



Q&A

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Europe's Digital Strategy and the Financial Services Industry

What is the ambition of the EU digital strategy, what are the main objectives to be achieved by 2030 and the key initiatives conducted? Which elements and initiatives are most relevant for financial services?

The European Union's Digital Decade is our vision for the future of Europe where digital is the key for prosperity, sustainability and inclusion. Our ambition is mirrored in concrete targets for Europe's digital transformation by 2030.

For example, we want to ensure trustworthy and sustainable digital infrastructures for everyone. At the same time, we are working on the digital transformation of businesses, ensuring that Europeans have the skills to match the technological developments and finally, we want all key public services to be available online. These goals are connected, because to advance on one goal we have to advance in all of them.

The Commission has put forward a policy programme that aims to make this vision for 2030 a reality, by providing the Union with governance mechanisms and concrete instruments, which are necessary to strengthen the capacities and European strategic competences.

This ambition is underpinned by bold strategic policies proposals like the new European Chips Act, Digital Service Act and Artificial Intelligence Act. Our digital policy is moreover supported by a strong funding programme in all stages, starting with research and taking it to the deployment of advanced solutions.

Financial services are a part of our digital ecosystem. This is why in the DIGITAL Europe Programme we are also funding setting up the common European financial data space to boost the use of data for innovative technologies such as AI and new services for users of financial data.

All of these ingredients will ensure our goals are met and I hope surpassed. We have shown in the past that Europe can

be a leader, that we are curious, innovative and successful when we work together. So, our Digital Decade is about us working together towards defining our own rules, making autonomous technological choices accordingly and putting competitive European solutions on the global market.

What can be expected from the implementation of a European Digital Identity for the digitalisation of financial services and for the customers of financial institutions operating in the EU? What is the timescale of delivery of the project and what are the key actions to undertake in this regard?

In its October 2020 conclusions, the European Council called for the development of an EU-wide framework for secure public electronic identification by mid '21. The Commission proposed on 3 June 2021 a Secure and Trusted European Digital Identity framework. This framework should be available for everyone to prove their identity, attributes linked to identity and share electronic documents from their European Digital Identity wallets to facilitate access to online services with their national digital identification, which will be recognised throughout Europe.

Together with the legislative proposal, the Commission also adopted a recommendation on a common Union toolbox for a coordinated approach towards a European Digital Identity Framework.

The Commission has proposed pilots for several use cases, including for the payments sector. The European Digital Identity wallet would offer a neutral solution for the internal market where banks are not dependent on the solutions offered by Big Tech but tenant of a Wallet with strong governance at European level and with pan-EU scale.

The use of the European Digital Identity Wallet would offer the possibility to use a common certified infrastructure including a secure and trustworthy solution for onboarding and for online and offline payments. Similar as today when banks use wallets or third party providers for payments, proprietary branding and specific interfaces would be determined by the specific technical solution and use-case. It is our ambition to deploy the European Digital Identity Wallets towards 2024.

What are the objectives of the EU in terms of digital sovereignty and what does it imply?

Europe must be able to act independently in the digital world. We aim to become a global standard setter across the key digital value chains of tomorrow. In this respect, secure 5G connectivity, cloud and data services and microelectronics are focus areas.

The financial sector is among those sectors where Europe can do better in terms of digital sovereignty. Our objective here is to help actors develop a new generation of technologies that can compete globally in the future. Not in a protectionist fashion, but with the objective of presenting a more comprehensive offering on the EU market, resulting in more competition.

The digital transformation of the financial sector is of paramount importance for competitiveness. Financial institutions should have solid digitalisation strategies in place. For instance, building multi-cloud strategies should become a standard part of the ICT risk management framework of financial institutions, in line with the Commission's proposal for a Digital Operational Resilience Act (DORA).

Funds from the Digital Europe Programme are deployed to strengthen institutional capacities to meet the requirements of NIS and NIS 2, our cyber security legislation. This is especially critical for SMEs, and to enable them to develop the methods, organisational and management practices, awareness and skills dedicated to cybersecurity.

To increase Europe's digital sovereignty, including in healthcare and finance, we have adopted a two-pronged approach.

On the one hand, we are setting the rules that technologies, such as cloud services, should comply with in Europe. We do that with legislative proposals on market power (the Digital Markets Act and Digital Services Act proposals), data (the Data Governance Act and the forthcoming Data Act, and European Health Data Space proposal) and security (the revision of the NIS Directive, the forthcoming Cyber Resilience Act and a forthcoming EU cloud security certification scheme). The European Cybersecurity Competence Centre and the Network of National Coordination Centres will enhance our digital sovereignty through large-scale cybersecurity projects in areas such as Cyber Threat Intelligence, Cyber secured hardware and operating systems, and security certification.

On the other hand, the Next Generation EU Fund provides funding to support the next generation of digital services which are competitive, secure, trustworthy, fully interoperable and resource efficient. To ensure that planned public investments are paired with equally ambitious private investments, Commissioner Breton has also recently launched several industrial alliances, for instance

in the area of cloud and microelectronics. To build up true digital sovereignty, Europe should act collectively and in a concerted way.

How are increasing cyber-risks related to digitalisation being tackled at the European level? What are the factors of success of cyber-security measures in a fast-evolving environment?

The financial sector can take pride in being one of the most digitalized sectors in the economy. While much has been done to increase the resilience of the financial sector against shocks like the 2008 global financial crisis, we are today also facing challenges to safeguard the operational resilience of our ICT infrastructures.

Currently, we have a general cybersecurity horizontal framework at Union level, the NIS Directive, which is now under revision. It applies to key critical sectors, including certain types of financial entities. To streamline and enhance the existing EU rules and tailor them to the financial sector's needs, the Commission also presented in September 2020 the Digital Operational Resilience Act (DORA), which is also building on top of the currently existing NIS Directive horizontal framework.

DORA lays the foundations: finance must remain safe when it goes digital. At the same time, DORA moves away from the traditional quantitative approach in addressing operational risks, such as capital charges or buffers. Instead, it focuses on the qualitative aspects of digital operational resilience, such as for instance the capabilities on identification, detection, protection, response and recovery from disruptions, as well as on strategies, tools, and procedures that financial entities need to implement in order to be more resilient from a digital perspective. DORA brings opportunities for financial firms, supervisors but also to consumers and investors.

Financial firms will be operating in a more secure and resilient financial ecosystem, as DORA sets out a minimum "cyber hygiene" bar applicable to all. The reporting of major ICT-related incidents is streamlined and harmonised, and financial firms are expected to experience less burden when reporting incidents.

In terms of third-party risk management, DORA grants supervisors new powers and tools for monitoring systemic risk resulting from critical ICT third party service providers, identifying points of failure and concentration risk.

The rules the Commission proposed in DORA are robust, consistent and proportionate. They enable innovation while addressing the risks in terms of operational resilience. We have a great opportunity but also the responsibility to improve our financial regulatory framework for digital technologies, so that our financial sector is resilient against digital disruptions without jeopardising financial stability.