

To: Mr Valdis Dombrovskis
Executive Vice-President for An Economy that Works for People
European Commission

Cc: Mr Andrea Beltramello, Member of Cabinet of Executive Vice-President Valdis Dombrovskis
Mr Jan Ceysens, Head of Unit, Digital Finance
DG FISMA

**Proposals for European Measures to Support
Digital Finance in the Post-Covid-19 Context**

Dear Executive Vice-President Dombrovskis,

The restrictions imposed in reaction to the Covid-19 pandemic are laying bare how low the actual level of digitization of economies and public administrations is despite all the available technologies. While there exist multiple digital solutions for providing financial services, many of them cannot be used at all, some cannot be deployed to their full potential or are not available in some EU member countries. The main obstacle lies in obsolete legislation. It should therefore be changed in order to enhance the availability of digital financial solutions and to empower a more secure and reliable digital world, especially in the post-Covid-19 reality.

European fintech associations, which are now in the process of uniting under the European Digital Finance Association, have recently held a consultation on potential changes to the European regulation and other policy actions in the area of financial technologies. In light of the current situation we therefore call upon the European Commission to consider taking the following measures as soon as possible:

Legislative measures

- a. Given the imminent need for using digital identification and onboarding, to harmonize the respective rules across Member States, first by means of specific guidelines and later in a legislative act.
- b. In the context of potential growth of biometric and digital authentication solutions, to increase the contactless payment limit across Member States.
- c. In order to accelerate the completion of Digital Single Market and Capital Markets Union, to ensure cross border compatibility of technology, licenses and services, by harmonising regulations and supervision up to the point that a single policy and supervisory regime exists for all digital services, including financial services.
- d. With the aim to create a true Single Market for digital financial services, to allow new entrants a universal accessibility to sandbox environments across the EU and facilitate equal supervision and market access for innovative solutions. This should be done by harmonizing the rules for financial sandboxes across member states and, in specific cases, creating dedicated sandboxes directly on the EU level.
- e. Consumers and businesses are part of a digital ecosystem that extends well beyond financial services. Current regulation and policy for open banking does not allow for universal access and control over data, as GDPR has promised. To reach the desired objective, i.e. the connectivity and control for personal and other data, the philosophy of open banking needs to be extended to other industries, with general rules across them. This would create a level playing field for all companies, and minimize the regulatory

arbitrage or advantage that incumbents or big technology firms may enjoy when providing financial services.

2. Policy measures

- a. In the context of the Covid-19 crisis and its economic impact, consumers' financial health and financial inclusion need to be enhanced by means of digital solutions, especially in rural or remote areas. In parallel, confidence in digital finance should be enhanced. For that purpose, the European Commission should issue recommendations on how open banking, based on PSD2 and GDPR legislation, can be used to improve consumers' access to money and financial services and help them make informed financial decisions, for example based on the analysis of their financial behavior, using personal finance management applications.
- b. As Member States prepare and implement recovery programmes for companies, especially SMEs, new scoring models for the assessment of a company's financial health should be developed, using data from official registers and alternative sources. Updated scoring models are necessary not only to help SMEs receive the aid they need, but also to prevent fraud and supporting companies whose weakened situation was not caused as a result of the pandemic. The European Commission should open a discussion on methodical guidelines for such scoring.
- c. As each Member State is implementing emergency financial measures and restructuring aids to support companies and SMEs, the European Commission should encourage governments to include fintech financing platforms as an alternative and efficient source of distributing financial help. It should ensure that (i) no alternative finance solution providers are discriminated against, (ii) emergency financial relief is distributed in compliance with EU regulations, and (iii) that communication on financial solutions includes the full spectrum of market participants, including fintech.

3. Financial measures

- a. Special schemes and dedicated calls under current and new EU programmes, such as Horizon 2020, Horizon Europe or Digital Europe Programme, should be established to finance the development of financial technologies. These calls should be open especially to startups and small innovative companies and for that purpose their application procedure should be less complex and their evaluation - quicker. Besides, the EU should (i) assess the success rate of post-Covid-19 measures and identify gaps or areas not covered by calls or national programmes, (ii) identify market participants excluded from the calls, such as alternative financiers, (iii) organise knowledge sharing across countries, and (iv) set out calls to fill the gaps where needed.
- b. The EUvsVirus event can be turned into an ongoing fintech hackathon, where successful ideas could be placed into European sandbox, if necessary, and supported financially from European funds. Such ongoing hackathon should be co-funded by the EU and organized with the help of local fintech hubs.
- c. The European Commission should (i) increase the amount of R&D financing for European startups and (ii) fast track the delivery of the financing e.g. by simplifying the application process.
- d. The European Commission, especially through the European Investment Fund, should support startups and high growth businesses, also by fostering more private equity investment in such companies.