

Ref; Europe's digital decade: 2030 digital targets

Link: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12900-Europe-s-digital-decade-2030-digital-targets>

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## BETTER FINANCE Feedback on Europe's digital decade: 2030 digital targets

### *About BETTER FINANCE*

*BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at the European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances. It is the one and only European-level organisation solely dedicated to the representation of individual investors, savers and other financial services users.*

*BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other stakeholders who are independent from the financial industry, it has the best interests of all European citizens at heart. As such its activities are supported by the European Union since 2012.*

The Covid-19 crisis showed how digitalization can play a useful role for consumers and businesses. However, digitalization and new emerging technological trends do not come without risks, scams and fraud. This rapid digital transformation accelerated by the pandemic requires to shape the 2030 digital targets by putting people and the public interest back at the centre of these fundamental changes. Therefore, the EU digital decade agenda should be committed to provide polices and regulations based on fundamental rights and principles that ensure human dignity, freedom, democracy, equality, justice, inclusion and non-discrimination of consumers.<sup>1</sup>

This is particularly relevant for financial service users in the context of contactless payments, and the use of AI in insurance and financial advice. BETTER FINANCE has underlined on many occasions, the need for consistent supervision and regulation of fintech companies due to supervisory and regulatory loopholes. Therefore, we consider that it is extremely important to include financial consumers and to consider risks related to new fintech services in the scope of the 2030 digital targets.

BETTER FINANCE would like to address digital issues from the point of view of financial consumers:

- **Lack of legal certainty:** Digitalising finance and enabling new technologies enhance the provision of financial services would benefit both individual investors and the EU economy. However, the positive disruptive potential of these new technologies cannot be fully harnessed if there is no legal certainty for providers and users of these services.

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<sup>1</sup> BETTER FINANCE is part of the EUSEPI-BEUC initiative on a Human Centric Digital Manifesto: <https://www.beuc.eu/publications/beuc-x-2019-053-a-human-centric-digital-manifesto-for-europe.pdf>

Moreover, risks cannot be prevented or addressed in absence of a supervisory and regulatory mechanism. (As for example in the case of crypto currency).

- **Regulatory fragmentation:** fintech products such as payments, Robo-advisors, wealth management can provide benefits to consumers such as lower costs and accessibility. However, these fintech products may pose other risks for consumers (as privacy concerns and data security) which are not always addressed by existing regulations and laws. In addition, divergences in the regulatory framework could produce regulatory gaps, reducing the level playing field.
- **The use of algorithm and Artificial Intelligence (AI)** may cause risks to consumers concerning the level of suitability of the investment advice. Our on Robo-advice<sup>2</sup> report shows that several platforms provide investment advice that seems inconsistent with the investor and risk profile of the mystery shoppers. In addition, the strong discrepancy in terms of investment gains and high dispersion of asset allocation for the same investor profile is concerning. Therefore, the EU authorities should consider policy actions to improve these processes, such as developing more detailed guidelines on investor questionnaires, on asset allocations or risk profiles.
- **Human control:** If on the one hand, the use of algorithm and Artificial Intelligence (AI) and automated decision making (ADM) produce several advantages as increased accuracy, speed and reduced costs, on the other hand the risk associated to these new technologies can create financial and nonfinancial damages to consumers. The use of these technologies in finance without meaningful human control and oversight can trigger significant loss of transparency, accountability and arbitrary discrimination (as in the use of AI and ADM in the insurance). The EU Commission should propose a legislative framework for AI-powered automated decision making (ADM) to ensure that they are fair, transparent and accountable to consumers and they do not harm their fundamental rights.
- **Lack of EU regulatory “sandboxes”:** only 5 competent authorities in member states have developed regulatory sandboxes and 5 more are under development<sup>3</sup>. The lack of common EU framework and different regulations among member states have impact on the level playing field and the supervision in the field of innovative technologies.
- **Non-discriminatory access to data and interoperability.** Digitalization is characterized by business models that use data aggregation and analytics, thus becoming the core of innovation. The huge amount of data generated by consumers is a key for these business models to develop products and services. However, the concentration of data in few big market players could be in violation of EU data protection, privacy, consumer law restraining innovation and competition that could be useful for citizens. The EU Commission should complete the regulatory framework for a competitive data economy. Data portability should be at the core of this regulatory framework in which individuals and business should have the possibility to access data but also to provide better protection to individuals on the data that they generate and should clearly own. Therefore, non-discriminatory access to data and interoperability among market players should be considered in the legislative framework.<sup>4</sup>

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<sup>2</sup> <https://betterfinance.eu/wp-content/uploads/Robo-Advice-Report-2020-25012021.pdf>

<sup>3</sup> [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/191113-report-expert-group-regulatory-obstacles-financial-innovation\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/191113-report-expert-group-regulatory-obstacles-financial-innovation_en.pdf)

<sup>4</sup> <https://www.beuc.eu/publications/beuc-x-2019-053-a-human-centricdigital-manifesto-for-europe.pdf>