

# Summary of Conclusions

17<sup>th</sup> EFIF meeting, 30 November 2023

## 1. Opening remarks by EBA, Chair of the EFIF

EBA opened the meeting by welcoming participants and thanking contributors to the Newsletter and overall the input provided on different topics.

## 2. Innovation facilitators: Update on Developments

[Presentation by EBA & tour de table](#)

EBA briefly summarized the input received from EFIF members prior to the meeting, also celebrating the large number of members that provided input, both for this meeting and throughout the year. EBA explained that 340 cases/inquiries were reported since the September 2023 meeting, which means that they have increased by 4%. Among the cases/inquiries, EBA explained that DLT/crypto-assets, payments services and open finance remain as the areas where most activity is happening on innovation facilitators. However, EBA noted that while engagement on DLT/crypto-assets is declining, there is an increase on Crowdfunding and RegTech-related queries. Regarding DLT/crypto-assets, EBA highlighted that there was an increase in engagement around crypto-asset services. EBA also showed some statistics regarding the data on cases and inquiries collected throughout 2023 at the EFIF, which sum a total of 1,267. Finally, regarding cases/inquiries linked to metaverse and Web3, the main use cases tested in sandboxes were related to digital identity and KYC checks in Web3, the use of DLT for multiple tokenization purposes, or the development of proprietary blockchains or SaaS solutions to build Web3 tools.

Discussion: Some EFIF members shared recent developments related to their national innovation facilitators, in particular with regards to the launch of new cohorts in regulatory sandboxes, the work around new legislative proposals in financial innovation-related topics and the organisation of national FinTech Fora.

## 3. Updated joint ESAs Report on innovation facilitators

[Presentation by EBA](#)

EBA thanked the drafting team for the great contributions to the joint ESAs report on innovation facilitators and debriefed EFIF members on the state of play of the approval process of the Report, presenting the key findings and recommendations included in the report and sharing the next steps. On behalf of the ESAs, EBA encouraged EFIF members to promote the Report nationally, once published.

## 4. Report on joint ESA 2023 stocktaking of BigTech direct financial services provision

### Presentation by EBA

EBA presented the core findings set out in the draft Report on joint ESA 2023 stocktaking of BigTech direct financial services provision, with the conclusion being that although no immediate need for regulatory change is identified, NCAs call for continued efforts to strengthen the monitoring on a cross-sectoral basis. EBA presented the ESAs' proposal for follow-up work, including establishing a multi-faceted monitoring matrix to be developed by the EFIF in 2024, and to continue cross-disciplinary exchanges on the topic in the setting of the EFIF. Finally, EBA proposed, on behalf of the ESAs, to present the report for discussion, and later for approval of publication, to the Joint Committee of the ESAs.

Discussion: EFIF members provided general support to the draft report, and some members proposed to extend the monitoring matrix, to the extent possible, to BigTech financial services provision outside of the EU, and to further explore the role of embedded finance in BigTech provision of financial services.

## 5. Financial Innovation Taxonomy

### Presentation by EBA

EBA presented the updated proposal for a revised EFIF Taxonomy of Financial Innovation, which aim is to support both ESAs' and EFIF Members' innovation monitoring tasks and policy-related work, building on the EFIF mapping of financial innovations that was prepared in 2022. EBA explained the ESAs anticipate that, when finalised, the updated taxonomy will be published on the EBA's, ESMA's and EIOPA's websites and that the taxonomy is aimed at supporting the ESAs in their innovation monitoring tasks and policy-related work. EFIF members will be invited to use the taxonomy of Financial Innovation on a best effort basis when reporting innovation facilitators' statistics to EFIF. Finally, EBA explained that under the revised approach, as endorsed by EFIF members in written prior to the meeting, Financial Innovations are classified in a 'matrix' form based on 1) the specific sector they belong to, 2) the high-level list of services and activities, and 3) the enabling technology(-ies).

## 6. Digital Finance Platform, new Data Hub & cross-border testing

### Presentation by European Commission

EC presented the recent updates to the EC Digital Finance Platform, its objectives and content. Additionally, EC presented the new Data Hub, which aims to serve as a point of intermediation and data exchange between FinTechs and NCAs, and to complement national innovation hubs and regulatory sandboxes. EC explained that the Data Hub is live and that the first datasets have already been synthesized.

## **7. European Blockchain Sandbox – Financial sector use cases**

Presentation by European Commission & Bird & Bird

EC presented the European Blockchain Regulatory Sandbox, an initiative of the European Commission that established a pan-European framework for regulatory dialogue focused on innovative blockchain technology solutions. Bird & Bird clarified that the sandbox will not provide a derogation from existing regulatory requirements, and explained that over 3 years the sandbox will have 3 cohorts of 20 blockchain use cases, the project selection criteria and the use cases selected for the first cohort. Bird & Bird commented that for the first cohort the Sandbox received 90 applications, with some financial sector use cases involved, and shared that the second cohort will be launched in Q1 2024. Bird & Bird explained how national authorities can participate in the sandbox.

## **8. OECD-CNB – FinTech innovation in the Czech Republic**

Presentation by Czech National Bank and OECD

CNB presented the Czech Ministry of Finance's technical support project with the OECD on supporting Fintech innovation in Czechia. OECD explained the objective of the project and its different stages, and shared the main findings of the surveys done on FinTech activities in Czechia, including on data access needs of market players and on whether a sandbox could be beneficial to support innovation. OECD commented that they analysed the gaps and barriers to innovation in the Czech ecosystem and provided policy recommendations to the Ministry. Finally, OECD presented the key design recommendations provided by the OECD to the Ministry regarding the different aspects analysed in the project, including on how to approach the set up of a regulatory sandbox and/or of a data sandbox.

## **9. CBI – Update on innovation strategy work**

Presentation by Central Bank of Ireland

CBI presented the CBI's Innovation Hub and the recently created Innovation Strategy team at CBI. The CBI has agreed on an Innovation Engagement Strategy, which builds on the work of the Hub since 2018, but aims to transform the CBI's innovation mandate to gain more insights and knowledge on market developments, promote a compliance culture in innovative companies and enhancing the engagement and dialogue with relevant stakeholders. CBI explained that in November 2023 they launched a consultation paper on the CBI's approach to innovation engagement in financial services, where they propose to further enhance the Innovation Hub, for instance launching a Digital Centre for knowledge sharing, and to establish an Innovation Sandbox Programme, to be delivered in conjunction with a third party and based on a thematic approach.

## **10. Challenges and opportunities of metaverse in financial services**

[Presentation by NTT Data](#)

NTT presented NTT Data and their work with banks and public organisations and presented the topic of the Metaverse as “the next big thing that doesn’t exist yet”. NTT explained the different technologies that connect the physical and digital worlds and help the emergence of the metaverse, and pointed to the factors that limit its mass adoption. NTT presented some use cases where the banking industry is using or testing with metaverses, reflected on the open questions that remain with metaverses in relation to legal, governance and technical issues, and commented on the main challenges ahead for the regulation of banking in the metaverse.

## **11. European Commission – Initiatives on Virtual Worlds**

[Presentation by European Commission](#)

EC presented the Commission’s initiatives in relation to virtual worlds, explaining the differences between terms such as digital twins, extended reality or virtual reality, and sharing the Commission’s estimations for growth and impact of the markets around virtual worlds. EC explained the Commission’s Communication on Virtual Worlds, which launched the framework that aims to facilitate the monitoring of developments in virtual worlds and supports the uptake of virtual worlds in industry. Finally, EC explained the Commission’s initiatives to facilitate the rise of innovative cooperation and enterprise models, such as DAOs.

## **12. RegTech: Metaverse Architects**

[Presentation by Metaverse Architects](#)

Metaverse Architects presented on the opportunities in the metaverse for banking services providers, and the hardware capabilities required to access and interact with the metaverse. Metaverse Architects commented on the banking partners that Metaverse Architects has worked with, and explained the type and approach of the work they have done with those partners, focusing on the tools and skills required. Metaverse Architects finished this presentation by sharing some considerations on the EBA’s potential role in the metaverse.

## **13. BPI – Strategy for Web3.0 and Metaverse**

[Presentation by BPI](#)

BPI presented BPI’s strategy for the Web 3.0 and Metaverse, explaining, in particular, the practical use cases of products and services that BPI is already offering their customers. BPI’s Virtual Reality allows the bank to use virtual reality hardware to offer customers access to a virtual branch of the bank, consult information about BPI’s products, contact their branch manager, or play games. Additionally, BPI explained that the bank has set up a digital collectibles marketplace based on DLT, called D-Verse, in which BPI customers (only) can purchase and sell NFTs that represent art (with additional types of assets to come in the future).

## **14. EFIF Work Programme for 2024**

### Presentation by EIOPA

EIOPA presented the ESA's proposal for the EFIF Work Programme for 2024, which proposes “an evolution, rather than a revolution”, with a focus on implementing the recommendations and considerations included in the Joint ESAs Report on innovation facilitators and identified follow-up work on the Joint ESAs Report on BigTech direct provision of financial services.

## **11. Closing remarks and next steps**

EBA (Chair) closed the meeting by thanking all the members and contributors for their active participation and congratulating the EBA team for the good coordination and Chairing of the EFIF throughout 2023.