

## Terms of Reference (ToR)

### European Forum for Innovation Facilitators (EFIF)

#### Policy objectives

Enhancing the convergence of supervisory practices and supporting the scaling up of technological innovation in the financial sector across the EU are two of the key objectives of the FinTech Action Plan adopted by the European Commission in March 2018.<sup>1</sup>

The main objective of the European Forum for Innovation Facilitators (hereinafter EFIF) is to promote coordination and cooperation among national innovation facilitators<sup>2</sup> to foster the scaling up of innovation in the financial sector.

Innovation facilitators are designed to promote greater engagement between competent authorities and firms about financial innovations with a view to enhancing firms' understanding of regulatory and supervisory expectations and increasing the knowledge of competent authorities about innovations and the opportunities and risks they present. The knowledge gained by competent authorities can be applied to facilitate the timely update of regulatory and supervisory policies to address as appropriate any risks to consumers, market integrity or for financial stability arising from financial innovations.

The EFIF is intended to provide a platform for participating authorities to share experiences from engagement with firms through innovation facilitators, to share technological expertise, and to reach common views on the regulatory and supervisory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination. The EFIF will also provide a platform for supervisors to collaborate in responding to firm/group-specific questions about innovations and, for those with regulatory sandboxes, to agree where appropriate, and on a voluntary basis, joint testing arrangements.

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<sup>1</sup> [https://ec.europa.eu/info/publications/180308-action-plan-fintech\\_en](https://ec.europa.eu/info/publications/180308-action-plan-fintech_en)

<sup>2</sup> Innovation facilitators typically take the form of 'innovation hubs' and 'regulatory sandboxes'. Innovation hubs provide a dedicated point of contact for firms to raise enquiries with competent authorities on FinTech-related issues and to seek non-binding guidance on regulatory and supervisory expectations, including licensing requirements. Regulatory sandboxes, on the other hand, are schemes to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models. Source – ESA's Joint Report – *Fintech: Regulatory Sandboxes and Innovation hubs*, January 2019, p.3

Overall, the EFIF is intended to benefit participating authorities and firms in fostering a common supervisory response to technological innovations in the financial sector.

The organisation of the EFIF rests with the ESA Joint Committee.

## **Tasks**

- The general task of the EFIF consists of promoting coordination and cooperation<sup>3</sup> among established innovation facilitators in the Member States of the European Union and, in particular:
  - To promote consistency and convergence in the design and operation of innovation facilitators across the European Union;<sup>4</sup>
  - To share information and aim to reach common views on the appropriate regulatory and supervisory response to new and emerging technologies;
  - To identify possible recurrent regulatory obstacles or gaps for scaling up of financial innovation stemming from existing EU legislation that warrant attention by the ESAs and/or European Commission;
  - To identify any areas in which actions may be needed to address any risks to consumers, market integrity, or for financial stability arising from financial innovations;
  - To facilitate cooperation between participating authorities and other appropriate authorities on matters pertaining to

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<sup>3</sup> Cooperation may take the form of promoting common approaches to specific innovations and, sharing testing results of selected innovations by competent authorities in case of sandboxes and providing feedback to participants as to lessons learned.

<sup>4</sup> The ESA Joint Report referred to in footnote 1 makes clear that the design and operation of innovation facilitators may be influenced by variations in the national markets, the fast-evolving nature of financial innovations, the structure of financial sector supervision, and the objectives, powers and resources available to the competent authorities in the Member States.

innovation in the financial sector (e.g. data protection authorities);

- To promote greater engagement between participating authorities and firms about financial innovations with a view to enhancing firms' understanding of regulatory and supervisory expectations and increasing the knowledge of participating authorities about innovations and the opportunities and risks they present;
- To share general trends regarding topics raised by firms via innovation hubs and identify regulatory and supervisory issues;
- To reach common views on the regulatory and supervisory treatment of innovative products, services and business models across the EU;
- To share the outcomes of testing done in the context of national regulatory sandboxes;
- To organise, on a voluntary basis, cross-border or joint testing across existing regulatory sandboxes.<sup>5</sup>

## **Internal organisation**

### **Membership**

- Members of the EFIF shall include one representative of each innovation hub and regulatory sandbox established by competent authorities within the EU and one representative of each of the ESAs. Where a competent authority has established an innovation hub and a regulatory sandbox, the competent authority may choose to nominate a single representative or two representatives.

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<sup>5</sup> Competent authorities may choose to share firm-specific information on an anonymised basis.

- For those competent authorities who have not established an innovation facilitator, the competent authority shall be entitled to appoint a representative to ensure that the respective competent authority(ies) in that Member State is (are) able to follow and contribute to the work of the EFIF.
- For those competent authorities who choose not to nominate a representative to attend the EFIF, a contact person should be designated to make sure that the respective authority(ies) in that Member State is (are) able to follow and contribute to the work of the EFIF.

### **Members' profile and responsibilities**

- Members of the EFIF should have expertise and experience in the area relevant to the tasks and deliverables of the EFIF. Members should be empowered by their respective authorities to represent them and share information with other participating authorities.
- Depending on the topics to be discussed during the EFIF meeting, each member shall be able to be accompanied by one other representative of the authority based on his/her specific expertise.

### **Chairperson and organisation**

- The EFIF should be chaired by one of the three ESAs on a rotating basis. The rotation principles of the Chairpersonship shall be discussed and agreed by the Chairpersons of the ESAs and notified to the European Commission.
- ESAs are encouraged to identify points of contact to facilitate the transition from one Chairpersonship to another.

## **Role of the European Commission**

- The European Commission sits as an observer in the EFIF and it shall be kept abreast of ongoing work of the EFIF.
- The European Commission shall be informed by the Chairperson whenever a participating authority notifies the EFIF of the establishment of a new innovation facilitator.

## **Ongoing work and meetings**

- EFIF meetings shall be directed by the Chairperson and supported by ESA staff.

## **EFIF work plan**

- A yearly work plan of the EFIF shall be prepared by the ESAs in close coordination with the European Commission for inclusion in the work programme of the ESA Joint Committee. The work plan shall provide an overview of areas of thematic focus and actions.

## **Deliverables**

- Once a year, the EFIF shall prepare for adoption by the ESA Joint Committee a report providing a summary of meeting outcomes including:
  - A summary of the implementation of the work plan and the results achieved;
  - An overview of main regulatory and supervisory issues discussed in the context of innovation hubs, including statistics where possible;

- An overview of the innovations subject to testing in regulatory sandboxes and main regulatory and supervisory issues arising, including statistics where possible;
- A summary of the most important regulatory and supervisory challenges faced by supervisors in the context of innovation facilitators.
- A webpage of the EFIF shall be maintained as part of the ESA Joint Committee website providing information about the EFIF and other materials as appropriate.

## **Participation of representatives from innovation facilitators established in third countries**

- On an ad hoc basis, representatives of innovation facilitators established by competent authorities in third-countries may be invited to participate in EFIF meetings.

## **Relations with relevant stakeholders**

- To obtain timely input on issues under consideration, the EFIF may maintain direct contacts and dialogue with academics, industry experts and relevant authorities (e.g. in the fields of consumer and data protection).
- To the extent necessary, the EFIF may seek input from or exchange views with relevant committees/groups, the ESAs, standard setting bodies or other interested parties.

## **Review of the ToR**

- The tasks section will be reviewed annually and, to the extent necessary, adapted to reflect new developments. Any revision shall be subject to endorsement by the ESA Joint Committee. This shall not prevent the review and amendment of other parts of the ToR as the need arises.

## **Effective date**

- This ToR, approved by the ESAs' BoS, will come into effect on 25 May 2019.