

About FSI

Financial Services Ireland is a constituent part of Ibec, Ireland's largest business representative group. FSI is the only trade association representing the totality of the financial services industry in Ireland, with 155 members across domestic and international banking, insurance, fund and asset management, payments, fintech and aircraft leasing.

As a whole, the financial services industry in Ireland employs over 70,000 people. The IFS industry benefits from a structured engagement system with government, through the joint industry-government strategy, 'Ireland for Finance'.

Context – the European Digital Finance Framework

- The Single Market is incomplete
- The playing field is not level
- The (innovation) target is moving
- The opportunity exists for Europe to assume digital leadership on global scale

Irish Business Priorities - Europe's Digital Future

Ibec represents thousands of companies across Ireland, from indigenous regional enterprises, to tech start-ups, to some of the largest globally recognised brands. Ireland is currently ranked 6th among EU Member States for overall digital performance. In its Digital [Strategy](#) for the years 2020-2024, Ibec has set out nine key recommendations – common to all industries, large and small - for Europe's Digital Future:

Priority 1. Lead an era of further digital transformation. Specifically:

1. Prioritise further digital development across the EU and complete the Single Market.
2. Work with, not against, technology in governance.
3. Intensify collaboration in developing international digital standards.
4. Lead by example in eGovernment and digitalised public services, share best practice.

Priority 2. Enable everyone to reach their potential in a digital era. Specifically:

5. Maintain trust and security in accessing further digital opportunities.
6. Ensure further investment and innovation in secure digital infrastructure and services.
7. Enable everyone to accomplish more through the right knowledge training and skills.

Priority 3. Champion innovation, enterprise and trade in a digital era. Specifically:

8. Invest and collaborate in further digital innovation, deployment and adoption.
9. Intensify work with partners to lower global barriers to digital trade and innovation.

Key considerations - FS industry priorities for a renewed Digital Finance Action Plan

Level the playing field

Currently, the pace and differing interpretation of EU policies applicable to this industry are unsustainable for new entrants and small companies.

Example: a German neobank can offer products to Irish consumers, but if they were an Irish company, they would not be able to offer products to German consumers. Differences in national rules have a direct, immediate impact on Europe's single market for financial services.

Harmonisation across national lines is important. The EU has both a Euro/Non-Euro denominated area. The development of a Euro currency Fintech sandbox where there is closer alignment on monies in/out would be helpful to industry. It would help to level the playing field for new entrants. It is important to note however, that the popular and oft-cited successful examples of Fintech sandboxes have been nationally-focussed. This has enabled a very hands-on approach by regulatory authorities. A European-level sandbox would have far-reaching consequences for the EU-27, and the guiding role of the regulator could prove more challenging to implement. Appropriate controls would need to be in place, striking a balance between the need to develop new entrants at a reasonable pace, and the very open nature and implications for the Single Market of this kind of pipeline.

Lastly, the consideration of an EU sandbox should address the current challenge for new entrants when leaving the incubatory process. There is a large gap between leaving the sandbox and entering the market as a fledgling, and many companies and opportunities are unfairly lost as a result. A continued remote engagement tool of some kind is needed, to ensure that viable companies can survive their first few years.

Identity Services

We need a common, accepted Digital ID approach in Europe. At the moment, Member States are at different stages of development. Financial services companies mainly require and use these as part of Customer Due Diligence under Anti-Money Laundering rules. Heavy reliance on a paper-based system, using corporate documents or passports to verify identities, etc. is not reconcilable with the global, increasingly digital nature of the industry. Ultimately, digital identity will be required for the provision of end-to-end financial services to a global client base. The Action Plan must acknowledge this and should announce a move away from the traditional assumption that all transactions are face-to-face. In turn, this will pave the way for easier cross-border access to products for consumers, e.g. app-based financial services. An acceptable digital solution will pave the way for a true Single Market for Digital financial services.

Supervisory Technology

National Competent Authorities are about to be hit with a massive wave of data. They will falter if they do not have the right technological solutions to manage and harness this data in their decision-making. It is a potential risk for industry and consumers.

Regulation

- A different approach is needed to cater to digital financial services. Regulation cannot and will not keep pace with digital innovation. It must be written in acknowledgement of this pace, among large and small actors in the market.
- Regulation must also acknowledge the level of investment of energy and resources, and a high degree of failure that comes with innovation. The burden is too heavy for new entrants at present. A light-touch, risk-based approach is needed for new entrants.
- There are very different approaches taken by regulatory authorities across Europe at present regarding the relationship between data protection and anti-money laundering rules. Industry is receiving mixed messages on how these requirements inter-relate in day-to-day compliance. This is a problem common to all Member States and therefore requires an EU solution.

Education

Successful financial services companies often have close connections with their nearby educational institutions and authorities. This will be an important piece to build into an EU-level action plan. Acknowledge the role of education – and engagement between industry, regulators and educational institutions - to keep a strong digital/cyber/technology skills pipeline in place.

This is particularly important in the context of the ever-increasing need for cyber resilience and cybersecurity skills. Regarding the latter, international threats to consumers, and public and private institutions will continue to increase. Many jurisdictions are strategically investing huge amounts resources in cybersecurity skills, and Europe must take a globally leading role too. At present, the development of expert skills in this space happens in an uncoordinated way. The Action Plan will be a useful place in which to commit to a more co-ordinated, strategic approach with the ultimate aim of developing our local skills pipeline.

It is also through industry-education-regulatory partnerships that we can diversify the supply of talent for our digital future. This includes the provision of opportunities for minorities, and new access points for mid-career professionals who can find it challenging to re-join the workforce after an absence. There are specific, proven examples of this in many European Member States. Ireland for example, has an International Financial Services Apprenticeship Programme for school leavers, graduates and career-changers. Programmes such as this already receive EU funding, but the Digital Finance Action Plan ought to enshrine and promote these initiatives as an enabling part of Europe's digital future.

Digital currency

We need to be ambitious about the development of a digital currency. A digital euro is rightly on the agenda, but we need to consider being more ambitious and aiming for sponsoring a global digital currency. The EU is uniquely placed to play a leadership role, which will not be assumed by any other major jurisdiction at this time. The IMF Special Drawing Right (SDR) is an ideal starting place.

Sustainability

We must not automatically assume that digital finance will offer sustainability: we must incentivise business to include sustainability targets within their innovation projects. The two do not marry automatically. DG FISMA's planned integration of the Sustainable Finance and Digital Finance Action Plans in 2020 must be done in concert with industry to ensure a workable approach.