

European Forum for Innovation Facilitators (EFIF)

Summary of the July 2020 meeting¹

Opening remarks

Gabriel Bernardino, Chairperson of EIOPA, welcomed members and observers to the first EFIF event under the chairmanship of EIOPA.² He then handed over to Tim Shakesby, Chair of the EFIF.

Referring to the core objectives of the EFIF,³ the July EFIF event enabled members and observers to:

- learn about developments in the design and operation of innovation facilitators;
- discuss perceptions around the role of FinTech in responding to the COVID-19 crisis and impact of the crisis on the FinTech industry;
- hear from European Commission staff about the consultation on the Digital Finance Strategy⁴ and follow-up on the discussion about measures to further strengthen the EFIF in the context of the upcoming strategy; and
- discuss some practical ideas for raising stronger awareness with the industry about the existence of the EFIF and for strengthening the EFIF through additional actions.

Innovation facilitators: Developments

Members provided an update on:

- the new innovation hubs and regulatory sandboxes that have become operational since the April 2020 event; and

¹ Format: conference call hosted by the EIOPA.

² See opening remarks by Gabriel Bernardino: https://www.eiopa.europa.eu/content/financial-innovation-benefit-consumers_en

³ See the Terms of Reference: <https://esas-joint-committee.europa.eu/Pages/Activities/EFIF/European-Forum-for-Innovation-Facilitators.aspx>

⁴ https://ec.europa.eu/info/consultations/finance-2020-digital-finance-strategy_en

- significant progress in the establishment of innovation hubs and regulatory sandboxes (e.g. public consultations, progress of legislative measures etc.).

The majority of members noted no significant changes to the functioning of their innovation facilitators. However:

- one member noted that the Finance Ministry proposed a ‘Sandbox Act’, which would imply the establishment of a regulatory sandbox by September 2020;
- one member reported that its innovation hub still operates in a secured environment, because of the impact of the COVID-19 pandemic;
- another noted the level of enquiries from the Payments and RegTech subsectors remain strong, but there is also an increase in InsurTech related enquiries observable;
- one member noted an increase in engagements with larger, more established firms who are mainly exploring the use of cloud based services;
- one member reported that from a technology perspective there are several firms with good examples of practical, real world Blockchain deployment use cases observable;
- one member reported the completion of the research phase for its Blockchain-based sandbox; eleven FinTechs from eight countries have tested their products so far via this sandbox;
- another member noted that the regulatory sandbox has become operational; two projects (AML/ATF, robo-advice) have been taken to the regulatory sandbox in April 2020;
- one member noted a large number of cross-sectorial enquiries touching on the banking, the insurance as well as the securities sector as well as a large number of non-financial enquiries;
- one member reported a high number of enquiries related to digital ID and open banking issues, i.e. the provision of non-financial services by financial institutions; and
- another member noted the establishment of a regulatory sandbox in 2021; the consultation and an online questionnaire have already been published.

The role of FinTech in responding to the COVID-19 crisis and impact of the crisis on the FinTech industry

Members followed-up on the discussion from the previous EFIF event in April about the perceptions around the role of FinTech in responding to the COVID-19 crisis and the impact of the crisis on the FinTech industry.

Some members reported that despite the impact of the COVID-19 crisis, the innovation hubs remain active and open to engagement with the FinTech sector. As it is still difficult to have physical meetings to discuss enquiries received via innovation hubs, some members noted that they are facilitating virtual meetings instead.

It was agreed that technological innovations, for instance remote client onboarding solutions and contactless payments, are helping enable consumers to access goods and services and facilitating business activities. One member noted the publication of a Q&A document, which aims at answering the most pressing questions from retail investors about the risks of scams related to the COVID-19 crisis, but also about management and market activities during the crisis.

The crisis is also negatively impacting the FinTech sector, for instance as a result of lower levels of lending or investment activity (albeit governments are bringing forward exceptional schemes to support lending and venture capital activity), and deferred product launches/expansions/investments in new technology. In this respect one member reported a sharp decrease of investments from banks into FinTech projects and also a significant decrease of applications to the local FinTech lab.

Additionally, several members noted that the number of enquiries addressed to innovation hubs still remains on a relatively low level because of the COVID-19 crisis.

Members agreed to continue to monitor the situation.

European Commission consultation on its Digital Finance Strategy and measures to further strengthen the EFIF

Mattias Levin, Deputy Head of Unit, Digital Finance, European Commission, noted the deadline for providing responses to the consultation on a new digital finance strategy for Europe passed on 26 June.

A wide range of stakeholders shared their views on the following four key areas, which the consultation focused at:

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

The consultation also includes questions about regulatory sandboxes and innovation hubs and potential measures to enhance coordination between initiatives.

In this context and based on the feedback from the April EFIF event, European Commission staff presented a revised note on a preliminary set of potential measures to further strengthen the EFIF, building on the successes of the first 12 months following establishment. The potential measures presented can be classified into three categories: Raising stronger awareness about the existence of the EFIF, strengthening the communication with stakeholders and strengthening the EFIF through additional actions. Multiple actions such as the facilitation of cross-border testing and the strengthening of the cross-disciplinary capacity of the EFIF have been discussed.

Members and observers welcomed the continuation of the discussion on the role and tasks of the EFIF, including in particular the discussion on the development of an experimental cross-border testing framework.⁵ It was agreed that further

⁵ Some Members highlighted that it would be important to first identify potential obstacles to cross-border testing before developing an actual experimental cross-border testing framework. Representatives of such

discussion will be needed on this. EIOPA, as the Chair of the EFIF, in close cooperation with the other two European Supervisory Authorities and the European Commission, will come back to EFIF members with some more details about potential measures to strengthen the EFIF.

jurisdictions without a sandbox expressed uneven playing field concerns. In this context the European Commission highlighted that any kind of cross-border testing will be conducted on a voluntary basis.