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## Digitalisation: the right way forward

Together with the adoption of the EU Fintech action plan in 2018, the European Union has embraced digitalisation and innovation in the financial sector. This improvement was marked by implementing different policies under the Digital Single Market Strategy, Cyber Strategy and the Data Economy.

However, this was not enough and the EU took upon itself to create the Digital Finance Strategy. This move is a right way forward as the financial ecosystem is continuously evolving with technologies moving from experimentation to pilot testing and deployment stage and new market players entering the financial sector either directly or through partnership with the incumbent financial institutions. Additionally, the COVID-19 pandemic has emerged as a catalyst for digitalisation as it has shown the importance and the need of digital financial services both for the public and business. The post-COVID-19 finance sector will be more digital than ever before, and Europe will need proper policies that stimulate innovation and help the economy recover back to pre-COVID-19 levels.

In this context, the Digital Finance Strategy should focus on balancing the benefits and risks of digitizing the financial industry. The main goal should be the development of a Digital Single Market. We need to lay the necessary foundation for digital innovation which can lead to a faster, more efficient and better access to financial services for consumers and to help provide finance to the economy in general and the Digital Finance Strategy will play an important role in this development. In this matter, future regulation must be technologically-neutral, without imposing excessive requirements and flexible enough to meet technological challenges of the EU financial sector.

The potential of digitalisation of the EU financial industry and especially of FinTech is in facilitating structural changes in the financial sector, including support for new business models. Accordingly, there is a need for stronger coordination mechanisms to support authorities in supervising innovative cross-border, and potentially cross-sectoral, businesses models and in monitoring effectively the regulatory perimeter to ensure the oversight arrangements remain fit-for-purpose.

Furthermore, there is a need to remove the regulatory fragmentation and to ensure a level playing field between incumbents and new market entrants, both FinTech start-ups and BigTech firms, across the entire EU. For example, BigTech companies are currently pushing into the financial services space, integrating financial services within their digital ecosystems all while

changing the established financial order. While these companies are bringing innovation, diversification and efficiency in the provision of financial services, hence, the presence of BigTech firms in financial services also highlights the issue of the appropriate regulatory response, which may be complicated in the case where BigTech firms distribute financial products and services supplied by existing traditional financial institutions. New financial service providers, who are entering the market, often face less strict regulatory requirements than traditional financial institutions. It is, therefore, crucial to respect the principle of same activities, same risks, and same rules and to strive for a true level playing field to ensure an appropriate and consistent coverage of activities that have implications for financial stability.

Removal of potential impediments to the cross-border provision of banking and payment services and facilitation of cross-border access, including via the update of interpretative communications on the cross-border provision of services and further harmonisation of consumer protection, conduct of business and AML/CFT requirements should be among the top priorities of the EU. By tackling fragmentation within Europe, resulting from different approaches the Member States take in adopting the EU directives, as well as divergent supervisory practices, we could achieve the best jurisdiction for financial services in the world. ●