

European Forum for Innovation Facilitators (EFIF)

Summary of the December 2020 meeting¹

Opening remarks

Tim Shakesby, Chair of the EFIF, welcomed members and observers to the event.

Referring to the core objectives of the EFIF,² the December EFIF event enabled members and observers to:

- learn about developments in the design and operation of innovation facilitators across the EU;
- exchange views with some third country financial authorities about innovation facilitator related initiatives and about digitalisation related topics in more general;
- hear from European Commission staff about the EU Digital Finance Platform and exchange views about its potential features and implementation;
- hear from the dedicated EFIF project team created in November 2020 on the progress in developing the cross border testing framework.

Innovation facilitators: Developments

Members provided an update on:

- the latest developments in operation of their innovation hubs and regulatory sandboxes since the October 2020 event; and
- progress in the establishment of innovation hubs and regulatory sandboxes in cases where such initiatives are ongoing (e.g. public consultations, progress of legislative measures etc.).

¹ Format: conference call hosted by EIOPA.

² See the Terms of Reference: <https://esas-joint-committee.europa.eu/Pages/Activities/EFIF/European-Forum-for-Innovation-Facilitators.aspx>

The majority of members did not report significant changes and updates in the functioning of their innovation facilitators, while some members updated on the following developments:

- one member noted that their innovation hub was launched on 3rd December;
- one member reported that they plan to launch a regulatory sandbox in April 2021;
- another member announced that they plan to launch a regulatory sandbox in the second half of 2021/first half of 2022 and that the necessary legislative and organisational changes are ongoing;
- another member noted that a draft bill, which provides the basis for the setup of a regulatory sandbox, passed into law on 5 November 2020;
- one member noted that the number of requests received via its innovation hub increased by 50% in 2020 compared to the previous year and that the most popular request categories were 'Payments' and 'RegTech';
- another member noted that enquiries to its innovation hub in 2020 show a strong focus for firms on data-driven finance and that crypto assets are gradually becoming more integrated into mainstream financial services;
- another member reported that a third edition of its innovation hub will be launched in January 2021 in the same format as the previous edition and that a final report summarising the main figures and conclusions of the second edition has been published;
- another member reported that the first cohort of regulatory sandbox projects is about to close in early 2021 and that a new application window is already open and will close on 22 January 2021 with the aim of taking up two sandbox projects in Q1/Q2 2021;
- another member reported that its innovation hub has hosted multiple virtual engagements in partnership with other innovation hubs around the country, reaching out almost 100 start-ups and stakeholders.

Gathering views from third country authorities

Representatives of the Australian Securities and Investments Commission (ASIC) and the Monetary Authority of Singapore (MAS) provided an overview of their respective approaches to financial innovation with a particular emphasis on recent innovation facilitator initiatives in their home markets.

Besides sharing with members some insights about the working principles of its Innovation Hub, ASIC, as Australia's corporate, markets, financial services and consumer credit regulator, outlined the concept of the Australian Government's Enhanced Regulatory Sandbox (ERS).³ The ERS was launched on 1 September 2020 and supersedes the previous regulatory sandbox administered by ASIC. It aims to facilitate financial innovation in Australia by allowing natural persons and businesses to test certain innovative financial services or credit activities without first having to obtain an Australian financial services or credit licence. Compared to the previous regulatory sandbox, the ERS allows testing of a broader range of financial services and credit activities for a longer duration (up to 24 months).

MAS, Singapore's central bank, shared with members their vision of a smart financial centre in Singapore where innovation in financial services is pervasive and technology is used widely to increase efficiency, better manage risks, create new opportunities and improve people's lives. In order to achieve this goal, MAS has launched several initiatives in the field of financial innovation such as the MAS regulatory sandbox, which is complemented by the so called Sandbox Express.⁴ Sandbox Express provides firms with a faster option to test certain innovative financial products and services in the Singaporean market. Eligible applicants are allowed to commence market testing in a pre-defined environment within 21 days of applying to MAS.

Presentations:

- Mark Adams, Senior Executive Leader, Strategic Intelligence and Co-Ordinator, Innovation Hub, Australian Securities and Investments Commission
- Ken Chua, Deputy Director, FinTech and Innovation Group, Monetary Authority of Singapore

³ More information about the enhanced regulatory sandbox (ERS) by ASIC is available at <https://asic.gov.au/for-business/innovation-hub/enhanced-regulatory-sandbox/>.

⁴ More information about the MAS Sandbox Express is available at <https://www.mas.gov.sg/development/fintech/sandbox-express>.

EU Digital Finance Platform

The European Commission (EC) adopted the digital finance package on 24 September 2020⁵, including the digital finance strategy and legislative proposals on crypto-assets and digital resilience.

The Digital Finance Strategy sets out general lines on how the EU can support the digital transformation of finance in the coming years and prescribes that the Commission, in cooperation with EFIF, will establish a new EU digital finance platform.

In relation to this provision and as a follow up to the discussion in the October EFIF event, EC staff presented their initial plan of establishing the EU digital finance platform in cooperation with the European Supervisory Authorities (ESAs) and EFIF. The purpose of this presentation and of its supporting note was to gather feedback from members on the features and the implementation of the EU digital finance platform as one of the key priorities of the Digital Finance Strategy.

The EC explained that the establishment of the EU digital finance platform aims to address the long-standing requests from firms to create a single entry point into the EU Single Market and to facilitate the exchange between firms and public authorities across the EU on an ongoing basis. It builds on the outcomes of the Digital Finance Outreach events held by the EC in 2020 and takes inspiration from projects in other sectors and other jurisdictions.

The EC developed in their presentation that apart from being a channel to interact online and on an ongoing basis with the digital finance ecosystem, the EU digital finance platform could also offer an interface to the EFIF and to national innovation facilitators. Going forward, it could be complemented by a data hub for testing purposes, which could give access to selected sets of anonymised datasets in order to develop new, innovative projects and solutions.

Further discussions about this topic will follow in subsequent EFIF events.

⁵ https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en

EFIF Project Team on cross-border testing: Update on developments

EIOPA staff provided an overview about the progress of the dedicated EFIF project team⁶ in developing a procedural framework for cross border testing for the EU.

In particular, EIOPA staff presented the results of a short survey conducted among the EFIF members in the weeks preceding the EFIF meeting. The survey was developed by project team members, in close cooperation with the ESAs. The objective of this survey was to take stock of existing and envisaged regulatory sandboxes, to gain a better understanding of and compare their functioning across the EU. It has been designed in a way to support the project team in its task to develop a procedural framework for cross-border testing. All EFIF Members, who either have a regulatory sandbox in place, or are considering or in the process of setting one up were invited to participate in the survey.

The project team will continue its work in 2021 and draft the procedural framework for launching cross-border testing aiming to deliver it by mid-2021. It was agreed that the project team will update members about the progress of its work on a regular basis.

AOB

At the October 2020 EFIF event, members received presentations from market participants about ‘RegTech’ and exchanged views on this highly relevant topic. As a follow up to this initial discussion and because ‘RegTech’ is one of the EBA’s key topics for 2020/21, EBA staff presented their plan to launch a short RegTech survey amongst EFIF members in January 2021. It was agreed that the results of this survey will be shared with members as soon as they are available.

EC staff touched upon the EU Recovery and Resilience Facility (RRF), which is aimed at supporting reforms and investments undertaken by Member States. Besides mitigating the economic and social impact of the COVID-19 pandemic, the RRF is supposed to make European economies more resilient and better

⁶ The team was launched in November 2020 and includes a number of EFIF Members.

prepared for the challenges and opportunities that come with digitalisation and might therefore also be of relevance for EFIF members.⁷

⁷ More information about the EU Recovery and Resilience Facility is available at https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en.