

Open banking conceptual and regulatory framework

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PART I	Introduction
	1.1 Proposal 1.2 Approaches

Approaches

Open services

Payment services

Digital finance

Open finance
Open banking

Open banking

Digital payments
Open banking

PART II	Digital finance strategy (24.9.2020)
Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
	<ul style="list-style-type: none"> 2.1 – Broad framework 2.2 – Outline Digital services package 2.3 – Priorities 2.4 – Context 2.5 – Fragmentation 2.6 – Innovation 2.7 – Data 2.7 – Risks

Digital finance Strategies – Broad framework

1. Digital strategy	Proposal for a Regulation on contestable and fair markets in the digital sector (Digital Markets Act). COM/2020/842 (15.12.2020) Proposal for a Regulation on a Single Market For Digital Services (Digital Services Act) and amending Directive 2000/31/EC COM/2020/825 (15.12.2020)
2. Digital finance strategy	Communication from the Commission on a Digital Finance Strategy for the EU. COM(2020) 591 (24.9.2020)
3. Retail payments strategy	Communication from the Commission on a Retail Payments Strategy for the EU. COM/2020/592 (24.9.2020)
4. European Data Strategy	Communication from the Commission on A European Data Strategy. COM(2020) 66 (19.02.2020)
5. Artificial Intelligence Strategy	Communication from the Commission on Artificial Intelligence for Europe. COM/2018/237 (25.4.2018)

EU's digital strategy - Outline

Context	<ul style="list-style-type: none">- 6 Commission priorities for 2019-24- A Europe fit for the digital age	
Actions	<ul style="list-style-type: none">European industrial strategyHigh Performing Computing (HPC)CybersecurityDigital skillsConnectivityArtificial IntelligenceEuropean data strategy	Digital Services package (15.12.2020): Digital Markets Act (DSA) Digital Services Act (DMA)

Digital Markets Act

Regulation	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on contestable and fair markets in the digital sector (Digital Markets Act). COM/2020/842 final. Brussels, 15.12.2020
Definition	<p>Platforms acting as digital “gatekeepers” to the single market</p> <p>Article 2 Definitions. For the purposes of this Regulation, the following definitions apply: (1) ‘Gatekeeper’ means a <u>provider of core platform services</u> designated pursuant to Article 3; (2) ‘Core platform service’ means any of the following: (a) online intermediation services; (b) online search engines; (c) online social networking services; (...)</p> <p>[Preamble § 13: Online intermediation services may also be active in the field of financial services]</p> <p>Article 3 Designation of gatekeepers. 1. A provider of core platform services shall be designated as gatekeeper if: (...) has more than <u>45 million monthly active end users</u> established or located in the Union (...)</p> <p>[See slide n. 43]</p>

Digital finance strategy (24.9.2020) (1) - Priorities

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priorities	<ol style="list-style-type: none">1. removing fragmentation in the Digital Single Market,2. adapting the EU regulatory framework to facilitate digital innovation [Innovations based on or making use of distributed ledger technology (DLT) or artificial intelligence (AI)]3. promoting a data-driven finance and,4. addressing the challenges and risks associated with digital transformation, including enhancing the digital operational resilience of the financial system

Digital finance strategy (24.9.2020) (2) – The context

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
Context	<p>§ 1. I. “The future of finance is digital: consumers and businesses are more and more <u>accessing financial services digitally</u>, innovative market participants are deploying <u>new technologies</u>, and existing <u>business models</u> are changing.”</p> <p>§ 1.VI. Payment services play a key role among digital financial services, being at the <u>cutting edge of innovation</u> and instrumental to support the digital economy. Digital payment solutions enable individuals and companies to transact safely and efficiently. They are indispensable for paying in <u>shops</u> and in <u>e-commerce</u>, <u>settling bills</u>, repaying <u>loans or mortgages</u>, <u>transferring money</u>, paying <u>salaries or pensions</u>. As such, they require specific policy measures which are developed in the communication entitled “A Retail Payments Strategy for the EU”, published together with this communication. [<u>See slide n. 30</u>]</p>

Digital finance strategy (24.9.2020) (3) – The context

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
The background	<p>§ 2.II. “(...) digitalisation offers substantial new opportunities, as digital <u>networks and data services</u> generally facilitate <u>economies of scale</u>, enabling the provision of more <u>qualitative services at a lower cost</u>.”</p> <p>§ III. “Digital technologies and applications are increasingly built in a <u>modular way</u>, <u>communicating with each other</u> via application programming interfaces (APIs).”</p>

Digital finance strategy (24.9.2020) (4) – The context

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
The background	<p>§ 2.IV. Data is becoming a key asset for innovation along with IT infrastructure. Data has become more important than ever for financial services. The availability of digital data enables more accurate <u>prediction of future events</u>, thereby allowing for the provision of <u>bespoke services</u>. Analysing a merged dataset provides more insights than analysing each dataset separately. The <u>economic benefits derived from a specific dataset</u> are higher when <u>multiple parties have simultaneous access</u> to it. In addition, use of associated technologies is necessary to <u>maximise data value</u>. IT infrastructure today increasingly sits in the cloud, offering a high degree of operational flexibility and facilitating access to advanced data processing technology. These developments also raise important new issues for <u>protecting consumers</u> and a responsible use of their data.</p>

Digital finance strategy (24.9.2020) (5) – The context

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
The background	<p>§ 2.V. At the same time, innovation is changing market structures. Europe is home to many successful Fintech start-ups. Incumbent firms are fundamentally <u>overhauling their business models</u>, often in cooperation with Fintech companies. <u>Technology companies</u> both large (“BigTech”) and small are increasingly active in financial services. These developments are changing the <u>nature of risks</u> to consumers, users and <u>financial stability</u> and they may also have a significant impact on <u>competition</u> in financial services.</p>

Digital finance strategy (24.9.2020) (6) – Fragmentation

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
<u>Priority 1.</u> Removing fragmentation in the Digital Single Market	<p>§ 4.II. The first priority is to tackle fragmentation in the Digital Single Market for financial services, thereby enabling European consumers to access cross-border services and help European financial firms' scale up their digital operations (4.1). Many firms have confirmed that scaling up across borders is essential for them, because on-line services are <u>costly to develop but cheap to reproduce</u> and often require deployment at considerable scale. A larger potential market across borders makes it easier to <u>raise the funds</u> needed to develop such services. It gives consumers genuine access to cross border services. Firms achieving scale may also be able to provide such services at a <u>lower price and higher quality</u>.</p>

Digital finance strategy (24.9.2020) (7) – Fragmentation

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
<u>Priority 1.</u> Removing fragmentation in the Digital Single Market	<p>§ 4.1.A. Enabling EU-wide interoperable use of digital identities [Digital customer onboarding]</p> <p>By 2024, the EU should implement a sound legal framework enabling the use of interoperable digital identity solutions which will enable new customers to access financial services quickly and easily (“on boarding”).</p> <p>This framework should be based on more harmonised anti-money laundering (AML) and counter-terrorism financing (CTF) rules and a revised framework for electronic identification and trust services for electronic transactions (e-IDAS Regulation).</p> <p>It should enable customer data to be reused subject to informed customer consent, which is based on full transparency about the consequences and implications of such reuse.</p>

Digital finance strategy (24.9.2020) (8) – Fragmentation

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 1. Removing fragmentation in the Digital Single Market	<p>§ 4.1.B Facilitating the scaling up of digital financial services across the Single Market</p> <p>By 2024, the principle of passporting and a one-stop shop licensing should apply in all areas which hold strong potential for digital finance. Firms should be able to rely on close cooperation between national supervisory innovation facilitators within the European Forum of Innovation Facilitators (EFIF), and a new EU digital finance platform.</p> <p>Key actions. The Commission will explore the need to introduce additional harmonised licensing and passporting regimes, work with the ESAs to strengthen EFIF, and establish an EU digital finance platform to foster cooperation between private and public stakeholders.</p>

Digital finance strategy (24.9.2020) (9) – Innovation

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
<u>Priority 2.</u> Adapting the EU regulatory framework to facilitate digital innovation	§ 4.2.III. The second priority is to ensure that the EU regulatory framework facilitates digital innovation in the interest of consumers and market efficiency (4.2). Innovations based on or making use of distributed ledger technology (DLT) or artificial intelligence (AI) have the potential to <u>improve financial services for consumers and businesses</u> . The regulatory framework for financial services should ensure that they are <u>used in a responsible way</u> , in line with EU values. More broadly, faster, more open and collaborative innovation cycles call for regular examination of and adjustments to <u>EU financial services legislation</u> and <u>supervisory practices</u> , to ensure that they support digital innovation and remain appropriate and relevant in evolving market environments.

Digital finance strategy (24.9.2020) (10) – Innovation

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 2. Adapting the EU regulatory framework to facilitate digital innovation	§ 4.2.A. Enabling EU markets in crypto-assets and tokenised financial instruments By 2024, the EU should put in place a comprehensive framework enabling the uptake of distributed ledger technology (DLT) and crypto-assets in the financial sector... and address the risks associated with these technologies. The Commission is today presenting a legislative proposal to accompany this strategy: Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets and amending Directive (EU) 2019/1937, COM(2020) 593, 24.9.2020 and Proposal for a Regulation of the European Parliament and of the Council on a Pilot Regime for market infrastructures based on distributed ledger technology (DLT) - COM(2020)594, 24.9.2020 ... The latter includes utility tokens and dedicated rules to regulate the particular risks for financial stability and monetary sovereignty linked to asset-referenced tokens (also known as ‘stablecoins’) used for payment purposes . [See retail payments strategy, n. 37]

	<h2>Digital finance strategy (24.9.2020) (11) – Innovation</h2>
<p>Regulation</p>	<p>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</p>
<p><u>Priority 2.</u> Adapting the EU regulatory framework to facilitate digital innovation</p>	<p>§ 4.2.B. Promoting cooperation and the use of cloud computing infrastructure In the context of a highly concentrated market, the Commission proposed in the EU data strategy to launch a European cloud services marketplace, integrating the full stack of cloud service offering by the end of 2022.</p> <p>§ 4.2.C. Promoting investments in software by adapting prudential rules on intangible assets In order to facilitate the transition towards a more digitalised banking sector, the Commission will shortly adopt regulatory technical standards currently being developed by the EBA.</p>

Digital finance strategy (24.9.2020) (12) – Innovation

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 2. Adapting the EU regulatory framework to facilitate digital innovation	<p>§ 4.2.D. Promoting the uptake of artificial intelligence tools By 2024, the Commission, working together with the ESAs, aims to ensure clarity as regards supervisory expectations about <u>how the legislative framework on financial services should apply</u> to artificial intelligence (AI) applications... The essential promise of the latest AI tools is that they <u>make prediction more accessible</u>... On the consumer side, the use of AI applications could make it possible for firms to provide better and more <u>tailored services at lower cost</u>.... the Commission will invite the ESAs and the ECB to explore the <u>possibility of developing regulatory and supervisory guidance</u> on the use of AI applications in finance.</p> <p>§ 4.2.E. Ensuring a future proof legislative framework on an on-going basis The Commission will regularly provide interpretative guidance on how existing legislation on financial services is to be applied to new technologies.</p>

Digital finance strategy (24.9.2020) (13) – Data

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
<u>Priority 3.</u> Promoting data-driven innovation in finance by establishing a common financial data space	§ 4.3.IV. The third priority is to create a European financial data space to promote data-driven innovation, building on the European data strategy , including <u>enhanced access to data and data sharing</u> within the financial sector (4.3). 13 [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on A European Data Strategy , COM(2020) 66 final, 19.02.2020] The EU has ... led the way in opening up the sharing of data on payments accounts as part of the <u>revised Payment Services Directive</u> ... This will encourage the creation of innovative products for consumers and businesses, and will support broader policy objectives, such as the creation of a single market for data . It will also contribute to facilitating access to data needed to channel funding in support of sustainable investments.

Digital finance strategy (24.9.2020) (14) – Data

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
<u>Priority 3.</u> Promoting data-driven innovation in finance by establishing a common financial data space	§ 4.3.A. Facilitating real-time digital access to all regulated financial information By 2024, <u>information to be publicly released under EU financial services legislation</u> should be disclosed in standardised and machine-readable formats . As part of its the Capital Markets Union (CMU) Action Plan, the Commission will implement EU infrastructure to facilitate access to all publicly available disclosure relevant to capital markets.

Digital finance strategy (24.9.2020) (15) – Data

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 3. Promoting data-driven innovation in finance by establishing a common financial data space	§ 4.3. B. Promoting innovative IT tools to facilitate reporting and supervision By 2024, the EU aims to put in place the necessary conditions to enable the use of innovative technologies , including <u>RegTech</u> and <u>SupTech</u> tools, for supervisory reporting by regulated entities and supervision by authorities. It should also promote the <u>sharing of data between supervisory authorities</u> ... the Commission, together with the ESAs will develop a strategy on supervisory data in 2021 to help ensuring that (i) <u>supervisory reporting requirements</u> (including definitions, formats, and processes) are unambiguous, aligned, harmonised and <u>suitable for automated reporting</u> , (ii) full use is made of available international standards and identifiers including the Legal Entity Identifier, and (iii) supervisory data is reported in <u>machine-readable electronic formats</u> and is easy to combine and process.... The Commission also aims to ensure that key parts of EU regulation are accessible to <u>natural language processing</u> , are machine readable and executable...

Digital finance strategy (24.9.2020) (16) – Data

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 3. Promoting data-driven innovation in finance by establishing a common financial data space	§ 4.3. C. Promoting business-to-business data sharing in the EU financial sector and beyond (open finance) By 2024, the EU should have an <u>open finance framework in place</u> , in line with the EU Data Strategy, the upcoming Data Act, and Digital Services Act. This will be coordinated with the review of the <u>Payment Services Directive</u> ... The revised Payment Services Directive (PSD2) marked an important step towards the sharing and use of customer-permissioned data by banks and third party providers <u>to create new services</u> (“open finance”). The Commission will launch the review of the PSD2 in 2021, including an assessment of its scope...The Commission will present a legislative proposal for a <u>new [broader] open finance framework</u> by mid-2022, building on and in full alignment with broader data access initiatives. It will build on the upcoming initiative focusing on data access, including the upcoming Data Act, and the Digital Services Act... The Commission is already reviewing its <u>competition policy</u> to ensure that it is fit for the digital age.

	Digital finance strategy (24.9.2020) (17) – Risks
Regulation	<p>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</p>
<p><u>Priority 4.</u> Addressing the challenges and risks associated with digital transformation</p>	<p>§ 4.4. The fourth priority is to address new challenges and risks associated with the digital transformation (4.4). Financial services <u>migrate to digital environments</u> with <u>fragmented ecosystems</u>, comprising interconnected digital service providers <u>falling partially outside financial regulation and supervision</u>. Digital finance may therefore make it more challenging for the <u>existing regulatory and supervisory frameworks</u> to safeguard financial stability, consumer protection, market integrity, fair competition and security. To ensure that digital finance’s enable better financial products for consumers and businesses these risks must be addressed. The Commission will therefore pay particular attention to the principle <u>“same activity, same risk, same rules”</u>, not least to safeguard the <u>level playing field</u> between existing financial institutions and new market participants.</p>

Digital finance strategy (24.9.2020) (18) – Risks

Regulation	<u>COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final</u>
Priority 4. Addressing the challenges and risks associated with digital transformation	§ 4.4.A. Safeguarding financial stability, protecting investors and consumers, based on the “same activity, same risk, same rules” principle Technology companies – large and small – are increasingly <u>entering financial services</u> , either directly or indirectly. While many technology providers are <u>now offering payments and related services</u> , respondents to the Commission’s public consultation expect that online provision of other financial services, such as <u>loans, insurance, and asset management for consumers and businesses</u> develops further. Large technology companies also often act as intermediaries by bundling various services and products with associated financial services, such as payments, financing or insurance and thus <u>become marketplaces for financial services</u> . They can <u>scale up financial services</u> quickly across their <u>large user bases</u> and radically change market structures, sometimes adversely affecting competition.

Digital finance strategy (24.9.2020) (19) – Risks

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 4. Addressing the challenges and risks associated with digital transformation	<p>§ 4.4.A. Safeguarding financial stability, protecting investors and consumers, based on the “same activity, same risk, same rules” principle (...)</p> <p>Finally, large technology companies also provide many of the digital technology solutions that are used in the provision of financial services, including <u>hardware, software and cloud-based solutions</u> for the financial industry... Technology companies are therefore likely to become an <u>integral part of the financial ecosystem</u>, and most respondents to the public consultation expect <u>risks to increase as a consequence</u>. It is important to address all these risks, not only those <u>affecting customers</u> (policy-holders, investors and depositors) but also broader <u>financial stability</u> issues and <u>competition</u> in financial services markets... In this context, <u>regulation and supervision should be proportionate</u>, based on the principle of <u>“same activity, same risk, same rules”</u> and pay particular attention to the <u>risks of significant operators</u>.</p>

Digital finance strategy (24.9.2020) (20) – Risks

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 4. Addressing the challenges and risks associated with digital transformation	<p>§ 4.4.A. Safeguarding financial stability, protecting investors and consumers, based on the “same activity, same risk, same rules” principle (...) Actions:</p> <p>First, as set out in the <u>Retail Payments Strategy</u>, the Commission will review the <u>Payment Services Directive</u> and the <u>E-Money Directive</u>.</p> <p>Second. One possibility, included in the proposal on crypto assets presented alongside this strategy, is to establish a <u>supervisory college for the ecosystem of a given financial services value chain</u>.</p> <p>Third, the Commission will explore ways to ensure that the prudential supervisory perimeter is <u>broad enough</u> to capture risks arising from platforms’ and technology firms’ financial services provision and from <u>techno-financial conglomerates and groups</u>.</p> <p>Fourth, the Commission is considering the need for legislative proposals to address potential risks stemming from <u>potential large-scale lending operations by firms outside the banking perimeter</u>, which may entail both micro and macro-prudential risks.</p>

Digital finance strategy (24.9.2020) (21) – Risks

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
Priority 4. Addressing the challenges and risks associated with digital transformation	<p>§ 4.4.B. Protecting consumers and the public interest</p> <p>The EU must integrate into all measures taken to implement this strategy the objective of continuously empowering and protecting consumers to ensure that they benefit from a broader access, under safe conditions, to innovative products and services. The protection of the public interest against the risk of <u>money laundering, terrorist financing</u> and any other financial misbehaviours including tax evasion should progress in parallel...</p> <p>A new framework for <u>safe remote identification</u> referred to in section 4.1, easier access to public disclosures and a new open finance framework referred to in section 4.3 are particularly important in this respect.</p>

Digital finance strategy (24.9.2020) (22) – Risks

Regulation	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on a Digital Finance Strategy for the EU. Brussels, 24.9.2020. COM(2020) 591 final
<u>Priority 4.</u> Addressing the challenges and risks associated with digital transformation	§ 4.4.C. Strengthening digital operational resilience Alongside this strategy, the Commission is today presenting a proposal designed to enhance the operational resilience of the financial sector. This complements the ongoing review of the Directive on security of network and information systems.[Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (OJ L 194, 19.7.2016, p. 1).]

PART III	Retail payments strategy (24.9.2020)
Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
	<ul style="list-style-type: none"> 3.1 – Context 3.2 – Instant payments 3.3 – Electronic identity 3.4 – Central bank money 3.5 – PSD2 3.6 – Security 3.7 – Supervision 3.8 – Interoperability 3.9 – Open access

Retail payments strategy (24.9.2020) (1) - Context

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
Context (a)	<p>§ I. Over the last decade, most payments innovations have focused on improving customer interfaces (e.g. mobile apps)... without fundamentally changing the payment instruments used (cards, bank transfers etc.)... Recently, however several significant trends have emerged. The act of paying has become less visible and increasingly dematerialised and disintermediated. Large technology companies ('BigTechs') have become active in the payments sector. Benefitting from significant network economies, they can challenge established providers. Moreover, with the emergence of crypto-assets (including so-called 'stablecoins') they may soon be offering disruptive payment solutions based on encryption and distributed ledger technology (DLT)... develop new ways to initiate payments, such as 'wearables' (watches, glasses, belts etc.) or parts of the body, building on advanced authentication technologies such as those relying on biometrics... As more and more central banks around the world look into the possibility of issuing central bank digital currencies (CBDCs)</p>

Retail payments strategy (24.9.2020) (2) - Context

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
<u>Context (b)</u> A fragmented EU market	§ There have been substantial improvements in recent years, thanks mostly to the development of the Single Euro Payment Area (SEPA) and to the harmonisation of retail payments legislation. However, the EU payments market remains, to a significant degree, fragmented along national borders , as most domestic payment solutions based on cards or instant payments do not work cross-border ... With the exception of those large global players, including worldwide payment card networks and large technology providers, there is virtually no digital payment solution that can be used across Europe to make payments in shops and in e-commerce... At the same time, there have recently been a number of encouraging developments. For example, on 2 July 2020 a group of 16 European banks launched the European Payment Initiative (EPI) Project... In parallel, several initiatives pursued under the auspices of the Euro Retail Payments Board (ERPB) and the European Payments Council (EPC)... which should eventually facilitate the emergence and interoperability of instant payment solutions in shops and e-commerce

Retail payments strategy (24.9.2020) (3) - Context

Regulation	<u>Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020</u>
Why a strategy?	<p>§ There is however a risk of inconsistencies and further market fragmentation. There is also a need for a clear 'governance' framework to underpin the EU retail payments strategy.</p> <p>As payments are at the forefront of digital innovation in finance, implementing this strategy will contribute to the Commission's broader vision for digital finance and to its objectives of: <u>removing market fragmentation, promoting market driven innovation in finance and addressing new challenges and risks</u> associated with digital finance whilst ensuring technology neutrality.</p>

Retail payments strategy (24.9.2020) (4) - Instant payments

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 1. Instant payments as the 'new normal'	<p>§ With instant payments, funds are immediately available to the payee... physical and online purchases, which are currently <u>dominated by payment card schemes</u>... The European Payments Council (EPC) developed a '<u>Scheme</u>' for instant payments in euro (the 'SCT Inst. Scheme') in 2017, as it had already done in the past for SEPA direct debits and credit transfers. The scheme enables funds to be available on the account of the payee in <u>less than ten seconds</u>. Unfortunately, in August 2020, after nearly three years since its introduction, <u>only 62,4% of all EU payment service providers offering SEPA credit transfers had joined the SEPA Credit Transfer Inst. Scheme</u>.</p> <p>The Commission will assess... the criteria for determining which payment service providers should be subject to <u>obligatory participation</u>.</p> <p>Cross-border infrastructures for the clearing and settlement of instant payments already exist in Europe, but full interoperability between these clearing and settlement mechanisms (CSMs) is yet to be achieved.</p>

Retail payments strategy (24.9.2020) (5) - Instant payments

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a <u>Retail Payments Strategy</u> for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 1. Increasing consumers' trust in instant payments	<p>The quasi <u>real-time availability</u> of the funds on the payee's account, combined with the <u>irrevocability of payments</u>, may have implications [risks] for consumers in cases, for example:</p> <ol style="list-style-type: none">1) The Commission recalls that ... <u>payment service providers</u> must ensure that they have in place appropriate and real-time <u>fraud and money laundering/terrorist financing / cyber-attacks prevention tools</u>, in full conformity with existing legislation.2) If instant payments are to become the new norm, the Commission considers that it would be appropriate that the <u>charges</u> [<u>chargebacks</u>] for <u>erroneous transactions</u> of both regular and instant credit transfers <u>should be the same</u>.3) ensure sound mitigation measures on <u>the liquidity risk</u> for financial institutions resulting from the rapid, low-friction outflow of funds via instant payments, in particular when taking place outside normal office hours.

Retail payments strategy (24.9.2020) (6) - Electronic identity

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 1. Electronic identity (eID) for customer authentication	<p>PSD2 has stimulated innovation in this area through the introduction of strong customer authentication (SCA), with its strict security requirements <u>for access to payment accounts</u> and the <u>initiation of digital payments</u> .</p> <p>the picture across the EU involves a plethora of different authentication solutions at <u>national level with limited cross-border interoperability</u></p> <p>With the eIDAS Regulation, the EU introduced in 2014 a first cross-border framework for trusted digital identities and trust services</p> <p>As set out in the digital finance strategy, the <u>Commission will implement by 2024 a sound legal framework enabling the use of interoperable digital identity solutions</u> that will allow fast and easy access of new customers to financial services.</p>

Retail payments strategy (24.9.2020) (7) - Central bank money

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 1. Maintaining the availability of central bank money	<ol style="list-style-type: none">1) Cash accessibility and acceptance<ul style="list-style-type: none">- cash remains the dominant means of payment in the euro area, where it is still used for 78% of all transactions vs Sweden: 13% transactions in 2018- There are still about 30 million adults in the EU who do not have a bank account- the Commission will protect the acceptance and availability of euro cash2) Central Bank Digital Currencies (CBDC) and further innovation in payments<ul style="list-style-type: none">- The <u>decline in the use of cash</u>, the increasing weight of <u>private sector payment solutions</u> and the prospective <u>emergence of asset-referenced tokens</u> have led central banks to explore the issuance of Central Bank Digital Currencies (CBDCs)- a retail CBDC <u>can serve both as a digital substitute for cash and private payment solutions</u>, as well as a <u>driver for continued innovation in payments</u>- the Commission will work closely with the ECB on the objectives and policy options

Retail payments strategy (24.9.2020) (8) – PSD2

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 2.1. Reaping the full potential of the Payment Services Directive (PSD2)	<p>1) At the end of 2021, the Commission will launch a comprehensive review of the application and impact of PSD2... The revised Payment Services Directive (PSD2) has enabled the emergence of new business models based on the <u>sharing of payment account data</u> ('Open Banking'), such as payment initiation services (PIS) and account information services (AIS). It has also improved the general level of the security of payment transactions through the implementation of <u>strong customer authentication</u> (SCA).</p> <p>2) Building on the PSD2 experience and as announced in the digital finance strategy, it plans to present a legislative proposal for a new 'Open Finance' framework by mid-2022... The Commission will support the finalisation of the work on a 'SEPA Application Programming Interfaces Access Scheme' that was launched in 2019 under the auspices of the Euro Retail Payments Board... Going forward... on a broader framework for open finance, as set out in the Digital Finance Strategy</p>

Retail payments strategy (24.9.2020) (9) – Security

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 2.2. Ensuring a high level of security for retail payments in Europe	<p>In close coordination with the European Banking Authority, the Commission will carefully monitor the implementation of strong customer authentication requirements.</p> <p>Looking to the future, strong customer authentication must become the norm when paying online... users should rely on the most <u>secure authenticating factors</u>, moving away, where possible, from transmittable elements (e.g. static passwords) and from older technologies and communication channels that are prone to attacks (e.g. SMS text messages).</p>

Retail payments strategy (24.9.2020) (10) – Supervision

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 2. 4. Future-proof supervision and oversight of the payments ecosystem	<p>While PSD2 implementation is still in its infancy, the E-money Directive (EMD2) has been in force for over a decade, so there is sufficient experience to draw lessons from its implementation. After the adoption of PSD2, the two regimes converged, but remained separate. The <u>differences between the services provided by payment institutions and e-money institutions</u> no longer seem to justify a distinct authorisation and supervision regime and could therefore be brought under a single framework... the Commission will... as part of the PSD2 review, align the PSD2 and E-Money Directive (EMD2) frameworks by including the issuance of e-money as a payment service in PSD2</p>

Retail payments strategy (24.9.2020) (11) - Interoperability

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 3. 1. Interoperable payment systems and infrastructures	<p>Not all payment service providers that have signed up to the SEPA Instant Credit Transfer (SCT Inst.) Scheme, and are reachable domestically, are also reachable cross-border. This is both a violation of the SCT Inst. scheme rules and of Article 3(1) of the SEPA Regulation. This is due in part to the lack of interoperability between clearing and settlement mechanisms. Payment service providers have to connect to several (national and/or European) <u>clearing and settlement mechanisms</u> and set aside and monitor <u>multiple liquidity pools</u>.</p>

Retail payments strategy (24.9.2020) (12) – Open access

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a Retail Payments Strategy for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 3.2. An open and accessible payments ecosystem	Access to payment systems is essential for effective competition and innovation in the payment systems market. As payment and e-money institutions compete with banks to <u>provide payment services</u> and contribute to innovation in the payments market, it is important to guarantee that <u>all players have fair, open and transparent access to payment systems...</u> the Commission will consider extending the scope of the Settlement Finality Directive (SFD) to include e-money and payment institutions, subject to appropriate supervision and risk mitigation.

Retail payments strategy (24.9.2020) (13) - Open access

Regulation	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on a <u>Retail Payments Strategy</u> for the EU. COM/2020/592 final. Brussels, 24.9.2020
III. Pillar 3.3. Access to necessary technical infrastructures	<p>The Commission is aware of a variety of situations in which some operators might restrict or block access to necessary technical infrastructures. These may include a range of software and hardware elements that are necessary if innovative payment solutions are to be developed and offered, e.g. the non-public layers embedded in <u>mobile device operating systems</u> (including Near Field Communication antennae), <u>biometric identity readers</u> such as fingerprint or face recognition scanners, <u>app stores</u>, <u>point of sale kernels</u>, <u>SIM cards</u>, etc. Key actions: the Commission will examine whether it is appropriate to propose legislation aimed at securing a right of access under fair, reasonable and non-discriminatory conditions, to technical infrastructures considered necessary to support the provision of payment services. In doing so, it will take into account: the ongoing review of its competition policy to ensure that it is fit for the digital age; its ongoing work carried out on the Digital Services Act with regard to ex-ante rules for large online platforms acting as gatekeepers. [See slide n. 7]</p>

- Open banking is at the centre of a **deep transformation** of the financial market, the data market and the service market.
- The regulatory framework of the open banking, today regulated in the PSD2, is yet to be completed with regulatory reforms that affect, at least the following scenarios: the general regulation of the **digital market** (Digital Services Act (DSA)) and the Digital Market Act (DMA)), **crypto assets** (COM (2020) 593), **distributed ledger technology** (DLT) (COM (2020) 594), **data** (COM (2020) 66), **anti-money laundering** (AML), **counter-terrorism financing** (CTF), electronic identification and trust services for electronic transactions (**e-IDAS** Regulation), **e-money** (EMD2), Central Bank Digital Currencies (**CBDC**), **artificial intelligence**, **competition**, **on boarding**, **passporting**, **RegTech** and **SupTech**, etc.
- With this material updated, by mid-2022 we may have a new proposal for a general framework on **open finance**. In this expansive universe, I hope that by the end of the project we will be in a position to establish a general design of **the conceptual and regulatory framework on open banking**. And this is the path to a new, more general framework on **open services**.
- Thank you very much.