

EPIF RESPONSE TO CONSULTATION ON EUROPEAN DATA STRATEGY

May 2020

ABOUT EPIF (EUROPEAN PAYMENT INSTITUTIONS FEDERATION)

EPIF, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 190 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe. **EPIF** thus represents roughly one third of all authorized Payment Institutions (“PI”) in Europe. All of our members operate online. Our diverse membership includes a broad range of business models, including:

- Three-party Card Network Schemes
- E-Money Providers
- E-Payment Service Providers and Gateways
- Money Transfer Operators
- Acquirers
- Digital Wallets
- FX Payment Providers and Operators
- Payment Processing Services
- Card Issuers
- Independent Card Processors
- Third Party Providers
- Payment Collectors

EPIF seeks to represent the voice of the PI industry and the non-bank payment sector with EU institutions, policy-makers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment. It is our desire to promote a single EU payments market via the removal of excessive regulatory obstacles.

We wish to be seen as a provider for efficient payments in that single market and it is our aim to increase payment product diversification and innovation tailored to the needs of payment users (e.g. via mobile and internet).

EPIF's response:

GUIDING PRINCIPLES

The main blocks to reaping the full benefits of data economy are becoming decreasingly technological. Instead there is a need for a proper enabling environment with clear and consistent regulation, focused on investing in people skills and interoperable standards.

We believe that any future framework should observe 3 guiding principles:

- Maximum level of harmonization, standardization and interoperability;
- High-level of attractiveness for companies; and
- Strategy built on a sector by sector approach.

1) Maximum level of harmonization, standardization and interoperability;

Any future framework should aim to have a maximum level of harmonization, thus minimizing the risks of national interpretation by Member States and avoid fragmentation of the internal market. If the EU is to truly invest in the creation and development of a data economy, then it is essential to ensure that Regulations are adopted whenever it is legally possible.

Harmonized technical standards should be a clear requirement of the new framework as well as interoperability, which is an essential element for the deployment of new technologies and for a seamless flow of data to move across sectors and regions. In addition, there is a need for interoperable standards that are industry led, voluntary and with a global reach.

The introduction of a data economy poses foundational technical and practical questions for consumers' digital identity and authentication. For instance, the introduction of strong customer authentication (SCA) as a requirement of PSD2 has enabled clarity on the means for consumer online verification and authentication as part of Open Banking journeys. With this in mind, we would strongly advocate for the creation of a dedicated expert group to discuss interoperable identification and authentication as part of the Open Data infrastructure.

2) High-level of attractiveness for companies;

It is important to develop a framework that focuses not only in protecting data subjects' rights but also in protecting company's intellectual property and commercial information. The amount of R&D that goes into artificial intelligence, machine learning and other technologies that heavily rely on data in the private sector cannot be regulated in the same way as the public sector. Therefore, the incentives must be broader to attract companies commit and eventually to incorporate their data businesses in the EU. Finding the optimal balance between promoting openness and preserving incentives will be key for the success of the EU Strategy.

The data economy framework should focus in encouraging thought-leadership, developing standard settings and tools development, and sharing of best practices; channeling investments to produce digital products, data platforms, applications, and services; and enabling the creation of sandboxes.

Furthermore, EU policymakers should also consider amending GDPR and other related legislation, which were developed before fully understanding the potential and functioning of Artificial Intelligence have put unnecessary constraints on how European businesses collect and use data. Some of its requirements,

such as to minimize data collection or retain data for limited periods of time, negatively affect the amount of data available to organizations to train and use their AI systems.

3) Preference for a sectoral approach

We fully support the development of a European data economy; however, we believe that it should be based on a sector by sector approach. By doing so, it will allow each sector to focus on its own specificities and deal with its own challenges and barriers. To the contrary, we believe a cross-sectoral approach is not the most appropriate for the time being because it is not clear how the different sectors would interplay with each other. It is difficult to imagine the benefit that would drive from such method.

For what is relevant for EPIF, for example, is the development of open finance currently being considered. We believe that the current level of data sharing and data portability reached with PSD2 and Open Banking was only possible because it focused on a concrete sector with its own challenges and opportunities.

CONCLUSION

The EU Commission is proposing a high-level strategy with a specific legal framework in mind. A new “Data Act”, which would be designed to facilitate business-to-business and business-to-government data sharing, as well as creating an “enhanced data portability right” to give individuals more control over who can access and use their data. Fundamentally, this is about making data an enabler of competition rather than a barrier to it, which is great in a world of giant platforms that dictate what can be done or not with the data.

However, it is important to bear in mind that there is natural tension between the creation of open data spaces, which are designed to promote data sharing, and the incentives that companies would have to pool their data, whilst obeying to EU’s strict privacy rules enshrined in GDPR and other legislations specific to sectors, such as PSD2. The success of the EU Strategy will depend on whether the EU Commission will be able to strike the right balance among those competing priorities and, by doing so, still offering an enabling environment for companies to establish their data businesses in Europe.