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Towards a new digital finance strategy for Europe

The future of finance is digital: consumers and businesses have been increasingly accessing financial services digitally, innovative market participants are deploying new technologies, challenging traditional business models. Digital finance has helped citizens and businesses tackle the unprecedented situation created by the COVID 19 pandemic. If there was still any doubt, it is now clear: digital finance has much to offer. Europe must take advantage of this in its recovery strategy, with digital technologies being key to relaunching and modernising the European economy across sectors and to moving Europe forward as a global digital player. Naturally, users of EU financial services must be protected against the associated risks.

Earlier this year, the Commission set out how to “Shape Europe’s Digital Future”. In the financial sector, we are building on our previous initiatives as well as on insights obtained from various experts. This includes the 2018 FinTech Action Plan, the 2019 report of the expert group on regulatory obstacles to financial innovation (ROFIEG), the 2020 recommendations of the High-Level Forum on Capital Markets Union, and the 2020 SME Strategy for a sustainable and digital Europe. We also take account of the feedback gathered during the extensive Digital Finance outreach events with stakeholders that we carried out in the first half of this year and the results of our recent public consultation on a new digital finance strategy for Europe. Our strategic objective is to ensure that the EU financial sector embraces all the opportunities offered by the digital revolution and drives it with innovative European market players in the lead, in order to make the benefits of innovative digital finance available to European consumers and businesses, while ensuring proper mitigation of the associated risks.

Against this background, the Commission intends shortly to propose four priorities to guide the EU’s actions for promoting digital transformation of the financial sector during this mandate of the European Parliament and the Commission until 2024:

- First, addressing fragmentation in the Digital Single Market for financial services to give European consumers genuine access to cross-border services and to foster the scaling up of European financial firms.
- Second, ensuring that the EU regulatory framework facilitates digital innovation in the interest of consumers and market efficiency. Accelerating innovation cycles call for regular examination of the EU financial services legislation and supervisory practices to ensure that they

remain adapted and relevant in the digital age.

- Third, creating a European financial data space to promote data-driven innovation, building on the European data strategy and open data policy. The EU has led the way in opening up data sharing with respect to payments accounts. Further steps towards enhanced data sharing and openness will encourage the financial sector to embrace data-driven innovation, enabling innovative products for consumers and businesses.
- Fourth, addressing new challenges and risks associated with digital transformation. Digital finance creates new risks, in particular for cybersecurity and data protection. Digital finance also challenges the existing regulatory and supervisory frameworks. In this context, we will pay particular attention to the principle “same risk, same rules, same regulation”, not least to safeguard the level playing field between existing financial institutions and new market participants.

Across these four priorities, the Commission will pay particular attention to promote the new opportunities of digital finance for consumers and to protect them wherever necessary. We also commit to continue working closely with our international partners, as the benefits of digital finance are best harnessed if their deployment is based on internationally compatible principles and standards. ●