Meeting with Video-call, 23 July 2020

Digital Finance

Main messages

- The Commission is planning to adopt a **new strategy for digital finance** in the coming months. We want to ensure the European financial sector embraces and drives the digital revolution in finance and that consumers benefit from it.

- We are currently reflecting about the priorities for the next 5 years and key areas of reflection include:
  - further deepening the Single Market for digital financial services;
  - promoting a data-driven financial sector while addressing its risks and ensuring a true level playing field;
  - making the EU financial services regulatory framework more innovation-friendly, and
  - enhancing the digital operational resilience of the financial system.

- The retail banking sector wants to use more ‘real world’ data about their clients. We are aware that such data would be mainly, but not exclusively, held by ‘BigTech’ online platforms.

- Furthermore, the financial sector depends increasingly on third party tech providers – such as cloud service providers – to run core banking systems.

- Data portability is crucial for the sector to avoid dependence on third party providers, stimulate innovation and ultimately mitigate concentration risks.

- To address these issues, the Commission is engaging in a number of consultations on **developing standard contractual clauses for cloud outsourcing by financial institutions**.

- We intend to harmonise further ICT risk management requirements for all financial entities, while ensuring proportionality for the various sectors. We will improve the rules to report cyber incidents to authorities, the testing framework and the supervisory oversight of critical third parties that regulated entities rely on for key services.

- In terms of other planned initiatives this year:
  - The Commission is reviewing the **Network and Information Security Directive**;
  - On **crypto assets**, we aim to table a proposal for a regulation and amend existing directives [3rd quarter of 2020].
  - We will also adopt a renewed **sustainable finance strategy** later this year, as part of the EU’s response to the financial challenges stemming from our climate and environmental targets in the context of recovery.
Defensives

What would the foreseen oversight framework for ICT third party service providers look like? Do you intend to regulate cloud providers?

- Financial entities use ICT third party service providers to outsource a large number of their activities. This may create new risks by relocating existing operational, ICT, security, governance and reputational risks to third party technology providers.

- Currently, we do not have an EU wide, coherent oversight framework for ICT third party providers when delivering their services to the financial actors. Every financial supervisor has developed its own approach.

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