

# Summary of Conclusions

16<sup>th</sup> EFIF conference call, 21 September 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. EBA explained that 327 cases/inquiries were reported since the May 2023 meeting, what means that they have decreased by 7%, which may correspond partly to the fact it captures the summer period. Among the cases/inquiries, EBA explained that DLT/crypto-assets, payments services and open finance remain the areas where most activity is happening on innovation facilitators. However, EBA noted that while activity on payments is reducing, there is an increase on GreenTech-related queries. Regarding DLT/crypto-assets, EBA highlighted that there was an increase in DeFi and the DLT Pilot Regime queries, in detriment of issuance of stablecoins and crypto-asset services. Regarding cases/inquiries linked to crypto-based services outside of the scope of MiCAR, the main use cases tested in sandboxes were related to staking and lending, asset tokenization, and on tokenization of financial instruments and investment services.

Discussion: Some EFIF members shared recent developments related to their national innovation facilitators, in particular with regards to the publication of reports on the activity of innovation hubs and regulatory sandboxes and shared whether interest in hubs and sandboxes has increased or reduced in their jurisdictions. One member shared that it has launched a new regulatory sandbox, another shared that it has put in place a new Innovation Strategy Team, which is part of a significant change internally at the authority, and another informed that it has established a new Crypto-Asset and Innovations Section.

## 3. Cross-sectoral mapping of innovative distribution of financial services by MAGs

[Presentation by EBA](#)

EBA presented the preliminary results of the survey on MAGs, and explained that compared to the previous EBA survey issued in June 2021, there have not been significant changes. EBA also shared the suggestions received related to supervision and regulatory issues related to the innovative distribution of financial services by MAGs.

## 4. Updated joint ESAs Report on innovation facilitators

### Presentation by EBA

EBA presented the key findings and considerations included in the draft report for EFIF members' discussion. EFIF members were invited to comment if they, in principle, agree with the analysis or if there were any significant points missing or worth highlighting. In addition, EFIF members were invited to comment on the considerations to the NCAs, ESAs and EC (Chapter 5) and observed practices (Annex 1).

Discussion: EFIF members provided general support to the draft report, including to the considerations directed towards the ESAs, the Commission and the NCAs, and some members anticipated that they would share with the drafting team certain specific amendments or editorial changes to the report. EBA announced that written comments were invited by 29 September.

## 5. EFIF Innovation Taxonomy

### Presentation by EBA

EBA presented the proposal for the EFIF mapping of financial innovations, which introduces a conceptually revised approach to map financial innovation in a matrix form, based not only on 1) the specific sector they belong to and 2) category of activity, but also in terms of 3) enabling technology. EFIF members were invited to comment on the proposed approach and the activities and/or enabling technologies to be included in the mapping or dropped.

Discussion: EFIF members overall expressed full support for the initiative, but provided suggestions to EBA to improve the design and future usability of the taxonomy. EFIF members were invited to provide written comments and suggest any activities and enabling technologies (including with suggested definitions) to be added into or dropped from the mapping by 29 September.

## 6. Innovative crypto-based use cases

### Presentation by GBBC Digital Finance

GBBC GDF described the biggest areas of innovation related to digital assets and DLT outside of the scope of MiCAR, highlighting that many innovations in the area are expected to fall within MiCAR, as entities will aim to comply with it, that the fundamental use case for global blockchain networks is to function as a trusted settlement layer, that DLT is increasingly being used as a way to implement measurement, reporting and verification frameworks that help scale environmental markets, and that DeFi is expected to be one of the main areas of innovation in the field. GBBC pointed to DeFi payments as the current main use case of DeFi, although DeFi has higher potential in borrowing and lending activities. Going forward they observe diverse use cases in DeFi, including tangible real-world assets on chain, intangible real-world assets represented on chain, or on-chain only assets. Regarding staking and lending within DeFi, GBBC raised questions on whether current policies are encouraging or discouraging the role of validators and shared some specific use cases related to digital assets and DLT. Finally, GBBC argued that, to support and encourage further innovation in the area, regulators should continue working towards legal certainty and regulatory clarity, support efforts towards interoperability, and further collaborate with the private sector, mainly on scalability, cybersecurity and regulatory compliance.

## 7. Clearing services for futures linked to crypto-assets

Presentation by CNMV

CNMV informed about their authorization of BME Clearing's initiative to clear crypto index futures. CNMV explained that BME Clearing is an EMIR-licensed CCP, whose clearing members are regulated firms, which introduces an additional layer of security for investors in crypto-assets. In this context, BME Clearing has created a new 'Digital Assets Derivatives segment' for the new clearing services, which will include futures settled in USD based on BTC and ETH indexes, traded in MTFs and with reference prices provided by CoinDesk. CNMV shared that the authorisation process for this new service underwent through the regulated EMIR-based process for the extension of new activities and services of CCPs, and that this process was extended from usual timeframes, due to the innovative nature of the service.

## 8. DeFi crypto-payments at the Point of Interaction (PoI)

Presentation by Banka Slovenije (BSI)

BSI shared their experience with payment services providers experimenting with the move from CeFi to DeFi. They referred to an example of a company with multiple CeFi crypto payment services at the moment, but which is experimenting with introducing elements of decentralisation into its services. BSI describe DeFi payments as the payments and settlements that are undertaken in any currency via Web3 payment channels, 'blockchain brokers' or via payment cards or loyalty cards, the common element of those channels being that they also require smart contracts support, facilitate integrations through APIs, and allow the companies to be part of a broader DeFi ecosystem. However, BSI also shared that while there are no reasons to expect a move of all CeFi payment services to DeFi, there remain open questions around the level of decentralisation that traditionally centralised payment solutions can reach, the cybersecurity risks they will entail, and, ultimately, the rate of adoption of those services by customers.

## 9. Tokenise Europe 2025

Presentation by BankenVerband (BV)

BV gave an introduction on the transition to a digital economy and to an industry 4.0, on which blockchain technology is expected to be a success factor. BV argued that it is necessary to sensitize society and the economy to foster a European token economy, and that this should be done not only via a supportive legal framework, but also via strong public initiatives on areas like digital currencies and digital identities. BV explained that the Tokenise Europe 2025 report ([link](#)) aimed at raising the attention of regulators and the public to foster those efforts on building a token economy, and to identify answers on a set of aspects that reflect on how the European economy could benefit from tokenisation. BV shared that they observe significant interest from industry companies and banks on contributing to a European token economy; with banks in particular being supportive of the research around 'commercial bank money tokens' as a new form of money that would support large industry clients. Ultimately, BV reminded that the shift to such an economy may entail risks as well, including the risk of becoming externally controlled, due to technology dependencies, or the risk of slow or limited adoption of innovations due to cultural resistance to technology changes.

## 10. RegTech: tokenisation use cases in the financial sector

### Presentation by Onyze

Onyze shared that it has twice undergone through the Spanish regulatory sandbox; first to test the custody and tokenization of shares units in a mutual fund on a permissioned DLT, and then to test the creation of a DeFi hedge fund. Regarding the latter, Onyze shared that the DeFi-based investment vehicle created by Onyze together with Imantia Capital (regulated investment fund), represents the first time in the EU that a fund tests the investment with stablecoins in decentralized protocols. Onyze explained the different stages of the experiments undertaken in the context of the sandbox, which included the subscriptions of shares and purchasing of stablecoins, after running KYC checks on investors and screening the liquidity pools and addresses of DeFi protocols, the execution of the investment strategy, by using Web3 tools to monitor daily open positions, and the final reimbursements and closing of the fund. Onyze concluded by highlighting that the experiments in the sandbox have proven to be a success, allowing Onyze to further understand the requirements that such a fund would need to comply with, that the use of Web3 tools, though in early stages, proved that there are more innovative tools than those currently used by financial institutions, and that decentralized lending provides a window of opportunity to explore lending as an investment approach.

## 11. Closing remarks and next steps

EBA closed the meeting by thanking all the members and contributors for their active participation, adding that the next meeting is planned for 30 November 2023.