

Digital Outreach: Report Belgium

In Belgium, we believe a digital single European market can thrive, but some prerequisites need to be fulfilled:

A level playing field & cross-border coordination as a starting point

We share the opinion of multiple other member states that **a level playing field** is key between banks, fintechs and Bigtechs. The principle '**Same services/assets, same risks, same rules and supervision**' is key and should be the basis of any new regulation drafted by the European Commission. That is why we call for the consistent application of the policy principle "same services, same risks, same rules and supervision" to safeguard consumer protection, cyber security and healthy competition. It is not intended to be a "bulwark" against competition. However, it is necessary to ensure that all citizens enjoy the same protection, regardless of the financial services provider assisting them.

Cross-border coordination within the EU is fundamental to promote the scale-up of technological innovation and to prevent an unlevel playing field or regulatory arbitrage. This is the principle underpinning the EU framework for experimentation. Coordination across EU member states should be enhanced. This would imply at least the possibility for a national authority to rely on the outcome of the testing done by another authority within a national sandbox via a system of mutual recognition. We support the vision of EBF that sees a role for EBA to take the role as the central hub, facilitating exchange of information as well as the gathering of legal interpretations of existing regulations by national authorities in order to support the uptake of common approaches.

It is also crucial to **eliminate gold-plating on national level**. This would result in more coherence between all EU regulators, eliminating national discrepancies.

Technology-neutral legislation, clarity and room for innovation are key

To achieve this, we believe that **legislation needs to be technology-neutral, horizontal and sufficiently flexible** to protect all consumers irrespective of new technologies or products that may arise in the market such as crypto-assets or AI-technology. The legislator needs to **provide clarity** to the market regarding applicable requirements for digital innovation. Without such clarity or even legal certainty, innovative services/functions are difficult to implement/roll-out in the market. Clarity also means that the legislator should not leave too much room for interpretation.

Digitization of financial services often involves complex issues concerning the application of rules. A lack of clarity in rules hinders innovation, which is bad for consumers. Therefore, supervisors should play a supporting role in the development of innovative solutions, both for existing financial service providers and for new players, for example through regulatory sandboxes and fintech rulings. This allows players to safely test their innovations and financial services in order to accelerate innovation opportunities.

This could include, for example, artificial intelligence applications for risk management or payment fraud detection, blockchain applications leading to better handling of securities transactions, or robotized advice allowing to help more customers and to offer investment advice at a reasonable cost.

A regulatory sandbox not only offers substantive added value, but also contributes to a country's international appeal for fintech companies. If regulators actively bring clarity, innovative ideas can be brought to market faster. By already being involved in the conceptual phase, regulators will understand new developments and potential risks more quickly.

A step beyond open banking: open data

We should not stop at open Banking/ Finance but go further and look at **open data**. There is a growing acknowledgment that relevant data from different sectors holds significant potential for financial industry innovation, competition, and consumer empowerment. It can help provide users with enhanced customer experience, better risk management, stronger security and fraud detection, better services, and convenience. The key driver for the use of this data should of course always be the users' interests and empowerment.

Financial literacy and education need to be boosted

An important barrier that we see for the development of digital finance is financial illiteracy. The Belgian financial sector is therefore working hard on **financial and more specifically digital financial literacy and education** as this is a basic requirement for any client. Without a basic level of understanding of personal finance citizens are not able to make the right decisions that affect their long-term prosperity. We note that a lack of understanding finances on the side of consumers/clients can ultimately pose a threat to financial stability. That is why more attention is needed to boost financial literacy. To do this effectively, cooperation is required between the public and the private sector. No single entity in this ecosystem can change this environment on its own. This means that policymakers need to encourage cooperation between supervisors and private sector representatives and representatives of consumers. Financial literacy is a life skill that has become even more important in the digital age that we now live in. In Belgium we have several initiatives and collaborate with the public sector to reach the consumer.

Conclusion

The key words that came out of our Digital Outreach Event were **Collaboration, harmonisation and clarity**. In a more and more digital world, we are convinced that banks and fintech can and should work together to develop new services and products to their clients.

One thing is clear: the time to act is now. If we fail to create conditions for Belgian and European Fintechs and financial institutions to thrive, other players will take their place.