



ECO/534
Digital Finance Strategy

OPINION

European Economic and Social Committee

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

A Digital Finance Strategy for the EU

[COM(2020) 591 final]

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Outcome of vote (for/against/abstentions)	237/0/5

1. **Conclusions and recommendations**

- 1.1 The EESC welcomes the Digital Finance Package launched by the Commission and believes that it contains strategic legislative and non-legislative elements aimed at developing the sector.
- 1.2 The four-priority programme presented by the Commission essentially covers almost all important areas of activity in the digital transformation of the EU financial sector. The EESC supports these approaches by the Commission.
- 1.3 The Commission is on the right track to rely on strong European market participants to implement digital financial services, but the EESC considers that the special role of specialised, regional or/and cooperative or mutual local providers in the financial sector must not be neglected.
- 1.4 Due to the digitalisation process, the EU financial sector is facing a huge transformation process that goes hand in hand with far-reaching restructuring processes, closing of local branches, changes in the professional qualifications of employees and completely new forms of work. These major challenges must not be ignored. They represent a great challenge for providers and – of course – for employees in the financial sector.
- 1.5 The Commission announces the need to explore setting up an EU digital finance platform. The EESC agrees and recommends the inclusion of the social partners and civil society representatives in this process.
- 1.6 The EESC considers that in addressing the challenges and risks associated with digital transformation, regulation for technology providers, protecting consumers, granting access to financial services, operational resilience and security of network and information systems are crucial for creating the Digital Single Market for financial services.
- 1.7 In the field of cybersecurity the EESC welcomes the GAIA-X project, which is intended to challenge the US and China's dominance in cloud services. This project, which also involves the European Commission, aims to achieve EU data sovereignty or data governance through an EU-based cloud network.
- 1.8 The Commission's commitment to the "same activity, same risk, same rules" principle is fundamental and a key to solving the new challenges, including ensuring the same supervision. The EESC considers that creating a level playing field for all financial institutions is of particular importance.

2. **The Commission proposals**

- 2.1 On 24 September 2020, the Commission endorsed the Digital Finance Package, which consists of a Digital Finance Strategy¹, a Retail Payments Strategy², legislative proposals for an EU

¹ [COM\(2020\) 591 final](#)

regulatory framework on crypto-assets³ and its underlying distributed ledger technology⁴, as well as proposals for an EU regulatory framework on digital operational resilience⁵.

- 2.2 In the particularly dynamic context of digital innovation, accelerated by the COVID-19 crisis, the Commission is proposing a strategy with one strategic goal and four priorities and related actions on digital finance. This strategy is the subject of this EESC opinion.
- 2.3 The strategic objective set out by the Commission is to adopt digital finance for the benefit of consumers and businesses. The four priorities are: (1) to tackle fragmentation in the Digital Single Market for financial services, thereby enabling European consumers to access cross-border services and help European financial firms scale up their digital operations, (2) to ensure that the EU regulatory framework facilitates digital innovation in the interest of consumers and market efficiency, (3) to create a European financial data space to promote data-driven innovation, building on the European Data Strategy, including enhanced access to data and data-sharing within the financial sector and (4) to address new challenges and risks associated with the digital transformation.

3. **General and specific comments**

- 3.1 With the initiative to create and implement a new digital finance strategy in Europe (as a part of the Commission's Digital Finance Package), the Commission confirms the great importance of digitalisation in the financial sector (digital financial services). The importance has become particularly clear during the COVID-19 crisis. The four-priority programme presented by the Commission essentially covers almost all important areas of activity in the digital transformation of the EU financial sector. The EESC supports these approaches of the Commission.
- 3.2 The Commission is on the right track to rely on strong European market participants to implement digital financial services, but the EESC considers that the special role of specialised regional or/and cooperative or mutual providers in the financial sector must be considered, as the diversity in the financial sector helps to meet the specific needs of consumers and SMEs and contributes to competitive markets. The EESC encourages the Commission to pursue proportionality in terms of the nature, scale and complexity of financial institutions and their products.
- 3.3 The Commission Communication is extremely technical and there is one point that it fails to address: Due to digitalisation, the EU's financial sector is facing a huge process of transformation. This process goes hand in hand with far-reaching restructuring processes, the closure of local branches, changes in the professional qualifications of employees and completely new forms of work. These major challenges must not be ignored. They represent a

² [COM\(2020\) 592 final](#)

³ [COM\(2020\) 593 final](#)

⁴ [COM\(2020\) 594 final](#)

⁵ [COM\(2020\) 595 final](#) and [COM\(2020\) 596 final](#)

great challenge for providers and – of course – for employees in the financial sector. The EESC advocates social dialogue to address the fields where the transformation is taking place.

- 3.4 The Commission states that a well-functioning Single Market for digital financial services will help improve access to financial services for consumers and retail investors in the EU. The EESC supports this approach by the Commission. To reduce the fragmentation in the Digital Single Market for financial services, it is essential to enable the markets to develop.
- 3.5 The Commission states the need to explore setting up an EU digital finance platform. The EESC agrees and recommends the inclusion of the social partners and civil society representatives in this process.
- 3.6 Practical experience shows that a Single Market for digital financial services will only work if new customers are able to access financial services quickly and easily (the so-called "on-boarding"). The EESC notes the crucial problem in the areas emphasised by the Commission.
- 3.7 The fragmentation of money-laundering rules between the Member States makes the cross-border use of digital identities considerably more difficult, if not impossible. The rules on customer identification should be harmonised across the EU. The EESC therefore recommends ensuring the Europe-wide legal interoperability of digital identities.
- 3.8 When creating the Digital Finance Strategy for the EU, the issue of citizens' safety cannot be forgotten. The recommendation to Member States to introduce, in parallel with the implementation of the strategy, legal and organisational measures to counteract the phenomenon of identity theft should be included in the strategy. This problem is becoming more and more common with the development of digital services and products and if no action is taken, it may be a factor that inhibits implementation of the strategy.
- 3.9 The EESC supports the proposals of the Commission to create an innovation-friendly and competitive framework for financial markets, from which consumers and industry will benefit. In doing so, however, it must be ensured that supervisory practices and EU legislation continue to be based on the guiding principle of technology neutrality and reviews existing paper requirements.
- 3.10 In the digital market, however, some FinTech companies offer services to financial companies, while others compete with them. The EESC considers that the Commission should take these issues into account when drafting new regulations. The EESC therefore recommends that the new regulations be geared towards supporting partnerships between incumbent financial institutions and the FinTech sector. While it is evident that banks are the most significant institutions, legislation should avoid simple copy-paste requirements that may not fit all kinds of financial services. It should differentiate between consumer-oriented products that can be seen as commodities and more complex products where the scope and the after-sales services are of significant importance.

- 3.11 The EESC considers that there is a need to expand data sharing beyond the financial sector and reminds the Commission of the EESC's recommendation⁶ regarding the Commission's Communication on a European strategy for data where the EESC welcomed the Commission's proposal for a Data Strategy that sets cross-sectoral data sharing as a priority and to improve the use, sharing, access and governance of data with legislative, sector-specific action and emphasised that such a framework should be built to combine high standards of data protection, cross-sectoral and responsible data sharing, clear criteria for sector-specific governance and data quality, and greater control of data by individuals. It is essential to ensure that data collected by a payment subsidiary of a BigTech group of companies are not provided to or merged with the data held by the parent company. To make this principle work, there is a need for firewalls between the payment subsidiary and the parent company.
- 3.12 The EESC considers that, in addressing the challenges and risks associated with digital transformation, regulation for technology providers, consumer protection, granting access to financial services, operational resilience and the security of network and information systems are all crucial for creating the Digital Single Market for financial services.
- 3.13 In the field of cybersecurity, the EESC points out that most European systemic financial institutions use FinTech services provided by corporations outside the EU. The legislative initiative on Digital Operational Resilience (DORA)⁷ proposed by the Commission may prove insufficient in certain situations, and the EESC therefore welcomes the GAIA-X project, which is intended to challenge the US and China's dominance in cloud services. This project, which also involves the European Commission, aims to achieve EU data sovereignty or data governance through an EU-based cloud network. As we are coming to rely more heavily on digital services, it is in the interest of EU stakeholders to be independent from external cloud service providers, and for the EU itself to enhance its economic and political sovereignty. A European cloud network would also facilitate data flows across Member States.
- 3.14 The Commission's commitment to the "same activity, same risk, same rules" principle is fundamental and a key aspect of meeting the new challenges, including ensuring the same supervision. In light of the increasing inroads of BigTech, platforms and technology companies and useful activities of technology companies in the financial sector, the EESC considers that creating a level playing field for all market players in this field is of particular importance.

⁶ [OJ C 429 11.12.2020, p. 290.](#)

⁷ [COM\(2020\) 595 final](#). See also the related EESC [opinion on Digital operational resilience \(ECO/536\)](#). Not yet published.

3.15 The Commission is considering a strategy to support and invest in general financial education with a focus on digitalisation. This can lead to both increased openness in digital services and better protection for consumers regardless of age, gender or occupational status. The EESC encourages the Commission to continue down this path.

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Christa Schweng
The president of the European Economic and Social Committee
