FINANCE FINLAND RESPONSE TO COMMISSION CONSULTATION ON A NEW DIGITAL FINANCE STRATEGY FOR EUROPE / FINTECH ACTION PLAN

1 General questions

Europe's strategic objective should be to ensure that European consumers and firms fully reap the benefits stemming from digital finance while being adequately protected from the potential new risks it may bring. To achieve that, the European financial sector needs to be at the forefront of innovation and its implementation in a market and production environment in order to better serve consumers and firms in an efficient, safe, sound and sustainable manner. Strong and innovative digital capacities in the financial sector will help improve the EU's ability to deal with emergencies such as the COVID-19 outbreak. It will help to further deepen the Banking Union and the Capital Markets Union and thereby strengthen Europe's economic and monetary union and to mobilise funding in support of key policy priorities such as the Green Deal and sustainable finance. It is also essential for Europe to safeguard its strategic sovereignty in financial services, and our capacity to manage, regulate and supervise the financial system in a way that promotes and protects Europe's values and financial stability. This will also help to strengthen the international role of the euro.

With a view to adopt a new Digital Finance Strategy/FinTech Action Plan for Europe later this year, the Commission is now seeking your views to identify the priority areas for action and the possible policy measures.

Question 1. What are the main obstacles to fully reap the opportunities of innovative technologies in the European financial sector (please mention no more than 4)?

Please also take into account the analysis of the expert group on Regulatory Obstacles to Financial Innovation in that respect.

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The European financial sector is a comprehensively regulated and supervised industry. While new technological opportunities and new customer behaviour enable new service concepts, new service providers have also entered the market. For them, the regulatory requirements are often less strict than those of the traditional financial industry. For some, the categorisation of "non-banking institutions" has allowed them to bypass regulatory requirements even though they provide the same services. It is therefore crucial to respect the principle "same services, same risks, same rules and same supervision" and strive for a true level playing field.

Furthermore, it is important to make sure that the financial services regulatory framework is technology-neutral and innovation-friendly. Finance Finland supports principle-based regulation, which ensures that the requirements are fit for digital innovation. The more detailed the regulatory requirements are, the more difficult it becomes for the financial sector to innovate. Legislation should also be flexible enough to allow the requirements to remain relevant even though the new technologies keep evolving. EU legislation should also make sure that national regulators do not create barriers on innovation and development in technology. Usually the new technologies have been viewed with scepticism by the supervisors and therefore have sometimes been subject to excessive risk management requirements, for example.

We also believe that enhancing the legislation on access to, processing and sharing of data is important in order to promote innovation and competition. Promoting a data-driven financial sector is valuable. The EU should consider open finance policy in a broad context, with focus on data sharing between all sectors of the society. The focus should not be solely on the financial sector. We support efforts towards fair data sharing, in which the treatment of different players is based on a true level playing field and reciprocity. The data sharing should be based on voluntary commercial agreements between different actors. Furthermore, it is paramount that customers have absolute confidence in the security of their data and full control over the data being shared.

Any efforts to reduce fragmentation of the regulation is also important, especially in AML and KYC areas.

Question 2. What are the key advantages and challenges consumers are facing with the increasing digitalisation of the financial sector (please mention no more than 4)? For each of them, what if any are the initiatives that should be taken at EU level?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, digitalisation enables the financial sector to provide better and cheaper services to customers.

From the customer point of view, digitalisation of the financial sector requires new skills to be able to use and benefit from the digital services. For the younger generations, this is usually not an issue, but it can be challenging for the elderly and certain other customer groups. The financial sector has already taken actions to help customers use digital tools and services and to educate people.

Another important aspect are cybercrime and frauds, which have significantly grown in recent years. Measures against cybercrime are more effective when done in cooperation between countries. The Commission consultation on cyber risks and digital operational resilience gives a good ground for this discussion.

Building on previous policy and legislative work, and taking into account the contribution digital finance can make to deal with the COVID-19 emergency and its consequences, the Commission services are considering four key priority areas for policy action to spur the development of digital finance:

1. *Ensuring that the EU financial services regulatory framework is technology-neutral and innovation friendly.*
2. *Reaping the opportunities offered by the EU-wide Single Market for digital financial services for consumers and firms.*
3. *Promoting a data-driven financial sector for the benefit of EU consumers and firms; and*
4. *Enhancing the operational resilience of the financial sector.*

Question 3. Do you agree with the choice of these priority areas?

- **Yes**
- **No**
- **Don't know / no opinion / not relevant**

Question 3.1 Please explain your answer to question 3 and specify if you see other areas that would merit further attention from the Commission:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland supports the Commission's efforts to ensure that the EU financial services regulatory framework is technology-neutral and innovation-friendly. In our view, innovation-friendliness means principle-based legislation, in particular; this ensures that the requirements are fit for digital innovation. The new technologies are rapidly evolving, but it seems that the EU regulatory process is sometimes relatively slow. The regulatory framework should be better matched with the new business and technological environment.

EU legislation should also make sure that national regulators do not create barriers on innovation and development in technology and services. It is also crucial to respect the principle "same services, same risks, same rules and same supervision" in order to ensure consumer protection and level playing field.

Promoting a data-driven financial sector is also valuable. Finance Finland supports efforts towards fair data sharing based on level playing field and reciprocity.

2 I. Ensuring a technology-neutral and innovation friendly EU financial services regulatory framework

In order to be fit for the digital age, the EU financial services regulatory framework should neither prescribe nor prevent the use of particular technologies whilst ensuring that regulatory objectives continue to be satisfied. It should also not hinder the emergence and scaling up of innovative business models, including platform-based ones, provided that the new risks these new business models may bring are properly addressed. The Commission undertook an in-depth assessment of these issues in the context of the FinTech Action Plan and is already acting on certain issues. Even so, in this fast-moving and increasingly complex ecosystem, it is essential to monitor technological and market trends on a regular basis and to identify at an early stage whether new regulatory issues, including e.g. prudential ones, are emerging and, if so, how to address them in a proportionate manner.

Question 4. Do you consider the existing EU financial services regulatory framework to be technology neutral and innovation friendly?

- Yes
- No
- Don't know / no opinion / not relevant

Question 4.1 If not, please provide specific examples of provisions and requirements that are not technologically neutral or hinder innovation:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland's opinion is that the EU financial services regulatory framework should be technology-neutral and principle-based. This ensures that the requirements are fit for digital innovation. The more detailed the regulatory requirements are, the more difficult it becomes to innovate.

In this regard, the different disclosure requirements towards consumers can become challenging. In our opinion, regulation should pertain to the relevant content of the information from the consumer perspective, not to the way in which this information should be given. The EU legislation should be "digital-by-default" and all the different information requirements etc. should be fulfillable by digital means and also suitable for digital format in practice. Separate agreements could be made with those customers who still need the documents in paper format, but this should be an exception. A sound balance between consumer protection and fostering digitalisation needs to be found. We support a push from the regulator and a short phase-out period towards full digitalisation.

For example, the PRIIPs Regulation requires by default that the pre-contractual information is provided to the customer on paper. Only on certain conditions can the information be given in some other medium than paper. The same applies also to the IDD, which should be revised to avoid the use of paper as a default requirement for the provision of information. Another example is the current MiFID regulatory framework and the conditions applying to the provision of information. In practice, the regulation means that service providers are asking clients in large numbers whether they want to use electronic documents, but to all customers who do not respond, papers still need to be printed and mailed. The amount of printed and regularly mailed documents is currently too large from the viewpoint of both digitalisation and sustainability.

With regard to new technologies, there are certain restrictions in the EU regulatory framework which, in our opinion, hinder innovation. Please see our answer to question 6 for more details.

Question 5. Do you consider that the current level of consumer protection for the retail financial products and services established by the EU regulatory framework is technology neutral and should also be applied to innovative ones using new technologies, although adapted to the features of these products and to the distribution models?

- Yes
- No
- Don't know / no opinion / not relevant

Question 5.1 Please explain your reasoning on your answer to question 5, and where relevant explain the necessary adaptations:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method

Finance Finland holds the opinion that it is crucial to respect the principle "same services, same risks, same rules and same supervision" in order to ensure consumer protection and level playing field.

The use of Distributed Ledger Technology (DLT), and in particular the use of one of its applications, the so-called crypto-assets, have been identified as an area where the European regulatory framework may need to be adapted. A public consultation on crypto-assets is on-going to gather stakeholders' views on these issues. Beyond the area of crypto assets, and looking at other technological and market developments, the Commission considers that it is important to identify potential regulatory obstacles to innovation at an early stage and see how to best address these obstacles not to slow down the uptake of new technologies in the financial sector.

Question 6. In your opinion, is the use for financial services of the new technologies listed below limited due to obstacles stemming from the EU financial services regulatory framework or other EU level regulatory requirements that also apply to financial services providers?

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Distributed ledger technology (except crypto assets)					X	
Cloud computing					X	
Artificial Intelligence/Machine Learning					X	
Internet of Things						X
Biometrics						X
Quantum Computing						X
Other						

If you see other technologies whose use would be limited in the financial services due to obstacles stemming from the EU financial services legislative framework, please specify and explain:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 6.1 Please explain your answer to question 6, specify the specific provisions and legislation you are referring to and indicate your views on how it should be addressed:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With regard to distributed ledger technologies: the regulatory framework should be unbiased towards the use of different technologies. This ensures that the innovations are not hindered and that there is a wide selection of technology vendors in the market. This is important especially with regard to regulatory framework concerning self-sovereign-identity and trade finance. We have also recognized some challenges with regard to the use of blockchain technology for identity management and the interpretations of the General Data Protection Regulation. Especially “the right to be forgotten” can be difficult to implement in practice which may hamper the development of this technology.

With regard to cloud computing: financial institutions are not able to use the technology as often as they would wish to. The cloud computing services provided by global actors are not adapted to local, unharmonized regulatory requirements in different Member States of the EU. Current legislation treats cloud computing as outsourcing and grants the supervisory authority the right to conduct on-site audits. Most of the service providers do not accept or understand this. Furthermore, not all cloud computing service providers are able to comply with the requirements stemming from the financial legislation. This prevents financial institutions from benefiting from storing and processing data in multiple locations within EU and leads to a growing need to use of more expensive solutions. Regulators and supervisors should have a common approach towards cloud computing. The creation of certificates for service providers could also be considered.

With regard to AI development: certain challenges have been recognised concerning the interaction with the GDPR. The alignment of the GDPR with the realities and needs of AI development should be carefully considered, and any contradictions in this relation should be avoided. In order to remove the obstacles hindering the adoption of digital strategies and to enable the EU to become a viable player in the field of AI, a comprehensive overview of the current regulatory framework from the AI perspective, further guidance to provide reasonable legal certainty and a possible review of the GDPR in certain specific areas, would be advisable. See also our answer to question 37.

Question 7. Building on your experience, what are the best ways (regulatory and non-regulatory measures) for the EU to support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Setting up dedicated observatories to monitor technological and market trends (e.g. EU Blockchain Observatory & Forum; Platform Observatory)						X
Funding experimentation on certain applications of new technologies in finance (e.g. blockchain use cases)						X
Promoting supervisory innovation hubs and sandboxes				X		
Supporting industry codes of conduct on certain applications of new technologies in finance				X		
Enhancing legal clarity through guidance at EU level for specific technologies and/or use cases				X		
Creating bespoke EU regimes adapted to nascent markets, possibly on a temporary basis						X
Other				X		

Please specify what are the other ways the EU could support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose:

The use of compliance certificates and audits for financial institutions.

Assess the need for adapting the existing prudential frameworks to the new financial ecosystem, also to ensure a level playing field

Financial services providers are increasingly relying on technology companies to support delivery mechanisms for financial services. Technology companies are also increasingly entering financial services directly. Such trends will have an impact on the customers, the supply chain, incumbent financial institutions and their regulators and supervisors. Big technology companies are able to quickly scale up services due to network effects and large user bases. Their entry may accordingly over time significantly change market structures. This may require a review of how the EU financial legislative framework regulates firms and activities, in particular if technology companies were to become direct providers of specific services (e.g. lending) or a broader range of financial services or activities. This may also require a review of how to supervise the overall risks stemming from financial services of such companies.

Financial regulation should harness the opportunities offered by digitalisation – e.g. in terms of innovative solutions that better serve customers - while protecting the public interest in terms of e.g. fair competition, financial stability, consumer protection and market integrity. The Commission accordingly invite stakeholders' views on the potential impact of technology companies entering financial services and possible required policy response in view of the above public policy objectives.

Question 8. In which financial services do you expect technology companies which have their main business outside the financial sector (individually or collectively) to gain significant market share in the EU in the five upcoming years?

Please rate each proposal from 1 to 5:

	1 (very low market share – below 1%)	2 (low market share)	3 (significant market share)	4 (significant market share)	5 (very significant market share- above 25%))	N/A
Intra-European retail payments						
Intra-European wholesale payments						

Consumer credit provision to households with risk taking						
Consumer credit distribution to households with partner institution(s)						
Mortgage credit provision to households with risk taking						
Mortgage credit distribution to households with partner institution (s)						
Credit provision to SMEs with risk taking						
Credit distribution to SMEs with partner institution(s)						
Credit provision to large corporates with risk taking						
Syndicated lending services with risk taking						
Risk-taking activities in Life insurance products						
Risk-taking activities in Non-life insurance products						
Risk-taking activities in pension products						
Risk-taking activities in pension						

products						
Intermediation / Distribution of nonlife insurance products						
Intermediation / Distribution of pension products						
Other insurance related activities, e.g. claims management						
Re-insurance services						
Investment products distribution						
Asset management						
Others						

Please specify in which other financial services you expect technology companies to gain significant market share in the EU in the five upcoming years:

Question 8.1 Please explain your answer to question 8 and, if necessary, describe how you expect technology companies to enter and advance in the various financial services markets in the EU Member States:

Question 9. Do you see specific financial services areas where the principle of "same activity creating the same risks should be regulated in the same way" is not respected?

- Yes
- No
- Don't know / no opinion / not relevant

Question 9.1 Please explain your answer to question 9 and provide examples if needed.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method

Question 10. Which prudential and conduct risks do you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years?
Please rate each proposal from 1 to 5:

	1 (significant reduction in risks)	2 (reduction in risks)	3 (neutral)	4 (increase in risks)	5 (significant increase in risks)	N/A
Liquidity risk in interbank market (e.g. increased volatility)						
Liquidity risk for particular credit institutions						
Liquidity risk for asset management companies						
Credit risk: household lending						
Credit risk: SME lending						
Credit risk: corporate lending						
Pro-cyclical credit provision						
Concentration risk for funds collected and invested (e.g. lack of diversification)						
Concentration risk for holders of funds (e.g. large deposits or investments held in a bank or fund)						
Undertaken insurance risk in life insurance						
Undertaken insurance risk in non-life insurance						

Operational risks for technology companies and platforms						
Operational risk for incumbent financial service providers						
Systemic risks (e.g. technology companies and platforms become too big, too interconnected to fail)						
Money-laundering and terrorism financing risk						
Other						

Please specify which other prudential and conduct risk(s) you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 10.1 Please explain your answer to question 10 and, if necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 11. Which consumer risks do you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years?

Please rate each proposal from 1 to 5:

	1 (significant reduction in risks)	2 (reduction in risks)	3 (neutral)	4 (increase in risks)	5 (significant increase in risks)	N/A

Default risk for funds held in non-banks and not protected by Deposit Guarantee Scheme						
Misselling of insurance products						
Misselling of investment products						
Misselling of credit products						
Misselling of pension products						
Inadequate provision of information						
Inadequate complaint and redress process and management						
Use/abuse of personal data for financial commercial purposes						
Discrimination e.g. based on profiles						
Operational risk e.g. interrupted service, loss of data						
Other						

Please specify which other consumer risk(s) you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 11.1 If necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 12. Do you consider that any of the developments referred to in the questions 8 to 11 require adjusting the regulatory approach in the EU (for example by moving to more activity-based regulation, extending the regulatory perimeter to certain entities, adjusting certain parts of the EU single rulebook)?

- Yes
- No
- Don't know / no opinion / not relevant

Question 12.1 Please explain your answer to question 12, elaborating on specific areas and providing specific examples:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Enhance multi-disciplinary cooperation between authorities

The regulation and supervision of Digital Finance requires more coordination between authorities in charge of regulating and supervising finance, personal data, consumer protection, anti-money-laundering and competition-related issues.

Question 13. Building on your experience, what are the main challenges authorities are facing while supervising innovative/digital players in finance and how should they be addressed?

Please explain your reasoning and provide examples for each sector you are referring to (e.g. banking, insurance, pension, capital markets):

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The activities of different market participants around digital finance are often cross-border by nature, which may lead to challenges if the supervisory approaches in different member states are not coordinated, for example. Another important aspect is that these activities are usually linked to policy areas which are often in the competence of several different supervisory authorities, for example conduct of business, prudential and data protection. Without coordination, this may cause inconsistencies in their approaches.

Some examples of the current problems are fragmented supervision, divergent guidance and interpretations concerning the AML legislative framework.

Question 14. According to you, which initiatives could be put in place at EU level to enhance this multi-disciplinary cooperation between authorities? Please explain your reasoning and provide examples if needed:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Financial supervisors have a significant role in promoting digitalisation, ensuring a level playing field and the effective supervision of the activities of all market participants. Finance Finland considers it essential that the financial supervisory authorities co-operate and exchange information with regard to innovation and the use of new technologies, for example at European level. There should be a coordinated and comprehensive supervisory framework based on level playing field regarding innovation and digitalisation. The principle "same services, same risks, same rules and same supervision" should be respected.

We believe that the regulation and supervision of digital finance requires close coordination between authorities in charge of regulating and supervising the financial sector, but also between the authorities in charge of other policy areas, such as data protection and cybersecurity.

3 II. Removing fragmentation in the single market for digital financial services

Removing Single Market fragmentation has always been on the radar of EU institutions. In the digital age, however, the ability of firms to scale up is a matter of economic productivity and competitiveness. The economics of data and digital networks determines that firms with substantial network effects enjoy a competitive advantage over rivals. Only a strong Single Market for financial services could bring about EU-wide businesses that would be able to compete with comparably sized peers from other jurisdictions, such as the US and China. Removing fragmentation of the Single Market in digital financial services while maintaining an adequate level of security for the financial system is also essential for expanding access to financial services for consumers, investors and businesses across the EU. Innovative business models and services are flourishing in the EU, with the potential to bring greater choice and better services to consumers. Traditional players and start-ups are both competing, but also increasingly establishing partnerships to innovate. Notwithstanding the opportunities provided by the Digital Single Market, firms still face obstacles when scaling up across the Single Market.

Examples include a lack of consistency in the transposition, interpretation and application of EU financial legislation, divergent regulatory and supervisory attitudes towards digital innovation, national 'gold-plating' of EU rules, cumbersome licensing processes, insufficient funding, but also local preferences and dampen cross-border and international ambition and entrepreneurial spirit and risk taking on the part of business leaders and investors. Likewise, consumers face barriers in tapping innovative digital products and being offered and receiving services from other Member States other than of their residence and also in accessing affordable market data to inform their investment choices. These issues must be further addressed if the EU is to continue to be an incubator for innovative companies that can compete at a global scale.

Question 15. According to you, and in addition to the issues addressed in questions 16 to 25 below, do you see other obstacles to a Single Market for digital financial services and how should they be addressed?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

At the moment, there is no public register covering all Member States, from which one could, for free, obtain information regarding companies' business identity codes, financial statements or company representatives, for example. This can cause barriers to a Single Market and the free movement of services.

In addition, the differences in taxation and accounting regulation may hinder the scale-up of services in the EU.

Facilitate the use of digital financial identities throughout the EU

Both start-ups and incumbent financial institutions increasingly operate online, without any need for physical establishment in a particular jurisdiction. Technologies are enabling the development of new ways to verify information related to the identity and financial situation of customers and to allow for portability of such information as customers change providers or use services by different firms. However, remote on-boarding relies on different technological means (e.g. use of biometric data, facial recognition, live video) to identify and verify a customer, with different national approaches regarding their acceptability. Moreover, supervisory authorities have different expectations concerning the rules in the 5th Anti-Money Laundering Directive permitting reliance on third parties for elements of on-boarding. The Commission will also consult shortly in the context of the review of the EU Anti-Money Laundering framework.

Question 16. What should be done at EU level to facilitate interoperable cross border solutions for digital on-boarding?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Harmonise rules governing customer due diligence requirements in the Anti-Money Laundering legislation					x	
Harmonise rules governing the acceptable use of remote identification technologies and services in the Anti-Money Laundering legislation					x	

Broaden access for obliged entities to publicly held information (public databases and registers) to enable verification of customer identities					x	
Provide further guidance or standards in support of the customer due diligence process (e.g. detailed ID elements, eligible trusted sources; risk assessment of remote identification technologies)					x	
Facilitate the development of digital on-boarding processes, which build on the e-IDAS Regulation					x	
Facilitate cooperation between public authorities and private sector digital identity solution providers					x	
Integrate KYC attributes into e-IDAS in order to enable onboarding through trusted digital identities			x			
Other					X	

Please specify what else should be done at EU level to facilitate interoperable cross-border solutions for digital on-boarding:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The eIDAS regulation already provides a common (mostly technical) framework for interoperable cross-border identity solutions. However, there seems to be a general challenge in implementing the regulation within EU. The eIDAS regulation provides a sound basis for digital onboarding, but at the end of the day, it is all about trust. And it is not only about the identity. Among the challenges are how to trust the KYC and AML procedures of the other parties, what tools there are to combat identity thefts, and how to track or trace the primary digital on-boarding transaction (in use cases, where this information is needed).

Our main message is that interoperability is not only a technical issue, but one that also requires compatibility between the underlying regulatory frameworks.

Under the EU AML directives and national AML laws, KYC is not a static one-size-fits-all set of requirements. Instead, it can cover different data items depending on the customer, the service provider, the product or service requested, the value of the transaction, the wealth and/or the politically exposed status of the customer, etc. Therefore, it would be vital to arrive at universally accepted definitions and terminology so that all relevant parties can share a mutual understanding on the key concepts.

For example, AML laws make an important distinction between identifying a customer (or her/his representative, ultimate beneficial owner, family member, close business associate, etc.) and verifying her/his identity. As regards customer verification, EU Fourth Anti-Money Laundering Directive requires that it should be done “on the basis of documents, data or information obtained from a reliable and independent source”.

So, instead of providing a detailed list of technical specifications, the only requirements are that the source of the information used must be reliable and independent. However, no criteria for the assessment of the source’s reliability are provided. In the absence of objective criteria, the only way to decide whether certain methods of customer identification or authentication are sufficient for digital onboarding is to initiate a constructive and comprehensive dialogue leading to a policy decision which applies not only to the entity onboarding the customer but equally to the authorities, supervisors and other stakeholders having a regulatory or other statutory interest in the matter.

Question 17. What should be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A

Make the rules on third party reliance in the Anti-Money Laundering legislation more specific					x	
Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital means, including on issues relating to liability				x		
Promote re-use of digital identities collected for customer due diligence purposes in accordance with data protection rules			x			
Promote a universally accepted public electronic identity					x	
Define the provision of digital identities as a new private sector trust service under the supervisory regime of the eIDAS Regulation					x	
Other					X	

Please specify what else could be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Data re-use/portability is a tempting concept, but it should be kept in mind that under the EU AMLDs and national AML laws, KYC is not a static one-size-fits-all set of requirements. Instead, it can cover different data items depending on the customer, the service provider, the product or service requested, the value of the transaction, the wealth and/or the politically exposed status of the customer, etc. A lot of the data required for KYC is static by nature (name, date of birth, social security number, etc.) whereas information required for the suitability tests or creditworthiness assessments can change rapidly. It is not clear whether such data elements should be subject to re-use or portability, or whether they should be checked, assessed, and scored separately when needed.

Question 18. Should one consider going beyond customer identification and develop Digital Financial Identities to facilitate switching and easier access for customers to specific financial services?

First, there should be a fully harmonised and robust general-purpose Digital Identity scheme securely implemented in all Member States. Once that is up and running, the financial service providers would be better equipped to assess the potential upsides and downsides of Digital Financial Identities, as well as to evaluate the economic and strategic feasibility of moving forward with their implementations.

Should such Digital Financial Identities be usable and recognised throughout the EU?

This depends on who is in charge of the project and/or picks up the cost. If the project is run and financed by the government(s), it would be natural to aim for an Identity or Identity Framework that would be equally usable and recognised across the EU. On the other hand, in the case of a privately run and funded project, the functional and geographic scope of the Digital Financial Identity should be decided by the project owner(s).

Which data, where appropriate and in accordance with data protection rules, should be part of such a Digital Financial Identity, in addition to the data already required in the context of the anti-money laundering measures (e.g. data for suitability test for investment services; data for creditworthiness assessment; other data) ?

This is too early to say, because ultimately the answer depends on the context in which the Digital Financial Identity would be used. A lot of the data required for KYC is static by nature (name, date of births, social security number, etc.) whereas information required for the suitability tests or creditworthiness assessments can change rapidly. It is not clear whether such data elements should be included in the Digital Financial Identity in the first place or whether they should be checked, assessed, and scored separately when needed.

Please explain your reasoning and also provide examples for each case you would find relevant.

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Our reasoning and relevant examples are provided above.

Question 19. Would a further increased mandatory use of identifiers such as Legal Entity Identifier (LEI), Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI) facilitate digital and/or automated processes in financial services?

- Yes
- No
- Don't know / no opinion / not relevant

If yes, in which framework(s) is there the biggest potential for efficiency gains?

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Make it easier for firms to carry out technology pilots and scale up across the Single Market

Currently, three national competent authorities have established regulatory sandboxes with five more under development. Regulatory sandboxes are most often schemes to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models. Besides, almost all competent authorities have established innovation hubs. Innovation hubs provide a dedicated point of contact for firms to ask questions to competent authorities on FinTech related issues and to seek non-binding guidance on regulatory and supervisory expectations, including licensing requirements.

The European Forum of Innovation Facilitators (EFIF) is intended to promote greater coordination and cooperation between innovation facilitators established by financial sector supervisors to support the scaling up of digital finance across the Single Market, including by promoting knowledge-sharing between innovation hubs and facilitating cross-border testing in regulatory sandboxes.

Question 20. In your opinion (and where applicable, based on your experience), what is the main benefit of a supervisor implementing (a) an innovation hub or (b) a regulatory sandbox as defined above?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

At best, innovation hubs and regulatory sandboxes can support the introduction of new technologies and services and thus support competition. To scale up and foster innovation of new businesses and the use of different technologies, it is important to have an open dialogue with the supervisors. This can be ensured by implementing innovation hubs and regulatory sandboxes, which can, among other things, reduce the different uncertainties with regard to new businesses and innovations. However, it is important to make sure that these possibilities are not only open for the new market players but also for the so-called traditional industry. Innovation hubs and regulatory sandboxes should be linked to new technologies or phenomena, for example, regardless of the service provider. Level playing field should be respected.

With regard to the implementation of regulatory sandboxes, cost-effectiveness should be taken into account. Especially in small member states, such as Finland, investments especially to education and research, and the open and widespread use of these results and conclusions, could in some cases lead to faster and more cost-effective outcomes than the implementation of regulatory sandboxes.

Question 21. In your opinion, how could the relevant EU authorities enhance coordination among different schemes in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Promote convergence among national authorities in setting up innovation hubs and sandboxes, through additional best practices or guidelines				X		
Facilitate the possibility for firms to test new products and activities for marketing in several Member States (“cross border testing”)						X
Raise awareness among			X			

industry stakeholders						
Ensure closer coordination with authorities beyond the financial sector (e.g. data and consumer protection authorities)					X	
Promote the establishment of innovation hubs or sandboxes with a specific focus (e.g. a specific technology like Blockchain or a specific purpose like sustainable finance)				X		
Other				X		

Please specify how else could the relevant EU authorities enhance coordination among different schemes in the EU:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It should be ensured that the interpretations of the local FSA´s are aligned across the EU. At the moment, different interpretations may lead to forum shopping and the services will move to those member states which have the most favourable interpretations of the relevant regulations.

Question 21.1 If necessary, please explain your reasoning and also provide examples for each case you would find relevant:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 22. In the EU, regulated financial services providers can scale up across the Single Market thanks to adequate licenses and passporting rights. Do you see the need to extend the existing EU licenses passporting rights to further areas (e.g. lending) in order to support the uptake of digital finance in the EU?

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland supports extending passporting rights to further areas in order to speed up the EU-wide competition and provision of financial services.

However, there are currently some challenges in the supervision of the service providers acting based on passporting. For example, there have been situations where a service provider has been breaching local interpretations, but the home FSA is reluctant to take any position because they disagree with the other state's interpretation, for example. The host FSA should have more rights in this regard. These challenges should be carefully considered before extending the passporting rights to any further areas.

Ensure fair and open access to relevant technical infrastructures for all financial service providers that wish to offer their services across the Single Market

(It should be noted that this topic is also included, from the payment perspective, in the Retail Payments consultation)

The emergence of providers of technical services supporting the provision of financial services bring both opportunities and challenges. On the one hand, such providers can facilitate the provision of cross-border services. On the other hand, they may in certain cases limit access to the platform or relevant devices' interface or provide it under unfair and non-transparent terms and conditions. Certain Member States are starting to take measures in this respect.

Question 23. In your opinion, are EU level initiatives needed to avoid fragmentation in the Single Market caused by diverging national measures on ensuring non-discriminatory access to relevant technical infrastructures supporting financial services?

In general, we support open access to technical infrastructures when all participants have the same rights and liabilities and are subject to same licensing and other regulatory requirements.

Please elaborate on the types of financial services and technical infrastructures where this would be relevant and on the type of potential EU initiatives you would consider relevant and helpful:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Empower and protect EU consumers and investors using digital finance across the Single Market

An increasing number of new digital financial products and services expose consumers and retail investors to both opportunities and risks: more choice, more tailored products, more convenience, but also bad advice, mis-selling, poor information and even discrimination. Accordingly, it is important to carefully consider how to tap the potential of innovative products, services and business models while empowering and protecting end-users, to ensure that they benefit from a broader access to, and range of innovative products and services across the Single Market in a safe and sound manner. This may also require reviewing existing legislation to *ensure that the consumer perspective is sufficiently taken into account. In addition, promoting financial education and digital financial skills may be important to ensure that consumers and retail investors are able to make the most of what digital finance has to offer and to select and use various digital tools, whilst at the same time increasing the potential size of the market for firms.*

Question 24. In your opinion, what should be done at EU level to achieve improved financial education and literacy in the digital context?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Ensure more affordable access at EU level to financial data for consumers and retail investors					X	
Encourage supervisors to set up hubs focussed on guiding consumers in the digital world					X	
Organise pan-European campaigns and advisory hubs focusing on digitalisation to raise awareness among consumers		X				
Collect best practices					X	
Promote digital financial services to address financial inclusion					X	
Introduce rules related to financial education comparable to Article 6 of the Mortgage Credit Directive, with a stronger focus on					X	

digitalisation, in other EU financial regulation proposals						
Other					X	

Please specify what else should be done at EU level to achieve improved financial education and literacy in the digital context:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU could recommend that member states set up a neutral authority to coordinate financial literacy and national actions in it. The digital context is one context of financial literacy but cannot be taught separately. It is essential that financial literacy information is digitally distributed via popular channels and in a form that is interesting and approachable for the public.

Among the national coordinators, the EU could recommend member states to adopt good financial education curriculums starting from early age education.

Question 25: If you consider that initiatives aiming to enhance financial education and literacy are insufficient to protect consumers in the digital context, which additional measures would you recommend?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Overspending has become a problem. When paying with card, the spending of money does not feel as concrete as by paying with cash.

Banks have voluntarily set up new ways of reminding customers of the effect each purchase has in terms of personal economy. Different kinds of mobile apps have been very useful in this, as consuming and making financial decisions are more and more strongly related to mobile phone use: online shopping and payments by mobile phones are both on the rise. The development of these apps must be left to free markets.

Considering cyber risks and frauds, it is important that customers understand the digital threats that might affect financial institutions and, ultimately, financial stability. Banks are already educating and constantly warning their customers to stay alert for suspicious activities, but banks cannot be left alone to deal with these issues. There are people who need guidance in the digital environment and services in general. Usually the bank is their first experience with digital services and therefore the banks are asked for guidance also in general, not only in digital financial services.

Effective actions require a collective effort from a broad array of stakeholders. This means that policymakers need to encourage cooperation between supervisors and the representatives of both the private sector and consumers.

4 III. Promote a well-regulated data-driven financial sector

Data-driven innovation can enable better and more competitive financial services for consumers and businesses, as well as more integrated capital markets (e.g. as discussed in the on-going work of the High-Level Forum). Whilst finance has always been a data-intensive sector, data-processing capabilities have substantially improved over the recent years, enabling fast parallel computing at low cost. Large amounts of data have also become available as computers and their users are increasingly linked, supported by better storage data capabilities. These developments have enabled the use of artificial intelligence (AI) applications to make predictions about future outcomes at a lower cost. Following on to the European data strategy adopted on 19 February 2020, the Commission services are considering a number of steps in this area (see also the parallel consultation on the Mifid review).

Question 26: In the recent communication "A European strategy for data", the Commission is proposing measures aiming to make more data available for use in the economy and society, while keeping those who generate the data in control. According to you, and in addition to the issues addressed in questions 27 to 46 below, do you see other measures needed to promote a well-regulated data driven financial sector in the EU and to further develop a common European data space for finance?

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that promoting a data-driven financial sector is valuable. The EU should consider data usage, access and sharing in a broad context, with focus on data sharing between all sectors of the society. The focus of open finance should not be solely on the financial sector. We support efforts towards fair data sharing in which the treatment of different players is based on a true level playing field and reciprocity. The data sharing should be based on voluntary commercial agreements between different actors. Furthermore, it is paramount that customers have absolute confidence in the security of their data and full control over the data being shared.

Finance Finland also sees potential in facilitating the access to publicly available data in finance. It is important to make sure that the data is easy to access and process by the different actors in the financial sector. However, the focus should be on already existing data gathering and reporting. The data-driven financial sector should not mean any new obligations in this regard.

Facilitate the access to publicly available data in finance

Financial institutions are currently required to make public a wealth of financial information. This information e.g. allows investors to make more informed choices. For example, such data include financial reporting and non-financial reporting, prudential disclosures under the Capital Requirements Directive or Solvency II, securities market disclosures, key information documents for retail investment products, etc. However, this data is not always easy to access and process. The Commission services are reflecting on how to further facilitate access to public disclosures of financial and supervisory data currently mandated by law, for example by promoting the use of common technical standards. This could for instance contribute to achieving other policies of public interest, such as enhancing access to finance for European businesses through more integrated capital markets, improving market transparency and supporting sustainable finance in the EU.

Question 27. Considering the potential that the use of publicly available data brings in finance, in which areas would you see the need to facilitate integrated access to these data in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Financial reporting data from listed companies			X			
Non-financial reporting data from listed companies					X	
SME data					X	
Prudential disclosure			X			

stemming from financial services legislation						
Securities market disclosure			X			
Disclosure regarding retail investment products			X			
Other					X	

Please specify in which other area(s) you would see the need to facilitate integrated access to these data in the EU:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With regard to sustainable finance, access to ESG data would be valuable. Finance Finland supports the creation of a public register for non-financial information, which would serve investors, lenders and asset managers, but also academia and policy officials as an information source. The register should be based on an EU minimum standard on non-financial reporting and be voluntary to use by companies. More information on our position: https://www.finanssiala.fi/en/news/Pages/FFI-proposes-EU-wide-ESG-data-register.aspx

As part of the, the Commission European Financial Transparency Gateway (EFTG) project has been assessing since 2017 the prospects of using Distributed Ledger Technology to federate and provide a single point of access to information relevant to investors in European listed companies.

Question 28. In your opinion, what would be needed to make these data easily usable across the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Standardised (e.g. XML) and machine-readable format					X	
Further development of the European Financial Transparency Gateway, federating existing public databases with a Single EU				X		

access point						
Application Programming Interfaces to access databases					X	
Public EU databases					X	
Other				X		

Please specify what else would be needed to make these data easily usable across the EU:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To make the data more easily usable across the EU, it would be important to clarify the purposes for which the data can be used.

Consent-based access to personal data and data sharing in the financial sector

The Commission is reflecting how to further enable consumers, investors and businesses to maximise the benefits their data can bring in the financial sector, in full respect of our European standards and values, in particular the European data protection rules, fundamental rights and security.

The revised Payment Services Directive marked an important step towards the sharing and use of customer permissioned data by banks and third party providers to create new services. However, this new framework is limited to payment data held by payment services providers and does not cover other types of data relevant to financial services and held by other firms within and outside the financial sector. The Commission is reflecting upon additional steps in the area of financial services inspired by the principle of open finance. Any new initiative in this area would be based on the principle that data subjects must have full control over their data.

Better availability and use of data, leveraging for instance on new technologies such as AI, could contribute to supporting innovative services that could benefit European consumers and firms. At the same time, the use of cutting edge technologies may give rise to new risks that would need to be kept in check, as equally referred to in section I.

Question 29. In your opinion, under what conditions would consumers favour sharing their data relevant to financial services with other financial services providers in order to get better offers for financial products and services?

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Consent-based data sharing could be beneficial and create added value for consumers in the form of new digital and innovative financial services. Open finance could facilitate and simplify the way information on a customer's financial position is provided or increase the amount of independent advice and comparison services in the financial sector, for example.

However, it is paramount that customers can have absolute confidence in the security of their data and full control over what data is shared. It is also important to pay attention to the appropriate supervision of the different actors.

The benefits will also strongly depend on how an open finance policy is implemented in the EU. We have recognised several weaknesses and challenges in the revised Payment Services Directive. Hence, any new initiative in the area of data sharing should not be based on the PSD2 framework as such. For example, data protection and security related issues must be carefully considered and solved before introducing legislation regarding data sharing beyond PSD2. This also applies to questions regarding the responsibilities between different actors. Furthermore, the data sharing should be based on voluntary commercial agreements between different actors.

Question 30. In your opinion, what could be the main benefits of implementing an open finance policy in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
More innovative and convenient services for consumers/investors, e.g. aggregators, comparison, switching tools				X		
Cheaper traditional services for consumers/investors			X			
Efficiencies for the industry by making processes more automated (e.g. suitability test for investment services)			X			

Business opportunities for new entrants in the financial industry			X			
New opportunities for incumbent financial services firms, including through partnerships with innovative start-ups				X		
Easier access to bigger sets of data, hence facilitating development of data dependent services				X		
Enhanced access to European capital markets for retail investors			X			
Enhanced access to credit for small businesses			X			
Other						

If you see other benefits of implementing an open finance policy in the EU, please specify and explain:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 31. In your opinion, what could be the main risks of implementing an open finance policy in the EU?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Privacy issues / security of personal data					X	
Financial exclusion				X		

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Poor consumer outcomes (e.g. unfair pricing strategies)				X		
Misuse of consumers' financial data					X	
Business confidentiality issues					X	
Increased cyber risks					X	
Lack of level playing field in terms of access to data across financial sector activities					X	
Other						

If you see other risks of implementing an open finance policy in the EU, please specify and explain:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 32. In your opinion, what safeguards would be necessary to mitigate these risks?
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland supports efforts towards fair data sharing in which the treatment of different players is based on a true level playing field and reciprocity. The open finance framework should not be solely focused on the financial sector, but broadly on all sectors of the society. A cross-sectoral regulatory framework on standardised, secure Application Programming Interfaces (API), which could be realised through a joint scheme or standards, should be introduced.

The data sharing should be based on voluntary commercial agreements between different actors. Finance Finland has recognised several weaknesses and challenges in the revised Payment Services Directive, and therefore, any new initiative in the area of data sharing should not be based on the PSD2 framework as such. A mandatory framework for data sharing would also require significant investments in technical infrastructure and compliance, and therefore there should not be an obligation to share data to third parties free of charge. A mandatory obligation without any compensation would also hinder the possibilities to develop other digital services that could potentially create more benefits and value for customers. Furthermore, data protection and security related issues must be carefully considered and solved before introducing legislation on data sharing beyond PSD2.

What types of data would be subject to data sharing should also be carefully considered. In this regard, it is important to consider which areas would really benefit from data sharing from a customer value perspective. Furthermore, it should be ensured that there are no unnecessary barriers or obstacles for the usage of this data.

Given the sensitive nature of financial data, customers must have absolute confidence in the security of their data, full control over the data being shared and the right to determine to which services and under what conditions their personal data will be used. The scope of the customer's consent must be clear and verifiable, particularly when it comes to what data is to be shared. Technical standards and procedures need to be adopted in order to mitigate the risk of more personal data being shared than covered by the consent. The different issues regarding the possible withdrawal of the customer's consent, for example, also need to be considered.

The desire to achieve a level playing field between companies regarding access to customer data must not override the interests of consumers, taking into account all consequences. We recognise the problem of unfair pricing strategies and misuse of consumers' financial data, for example. However, we think that this is a cross-sectoral issue that concerns all businesses. It should be treated in a consistent manner following the evolving guidelines in the EU. If there were specific rules just for the financial sector, they could easily end up being contradictory with other rules imposed on the sector.

An open finance policy may also increase the provision of comparison services of financial products. It is important that the information provided to the customer in such comparison services is fair and not misleading, for example by focusing mainly on the differences in price and less on the other terms and conditions of the financial product. Hence, it is important to have well-functioning monitoring and enforcement by national authorities.

Question 33. In your opinion, for which specific financial products would an open finance policy offer more benefits and opportunities?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Savings accounts						X
Consumer credit						X
SME Credit						X
Mortgages						X
Retail investment products (e. g. securities accounts)						X
Non-life insurance products (e.g. motor, home…)						X
Life insurance products						X
Pension products						X
Other						

If you see other financial products that would benefit of an open finance policy, please specify and explain:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 33.1 Please explain your answer to question 33 and give examples for each category:
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that there should be a cross-sectoral approach to open data initiatives, and hence the focus should not be only on the specific financial products.

Question 34. What specific data (personal and non-personal) would you find most relevant when developing open finance services based on customer consent?

To what extent would you also consider relevant data generated by other services or products (energy, retail, transport, social media, e-commerce, etc.) to the extent they are relevant to financial services and customers consent to their use?

Please explain your reasoning and provide the example per sector:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that, in general, the increased access to data generated by the financial sector, and also by other sectors (both public and private), provides innovation and competition potential for the industry. Data generated by commerce and e-commerce sectors, data regarding the value housing company shares or real property, data collected by vehicles, ESG reporting data and real-time accounting data of businesses as well as taxation data can be mentioned as examples of such potentially relevant data. Hence, the open data initiatives should be considered from a holistic perspective. It should be carefully analysed what data has the potential to enable the financial sector to provide better products and services for their customers, for example.

The treatment of different sectors and industries needs to be based on a true level playing field and reciprocity.

Question 35. Which elements should be considered to implement an open finance policy?

Please rate each proposal from 1 to 5:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Standardisation of data, data formats					X	
Clarity on the entities covered, including potential thresholds					X	
Clarity on the way data can be technically accessed including whether data is shared in real time (e.g. standardised APIs)					X	
Clarity on how to ensure full compliance with GDPR and e-Privacy Directive requirements and need to ensure that data					X	

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subjects remain in full control of their personal data						
Clarity on the terms and conditions under which data can be shared between financial services providers (e.g. fees)					X	
Interoperability across sectors					X	
Clarity on the way data shared will be used					X	
Introduction of mandatory data sharing beyond PSD2 in the framework of EU regulatory regime	X					
If mandatory data sharing is considered, making data available free of cost for the recipient	X					
Other				X		

Please specify what other element(s) should be considered to implement an open finance policy:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Data sharing should also be carefully considered in the context of competition law and intellectual property law. Data which constitutes trade secrets or other business sensitive information should not be subject to data sharing.

Support the uptake of Artificial intelligence in finance

Artificial intelligence (AI) can bring considerable benefits for EU citizens and businesses alike and the Commission is committed to support its uptake with appropriate frameworks and investment. The White Paper on Artificial intelligence details the Commission's vision on a European approach for AI in Europe.

In the financial sector, AI and machine learning solutions are increasingly applied throughout the entire value chain. This may benefit both firms and consumers. As regards firms, AI applications that enable better predictions can result in immediate cost savings due to improved risk analysis or better client segmentation and product price differentiation. Provided it can be achieved, this could in the medium term lead to better risk management and improved profitability. As an immediate effect, AI allows firms to save on costs, but as prediction technology becomes more accurate and reliable over time, it may also lead to more productive business models and entirely new ways to compete.
On the consumer side, the use of AI applications can result in an improved price-quality relationship of financial services, better personalisation and in some cases even in financial inclusion of previously excluded consumers. At the same time, AI may entail new risks such as opaque decision-making, biases, discrimination or loss of privacy.

The Commission is seeking stakeholders' views regarding the use of AI and machine learning solutions in finance, including the assessment of the overall opportunities and risks it could bring as well as the specificities of each sector, e.g. banking, insurance or investment services.

Question 36: Do you/does your firm already deploy AI based services in a production environment in the EU?

- Yes
- No
- Don't know / no opinion / not relevant

Question 36.1 If you/your firm do/does already deploy AI based services in a production environment in the EU, please specify for which applications?:
5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 37: Do you encounter any policy or regulatory issues with your use of AI?

Have you refrained from putting AI based services in production as a result of regulatory requirements or due to legal uncertainty?
5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland has recognised certain challenges regarding regulatory requirements, which may indeed limit the use of AI and thus hinder innovation and digitalisation in the financial sector. These challenges are also meaningful from the point of view of the competitiveness of the European financial sector. The challenges recognised are mainly linked to the use of training data and the General Data Protection Regulation (GDPR). The current regulatory framework does not fully take into account and align with the realities and needs of AI development, in which data is a key element.

For example, the GDPR data minimisation principle seems to conflict with the fact that having large amounts of diverse and high-quality data is paramount for the development of accurate AI data analytics. Using large samples of data is also one way of reducing the risk of bias in the outcomes.

Furthermore, Finance Finland believes that financial institutions should be able to use their internal data sets generated from their own business as training data for the AI. At the moment, the financial sector is not able to take full advantage of customer-generated information, which is problematic from the digitalisation point of view. In this context, we consider the data protection legislation to be too restrictive. According to the GDPR, the use of health-related data and biometric data, for example, is subject to specific processing conditions, and the possibility to use this data for AI training purposes is limited. We have also identified other challenges and unclarities regarding the legal grounds for lawful processing of data regulated in the GDPR. For example, it is not fully clear under which conditions does the legitimate interest of the controller exist in the context of AI training. The use of training data based on consent can also be challenging in practice.

Anonymisation is sometimes regarded as the solution to overcoming the regulatory challenges related to the GDPR. However, using only anonymised data sets in the AI training is problematic, because anonymisation hinders the usability of the data set and decreases the accuracy of the application. In some cases, it can also be quite burdensome and sometimes impossible to fully anonymise large data sets.

Challenges can also arise from the automated decision-making rules and requirement for human intervention under the GDPR, which may hinder the financial institutions to provide automated services based on AI. The efficiencies of AI may not be realised if significant manual processes are still necessary to maintain.

Question 38. In your opinion, what are the most promising areas for AI applications in the financial sector in the medium term and what are the main benefits that these AI-applications can bring in the financial sector to consumers and firms?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

AI has great potential in the financial sector, as it enables the industry to serve customers in new, better and faster ways. AI applications provide opportunities to enhance customer interaction and experience, improve cybersecurity and consumer protection, strengthen risk management and enhance the efficiency of in-house processes.

There are, for example, AI applications developed for consumers to better understand and balance their financial situation. This can have positive effects on over-indebtedness. The whole society will benefit from the financial sector's fraud prevention and anti-money laundering tools, which are supported by AI innovations.

Question 39. In your opinion, what are the main challenges or risks that the increased use of AI based models is likely to raise for the financial industry, for customers/investors, for businesses and for the supervisory authorities?

Please rate each proposal from 1 to 5:

1. **Financial industry**

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
1.1. Lack of legal clarity on certain horizontal EU rules					X	
1.2. Lack of legal clarity on certain sector-specific EU rules			X			
1.3. Lack of skills to develop such models		X				
1.4. Lack of understanding from and oversight by the supervisory authorities			X			
1.5. Concentration risks						X
Other						

Please specify what other main challenge(s) or risk(s) the increased use of AI based models is likely to raise for the financial industry:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2. Consumers/investors

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
2.1. Lack of awareness on the use of an algorithm						
2.2. Lack of transparency on how the outcome has been produced						
2.3. Lack of understanding on how the outcome has been produced						
2.4. Difficult to challenge a specific outcome						
2.5. Biases and/or exploitative profiling						
2.6. Financial exclusion						
2.7. Algorithm-based behavioural manipulation (e.g. collusion and other coordinated firm behaviour)						
2.8. Loss of privacy						
2.9 Other						

Please specify what other main challenge(s) or risk(s) the increased use of AI based models is likely to raise for customers/investors:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

3. Supervisory authorities

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
3.1. Lack of expertise in understanding more complex AI-based models used by the supervised entities						X
3.2. Lack of clarity in explainability requirements, which may lead to reject these models						X
3.3. Lack of adequate coordination with other authorities (e.g. data protection)				X		
3.4. Biases						X
3.5. Other						

Please specify what other main challenge(s) or risk(s) the increased use of AI based models is likely to raise for the supervisory authorities:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 40. In your opinion, what are the best ways to address these new issues?

Please rate each proposal from 1 to 5

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
New EU rules on AI at horizontal level			X			
New EU rules on AI for the financial sector	X					

Guidance at EU level for the financial sector			X			
Experimentation on specific AI applications under the control of competent authorities			X			
Certification of AI systems			X			
Auditing of AI systems			X			
Registration with and access to AI systems for relevant supervisory authorities			X			
Other				X		

Please specify what other way(s) could be best to address these new issues:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see also our answers to questions 6.1 and 37.

Harness the benefits data-driven innovation can bring in compliance and supervision

RegTech tools that are emerging across Europe can bring significant efficiencies for the financial industry. Besides, national and European supervisory authorities also acknowledge the benefits new technologies can bring in the data intensive supervision area. Following on the findings of the Fitness Check of EU supervisory reporting, the Commission is already acting to develop a supervisory reporting that is fit for the future. Leveraging on machine learning technology, the Commission is mapping the concepts definitions and reporting obligations across the EU financial services legislation to identify the areas where further standardisation is needed. Standardised concept definitions and reporting obligations are a prerequisite for the use of more automated processes. Moreover, the Commission is assessing through a Proof of Concept the benefits and challenges recent innovation could bring in the reporting area such as machine-readable and machine executable legislation. Looking at these market trends and building on that work, the Commission is reflecting upon the need for additional initiatives at EU level to facilitate the uptake of RegTech and/or SupTech solutions.

Question 41. In your opinion, what are the main barriers for new RegTech solutions to scale up in the Single Market?

Please rate each proposal from 1 to 5:

Providers of RegTech solutions:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Lack of harmonisation of EU rules						
Lack of clarity regarding the interpretation of regulatory requirements (e.g. reporting)						
Lack of standards						
Lack of real time access to data from regulated institutions						
Lack of interactions between RegTech firms, regulated financial institutions and authorities						
Lack of supervisory one stop shop for RegTech within the EU						
Frequent changes in the applicable rules						
Other						

Please specify what are the other main barrier(s) for new providers of RegTech solutions to scale up in the Single Market:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Financial service providers:

	1 (irrelevant)	2 (rather not relevant)	3 (neutral)	4 (rather relevant)	5 fully relevant)	N/A
Lack of harmonisation of EU rules					X	
Lack of trust in newly developed solutions			X			
Lack of harmonised approach to RegTech within the EU			X			
Other						

Please specify what are the other main barrier(s) for new Financial service providers solutions to scale up in the Single Market:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 42. In your opinion, are initiatives needed at EU level to support the deployment of these solutions, ensure convergence among different authorities and enable RegTech to scale up in the Single Market?

- Yes
- No
- Don't know / no opinion / not relevant

Question 42.1 Please explain your answer to question 42 and, if necessary, please explain your reasoning and provide examples:

5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The main barrier for RegTech is that national laws and practices differ. Maximum harmonisation and EU-wide regulations are the best way to help scale up the RegTech solutions. This applies especially to regulatory reporting where maximum harmonisation is desirable, but unfortunately not always the practice.

Question 43. In your opinion, which parts of financial services legislation would benefit the most from being translated into machine-executable form? Please specify what are the potential benefits and risks associated with machine-executable financial services legislation:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Financial services legislation is a broad and relatively complicated framework. Translating it only partially into machine-executable form, covering only a very limited part of the framework, may not be beneficial from the RegTech point of view.

Question 44. The Commission is working on standardising concept definitions and reporting obligations across the whole EU financial services legislation.

Do you see additional initiatives that it should take to support a move towards a fully digitalised supervisory approach in the area of financial services?

Please explain your reasoning and provide examples if needed:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes the regulatory reporting needs a comprehensive evaluation. Reporting obligations should be implemented in an efficient and straightforward way, using the “one stop shop” principle. Reporting systems should be designed as comprehensive, integrated systems and data pools, as opposed to the current fragmented approach. The financial sector aims for more efficient reporting without overlapping elements to avoid additional costs from the unnecessary development of data gathering and reporting systems.

Supervisory reporting requirements across different EU-level reporting frameworks are far from coherent, and it is one of the main problems causing unnecessary burden for reporting institutions. For example, definitions are inconsistent between different reporting streams. The practice in recent years has also been that different authorities come up with new reporting requirements instead of utilising existing information. The result is a new layer of reporting where each authority and new report looks at the same activity that has already been reported with only a slightly different angle. These kinds of duplicate reporting requirements should be avoided. Furthermore, there is a need for coordination and collaboration between the relevant authorities regarding the development of new reporting requirements. Better coordination and a collaborative approach would also be beneficial for digitalisation, as they would enable the development of more intelligent and effective tools and services for reporting purposes. It should also be ensured that there are no legislative barriers to share relevant supervisory reporting data from one authority to another.

Finance Finland supports the efforts made by the European Central Bank to integrate the existing statistical data requirements for banks into a single framework (the ESCB Integrated Reporting Framework IReF). In addition, the conclusions of the European Banking Authority’s feasibility study regarding integrated reporting are positive and should be implemented in practice. The Commission initiative on standardising the definitions of financial reporting (Financial Data Standardisation project) seems as a positive initiative in general and there are potential efficiency gains to be reached. However, the project has been going on for some years already, and it is not clear what the outcomes are. There could have been more transparency along the way and the participation of the financial industry could have been deeper. There is also an initiative towards integration of regulatory reporting obligations of credit institutions. We support this initiative and see a lot of potential benefits if properly implemented.

Question 45. What are the potential benefits and drawbacks of a stronger use of supervisory data combined with other publicly available data (e.g. social media data) for effective supervision?

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Please explain your reasoning and provide examples if needed:

5 IV. Broader issues

Question 46. How could the financial sector in the EU contribute to funding the digital transition in the EU? Are there any specific barriers preventing the sector from providing such funding?

Are there specific measures that should then be taken at EU level in this respect?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Finnish financial sector is a pioneer in digitalisation in many ways. Over the course of several years, financial companies have gradually automated their processes to increase efficiency and have modified their data repositories to create new enhanced digital services for their customers, for example. The financial sector is shaken by change as technology makes rapid advancements, customer expectations rise, and new service concepts emerge. Business models have been adjusted accordingly. Hence, it is paramount that the contributions to the digital transition are assessed from an all-encompassing perspective considering all the different digitalisation activities in which the financial sector is engaging.

It is also important to assess this issue from the business point of view. The financial sector should not be forced into digitalisation by legislation. The transition should be based on true market demand with business opportunities.

Furthermore, Finance Finland believes that the EU financial services regulatory framework in its entirety should be fit for digital innovation. Regulators need to recognise the crucial role the financial sector has in feeding the real economy and innovations in the EU. This can only be done if the financial sector has reasonable prudential rules, and capital requirements are not tightened. In the forthcoming prudential regulation of the banking sector, for example, there are elements which will increase the capital levels for European banks notably from current levels, which are already significantly higher than before financial crisis.

Question 47. Are there specific measures needed at EU level to ensure that the digital transformation of the European financial sector is environmentally sustainable?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finance Finland's view, sustainable development means consistent consideration of environmental factors in the different operations of the financial sector. The sector is already actively involved in climate action and cooperation to reach the goal of the Paris climate accord. The sector makes its biggest climate impact through its funding decisions and therefore has an important role in steering investments towards sustainable targets. Best practices in this regard should be promoted.

The use of new digital technologies plays also a significant role in the transformation of the European financial sector, particularly as a means to achieve a climate neutral EU by 2050. Hence, regulatory obstacles to the adoption of digital strategies and innovation should be removed.

Furthermore, environmentally sustainable development can be promoted by aiming for smaller carbon footprints and reduced climate impact. However, there are certain obstacles in the EU legislation which prevent the financial sector from transitioning from the use of printed papers to a fully digital environment. This is particularly the case when it comes to the form and presentation of information to customers: to a large extent, legislation requires face-to-face service and paper documents. We believe that the use of digital documents is an environmentally sustainable way to provide information to clients. These documents can be stored e.g. in the client's online service solution and should thus be regarded as durable medium in the EU financial legislation. The EU legislation should be digital-by-default. Please see our answer to question 4.1 for further details.