

Consultation on a new digital finance strategy for Europe / FinTech action plan

– Swedish Bankers' Association's Response

The Swedish Bankers' Association (SBA), supports and encourages the ongoing development in the digitalization of financial services. The SBA acknowledges the Commissions' effort to enable financial service providers, consumers, businesses and the public sector to reap the potential of and benefit from new technology and new innovations for financial services, while also mitigating new risks and ensuring consumer protections and a stable financial market in all respects. We therefore welcome the opportunity to contribute with our perspectives to the European Commission's consultation on a new digital finance strategy for Europe / FinTech action plan.

The SBA represents banks and financial institutions active on the Swedish market, working to establish common standards in matters of common interest for its members. Furthermore, the SBA is a member of the European Banking Federation EBF.

Digital financial services have rapidly increased and by international standards, Sweden has been in the vanguard as its financial institutions have traditionally contributed to a broad development of digital financial services. Online banking and mobile apps with services such as savings, loans, pensions, securities, payments and transactions as well as personal and advisory services have been used continuously for a long time by all categories of customers.

The SBA supports to a large extent the EBF's reply to the consultation and at the same time will contribute with own comments to the individual questions raised to highlight areas of particular interest to our community or to inform of areas where Sweden experiences differences, as is the case for example on sandboxes. Our answers on AI mainly refer to the Swedish Bankers' Associations response to the European Commission's AI White Paper.

The SBA believes that it is important for Europe to take advantage of innovative technology and develop new digital services. Especially in this time of pandemic which has shown the need for and benefits of further digitalization. Such developments must, however, **ensure trust in financial services and not at the expense of consumer protection or financial stability.**

Digital financial services place high responsibility and requirements on financial institutions concerning consumer integrity and security. Especially to assure that all users, consumers, businesses as well as the public sector have knowledge of how to use the service, how to secure the information and how the customer's data is or will be used.

In order to enable further digitalization at a rapid pace, with continued confidence in the users, it is a prerequisite that cyber- and information security issues are given a high

attention and that these issues gain more resources. This is especially important in times of Covid19 which has served as a catalyst for increased digitalization globally.

We further encourage that additional resources are allocated to public information and education, to create "awareness" of how new digital products and services work and how to protect against fraud. Knowledge and understanding are key to trust and a well-functioning digital society. Our experience is that proven digital processes and services technically almost always have a higher level of security than previous physical counterparts, but lack of user knowledge and user experience can create room for fraud to exploit this. By simple or sophisticated means.

The SBA emphasizes a high focus on customer safety and ensuring a stable financial market, avoiding new risks in all respects.

Additionally, the SBA would recommend taking global initiatives outside Europe into consideration as much as possible in order to offer competitive services internationally. We see a need for good standards with international harmonization and the possibility of interoperability across member states.

A precondition for a successful digitalisation is that all players in the financial industry need to have the same conditions and opportunities to offer innovative services. The SBA therefore supports the principle, "*same services, same risks, same rules and same supervision*".

The Swedish Bankers' Association

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General Questions

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)?

Banks operate at a high level of regulatory requirements, for historical reasons but also compared to non-financial institutions that offer similar products and services; skewing conditions for fair competition. This creates risks for consumer protection and, as new participants grow, financial stability. Strict regulatory frameworks and differentiation in supervision can create obstacles for innovations thus curbing the adoption of new technologies. Such obstacles are important to identify and manage, especially in this time of pandemic which has worked as a catalyst for digitalisation; making it more important than ever for European citizens of all ages.

However, a strict regulatory framework, together with continuous supervision of the National Competent Authorities (NCA) also provides an important consumer protection. Consumer protection is becoming increasingly important in a digitalized and more open financial market. Thus, it is important to maintain high consumer safety, to help consumers as well as businesses, understand the service and what concessions the customer gives. The focus on security, integrity and privacy must therefore also apply to other players in the digital financial market in order not to damage the trust and confidence in digital financial services.

- *Regulation* - The EU needs to evaluate current regulation and seek uniform applications both across regulations and across member states. Otherwise, there is a risk of fragmentation, such as in the implementation of PSD2 which lacks uniform application across member states. Further, GDPR needs to be adjusted to enable for example AI and big data. Evaluating and adjusting existing legislation can help harmonize and uniform the applications of regulations and supervision in Europe and reduce fragmentation. An evaluation of the application of existing legislation is desirable before new legislation is applied.
Furthermore, we experience a lack of harmonization of statutory requirements for cloud services and suppliers within the EU and the US, respectively. This is an obstacle for innovation in financial as well as other sectors offering consumer services as well as an obstacle to international competition.
- *Access to data / Open Finance* - Our members experience existing asymmetries as regards rules on access to data. In order to be able to reap the full potential, access to data should not be limited only to banking but be opened for access in other relevant areas. However, open data puts a great deal of responsibility on consumers for having control over their data. It is difficult for consumers to know what data they contribute with, give access to or distribute. Financial service providers therefore have a great responsibility to inform and support consumers about this.
- *Digital identities* – Limited standards lead to local solutions. However, a major problem is that the underlying information, in order to achieve a standardized

digital identity solution, does not exist. Lack of identity number of individuals or companies as well as limited (or non) opportunities to check IDs. A pan-European solution/database could incur a great risk for fraud. A good vision, however, the underlying building blocks, to be able to realize, are still lacking.

- *Standards* - Lack of harmonised technical standards. Widely spread and accepted standards require cooperation among banks. Examples of successful cooperation among banks in Sweden are Bank-ID (www.bankid.com/en/), Swish instant payments (www.swish.nu) and P27, an open-access and common infrastructure for Nordic payments (nordicpayments.eu). International examples are card-schemes.

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?

Digital financial services have rapidly increased and by global standards, partially due to Covid19. Swedish banks have traditionally been in the vanguard and have contributed to a broad development of digital financial services. Online banking and mobile apps with services such as savings, loans, pensions securities, payments and transactions as well as personal and advisory services have been used continuously for a long time by all categories of customers.

Digital financial services have improved customer control and efficiency. With financial services offered by a highly regulated and supervised banking sector, customers are used to high security levels and to trust the service provider. The banking sector experience great confidence and high trust in its services. Trust is essential, in order to be able to develop and offer innovative services – this trust needs to be preserved going forward.

With new technologies such as AI and big data emerging, already experienced customers face new challenges such as digital literacy, integrity and data protection, in combination with a lack of awareness of the regulatory status of new financial service providers. In order for digitalization to be able to continue at a rapid pace, with continued confidence in the users, it is a prerequisite that cyber- and information security issues are given a high attention and that these issues gain more resources.

Financial service providers always need to be available to help and support. To educate and raise knowledge and awareness on security risks. The SBA recommends national efforts rather than EU wide efforts on information and education, to support and protect non-digitalized consumers and to achieve good quality and easier follow-up.

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:

The SBA supports the presented key priority areas and would like to emphasise the overall most important issues; **consumer protection, financial stability and market functioning**. These areas are an important prerequisite for the digitalisation, for customers' confidence and for the functioning of the services.

The development of technology-neutral legislation is important in order to benefit from the rapid technological development. A regulatory framework needs to focus on the products and services offered rather than on the technology, a principle-based approach to ensure high levels of consumer protection, regardless of the supplier.

The SBA welcomes the Commission's ambition to remove fragmentation of the Single Market in digital finance services. However, this needs to be done in close cooperation with NCAs to prevent diverging interpretations and national additional requirements. Regulation must also, as far as possible, take into account a global perspective in order to promote fair competition.

Furthermore, the SBA also supports to promote a data-driven financial sector since this will enable new innovative and effective services for all customer categories. One of our main concerns refers to customers' knowledge and awareness of how data is stored, used and distributed. This requires clear rules, frameworks and aligned supervision across member states for all financial service providers, as well as third parties involved, on how data can be used and how customers should have full control over and access to their data.

Imperative to enabling broader data sharing is to support the connection between private and public infrastructure and systems. Access, standards and interoperability are key to achieve this.

The SBA also supports to enhance the digital operational resilience framework for financial services. As correctly defined in the EBF answer, Financial institutions already abide by different existing security frameworks that establish measures for ensuring the resilience of the banking system. Existing requirements need to be fully evaluated to assure harmonisation and new requirements and legislative proposals need to be coordinated with the existing frameworks.

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

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

We support the answer from EBF.

- 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:

The SBA welcomes the principle of technological neutrality and believes that a majority of legislation is technology neutral, however, the applicability of existing rules and guidelines differs between member states. The existing regulations have been developed for a reason, but the difficulty lies in the interpretation and application of the regulations across the union. The SBA therefore advocates for activities to achieve a uniform application of existing rules. This applies to all providers of financial services. We do not see the need for more legislation, however, a need to review and harmonize the application and supervision of the existing legislation.

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:

Most regulatory frameworks are technology neutral, but in some cases we have identified some inconsistencies. As an example, we considered that Directive 2002/65 / EC (on distance selling of financial services to consumers), DMFSD is technology neutral, however later directives such as Directive 2008/48 / EC on consumer credit agreements, CCD is not as technology neutral. We also believe that the lack of reciprocity in PSD2 creates challenges where technology neutrality is not fulfilled, making it difficult to ensure high levels of consumer protection.

The SBA supports EBFs answer and acknowledge the need for a flexible and technology-neutral legislation to ensure consumer protection. A principle-based approach is preferred.

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)				4		
Cloud computing					5	
Artificial Intelligence/Machine Learning					5	
Internet of Things				4		
Biometrics				4		
Quantum Computing			3			
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:

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:

The SBA supports the EBF reply and would like to emphasize that obstacles exist for Cloud computing as well as Artificial Intelligence due to lack of harmonisation in the interpretation of EBA Outsourcing Guidelines. Furthermore, Cloud computing, AI and biometrics are incompatible with GDPR.

Creating a clearer data regulation would facilitate the sharing of important data sets between the private and the public sector. The current legislative landscape makes sharing of data cumbersome. Some guidelines around data sharing would enable larger collaborations between these important players in the acceleration of AI application and research. However, regulation needs to be both narrow to avoid overregulation and based on current legislation.

Support for electronic documents: EU should support the initiatives pursued by i.a. the ICC DSI to enable digitalisation of trade which is governed by many old rules which prevents easy adoption of new digital solutions, e.g. acceptance of electronic documents and letters of credit.

Regulations and legal security have legitimacy and must always be applied, however when EU-regulations are interpreted differently in the member states it makes it difficult to take advantage of cross-border technology and to prevent fragmentation.

Another example of difficulties refers to sandboxes. Sweden supports sandboxes, however due to existing national legislation sandboxes cannot be introduced. The Swedish NCA does not have an assignment for sandboxes. However, an innovation centre has been set up to provide information on the rules that apply and if authorization is needed for the innovation. Thus, we note that sandboxes are handled differently in different member states.

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				4		



Observatory & Forum; Platform Observatory)						
Funding experimentation on certain applications of new technologies in finance (e.g. blockchain use cases)				4		
Promoting supervisory innovation hubs and sandboxes			3			
Supporting industry codes of conduct on certain applications of new technologies in finance				4		
Enhancing legal clarity through guidance at EU level for specific technologies and/or use cases				4		
Creating bespoke EU regimes			3			

adapted to nascent markets, possibly on a temporary basis						
Other						

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:

We would like to underline that it has traditionally been difficult to incentivise innovation through regulation. However, a supportive regulation or framework, that is interpreted equally in all member states, is necessary for a fair, secure and consumer-friendly innovation of financial services and products.

This also assumes that different regulations within the regulatory framework harmonize and that they do not contradict each other. This is a major challenge to achieve, but a prerequisite in order to promote innovation, to prevent fragmentation and to reduce risk.

We support the answer from EBF. However, as mentioned in Q 6.1, Sandboxes may not be used in Sweden.

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 (neutral)	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						
Intermediation / Distribution of life insurance 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:

SBA chooses not to answer Q 8.

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.

The provision of financial services is done by both credit institutions (i.e. banks), other types of financial institutions (e.g. PSPs, insurance companies, AIFs, crowd-funding platforms, consumer credit companies) as well as tech (fintech and big tech companies). In order to ensure consumer protection and (as new market participants grow) financial stability, we support the principle of “same activity, same risks, same regulation and supervision”. In this regard, both the same level of regulation (e.g. prudential, AML/CFT) as well as proportionate supervisory attention is important. Consequently, irrespective of the provider of the service the regulatory and supervisory demands should be the same. This principle should be upheld both between different types of financial companies and between financial companies and others (big techs and fin techs).

Examples;

- Insurance companies investing in mortgages and offering guarantees e.g. in trade finance have lower capital requirements (CRD vs Solvency 2)

- Payment institutions (PSPs, PISPs, MSBs, EMIs) are under the same AML/CFT and consumers protection requirements as credit institutions. However, the level of supervisory attention is in general lower than for credit institutions creating a supervisory glass ceiling.
- Consumer credit companies offering non-collateralised lending, including quick loans, have less requirements on risk management capital.
- Big techs that offer services in competition with financial companies are not subject to the same level of regulation. See e.g. <https://www.fsb.org/wp-content/uploads/P091219-1.pdf>
- Crowd-funding platforms acting as intermediaries in the extension of lending between persons as well as in lending and equity investments between persons and corporates. The regulatory demands on the crowd-funding platforms is significantly lower than on other financial companies (AML/CFT, governance and risk processes, consumer protection).
- Deposit institutions (SE) offering receipt of funds from the general public, including deposits in accounts and the issuance of bonds, have less requirements on consumer protection and holding of capital.
- Furthermore, the lack of reciprocity in data exchange under PSD2 skews the level-playing field.

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)					5	
Liquidity risk for particular credit institutions				4		



Liquidity risk for asset management companies			3			
Credit risk: household lending					5	
Credit risk: SME lending				4		
Credit risk: corporate Lending			3			
Pro-cyclical credit provision			3			
Concentration risk for funds collected and invested (e.g. lack of diversification)				4		
Concentration risk for holders of funds (e.g. large deposits or investments held in a bank or fund)			3			
Undertaken insurance risk in life insurance						X
Undertaken insurance risk						X



in non-life insurance						
Operational risks for technology companies and platforms				4		
Operational risk for incumbent financial service providers				4		
Systemic risks (e.g. technology companies and platforms become too big, too interconnected to fail)					5	
Money-laundering and terrorism financing risk					5	
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:

Crypto currencies may entail a liquidity risk for banks. If bank deposits are being challenged and crypto assets gain market share bank deposits risk becoming more volatile, which will affect liquidity in the banking sector.

Real-time payments are a security challenge for the banking sector in order to maintain regulated and necessary checks on payments through all stages of the payment and with involved financial third parties/intermediaries, to prevent fraud and money laundering.

In times of crisis, such as the Covid-19 pandemic, we have an increased demand for social responsibility such as increased lending and a cooperation between the government/society, the central bank and the banking sector. Financial actors, outside the banking sector, might be reluctant to minimize a business interest for the benefit of society.

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:

We support the EBF answer.

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					5	
Misselling of insurance products				4		
Misselling of investment products					5	



Misselling of credit products					5	
Misselling of pension products					5	
Inadequate provision of information					5	
Inadequate complaint and redress process and management					5	
Use/abuse of personal data for financial commercial purposes					5	
Discrimination e.g. based on profiles					5	
Operational risk e.g. interrupted service, loss of data					5	
Other						X

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:

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:

Traditionally the banking sector has always adapted to a high level of security thus experiencing a high level of long-term trust from customers and there are well-founded reasons banks are heavily regulated with capital buffers. As if problems arise, also in lesser regulated entities, the reduction in trust for financial services affects all financial market players. On “Operational risk e.g. interrupted service, loss of data” the risk depends on size. Consumers and businesses are used to this level of security and it is difficult for clients to control how well other players follow the same standard. Awareness and knowledge of the security requirements for corresponding services delivered by non-bank financial service providers, are in many cases low.

Non-banks (i.e. other financial institutions as well as big tech and fin tech) have in varying degree lesser requirements as regards capital, liquidity, governance and risk processes and in addition many have less supervisory attention e.g. as regards AML/CFT. For companies providing investment services that is not labelled advice (but rather guidance) there is a risk of misselling when no suitability assessment is performed, and the customers’ investment preferences are not clearly established.

More generally, open data expose consumers to risks that are difficult to perceive. Consumer as well as business data will also become more accessible, globally. We face, already new business models relying on risk-pools offering insurances to consumers and businesses, to protect from fraud.

It is likely that consumers are unaware of what data they have given their consent to share, how this data may be used or if distributed forward to a fourth party. It is therefore vital to support and give clear information about how personal data will be used as well as potential risks. The importance of applicable information to make customers aware of what concessions have been made apply to all financial service providers.

When a consumer or SME experiences any form of fraud or is otherwise suspicious or worried, they will most likely turn to their banking contact first-hand. The banking sector normally is considered responsible, even when other intermediary actors or technological businesses, using open data, has or should have a full responsibility.

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:

We support the answer from EBF.

To safeguard customer security, it is important to increase the regulatory requirements on non-financial businesses offering financial services, so that the same services are covered by the same rules and security requirements. Supervisory attention is also important to ensure that rules are followed. The SBA would also like to highlight the importance of extending the regulatory perimeters to non-financial entities with the potential to create systemic risks as systemic risks can also accumulate several larger or in many cases smaller players offering non-regulated services. Focus should be on operational risks, including cyber security, fraud or cyber theft, consumer protection, procyclicality, etc.

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).

In addition to being able to keep up with the rapid technological development, one possible challenge is to coordinate between different national authorities as well as for example NCAs, data protection authorities, central banks, etc.

We choose not to answer questions 13 and 14 further but leave the question to the relevant authorities.

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:

Authorities face a challenge when digitalisation in the financial sector entails the integration of various government issues, such as supervisory attention, prudential issues, data privacy in combination with fast development of innovative technology and fragmentation across member states and NCAs. This implies great demands on collaboration between different authorities to achieve a secure, robust and innovative friendly environment for financial services, on a fair but also competitive basis, within member states as well as cross-country. However, authorities and the public sector have an important role to play for example in enabling efficient data and interconnectivity between different digital ecosystems (standards, harmonization, etc.).

Within the Nordic region there is an example and collaboration between different authorities and countries, NSG: <https://nordicsmartgovernment.org/> Their baseline is the

ecosystem with public and private actors and the focus of Nordic Smart Government is to create coherence between existing systems for efficient use and reuse of data.

Nordic Smart Government - through an interoperable ecosystem of digital solutions will provide real-time business data for business-to-business and business-to-government. The vision of Nordic Smart Government is to create value for businesses, public authorities and society by making real-time business data usable and accessible across the region in an automatic, consent-based and secure manner. Nordic Smart Government is thus a driver for making the region the most integrated in the world, which is the ambition of the Nordic Prime Ministers. In the Nordic region, two million small businesses comprise more than 90 percent of our enterprises, and they form a cornerstone in our societies and to our future welfare.

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

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?

We would like to emphasise the importance of customer literacy as well as on high demands on integrity and security.

While encouraging the development of smart and efficient digital financial services to our customers, the financial service providers also have a high level of responsibility to assure that all customers have a good knowledge of how to use the service, how to secure the information and how the customer's information is or will be used.

It takes time to build confidence and trust. We have good trust in banking products and services today. It takes a few seconds to lose that trust. In order for digitalization to be able to continue at a rapid pace, cross border with continued confidence in the users, it is a prerequisite **that cyber- and information security issues are given a high attention** and that these issues gain more resources.

Furthermore, knowledge and understanding are key to trust and a well-functioning digital society to ensure financial stability and consumer protection. We encourage that additional resources are added for information and education, to create higher awareness of how new digital products and services work and how to protect against fraud.

We believe that national efforts, based on jointly established guidelines, can be a way to achieve good knowledge throughout Europe.

Further examples of possible enablers to support a single market is the need for new infrastructures, such as payments and the harmonization of central bank settlement functions, iso-migration, W3C web payment standards.

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					5	
Harmonise rules governing the acceptable use of remote identification technologies and services in the Anti-Money Laundering legislation			3			
Broaden access for obliged entities to publicly held information (public databases and registers) to enable verification of customer identities					5	
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					5	

identification technologies)						
Facilitate the development of digital on-boarding processes, which build on the e-IDAS Regulation		2				
Facilitate cooperation between public authorities and private sector digital identity solution providers			3			
Integrate KYC attributes into e-IDAS in order to enable onboarding through trusted digital identities		2				
Other						

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

The issue of digital identification is important for a continued digital development. However, a pan-European digital identity is a long-term vision. As of today, we lack the underlying infrastructure and the critical prerequisites are not yet there. In order to be able to use a digital identification the basic building blocks for such identification must be in place and, to be able to use the same digital identification cross-country, harmonized in all countries.

The main issue regarding e-IDs is the underlying method of identifying a customer with full certainty. There are two specific situations that need to be taken into account. Firstly, when on-boarding a customer, KYC processes need to ensure the identity of the customer **with full certainty**. The absence of unique social security numbers/personal numbers including the differences between Member States as regards methods of identification means that a bank needs to have other methods to identify a new customer with certainty (e.g. physical identification through passport or, in the future, biometric identification when such is

developed), particularly in the cross-border context. Secondly, when a customer utilises the banking services, there need to be electronic identification with certainty in order to ensure that it is the customer using the service.

As of today, the digital identity ecosystem is fragmented with different national solutions which should be the primary objective to resolve. Building a common and open EU-database, a master register, would however imply critical security risks as well as a credibility risk, being an attractive target for crime.

Furthermore, if banks were mandated to accept all types of electronic IDs, they would need to upgrade all their different systems to recognise and accept all different types of electronic IDs to a very high cost if even possible. National legislation setting a maximum price for eID-services hampers innovation and the future development of eID-services.

Banks should have the right to decide what technologies and security credentials can be used to log into remote services of the bank.

It should also be acknowledged that the eIDAS or other corresponding technologies do not provide full benefit for the on-line onboarding if the AML regulation is not amended in accordance with the technologies available.

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					5	
Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital					5	

means, including on issues relating to liability						
Promote re-use of digital identities collected for customer due diligence purposes in accordance with data protection rules					5	
Promote a universally accepted public electronic identity		2				
Define the provision of digital identities as a new private sector trust service under the supervisory regime of the eIDAS Regulation		2				
Other						

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:

A pan-European digital identity is difficult to realise, in view of the above-mentioned issues. A comprehensive and internationally agreed digital identity assurance framework – defining the lowest criteria to be fulfilled, common standards and driving harmonization to enable pan-European solutions to be developed commercially, could be helpful. Necessary prerequisites are revisions of the AML regulation as banks today are required to identify all customers in their KYC onboarding processes and ensuring that obliged entities have access to the governmental systems to verify an e-identity.

The issue of the underlying identification requirements arising from national fragmentation and the AML regulation must be solved first. The member state specific differences in public registers (both population registers and corporate registers) should be mapped out and principles of record keeping should be harmonized in view of AML requirements.

We refer to our answer under question 16 above.

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?

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

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) ?

The Swedish Bankers' Association find it too early to start building on pan European digital financial identities. As highlighted in our answer to question 16 above, we still lack the underlying infrastructure and the critical prerequisites for a customer identification and the same need for building blocks apply for digital financial identities.

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?

The underlying problem is the original identification and AML requirements as discussed under question 16. It should be noted that there is wide range of banking services available remotely. The mandatory use of identifiers may impede development of the services. Therefore, the use of the identifiers should not be a rule but rather based on the market needs.

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?

We support innovation hubs and sandboxes. Supervisors can get a better overview over current market developments and insight into technological developments. Financial service providers get better understanding on the supervisor's interpretation of compliance and regulatory requirements.

However, as for sandboxes this is not possible in Sweden due to present regulation. We support sandboxes but note that we cannot deviate from existing legislation. We note that sandboxes are handled differently in different Member States. (With reference to our answer under question 6.1).

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				4		
Facilitate the possibility for firms to test new products and activities for marketing in several Member States ("cross border testing")				4		
Raise awareness among industry stakeholders			3			
Ensure closer coordination with authorities beyond the					5	

financial sector (e.g. data and consumer protection authorities)						
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)				4		
Other						

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

We support the EBF answer however note that sandboxes are not a legal option in Sweden hence innovation hubs are seen as a better option to suite all types of national characteristics.

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

We would recommend an "innovation hub-scheme", a framework that provides instructions on what is best practice and to enhance communications between supervisors and innovators of all sizes. It is difficult to find solutions that suit all parties, hence innovation hubs in contrast to sandboxes can be a platform to help all innovators to reduce their time to market whilst maintaining the level playing field. Regional competition is also positive.

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?

We support the EBF answer. As for licensed financial service providers, we see no legal obstacles today.

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?

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:

The PSD2 art 35 regulates non-discriminatory access to relevant technical infrastructures. The SBA supports this and see good reasons for its design in order to assure consumer protection and security. Other important prerequisites to secure consumer protection and financial stability are governance processes and access to central bank payment systems.

We support the EBF answer.

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	1					
Encourage supervisors to set up hubs focussed on guiding consumers in the digital world					5	
Organise pan-European campaigns and advisory hubs	1					

focusing on digitalisation to raise awareness among consumers						
Collect best practices				4		
Promote digital financial services to address financial inclusion			3			
Introduce rules related to financial education comparable to Article 6 of the Mortgage Credit Directive, with a stronger focus on digitalisation, in other EU financial regulation proposals	1					
Other						

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

The SBA believes that financial literacy and financial education are of the utmost importance for users of digital financial services, to feel secure and trust in the services offered. But also, to be able to critically review the services used, in order to discover and prevent possible fraud.

The SBA clearly supports the need for financial education and literacy, also in the digital context. However, the maturity in different Member States is uneven as regards the usage of digital services, including financial services. Against that background, we do not support an EU-wide campaign. Instead each Member State should be mandated to have strategies for digital financial education in place, taking into account the national level and

specificities. These should build on the knowledge in academic research (see e.g. *The Global Financial Literacy Excellence Center*, <https://gfilec.org/>)

Measures should be targeted to specific vulnerable groups e.g. young (which are more digital savvy than other vulnerable groups but lack sufficient skills in financial knowledge), elderly and immigrants. Numeracy skills should be at the core and in addition there is a need to improve skills on daily household economy and decisions e.g. the impact of different interest rate levels (e.g. expensive consumer loans and quick loans). For digital skills, there are numerous alternatives to reach vulnerable groups within each Member State such as organising customer events, setting up national networks of both public and private actors with tailored education for the different groups, cooperate with organisations for the vulnerable groups and/or public libraries or other places where people go in their daily life.

Sweden became technically digital at an early stage, in the financial as well as the public sector. Experience shows that knowledge increases naturally when the availability of analogue alternatives such as cash and checks is reduced due to various measures.

Some examples: (Sweden has a population of approximately 10 million)

Swedish on-line banking (internet banking): 95% use internet banking and 93% pay bills via the internet.

(Source: The Swedes and the Internet is a study conducted by The Swedish Internet Foundation: <https://svenskarnaochinternet.se/english/>
<https://svenskarnaochinternet.se/rapporter/svenskarna-och-internet-2019/the-swedes-and-the-internet-2019-summary/>)

Digital identification: Almost 9 out of 10 Swedes (88%) who have a smart mobile use the Mobile BankID service

(Source: <https://www.bankid.com/en/>).

Swish, a real time mobile payment service: 7,5 million Swedes have Swish.

Consumers, small, medium and large companies as well as small associations.

(Source: <https://www.swish.nu/about-swish>)

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?

The SBA would recommend that educational curriculum include math which is the basis for numeracy skills as well as education on the most important parts of households' economic decisions (taking up mortgages and other loans, consumer laws and rights as well as practical skills e.g. making a household budget, get an electronic ID, pay bills). In some Member States these processes are primarily digitalised; consequently, educational efforts would naturally be based on digital financial services.

Another important aspect is to raise awareness of the risks. We strongly encourage a pan-European initiative on cyber- and information security.

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?

We support the EBF answer and would like to emphasize that authorities and the public sector have a very important role here, for example, regarding coordination and alignment locally as well as across borders. The SBA advocates open finance across all sectors, to make data available to all players in a fair and secure way. As an example, in order to promote sustainability and to enable the banking sector to report data, business enterprises and corporates will also have to deliver data.

A Nordic example on measures aiming to make more data available for use in the economy and society is the programme *Nordic Smart Government* – The vision of Nordic Smart Government is to create value for businesses, public authorities and society by making real-time business data usable and accessible across the region in an automatic, consent-based and secure manner. <https://nordicsmartgovernment.org/> (As referred to under question 14)

The SBA recommends using NSG as an example and further advocates – The same regulation and the same supervision for all players in the chain.

Furthermore, open data puts a great deal of responsibility on consumers for having control over their data. It is difficult for consumers to know what data they submit, give access to or distribute. Financial service providers have a great responsibility to inform and support consumers on this.

The SBA would like to highlight **data protection** as an area of high importance.

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
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Financial reporting data from listed companies					5	
Non-financial reporting data from listed companies					5	
SME data					5	
Prudential disclosure stemming from financial services legislation				4		
Securities market disclosure				4		
Disclosure regarding retail investment products				4		
Other						

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

There is a great potential value in being able to exchange business data between non-public parties. As long as it takes place against **consent and under safe and controlled forms**. There must be an opportunity to differentiate between common systems and shared databases.

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				4		
Further development of the European Financial Transparency Gateway, federating existing public databases with a Single EU access point				4		
Application Programming Interfaces to access databases					5	
Public EU databases				4		
Other						

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

We support standardised formats and believe this is an important factor; however fast format updates must be possible due to rapid technology innovation.

To disseminate best practice and experience, industry forums with government support could be useful.

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?

We support the EBF answer.

Opening the use of personal data places a great responsibility on the customer, especially concerning consent management. It must be clear to the user/customer as to what safety requirements and regulations the supplier must comply with and if the supplier is supervised by any authority. Furthermore, rules regarding responsibilities and liabilities must be clearly defined and easily accessible to consumers.

The consumer must be sure that data is not made available in the wrong way or in any way that could harm the consumer, i.e. that existing regulations are followed, such as GDPR and the e-privacy directive.

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					5	
Cheaper traditional services for consumers/investors				4		
Efficiencies for the industry by making processes more automated (e.g. suitability test for investment services)					5	

Business opportunities for new entrants in the financial industry				4		
New opportunities for incumbent financial services firms, including through partnerships with innovative start-ups				4		
Easier access to bigger sets of data, hence facilitating development of data dependent services		2				
Enhanced access to European capital markets for retail investors				4		
Enhanced access to credit for small businesses				4		
Other						X

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

We support EBFs answer.

Customer information requires individual customer's consent. It is therefore difficult to reach bigger sets of data.

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					5	
Financial exclusion			3			
Poor consumer outcomes (e.g. unfair pricing strategies)			3			
Misuse of consumers' financial data					5	
Business confidentiality issues				4		
Increased cyber risks					5	
Lack of level playing field in terms of access to data across financial sector activities					5	
Other						

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

We support the answer from EBF.

Reputational risk for the account operator. If data is being mis-used or used in settings that the customers did not expect, there is a risk of mistrust in the financial services actors who are obliged to give out this data (even though it was the receiving end and the customer who requested it), and also in the financial industry as a whole.

There is a risk that customers who “click a box” on terms and conditions for a service do not fully understand what this would mean with regards to their data being shared and used by another actor. Noteworthy, this can still happen if data is used the way it is agreed, it may just be that the customers did not realise the effects of what he/she has agreed to.

We see many examples of this in the past. For example when a third party (prior to PSD II as regards payment initiations) asks the customer to log-in to his/hers accounts to do payments or put together a financial overview, through so-called screen scraping, the customers are usually not aware that they have opened up the full access to their internet bank to the third party. Another example is the wave of Facebook users who closed down their accounts when they realised how their Facebook-data was used and sold – though fully in line with the user agreement they had signed.

Risks as regards ML/TF concerning KYC, transaction monitoring and fraud management. Particularly when transactions go through several intermediaries e.g. PSPs. Open finance could aggravate these risks as some market players are subject to less regulation and supervisory attention.

We also see a general risk in markets with less digital maturity among authorities and users.

Furthermore, costs – to technically support to retrieve and process data from different parties involves high costs.

Question 32. In your opinion, what safeguards would be necessary to mitigate these risks?

We support the answer from EBF and emphasize the importance of applying the same principles and rules to new entrants or firms managing additional financial data as are currently applied to financial institutions.

Rules should be clear and equal for all parties in the chain, also with the same requirements on supersession on all parties.

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				4		
Consumer credit				4		
SME Credit				4		
Mortgages				4		
Retail investment products (e. g. securities accounts)				4		
Non-life insurance products (e.g. motor, home...)				4		
Life insurance products				4		
Pension products				4		
Other					5	

If you see other financial products that would benefit of an open finance policy, please specify and explain:

We support the answer from EBF (under other).

Above all, we see an opportunity for innovation in new innovative services, use cases, which do not exist today.

The key driver for the use of data should always be the users' interests and empowerment.

Question 33.1 Please explain your answer to question 33 and give examples for each category:

Examples are services around reporting, analysis support or support for decisions.

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:

We support the EBF answer.

Relevant data from different sectors holds significant potential for financial industry innovation, competition, and consumer empowerment.

We would like to refer to Internet of things, connecting data to smart devices, as a good example of data sharing.

Furthermore, a Nordic best practice, an ongoing cooperation within the governance sector.
<https://nordicsmartgovernment.org/>
(as referred to under question 14 and 26)

Any open finance service framework must find a balance and allow a fair split of the economic opportunities and costs between the data provider and the data receiver.

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					5	
Clarity on the entities covered, including potential thresholds				4		



Clarity on the way data can be technically accessed including whether data is shared in real time (e.g. standardised APIs)					5	
Clarity on how to ensure full compliance with GDPR and e-Privacy Directive requirements and need to ensure that data subjects remain in full control of their personal data					5	
Clarity on the terms and conditions under which data can be shared between financial services providers (e.g. fees)					5	
Interoperability across sectors					5	
Clarity on the way data shared will be used					5	
Introduction of mandatory data sharing beyond PSD2 in the framework of EU regulatory regime				4		

If mandatory data sharing is considered, making data available free of cost for the recipient		2				
Other					X	

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

We support the EBF answer.

Mandatory data-sharing beyond PSD2 should be pursued only on a cross sectoral level to ensure reciprocity. Moving beyond the PSD2 framework towards open finance without also taking similar action in other sectors would deepen the existing data asymmetry faced by banks and heighten the risks associated with it.

Market participants should be able to agree on adequate compensation for access to data, in order to ensure sustainable financing and fair distribution of costs for maintaining the relevant technical infrastructure.

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:

AI has the potential to contribute significant benefits in a variety of areas through increased economic growth, and solutions to environmental and social challenges. Artificial intelligence is developing rapidly and by international standards, Sweden is in the vanguard. Banks in Sweden contribute decidedly to this leading role.

The first wave of using AI technologies is already happening in the banks, in internal processes in areas such as compliance, chat bots in customer service, routine customer queries and integrated sophisticated machine learning techniques such as risk-assessments and detecting financial crime and fraud targeted at customers.

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?

We support the EBF answer on GDPR.

Creating a clearer data regulation would facilitate the sharing of important data sets between the private and the public sector. Some guidelines around data sharing would enable larger collaborations between important players in the acceleration of AI application and research. However, regulation needs to be both narrow to avoid overregulation and based on current legislation.

It is also important to remember that although anonymization of data in general is good, it can also limit the use of AI-technology. In cases such as Know Your Customer (KYC) or fraud detection and more generally financial crime prevention, where the AI system must be able to learn from meaningful data and determination of false-positives in order to accurately detect true anomalies, applying anonymisation to the training data could decrease the accuracy of the application.

The current legislation for finance covers many of the potential risks with AI systems, since they are not physical systems but rather virtual. Banks already monitor and assess systems with high to medium business impact, to ensure that any system that is deployed is monitored, validated and re-evaluated on an appropriate recurring basis (from continuous to yearly reviews).

Legal requirements should not apply to the underlying technology but to the use to which it is put. As a result, we caution against including a definition of AI in any possible future legislation. As it is a rapidly evolving field, any definition of AI cannot be future proof and would be in contradiction with the technology neutral principle.

New AI specific legislation is consequently not required.

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?

AI has the potential to contribute with significant benefits in a variety of areas through increased economic growth and solutions to environmental and social challenges.

Rule-based AIs boost productivity in internal processes in areas such as compliance. The second wave of AI is now being rolled out: chat bots in customer service, dealing with routine customer queries and integrated sophisticated machine learning techniques are growing in

significance within its general operations such as risk-assessments and most importantly, detecting financial crime and fraud targeted at customers.

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					5	
1.2. Lack of legal clarity on certain sector-specific EU rules				4		
1.3. Lack of skills to develop such models			3			
1.4. Lack of understanding from and oversight by the supervisory authorities				4		
1.5. Concentration risks			3			
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:

We support the EBF answer.

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			3			
2.2. Lack of transparency on how the outcome has been produced			3			
2.3. Lack of understanding on how the outcome has been produced				4		
2.4. Difficult to challenge a specific outcome				4		
2.5. Biases and/or exploitative profiling			3			
2.6. Financial exclusion				4		
2.7. Algorithm-based behavioural manipulation (e.g.			3			

collusion and other coordinated firm behaviour)						
2.8. Loss of privacy			3			
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:

We support the EBF answer.

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				4		
3.2. Lack of clarity in explainability requirements, which may lead to reject these models				4		

3.3. Lack of adequate coordination with other authorities (e.g. data protection)				4		
3.4. Biases			3			
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:

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		2				
New EU rules on AI for the financial sector		2				
Guidance at EU level for the financial sector			3			
Experimentation on specific AI applications under the control of competent authorities				4		

Certification of AI systems		2				
Auditing of AI systems		2				
Registration with and access to AI systems for relevant supervisory authorities		2				
Other						

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

Technology itself does not commit a crime – humans do. This principle must be maintained both in terms of a human-in-the-loop approach but also in the way AI is being regulated. Focus should be on applications rather than on the technology itself and we would recommend the adoption of a technology neutral principle.

The human-in-the-loop approach should always be ensured, so that the results of a system can always be overruled by a human. There should always be a clear responsibility for the implementation of an AI system. Even with lower risk applications there may be a need to add extra governance and compliance checks to ensure that the system does not have unintended negative societal impacts, such as restricting the integrity of citizens. However, as the AI landscape continues to evolve, the way in which aspects of human oversight is integrated into AI systems will change. As such we caution against crystalizing an exhaustive list of human oversight examples into any legislative instrument.

As with any new technology, the use of AI brings both opportunities and risks. Consequently, a risk-based approach is preferred but needs to enhance a degree of flexibility. An approach centred on prescriptive, wider regulation could hamper the adoption of this enabling technology and harm Europe's competitiveness globally.

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

(The management of regulatory monitoring, reporting, and compliance within the financial industry through technology).

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					5	
Lack of clarity regarding the interpretation of regulatory requirements (e.g. reporting)				4		
Lack of standards				4		
Lack of real time access to data from regulated institutions				4		
Lack of interactions between RegTech firms, regulated financial institutions and authorities				4		
Lack of supervisory one stop shop for RegTech within the EU				4		
Frequent changes in the applicable rules			3			
Other						

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

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				4		
Lack of trust in newly developed solutions			3			
Lack of harmonised approach to RegTech within the EU			3			
Other						

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

We support the answer of EBF.

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:

We support the answer of EBF.

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:

We support the answer of EBF.

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:

We support the EBF answer.

It is important to have an international perspective also outside the EU. To synchronize more with global initiatives around, for example standards.

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?

We support the EBF answer.

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?

We support the EBF answer.

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

It would be favourable to:

- Enable digitalisation to support the market's increased reporting efforts, making it digital and automated, where possible. In the light of the scheduled update of the EU Non-Financial Reporting Directive, approaching reporting requirements for the EU Taxonomy Regulation and the Disclosure Regulation, the burden on report preparers have increased instantaneously. Therefore, we would like the EU as policy maker to

include automatization and digitalisation into EFRAG's assignment in developing an EU Sustainable Reporting Standard. If a standard would be prepared in such a way it could be automated, that would strike two wins in one hit.

- Assess how digitalization can support an increased transparency on- and increased alignment with the EU Taxonomy for companies with economic activities covered by the Taxonomy. The work could be carried out on the EC's Platform for Sustainable Finance, planned to be established in September. If Taxonomy alignment could be measured in a digital way and automated it would likely fasten the EU action plan objective to "reorient capital flows" from unclassified to green and it would facilitate banks' assessment on assets' Taxonomy alignment. A digital policy action, and/or strategy, could very well connect to the EU Taxonomy.