


Open Finance Illusion or reality



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What and why?

- Open banking/open finance/de-fi
 - Promote more competition in finance
 - Breaking up silos of financial conglomerates/Allfinanz
 - One bank that manages all your finances
 - Most initiatives center around personal payments
 - Accelerated by digitalization and Covid
- Requires interoperability
 - open financial-data ecosystems with customers consent
 - Hence complex technical and regulatory architecture
 - Data standardisation
 - Digital identification systems
 - Strong Customer Authentication (SCA)
- Endgoal: enhance price competition and thus raise efficiency and productivity
- Still desperately needed in European finance
 - integration has declined, and open banking still has a long way to go (banks defend their position)
 - see Letta and Draghi reports

Market

- Payments (aggregators), Crypto, Bitcoin
- Payment tech, incl. blockchain (DLT)

Decentralized

Rather than centralized institutions, code acts as the only intermediary in the process. Changes to that code are most often made democratically by way of community governance voting

Open & permissionless

Access is open and borderless; whether you want to create their own DeFi application or simply utilize an existing one, your ticket to entry is an internet-connected device

Transparent

The code that controls the operation of the service is transparent to everyone on the blockchain, which enables users to verify and/or audit the service at will

Interoperable

DeFi services are interoperable with one another due to the shared blockchain network. cross-blockchain interoperability networks will further reinforce this

User-centric

Incentive models reward the user for participating in the service (e.g. providing liquidity for lending), and users can choose whether they access the service through their own custom interface or a publicly hosted one.

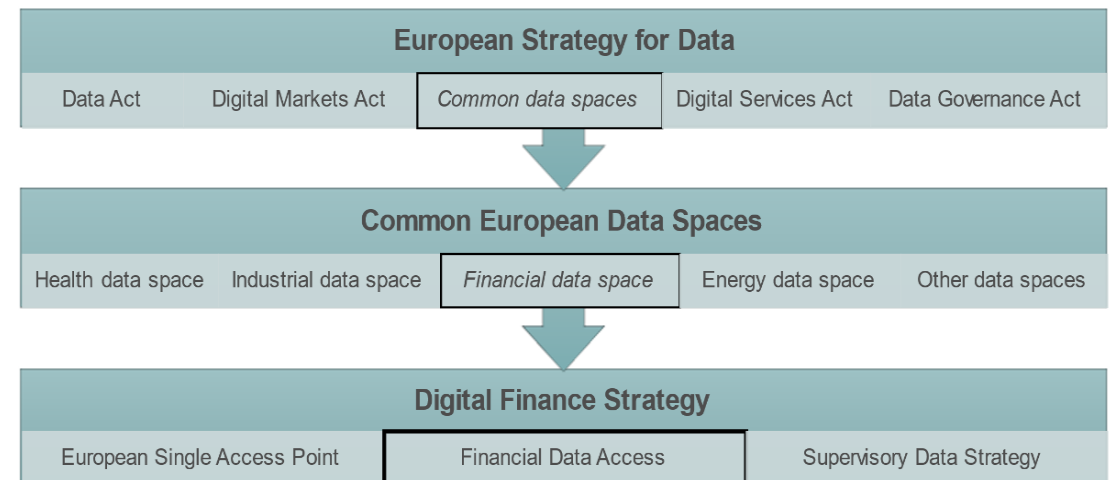
Composable

With broad interoperability, a variety of unique DeFi protocols and services can be used in tandem to enhance the experience or as building blocks to compose net-new applications that offer more value to users

EU framework

- Finance: initial initiatives in early 2000
 - E-money directive (2000 and II in 2009): lighter regime for e-money issuers than banks
 - IBAN number and account switching
 - Payment services (PSDII) => PSDIII: basis for data sharing
 - Crowdlending
 - DLT pilot regime (sandbox)
 - MiCA: new rules for non-fungible tokens and stablecoins
 - FIDA (draft): broader data sharing with non-bank actors
- Cybersecurity
 - NIS (I and II)
 - DORA: operational resilience rules for banks and fintechs
- Digital
 - GDPR
 - e-IDAS
 - DSM & DMA
- Sustainability

How do finance and digital interact?



Open finance most successful in payments

- Newcomers in fintech (neobanks?)
 - Adyen
 - Klarna
 - Transferwise
 - Revolut
 - Worldpay
 - Checkout
 - Greensill
 - ...
- But confusion about statute: some are
 - banks
 - PSPs
 - e-money providers
 - other, i.e. VISA, MC
- **What about other domains of finance?**

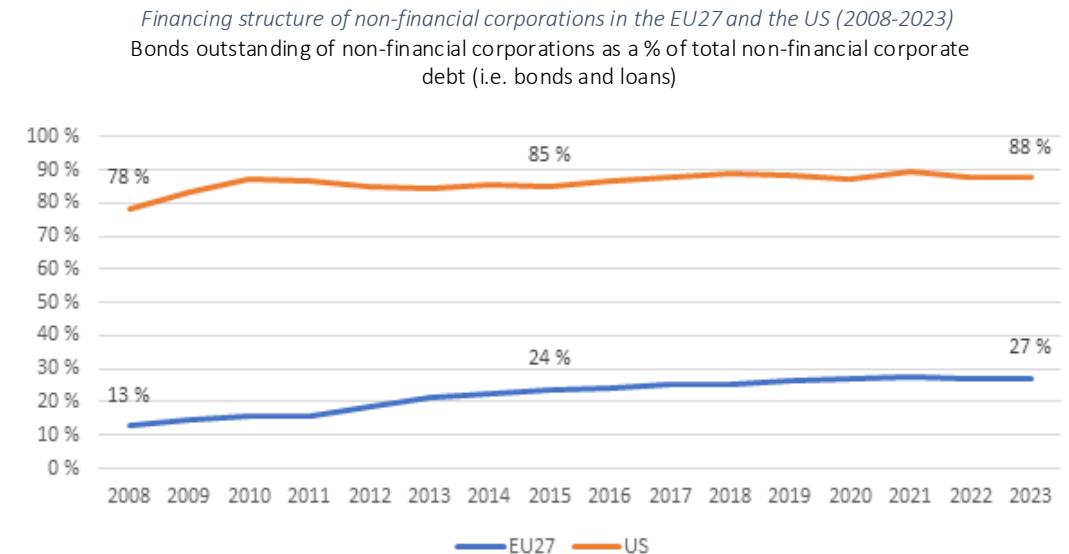
Table 5 BigTech Payment Licence in Europe

BigTech Firm	Year of Licence	Type of Licence	EEA National Competent Authority
PayPal	2007	Banking Licence	CSSF- Luxembourg
Amazon Payments Europe	2010	E-money Licence	CSSF- Luxembourg
eBay	2014	Payment Institutions Licence	CSSF- Luxembourg
Rakuten Europe Bank	2016	Banking Licence	CSSF- Luxembourg
Facebook Payment Intl Ltd	2018	Payment Institutions Licence	Central Bank of Ireland
Alipay Limited	2018	E-money Licence	CSSF- Luxembourg
Airbnb Payment	2018	E-money Licence	FCA-UK
Google Payment Lithuania	2018	E-money Licence	Lietuvos Banka-Lithuania
Google Payment Ireland	2019	E-money Licence	Central Bank of Ireland
Uber Payment	2019	E-money Licence	De Nederlandsche Bank-Netherlands
Takeaway.com	2019	Payment Institutions	De Nederlandsche Bank-Netherlands
Zalando Payment Solution	2019	E-money	BaFin – Germany

Source: CEPS PSDII report

Big finance clawed back

- Payment start-ups stimulated banks to innovate, to different degrees
- Banks/insurers fiercely protect what they have (and try to limit price competition)
 - Retail investment strategy: transparency and unbundling skipped
 - Tough negotiations on FIDA
- Open finance remains a policy priority
 - EU financial integration declining
 - Dominant role of banks
 - Insufficient capital markets' financing
 - **It matters for EU competitiveness**



Source: CEPS, 2024

Questions on EU approach

- Why special EU framework **MiCA** for DLT-based service providers?
 - Regulation should be technology neutral
 - DLT has not made expected breakthroughs, 'blockchain is always three to five years away from feasibility'
- How do **digital finance** and **digital services** interact?
 - Implementation of DMA/DSA is crucial
 - open competition is crucial
- **Can supervisors cope** with new responsibilities (DORA)?
- Is **consent** for data sharing respected?
- Can **AML rules** be orderly applied?

References

- Staying ahead of the curve, [Shaping EU financial sector policy under von der Leyen II](#), September 2024
- FIDA: is the EU prepared to move from Open Banking to Open Finance? [CEPS-ECRI report](#), June 2024
- [Study on the application of PSDII](#), 2023
- [Cyberfinance challenges require a common response](#), Nov. 2018



Hoe beïnvloedt
Europese
regelgeving ons
dagelijkse leven?

Hoe geven EU-
instellingen vorm
aan ons
continent?

Hoe kunnen we
bijdragen aan dit
uitgestrekte
proces?



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