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

Fields marked with * are mandatory.

Introduction

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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 context and in line with Better Regulation principles, the Commission is launching a consultation designed to 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

About you

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* Language of my contribution

- Bulgarian
- Croatian
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- Danish
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Dutch
- (x) English
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- ( ) Finnish
- ( ) French
- ( ) Gaelic
- ( ) German
- ( ) Greek
- ( ) Hungarian
- ( ) Italian
- ( ) Latvian
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- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
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- ( ) Swedish

* I am giving my contribution as

- ( ) Academic/research institution
- ( ) Business association
- ( ) Company/business organisation
- ( ) Consumer organisation
- ( ) EU citizen
- ( ) Environmental organisation
- ( ) Non-EU citizen
- ( ) Non-governmental organisation (NGO)
- (x) Public authority
- ( ) Trade union
- ( ) Other

* First name

Jeppe

* Surname

Conradsen

* Email (this won't be published)

jesu@ftnet.dk

* Scope

- International
- Local
- (selected) National
- Regional

* Organisation name

255 character(s) maximum

The Danish Financial Supervisory Authority (Finanstilsynet)

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- (selected) Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

* Country of origin

Please add your country of origin, or that of your organisation.

Afghanistan	Djibouti	Libya	Saint Martin
Åland Islands	Dominica	Liechtenstein	Saint Pierre and Miquelon
Albania		Lithuania	

- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda

- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece

- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique

- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname

Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China

Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel

Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama

Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine

		Papua New Guinea	United Arab Emirates
○ Christmas Island	○ Italy	○ Paraguay	○ United Kingdom
○ Clipperton	○ Jamaica	○ Peru	○ United States
○ Cocos (Keeling) Islands	○ Japan	○ Philippines	○ United States Minor Outlying Islands
○ Colombia	○ Jersey	○ Pitcairn Islands	○ Uruguay
○ Comoros	○ Jordan	○ Poland	○ US Virgin Islands
○ Congo	○ Kazakhstan	○ Portugal	○ Uzbekistan
○ Cook Islands	○ Kenya	○ Puerto Rico	○ Vanuatu
○ Costa Rica	○ Kiribati	○ Qatar	○ Vatican City
○ Côte d’Ivoire	○ Kosovo	○ Réunion	○ Venezuela
○ Croatia	○ Kuwait	○ Romania	○ Vietnam
○ Cuba	○ Kyrgyzstan	○ Russia	○ Wallis and Futuna
○ Curaçao	○ Laos	○ Rwanda	○ Western Sahara
○ Cyprus	○ Latvia	○ Saint Barthélemy	○ Yemen
○ Czechia	○ Lebanon	○ Saint Helena Ascension and Tristan da Cunha	○ Zambia
○ Democratic Republic of the Congo	○ Lesotho	○ Saint Kitts and Nevis	○ Zimbabwe
● Denmark	○ Liberia	○ Saint Lucia	

* Field of activity or sector (if applicable):

at least 1 choice(s)

- [ ] Accounting
- [ ] Auditing
- [ ] Banking

- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [ ] Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Technology companies
- [ ] Organisation representing European consumers' interests
- [ ] Organisation representing European retail investors' interests
- [x] National supervisory authority
- [ ] European supervisory authority
- [ ] Other
- [ ] Not applicable

* Publication privacy settings

The Commission will publish the responses to this consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ( ) **Anonymous**
  Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.
- (•) **Public**
  Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

- [x] I agree with the personal data protection provisions

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.

1) Legal uncertainty can prevent financial companies from engaging with new innovative technologies. As an example, several banks are, to our knowledge, reluctant of engage with crypto assets due to legal uncertainty and thus they are not willing to take such risks. In addition, if a start-up company should prove to be non-compliant with relevant regulation, a high risk of reputational damage and fines might lead innovative start-ups to abstain from trying to enter the market.

2) Lack of IT skills within the financial companies can be an obstacle for the companies to reap the opportunities of technologies in order to im-prove their business model or invent new products.

3) Uncertainty and insecurity among consumers due to potential lack of privacy, data protection and transparency, which may lower consumer trust and thus be obstacles to fully reaping the technological opportunities.

4) Low consumer mobility and a conservative mindset, especially among the older generations of consumers, can be an obstacle to fully reap the opportunities of innovative technologies.

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:
1) New possibilities (new, more efficient and better financial tools etc.).

2) Lower costs.

3) More convenient, tailored solutions for the consumers.

4) More transparency and potentially more security if relevant risks are mitigated.

Challenges:
1) Cyber security and loss of privacy. Use of sensitive data (eg. in credit score assessments) without a true /informed consent from the consumers.

2) Confusing/unmanageable distribution chains making it difficult for the consumer to know how and where to file a complaint – i.e. it is not clear who is responsible, if something goes wrong.

3) Misselling* of financial products not targeted for the customer (but marketed to them).

4) Lack of understanding of a product and how the consumers' data is used.

*See commentary to Q11.

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
- ( ) No
- ( ) 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.

It is important to enable digital innovation in the financial sector as it is beneficial for consumers as well as financial companies. Financial regula-tion should be technology neutral. Further, attention should be drawn to increasing consumer and investor protection - especially regarding consent and data protection. Digital competition should be ensured (e.g. big techs taking market shares from national financial institutions due to an un-level playing field).

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?

- ○ Yes
- ● No
- ○ 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.

Today, there are multiple examples of uncertainty regarding the use of AI and Distributed Ledger Technology. There is also uncertainty regarding crypto assets, and we welcome the Commissions initiative on this matter. Future regulation should focus on regulating the activity and not the tech-nology itself - in other words be technology neutral.

Consumer and investor protection should be ensured. It is important to address regulatory obstacles, which may slow down the uptake of new technologies in the financial sector. As an example, we particularly praise the design of the Distance Marketing of Financial Services Directive that by being principle-based rather than rule-based has been able to adapt to evolving use of digital devices and at the same time continues ensuring a high level of consumer protection.

Regulatory requirements on paper based reporting should be reviewed and preferably phased out in order to be technology neutral.

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?

- (x) Yes
- ( ) 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.

The current level of consumer protection for retail financial products and services should be applied also to technology companies’ products, alt-hough adapted to the features of their products. This could ensure that there is no un-level playing field and ensure that investor protection measures do not depend on which entity the costumer engages with in situations where different entities are offering similar services.

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					

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.

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	○	○	○	○	●	○
Creating bespoke EU regimes adapted to nascent markets, possibly on a temporary basis	○	●	○	○	○	○
Other	○	○	○	○	○	○

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.A.
Intra-European retail payments						
Intra-European wholesale payments						
Consumer credit provision to households with risk taking						
Consumer credit distribution to households with partner institution(s)						
Mortgage credit provision to households with risk taking						
Mortgage credit distribution to households with partner institution(s)						
Credit provision to SMEs with risk taking						
Credit distribution to SMEs with partner institution(s)						
Credit provision to large corporates with risk taking						

	○	○	○	○	○	○
Syndicated lending services with risk taking	○	○	○	○	○	○
Risk-taking activities in Life insurance products	○	○	○	○	○	○
Risk-taking activities in Non-life insurance products	○	○	○	○	○	○
Risk-taking activities in pension products	○	○	○	○	○	○
Intermediation / Distribution of life insurance products	○	○	○	○	○	○
Intermediation / Distribution of non-life insurance products	○	○	○	○	○	○
Intermediation / Distribution of pension products	○	○	○	○	○	○
Other insurance related activities, e.g. claims management	○	○	○	○	○	○
Re-insurance services	○	○	○	○	○	○
Investment products distribution	○	○	○	○	○	○
Asset management	○	○	○	○	○	○
Others	○	○	○	○	○	○

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.

We struggle to rank the percentages of market share for the individual services and instead we would like to give general comments.

Big tech companies can potentially gain big market shares and outcompete national tech companies. They are extending their business to also include financial services (currently focused on payments, loans and investments). The big techs have an advantage due to the huge data collection, which national tech companies cannot compete with.

We expect technology companies, which have their main business outside the financial sector, to gain the biggest market share in payments in the upcoming five years. We believe the development in this area depends on the payments infrastructure in the market, and big tech will have opportu-nities particularly in cross-border. In Denmark, the national infrastructure is working very well.

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?

- ○ Yes
- ○ No
- ● Don’t know / no opinion / not relevant

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

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

Banks have very limited possibilities in providing closely related services. Big techs entering into the financial sector are not limited in the same way. Either banks should have the same possibilities in providing closely related services, or big techs providing financial services should be limited in the same way.

In addition, the possibility of some sort of reciprocity in data sharing re-quirements should be further investigated. It will be distortive to the competition in the sector if banks, insurance and pension firms are forced to provide data, but are not given the opportunity to access multiple types of data that can be used for innovation and development of new products themselves.

It is important not to ease regulatory requirements for tech companies if the risks are the same as for financial companies, and thus should be regu-lated in the same way.

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)						
Liquidity risk for particular credit institutions						
Liquidity risk for asset management companies						
Credit risk: household lending						
Credit risk: SME lending						
Credit risk: corporate lending						
Pro-cyclical credit provision						
Concentration risk for funds collected and invested (e.g. lack of diversification)						
Concentration risk for holders of funds (e.g. large deposits or investments held in a bank or fund)						
Undertaken insurance risk in life insurance						

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

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.

We struggle to rank the risks individually and instead we would like to give our overall view that same activities with the same risks should be regulated the same. Therefore, it is important that the regulatory require-ments in relation to obtaining an authorization are fit for purpose in order to mitigate the risks. Market developments, new technologies and busi-ness models should be considered and closely monitored.

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						
Liquidity risk						
Misselling of insurance products						
Misselling of investment products						
Misselling of credit products						
Misselling of pension products						
Inadequate provision of information						
Inadequate complaint and redress process and management						
Use/abuse of personal data for financial commercial purposes						
Discrimination e.g. based on profiles						

Operational risk e.g. interrupted service, loss of data						
Other						

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.

We struggle to rank the risks individually and will instead provide a gen-eral observation. An increased and /or more widespread use of technology for providing e.g. investment advice to customers might increase the risk of misconduct and “misselling” of unsuitable or inappropriate products to consumers. Such “misselling” can have severe consequences for consumers.

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
- ( ) No
- ( ) 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.

There will be a need for adjustments in the legislation, including the limi-tations regarding which activities that banks can offer. If regulation be-comes more activity-based, it will require a change in our rules and prac-tices, as we are currently granting authorizations based on institution type, which then allows the institution to offer an exhaustive list of activities. An activity-based regulation can have benefits, but it will also make it difficult to supervise, as the concrete characteristics of the business group we need to supervise will be unknown. However, we believe it is good to spread the risks so that it is not concentrated on a smaller group of large financial institutions. It will be more resource-intensive to supervise, which should be taken into account.

Adjustments should consider the distribution of certain financial prod-ucts. For example, distribution of products via a misleading comparison portal, and investment products not suited for retail investors such as bi-nary options. Thus, attention should be given to factors such as target market assessment of products and services.

Enhance multi-disciplinary 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.

Some of the main challenges relate to ”first movers” or innovative busi-nesses that present a business model, which does not fit into a “one-size-fits-all” regulatory regime. This is especially the case in the fintech sector, where services are often targeting industry specific areas in a new way, which can be difficult for the NCA to approach and assess. The latter is especially the case, if no other NCA has encountered anything like it, as there is no regulatory history.

Lack of understanding of the business model and technology can be a great challenge for authorities. In these situations, regulatory sandboxes and innovation hubs can be very beneficial for the authority as well as the company.

If big market players enter into the financial market, we believe a strong cooperation between authorities nationally as well as within the EU is necessary. We should ensure the right framework for such cooperation.

Also see answer to question 12.

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.

See answers to question 21 and 23.

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.

In general, we are in favor of a more harmonized regulatory framework. This includes overcoming different interpretations of EU legislation by the NCAs. Furthermore, as the digitalization of financial business models and the trend towards a higher degree of specialization continues, it is likely that we will see an increased focus on conducting activities across borders. It is also likely that we will see a growing need for "light" re-gimes for particularly the specialized business models – where the current regulation might provide significant barriers for operating across borders. An example of this is the crowdfunding regulation. The rationale behind this regulation was to provide a "lighter" regime for the purest crowd-funding platforms, which among other things is intended to facilitate eas-ier access to cross-border activities, e.g. by harmonising the regulation and adjusting the requirements to be less costly than would be the case if they were to be regulated under MiFID II.

Another point of consideration is whether it would be beneficial to license and supervise companies providing specific services to financial compa-nies. We do for example see an increased amount of RegTech companies providing solutions that support financial companies in being compliant with financial regulation. Examples are companies providing solutions for CDD or transaction monitoring, digital identities as well as suitability and creditworthiness tests. The validity of such business models rely directly on the requirements in the financial regulation. As or if such business models become increasingly widespread, a relevant discussion might be whether introducing some form of license or registration could add value. For example, whether it would increase the quality and effectiveness of the solution to put more responsibility on the service providers, whether it would help mitigate potential concentration risks, as well as possibly in-crease the level of consumer and investor protection.

Finally, it could be relevant to consider how to improve the quality of information provided in both national and European public registers. Hav-ing correct information is particularly relevant for the supervisory authori-ties and the customers in countries in which firms execute their passport-ing rights, as well as for various providers of RegTech solutions. We have as for example been presented with examples of companies registered with a broader set of licenses in the countries into which they have pass-ported their activities, than what they have obtained in the licensing coun-try. Thus, a starting point could be the registers on the licenses obtained by the individual companies, e.g. the ESMA register on investment firms and credit institutions.

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	○	○	○	○	●	○
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 assessment of remote identification technologies)			X			
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					X	

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.

We have a general consideration related to rules restricting FIs from shar-ing information with other FIs (secrecy rules). As digital onboarding be-comes increasingly widespread, the possibility for customers to initiate onboarding procedures at multiple institutions also increases. A potential negative externality thereof is an increased possibility for customers with criminal intentions to “shop around” to find the weakest link – the institu-tions that (not intentionally) do not catch the criminal intentions in their KYC-processes (CDD or EDD). Secrecy rules do to a large extend pre-vent institutions sharing information on customers, e.g. both more objec-tive information on which customers that are currently onboarding, but also more subjective information as for example risk assessment infor-mation on customers, particularly those assessed to be more likely to have criminal intentions.

In the common fight against money laundering and terrorist financing, a necessary consideration in regards of strengthening the first line of de-fense would thus be to consider, whether some synergies could be achieved by allowing for FIs to share more customer information. Both on customers that are currently going through onboarding procedures, but also current and terminated customer relations. For example, if a specific person is “shopping around” by trying to be enrolled at multiple banks at the same time, having access to such information could provide insight relevant for the specific FIs’ KYC-processes.

Additionally, if a FI has terminated a customer relationship due to suspi-cions of money laundering, that information could provide valuable in-sights for other FIs doing KYC on that same person. It would also add value to introduce a register or a tool used for international cooperation, making it possible for e.g. banks to identify where a transaction comes from. We address this issue more in depth in our answer to question 23.

Obviously, before such initiatives can be considered, a comprehensive analysis of the legal implications must be carried out, for example in re-gards of the customers’ legal rights (not guilty until proven guilty) and in relation to their personal data. An institution’s suspicion should not be a reason to reject a customer, but should rather function as an incentive to seek further assurance of the actual purpose of the specific customer (EDD). Furthermore, the analysis should also consider other legal frame-works, as for example GDPR.

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		●				
Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital means, including on issues relating to liability			●			

Promote re-use of digital identities collected for customer due diligence purposes in accordance with data protection rules	●	○	○	○	○	○
Promote a universally accepted public electronic identity	○	●	○	○	○	○
Define the provision of digital identities as a new private sector trust service under the supervisory regime of the eIDAS Regulation	●	○	○	○	○	○
Other	○	○	○	○	●	○

Please specify what else chould 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.

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.

Currently, the discussion in DK regarding digital identities primarily re-volves around customer identification /CDD. In general, the financial sec-tor has expressed that this specific need is key, as their onboarding of and interaction with customers has become increasingly and sometimes exclu-sively digital.

Assigning a wider set of information to a digital identity is a complex exercise, and various issues have to be considered. Obviously, focus has to be on data private and data security issues. There might also exist issues relating to including specific regulatory requirements, as suitability and creditworthiness tests, in the information set. The approach to such test varies among institutions on various factors, as for example the required information set and the underlying calculation of a customer specific score. If such information should be attached to digital identities, it is essential to consider how and to which level they could be standardized, as well as how financial institutions can incorporate them and apply them as a foundation for their own specific processes.

Thus, it is a complex exercise and the regulatory focus should be on the key issue, namely to assure that identities can be verified digitally. Digital identities are also used outside the financial sector and in the Nordic countries in particular also vis-à-vis the public sector. Hence, including various additional information in a digital ID solution seems unwarranted. The regulatory framework should however not be a barrier for private ac-tors wanting to expand digital identity solutions or other similar solutions to include further information.

The future Danish eID solution, MitID, contains a core identity solution. On top of or around this eID solution, financial companies have the possi-bility to build enhanced solutions for e.g. suitability tests.

As regards cross-border use, it is our understanding that this is what the eIDAS regulation aims to achieve. It should be recalled that the need of cross-border identity establishment is currently far from less than that for national ditto.

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.

While we agree that a further increased mandatory use of identifiers will facilitate digital and/or automated processes in financial services, the sys-tems used to facilitate the automation process needs to be improved or introduced. The core setup needs to be both robust and guided towards facilitating the needs of the financial industry. With a move to a more centralized approach for identifiers, the structural importance of these centralized systems increases. The focus of these central identifier institu-tions should therefore be on their core tasks and those core tasks should be kept simple and lean. Furthermore, costs for the users need to be kept low to ensure low barrier costs for even small entities wanting to partici-pate in financial markets.

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 Danish FSA has implemented both an innovation hub and a regulato-ry sandbox. From our experience, the general benefits of both initiatives fall in the same categories.

From a supervisory point of view, the initiatives provide a platform for getting valuable understanding of new business models based on technol-ogies. Both in regards of understanding the innovative propositions and the implications of their use. Thus, the initiatives create insights into how to approach supervision and how to best mitigate the inherent risks in the business models. Furthermore, they provide us with a more in depth un-derstanding of the various issues met by the sector in regards of achieving regulatory clarification for the specific business models. The latter is par-ticularly helpful for identifying issues and shortcomings in the current regulatory framework.

From a sector point of view, the benefits have mainly been the ability to receive more “handheld” guidance in regards of the regulatory require-ments and perimeters. This is particularly relevant where the current regu-latory framework is not clear when applied to specific technologies and (new) business models. Many of the companies we have been in contact with are in the start-up phase, but incumbents also find it valuable, partic-ularly when looking into how to incorporate new technologies into their business models.

In regards of the differences between the two initiatives, the main differ-ence lies in the actual needs of the companies.

An innovation hub has the advantage that companies can achieve guid-ance in regards of specific issues in a relatively short time span. It is par-ticularly relevant for companies still considering how to structure the business model or for companies that have a general understanding of the relevant regulatory requirements for their business model, but might be in need of a more extensive guidance on specific requirements when apply-ing new technologies. Thus, the innovation hub is relevant for a broad palette of companies, ranging from innovative minds considering their next startup-project to incumbents looking into the use of new technolo-gies, and particularly when the need for regulatory clarification lies within a relatively short time span.

A regulatory sandbox is more relevant for business models, where the issues in understanding the regulatory requirements are broad, and where the viability of the business model depends on the supervisory authority's interpretation of the rules in regards of the specific business model and/or technology. Thus, the sandbox initiative is more relevant for companies that want to test the viability of their business model and how it interacts with regulation in a safe environment. It encompasses both business mod-els regulated under the financial regulation or services providers that pro-vide regulated entities with more efficient solutions to assure compliance with financial regulation. A regulatory sandbox provides the opportunity to test the viability of the business model and how it fits within regulation over a long time span, and in case of the service providers with a test partner (a licensed financial institution), with the goal of launching to the broader public when the test period finishes.

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	●	○	○	○	○	○
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	○	○	○	○	●	○

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					X	

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.

One point of consideration is how to facilitate better information sharing among different schemes within EU, as well as how to communicate find-ings to the broader public. Innovation hubs and regulatory sandboxes are becoming increasingly widespread among authorities; however, there ex-ists substantial friction in the sharing of the obtained knowledge and posi-tions across jurisdictions. Initiatives that could facilitate efficient syner-gies would provide great value, both when approaching companies in the national initiatives, but also in the common work on continuously evaluat-ing and updating the European regulatory framework. Assuring such syn-ergies could be part of the focus of EFIF, as well as aggregating and communication the findings within EU to the broader public.

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.

We must stress that it should be up to the individual jurisdictions how to establish their sandbox. Supervisory approaches differs, and furthermore allowing companies to operate across borders with temporary conditional permissions is likely to result in regulatory uncertainty and other issues. Focus should be on improving information sharing between national sandboxes, rather than standardising the approach.

It seems that more awareness could be made of the possibility to test a business model in sandboxes throughout the EU. Particularly, the fact that is a safe environment where both industry stakeholders and authorities can share information and knowledge regarding new technologies. Thus, successful engagements are valuable for both parties. We have observed that some companies, particularly larger already regulated entities to some extend fear that participation, for example as a test partner to an innova-tive solution, would lead to authorities further scrutinizing their compli-ance functions and business models. This is not the focus of a regulatory sandbox.

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.

In almost every license regime in the financial regulation, we already have passport rights. Therefore, the question is mostly relevant for companies not covered by the regulation. We support the initiatives such as the crowdfunding regulation that enables specialised business models to pro-vide services cross-border. RegTech companies could benefit from pass-porting rights. See our answers to question 15 and 41.

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.

A key issue today in the fight against of money laundering and terrorist financing (ML/TF) is that the criminal networks are complex with activi-ties spread across both multiple persons and accounts in various financial institutions (FI) all over the world. FI's function as our first line of de-fense, and the quality of the customer and enhanced due diligence (KYC-process) is key in fighting ML/TF. As such, FI's are obliged to establish procedures to identify suspicious and potential criminal customers and transactions, and share this information with the national competent au-thorities for further investigation.

FIs only have access to data on their own customers and their activities within the given FI. This is due to regulatory requirements, such as GPDR and the bank secrecy rules (as touched upon in our answer to questions 16), which limits FIs ability to share information about suspicious custom-ers and accounts with other FIs. For one this lowers the barrier for crimi-nals to simply "cross the street" to another FI and continue their activities, but also has substantial implications for other elements the FIs KYC-processes, e.g. transaction monitoring.

Additionally, FIs are required to report identified suspicious activities to the Financial Intelligence Units (FIU), but have expressed concerns re-garding the amount and quality of the feedback they get on these reports, e. g. what patterns and factors that are most likely to indicate ML/TF. Im-proving the feedback mechanism could add value, as FIs could adjust and optimize their KYC-processes accordingly, and thus reduce the amount of false-positives identified. In turn, this would also increase the quality of the reports sent to the FIU.

Seeing that, in general, the quite limited information base available to the FIs has implications for the quality and effectiveness of the first line of defense, we find that it could become a key aspect in the fights against ML/TF if strengthened.

On May 7 2020 the Commission launched its AML action plan with six new overall initiatives that will pave the way in regards to the EU's fight against ML/TF. One consideration could be a common European infra-structure, giving FIs access to relevant information, and thereby strength-ening the first line of defense. This could be done by providing a digital platform where FIs in some format could share information on risky cus-tomers and suspicious behavior obtained through their KYC-processes. It could be information about specific customers or patterns FIs should be aware of during in their KYC-process, e.g. insights obtained from analys-ing the full dataset of notification to national FIUs (a sort of feedback mechanism) or insights obtained from highlighted risk flags reported di-rectly by the FIs.

Thus, enabling data sharing across the EU could be a true game changer and make a real difference in the fight against ML/TF. Supporting the financial sector in building a common infrastructure, where information can be safely shared and assessed, should thus be a key priority in coming discussions.

Another example is AISP and PISP access to clearing systems. In addi-tion, direct access to payment systems can be important for payment insti-tutions and e-money institutions in order to avoid being too dependent on banks, which are their direct competitor. Furthermore, a clearer wording of article 35 and 36 in PSD2 could be considered in order to ensure the ability for payment institutions to access large multinational payment sys-tems (art. 35) and provide clearer guidance of the scope of the access to accounts maintained with a credit institution (art. 36).

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	○	○	○	●	○	○
Encourage supervisors to set up hubs focussed on guiding consumers in the digital world	○	○	○	●	○	○
Organise pan-European campaigns and advisory hubs focusing on digitalisation to raise awareness among consumers	○	○	○	●	○	○
Collect best practices	○	○	○	○	●	○
Promote digital financial services to address financial inclusion	○	○	○	●	○	○
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	○	○	○	○	○	●
Other	○	○	○	○	○	○

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.

We do not have suggestions for concrete initiatives, but we believe it is important to coordinate national financial education initiatives at Europe-an level in order to promote the effectiveness of financial education and to improve consumer protection and responsible consumption of financial products.

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.

No.

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						
Non-financial reporting data from listed companies						
SME data						
Prudential disclosure stemming from financial services legislation						
Securities market disclosure						

Disclosure regarding retail investment products						
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						
Further development of the European Financial Transparency Gateway, federating existing public databases with a Single EU access point						
Application Programming Interfaces to access databases						
Public EU databases						
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.

We support the initiative on an open finance policy, but we believe the key driver for the use of data should be the users' interests and empow-erment.

Using digital solutions and data presents a number of ethical dilemmas. If data is to be exploited to its full potential, it is essential that consumers trust that their data is being used responsibly. If consumers are sceptic about a product, they will not share their data.

In Denmark, the government has introduced a "data ethics seal". A data ethics seal can be introduced as proof that a product meets data ethics requirements. A data ethics seal can also make it easier for consumers to navigate digital products (companies, apps, websites, services and prod-ucts), and for companies to identify responsible partners (e.g. RegTech companies, cf. question 41-42). An EU-wide data ethics seal could ensure consumers that a product is safe and that data is used in an ethical way.

It is also essential that consumers understand the product, its use and its functions. Financial education and digital financial skills is key for con-sumers in order to understand information provided about a product and the use of data. This is also essential in order for the consumers to give an informed consent when they share their financial data. Most people do not read the terms and conditions, and even if they do, they do not al-ways understand it due to the technical terms and legal language. In-formed consent is the most important dimension of trust in open banking.

It is important to provide users with information on which actors will have access to the data and how it will be used. It should be fully transparent to the consumer what data financial institutions possess. This could be through a requirement on the institutions to have a central platform with all this information available for the consumers, e.g. information on which companies the consumer has given consent to, which data the respective companies are processing and to which products the companies are using the data.

Furthermore, it is important to assure that unwillingness to share infor-mation does not lead to financial exclusion. Additionally, increased access to data leads to FIs being able to make customer assessment and offerings more personalized. One potential and unwanted implication thereof could be financial exclusion through discretionary pricing. See also question 31.

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	○	○	○	○	●	○
Cheaper traditional services for consumers/investors	○	○	○	○	●	○
Efficiencies for the industry by making processes more automated (e.g. suitability test for investment services)	○	○	○	○	●	○
Business opportunities for new entrants in the financial industry	○	○	○	○	●	○
New opportunities for incumbent financial services firms, including through partnerships with innovative start-ups	○	○	○	●	○	○
Easier access to bigger sets of data, hence facilitating development of data dependent services	○	○	○	●	○	○
Enhanced access to European capital markets for retail investors	○	○	○	●	○	○
Enhanced access to credit for small businesses	○	○	●	○	○	○
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.

We believe a review of the data protection and competition rules is neces-sary. In general, we believe it is important to regularly review regulation and guidelines with a view to maintaining proportionality, when new technological developments, risks and market conditions arises.

We note the suggestion of "data spaces" from the Commission. If data is kept in an anonymous or encrypted way in these data spaces, this could, if possible, provide for more security for the consumers and their data.

Open finance could make it possible for merchants to combine their tradi-tional products with financial products. This could be retail stores offering loans and thereby also a discount, when you buy groceries. Another sce-nario could be big techs starting to distribute financial products. The pos-sibility of creating dynamic prices calls for more consumer protection. Price discrimination should be prevented.

More personal data collected by financial institutions create an opportuni-ty to calculate a quite accurate and individual demand curve for each cus-tomer. It is essential to prevent financial exclusion based on a consumer refusing to share his or her data, i.

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	○	●	○	○	○	○
Consumer credit	○	○	○	●	○	○
SME credit	○	○	○	●	○	○
Mortgages	○	○	●	○	○	○
Retail investment products (e.g. securities accounts)	○	○	○	○	●	○
Non-life insurance products (e.g. motor, home…)	○	○	○	○	●	○
Life insurance products	○	○	○	○	●	○
Pension products	○	○	○	○	●	○
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.

1) We believe that the requirements to obtain a savings account are not extensive given that savings accounts do not give rise to high risks for the account provider.

2) Data can be used to assess creditworthiness. On the positive side, faster and better credit assessment could mean fewer unjustified credit denials, anticipating consumers' future needs, improving efficiency and reducing costs for consumers. This could benefit clients (both retail and corporate) who may have easier access to credit and receive more tailor-made lend-ing offers. Consumers will also be empowered to explore a wider range of potential credit providers (e.g. crowdfunding platforms) as this data will be available to all financial service providers, not just banks, thereby help-ing to increase competition in the sector. On the negative side, it could lead to financial exclusion and price discrimination. It is important to reach a balanced approach.

3) Data can give better opportunities to grant loans. Accessing online platforms' transactional data (such as sales, customer returns or pricing), banks can offer personalised B2B financial advisory (from cost management and financial coaching to payments services, insurance, etc.) based on knowledge of the SME's needs and its market trends. However, this needs to be balanced with sufficient protection of the SME – see answer above.

4) It is a big financial decision for a borrower to obtain a mortgage, and most consumers will likely look for advice and dialogue with their bank to feel safe. Furthermore, as mortgages are of a substantial size, most lenders are not likely to provide such loans without scrutinizing the borrowers and their financial situation.

5) E.g. investments in AIFs. Today, alternative investments are mainly accessed through banks, investment firms or via direct communication with the investment manager. Hence, there may be a need to increase access, particularly for retail investors. This is also exemplified through the increased interest from retail investors in investment-based crowdfunding.

6) E.g. motor and damage. Could enable more products that are special-ised.

7) Health insurance if health data. We believe this can enable niche prod-ucts, but it is important to ensure consumer protection.

8) Same as life insurance. Access to pension and social security data would allow financial institutions to elaborate a more complete and in-depth social security profile for the customer. However, negative effects of behavioral biases and temporal discounting on pension planning and ability to build savings should be prevented.

As a side note, the Danish pensions sector is to a large extent based on collective schemes, rather than individual ones. The contributions to the collective schemes are usually determined by the labour unions collective bargain agreement. The requirements for open APIs and data sharing in this area and these structures will therefore in Denmark expectedly not increase competition in the market. Developing open APIs will increase the costs for the collective schemes. It should therefore be carefully ana-lysed whether open APIs will provide benefits to the citizens.

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.

We believe that this question is aimed at companies and what they need in order to support their respective business models. However, it is our im-pression that an example of this is that AISPs seek to get access to other types of accounts than payment accounts.

In other services, it is our impression that transport, social media and health data could be beneficial based on costumer consent.

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-Privacy Directive requirements and need to ensure that data subjects remain in full control of their personal data					X	

Clarity on the terms and conditions under which data can be shared between financial services providers (e. g. fees)	○	○	○	○	◉	○
Interoperability across sectors	○	○	○	◉	○	○
Clarity on the way data shared will be used	○	○	○	○	◉	○
Introduction of mandatory data sharing beyond PSD2 in the framework of EU regulatory regime	○	○	○	◉	○	○
If mandatory data sharing is considered, making data available free of cost for the recipient	○	○	◉	○	○	○
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
◉ No
○

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.

See answer to question 39 regarding the Danish FSAs best practice paper on supervised machine learning.

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.

It is our impression that RegTech and SupTech are some of the most promising areas for AI applications in the financial sector. In general, it is our impression that AI can help automate and make processes, both com-plex and simple, more efficient within financial institutions.

Some of the main benefits for the consumers are new types of financial products, lower costs, potentially less bias (in financial advice, credit as-sessment etc.).

However, there is a risk of AI creating a stronger systematic bias if finan-cial institutions that rely too much on AI models without a thorough gov-ernance.

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	○	○	○	○	●	○
1.2. Lack of legal clarity on certain sector-specific EU rules	○	○	○	○	●	○
1.3. Lack of skills to develop such models	○	○	○	○	●	○
1.4. Lack of understanding from and oversight by the supervisory authorities	○	○	○	●	○	○
1.5. Concentration risks	○	○	○	●	○	○
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	○	○	○	●	○	○
2.2. Lack of transparency on how the outcome has been produced	○	○	○	○	●	○
2.3. Lack of understanding on how the outcome has been produced	○	○	○	●	○	○

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 financial institutions and authorities				X		
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	◯	◯	◯	◯	◉	◯
Lack of harmonised approach to RegTech within the EU	◯	◯	◯	◯	◉	◯
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?

- ◉ 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.

It should be further investigated what would be the right initiatives. As an example, we believe it is a natural development that authorities give better access to real time public data in their registers. This could be through open APIs.

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.

A regulatory area that could benefit from being translated into machine- executable form could be the reporting regulations for financial institu-tions.

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.

No.

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:

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

Reporting based on supervisory data standards have the benefit of being targeted the explicit monitoring and compliance with the present regulato-ry framework. Effective supervision entail a risk-driven, risk based super-visory focus on the most material risks and vulnerabilities. Effective su-pervision benefit from reporting driven by standards facilitating risk based benchmarking and based on the most recent information available. Super-visory data reporting standards is important for supervisory and financial institutions to respond to current challenges within the present macro fi-nancial, technological and operational environment. It also enables super-visors to communicate in a consistent and meaningful fashion both to the individual institutions and to the public. Publicly available data can facili-tate a broader perspective for transparency and information sharing, but for supervisory purposes and for the financial firms a structured perspec-tive in the supervisory reporting and governance is a necessary condition to be able to respond effectively to challenges in business performance and in mitigating risk facing the financial institutions.

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.

There are no regulatory barriers preventing the financial sector financing a “digital transition” or providing such funding. Lack of (or challenged) economic and financial robustness in the financial sector and risks to fi-nancial stability could potentially on the other hand be a barrier, at least for individual financial institutions. Therefore, viability of financial insti-tutions in general and their ability to meet capital and liquidity require-ments is important and a precondition. Present regulation in place for su-pervisory authorities has established requirements for solvency purposes and governance on the lending and investment activities in order to ad-dress risks faced by the financial institutions and their customers when providing such funding or investment activity. In addition, guidance on business procedures and practices, sound credit standards or investment processes is necessary to facilitate the funding process, and where appro-priate in addition to require particular industry competences in the partici-pation of eventually more complex, less transparent financing or invest-ment in projects or instruments that are subject to more complexity.

There is obviously a rationale and potential, from an economic and public perception, in digitalization, fintech, and the use of new technology in the financial sector and elsewhere. However, it is important for a financial institution itself and in the providing of funding and investment, and for a regulator or supervisor as well, to understand the risks associated with fintech, new technology and increasing digitalization. New technology and fintech in the financial sector has obviously potential to benefit the consumer who can get digital, easy-to-use and innovative financial solu-tions but it is important to ensure the same level of protection as tradition-al financial products. Moreover, for the financial sector providing the technology or funding the technology with the same level of governance and sound business practices as in regular business activity.

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.

While we do not have any suggestions at this time for specific measures, we are in favour of including such environmental/sustainability aspects.

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

cdd45998-d345-4ffa-ae62-0f987f3944fa/Additional_answers_digital_finance.docx

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2020-digital-finance-strategy_en)

Consultation document (https://ec.europa.eu/info/files/2020-digital-finance-strategy-consultation-document_en)

More on digital finance (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/digital-finance_en

Specific privacy statement (https://ec.europa.eu/info/files/2020-digital-finance-strategy-specific-privacy-statement_en)

More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Contact

fisma-digital-finance@ec.europa.eu