consequent lack of competition), and that of the loss of sovereignty (i.e. excessive expansion on the market by companies outside the Union).

Question 10.1 Please explain your answer to question 10 and, if necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the credit and insurance sector, market segments with different risk profiles coexist. For example, the spread of low-end products will undoubtedly cause an increase in risk in this sector. On the contrary, it seems unlikely that these new players will be able to change the structure of corporate finance.

Conversely, financing for small and medium-sized industries and families could benefit from a greater diffusion of risks due to the widening of the offer. However, the real problems remain those of competition and the loss of sovereignty. The big tech companies have reached a quasi-monopoly position in many sectors (think of credit cards). The substantial uncertainty on the legislation has actually facilitated the creation of monopolies with profound consequences in terms of non-competition. The risks of a destabilization of the economic system could increase. The introduction of a sandbox would facilitate the development of smaller technology companies, which do not have the opportunity to bear the costs of a legal department.

Current distortions in corporate taxation have further hindered the development of the technology sector. Only those with the largest market shares have the opportunity to exploit these distortions, directing their cash flows to the countries that offer more favourable taxation.

Question 11. Which consumer risks do you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years?

Please rate each proposal from 1 to 5:

	1 (significant reduction in risks)	2 (reduction in risks)	3 (neutral)	4 (increase in risks)	5 (significant increase in risks	N.A.
Default risk for funds held in non-banks and not protected by Deposit Guarantee Scheme					X	
Liquidity risk					X	
Misselling of insurance products					X	
Misselling of investment products					X	
Misselling of credit products					X	
Misselling of pension products					X	
Inadequate provision of information					X	
Inadequate complaint and redress process and management					X	
Use/abuse of personal data for financial commercial purposes				X		
Discrimination e.g. based on profiles			X			
Operational risk e.g. interrupted service, loss of data			X			
Other						

Please specify which other consumer risk(s) you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In theory, the technology companies mentioned in this application are not regulated entities. They can therefore escape the obligations applied to financial service providers, for example in terms of KYC. Since they are not regulated, these technology companies would not be authorized to supply financial products.

However, they could provide activities on the margins of the financial system, such as misleading advertising, collection of credit information in an unregulated manner and small cash services, such as payments of less than one Euro.

Question 11.1 If necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Ceteris paribus, the risks associated with a disordered development of the fintech sector can only increase with time and with the evolution of technology. The European Union is responsible for ensuring gradual development of the sector, and for stimulating competition, as the main corrective that the market economy makes available for problems of this type.

Commercial banks are the organizations most exposed to competition from technology giants. And it can easily be argued that their profits in certain sectors are far from justified. The problem is that part of these profits is used in the provision of zero-cost services that are traditionally imposed on the banking sector, and that the tech giants have no intention of taking on.

Typical examples are the physical movement of the minted coin and banknotes, the cash service for public bodies, the maintenance of bank branches in disadvantaged locations. Should the trend towards disintermediation continue, these services would be the first to fall, with prejudice for the weaker sections of the community.

In the broader sense of economic concepts, risk assessment should not stop at a financial calculation, but should be extended to the distribution of non-monetary benefits. With a greater presence on the financial market of technology companies, customers of the new services would receive advantages (practicality, convenience), at the expense of those who have different needs due to age, culture, wealth or geographic location.

Question 12. Do you consider that any of the developments referred to in the questions 8 to 11 require adjusting the regulatory approach in the EU (for example by moving to more activity-based regulation, extending the regulatory perimeter to certain entities, adjusting certain parts of the EU single rulebook)?

X Yes

o No
o Don't know / no opinion / not relevant

Question 12.1 Please explain your answer to question 12, elaborating on specific areas and providing specific examples:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, we believe that the developments referred to in questions 8 to 11 require the adaptation of the regulatory approach currently implemented by the Union.

While maintaining the general principle that "activities involving similar risks should be subject to similar regulations", greater flexibility is suggested.

The definition of a regulatory sandbox, even if limited to certain categories of subjects, would allow not only the testing of new solutions, but also the integration of new energies in the financial sector.

Strengthen multidisciplinary cooperation between authorities

The regulation and supervision of Digital Finance requires more coordination between authorities in charge of regulating and supervising finance, personal data, consumer protection, anti-money-laundering and competition-related issues.

Question 13. Building on your experience, what are the main challenges authorities are facing while supervising innovative/digital players in finance and how should they be addressed?

Please explain your reasoning and provide examples for each sector you are referring to (e.g. banking, insurance, pension, capital markets):

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, it seems desirable to reconsider the way of regulating and supervising: the old modus operandi of forcing new activities to adapt to the existing framework appears outdated and discriminatory. The major players have no difficulty in developing elusive strategies that escape the less important players, who are thus penalized.

The division of "vertical silo" skills also appears likely to improve as the new market segmentation has favoured the development of products and activities that are difficult to place in the existing system.

A prime example is that of stablecoins, which are used from time to time as a means of payment, as a commodity or as a guarantee for subordinated loans. A further example is provided by those commercial banks which have repeatedly suggested to customers the opening of loans aimed exclusively at the purchase of shares in the bank itself.

Finally, the role of the European Union Information Security Agency (ENISA) should be strengthened in order to be more easily articulated with other regulators.

Question 14. According to you, which initiatives could be put in place at EU level to enhance this multi-disciplinary cooperation between authorities?

Please explain your reasoning and provide examples if needed:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Technological evolution does not know national borders, and therefore one of the main issues to be addressed is the determination of the applicable legislation, for example on the basis of the information mandatory provided by the travel rule. Another problem is the increase in the technical resources and skills of the supervisory authorities, with the aim of promoting a timely exchange of information and harmonizing regulatory and supervisory activities.

This resource problem mainly concerns the authorities that control the technology suppliers, the so-called regtechs, who often cannot carry out their business due to the lack of resources.

It is necessary to define more clearly the field of competence of the various regulators, and above all to establish mechanisms for stimulating cooperation. Without reaching the extreme clarity of the French model (the Financial Markets Authority is the only access point for regulations and authorizations, and coordinates the other national bodies), a European Digital Agency could be set up, capable of managing the cases in which there is an overlap of competences between multiple regulators at national or EU level.

Once again, the introduction of a term sandbox would allow us to gain the time and experience necessary for the formation of a regulatory framework for secure digital finance.

II. Removing fragmentation in the single market for digital financial services

Removing Single Market fragmentation has always been on the radar of EU institutions. In the digital age, however, the ability of firms to scale up is a matter of economic productivity and competitiveness. The economics of data and digital networks determines that firms with substantial network effects enjoy a competitive advantage over rivals. Only a strong Single Market for financial services could bring about EU-wide businesses that would be able to compete with comparably sized peers from other jurisdictions, such as the US and China.

Removing fragmentation of the Single Market in digital financial services while maintaining an adequate level of security for the financial system is also essential for expanding access to financial services for consumers, investors and businesses across the EU. Innovative business models and services are flourishing in the EU, with the potential to bring greater choice and better services to consumers. Traditional players and start-ups are both competing, but also increasingly establishing partnerships to innovate. Notwithstanding the opportunities provided by the Digital Single Market, firms still face obstacles when scaling up across the Single Market.

Examples include a lack of consistency in the transposition, interpretation and application of EU financial legislation, divergent regulatory and supervisory attitudes towards digital innovation, national 'gold-plating' of EU rules, cumbersome licensing processes, insufficient funding, but also local preferences and dampen cross-border and international ambition and entrepreneurial spirit and risk taking on the part of business leaders and investors. Likewise, consumers face barriers in tapping innovative digital products and being offered and receiving services from other Member States other than of their residence and also in accessing affordable market data to inform their investment choices. These issues must be further addressed if the EU is to continue to be an incubator for innovative companies that can compete at a global scale.

Question 15. According to you, and in addition to the issues addressed in questions 16 to 25 below, do you see other obstacles to a Single Market for digital financial services and how should they be addressed?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Greater cohesion and collaboration at European level between the various member countries is considered fundamental.

It is therefore important to adopt a strategy aimed at standardizing financial regulation.

To this end, it is considered necessary to adopt a governance mechanism that ensures organization and coordination at European level, through a clarity of the powers and roles conferred on the individual supranational and national bodies

A national review of the powers and roles conferred on individual national authorities is deemed necessary to achieve greater operational transparency of "who does what" and to streamline the institutional organization.

Subsequently, each national authority should be mapped to create greater uniformity and homogeneity for each EU country.

Finally, a review and optimization of the various European Committees is required and an efficient reporting line from the local system to the central European one necessary to tackle a European financial services strategy in a single market.

Facilitate the use of digital financial identities throughout the EU

Both start-ups and incumbent financial institutions increasingly operate online, without any need for physical establishment in a particular jurisdiction. Technologies are enabling the development of new ways to verify information related to the identity and financial situation of customers and to allow for portability of such information as customers change providers or use services by different firms. However, remote on-boarding relies on different technological means (e.g. use of biometric data, facial recognition, live video) to identify and verify a customer, with different national approaches regarding their acceptability. Moreover, supervisory authorities have different expectations concerning the rules in the 5th Anti-Money Laundering Directive permitting reliance on third parties for elements of on-boarding. The Commission will also consult shortly in the context of the review of the EU Anti-Money Laundering framework.

Question 16. What should be done at EU level to facilitate interoperable cross-border solutions for digital on-boarding?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Harmonise rules governing customer due diligence requirements in the Anti-Money Laundering legislation					X	
Harmonise rules governing the acceptable use of remote identification technologies and services in the Anti-Money Laundering legislation					X	
Broaden access for obliged entities to publicly held information (public databases and registers) to enable verification of customer identities				X		
Provide further guidance or standards in support of the customer due diligence process (e.g. detailed ID elements, eligible trusted sources; risk				X		

assessment of remote identification technologies)						
Facilitate the development of digital on-boarding processes, which build on the e-IDAS Regulation					X	
Facilitate cooperation between public authorities and private sector digital identity solution providers				X		
Integrate KYC attributes into e-IDAS in order to enable on-boarding through trusted digital identities					X	
Other						

Please specify what else should be done at EU level to facilitate interoperable cross-border solutions for digital on-boarding:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No comments

Question 17. What should be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Make the rules on third party reliance in the Anti-Money Laundering legislation more specific					X	
Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital means, including on issues relating to liability					X	
Promote re-use of digital identities collected for customer due diligence purposes in accordance with data protection rules				X		
Promote a universally accepted public electronic identity					X	
Define the provision of digital identities as a new private sector trust service under the supervisory regime of the eIDAS Regulation				X		

Other						

Please specify what else should be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Ensure a regular supervision and monitoring mechanism by a central European authority.
- To ensure the existence of a mechanism that allows to verify the potential risk of data manipulation or the adoption of prejudicial practices according to the data attributed to the individual identity.

Question 18. Should one consider going beyond customer identification and develop Digital Financial Identities to facilitate switching and easier access for customers to specific financial services?

Should such Digital Financial Identities be usable and recognised throughout the EU?

Which data, where appropriate and in accordance with data protection rules, should be part of such a Digital Financial Identity, in addition to the data already required in the context of the anti-money laundering measures (e.g. data for suitability test for investment services; data for creditworthiness assessment; other data)?

Please explain your reasoning and also provide examples for each case you would find relevant.

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Difficulties remain in standardizing the interpretation and analysis of financial and commercial information collected between different EU countries.

Furthermore, the information collected must be accredited and subjected to a verification system by an independent European body capable of assessing the homogeneity between different documents adopted in various countries.

Document homogeneity between EU countries and therefore the criticality on the possible adoption of security protocols to ensure maximum protection and security of information, their completeness and accuracy to ensure a European digital financial identity mechanism, are considered absent.

Question 19. Would a further increased mandatory use of identifiers such as Legal Entity Identifier (LEI), Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI) facilitate digital and/or automated processes in financial services?

X Yes

- No
- Don’t know / no opinion / not relevant

If yes, in which framework(s) is there the biggest potential for efficiency gains?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Certainly, the LEI identification code can facilitate a more efficient management of financial risk and transparency on the market thanks to the standardization mechanism of recorded and tracked information.

The unique identifier of the transaction (UTI) is affected by regulatory fragmentation with the consequence that some transactions may not be reported, although, with the entry into force of the MiFID II directive, efforts have been made to give homogeneity to the definition of derivative instruments.

The unique product identifier (UPI) is also affected by an inefficient data harmonization necessary for the aggregation of data and homogeneity of the legislation applied to financial services (e.g. crypto activities)

Make it easier for firms to carry out technology pilots and scale up across the Single Market

Currently, three national competent authorities have established regulatory sandboxes with five more under development. Regulatory sandboxes are most often schemes to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models. Besides, almost all competent authorities have established innovation hubs. Innovation hubs provide a dedicated point of contact for firms to ask questions to competent authorities on FinTech related issues and to seek non-binding guidance on regulatory and supervisory expectations, including licensing requirements. The European Forum of Innovation Facilitators (EFIF) is intended to promote greater coordination and cooperation between innovation facilitators established by financial sector supervisors to support the scaling up of digital finance across the Single Market, including by promoting knowledge-sharing between innovation hubs and facilitating cross-border testing in regulatory sandboxes.

Question 20. In your opinion (and where applicable, based on your experience), what is the main benefit of a supervisor implementing (a) an innovation hub or (b) a regulatory sandbox as defined above?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The main advantage is to create a collaboration that allows you to test the financial technological innovation within an environment where multidisciplinary can allow a complete and detailed analysis of the impacts and risks related to market introduction. This would better allow for a regulatory review in step with operational innovation.

Question 21. In your opinion, how could the relevant EU authorities enhance coordination among different schemes in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Promote convergence among national authorities in setting up innovation hubs and sandboxes, through additional best practices or guidelines				X		
Facilitate the possibility for firms to test new products and activities for marketing in several Member States ("cross border testing")						
Raise awareness among industry stakeholders				X		
Ensure closer coordination with authorities beyond the financial sector (e.g. data and consumer protection authorities)					X	
Promote the establishment of innovation hubs or sandboxes with a specific focus (e.g. a specific technology like Blockchain or a specific purpose like sustainable finance)				X		
Other						

Please specify how else could the relevant EU authorities enhance coordination among different schemes in the EU:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Define clear programs and action plans in which the local bodies of the individual EU countries must participate.
- Ensure a precise deadline on the established actions.

Question 21.1 If necessary, please explain your reasoning and also provide examples for each case you would find relevant:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There appears to be an imbalance of power exercised by individual countries at Community level.

Some countries launch programs and actions independently and not linked to a clear coordinated European program to ensure that each country contributes synergistically to the development of a shared and unique innovative strategy. Each nation tends to launch government programs independently also on issues that should instead require unified partnership between countries to achieve greater homogeneity and standardization of operations and regulations, in common times.

For example, in December 2018 the Minister of Economic Development (MISE) selected a group of experts for the creation of an Italian strategy for blockchain and distributed registries. In June 2020, the MISE launched a public consultation of the product summary document. The document examines policies and tools related to blockchain development and the registers distributed in Italy, free from a clear coordination of European governance.

All issues related to the development of digital and technological innovation require coordination centrally at the European Union level to guarantee efficiency and sustainability.

Furthermore, the allocation of European funding allocated to overcome the crisis from COVID19 must also be based on a legitimate European supervision of the modalities and purposes of the utilization program.

Question 22. In the EU, regulated financial services providers can scale up across the Single Market thanks to adequate licenses and passporting rights.

Do you see the need to extend the existing EU licenses passporting rights to further areas (e.g. lending) in order to support the uptake of digital finance in the EU?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The European license is necessary to fuel the company's innovation and internationalization.

Current rights should be extended to digital technology finance sectors to reduce industry fragmentation and operational and regulatory homogeneity. Digitization will facilitate the efficiency and effectiveness of the operating process to process requests, review and issue the authorization.

Ensure fair and open access to relevant technical infrastructures for all financial service providers that wish to offer their services across the Single Market

(It should be noted that this topic is also included, from the payment perspective, in the Retail Payments consultation)

The emergence of providers of technical services supporting the provision of financial services bring both opportunities and challenges. On the one hand, such providers can facilitate the provision of cross-border services. On the other hand, they may in certain cases limit access to the platform or relevant devices' interface, or provide it under unfair and non-transparent terms and conditions. Certain Member States are starting to take measures in this respect.

Question 23. In your opinion, are EU level initiatives needed to avoid fragmentation in the Single Market caused by diverging national measures on ensuring non-

discriminatory access to relevant technical infrastructures supporting financial services?

Please elaborate on the types of financial services and technical infrastructures where this would be relevant and on the type of potential EU initiatives you would consider relevant and helpful:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regulation is required to regulate the relationships between financial institutions and suppliers of AI infrastructures and technology platforms, in particular aimed at protecting the onset of subordination of the financial institution to the AI services rendered by the supplier. EU initiatives should aim to ensure that regulation, in particular, assesses the need to ensure the implementation of "exit strategies" on outsourced processes, protecting the operational continuity of the financial system.

Empower and protect EU consumers and investors using digital finance across the Single Market

An increasing number of new digital financial products and services expose consumers and retail investors to both opportunities and risks: more choice, more tailored products, more convenience, but also bad advice, mis-selling, poor information and even discrimination. Accordingly, it is important to carefully consider how to tap the potential of innovative products, services and business models while empowering and protecting end-users, to ensure that they benefit from a broader access to, and range of innovative products and services across the Single Market in a safe and sound manner. This may also require reviewing existing legislation to ensure that the consumer perspective is sufficiently taken into account. In addition, promoting financial education and digital financial skills may be important to ensure that consumers and retail investors are able to make the most of what digital finance has to offer and to select and use various digital tools, whilst at the same time increasing the potential size of the market for firms.

Question 24. In your opinion, what should be done at EU level to achieve improved financial education and literacy in the digital context?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Ensure more affordable access at EU level to financial data for consumers and retail investors			X			
Encourage supervisors to set up hubs focussed on guiding consumers in the digital world				X		
Organise pan-European campaigns and advisory hubs focusing on digitalisation to raise					X	

awareness among consumers						
Collect best practices			X			
Promote digital financial services to address financial inclusion				X		
Introduce rules related to financial education comparable to Article 6 of the Mortgage Credit Directive, with a stronger focus on digitalisation, in other EU financial regulation proposals					X	
Other						

Please specify what else should be done at EU level to achieve improved financial education and literacy in the digital context:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Better consumer financial education is certainly important, but it is the system that must guarantee consumer protection.

Therefore, in an increasingly complex and articulated system, greater rigor and ethical-legal relationship is essential, capable of ensuring that positions of responsibility are entrusted on the basis of skills. Otherwise, the development of innovation ends up not going hand in hand with a deep critical sense necessary to ensure future sustainability and prosperity.

To protect the consumer, a clear compliance and risk management activity (IT risk assessment, implementation of the internal control system, operational disclosure) and regulation capable of guaranteeing high levels of governance and transparency of information to the end customer is necessary.

Furthermore, precise innovative sanctioning systems are necessary in order to counter illegal activities, falsification of information, discrimination.

Question 25: If you consider that initiatives aiming to enhance financial education and literacy are insufficient to protect consumers in the digital context, which additional measures would you recommend?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Refer to above

III. Promote a well-regulated data-driven financial sector

Data-driven innovation can enable better and more competitive financial services for consumers and businesses, as well as more integrated capital markets (e.g. as discussed in the on-going work of the High-Level Forum). Whilst finance has always been a data-intensive sector, data-processing capabilities have substantially improved over the recent years, enabling fast parallel computing at low cost. Large amounts of data have also become available as computers and their users are increasingly linked, supported by better storage data capabilities. These developments have enabled the use of artificial intelligence (AI) applications to make predictions about future outcomes at a lower cost. Following on to the European data strategy adopted on 19 February 2020, the Commission services are considering a number of steps in this area (see also the parallel consultation on the Mifid review).

Question 26: In the recent communication "A European strategy for data", the Commission is proposing measures aiming to make more data available for use in the economy and society, while keeping those who generate the data in control.

According to you, and in addition to the issues addressed in questions 27 to 46 below, do you see other measures needed to promote a well-regulated data driven financial sector in the EU and to further develop a common European data space for finance?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Further measures must aim to protect users of the financial sector from the risks of potential discrimination resulting from data processing activities and therefore from the risks of undermining the foundations of the economic-social system.

Measures must be taken to ensure the auditing of AI algorithms and software to verify the correctness of the results and the quality of the data

In a global ecosystem, measures must be taken to clarify which organization should have the authority to monitor and strengthen data governance and data protection policies, taking into account whether it is a centralized or decentralized system

Complete the definition of a regulatory discipline that takes into account the importance of digital infrastructures in relation to their social and economic impact and which provides for the development of a regulatory system of data governance in Europe to eliminate ambiguity in regulatory interpretation. We refer, for example, to the definition of whether social media platforms are public or private. Oligopolistic access to data by a few large companies (Google, Apple, Facebook, Amazon, Microsoft) and their partners must be subject to urgent evaluation by supervisory bodies.

It is also noted that measures must be started to supervise the future development of the cloud which in combination with 5G technology and IoT devices can increase the risks related to data security and protection, given the increase in the amount of data that can be processed. centralized or decentralized.

It is recommended that the aforementioned measures take into account DLT technology as a support for big data management.

Facilitate the access to publicly available data in finance

Financial institutions are currently required to make public a wealth of financial information. This information e.g. allows investors to make more informed choices. For example, such data include financial reporting and non-financial reporting, prudential disclosures under the Capital Requirements Directive or Solvency II, securities market disclosures, key information documents for retail investment products, etc. However, this data is not always easy to access and process. The Commission services are reflecting on how to further facilitate access to public disclosures of financial and supervisory data currently mandated by law, for example by promoting the use of common technical standards. This could for instance contribute to achieving other policies of public interest, such as enhancing access to finance for European businesses through more integrated capital markets, improving market transparency and supporting sustainable finance in the EU.

Question 27. Considering the potential that the use of publicly available data brings in finance, in which areas would you see the need to facilitate integrated access to these data in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Financial reporting data from listed companies					X	
Non-financial reporting data from listed companies				X		
SME data				X		
Prudential disclosure stemming from financial services legislation					X	
Securities market disclosure				X		
Disclosure regarding retail investment products				X		
Other						

As part of the European Financial Transparency Gateway (EFTG) project, the Commission has been assessing since 2017 the prospects of using Distributed Ledger Technology to federate and provide a single point of access to information relevant to investors in European listed companies.

Question 28. In your opinion, what would be needed to make these data easily usable across the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Standardised (e.g. XML) and machine-readable format					X	
Further development of the European Financial Transparency Gateway, federating existing public databases with a Single EU access point					X	
Application Programming Interfaces to access databases				X		
Public EU databases					X	
Other						

Consent-based access to personal data and data sharing in the financial sector

The Commission is reflecting how to further enable consumers, investors and businesses to maximise the benefits their data can bring in the financial sector, in full respect of our European standards and values, in particular the European data protection rules, fundamental rights and security.

The revised Payment Services Directive marked an important step towards the sharing and use of customer- permissioned data by banks and third-party providers to create new services. However, this new framework is limited to payment data held by payment services providers, and does not cover other types of data relevant to financial services and held by other firms within and outside the financial sector. The Commission is reflecting upon additional steps in the area of financial services inspired by the principle of open finance. Any new initiative in this area would be based on the principle that data subjects must have full control over their data.

Better availability and use of data, leveraging for instance on new technologies such as AI, could contribute to supporting innovative services that could benefit European consumers and firms. At the same time, the use of cutting- edge technologies may give rise to new risks that would need to be kept in check, as equally referred to in section I.

Question 29. In your opinion, under what conditions would consumers favour sharing their data relevant to financial services with other financial services providers in order to get better offers for financial products and services?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is our opinion that consumers may be willing to share their data with other financial suppliers under the following main conditions:

- control over their data for modification or removal;

- consumer data cannot be sold;

- improvement of the quality of the products / services offered and / or the customer's user experience. As an example, they do not have to repeat the adequacy tests;

- give a return value to the data transferred to third parties which must be repaid to the customer for the value generated.

- allow the customer to obtain a clear disclosure on how their data was used and shared and what the results of the sharing activity were.

- Review the regulations governing the IT consent issued by the customer in order to bring greater control and supervision power to the customer.

- The implementation of communication channels between consumer and authority to report cases of abuse or potential risks of algorithmic discrimination.

Question 30. In your opinion, what could be the main benefits of implementing an open finance policy in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	**2 (rather not relevant)**	**3 (neutral)**	**4 (rather relevant)**	**5 (fully relevant)**	**N.A.**
More innovative and convenient services for consumers/investors, e.g. aggregators, comparison, switching tools					X	
Cheaper traditional services for consumers/investors			X			
Efficiencies for the industry by making processes more automated (e.g. suitability test for investment services)				X		
Business opportunities for new entrants in the financial industry			X			
New opportunities for incumbent financial services firms, including through partnerships with innovative start-ups				X		
Easier access to bigger sets of data, hence facilitating development of data dependent services					X	
Enhanced access to European capital markets for retail investors				X		
Enhanced access to credit for small businesses				X		
Other						

Question 31. In your opinion, what could be the main risks of implementing an open finance policy in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	**2 (rather not relevant)**	**3 (neutral)**	**4 (rather relevant)**	**5 (fully relevant)**	**N.A.**
Privacy issues / security of personal data				X		
Financial exclusion				X		
Poor consumer outcomes (e.g. unfair pricing strategies)				X		
Misuse of consumers' financial data					X	
Business confidentiality issues		X				
Increased cyber risks				X		
Lack of level playing field in terms of access to data across financial sector activities			X			
Other						

Question 32. In your opinion, what safeguards would be necessary to mitigate these risks?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To mitigate these risks, the following guarantees are considered necessary:

Correct and regulated use of innovative digital technologies (blockchain and AI) for Identities, for the correlation of consumer data to identity.

The guarantee regarding the correctness of the data for learning AI.

A stricter regulation governing the system of consent and use of data and transparency.

Strengthening European governance responsible for ensuring compliance with the Transparency Directive 2004/109 / EC at Community level.

The definition of clear rules in an increasingly digital market where the collection and use of data to generate value is increasingly detached from tax and permanent establishment rules.

The risk of an open, ungoverned system is to create assumptions that globalization becomes a threat and not an opportunity for the economic and sustainable development of a country.

Increasingly digital services are rendered by large groups not located in the area where they carry out their digital services and who take advantage of unclear legislation. In this condition, opening up the markets increases concentration rather than competition. 4-5 digital industries generate very high rents which are not taxed on the local territory.

A more precise regulation to regulate the relationships between financial institutions and AI technology suppliers, in particular aimed at protecting the onset of subordination of the financial institution to the AI services rendered by the supplier and the definition of regulated and transparent exit strategies with a precise case law to define limitations both locally and supranational on outsourcing processes.

Finally, a European-wide control over the growth of investment in R&D and innovation is necessary to monitor the minimum percentage limits of GDP that must be paid to innovation. A local strategy must be implemented and reviewed and approved or rejected at European level. This is necessary to avoid jeopardizing European competitiveness compared to other countries (USA / China) and increase inequalities between advanced countries.

Question 33. In your opinion, for which specific financial products would an open finance policy offer more benefits and opportunities?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Savings accounts				X		
Consumer credit			X			
SME credit			X			
Mortgages		X				
Retail investment products (e. g. securities accounts)		X				
Non-life insurance products (e.g. motor, home...)		X				
Life insurance products					X	
Pension products					X	
Other						

Question 33.1 Please explain your answer to question 33 and give examples for each category:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Traditional savings or deposit accounts are no longer the ideal solution. The development of a single open banking platform can allow the integration of new and different services that can allow new forms of savings thanks also to the use of AI technology.

The activity of granting consumer credit and for SMEs can be carried out through electronic platforms that are not only operated by commercial banks, generating new opportunities but also new challenges related to guarantees of protection for consumers as well as financial stability due to an inefficient business conduct and the lack of regulation, supervision and control by supervisory bodies.

We do not think that an open financial policy offers greater benefits when it comes to mortgage loans. Clearly, the innovative and technological development can contribute to a digitized process of the demand for loans, speeding up issues and practices for verifying sustainability

With regard to life insurance products and pension products, a significant weight can assume an improvement in the process of verifying the operational and management tools used to measure and manage the risks associated with the portfolio and the assumptions about the probability that events will occur. This could allow a realignment of the commercial and pricing profiles. However, the importance of supervisory activities by supervisory bodies is recognized.

Question 34. What specific data (personal and non-personal) would you find most relevant when developing open finance services based on customer consent?

To what extent would you also consider relevant data generated by other services or products (energy, retail, transport, social media, e-commerce, etc.) to the extent they are relevant to financial services and customers consent to their use?

Please explain your reasoning and provide the example per sector:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

financial service providers who will process it on the basis of the types of services provided.

The relevance of the data generated by other services or products should be justified with respect to the intent of the financial service. Therefore, there should be a clear definition of an organizational and operational model which transparently documents what data it deems useful to use to generate an efficient financial service for the customer. The model should be subject to periodic verification by supervisory bodies.

Question 35. Which elements should be considered to implement an open finance policy?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	**2 (rather not relevant)**	**3 (neutral)**	**4 (rather relevant)**	**5 (fully relevant)**	**N.A.**
Standardisation of data, data formats					X	
Clarity on the entities covered, including potential thresholds				X		
Clarity on the way data can be technically accessed including whether data is shared in real-time (e.g. standardised APIs)					X	
Clarity on how to ensure full compliance with GDPR and e-					X	

Privacy Directive requirements and need to ensure that data subjects remain in full control of their personal data						
Clarity on the terms and conditions under which data can be shared between financial services providers (e. g. fees)					X	
Interoperability across sectors				X		
Clarity on the way data shared will be used					X	
Introduction of mandatory data sharing beyond PSD2 in the framework of EU regulatory regime				X		
If mandatory data sharing is considered, making data available free of cost for the recipient					X	
Other						

Support the uptake of Artificial intelligence in finance

Artificial intelligence (AI) can bring considerable benefits for EU citizens and businesses alike and the Commission is committed to support its uptake with appropriate frameworks and investment. The White Paper on Artificial intelligence details the Commission’s vision on a European approach for AI in Europe.

In the financial sector, AI and machine learning solutions are increasingly applied throughout the entire value chain. This may benefit both firms and consumers. As regards firms, AI applications that enable better predictions can result in immediate cost savings due to improved risk analysis or better client segmentation and product price differentiation. Provided it can be achieved, this could in the medium-term lead to better risk management and improved profitability. As an immediate effect, AI allows firms to save on costs, but as prediction technology becomes more accurate and reliable over time, it may also lead to more productive business models and entirely new ways to compete.

On the consumer side, the use of AI applications can result in an improved price-quality relationship of financial services, better personalisation and in some cases even in financial inclusion of previously excluded consumers. At the same time, AI may entail new risks such as opaque decision-making, biases, discrimination or loss of privacy.

The Commission is seeking stakeholders’ views regarding the use of AI and machine learning solutions in finance, including the assessment of the overall opportunities and risks it could bring as well as the specificities of each sector, e.g. banking, insurance or investment services.

Question 36: Do you/does your firm already deploy AI based services in a production environment in the EU?

- Yes

X No

o Don’t know / no opinion / not relevant

Question 37: Do you encounter any policy or regulatory issues with your use of AI?

Have you refrained from putting AI based services in production as a result of regulatory requirements or due to legal uncertainty?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No.

Question 38. In your opinion, what are the most promising areas for AI- applications in the financial sector in the medium term and what are the main benefits that these AI-applications can bring in the financial sector to consumers and firms?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- New investment systems for savings and trading of securities and currencies.
- Automatic predictive analysis of financial and real estate markets through also quantum computing.
- Robo-Advising and consulting.
- Improvement of risk management models and techniques and compliance activities to protect consumers.

Question 39. In your opinion, what are the main challenges or risks that the increased use of AI- based models is likely to raise for the financial industry, for customers/investors, for businesses and for the supervisory authorities?

Please rate each proposal from 1 to 5:

1. Financial industry

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
1.1. Lack of legal clarity on certain horizontal EU rules					X	
1.2. Lack of legal clarity on certain sector-specific EU rules					X	
1.3. Lack of skills to develop such models				X		
1.4. Lack of understanding from and oversight by the supervisory authorities					X	
1.5. Concentration risks					X	
1.6. Other						

2. Consumers/investors

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
2.1. Lack of awareness on the use of an algorithm					X	
2.2. Lack of transparency on how the outcome has been produced					X	
2.3. Lack of understanding on how the outcome has been produced				X		
2.4. Difficult to challenge a specific outcome					X	
2.5. Biases and/or exploitative profiling				X		
2.6. Financial exclusion				X		
2.7. Algorithm-based behavioural manipulation (e.g. collusion and other coordinated firm behaviour)					X	
2.8. Loss of privacy				X		
2.9. Other						

3. Supervisory authorities

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
3.1. Lack of expertise in understanding more complex AI-based models used by the supervised entities					X	
3.2. Lack of clarity in explainability requirements, which may lead to reject these models					X	
3.3. Lack of adequate coordination with other authorities (e.g. data protection)				X		
3.4. Biases				X		
3.5. Other						

Question 40. In your opinion, what are the best ways to address these new issues?

Please rate each proposal from 1 to 5

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
New EU rules on AI at horizontal level					X	

New EU rules on AI for the financial sector					X	
Guidance at EU level for the financial sector					X	
Experimentation on specific AI applications under the control of competent authorities					X	
Certification of AI systems				X		
Auditing of AI systems					X	
Registration with and access to AI systems for relevant supervisory authorities					X	
Other						

Harness the benefits data-driven innovation can bring in compliance and supervision

RegTech tools that are emerging across Europe can bring significant efficiencies for the financial industry. Besides, national and European supervisory authorities also acknowledge the benefits new technologies can bring in the data- intensive supervision area. Following on the findings of the Fitness Check of EU supervisory reporting, the Commission is already acting to develop a supervisory reporting that is fit for the future. Leveraging on machine learning technology, the Commission is mapping the concepts definitions and reporting obligations across the EU financial services legislation to identify the areas where further standardisation is needed. Standardised concept definitions and reporting obligations are a prerequisite for the use of more automated processes. Moreover, the Commission is assessing through a Proof of Concept the benefits and challenges recent innovation could bring in the reporting area such as machine-readable and machine executable legislation. Looking at these market trends and building on that work, the Commission is reflecting upon the need for additional initiatives at EU level to facilitate the uptake of RegTech and/or SupTech solutions.

Question 41. In your opinion, what are the main barriers for new RegTech solutions to scale up in the Single Market?

Please rate each proposal from 1 to 5:

Providers of RegTech solutions:

	1 (irrelevant)	**2 (rather not relevant)**	**3 (neutral)**	**4 (rather relevant)**	**5 (fully relevant)**	**N.A.**
Lack of harmonisation of EU rules				X		
Lack of clarity regarding the interpretation of regulatory requirements (e.g. reporting)				X		
Lack of standards					X	
Lack of real time access to data from regulated institutions				X		
Lack of interactions between RegTech firms, regulated				X		

financial institutions and authorities						
Lack of supervisory one stop shop for RegTech within the EU			X			
Frequent changes in the applicable rules				X		
Other						

Financial service providers:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 (fully relevant)	N.A.
Lack of harmonisation of EU rules				X		
Lack of trust in newly developed solutions				X		
Lack of harmonised approach to RegTech within the EU				X		
Other						

Question 42. In your opinion, are initiatives needed at EU level to support the deployment of these solutions, ensure convergence among different authorities and enable RegTech to scale up in the Single Market?

X Yes

○ No

○ Don't know / no opinion / not relevant

Question 42.1 Please explain your answer to question 42 and, if necessary, please explain your reasoning and provide examples:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In a single market and an open financial system, it is considered essential that RegTech is developed through a methodology that is as standardized and homogeneous as possible. Exceptions to the possibility of ensuring convergence between different authorities should be subject to detailed regulatory analysis to understand their causes.

Question 43. In your opinion, which parts of financial services legislation would benefit the most from being translated into machine-executable form?

Please specify what are the potential benefits and risks associated with machine-executable financial services legislation:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the regulatory and prudential reporting that insurance companies, banks and investment firms are required to carry out would benefit from digital automation (Blockchain and AI). Even the Regulators would have greater guarantees regarding the consistency and comparability of the data.

Question 44. The Commission is working on standardising concept definitions and reporting obligations across the whole EU financial services legislation.

Do you see additional initiatives that it should take to support a move towards a fully digitalised supervisory approach in the area of financial services?

Please explain your reasoning and provide examples if needed:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As a preliminary remark, we would like to note that we are not in favour of a fully digitized supervisory approach in the financial services sector. In our view, human intervention will remain necessary.

However, we believe that automating the authorization processes would be very beneficial. Indeed, automated authorization processes would take less time and be less expensive. They would also ensure full harmonization and a level playing field across the EU, reducing Member States' room for maneuver.

Question 45. What are the potential benefits and drawbacks of a stronger use of supervisory data combined with other publicly available data (e.g. social media data) for effective supervision? Should the Please explain your reasoning and provide examples if needed:

Should the Please explain your reasoning and provide examples if needed:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The combination of supervisory data with other publicly available data can be useful for effective supervision, although it can influence supervisory activity in a non-objective way if not supported by a model and standard testing methodology.

IV. Broader issues

Question 46. How could the financial sector in the EU contribute to funding the digital transition in the EU? Are there any specific barriers preventing the sector from providing such funding?

Are there specific measures that should then be taken at EU level in this respect?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ABIE believes that the EU measures packages for the 2021-2027 period prepared for the 27 EU members and the proposal to raise the current levels of funding in sectors considered to be of high added value such as research and digital innovation are sufficient.

- around € 8.2 billion for the establishment of a new digital Europe program, which should support strategic projects in key sectors: artificial intelligence, supercomputers, cybersecurity or digitalization of industry and digital skills;
- € 83.4 billion for the new European research program Horizon Europe, of which 15 for the Digital and industry thematic pole.
- The European Parliament asked to increase the appropriation to € 120 billion.
- € 2.6 billion for the digital sector within the Connecting Europe Facility;
- € 13 billion for the InvestEU fund (successor to the EFSI), within which there would be, among sectors of intervention, the specific one for research, innovation and digitization;
- € 14.1 billion for the EU Space Program.

In order to ensure an efficient and effective allocation of the funds allocated, a European supervision system is hoped that can:

- validate the method of allocating loans on the basis of clear programs defined by each country.
- ensure a symmetrical and sustainable development of the digital transaction.
- take into account the economic dynamics that each country has to face.

It is the objective of the European institutions to ensure European digital sovereignty, through the development of digital infrastructures and networks capable of reducing the dependence on the supply of technologies by non-European countries and of making up for the delay compared to more advanced countries such as the USA and China. A courageous positioning is needed to face the dynamics that have made few large platforms, such as those of Microsoft, Apple, Amazon, Google, Facebook, represent two thirds of the total value of the entire market with the total absence of European players.

The European governance mechanism can support this progress through a renewed sense of the values of the European Union, careful to create a system by ensuring competitiveness and fairness in an open and democratic society, maintaining the growth of human capital necessary for the development of a sustainable economy.

Question 47. Are there specific measures needed at EU level to ensure that the digital transformation of the European financial sector is environmentally sustainable?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To ensure the environmental sustainability linked to the digital transformation of the financial sector, ABIE believes that we must start from a clear strategy defined at European level with periodically measurable objectives and indicators aimed at improving the energy efficiency of data and telecommunications infrastructures.

On the basis of the strategic plan, each country must define its own operational program subject to periodic evaluation by the Commission. Actions aimed at promoting the reuse and recycling of electronic devices and a policy capable of adopting innovative legal systems for waste management are fundamental.

The European Commission should be able to adopt a supervisory and coordination system at European level which can also create a single framework avoiding the fragmentation of the European market caused by inconsistent actions or absence of locally defined programs.

Member States should therefore be able to report on the measures taken and make them accessible to other Member States and to the Commission. The assessment of the progress made must be public with an approach that allows European citizens to evaluate the work of their political class in a transparent and objective way thanks to a clear benchmark with the results achieved by other EU countries.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf, txt, doc, docx, odt, rtf are allowed