Consultation on a new digital finance strategy for Europe / FinTech action plan

General questions

Europe's strategic objective should be to ensure that European consumers and firms fully reap the benefits stemming from digital finance while being adequately protected from the potential new risks it may bring. To achieve that, the European financial sector needs to be at the forefront of innovation and its implementation in a market and production environment in order to better serve consumers and firms in an efficient, safe, sound and sustainable manner. Strong and innovative digital capacities in the financial sector will help improve the EU's ability to deal with emergencies such as the COVID-19 outbreak. It will help to further deepen the Banking Union and the Capital Markets Union and thereby strengthen Europe's economic and monetary union and to mobilise funding in support of key policy priorities such as the Green Deal and sustainable finance. It is also essential for Europe to safeguard its strategic sovereignty in financial services, and our capacity to manage, regulate and supervise the financial system in a way that promotes and protects Europe's values and financial stability. This will also help to strengthen the international role of the euro.

With a view to adopt a new Digital Finance Strategy/FinTech Action Plan for Europe later this year, the Commission is now seeking your views to identify the priority areas for action and the possible policy measures.

Question 1. What are the main obstacles to fully reap the opportunities of innovative technologies in the European financial sector (please mention no more than 4)?

Please also take into account the analysis of the expert group on Regulatory Obstacles to Financial Innovation in that respect.

(i) Digital identification and onboarding: the need for using digital identification and onboarding was made even more clear by the recent pandemic; therefore digital identification rules need to be harmonized across Member States. Before a proper legislative act is in place, specific guidelines can be put in place in the meantime.

(ii) Lack of common technological standards, especially for open banking (under PSD2) or cybersecurity (the NIST standard can be taken as a inspiration)

(iii) Lack of regulatory framework for digital assets: it blocks the development of new markets and services

(iv) European Sandboxes: with the aim to create a true Single Market for digital financial services, to allow new entrants a universal accessibility to sandbox environments across the EU and facilitate equal supervision and market access for innovative solutions. This should be done by harmonizing the rules for financial sandboxes across member states and, in specific cases, creating dedicated sandboxes directly on the EU level

Question 2. What are the key advantages and challenges consumers are facing with the increasing digitalisation of the financial sector (please mention no more than 4)? For each of them, what if any are the initiatives that should be taken at EU level?

Building on previous policy and legislative work, and taking into account the contribution digital finance can make to deal with the COVID-19 emergency and its consequences, the Commission services are considering four key priority areas for policy action to spur the development of digital finance:

1. ensuring that the EU financial services regulatory framework is technology-neutral and innovation friendly;
2. reaping the opportunities offered by the EU-wide Single Market for digital financial services for consumers and firms;
3. promoting a data-driven financial sector for the benefit of EU consumers and firms; and
4. enhancing the operational resilience of the financial sector.

Key advantages of increasing digitization of finance are**:**
(i) increased efficiency and productivity; (ii) wider variety of products and services; (iii) lower operating costs for products and services; (iv) increased competitiveness

Among key challenges there are:
(i) increased risk because of increased cybersecurity threats, for that purpose common cybersecurity standards would be necessary
(ii) due to the fast pace of the development of digital financial services consumers frequently lack the knowledge about the latest products - to mitigate this negative impact financial literacy in all EU Member States should be strengthened e.g .by means of grants, research projects or supporting digital solutions (apps) that aim at financial health
(iii) third party access to data: consumers and businesses are part of a digital ecosystem that extends well beyond financial services. Current regulation and policy for open banking does not allow for universal access and control over data, as GDPR has promised. To reach the desired objective, i.e. the connectivity and control for personal and other data, the philosophy of open banking needs to be extended to other industries, with general rules across them. This would create a level playing field for all companies, and minimize the regulatory arbitrage or advantage that incumbents or big technology firms may enjoy when providing financial services

Question 3. Do you agree with the choice of these priority areas?

Yes/ No/ I don't know

Question 3.1 Please explain your answer to question 3 and specify if you see other areas that would merit further attention from the Commission:

Compared to other markets, such US or China, financial innovation in the EU cannot thrive. It is due to a more stringent and rule-based (as opposed to principle-based) regulation and the fragmentation of financial markets and its regulations. High level of consumer protection also means providing a wide range of modern services, which can only be attained if we create conditions favorable to innovation. At the same time, more focus has to be put on financial and digital literacy, which, again, can be gained through various digital channels.

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

In order to be fit for the digital age, the EU financial services regulatory framework should neither prescribe nor prevent the use of particular technologies whilst ensuring that regulatory objectives continue to be satisfied. It should also not hinder the emergence and scaling up of innovative business models, including platform-based ones, provided that the new risks these new business models may bring are properly addressed. The Commission undertook an in-depth assessment of these issues in the context of the FinTech Action Plan and is already acting on certain issues. Even so, in this fast-moving and increasingly complex ecosystem, it is essential to monitor technological and market trends on a regular basis and to identify at an early stage whether new regulatory issues, including e.g. prudential ones, are emerging and, if so, how to address them in a proportionate manner.

Question 4. Do you consider the existing EU financial services regulatory framework to be technology neutral and innovation friendly?

The existing framework is not technology neutral as it still often puts physical or paper solution over electronic ones, as is the case with identification. Also, while it is important that challenger companies fall under regulation and are required to obtain a licence, the licencing procedure should be much agile and quicker to allow European companies to remain competitive.

Question 4.1 If not, please provide specific examples of provisions and requirements that are not technologically neutral or hinder innovation:

Most important obstacles to innovation include:

- In its recital the 5 AML Directive puts online identification on par with the physical one, yet it leaves it to Member States to set country-specific requirements for electronic identification. This disadvantages companies in some MS and contributes to less customer-friendly services. The recent pandemic laid bare the imminent need to remove obstacles for digital identification (onboarding) across the Single Market;
- Similarly, the requirement of registering electronic securities in central depositories or the prohibition to render specific types of securities in electronic version, is a huge obstacle both to decentralized technologies such as blockchain or electronization of services and trade in general. One way to address this would be to apply Model Law on Electronic Transferable Records as prepared by UNCITRAL;
- lack of proper action on part of regulators and supervisory authorities to properly address innovation in finance. Some authorities do not see the support of innovation as their objective, sandboxes, if they exists at all, are bound by national requirements and provisions, making the transfer of innovative solutions across MSs impossible;
- little funds are invested into researching new business models and services in the financial sector.

Question 5. Do you consider that the current level of consumer protection for the retail financial products and services established by the EU regulatory framework is technology neutral and should be also applied to innovative ones using new technologies, although adapted to the features of these products and to the distribution models?

Yes

Question 5.1 Please explain your reasoning on your answer to question 5, and where relevant explain the necessary adaptations:

Identify areas where the financial services regulatory framework may need to be adapted

The use of Distributed Ledger Technology (DLT), and in particular the use of one of its applications, the so-called crypto-assets, have been identified as an area where the European regulatory framework may need to be adapted. A public consultation on crypto-assets is on-going to gather stakeholders' views on these issues. Beyond the area of crypto assets, and looking at other technological and market developments, the Commission considers that it is important to identify potential regulatory obstacles to innovation at an early stage and see how to best address these obstacles not to slow down the uptake of new technologies in the financial sector.

Question 6. In your opinion, is the use for financial services of the new technologies listed below limited due to obstacles stemming from the EU financial services regulatory framework or other EU level regulatory requirements that also apply to financial services providers? Please rate each proposal from 1 to 5:

Question 6.1 Please explain your answer to question 6, specify the specific provisions and legislation you are referring to and indicate your views on how it should be addressed:

- The use of biometrics is impeded by the AML Directive and its transposition in MSs;
- The use of DLTs is hindered by lack of regulatory framework in regard to electronic securities such as bonds or equity

Question 7. Building on your experience, what are the best ways (regulatory and non-regulatory measures) for the EU to support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pse?

Please specify what are the other ways the EU could support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose:

- More accessible funding for innovative financial solutions,
- Instead of overprotecting the customer, financial support should be aimed at financial literacy and financial health that would educate European consumers about financial products, their benefits and risks. This would in turn raise the awareness of and interest in financial services.

Assess the need for adapting the existing prudential frameworks to the new financial ecosystem, also to ensure a level playing field

Financial services providers are increasingly relying on technology companies to support delivery mechanisms for financial services. Technology companies are also increasingly entering financial services directly. Such trends will have an impact on the customers, the supply chain, incumbent financial institutions and their regulators and supervisors. Big technology companies are able to quickly scale up services due to network effects and large user bases. Their entry may accordingly over time significantly change market structures. This may require a review of how the EU financial legislative framework regulates firms and activities, in particular if technology companies were to become direct providers of specific services (e.g. lending) or a broader range of financial services or activities. This may also require a review of how to supervise the overall risks stemming from financial services of such companies.

Financial regulation should harness the opportunities offered by digitalisation – e.g. in terms of innovative solutions that better serve customers - while protecting the public interest in terms of e.g. fair competition, financial stability, consumer protection and market integrity. The Commission accordingly invite stakeholders' views on the potential impact of technology companies entering financial services and possible required policy response in view of the above public policy objectives.

Question 8.1 Please explain your answer to question 8 and, if necessary, describe how you expect technology companies to enter and advance in the various financial services markets in the EU Member States:

When technology companies enter the EU financial market, they would most probably do it just like Alibaba did years ago with Alipay - they will capitalize on the trust they have with the consumers and will offer day-to-day payment services and insurance embedded in their apps, incrementally taking over all aspects of the Digital Finance

Please specify which other prudential and conduct risk(s) you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years:

Should the big tech gain significant market share in financial services, they would gain access to yet another reservoir of personal data and thus could gain even better tool to cross-sell their products. This would lead to further increase customer dependence on a single platform services provider and could stifle innovation as big tech could simply buy innovative companies either to integrate their value proposition into the platform's one or just to kill it.

Please specify which other consumer risk(s) you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years:

Activity-based regulation is definitely one way to address the big tech entering the financial services market, where they would be subject to the same regulation as other financial services providers, such as when a big tech provides payment services it should fall under PSD2.

Enhance multi-disciplinary cooperation between authorities

The regulation and supervision of Digital Finance requires more coordination between authorities in charge of regulating and supervising finance, personal data, consumer protection, anti-money-laundering and competition-related issues.Therefore, the consultation should be established on a permanent level, so the activity and process, not just an ad-hoc approach.

Question 13. Building on your experience, what are the main challenges authorities are facing while supervising innovative/digital players in finance and how should they be addressed?

Main challenges facing the authorities are:

- unwillingness to accept the responsibility, or lack of legal tools, to engage in activities meant to support innovation in finance,
- path dependence: authorities are used to tackle a certain type (traditional) financial services providers and therefore they expect the same set of internal rules, management patterns and behavior from the challengers as they do from the incumbents,
- not using the principle of proportionality in regard to innovative companies: e.g. the idea of de minimis could be deployed more often, where companies are exposed to leaner regulatory burden if before reaching certain thresholds, such as turnover, market share etc.

Please explain your reasoning and provide examples for each sector you are referring to (e.g. banking, insurance, pension, capital markets):

Question 14. According to you, which initiatives could be put in place at EU level to enhance this multi-disciplinary cooperation between authorities?

EU Regulatory sandboxes could be a solution, where innovative solutions are developed in a curated environment and the experiences collected during such a process is then fed into legislation.

Also, it happens that EC units and DGs are not in sync and not communicating when it comes to a single area or problem. One example is when the self-sovereign identity is being discussed in separation from other EU initiatives on electronic identity.

II. Removing fragmentation in the single market for digital financial services

Removing Single Market fragmentation has always been on the radar of EU institutions. In the digital age, however, the ability of firms to scale up is a matter of economic productivity and competitiveness. The economics of data and digital networks determines that firms with substantial network effects enjoy a competitive advantage over rivals. Only a strong Single Market for financial services could bring about EU-wide businesses that would be able to compete with comparably sized peers from other jurisdictions, such as the US and China.

Removing fragmentation of the Single Market in digital financial services while maintaining an adequate level of security for the financial system is also essential for expanding access to financial services for consumers, investors and businesses across the EU. Innovative business models and services are flourishing in the EU, with the potential to bring greater choice and better services to consumers. Traditional players and start-ups are both competing, but also increasingly establishing partnerships to innovate. Notwithstanding the opportunities provided by the Digital Single Market, firms still face obstacles when scaling up across the Single Market.

Examples include a lack of consistency in the transposition, interpretation and application of EU financial legislation, divergent regulatory and supervisory attitudes towards digital innovation, national 'gold-plating' of EU rules, cumbersome licensing processes, insufficient funding, but also local preferences and dampen cross-border and international ambition and entrepreneurial spirit and risk taking on the part of business leaders and investors. Likewise, consumers face barriers in tapping innovative digital products and being offered and receiving services from other Member States other than of their residence and also in accessing affordable market data to inform their investment choices. These issues must be further addressed if the EU is to continue to be an incubator for innovative companies that can compete at a global scale.

Question 15. According to you, and in addition to the issues addressed in questions 16 to 25 below, do you see other obstacles to a Single Market for digital financial services and how should they be addressed?

Two things would help create a Single Digital Market for Financial Services:

- standards for data : in order for data to be really portable and usable we need more standards (not only) in the area of financial services, otherwise companies accessing customer's data are burdened with reformatting them, or are not able to provide quality services because the data they access as third party are not providing all necessary information
- direct oversight by EU authorities: while creating single EU oversight authorities may not be attainable, a close cooperation among them as well as coherent application of ESAs guidelines should be a first step toward harmonization of financial rules in the EU.

Facilitate the use of digital financial identities throughout the EU

Both start-ups and incumbent financial institutions increasingly operate online, without any need for physical establishment in a particular jurisdiction. Technologies are enabling the development of new ways to verify information related to the identity and financial situation of customers and to allow for portability of such information as customers change providers or use services by different firms. However, remote on-boarding relies on different technological means (e.g. use of biometric data, facial recognition, live video) to identify and verify a customer, with different national approaches regarding their acceptability. Moreover, supervisory authorities have different expectations concerning the rules in the 5th Anti-Money Laundering Directive permitting reliance on third parties for elements of on-boarding. The Commission will also consult shortly in the context of the review of the EU Anti-Money Laundering framework.

Question 18. Should one consider going beyond customer identification and develop Digital Financial Identities to facilitate switching and easier access for customers to specific financial services?

Already existing digital ID methods should be updated and harmonized and their use for KYC/ AML enabled instead of creating yet another layer that would have to be adopted by the market and consumers, which cannot be guaranteed. The idea of Digital Financial Identities seems to be close to the idea of social scoring and can thus be dangerous if used for wrong purposes.

Should such Digital Financial Identities be usable and recognised throughout the EU?

Provided, already existing digital ID methods are updated and harmonized, and accepted for the purpose of KYC/AML, they should be recognized across the EU.

Make it easier for firms to carry out technology pilots and scale up across the Single Market

Currently, three national competent authorities have established regulatory sandboxes with five more under development. Regulatory sandboxes are most often schemes to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models. Besides, almost all competent authorities have established innovation hubs. Innovation hubs provide a dedicated point of contact for firms to ask questions to competent authorities on FinTech related issues and to seek non-binding guidance on regulatory and supervisory expectations, including licensing requirements. The European Forum of Innovation Facilitators (EFIF) is intended to promote greater coordination and cooperation between innovation facilitators established by financial sector supervisors to support the scaling up of digital finance across the

Single Market, including by promoting knowledge-sharing between innovation hubs and facilitating cross-border testing in regulatory sandboxes.

Question 20. In your opinion (and where applicable, based on your experience), what is the main benefit of a supervisor implementing (a) an innovation hub or (b) a regulatory sandbox as defined above?

Main benefits are:

- quicker licencing process,
- a structured communication channel with the innovative sector,
- better access to understanding of regulatory issues and thus a chance to act on them quicker.

Please specify how else could the relevant EU authorities enhance coordination among different schemes in the EU:

Question 21.1 If necessary, please explain your reasoning and also provide examples for each case you would find relevant:

An EU Regulatory sandbox would help digital finance companies in Member States with more conservative regulators or less developed financial sectors.

Question 22. In the EU, regulated financial services providers can scale up across the Single Market thanks to adequate licenses and passporting rights.

Do you see the need to extend the existing EU licenses passporting rights to further areas (e.g. lending) in order to support the uptake of digital finance in the EU?

In order to attain a true Digital Single Market for Financial Services passporting should be extended to all services.

Beyond the traditional financial sector, there are other uprising areas, where digital finance is the base for ensuring customer satisfaction, namely in the area of mobility services (well known EU initiative is called Mobility as a Service or MaaS). This initiative is getting larger and larger and will play crucial role in the future of mobility, including travelling from one city to another (cross border travel and pay included of course)

Ensure fair and open access to relevant technical infrastructures for all financial service providers that wish to offer their services across the Single Market

(It should be noted that this topic is also included, from the payment perspective, in the Retail Payments consultation)

The emergence of providers of technical services supporting the provision of financial services bring both opportunities and challenges. On the one hand, such providers can facilitate the provision of cross-border services. On the other hand, they may in certain cases limit access to the platform or relevant devices' interface, or provide it under unfair and non-transparent terms and conditions. Certain Member States are starting to take measures in this respect.

Question 23. In your opinion, are EU level initiatives needed to avoid fragmentation in the Single Market caused by diverging national measures on ensuring non-discriminatory access to relevant technical infrastructures supporting financial services?

Yes

Please elaborate on the types of financial services and technical infrastructures where this would be relevant and on the type of potential EU initiatives you would consider relevant and helpful:

As already mentioned above, a single open banking standard is necessary to take full advantage of the PSD2. Also, the supervisory authorities should be more diligent in controlling, and if necessary, fining banks that do not provide access to their infrastructures or introduce unnecessary measures to make such access more complicated and expensive for the third party.

Empower and protect EU consumers and investors using digital finance across the Single Market

An increasing number of new digital financial products and services expose consumers and retail investors to both opportunities and risks: more choice, more tailored products, more convenience, but also bad advice, mis-selling, poor information and even discrimination. Accordingly, it is important to carefully consider how to tap the potential of

innovative products, services and business models while empowering and protecting end-users, to ensure that they benefit from a broader access to, and range of innovative products and services across the Single Market in a safe and sound manner. This may also require reviewing existing legislation to ensure that the consumer perspective is sufficiently taken into account. In addition, promoting financial education and digital financial skills may be important to ensure that consumers and retail investors are able to make the most of what digital finance has to offer and to select and use various digital tools, whilst at the same time increasing the potential size of the market for firms.

Please specify what else should be done at EU level to achieve improved financial education and literacy in the digital context:

Question 25: If you consider that initiatives aiming to enhance financial education and literacy are insufficient to protect consumers in the digital context, which additional measures would you recommend

A well-functioning open banking is a prerequisite for useful personal finance management apps, which can be of great help in educating consumers. Also, the use of behavioral economics should be supported in order to nug consumers to behave more rationally in regard to their finances.

III. Promote a well-regulated data-driven financial sector

Data-driven innovation can enable better and more competitive financial services for consumers and businesses, as well as more integrated capital markets (e.g. as discussed in the on-going work of the High-Level Forum). Whilst finance has always been a data-intensive sector, data-processing capabilities have substantially improved over the recent years, enabling fast parallel computing at low cost. Large amounts of data have also become available as computers and their users are increasingly linked, supported by better storage data capabilities. These developments have enabled the use of artificial intelligence (AI) applications to make predictions about future outcomes at a lower cost. Following on to the European data strategy adopted on 19 February 2020, the Commission services are considering a number of steps in this area (see also the parallel consultation on the Mifid review).

Question 26: In the recent communication "A European strategy for data", the Commission is proposing measures aiming to make more data available for use in the economy and society, while keeping those who generate the data in control.

According to you, and in addition to the issues addressed in questions 27 to 46 below, do you see other measures needed to promote a well-regulated data driven financial sector in the EU and to further develop a common European data space for finance?

Consumers and businesses are part of a digital ecosystem that extends well beyond financial services. Current regulation and policy for open banking does not allow for universal access and control over data, as GDPR has promised. To reach the desired objective, i.e. the connectivity and control for personal and other data, the philosophy of open banking needs to be extended to other industries (such as telco, mobility), with general rules across them. This would create a level playing field for all companies, and minimize the regulatory arbitrage or advantage that incumbents or big technology firms may enjoy when providing financial services.

Facilitate the access to publicly available data in finance

Financial institutions are currently required to make public a wealth of financial information. This information e.g. allows investors to make more informed choices. For example, such data include financial reporting and non-financial reporting, prudential disclosures under the Capital Requirements Directive or Solvency II, securities market disclosures, key information documents for retail investment products, etc. However, this data is not always easy to access and process. The Commission services are reflecting on how to further facilitate access to public disclosures of financial and supervisory data currently mandated by law, for example by promoting the use of common technical standards. This could for instance contribute to achieving other policies of public interest, such as enhancing access to finance for European businesses through more integrated capital markets, improving market transparency and supporting sustainable finance in the EU.

Consent-based access to personal data and data sharing in the financial sector

The Commission is reflecting how to further enable consumers, investors and businesses to maximise the benefits their data can bring in the financial sector, in full respect of our European standards and values, in particular the European data protection rules, fundamental rights and security.

The revised Payment Services Directive marked an important step towards the sharing and use of customer- permissioned data by banks and third party providers to create new services. However, this new framework is limited to payment data held by payment services providers, and does not cover other types of data relevant to financial services and held by other firms within and outside the financial sector. The Commission is reflecting upon additional steps in the area of financial services inspired by the principle of open finance. Any new initiative in this area would be based on the principle that data subjects must have full control over their data.

Better availability and use of data, leveraging for instance on new technologies such as AI, could contribute to supporting innovative services that could benefit European consumers and firms. At the same time, the use of cutting- edge technologies may give rise to new risks that would need to be kept in check, as equally referred to in section I.

Question 29. In your opinion, under what conditions would consumers favour sharing their data relevant to financial services with other financial services providers in order to get better offers for financial products and services?

Similarly to PSD2, such TPP should at least be required to register at supervisory authorities.

Question 34. What specific data (personal and non-personal) would you find most relevant when developing open finance services based on customer consent?

corporate accounts
insurance
public registers

To what extent would you also consider relevant data generated by other services or products (energy, retail, transport, social media, e-commerce, etc.) to the extent they are relevant to financial services and customers consent to their use?

Please explain your reasoning and provide the example per sector:

telecommunications

Support the uptake of Artificial intelligence in finance

Artificial intelligence (AI) can bring considerable benefits for EU citizens and businesses alike and the Commission is committed to support its uptake with appropriate frameworks and investment. The White Paper on Artificial intelligence details the Commission's vision on a European approach for AI in Europe.

In the financial sector, AI and machine learning solutions are increasingly applied throughout the entire value chain. This may benefit both firms and consumers. As regards firms, AI applications that enable better predictions can result in immediate cost savings due to improved risk analysis or better client segmentation and product price differentiation. Provided it can be achieved, this could in the medium term lead to better risk management and improved profitability. As an immediate effect, AI allows firms to save on costs, but as prediction technology becomes more accurate and reliable over time, it may also lead to more productive business models and entirely new ways to compete.

On the consumer side, the use of AI applications can result in an improved price-quality relationship of financial services, better personalisation and in some cases even in financial inclusion of previously excluded consumers. At the same time, AI may entail new risks such as opaque decision-making, biases, discrimination or loss of privacy.

The Commission is seeking stakeholders' views regarding the use of AI and machine learning solutions in finance, including the assessment of the overall opportunities and risks it could bring as well as the specificities of each sector, e.g. banking, insurance or investment services.

Question 38. In your opinion, what are the most promising areas for AI- applications in the financial sector in the medium term and what are the main benefits that these AI-applications can bring in the financial sector to consumers and firms?

We can see two major areas of AI-applications in the financial sector:

- AI for security: using machine learning to protect financial systems against AI-led cyber attacks and manipulation with data (such that can change one's scoring or influence pricing)
- financial scoring based on data other than bank account history. (Such AI solutions can help making better credit decisions for banks and also for customers)

Harness the benefits data-driven innovation can bring in compliance and supervision

RegTech tools that are emerging across Europe can bring significant efficiencies for the financial industry. Besides, national and European supervisory authorities also acknowledge the benefits new technologies can bring in the data- intensive supervision area. Following on the findings of the Fitness Check of EU supervisory reporting, the Commission is already acting to develop a supervisory reporting that is fit for the future. Leveraging on machine learning technology, the Commission is mapping the concepts definitions and reporting obligations across the EU financial services legislation to identify the areas where further standardisation is needed. Standardised concept definitions and reporting obligations are a prerequisite for the use of more automated processes. Moreover, the Commission is assessing through a Proof of Concept the benefits and challenges recent innovation could bring in the reporting area such as machine-readable and machine executable legislation. Looking at these market trends and building on that work, the Commission is reflecting upon the need for additional initiatives at EU level to facilitate the uptake of RegTech and/or SupTech solutions.

IV. Broader issues

Question 46. How could the financial sector in the EU contribute to funding the digital transition in the EU? Are there any specific barriers preventing the sector from providing such funding? Are there specific measures that should then be taken at EU level in this respect?

DLT can open new sources of financing businesses - DLT-based platforms can contribute to the creation of a functioning Capital Markets Union by better allocating capital across the EU, thereby decreasing the need for heavy public funding and the companies' dependence on bank loans. Implementing DLT to issue and trade bonds could release risk capital that is needed to support corporate strategies for digitization and modernization.