bankenverband

Strengthening Europe and its financial sector – an agenda for the next five years

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Introductory remarks

The current EU legislative term has come to an end. While the EU legislators have found agreements on a number of legislative proposals before the European elections, the European Commission is collecting ideas for the next legislative term.

Many of the Commission's legislative propo sals have been adopted before the end of the current legislative period – such as the banking package, the package on anti-money laundering, the CCP clearing reform or the AI Act. Other proposals need more time for consideration and negotiation by the co-legislators – such as the crisis management and deposit insurance review, the retail invest- ment strategy or the legal framework for a digital euro.

While the European Parliament and the Council will pick up these files and continue their legislative work after the elections, it will also be necessary to develop new ideas for a regulatory agenda. This will be done in particular by the European Commission which has already started to think about a programme for the next legislative term. But other institutions, such as the Eurogroup, have also presented own ideas to make sure that the regulatory agenda sets the right priorities.

Simply adding more and more regulation is not an option. Each regulatory initiative and reform of existing financial market regulation should aim to make the EU more competitive and help the financial sector as strategic industry in the EU to serve its clients even better, in future.

Here are only some of our ideas as to where the EU could start to help building competitive financial markets:

- The European banking market is stable – also due to the regulation of recent years. Nevertheless, the EU regulatory framework that has evolved over the past decade has become extremely complex. It is time to look at the various regulations and to make the EU regulatory system more efficient by cutting redundancies and inconsistencies.
- The need for private capital to finance the transition to a digital and sustainable economy is enormous. For this, the further development of European capital markets in key areas is required to remove obstacles to making capital available to corporates and households. The reform of the legal framework to revitalise the European securitisation markets would be one priority.
- Over the past five years, a comprehensive regulatory framework for sustainable finance has been established, with the goal of making sustainability considerations an integral part of the decision-making of corporates and financial institutions. The framework should be reviewed and a particular focus in this review should be placed on the effectiveness and practicability of the EU taxonomy.

The introduction of a retail digital euro will require the further development of today's forms of money and the creation of ecosys- tems that can satisfy the demands of a digital economy. The ECB, as well as EU legislators, will have to look at its impact on financial sta- bility. And the ECB should avoid assuming the role of operator of a retail payment scheme as this would conflict with its role as supervisor. These are only some examples of our proposals. You will find more in the following chapters.

Chapter 1:
Banking regulation

Increasing the competitiveness of the European banking sector by enhancing the simplicity and efficiency of the European regulatory system

Implementation of the main regulatory framework (CRR, CRD, BRRD) with the aim of analysing interdependence/overlaps and possibilities for simplification

Problem

The financial industry is a strategic industry in the EU. Banks are the beating heart of the European economy. A prosperous, competitive financial sector strengthens the growth process and makes a decisive contribution to increasing prosperity in Europe. The European banking market is stable. There is no doubt that the regulations, which have been strengthened and tightened up in the past, have made a vital contribution to this. Nevertheless, the regulatory framework that has evolved over the past 15 years has become extremely complex. The existence of overlapping requirements has led to an overly complex system, the effects of which are difficult to track and understand for financial institutions, supervisors and investors. It increases the likelihood of sacrificing essentials for supposed accuracy, of inhibiting investments and of weakening financial stability.

Solution

The regulatory framework thus also represents an increasingly influential competitive factor, which has a disadvantageous effect on European banks. Europe needs strong and efficient banks, also to finance the green transformation. A thorough review of the system is, therefore, required with the goal of minimising duplication and redundancies, eliminating in- consistencies and making the framework more efficient.

This would maintain current levels of financial stability while simultaneously boosting investment activity and further enhancing the role of banks as the beating heart of the economy.

Review of the macroprudential framework in order to harmonise existing tools and make them more effective

Problem

The macroprudential framework was developed on paper after the financial crisis. It is still in its infancy and the original ideas have proved outdated. Instead, there were failed attempts to tinker with individual parts of the framework and nationally driven measures that are incomprehensible for non-supervisors.

Solution

The upcoming macroprudential review should be conducted in the spirit of increasing simplicity and efficiency. We see the need for a holistic approach. The microprudential framework developed over the past decade, the requirements of the resolution regime, the regulatory interaction that has arisen as well as exogenous and endogenous conditions must all be taken into account when reviewing the macroprudential framework.

Furthermore, there is no need for a blanket increase in capital requirements for banks. The stability that banks can bring to the financial system has already been established. The task now should be to eliminate identified weaknesses. A simplified buffer concept as a key component of the macroprudential framework could make the European banking market more attractive for investors, while maintaining the same level of capital in the system and ensuring that banks remain able to act and can continue to do so in the event of a future systemic crisis.

Creating credible and practical crisis management for credit institutions to ensure financial stability in the event of crises and strengthen depositor confidence

Targeted review of the crisis management & deposit insurance regulatory framework (CMDI Review)

Problem

Progress on the banking union has been arduous in the present legislative term. The push from Eurogroup President Donohoe in 2022, to advance the banking union as well as to further integrate the EU banking market resulted in a limited mandate for the Commission to review the Crisis Management and Deposit Insurance (CMDI) Framework. The resulting legislative proposals of the European Commission from April 2023 – broadly endorsed by the European Parliament – propose a fundamental paradigm shift: The preferred wind-up strategy for small and medium-sized banks would no longer be insolvency, but resolution. Market integration or risk reduction, however, has vanished from the agenda.

Solution

The Commission's fundamental objective to improve the crisis management framework and, in particular, the resolution regime, makes sense. Experience in recent years has shown that there is a need for improvement in certain areas.

However, there is no need to expand the resolution regime in the way the Commission and European Parliament are proposing. For the majority of institutions, it is already possible to ensure an orderly exit from the market without endangering financial market stability through national insolvency proceedings. We are particularly critical of how the European Commission intends to achieve this paradigm shift, i.e. by scrapping the super-preference for deposit guarantee schemes (DGS). This would significantly increase the financing requirements of deposit protection and could considerably damage the credibility of the promise of protection and depositors' confidence in deposit protection. Having said that, we broadly welcome the technical proposals to amend the Deposit Guarantee Scheme Directive based on recommendations from opinions of the European Banking Authority. This will further harmonise and strengthen the national DGS as an important cornerstone of European deposit protection.

The current trend of the proposals following the resolution by the European Parliament is unfortunately rather more complexity and a significantly weakened financial position of national DGSs. In the event of a crisis, the national DGSs' actions would be unnecessarily complicated, slowed down and sometimes made completely impossible. However, looking at the lessons from the 2023 banking crises, we need more flexibility and the practical ability for national DGSs to intervene at an early stage in order to meet the emerging challenges of the digital age in the event of a crisis.

In addition, the ongoing CMDI review should serve to clarify that regular contributions should no longer be levied since the Single Resolution Fund reached its target level at the end of 2023. The amount of the financial means available in the SRF (around €78 billion) is considerably higher than the originally envisaged target level (€55 billion), which was previously considered sufficient. This increase has on no account been the result of an increase in the willingness of banks to take more risks – as noted by, among others, the SRB. It is solely due to an increase in covered deposits. By keeping this mandatory contribution in place, the fund would be considerably more overcapitalised than it already is today.

The re-opening of the debate on the European Deposit Insurance Scheme (EDIS) shortly before the end of the legislative term and at the same time as ongoing discussions on the CMDI review is ill-timed and runs counter to the mandate of the Eurogroup. We are concerned that the Parliament's current proposals could further increase the complexity of an already controversial issue and render progress more difficult rather than enabling it.

And finally, the banking union is not only about crisis management. Important elements complementing the completion of the banking union need to be given a higher priority. We need to further harmonise banking and capital markets to reduce the need for adjustment and monitoring of special national rules for banks. In the short and medium term, we should be looking to reduce the number of separate national approaches and incidences of gold-plating, and to enable uniform bank management across Europe e.g. by introducing cross-border capital waivers and enabling easier access to liquidity waivers.

Chapter 2: Capital markets

With the items of the second Capital Markets Action Plan being finalised it is time to think about the next steps in closing the gaps in European capital markets. The need for private capital to finance the transition to a digital and sustainable economy is enormous. The Commission Strategic Foresight Report expects an annual need of investments in the region of €745 billion to achieve both goals in a timely manner. For this, the further development of European capital markets in key areas is necessary to remove obstacles in providing capital to corporates and allowing banks to take on the task of enabling the twin transformation.

Enabling European transformation by building a bridge to future capital markets/Securitisation reform

Review of the current securitisation framework in order to create positive incentives for market growth

Problem

Financing the European economy mainly through banks alone will not be sufficient to cope with the challenges of our time, which include climate change, the sustainable and digital transformations and the investment backlog. We have to involve the capital markets more and securitisation could be the bridge to the capital market. Setting the right incentives will be key to getting the securitisation market in Europe moving again. In the rest of the world, this market is growing strongly. Only in Europe and Germany does the market remain relatively lacklustre.

Solution

Most notably, we need a fundamental review of the securitisation framework with the aim of reducing costs for securitisation, a faster approval by the regulatory authorities, the classification of certain securitisations in a higher liquidity class and an appropriate streamlining of redundant reporting requirements. In order to attract international investors to our markets we need to streamline and accelerate the process.

Above all, securitisations need to become less capital intensive to make them more attractive. The Commission should review the securitisation framework early in the upcoming legislative period.

Targeted harmonisation of insolvency law

Problem

A more comprehensive harmonisation of European insolvency law is – at least in the foreseeable future – neither realistic nor necessary given its close links with other areas of law (from tax law, social and labour law to contract and corporate law).

Further steps must therefore concentrate on a few – targeted and clearly capital market-related – aspects.

Solution

The focus should be on modernising the Financial Collateral Directive (FCD) and the Settlement Finality Directive (SFD). This would require adjustments that are commensurate with developments and changes in international and European capital markets. These would have to take into account, in particular, the greater importance of central counterparties and other capital market infrastructure as well as of financial security and netting agreements as risk control instruments in capital markets business.

More legal certainty and legal harmonisation with regard to all transactions settled via financial market infrastructures as well as for security and netting agreements in case of default or insolvency of capital market participants is vital- ly important to ensure an integrated European capital market functions properly. Further harmonisation in this area would, therefore, provide an important boost to strengthening the European capital market.

Review of VAT rules for financial services

Problem

Current taxation systems stem mostly from a time before digitisation and need to be updated to cover new business models, services and market players.

Solution

Legal certainty should be increased and distortions of competition should be avoided by making VAT rules for financial services fit for the digital age and emerging actors, such as fintechs, entering the financial market.

VAT neutrality for financial services should be increased to remove barriers to economic efficiency and competitive disadvantages for European banks in a global marketplace.

The Commission's initiative must, therefore, be taken up again and appropriate legislative proposals put forward, as envisaged in the Commission's Tax Action Plan for a fair and simple taxation in summer 2020.

Introduction of a harmonised withholding tax reimbursement procedure

Problem

The objective of the Commission proposal to create a common and standardised system for withholding taxes is welcomed in principle. However, the design of the proposed detailed rules is not practicable and should therefore be changed.

Solution

In particular, a cost reimbursement obligation for investors must be included and the term "registered owner" must be defined uniformly, otherwise there is a risk of misuse for the institutions.

EU implementation of OECD pillar 1 requirements on absorption of excess profits

Problem

Instead of the previous attribution of income, there is to be excess profits taxation in the future for cross-border companies with USD 20 billion in sales, i.e. the countries in which the products and/or services are actually sold will have a right to tax the profits.

Solution

The taxation regime should only be implemented if the US and other major countries also participate. In addition, sales and profits of regulated financial institutions should be made exempt, as these are taxed where the services are provided.

EU implementation of OECD pillar 2 requirements for minimum taxation of 15%

Problem

At the end of 2022, the European Commission launched a directive for implementing pillar 2 requirements on global effective minimum taxation of 15%. In addition, the OECD is planning guidelines on functionality, explanations of terms and notes on interpretations.

Solution

The EU requirements should be in line with the OECD, and the planned OECD guidelines must be included in the EU Directive.

Chapter 3: Consumer protection

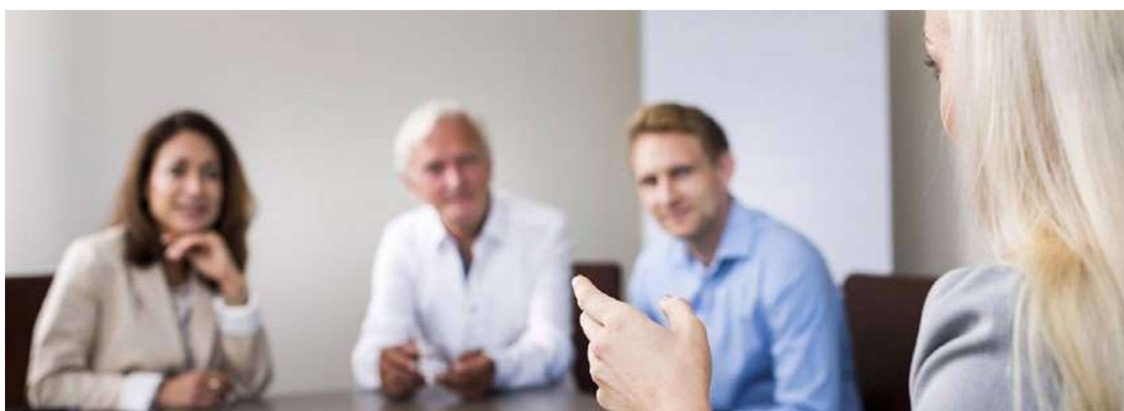
Retail Investment Strategy/MiFID II Review: Reducing the regulatory complexity of MiFID II with the aim of significantly increasing the market share of retail investors.

Problem

The Retail Investment Strategy (RIS) is an essential building block for the completion of the capital markets union. A deep EU capital market is vitally important for the dual transformation of the economy. Retail investors can also provide some of the capital needed and, particularly in a highly inflationary environment, it is essential for them to be able to invest in the capital market so they can maintain their standard of living and ensure they make adequate provision for retirement. Although the proposed legislation published in May 2023 on the review of MiFID II is aimed at simplifying access to the capital markets for retail investors and improving protection for investors, the envisaged measures do not appear to be suitable for achieving this aim. The additional bureaucracy introduced by MiFID II will not only remain but will also increase considerably, which leads to disadvantages for investors and greater complexity for banks.

Solution

The proposed legislation on the RIS urgently needs improving. The differences between investment advice and non-advisory business must not be mixed up with similar requirements in both areas. The risk of price regulation in the market due to the introduction of a value-for-money process must be averted. Investment advice must be designed in such a way that customers can obtain the clear recommendations they are looking for. Inducements must be allowed to remain for non-advisory business, where conflicts of interest are not likely to occur. The mass and the volume of delegated acts must be scaled back. The standard addressees must be given an appropriate implementation period.



Opening up the market for consumers: introduction of standard basic principles for consumer protection (and, in addition: various measures would be negative/preventable in the Payment Accounts Directive and in the Mortgage Credit Directive).

Problem

A fully integrated European single market for retail banking would be advantageous for both consumers and providers. Consumers would get a larger range of products to choose from at lower prices. If banks were able to sell their products not only in their national markets, but also offer them throughout the entire European single market, they would be able to use market integration to generate economies of scale. The advantages of being able to offer products at scale would also mean lower costs. The break-even points for innovative products would fall. But today, the national boundaries of the EU still represent barriers for both consumers and banks. Different national legal requirements hamper cross-border banking and financial services.

Examples of uniform basic principles for good consumer protection legislation

- Quality not quantity: Consumers should be given all the information they need to make informed decisions. However, if there is too much information, consumers are often no longer able to ‘process’ it properly.
- “Individual” advice on request, but no obligation: On request, consumers should be able to get advice tailored to their individual needs.
- Same services, same risks, same rules: Businesses that offer customers substitutive or even identical banking/financial services, should be subject to identical requirements.

Solution

We recommend strengthening Europe’s domestic market by opening up the national retail banking markets. The upcoming EU reviews should exploit existing opportunities. Unfortunately, the latest reviews of the Consumer Credit Directive did not, so we are calling for a more balanced approach in the upcoming reviews of the Mortgage Credit Directive and the Payment Account Directive to focus not only on imposing new consumer protection requirements. These reviews should examine where existing requirements could be adjusted or scaled back in practice, in order to reduce complexity. This ultimately leads to higher costs that are passed on to customers. What is important for creating a single financial market is to establish rules that apply across Europe and that are also applied uniformly throughout Europe. At the same time, this ensures that the level of consumer protection in all member states is equally high. Banks, as well as consumers, must have legal certainty throughout Europe as to what consumers protections there are and how these are to be applied.

Secure and trustworthy consumer environment

Problem

In an increasingly interconnected and digitalised world with a dynamic threat landscape, consumer security must remain a high priority in the coming legislative period.

Solution

To prevent fraud losses, it is essential that fraud prevention obligations are extended to include all participants in the financial market's value chain in the corresponding sectoral regulations. Only consistent fraud prevention measures along the entire value chain can create a robust and effective protection system. Telecommunications providers and platform providers, in particular, have an important role to play in ensuring the integrity of their services and the security of users. At the same time, it is important to establish efficient opportunities for cooperation among the different players. Combatting fraud requires cooperation and the exchange of relevant information in real time. To make this possible, legally secure foundations must be created. The privacy of consumers must be respected and protected while, at the same time, it must be possible to exchange relevant information to quickly identify and prevent fraud. Extending fraud prevention obligations to include all participants in the value chain and establishing efficient cooperation opportunities are decisive steps in strengthening consumer protection and consolidating consumer confidence in the market.

Chapter 4: Sustainable finance

Review of the overall framework for sustainable finance, with a focus on consistency, international comparability, international competitiveness, practicability, and effectiveness. A particular focus in this review should be placed on the effectiveness and practicability of the EU Taxonomy.

Problem

Over the past five years, a comprehensive regulatory framework for sustainable finance has been established, with the goal of making sustainability considerations an integral part of the decision-making of corporates and financial institutions.

Regulatory measures that already apply include, for example, the EU Taxonomy Regulation, the Sustainable Finance Disclosure Regulation (SFDR), the MiFID II ESG amendments and the EU Climate Benchmarks Regulation. Agreement has also been reached on the Corporate Sustainability Reporting Directive (CSRD) and the EU Green Bond Standard (EBS). Numerous delegated acts and regulatory technical standards (RTS) supplement the basic laws.

In this context, it is essential to check whether the sustainable finance framework works as intended. Financial and non-financial companies spend a significant amount of time and financial resources to comply with the regulatory measures. It is thus essential to ensure that the measures are both practical and effective.

Solution

We suggest reviewing the overall framework for sustainable finance with a focus on consistency, international comparability, international competitiveness, practicability and effectiveness. This review should not only look at individual regulatory measures, but also assess the framework as a whole.

This review should look, in particular, at the effectiveness and practicability of the EU taxonomy, as well as of the related reporting requirements. The taxonomy is often described as a cornerstone of the EU's sustainable finance framework as it provides a common definition of economic activities that can be considered environmentally sustainable. Yet, complying with the taxonomy requirements consumes vast amounts of resources. The taxonomy must, therefore, be user-friendly and effective.

We suggest that such a holistic review of the sustainable finance framework is conducted at regular intervals in the future (e.g. every three years).

Maintain realistic expectations for the Green Asset Ratio (GAR) and fix its methodological flaws: allow inclusion of data from project finance structures, Special Purpose Vehicles (SPVs) and voluntarily provided SME data.

Problem

The EU taxonomy establishes new sustainability KPIs (Key Performance Indicators) for banks. These include the Green Asset Ratio which indicates the taxonomy-aligned proportion of a bank's balance sheet.

Since the taxonomy requires an evaluation of the financed activities, the GAR will reflect the industry's taxonomy-alignment. Currently, the industry's taxonomy-alignment is very low – our analysis revealed a taxonomy-alignment of roughly 2.5 % (DAX corporates).

Moreover, methodological issues decrease the GAR further: Only exposures to companies that are themselves subject to sustainability reporting requirements can be included in the GAR's numerator, while the denominator includes all exposures. As a result, sustainable lending to SMEs or financing sustainable projects (e.g., wind farms or real estate) is not considered sustainable according to the GAR's methodology. In fact, such exposures decrease the GAR because they are only excluded from the numerator.

Solution

Expectations for the GAR must remain realistic as bank portfolios represent industry's sustainability profile. Most importantly, the GAR is entirely unsuitable as a steering indicator or basis for further regulatory measures, as it only reflects a part of the bank's sustainable activities and fails to take account of the transition's procedural character.

We would urge the new Commission to fix the methodological flaws present in the GAR. In particular, data from special purpose vehicle (SPVs) and data provided voluntarily from SMEs should be included in the numerator of the ratio.

Based on the June 2023 Recommendation of the European Commission on Transition Finance, a concrete, principles-based framework for transition finance should be developed. Notably, principles for credible transition plans to be applied on a voluntary basis are needed.

Problem

The sole focus on 'green' finance will not be enough to meet the EU Green Deal. Much greater emphasis should be placed on funding transitional activities.

While the EU taxonomy may stimulate green finance markets, it is insufficient in guiding transition finance due to its binary nature (green vs. not green), incomplete coverage of economic activities and restrictive definition of transitional activities.

Establishing a principle-based EU framework for transition finance is thus both a necessity and matter of urgency in combatting climate change.

Solution

The European Commission published a non-binding Recommendation on facilitating finance for the transition to a sustainable economy in June 2023. We welcome this Recommendation as a useful first step in outlining existing EU-level tools to bolster access to transition finance and providing market guidance.

However, as the Commission highlights itself, the Recommendation only outlines the basic concepts of transition finance and does not provide recommendations on all aspects of financing the transition to a climate-neutral and sustainable economy.

To provide greater clarity to market players and ensure an effective framework for transition finance, we call on the new Commission to establish an EU transition finance framework based on a voluntary set of principles that are science-based, user-friendly and holistic.

Improve data availability for Environmental, Social and Governance (ESG) criteria in the form of an easily accessible data hub: implementation of the European Single Access Point (ESAP), the EU Energy Performance Certificates Register, data/maps on physical risks.

Problem

The availability of Environmental, Social and Governance (ESG) data is a key challenge. While sustainability reporting requirements will be a booster for more and better data, the specificati-ons are currently still too granular.

Solution

We would urge the Commission to improve data availability for ESG criteria in the form of an easily accessible data hub. This involves the implementation of the European Single Access Point (ESAP), the establishment of an EU Energy Per- formance Certificates Register, as well as data/ maps on physical risks.

Chapter 5: Digital finance & payments market

Ensuring the legal framework conditions for an innovative ecosystem for the digital euro (retail + wholesale central bank digital currency (CBDC), bank money tokens)

Problem

Digitisation affects all areas of life and the economy. This also includes new digital forms of money – in other words a digital euro. The main drivers of the future payments ecosystem are, firstly, the digital transformation of industry (Industry 4.0), which is currently seeing an extensive automation of processes using distributed ledger technology (DLT) and smart contracts.

Secondly, a decline in the use of cash brought about by changing consumer behaviour. And, thirdly, the emergence of new players and competitors, especially global tech companies, which pose a threat to Europe's digital and monetary sovereignty.

Solution

The introduction of a digital euro will require the development of today's forms of money and the creation of ecosystems that can satisfy the demands of a digital economy. We see retail CBDC primarily as complementing cash used today by households and distributed by banks in their tried and tested capacity as intermediaries. It is important that decisions on the design of a digital euro are made on the basis of a comprehensive political and social discourse in the interests of the economy and society.

A holistic CBDC project should also explore the possible introduction of wholesale CBDC in order to fully exploit the advantages of DLT in the capital markets. Tokenised commercial bank money is another potential addition to the eco-system. Tokenised bank money could be used as a further development of today's bank money for DLT systems and would enable a flexible supply of liquidity to the economy as well as further bank money creation.

Support from the ECB and policymakers is essential, as is dialogue with the industry. Any ECB digital euro project should provide for a discussion forum to foster a standard for tokenised bank money developed by the banking industry. There is also potential for further technological standardisation to achieve (additional) efficiency gains for both institutions and their customers.

A general challenge in the context of programmable payments is the automation of payment initiation and the relevant frameworks governing civil and payments law. In the long term, we see a need for European legislative initiatives to promote machine-controlled legal transactions with due consideration for the relevant aspects of payment law.

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Consistent legal framework for payments market which promotes pan-European payment methods.

Problem

Payments connect consumers, businesses and public agencies: Through them, the banking industry facilitates the monetary payments for an infinite range of commercial and personal situations and across a diverse range of digital technologies and devices. The market has undoubtedly generated innovative, secure and efficient payment methods. But the current legislation on payment services (PSD), instant credit trans- fers (SEPA regulation) and interchange fees (MIF regulation) is not consistent.

Also, European legislators see that a greater degree of independence from foreign providers, such as credit card schemes and technology companies, is needed – in particular, with a pan-European, cross-border reach. The banking sector certainly shares this objective: International providers will remain indispensable partners in meeting customer needs. But truly pan-European payment solutions can help foster European sovereignty in the digital sphere, aligning innovative potential with continental values and preferences, and leverage synergies with the highly efficient payment infrastructure backbone (SEPA).

Solution

A range of cooperative industry approaches, such as the European Payment Initiative (EPI), underscores this aspiration. An effective legal framework is a crucial prerequisite for the success of these attempts: It must set the right incentives for investment and cooperation, acknowledge that innovations can only evolve through market mechanisms, not be "prescribed" through legislation and avoid conflicts with other policy objectives, such as consumer protection.

Against these essential yet complex key points, past and ongoing legislative initiatives have a mixed track record. Looking ahead to the future development of the legal framework for payment services, these lessons translate into the following requirements: Further legislative erosion of revenue streams from banks' payment services has proven to be detrimental to banks' ability to innovate. A possible digital euro needs to fit consistently into the broader economic and legal setting for payment services – without imposing additional one-sided burdens on the banking sector, e.g. unnecessarily duplicating investments. Strengthening consumer protection against new (fraud) risks needs a holistic approach across a broad range of measures and actors (e.g. internet providers) – allegedly simple solutions which merely shift the financial risk to the banking sector would exacerbate rather than solve the issue.

Creation of a cross-sector data exchange framework

Problem

Nothing works without data: they are at the heart of value creation in a digital economy and now more than ever a strategic production and competitive factor that is decisive to a company's economic success. The availability of a wide range and large amount of data is also indispensable for the use of artificial intelligence and machine learning – both future technologies of critical importance and both technologies where the US and China have a clear head start in development and deployment. Access to data and the ability to reuse them are therefore rightly seen as key prerequisites for the technology leadership of tomorrow and for a competitive EU data economy that will strengthen Europe's digital sovereignty and benefit both consumers and businesses throughout Europe.

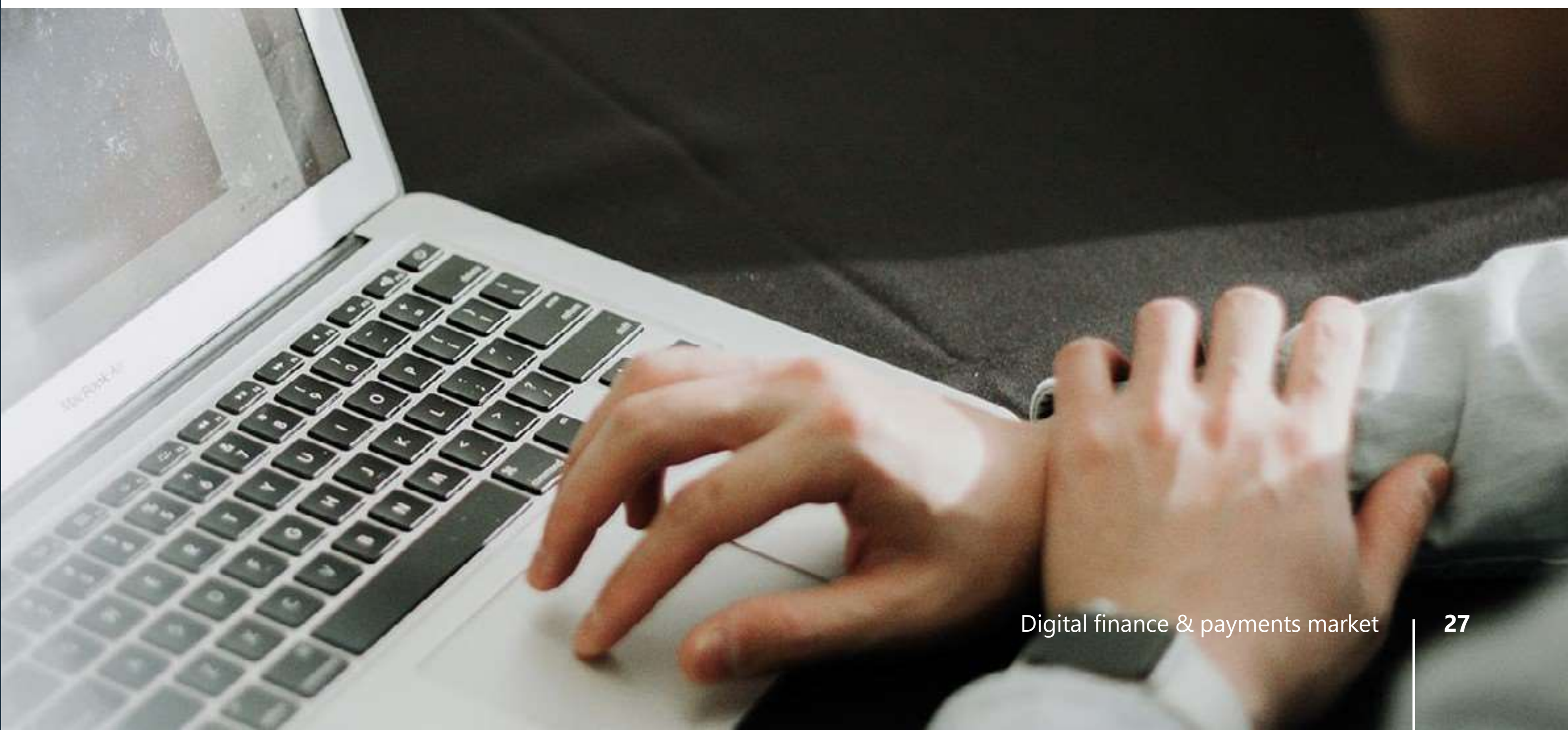
When it comes to data-driven innovation, it is becoming increasingly important for companies not only to use data they have generated themselves or to exchange data within a certain industry but also to better understand and satisfy customer needs with the help of data from very different areas of application. For many reasons, however, this still poses practical difficulties for banks and other businesses. These include a lack of access to data outside a firm's own business or lack of knowledge thereof, heterogeneous data formats, non-existent technical interfaces and uncertainty about the legal framework governing the use of data, especially with regard to personal data. All of this means companies have to expend huge resources before seeing or realising a commercial benefit, which is why they often do not even attempt to generate new added value for customers by consolidating data from diverse sources. On top of that, many companies ask themselves whether they would benefit at all from a data economy or whether they might ultimately suffer competitive disadvantages from giving up their data while others capitalised on greater data mobility.

Solution

A framework governing a data economy must be created in such a way that it gives all market participants equal opportunities. It should not further market asymmetries but instead help to eliminate existing imbalances. It should enable as many companies as possible to exploit the enormous potential of big data analytics and artificial intelligence. This will require an appropriate legal framework that promotes data sharing under fair conditions for all market participants. Equally, the goal should be to preserve trade secrets and safeguard personal data, thus strengthening data sovereignty. While the intention of the data act was to create a horizontal framework for data access and data sharing, creating equal opportunities in all industries, it fell short in terms of scope and in terms of creating harmonised framework conditions for all industries and sectors alike.

With the proposed framework for Financial Data Access (FIDA), which is intended to set the regulatory framework for open data in financial services, the European Commission has pushed further forward in a sector that is already among the front runners in the context of data sharing compared with other industries and sectors. While we are supportive of seizing the opportunities of the data economy also in the financial sector, this progress must go hand in hand with the development of other industry sectors. Otherwise, it risks creating new imbalances and not being accepted by market actors and customers.

We therefore advocate for a consistent and gradual approach for the whole economy in order to ensure equal opportunities for all market actors and leave sufficient room for a market-driven approach that will serve actual customer needs.



Establishing an electronic identification (eID) ecosystem

Problem

The rapid development of digital technologies opens up a wide range of opportunities and possibilities, especially in digital identities and wallet-based payment solutions. To make the most of these potentials, it is crucial to create a homogeneous and interoperable ecosystem.

Solution

To ensure investment and planning security, digital identities and wallet-based payment solutions must be able to be seamlessly integrated into existing financial market systems. This makes it possible to use existing infrastructures and connect to the ecosystem without significant friction. Integration into existing systems also offers the opportunity to draw on proven standards and schemes that are already established and widely used. This facilitates interoperability, ensures security and reliability as well as user-friendliness.

Finally, the ecosystem should offer the possibility to design market-driven use cases and corresponding new business models to promote the broadest possible user acceptance.

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