

# Summary of Conclusions

18<sup>th</sup> EFIF conference call, 16 May 2024

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<b>Date</b>	16 May 2024
<b>TSe</b>	09.30-15.45 (CEST)
<b>Location</b>	Online meeting (Microsoft Teams)
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## 1. Opening remarks by EIOPA, Chair of the EFIF

EIOPA opened the meeting by welcoming the participants and explained that the meeting structure follows a similar format to the previous meeting. The morning sessions will include the regular tour de table and other standing items, while the afternoon will be dedicated to a thematic focus area, which today is DeFi, with three presentations on this subject.

## 2. Innovation facilitators: Update on developments

### Presentation by EIOPA & tour de table

EIOPA thanked everyone for their contributions to the preparatory survey. EIOPA then proceeded by briefly summarising the input received from EFIF members. EIOPA explained that a total of 140 enquiries have been reported by members since the February meeting, indicating a decreasing trend that appears to be continuing. This decrease will be monitored closely looking ahead.

### Tour de table:

Some EFIF members shared recent developments related to their national innovation facilitators, including updates on sandbox projects and other related activities. Despite the decreasing general trend, industry interest in innovation facilitators varies across Member States. While some members reported limited activity, others noted an increase, which may be attributed to actions taken by the authority (e.g. publication of consultation papers and the revision of the industry engagement process). Other members acknowledged a decreasing trend but highlighted an improvement in the quality of projects and enquiries received. As for the main use cases reported, crypto assets dominate, followed by payments and investment services related use cases. In terms of enabling technologies, digital and online platforms are the most frequently mentioned, followed by DLT, Big Data, AI, and APIs.

## 3. Cross-sectoral use cases and regulatory impacts

### Presenter: Banca d'Italia

In the first part of the presentation, Banca d'Italia described two projects analysed in the Sandbox, both related to remote customer onboarding. Banca d'Italia explained each project and associated regulatory issues identified in each case. Banca d'Italia then presented one project selected within the second call for proposals from the Milano Hub, which focused on DLT-based technology in the financial sector. The presentation included an overview of the project, which concerned

Decentralized Autonomous Organizations (DAOs), and the analysis of technical challenges and regulatory uncertainties identified.

#### Discussion

EIOPA highlighted that the discussion on DAOs could prompt further work.

## **4. Follow-up to EFIF Report on BigTechs: Introduction to the work on BigTech performed by the European Data Protection Board (EDPB)**

Presenter European Data Protection Board (EDPB)

The EDPB provided an overview of its role, functioning, and tasks. The EDPB also presented its work in relation to the financial sector and the compliance of BigTech companies with the GDPR. Finally, EDPB initiatives were presented which are considered particularly relevant in a BigTech context. Related to that, the EDPB provided further details on a specific recent opinion on "consent or pay" which has had a significant impact on large online platforms, as well as other guidelines and recommendations relevant to BigTech companies.

#### Discussion

EIOPA emphasised the interactions and synergies with the EDPB's work and stressed the necessity to enhance cooperation, especially considering the increasingly data-driven markets.

Members showed interest in the work of the EDPB and asked the EDPB to further elaborate on some of its initiatives, in particular as regards the opinion on *consent or pay*.

## **5. BigTech Monitoring Framework: Discussion**

Presenter: EBA

The EBA introduced an initial proposal for a monitoring matrix for BigTech companies, developed as a follow-up to the *Joint ESAs stocktaking report on BigTech's direct provision of financial services* (February 2024). This monitoring matrix is designed to enhance the oversight of BigTech companies across the financial sector. Members were asked to share their feedback through a written procedure on the proposal, which will subsequently be reviewed and discussed at the next EFIF meeting.

## **6. Update: EU Digital Finance Platform**

Presenter: European Commission - DG FISMA

DG FISMA provided an update on the current status of the EU Data Hub as part of the EU Digital Finance Platform. DG FISMA explained that the data hub provides participating firms with access to synthetic supervisory data for the purpose of testing new solutions and of training AI/ML models. DG FISMA then elaborated on the process to collect and synthesise supervisors data to be transferred to the data hub.

DG FISMA also explained that in order to better understand which data that the market is looking for, DG FISMA issued two calls for proposals, one in March 2023 and the other one in April 2024. Last year's focus was on CWA and fraud detection. The report on the second call for proposals will be available soon.

## **7. Update: Workshop series on AI**

## Presentation by European Commission - DG FISMA and EIOPA

DG FISMA explained that the objectives of the AI workshops is to gather more information on market developments, facilitate interactions between the industry and NCAs, and raise awareness about existing challenges. EIOPA presented the timeline of the initiative, which includes a call for interest to be published in the coming weeks. The aim is to organise three workshops in Q4 2024. EFIF members will be updated at the 19 September EFIF meeting.

## 8. Latest market developments in decentralised finance

### Presentation by Gartner

Gartner provided an overview of DeFi with the aim of highlighting its potential benefits for the financial industry. The presentation started with an emphasis on the progress made in the financial sector through experience with programmable money and tokenization. Then Gartner provided an overview of the DeFi market and its interlinkages with the traditional market, outlining the key roles and opportunities which DeFi brings for financial services (e.g. custodial solutions, DeFi coverage, collateral management, settlement capabilities, and advisory services). Next, Gartner highlighted the significant progress made by the financial services industry in tokenization, citing some ongoing projects. Finally, Gartner reflected on how to prepare for the future of DeFi, emphasising the need to facilitate and coordinate new forms of value exchange within DeFi ecosystems.

## 9. Why Decentralised Finance matters and the policy implications

### Presentation by OECD

The OECD started its presentation by providing an overview of the various reports it has published on DeFi since 2019. Then the OECD presented the theoretical characteristics of DeFi (e.g. composability, which makes it complex for supervisors to oversee DeFi) and indicated that, in practice, DeFi is not fully decentralised, with decentralization existing on a spectrum from highly decentralised to centralised. The OECD then discussed the theoretical benefits of DeFi, such as automatisation, increased transparency and reduced concentration. The OECD also explained sources of concern, citing the rapid growth in DeFi since summer 2020, increased professional investor appetite, and discussed emerging risks associated to DeFi (e.g. difficulty in identifying responsibility and accountability, especially in fully automated systems; complexity which makes it challenging for investors and consumers to understand). Finally, the OECD indicated that despite all the risks mentioned, there are valid mechanisms and applications that can be implemented in traditional finance.

## 10. Etherisc: Decentralized insurance protocol

### Presentation Etherisc

Etherisc is a blockchain project initiated in 2016. Etherisc does not build insurance products itself, but facilitates their clients in doing so. According to Etherisc, their framework enables the implementation of the insurance value chain in smart contracts using blockchain technology. To showcase how it works, Etherisc presented the example of parametric climate insurance, which involves executing the entire product process on-chain, with payments automatically activating policies. After the season, losses are calculated based on data collected (such as rainfall), and the average loss is paid to each insured person. Etherisc primarily focuses on parametric products, but explained that it could also expand to other product types. Everything is operated on-chain, in a decentralised and auditable manner. Tokens are required for participation, creating an ecosystem

with a fixed token supply. According to Etheristic, their model reduces legal costs, as technical guarantees eliminate the need for legal guarantees. Etherisc sees significant potential for DeFi in developing countries, where there is a broad uninsured market.

## 11. Closing remarks

EIOPA closed the meeting by thanking all the members and speakers for their active participation, adding that the next meeting is scheduled for 19 September and will be held online.