

EUROPEAN CREDIT

RESEARCH INSTITUTE

# ANNUAL ACTIVITIES

PUBLICATIONS,  
EVENTS, TASK FORCE,  
INTERVENTIONS

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# 2024



## **WHY WOULD A TRADITIONAL FINANCIAL PLAYER BE INTERESTED IN ISSUING A STABLECOIN?**

01/03/2024

Increasingly popular and accessible, and expected to persist its growing popularity, crypto-assets have been available to buy for almost two decades. Nevertheless, the number of traditional players interested in developing their own crypto-assets or by allowing for the trading of crypto-assets on their platforms have remained limited. This approach to crypto might however be coming to an end, as two of the largest European banks publishing statements that they are entering the market by issuing stablecoins. But then what could be the reasoning behind this decision?

This explainer tries to understand the rationale behind traditional financial players expanding their activities into the field of crypto-assets. We discuss the case of PayPal, Société Générale and DWS who are developing their own stablecoin which they will make available to their customers.

## **BAD NEWS – TECHNOLOGICAL PROGRESS COULD BE SEVERELY HINDERED IN CREDITWORTHINESS ASSESSMENTS (AND BEYOND)**

14/03/2024

Credit reference agencies, like the German SCHUFA, produce credit scores and reports of natural persons that are, for instance, used by banks as an input to help decide whether or not to grant loans. The role of credit reference agencies is key for healthy lending and borrowing practices as they contribute to a bank's assessment of whether a person's willingness and ability to pay can be trusted. Traditional statistical techniques, as well as Artificial Intelligence and other technological advances are now used to produce such scores.

Nevertheless, technological progress in creditworthiness assessments (and beyond) could be severely hindered following a recent preliminary ruling by the European Court of Justice (ECJ) on 7 December 2023. This ruling could have very relevant ramifications for automated processes in the EU, not only shaking up credit reference agencies' business model, but also a range of businesses that use algorithms as a basis for making decisions, such as healthcare, insurance and employment. In a context where the prevention of over-indebtedness and the protection of financial stability are public goods to safeguard, impeding the use of new technologies for creditworthiness assessments that feed into lenders' decision is not good news.

## **A RADIOGRAPHY OF CRYPTO-ASSETS AND THEIR RISKS**

04/04/2024

This in-depth analysis aims to clarify the main concepts, use cases and risks surrounding the world of crypto-assets. This policy paper lists and explains the main features, potential benefits, actors and elements of the value chain of crypto-assets, It points out the risks they pose and provides concrete examples of cases where these risks have materialised. Following the analysis, the different regulatory approaches followed in the main jurisdictions are explained and a few policy recommendations are put forward.

## **TEN YEARS OF THE SSM: THE PAST, PRESENT AND FUTURE OF BANKING SUPERVISION IN THE BANKING UNION**

02/05/2024

European banking supervision will have been operational for ten years come November 2024. The Single Supervisory Mechanism (SSM) has evolved from a start-up to a mature, well-established, and respected supervisor. Harmonised and transparent supervisory practices have been implemented, whilst the European banking sector has proved to be resilient with strong capital and liquidity positions. Nevertheless, whilst acknowledging the progress that has been made, Europe should not rest on its laurels.

As the global financial landscape is continuously evolving, the European framework must naturally also evolve with it. Growing geopolitical tensions, the rise of FinTech and BigTech companies, the ongoing digital transformation, and climate change not only all impact banks but they also add more complexity to the work of supervisors. To address these challenges, supervisors should enhance their competencies, approaches and tools (quantitative and qualitative) to stay ahead of evolving market dynamics and to remain aligned with the rapid evolution of technology and the risks that climate change poses. Equally important, ensuring thorough and efficient supervision requires fostering and strengthening collaboration and information-sharing between all relevant authorities.

## **OVER-INDEBTEDNESS IN A HIGH INFLATION AND HIGH INTEREST RATE LANDSCAPE**

06/05/2024

Households have experienced varying credit conditions over the past few years. The Russian invasion of Ukraine created much market uncertainty as energy prices surged and living costs sharply increased. The European Central Bank (ECB) and other central banks across the EU increased interest rates to counter inflation, raising them to levels that had not been experienced in decades. This very sharp and rapid increase causes consumers to face substantial capital costs, on top of those faced due to the rising cost of living. All of this challenges household economies, endangering their ability to repay their loans and increasing their likelihood of becoming over-indebted.

Policymakers can develop policies to support households in a state of over-indebtedness. The recent review of the Consumer Credit Directive has proclaimed preventing over-indebtedness as one of its main objectives.

## **PRIORITIES FOR THE NEXT EUROPEAN COMMISSION ON CREDIT**

12/06/2024

The explainer starts by analysing FIDA. It discusses the uncertainties in the current formulation of the directive and highlights the need for further clarifications to ensure data is shared in an appropriate and secure way. It then looks at the implementation phase of the AI Act and the CCD2, arguing that the first must be implemented to foster innovation, allowing companies to reap the benefits of AI while addressing its risks. Concerning the CCD2, attention is drawn to the consequences of heterogenic implementation by Member States. Looking towards the future, the paper discusses the latest developments in the mortgage credit market and the importance to considering future risks in the review of the directive, and concludes with some recommendations.

## **PRIORITIES FOR THE NEXT EUROPEAN COMMISSION ON PAYMENTS**

12/06/2024

The paper reviews three pending files, PSD3/PSR, FIDA, and the Digital Euro. It highlights the importance of balancing SCA between innovation and consumer protection under PSD3 and PSR. It also discusses how to reduce the potential negative impacts on payments of the FIDA proposal. On the Digital Euro, there is a need to review and articulate the rationale behind its creation. The second part, on implementation, focuses on the Instant Payments Regulation. The discussion centres on what the Commission has to prioritise to achieve its objectives. The paper concludes by looking ahead, recommending that the Commission consider a regulatory pause for payments and focus on promoting implementation and alignment of regulatory frameworks.

## **MAKING INSTANT AND INCLUSIVE PAYMENT A REALITY IN THE EU**

02/07/2024

This explainer delves into the benefits, as well as into the specifics of the Instant Payments Regulation, explaining how it is expected to succeed at dealing with obstacles in supply and demand and outlining implementation timelines. Though instant and inclusive payments will soon be a reality in the EU, pan-European payment solutions are not here yet. This is precisely why interoperability should be fostered to promote the scaling up of current cross-border payment solutions which will give place to a competitive pan-European payments ecosystem.

## **FIDA: IS THE EU PREPARED TO MOVE FROM OPEN BANKING TO OPEN FINANCE?**

29/08/2024

This ECRI Explainer aims to understand the rationale behind the FiDA proposal and its main features, as well as assessing the Commission's original proposal and its expected interaction with other pieces of legislation. In short, is the EU really and finally prepared to move from Open Banking to Open Finance?

## **STAYING AHEAD OF THE CURVE: SHAPING EU FINANCIAL SECTOR POLICY UNDER VON DER LEYEN II**

17/09/2024

A comprehensive review of the financial services landscape is necessary for the EU to address structural inefficiencies, ensure market dynamism and support long-term economic growth. The report emphasises that while Europe's financial system has expanded in size and complexity, and there have been efforts to diversify and integrate financial markets, progress remains uneven, with fragmented banking systems, regulatory inconsistencies and a lack of capital market depth. Enhancing the global competitiveness of EU financial markets means prioritising regulatory reforms that foster innovation, reduce costs and promote cross-border investments – starting with the robust enforcement of existing rules.

## **THE JUDICIAL SCRUTINY OF THE SSM AND THE SRB**

25/10/2024

Key rulings on the supervision and resolution of credit institutions in the EU have an impact on the Banking Union framework. This study explores how case law has refined the European Central Bank's practices, shareholders' and boards' rights and the interaction between ECB and Single Resolution Board powers during 'failing or likely to fail' assessments.

While highlighting how litigation has clarified processes, rights, and the criteria for resolution, the study's findings underscore the need for heightened scrutiny of agencies to prevent political interference and ensure effective oversight.

This study was provided by the Economic Governance and EMU Scrutiny Unit at the request of the ECON Committee.

## **AI AND CREDIT: ADDRESSING OPEN QUESTIONS TO PREVENT INNOVATION PARALYSIS**

03/12/2024

New technologies in general, and AI in particular, hold great transformative potential for virtually all businesses. The financial sector is undoubtedly one of them, able to leverage AI to enhance analysis and prediction capabilities, automate processes, improve risk management and customer service, detect fraudulent operations, and even facilitate regulatory compliance. However, AI not only brings advantages; it can also amplify existing risks or even create new ones.

## **ARE THE EUROPEAN COMMISSION'S PLANS ON FINANCIAL SERVICES WHAT THE EU NEEDS?**

09/12/2024

The Draghi report has underscored the need for an additional EUR 800 billion in annual investments from 2025 and 2030 to maintain the EU's global competitiveness. While questions may raise about whether enough viable business projects exist to absorb such amount of capital, we will take Draghi's estimate as a valid benchmark. Indeed, even if the target was lower, the scale of resources required is so immense that achieving it without significant contributions from the financial sector is practically inconceivable.

Much of the media attention on the Draghi report has focused on the possibility of eurobonds; however, it's clear that most of the additional investment will need to come from the private sector as the fiscal space of Member States is already highly constrained. While eurobonds could deepen the Economic and Monetary Union, their introduction would not fundamentally alter the financing landscape for this investment challenge.

In this context, revitalising the EU's financial sector takes on heightened importance. But are the European Commission's current plans for financial services aligned with the EU's needs? What direction might financial regulation take in the next five years? Will the banking sector become more integrated, and will capital markets advance significantly?

## **STATISTICAL PACKAGE 2024**

17/12/2024

The ECRI Statistical Package 2024 provides data on outstanding credit granted by monetary-financial institutions (MFIs) to households and non-financial corporations (NFCs) for the period from 1995 to 2023 comprising 45 countries, with a final chapter focused on the consequences of the inflation crisis.

## **CAN INSTANT PAYMENTS GET EVERYONE ON-BOARD?**

19/03/2024

On 7 February, 2024, the European Parliament endorsed the new instant payments proposal with an overwhelming majority. The regulation requires Payment Service Providers (PSPs) to offer their customers the possibility of making payments from one account to another within ten seconds – a significant acceleration of the process. The instant payment must be offered to the customer at the same price as a 'traditional' bank transfer.

## **AI IN CREDIT MARKETS: GAME CHANGE OR GAME BREAKER?**

04/07/2024

As in many other industries, AI has great potential to enhance the efficiency of credit markets. It is increasingly used to provide tailored support to customers through robo-advice, develop innovative products, and to monitor and reduce fraud. AI is also likely to transform credit scoring processes, a key element of the assessment of consumers' creditworthiness.

## **NEW COMMISSION, NEW PRIORITIES: TAKING FINANCIAL POLICY FORWARD UNDER VON DER LEYEN II**

17/09/2024

Financial markets have experienced heavy regulatory activity over the last 15 years – from crisis response and the founding of the European Supervisory Authorities (ESAs), through to banking union, the creation of the Single Supervisory Mechanism (SSM), the launch of the Capital Markets Union (CMU), and more recently to the beginnings of the sustainable and digital finance agendas. This intense rule-making rollercoaster raises the question – what next?

## **HOW CAN WE MAKE PAYMENTS SAFER FOR CONSUMERS?**

24/09/2024

Ensuring consumer protection has always been one of the focus of EU payments policies. Recent initiatives, such as PSD2, PSD3, PSR and the Instant Payments Regulation have tried to guarantee security in payments by setting rules on issues such as liability, refunds, surcharges and information disclosures. Strong Customer Authentication (SCA) has in that regard proved to be a particularly effective measure.

## **THE FINTECH RULEBOOK: HOW TO NAVIGATE THE CROSSOVER BETWEEN FINANCE AND TECHNOLOGY REGULATION?**

26/09/2024

Over the past few years, the EU has enacted comprehensive rules on both digital platforms and open finance. However, the interaction between the two is not yet fully understood. Large platforms engaging in financial transactions need to respect both sets of rules, with data privacy and data sharing at the core of the matter. The debate around the adequate policy approach is also discussed in other jurisdictions, including China, India and the US, to name the largest blocs. The key question for financial service providers is of how technological progress is affecting the competitive landscape.

## **WHAT NEXT FOR CRYPTO-ASSETS? MICA AND THE TRUMP II ADMINISTRATION**

05/12/2024

Since the publication of Bitcoin's whitepaper in autumn 2008, the number of crypto-assets has increased dramatically. As of November 2024, more than 10 000 crypto-assets are listed on CoinMarketCap, with a combined market capitalisation exceeding three trillion USD – surpassing some of the largest US Big Tech companies. Until recently, crypto-assets have remained largely disconnected from traditional finance, with major financial institutions playing only a marginal role. However, traditional financial actors are now showing growing interest, with some beginning the process of issuing their own crypto-assets. Donald Trump has made strong crypto-friendly statements, sparking a rally in crypto markets. Though increased deregulation appears to be a possibility, the exact intentions of Trump's newly elected administration regarding crypto-assets remain unclear. In contrast, the EU is preparing for the full application of the Markets in Crypto-assets (MiCA) Regulation at the end of this year.

# TASK FORCE

## THE FUTURE OF RETAIL PAYMENTS IN THE EU ONGOING (09/2024 - 02/2025)

EU payment markets have dramatically evolved in the last few decades. Having initially only relied on cash, payments have seen the introduction of credit and debit cards, and over the last decade numerous digital and mobile payment options. Supported by the digital transformation, in combination with regulatory and technology developments, banks, third-party providers and technical service providers have developed new ways to make in-store payments, online and P2P. These evolutions have also required legislative initiatives, to limit fraudulent activities and ensure consumer protection.

# EVENT INTERVENTIONS

- **Annual convention of Eurofinas and Lease Europe** (Alicante) – Keynote speech and roundtable speaker, **Judith Arnal**
- **European Competitiveness: How can the next European Commission boost productivity, growth and economic prosperity?** (Madrid) – Europe Unlocked and Swedish government, **Judith Arnal**
- **Roundtable on blockchain at the NOVE SBE Data science centre** (Lisbon) – Ripple, **Judith Arnal**
- **Presentation at the Anglo-German roundtable of Financial Services** (online, London) – **Judith Arnal**
- **Roundtable on blockchain at the State of the Union of the EU** (Florence) – **Judith Arnal**
- **Two roundtables at the ACCIS Annual Conference 2024** (Budapest) – **Judith Arnal**
- **Roundtable on blockchain at the joint event of the Imperial College Business School and Ripple** (London) – **Judith Arnal**
- **Private presentation for Allianz Annual meeting** (Madrid) – **Judith Arnal**
- **Presentation about priorities for the next EU institutional cycle** (online) – Pablyon, **Judith Arnal**
- **Presentation on the over-indebtedness challenges in the EU and the credit worthiness assessment** (Brussels) – Eurofinas, **Fredrik Andersson**
- **Roundtable on Instant Payments in Europe at the Paris Retail Week** (Paris) – ACI Worldwide, **Fredrik Andersson**
- **Presentation on challenges and priorities of the digital finance agenda for the EU Institutions in 2024-2029** (Brussels) – European Digital Finance Association, **Fredrik Andersson**

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