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Promoting the digital transformation of Europe's financial services sector: harnessing opportunities and managing risks

The European Union is set to fully embrace digitisation in financial services. We are well-positioned to reap the benefits that the digital revolution offers to consumers, service providers and the wider EU economy, while at the same time ensuring that the increasingly digital financial system works safely.

The adoption of financial technologies is a major economic opportunity that stands to boost Europe's competitiveness and growth. With a single market of 27 countries and 450 million customers, along with a single authorisation and passport system and a unified set of rules, the EU is in a unique position to encourage innovation and development in this sector.

Digital finance offers significant benefits to consumers and society. It can promote inclusion, increase digital and financial literacy and empower consumers by increasing choice and maximising control over their data. Financial technology has the potential to turn Europe into a global leader in digital finance, allowing us to shape the values that underpin developing technologies.

The Covid-19 pandemic has emphasised the importance of digital finance. Online identity verification has enabled consumers to open accounts and use multiple financial services at a distance, while growing numbers of consumers use digital in-store payments and make online purchases. The pandemic has demonstrated that consumers and businesses alike are ready to embrace digital financial services.

In September 2020 the European Commission published its Digital Finance Strategy. The Strategy takes into account the recommendations of the Expert Group on Regulatory Obstacles to Financial Innovation (a public consultation among 400 stakeholders) and a series of 30 online webinars gathering 6,000 people from across Member States that took place during the course of 2020.

The Strategy sets out four priorities for promoting digital transformation of the financial sector up to 2024:

1. tackling fragmentation in the Digital Single Market for financial services, in order to help European consumers to access cross-border services and help European financial firms' scale up their digital operations;
2. ensuring that the EU regulatory framework facilitates digital innovation in the interest of

consumers and market efficiency;

3. creating a European financial data space to promote data-driven innovation, in order to encourage the creation of innovative products for consumers and businesses; and

4. addressing new challenges and risks associated with the digital transformation.

The Digital Finance Strategy is accompanied by legislative proposals on crypto-assets and digital operational resilience, as well as a Retail Payments Strategy.

The Commission's data-driven agenda connects the Digital Finance Strategy with the European Data Strategy. A common financial data space will unlock the opportunities of data sharing in finance. Our priorities are to introduce standard formats for the disclosure of company and financial data, to support the uptake of innovative tools to facilitate supervisory reporting by regulated entities and to boost data sharing in the financial sector and beyond by expanding the Open Finance framework currently limited to the Payment Services Directive. This will build on the crosscutting data framework to remove barriers across economic sectors, consisting of the 2020 legislative proposals on a Data Governance Act and a Digital Services/ Markets Act, and the proposals for a Data Act coming up for 2021.

Across the four priorities of the Digital Finance Strategy, alongside the proposals of the Digital Finance Package, the Commission will promote digital finance and harness its opportunities for consumers and the financial sector alike. At the same time, we will ensure that consumers are protected and that the increasingly digitised financial system functions safely for the European economy as a whole.