

ERFF Consensus Paper – Digitalisation

The European Retail Financial Forum (ERFF) is a pan-European forum bringing together around one table consumers, business and policymakers to support the opening up of retail financial markets in Europe. Representing all aspects of the retail sector - traditional, wider investment and digital - we are citizens-focused, favour removing key barriers and increasing choice and transparency for all customers across borders in ways that keep Europe competitive.

ERFF believes that digitalisation is one of the key issues facing the retail financial services industry. Consequently, we welcome the focus on digitalisation in the European Commission's Green Paper on retail financial services and in the Commission's Action Plan. We also welcome MEP Ludvigsson's draft Report which distinguishes between short- and long-term achievements.

Nonetheless, in our view, the following significant barriers remain to be addressed:

1) eIDAS and digital onboarding

Firstly, while we acknowledge the value of the new eIDAS regulation (in force since 1 July 2016), we regret that mutual recognition of eIDs among Member States covers only the public sector. We would welcome governments across the EU making the use of digital identities available to the private sector. Moreover, in addition to eIDAS eID, we call for the full range of current technological techniques (e.g. video identification) to be accepted as support for digital onboarding of customers. Indeed, we believe that eID should be seen as equivalent to face-to-face due diligence checks undertaken by financial institutions, as proposed for eIDAS eIDs under the proposal for a review of the 4th Anti-Money Laundering Directive.

Unfortunately, the current situation does not support these objectives. The new eIDAS regulation leaves the decision on whether and how the private sector can use e-Identification to the Member States. It is not clear how far individual governments will apply additional legislation, but there are examples where a desire for extra security is detrimental to consumers. For instance, Germany introduced BaFin-approved video identification in 2014. Since June 2016 however, the German supervisor has added further security measures which now limit the usefulness of video for remote customer identification. We consider this a big step backwards in digitising the banking industry. The relevant circular has been stalled in the meantime to find a new binding regulation in line with the implementation of the 4th AMLD. However, it remains unclear whether the video identification will only be an option for natural persons or for legal persons as well. A clarification will be needed.

A seamless Europe-wide solution for eSignatures would help to digitalise retail financial services and make on-boarding processes far more consumer-friendly. Users would be able to port and share key information about themselves cross-border, while banks would have confidence that a customer is who they say they are. Acceptance of new techniques would also facilitate on-boarding for FinTechs, who are increasingly dependent on existing, established banks for customer due diligence processes. Such acceptance would thus speed up the digitalisation of the banking sector as a whole.

We would also support expansion of eIDAS to offer trust services and interoperability to capture a broader range of customer information, including Know Your Customer (KYC) data, credit data and fraud markers. This would better enable financial institutions to meet anti-money laundering requirements and help to assess whether customers meet their product entitlement criteria, in turn providing easier consumer access to distance credit.

2) Digital documentation

In a digital market, communication with customers would ideally also be digital. However, the current legal framework does not allow for this for some documentation.

For example, some European legislation is worded in a way that requires pre-contractual information to be made available in a durable medium.

Conversely the revised Payment Services Directive (PSD) states that information should be made available in a durable medium upon request. We believe this should be sufficient in all cases, and would support service providers' ability to implement a single digital delivery channel solution.

Therefore, we would welcome a review of European legislation (e.g. Distance Marketing of Financial Services Directive, Consumer Credit Directive) to ensure it permits communication with customers via digital/ paperless channels.

In addition, as long as there is no seamless eSignature system in place, service providers must still provide paper documents for signature purposes.

3) Open banking standards

Building on the data sharing provision of revised Directive on Payment Services (PSD2), the UK Government has formed an Open Banking Working Group to develop a set of open API standards for how data is accessed and shared between banks and Third Party Providers (TPPs).

We believe that common security standards like these would make it easier for banks to verify whether TPPs have appropriate security safeguards in place before allowing them to access customer data. This would enable the innovative and competitive benefits of the revised Directive on Payment Services (PSD2) to be realised without the risk of fraud for customers, which is crucial to the long-term success of open banking.

In conclusion, given the various concerns stated above, we would welcome a review of the existing regulatory framework to enable full digitalisation in the EU retail financial services market.

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