

The European Commission digital finance strategy

Key messages

- EDPIA firmly supports the European Commission's ambition to reduce regulatory barriers to scale for European firms.
- EDPIA sees digital technology as a key enabler for the European economy. It is important that European firms have reasonable access to key digital technologies such as cloud providers.
- Mandating that firms open access to technical infrastructure should be considered as a response to market failures which prevent fair access. Such intrusive intervention is not proportionate in well-functioning markets.
- With the growth of the digital economy, trustworthy digital identity is vital for citizens.
- The development of the data framework should provide firms with the right incentives and set clear technical standards from the outset.

Setting the right conditions for innovation

The fast pace of digital innovation poses a clear challenge for policymaking, especially across 27 Member States. Fragmented rules – from anti-money laundering to customer authentication requirements – can hinder firms from scaling and competing globally.

EDPIA feels that the current consultation comes at a timely moment to set the right conditions for innovation in Europe. Digital technology does not have borders except those which are established by national regulatory divergence.

We believe that the Commission needs to find the right balance between

- Sufficiently flexible rules to allow European firms to reap the benefits of new technologies.
- Sufficiently detailed standards to ensure the coherent development of the digital economy.

European firms must be able to embrace the benefits of cloud technology, advanced data analytics, and the widespread use of digital devices by consumers.

Digitalisation has also brought discussions on the right conditions for fair competition. EDPIA believes that strong interventions to mandate access to specific technical infrastructure should be considered only in response to clear market failures.

We would distinguish this from measures which seek to foster digital innovation by setting new conditions across the wider economy (such as the open banking regime under PSD2). These measures may also be intrusive, however, they operate under a fundamentally different logic and must be justified in a different manner.

EDPIA sees digital identity as a key building block for the digital economy in Europe. As more and more economic activity moves online, providing citizens with secure digital identities which they can easily use in their everyday interactions would foster digital innovation and market integration.

The future of data

Data is an increasingly crucial element of market competition. The European Commission should set appropriate rules to ensure that digital markets remain contestable and protect citizens. It is also important to maintain companies legitimate intellectual property rights; companies compete on their data analysis which ultimately spurs innovation.

We support the Commission's ambition for companies across the European economy to have effective access high-quality data. Nonetheless, any measures to develop a broader open finance framework should make sure to avoid creating competitive distortions, should involve European industry stakeholders closely, and should draw carefully from past experience.

It is too early to judge the final outcome of the open banking regime under PSD2, however, EDPIA believes that we can draw certain lessons from its implementation.

In particular, we believe that more detailed technical standards earlier in the process would have reduced market fragmentation. In the case of PSD2 it is now late to impose a single API, however, regulators should promote interconnected hubs. Moving forward, the Commission should also look to ensure that sustainable competitive incentives exist for every player in the ecosystem.

As different varieties of data become more prominent – for example with tokenization, digital identities, and the internet of things – the Commission should aim to ensure that the surrounding framework provides legal certainty and that there is practical coherency between the Commission's broader data strategy and its work in the financial sector (past and future).

We welcome the horizontal ambition shown in the recent communication on the European strategy for data. Data is used across the whole economy, and the whole economy should play a part in the data framework. This regulation should not apply disproportionately to specific sectors.

Supporting the digital transition

EDPIA sees digital payments as a key driver of the digital transition.

Supporting the uptake of seamless digital payments will support digitalization more broadly. As outlined in more detail in our response to the parallel consultation, EDPIA particularly calls for the Commission to:

- Facilitate contactless payments by taking a more risk-based approach to contactless payment ceilings (based on existing rules on transaction risk analysis).
- Support the development of innovative payment solutions through practical standards.
- Ensure that new payments technologies do not tacitly reinforce Europe's dependence on foreign incumbents.

We welcome the European Commission's political ambition to ensure that digitalisation is at the heart of Europe's economic recovery, including through strategic funding.