

FROM THE EUROPEAN BANKING FEDERATION

EU digital finance package is major step forward

BRUSSELS, 24 September 2020 - Today's European Commission adoption of a comprehensive package on digital finance is a major step towards the comprehensive regulatory framework for financial services that will help make the European Union fit for the digital age, according to the European Banking Federation.

The package consists of important Commission strategies on digital finance and retail payments, together with legislative proposals on operational resilience and crypto assets. The EBF and its members have contributed in all relevant consultations.

The EBF shares the Commission's ambition that Europe should drive digital finance with strong European market players in the lead. The EU financial sector should embrace all the opportunities brought by digitalisation. The benefits of digital finance should be available to European consumers and businesses and Europe should promote digital finance based on European values and a sound regulation of risks.

The EBF believes that these objectives can only be achieved if the EU framework strives for:

- a **technology-neutral and innovation-friendly** EU financial services framework
- **fair competition** in a digitally transformed market, characterised by a level playing field, with proportionate regulation – 'same activities, same risks, same rules, same supervision' principle
- **cross-sectoral data sharing** for the benefit of European consumers and businesses
- balanced innovation and **proper protection of investors and consumers**
- a **resilient financial ecosystem** with common minimum security requirements, following a risk-based approach, including critical third-party interdependencies, while avoiding disproportionate burden on financial institutions
- **stronger sovereignty in payments** through pan-European initiatives.

Says Alexandra Maniati, Director of Cybersecurity & Innovation at the EBF:

"The Covid-19 crisis has strongly highlighted how important all aspects of digital transformation are for our society. This ambitious Commission initiative for the financial sector comes at a crucial time. The EBF is keen to continue working with policy-makers so that European ideas shape the future of digital finance; with an innovative European banking sector, that is resilient and globally competitive, in a level playing field, to the benefit of European consumers and businesses."

The EBF key messages in the areas highlighted by the Commission packages are as follows:

Digital Finance Strategy

The EBF supports the Commission's aim to alleviate fragmentation in the Single Market for digital financial services and underlines that cross-border coordination within the EU and globally will positively affect the ability of banks to leverage new technologies, such as cloud computing and AI, to help boost efficiency and deliver improved services for consumers. The EBF welcomes the Commission's ambition to promote a data-driven financial sector. However, initiatives to increase

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data sharing should not focus on financial services where this has been done already through previous legislation, but instead should take a view to establish a cross-sectoral data sharing framework for the benefit of consumers and firms. EBF members also see merit in exploring together with policy-makers the potential of a European digital identity based on the e-IDAS framework, taking into account existing national ID schemes and ensuring the necessary safeguards, interoperability and public-private cooperation to achieve the desired scale.

Retail Payments

Recently payments have been increasingly highlighted as an area of strategic importance for European sovereignty and the international role of the euro. At the same time, the payments market is a highly competitive and innovative area of financial services, at the forefront of digitalization. The Commission's aim to support e.g. competitive home-grown and pan-European payment solutions is shared by the EBF. The Federation also supports the vision of the strategic value of payments and looks forward to contributing to shape the future outlook of the European payments market.

Operational Resilience

The impact of the Covid-19 pandemic has illustrated increased reliance on digital and remote technologies. The EBF welcomes the European Commission's recognition of the need to reinforce the digital operational resilience of financial market participants. The interconnectedness of all actors within the financial ecosystem, including third party providers, and the evolution of ICT risks highlight the need for a common level of minimum security for the financial sector as a whole, based on international coordination. The EBF encourages the European Commission to address the upcoming reinforcement of operational resilience according to the responsibilities of market participants in customer-provider relationships for innovative service solutions, respecting the principle of proportionality.

Crypto assets

The EBF welcomes the Commission addressing the opportunities, challenges and risks by crypto assets in a holistic approach, aiming to support blockchain technology's potential throughout Europe. It is important to balance innovation and protection of consumers and investors. Where crypto assets qualify under existing regulation, protection is offered. But with emerging, non-covered crypto asset types – potentially having significant impact on consumer protection and monetary policy– the regulatory framework should answer appropriately. Based on the principle '*same services, same risks, same rules*', risks need to be prevented by addressing issues such as transparency and supervision, avoiding fragmentation across the EU.

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ABOUT THE EBF:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The EBF is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere. Website: www.ebf.eu