

# Summary of Conclusions

## EFIF conference call, October 2021

### 1. Opening remarks by ESMA

ESMA as a Chair of the EFIF opened the meeting by highlighting that both regulators and innovators increasingly recognize the benefits of innovation hubs and regulatory sandboxes in spurring innovation while keeping alert to emerging risks. The Chair stressed that the EFIF is a unique forum in Europe providing opportunity to hubs and sandboxes to exchange their experiences, develop convergence approach in treatment of innovators and thus contribute to scaling up of innovation in Europe. He also stressed that the work of the EFIF is particularly important in the context of the challenges posed by digitalisation in finance and evolving regulatory environment (MICA, DORA, DLT Pilot, AI, DMA and DSA, etc) The Chair outlined the priorities of the EFIF work programme for the upcoming year. ESMA thanked the EBA and EIOPA for effective cooperation since the establishment of the EFIF in 2019.

### 2. Innovation facilitators: Update on Developments

Based on the input provided before the call, the EFIF Members informed on 1) the developments in the design and operation of their innovation facilitator(s) (e.g. plans regarding a sandbox, changes in staff, performance assessments, etc); and on 2) the innovative products identified through hubs and sandboxes (the number of requests/firms received, the distribution of such requests across innovations, specific cases to share, etc.).

Main interventions: most EFIF members updated on the developments in their jurisdiction through “a tour de table”.

Discussion: Main topics discussed were the increase in requests related to Non-Fungible Tokens (NFTs) and AI – related projects. Several EFIF members mentioned queries related to crypto-assets, DLT technologies, payment services, RegTech, biometrics, robo advice. Many highlighted that with the Crowdfunding Regulation - (EU) 2020/1503 coming into effect, they observed increased interest from potential crowdfunding service providers. Several EFIF members highlighted that a growing number of their activities raise concerns requiring cooperation with data protection authorities, treasury, AML authorities. Cross-sectoral cooperation becomes a common practice. Some participants (e.g. CBol) observed an increased number of queries related to ESG investing and innovation. The GFIN cross-border testing was also mentioned.

### 3. RegTech

The discussion under this agenda item included an open and closed sessions. In the open session two use cases from the industry were presented and in the closed session the EFIF members discussed RegTech innovations identified in their innovation facilitators; reflected on regulatory and supervisory issues, potential solutions and reaching common views on the appropriate regulatory and supervisory response.

- **Presentation by Buncak Saykam, Director Client Relationships, and Daniel Muench, Business Adviser Emerging Technologies at [BearingPoint](#)**

The presentation focused on explaining what their Regnology solution is, on the challenges with its application, on how FIs can efficiently send accurate data in regulated markets and can benefit from the technology.

- **Presentation by Patricia Torres, Head of Sustainable Finance Solutions at Bloomberg**

Bloomberg presented their sustainable finance RegTech solutions, highlighted challenges in the current environment (e.g. lack of a global framework, weak tie between financial and sustainability information) and how regulators can drive positive change.

*Discussion:* The EFIF members asked the presenters questions related to the collection and interpretation of data, the provision of RegTech services to retail investors and to small start-ups, their market share and the RegTech solutions they provide to FIs. To the question on their use of hubs and sandboxes, the presenters responded that they have not yet addressed national hubs or sandboxes, but they are informed about these initiatives. In the closed session the EFIF members reflected about the data standardisation needs (including the standardisation of data on supervisory contact points). The question on overall strategy re RegTech was also raised and how the role of the regulators/supervisors should evolve. The EC reminded of the unfolding initiatives aiming to address the data standardisation issues (the Single Access Point, Data Strategy).

## 4. DLT pilot regime and innovation facilitators

### — Presentation by DG FISMA

The EC gave an update on 1) the legislative process of the [DLT pilot regime](#) proposal. The Commission is looking into ways to promote the pilot and asked EFIF members to provide input and ideas on how they intend to promote the pilot at the level of the NCAs and market participants.

*Discussion:* Main ideas discussed included: the EU's supervisory digital finance academy to inform NCAs about the pilot regime; sharing links on the innovation hub websites, organising EU-focused events, and using proactive outreach to potential projects that may be well suited to experiment with the sandboxes. Discussion also focused on the role of the EFIF in ensuring harmonization or reciprocal approaches to innovation hubs and sandboxes across jurisdictions.

## 5. AI and sandboxes (Art. 53-55 of the EC's AI Proposal)

### — Presentation by DG CNECT

The EC (CNECT) presented the EC's proposal ([Artificial Intelligence Act](#)) for a regulation to harmonize rules for artificial intelligence technology. The presenter specifically focused on the rationale for Regulatory sandboxes in the AI proposal. Articles 53-55 of the proposal would allow for 1) the establishment of AI-focused sandboxes by relevant member state competent authorities (or the European Data Protection Supervisor) and 2) the creation of a common framework for AI sandboxes across Europe and 3) specific measures for small-scale providers and users.

*Discussion:* Main issues discussed included the lack of visibility of the negotiations related to this horizontal proposal in the EP and the Council; consistency between the proposed AI framework and the existing regulatory sandboxes in the financial sector. Several interventions focused on the risk level designations, including whether high-risk for credit-scoring would apply to both natural and legal persons, or if there were other financial AI activities that would fall into another risk level (i.e. use of biometric data in insurance policies). The EC clarified that the EU proposal only sets minimum requirements that would not obstruct current national member state laws or sectorial legislations. In addition, the EU is working with standard setting organisations to establish clear standards that could be adopted in member states. There are no envisioned changes to financial services legislation as a consequence of the Act at this stage.

## 6. ESAs Digital Finance Advice: progress update and EFIF

### — Presentation by ESMA

ESMA provided an update on the progress of the ESA's joint technical advice on digital finance as well as preliminary recommendations focusing on several recommendations related to the role of the EFIF in delivering on the challenges posed by digitalisation.

*Discussion:* Several participants suggested to invite to the EFIF meetings (as permanent observers) representatives from all relevant sectoral authorities (as allowed by the EFIF ToR). This view was not shared by all (due to a complex experience that some sandboxes had in establishing such cooperation). More information about global initiatives was also mentioned (e.g., FSB workstreams related to BigTech).

## 7. Procedural framework for cross-border testing

### — Presentation by EIOPA and ESMA

EIOPA presented an update on the final version of the framework prepared by the EFIF project team on cross-border testing (submitted for the 8 October JC meeting). ESMA also presented on proposals to implement the framework which may involve a survey to collect evidence on the potential participants to a cross-border innovation hub testing regime.

*Discussion:* The discussion focused on the potential challenges related to sharing firm level information (because of privacy concerns). One NCA noted there is more enthusiasm among applicants for the cross-border initiative compared to national level sandboxes.