

FINTECH

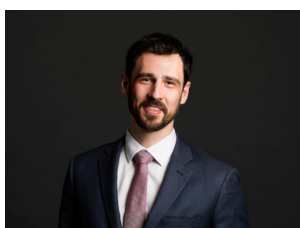
EU Consultations in the Fintech Sphere - European Digital Finance Strategy, Fintech Action Plan and Payment Services Innovations

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On 3 April 2020, the European Commission opened two online consultations which will be of interest to those involved in innovation across the financial services sector.



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Both consultations relate to the development of European strategies which are expected to be published in the third quarter of 2020. The Digital Finance Strategy ("DFS") and Retail Payments Strategy ("RPS") will assist the development of the FinTech industry in Europe. Interested parties should use the online questionnaires, accessible through the links below, to make any submissions before 26 June 2020.

DFS Consultation – beyond cryptocurrencies

The first consultation (accessible [here](#)) is calling for submissions from all citizens, including a variety of stakeholders, such as firms and FinTech experts, in relation to developing a new European DFS and FinTech Action Plan ("FAP"), which are seen as interlinking. The strategy and plan will set out the areas the Commission will focus on over a five year period. The consultation paper emphasises the growing importance of the role that digital finance can play, particularly in response to the COVID-19 crisis, as even those people who are not 'tech savvy' have now been forced to avail of online financial services. It is in this context that the development and resilience of financial services is to the forefront of the Commission's mind. The consultation is seeking submissions on three sections:

1. "How to ensure that the financial services regulatory framework is

technology neutral and innovation friendly"

The first section is looking for stakeholder input on the challenges and risks involved in ensuring the regulatory framework which governs the financial services industry fosters the introduction and proliferation of new technologies and business models, but balances same with consumer protection. The introduction to the consultation specifically refers at this point to the ongoing in-depth assessment on crypto assets, but goes on to say that "*assessment of whether the EU regulatory framework can accommodate other types of new digital technology driven services and business models is needed.*"

2. "Ways to remove fragmentation of the Single Market for digital financial services"

In its work in relation to the 2018 FAP, the Commission highlighted various obstacles to the Single Market for digital financial services. The Commission is now inviting views on how these can best be dealt with, in addition to identifying any other barriers which may present themselves.

3. "How best to promote a well-regulated data-driven financial sector"

The Commission is striving to build on "*the current EU horizontal frameworks governing data*" and "*recent sectoral*

developments” to identify additional measures that are required for the financial sector to capitalise on “the full benefits of the data economy while also respecting European values and standards.”

RPS Consultation – move towards cashless payments continues

The second consultation (accessible [here](#)) is in relation to the Commission’s goal of formulating an RPS to ensure more innovative payment systems are rolled out across the Single Market for the benefit of both consumers and companies, particularly in a cross-border context, and “reinforce the international role of the euro”. Innovative retail payment systems have recently drawn attention in the wake of the COVID-19 pandemic, with contactless payments limits having been increased as one of the measures to stem the spread of the virus. The challenges and risks

posed by the acceleration of digitalisation have strengthened the need for a pan-European RPS. The Commission’s objectives for this consultation are:

1. To promote “fast, convenient, safe, affordable and transparent payment instruments, with pan-European reach and “same as domestic” customer experience”;
2. To foster “an innovative competitive and contestable European retail payments market”;
3. To provide “access to safe, efficient and interoperable retail payments systems and other support infrastructures”; and
4. To support “improved cross-border payments, including remittances, facilitating the international role of the euro.”

Conclusion

We await the results of what are an

interconnected series of Commission initiatives with interest. If there is a single thread through the various mini-initiatives contained within the two consultation exercises, it is the use of technology in the financial services sector to enhance the experience of the European consumer. The interest of the consumer citizen has always been a key focus area for the Commission. Innovation in digital finance brings with it many benefits for the citizen, along with certain risks to be managed. It will be no mean feat to achieve, but by recognising the importance of innovation in these particular sub-sets of the financial services industry and innovating in the legislative field, the EU can become an international forerunner. The consultations will help inform the Commission on the balance to be struck between promoting innovation and managing risk, especially to consumers.

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