Sustainable digital finance

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Centre for Latin-American Monetary Studies (CEMLA)

Mattias Levin, European Commission
• “[…] propel ourselves forwards to the world of tomorrow”
• European Green Deal
  • “At the heart of it is our mission to become the first climate-neutral continent by 2050”
• Europe fit for the digital age
  • “Europe must now lead the way on digital”
  • “clear principles: the right to privacy and connectivity, freedom of speech, free flow of data and cybersecurity”
Twin transitions: society & finance

- Climate crisis
  - Financial system help reorient capital flows towards sustainable investments & mobilize investments needed to be climate neutral by 2050
- Digital transformation
  - Leverage innovative potential of digital finance to make financial system more effective & efficient
- Pandemic
  - Illustrate opportunities: qualitative leap in pace/depth/scope of digital transformation
  - Illustrate challenges: climate crisis continue unabated irrespective of economic slowdown
| 1 | Taxonomy | Develop an EU classification system for environmentally sustainable economic activities |
| 2 | Standards and labels | Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of sustainable finance market |
| 3 | Fostering investment in sustainable projects | Exploring measures to improve the efficiency and impact of instruments aiming at investment support. Mapping on investment gaps and financing. |
| 4 | Incorporating sustainability in financial advice | Amend MiFID II and IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment. |
| 5 | Developing sustainability benchmarks | Develop climate benchmarks and ESG disclosures for benchmarks |
| 6 | Sustainability in research and ratings | Explore how credit rating agencies could more explicitly integrate sustainability in to their assessments. Study on sustainability ratings and research and exploring possible measures to encourage their uptake. |
| 7 | Disclosures by financial market participants | Enhance transparency to end-investors on how financial market participants consider sustainability |
| 8 | Sustainability in prudential requirements | Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective) |
| 9 | Strengthening sustainability disclosures by corporates | Enhance climate and sustainability-related information provided by corporations |
| 10 | Fostering sustainable corporate governance & promoting long-termism | Collect evidence of undue short-term pressures from capital markets on corporations and consider steps for promoting corporate governance that is more conducive to sustainable investments. |
EU digital finance strategy

1. Tackle fragmentation in the Digital Single Market
2. An EU regulatory framework facilitating digital innovation
3. Create a European financial data space
4. Address new challenges and risks

Create opportunities for and protect consumers
Build an open, innovative and competitive digital digital market
Sustainable digital finance

• How marry the two? How make the digital transformation work for both people and businesses, while helping to achieve climate-neutrality by 2050?
• How can digital technologies help make the financial system sustainable?
  • *Technology for green financing*
• How can digital finance become green?
  • *Greening financial technology*
Technology for green financing

• Digital solutions in the field of sustainable finance are a nascent field → needs to scale up fast
• While benefiting from digital finance strategy, they may face barriers to develop across the EU single market
• Potential avenues for policy action:
  • Improve availability and usability of financial and non-financial data to help assess investments projects’ sustainability
  • Review regulatory framework to ensure digital solutions can be easily applied to sustainable finance rules
  • Help put regulatory sandboxes in finance to green use; improve cross-border info sharing & reach
  • Use tech to help small firms comply with Taxonomy [hackathons, Digital Finance Platform…]
  • Use tech to help people understand link personal finances & sustainability (literacy)
  • Consider EU Green Fintech label where contribute to sustainable finance policy objectives
Ensure that digital transformation of the financial sector is sustainable

Advancing in parallel – master ecological footprint of growing digital finance sector

Potential avenues for policy action:

- Share best practices encouraging financial actors to rely on environmentally friendly processes and technologies [Digital Finance Platform…]

- Integrate key digital technologies (DLT, IoT, data centres…) into Sustainable Finance Taxonomy and set out the relevant technical screening criteria

- Consider disclosures on ecological footprint / ecolabel digital finance products/services
Thank you