

## THE CHAIRPERSON

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### **Subject: EBA response to the European Commission's consultation on the Digital Finance Strategy**

Dear Vice-President Dombrovskis,

The EBA welcomes the opportunity to respond to the European Commission's consultation on the upcoming Digital Finance Strategy.<sup>1</sup>

In order to enhance the competitiveness of the EU financial sector and support growth in the real economy, it is vital that the conditions for the functioning of the Single Market for digital financial services are enhanced to facilitate the scaling up of services cross-border and ensure consistent and effective risk mitigation.

Much progress has been made as a result of the successful implementation of the March 2018 FinTech Action Plan<sup>2</sup> and the EBA is proud to have contributed through the timely completion of the mandates assigned to it. However, as is clear, much is still to be done and the EBA strongly supports the European Commission's initiative towards a new Digital Finance Strategy.

The EBA agrees with the European Commission's focus on: (i) ensuring that the EU financial services regulatory framework is fit for the digital age; (ii) enabling consumers and firms to reap the opportunities offered by the EU-wide Single Market for digital financial services; (iii) promoting a data-driven financial sector for the benefit of EU consumers and firms; and (iv) strengthening digital operational resilience.

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<sup>1</sup> [https://ec.europa.eu/info/consultations/finance-2020-digital-finance-strategy\\_en](https://ec.europa.eu/info/consultations/finance-2020-digital-finance-strategy_en)

<sup>2</sup> [https://ec.europa.eu/info/publications/180308-action-plan-fintech\\_en](https://ec.europa.eu/info/publications/180308-action-plan-fintech_en)

Towards these goals, the EBA supports the actions identified by the European Commission and places emphasis on measures to help achieve technological neutrality in regulation and supervision and ensure high standards of consumer protection.

In particular, the EBA highlights the central importance of comprehensive and ongoing monitoring of the application of innovative technologies in the financial sector as well as knowledge sharing, for example, through the EBA's FinTech Knowledge Hub. In turn, this can support more consistent identification of risks and opportunities and better enable supervisory and regulatory authorities to act on a timely basis to ensure that the framework remains technology neutral and facilitates the scaling of technologies cross-border. In this context, the EBA supports the proposals to further strengthen the European Forum for Innovation Facilitators (EFIF) and also identifies the need for strengthened measures to enhance multi-disciplinary cooperation on innovation-related issues.

Focussing on specific technologies, the EBA underscores the need for work on a high-level AI principle-based framework as an appropriate foundation for the wider use of AI in the financial services.<sup>3</sup> The EBA sets out a three step approach to facilitate a common approach to the use of RegTech and support interoperability. The EBA also identifies potential measures to facilitate the gathering of best practices and trends on SupTech and promote/facilitate the (collective) development of selected specific SupTech use cases where we see a role for the EBA in acting as a center for excellence and networking to help instigate scalable SupTech across the Single Market.

The EBA also restates the need for further harmonisation efforts, including for customer due diligence (CDD) processes, to support the cross-border scaling of digital finance.<sup>4</sup>

Finally, the EBA emphasises the potential of FinTech in facilitating structural changes in the financial sector, including by supporting new business models (e.g. digital platforms). In this context, the EBA highlights the need for stronger coordination mechanisms to support authorities in supervising innovative cross-border, and potentially cross-sectoral, businesses models and monitoring effectively the regulatory perimeter to ensure oversight arrangements remain fit-for-purpose. Indeed, as new business models emerge (e.g. ecosystems for so-called stablecoins) new supervisory models may be needed in order to ensure effective oversight of applicable regulatory measures such as governance, operational resilience and consumer protection requirements.

Financial innovation continues to be one of the EBA's strategic priorities<sup>5</sup> and the EBA is committed to supporting the European Commission in delivering its new Digital Finance Strategy. Our staff

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<sup>3</sup> See further the EBA's January 2020 report on Big Data and Advance Analytics: <https://eba.europa.eu/eba-report-identifies-key-challenges-roll-out-big-data-and-advanced-analytics>.

<sup>4</sup> The EBA has highlighted previously a range of potential impediments to the cross-border provision of financial services, including in its October 2019 report: <https://eba.europa.eu/eba-calls-european-commission-take-action-facilitate-scaling-cross-border-activity>.

<sup>5</sup> <https://eba.europa.eu/about-us/work-programme/current-work-programme>

stand ready to discuss with Commission colleagues the matters set out in the response, including potential mandates for the EBA, and look forward to continuing the excellent cooperation in relation to the upcoming crypto-asset and digital operational resilience initiatives.

Yours sincerely,

[Signed]

José Manuel Campa

CC:

John Berrigan, Director General, Directorate-General Financial Stability, Financial Services and Capital Markets Union, European Commission

Jan Ceysens, Head of Unit: Digital Finance (B.5), Directorate-General Financial Stability, Financial Services and Capital Markets Union, European Commission

Encl: EBA response to the consultation on the Digital Finance Strategy