

# Digital Omnibus Package: will it boost innovation?

## 1. Impact of the Digital Omnibus Package

The panellists generally welcomed the Digital Omnibus Package, notably its cross-cutting approach to addressing key technological issues such as data, cybersecurity and innovation, while highlighting some issues remaining to be addressed.

### 1.1 Objectives and expected benefits

An official described the Digital Omnibus Package as a significant and necessary development in response to the current layering and overlap of EU digital regulation, including frameworks such as GDPR, the AI Act and DORA. Expectations are high, as overlapping obligations currently create administrative burdens, duplicative reporting, legal uncertainty and contribute to significant regulatory friction for firms. The package aims to address these challenges notably by simplifying incident reporting, clarifying rules on data use and improving regulatory coherence across frameworks. Two main benefits are expected: a reduction in administrative burden and compliance costs, and improved scalability of digital finance across the EU through greater regulatory coherence. This could help make the EU single market more effective in practice rather than only in principle.

An industry speaker welcomed the Digital Omnibus Package and the planned Digital Fitness Check as important signals of intent to reduce the regulatory burden in the financial sector and expressed support for the momentum behind these initiatives, which could lead over time to meaningful simplification. Financial regulators in Europe have historically been early in addressing the implications of digitalisation, resulting in a substantial body of sector-specific regulation that is also overlaid with horizontal frameworks. This has led to increasing duplication, with financial firms required to manage the same risks under multiple regulatory regimes for the same objective. The aim of the package is not deregulation, but the removal of unnecessary overlaps between frameworks.

More broadly, the industry speaker welcomed the recognition that aspects of the current AI regulatory framework may act as a drag on competitiveness, as well as the EBA's work in mapping interactions between the AI Act and financial regulation. In this context, it was noted that the Commission should consider the EBA's recommendations, in particular regarding the alleviation of overlapping obligations.

A regulator highlighted that the Digital Omnibus Package can facilitate implementation of the digital framework, citing in particular the consolidation of regulation under the Data Act and the introduction of a

single entry point for cyber reporting as concrete examples of simplification. An official added that the Digital Omnibus Package is aligned with the EU's broader competitiveness objectives.

### 1.2 Shortcomings and limitations

An official stressed that many financial firms are concerned that simplification may remain largely theoretical, as it is not yet clear how the proposals will be implemented in practice, particularly given existing regulatory fragmentation. Effective coordination between EU institutions and careful implementation will therefore be critical to ensure that simplification translates into tangible operational improvements. Persistent fragmentation may indeed undermine the effectiveness of simplification efforts and external investors' confidence in the functioning of the EU single market.

An industry speaker agreed that simplification must be effective in practice and emphasised that this requires a shift in regulatory mindset towards greater focus on competitiveness and sovereignty.

Another industry speaker considered that, at this stage, the package primarily reflects a direction of travel rather than delivering a meaningful reduction of regulatory burden. A clear example of duplication is the interaction between DORA, which has only recently been implemented, and the forthcoming Cyber Resilience Act, which introduces additional reporting, supervisory oversight and compliance processes without a significant improvement in risk management outcomes. Although the Cyber Resilience Act includes provisions for sector-specific exemptions where equivalent sectoral requirements already exist, these have not been applied to financial services despite evident overlap. The industry speaker also suggested that EU policymakers could explore the use of generative AI to simplify the existing regulatory rulebook, as a way to reduce complexity and support innovation more effectively.

The Chair noted that DORA already acts as *lex specialis vis-à-vis* NIS2 (i.e. as a sector-specific framework taking precedence over more general NIS2 requirements) and that DORA and the Cyber Resilience Act are intended to address different objectives, focusing respectively on the resilience of financial entities and on product-related risks. The industry speaker pointed out that extending the Cyber Resilience Act, which is product-based, to financial services would introduce unnecessary complexity and duplication. In the event of a technology incident affecting a financial product, firms could face both entity-level reporting under DORA and additional product-level obligations under the Cyber Resilience Act. This would create artificial and burdensome requirements without improving risk management

outcomes, as the same underlying ICT risks are already addressed under DORA at entity level. To avoid such duplication, the financial sector should be excluded from the Cyber Resilience Act.

## 2. Simplification measures proposed beyond the Omnibus Package

### 2.1 Consolidation and integration of financial data

A regulator emphasised that achieving genuine simplification will require a more consolidated approach to financial data in the EU, pointing to the current fragmentation of reporting requirements, with firms often required to submit similar information several times in different formats. A harmonised EU financial data framework should be developed, including a single EU reporting data dictionary providing harmonised data structures and definitions, and a centralised reporting system at EU level for all reporting by the financial industry. This could be supported by advanced analytical tools, potentially using AI, to enable regulators across the EU to access and analyse relevant data. Such a unified system would significantly reduce the burden on both industry and regulators, generate economies of scale, and contribute to greater supervisory convergence through the use of a common reporting system.

An industry speaker noted that DLT could support improved data sharing and reporting among regulators and the industry. Developing a European financial data space is also needed, potentially leveraging initiatives such as Gaia-X.

An official stated that concerning cybersecurity reporting, existing national frameworks should be preserved, and that any single point of entry for cyber incident reporting should serve as a coordination and transmission mechanism, facilitating compliance across the EU, rather than becoming the sole reporting channel, particularly for smaller firms. Such mechanisms should remain proportionate and avoid introducing additional layers of complexity.

### 2.2 Reviewing the EU supervisory architecture

An industry speaker observed that reducing fragmentation in the oversight and implementation of AI regulation in particular remains a key priority, and suggested that a more centralised point of contact for the supervision of general-purpose AI models could facilitate cross-border activity within the Single Market, compared to the current system of multiple national interlocutors.

A regulator, while supporting the regulatory simplification measures of the Digital Omnibus Package, questioned the assumption underlying the Market Integration and Supervision Package (MISP) measures that centralising supervision at EU level, for example in respect of crypto-asset service providers (CASPs), would lead to simplification and greater market integration. In practice, fragmentation would persist, as most CASPs hold multiple licences and would continue to be

supervised at national level under frameworks such as PSD, MiFID and AML/CFT. Achieving meaningful simplification at the supervisory level would require a more fundamental reconsideration of the overall supervisory architecture in Europe, rather than isolated measures. The involvement of multiple sectoral authorities, including under frameworks such as DORA, illustrates the limitations of the current system and points to the need for more integrated supervisory approaches.

## 3. Improving the EU digital regulatory framework and rule-making approach

Several panellists considered that the simplification efforts of the Package should provide an opportunity to reflect more fundamentally on the improvement of the EU rule-making process.

### 3.1 Enhancing regulatory agility and addressing implementation challenges

An industry speaker observed that regulatory processes are inherently slower than technological developments, creating a structural risk that regulation lags behind innovation, particularly in fast-moving areas such as AI. AI capabilities have evolved rapidly over the past three to four years, with autonomous agents now able to drive workflows and even entire teams, while traditional regulatory timelines struggle to keep pace. A recent survey indicates that, despite increasing adoption, with around half of EU firms now using AI, up from 33% two years ago, only 22% are using advanced AI, a figure that has remained broadly unchanged over the same period. This reflects significant regulatory uncertainty, with compliance costs rising and absorbing a substantial share of technology budgets (up to 42%), and 42% of firms citing legal uncertainty as the main barrier to adopting advanced AI, with smaller firms particularly affected due to more limited resources.

Further efforts are therefore needed to simplify regulatory compliance, in particular by reducing uncertainty around implementation requirements. One possible solution would be to link regulatory obligations more closely to clear implementation standards, rather than introducing regulation before guidance is available.

Another industry speaker observed that, while separating regulation from implementation standards can be questioned, as it may create uncertainty about the practical means of compliance, it allows standards to be updated faster as markets evolve, thereby enabling regulation to remain sufficiently agile over time. The main challenge lies in the time required for European regulation to be implemented across Member States, which calls for faster regulatory processes and stronger coordination. The European Union Agency for Cybersecurity (ENISA) can for example play a key role in improving coordination and accelerating implementation in the area of cybersecurity.

An official considered that regulatory design should better take into account practical implementation challenges, including the level of technical knowledge required to apply certain rules. Strengthening the dialogue between regulators and industry is therefore essential, particularly in areas where technologies remain evolving and expertise is still developing, in order to ensure that regulatory requirements are both workable and well-informed. Proportionality is also essential, particularly for smaller firms with limited compliance capacity.

### **3.2 A more principles-based and interoperable approach to regulation**

An official considered that the simplification efforts of the Digital Omnibus Package provide an opportunity to reflect more fundamentally on the direction and coherence of future digital regulation in Europe and advocated for a stronger focus on principles-based regulation. New legislation should not be systematically introduced for each emerging technology, as existing regulatory and supervisory frameworks already address many of the associated risks. Instead, regulation should be grounded in clear and stable principles that can be applied across technologies, thereby avoiding the continuous layering of rules and supporting greater interoperability of requirements.

The Chair questioned how to ensure that a shift towards principles-based regulation does not result in a form of light-touch regulation that may fail to adequately address risks. The official emphasised that a principles-based approach should rely on clearly defined and commonly understood principles, such as responsible business conduct, drawing on OECD concepts. This implies that both regulators and market participants share responsibility for ensuring that these principles are consistently applied in practice. Rather than requiring new and detailed rules for each emerging technology, such an approach would provide a stable and workable legal framework, allowing regulators to avoid intervening in areas already covered by existing rules or where it is premature to do so, while ensuring that firms act responsibly and in line with broader societal objectives.

An industry speaker also supported a principle-based approach to regulation, suggesting that prescriptive rules should only be introduced where there is clear evidence that specific requirements are necessary. Interoperability, allowing different regulatory frameworks to be better aligned and more compatible, was also highlighted as a priority in order to avoid conflicts between requirements and enable firms to develop products consistently across European jurisdictions.

### **3.3 Developing a more forward-looking regulatory approach**

An industry speaker highlighted that technological developments are expected to significantly affect both how financial institutions operate and how supervision is conducted. In this context, regulatory approaches should not only address current risks but also take into account how these technologies may transform

financial activities, value chains and market structures over time.

However, current regulatory approaches tend to focus primarily on existing use cases and associated risks, rather than anticipating these longer-term structural changes. While AI systems are widely adopted, their maturity remains uneven and continues to evolve, reinforcing the need for regulatory frameworks that can adapt over time. This also applies to areas such as cybersecurity and tokenisation. In the case of tokenisation, the slower evolution of market structures in Europe, where developments tend to build on existing frameworks, unlike in the US and parts of Asia, which are moving more rapidly towards new models, may partly explain the more limited forward-looking perspective in regulatory approaches.

While short-term action is necessary to manage risks and protect customers, a more forward-looking approach is required to avoid regulatory frameworks becoming quickly outdated. Regulation should therefore address immediate challenges while anticipating longer-term structural changes. In addition, existing regulatory frameworks remain largely designed around large incumbent institutions, which may limit their suitability for emerging actors and new market configurations.

## **4. Competitiveness and scaling of innovative firms in the EU**

An industry speaker considered that beyond regulatory simplification, retaining innovation in Europe should be a central objective of the Digital Omnibus Package. Europe should offer more favourable conditions for scaling innovative digital firms, including faster access to capital and a simpler regulatory environment, as is the case in the US. While many European companies are innovating, particularly in AI, 38% are considering leaving Europe to scale, rising to 51% among the highest-growth firms, according to a recent survey.

An official agreed that limited access to capital represents a more significant structural constraint for European businesses than regulatory complexity, which can have both positive and negative effects. While Europe has strong capabilities, further efforts are needed to ensure that innovative firms, particularly SMEs, have adequate access to capital market financing and that Europe can better attract investment. In this context, advancing the Savings and Investments Union is essential.

Another industry speaker added that further efforts are needed to support SMEs, which face disproportionate compliance constraints compared to larger institutions, limiting their ability to scale and focus on business development. Addressing this competitiveness challenge requires stronger collaboration between regulators, industry and technology providers, drawing on past experiences such as the PACTE law in France prior to MiCA. More effective and operational sandboxes are also needed to support real experimentation.

A second official also highlighted the importance of ensuring that the EU single market functions effectively in practice, enabling innovative firms, particularly SMEs, to scale rapidly across Member States under consistent conditions before expanding globally.

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## Wrap up

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The Chair noted that the Digital Omnibus Package sits at the intersection of two central themes in the current financial services debate: simplification and innovation. Technological developments are both a source of opportunity and complexity, requiring an appropriate balance in regulation between enabling innovation and managing risks. Public authorities in Europe are actively supporting this innovation journey through regulatory and supervisory approaches, including the use of sandboxes and engagement with industry.

Regulation is often seen as a source of complexity, but a distinction must be made between 'good' complexity,

which reflects risk-based regulation, and 'bad' complexity, which unnecessarily constrains firms' operations. The key challenge is to ensure that regulatory frameworks remain effective while minimising unnecessary friction, particularly in a context where technological developments are evolving rapidly. While simplifying regulation is beneficial, a light touch approach should be avoided, as regulation remains necessary to ensure that risks are not externalised to society.

The discussion highlighted a number of key priorities, including the importance of cooperation between authorities and industry, close engagement with market developments, the need for greater integration of regulatory data, and the case for more structural changes in regulatory and supervisory frameworks. It also pointed to the need to ensure that future initiatives, including forthcoming legislation such as the Cyber Resilience Act, fully reflect the objective of simplification for the financial sector.