



European Commission consultation document on a new digital finance strategy for Europe/FinTech Action Plan.

[Link to the paper: Consultation document on a new digital finance strategy for Europe/FinTech action plan](#)

1.- Target audience (potential stakeholders):

This consultation is addressed, in particular, to:

- .- Member States.
- .- National Competent Authorities (NCAs).
- .- European Supervisory Authorities (ESAs), including, ESMA.
- .- European Central Bank.
- .- The financial industry: traditional financial institutions, start-ups, technology companies.
- .- FinTech organisations.
- .- Consumer and user organisations.
- .- Academics.
- .- Technology experts.
- .- Other stakeholders, in general, European Union citizens.

The CNMV would appreciate it if all the above-mentioned potential stakeholders were to send a copy of their responses to the consultation to the following email address: Documentosinternacional@cnmv.es

2.- Information Note

The European Commission has launched a consultation to gather information on the strategy that it should follow for digital finance. In order to comply with its work programme, and given the nature of the future challenges for the financial sector, the European Commission will propose in Q3 2020 a new digital finance strategy that sets out a number of areas and priorities that public policies should focus on in the next five years.

The Commission may also add other measures to support the digital transformation of the European economy, including new policies and strategies on data, artificial intelligence, platforms and cybersecurity.

The new digital strategy will be based on the work carried out during the previous mandate, particularly within the context of the FinTech Action Plan and will take into account all recent market and technological developments that are likely to impact the financial sector in the near future. In the past few years, the European Union and the European Commission have introduced 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, along with other sectoral initiatives such as the recent political agreement on the Crowdfunding Regulation and the FinTech Action Plan. The FinTech Action Plan

initiatives, which have already been completed, were aimed in particular at supporting the scaling up of innovative businesses across the European Union, for example, through enhanced supervisory convergence to promote the adaptation of new technologies (such as cloud computing) but also to enhance the security and resilience of the financial sector.

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 context, the European Commission should ensure that European consumers and the financial industry can benefit from digital transformation while mitigating the new risks that digital finance may bring. The expert group on Regulatory Obstacles to Financial Innovation, established under the 2018 FinTech Action Plan, highlights these challenges in its report published in December 2019.

In view of the current COVID-19 crisis, and the liquidity problems that may arise due to the sudden drop in activity and revenues, digitalisation is a solution and an opportunity. Banks must be able to reschedule credits rapidly, through rapid and effective processes carried out remotely. Other financial service providers will also have to act quickly and through online processes. Digital finance can help in a number of ways to tackle the COVID-19 outbreak and its consequences for citizens, businesses, and the economy in general. In fact, digitalisation of the financial sector can be expected to accelerate as a consequence of the pandemic, which has highlighted the importance of digital innovation in financial services, including for those who are not digital native, as everybody is obliged to rely on remote services. As financial sector employees work remotely, the digital operational resilience of the financial sector is becoming even more important.

On the basis of the work carried out to date, the European Commission has identified four priority areas to promote the development of digital finance in the European Union, ensuring that the financial services regulatory framework is fit for the digital age, enabling consumers and businesses to take advantage of the single market and enhancing the digital operational resilience of the EU financial system.

In this context, and in line with the Better Regulation principles, the European Commission is launching this paper to gather stakeholders' views on public policies to support digital finance. This consultation supplements two papers launched in December 2019 on crypto-assets and digital operational resilience. The European Commission has also published a specific consultation 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, which are addressed in a consultation on retail payments strategy launched on the same date as the one on digital strategy.

The paper contains 47 questions which are included in a background section with general questions, and in sections 1 to 4 corresponding to the four priority action areas identified by the European Commission:

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

This section contains questions in addition to those included in the consultation on crypto-assets as it addresses other current issues at stake. The questions seek views on how to ensure that the financial services regulatory framework is technology neutral and innovation-friendly, and on how to address 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 technologies is needed.

Furthermore, the financial ecosystem would potentially be more complex, including a wider range of firms, such as incumbent financial institutions, but also start-ups, technology companies and BigTechs.

The Commission is also seeking stakeholders' views on potential challenges or risks that would need to be addressed within this framework.

2. Removing fragmentation in the single market for digital financial services to enable consumers and businesses to benefit from single market digital finance opportunities.

Following 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: 1) In the case of jurisdictions, a lack of consistency in the transposition, interpretation and application of EU financial legislation in each jurisdiction (including the discretion of Member States), divergent regulatory and supervisory attitudes towards digital innovation and long and difficult processes for obtaining authorisations; 2) in the case of companies, insufficient funding, difficulties in cross-border entrepreneurship and risk taking; and 3) in the case of consumers, national barriers tapping innovative digital products/services from other Member States, and which prevent accessing affordable market data to inform their investment choices.

In the digital age, only a strong single market for financial services could bring about EU-wide businesses that would be able to compete with other jurisdictions, such as the US and China.

Removing fragmentation of the single market in digital financial services should be done while maintaining an adequate level of security for the financial system. This is also essential for expanding access to financial services for consumers and investors.

Some of the issues raised for consideration by stakeholders are: how to facilitate the use of a digital finance identity across the European Union; how to authorise test environments for technologies which can subsequently be scaled and carried out across the single market; how to ensure fair and open access to

relevant technical infrastructures; and how to protect consumers that use digital finance in the EU, and promote financial education.

3. Promoting a well-regulated data-driven financial sector for more competitive and integrated financial services for EU consumers and businesses.

The large amount of information and data available and its computing have enabled the use of artificial intelligence (AI) applications to make predictions about future outcomes at a lower cost. The Commission has recently adopted a new European Data Strategy and a White Paper on Artificial Intelligence.

The consultation paper is seeking views on the best way to promote a data-driven financial sector, considering the current horizontal frameworks governing data (e.g. General Data Protection Regulation) but also other recent sectoral developments, such as the Payment Services Directive, and the work of the European Commission itself (new European Data Strategy and White Paper on Artificial Intelligence).

Some of the issues raised for consideration by stakeholders are: how to facilitate the access to publicly available data on the financial sector; how to manage consent-based access to personal data and data sharing in the financial sector; how to support the introduction of artificial intelligence (AI) in the financial sector throughout the entire value chain; and how can data-driven innovation benefit compliance and supervision (RegTech/SupTech tools).

4. Enhancing the digital operational resilience of the EU financial system.

Given that the current consultation on digital operation resilience fully addresses the issues identified as part of this priority, the questions related to this priority area will not be reproduced in this consultation paper.

Finally, the paper includes questions on funding and the sustainability of digital transition in the European Union.

The feedback received to this consultation will be included in the subsequent report on a new Digital Finance Strategy/FinTech Action Plan to be published in Q3 2020.

3.- Submission of comments

The deadline for submitting comments is **26 June 2020**.

Respondents may send their comments through the European Commission's website: https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en

If you cannot access the online questionnaire, please contact us at the following email address: xxxx.

Likewise, as indicated above, the CNMV would also appreciate it if stakeholders could send a copy of their responses to the consultation to the following email address:
Documentosinternacional@cnmv.es

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