



EU digital ID scheme for online transactions across Europe

Thank you for providing us with the opportunity to comment on the proposal for developing an EU digital ID scheme through a revision of the eIDAS regulation (EU 910/2014). Finance Denmark is the interest organisation of banks, mortgage banks and investment funds, and as such represents all market players of the financial sector in Denmark.

Since the adoption of eIDAS in 2014 a lot has changed, and with this new proposal the eIDAS regulation introduces the concept of a European Digital Identity Wallet as a framework and extend it to any online activity, both public and private.

Finance Denmark has following comments to the proposal.

General comments

We welcome the intention to develop an eID solution for all Europeans with an ambition to ensure a much greater use of authentication across the member states. Particularly, we note that this is supported by broadening the scope of the eIDAS regulation to also cover services offered by private companies.

However, we wish to emphasise the importance of ensuring that the investment, which will be required to develop a European eID solution, is balanced against the expected acceptance and usage of the solution by the European citizens, and investments made in existing national eID solutions. In addition to this, we strongly recommend that the general benefits for the individual member states, as well as individuals and businesses across the EU, are considered.

To require private corporates to accept digital identity wallets for authentication purposes will require significant investment on behalf of financial institutions. Therefore, we prefer a solution based on ID switching which means that the eID is the identification tool for online onboarding, while authentication for financial services would be based on a digital identity in a format which the individual bank supports.

Based on experience from our national solutions, we also hold the opinion that public-private collaboration will provide the best result for citizens. Purely public,

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centralised solutions might not fully satisfy the needs for businesses and consumers and could lead to a fragmented market with public solutions and separately developed private sector solutions.

User related comments

We are concerned that there might still be challenges in securing sufficient acceptance of an EU eID scheme. The proposal underlines that all member states are obliged to offer a European Digital Identity Wallet to all citizens above 18, but there is no obligation for citizens to use it.

Generally, the assessment report states that the acceptance of notified eIDs, both at the level of member states and service providers, is limited. The original intentions of eIDAS have not been fulfilled and only a limited number of public services offer eIDAS authentication. We are concerned that the investments and the general interoperability costs will exceed the usage and benefits.

If many potential users do not find it attractive, or lack the confidence to use the wallet solution, this might result in a situation in which it will not reach an acceptable level of support in all member states. In consequence this will mean, that it might not result in the expected economic growth, strengthen the internal European market, make life easier for all citizens and businesses in Europe, and open the full potential of making both public and private services more efficient.

In the proposed revision of the eIDAS regulation, Article 6a, paragraph 6 it is mentioned that the usage of eID wallets shall be issued with the level of assurance "high", but in Article 12c, paragraph 1b it says that the assurance level must be equal to or higher than the assurance level required by the relevant public sector.

Further clarification to this is needed, and at present most users of national eID solutions are notified with assurance level "substantial". If the assurance level for everyone must be increased to "high", it will result in significant cost, and will also require obligations for both users and authorities to confirm that the user has the alleged identity. Having said that we believe that a differentiated approach to assurance levels for various services might support a higher acceptance rate for the digital ID-scheme.

Technical and operational comments

Firstly, we find it of utmost importance that the regulation should be technology neutral to avoid dependency on one operator.

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We find it positive that the proposed EU digital ID scheme is based on existing and coming national solutions. We strongly support building the European Digital Identity Framework on experience from the national solutions and thereby benefit and assure that national investments already made are not wasted.

The proposal explicitly mentions a wallet solution as the preferred basis for the EU digital ID scheme. Whilst we see the advantages for users to be able to access the solution from their smartphones, we are also concerned that the technology behind wallets is not at this point broadly known by all stakeholders. With a view to the Accessibility Directive, we also see a clear need for citizens to be able to access their digital ID through other devices than smart phones.

Therefore, it must be clarified which technical requirements service providers, e.g. banks and other financial institutions, must be able to meet. This is a prerequisite before the private sector can accept applying the eID wallets in their applications.

If the framework does not give us a standardised architecture and leaves us with 27 different national solutions this will increase operational costs, cause inefficiency, and further investment will be needed if any member state will have to accept all 27 national solutions.

We therefore strongly recommend that the private sector should not be obliged to accept a countless number of identification tools and wallets, without specifically agreeing with the customer on accepting such means of identification.

It must also be clarified how the EU Commission sees the future retail payments market, including the relationship between the future European eID wallet and already existing commercial wallets based on payment cards. In order to fully address these topics, we recommend the financial sector to be closely involved in the clarification process.

Finally, Finance Denmark holds the opinion that the timetable for the implementation of the solution (one year after the implementation of the revised regulation) is very ambitious. From a national point of view, it is our experience that the implementation and full roll-out of eID solutions takes time, not least to obtain the confidence needed for citizens to fully accept and use such solutions.

For the second generation Danish eID solution (MitID) a public-private partnership was established between Finance Denmark and the Danish Agency for Dig-

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itisation in 2016. This was followed by the required tender process, and the vendor contract was signed I Q1 of 2019. Development then started, and the solution entered the pilot phase in May of 2021. Migration of users is expected to take place from October 2021 until June 2022.

Legal comments

At this point, it is not clear what will be required by financial institutions to be able to trust the issuance procedures and documentation which are the basis for the identities and products which will be made available in the eID wallets.

Also, financial institutions will need further clarification that the issuance procedures for wallets are in line with the requirements of the Payment Services Directive (PSD2) as well as the Anti Money Laundering Directive. This is needed to accept wallets as strong customer authentication and for onboarding of customers, re. preamble 31 of the proposal.

Finally, we find it necessary to clarify and describe liability issues in the digital ID-scheme in case of fraud and other practical use cases.

A means of strengthening AML/CFT across Europe

We have noted that the proposal points to a positive business case for using a European eID to combat money laundering and terrorist financing, particularly in connection with onboarding of customers in financial institutions (KYC) and ongoing evaluation of the nature of the customer relationship (ODD),

However, to support the business case across the member states and reap the full benefits of a stronger shield against financial crime, it will be necessary to harmonise the local legislations for AML and CFT to ensure a common standard which is acknowledged by both the EU and the national financial supervisory authorities.

In the AML-package 2021 which was launched by the EU Commission on 20 July 2021, the need for this is also mentioned, and it is supported by a proposal for an AML/CTF regulation which will ensure harmonisation of all rules that apply to the private sector. At the same time, it is proposed to establish at EU-level an AML/CTF supervisory body to ensure compliance with the regulation.

Finance Denmark welcomes the proposal but at the same time notes that it does not include a legal basis for exchange of information between financial institutions and extended public-private collaboration to combat financial crime. The

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necessity for this will be addressed in further detail in our separate consultation response on the AML package 2021.

Sincerely yours,

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