

**SEEBLOCKS.eu response to CP156 Central Bank approach to innovation engagement in  
financial services**

SEEBLOCKS.eu

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**Contributors and co-signators**

SEEBLOCKS.eu Strategy Board Chair, Fiona Delaney (DCU)

### **Abstract**

SEEBLOCKS.eu delivers targeted, industry-driven supports to European standardisation within the Blockchain/DLT domain. The project brings together EU researchers and open standards specialists, along with industry and policy experts to facilitate streamlined and effective standardisation processes through cooperation, collaboration and funding.

SEEBLOCKS.eu facilitates tangible contributions from European perspectives to international Blockchain/DLT standardisation processes, ensuring that Europe remains a central, strategic player in Blockchain/DLT Standardisation activities. Three themes for SEEBLOCKS.eu include fintech and decentralised finance; climate-facing industry 4.0; multi-tech infrastructure for future society.

Drivers of financial innovation within European largely rely upon access to the single digital marketplace and the adept application of compliance technologies for streamlined, secure and autonomous service delivery. E.g. eIDAS 1 + 2, EU Digital Identity, EU Product Passport, and Privacy Enabling Technologies (PET) within the context of GDPR regulation are some important reference points for innovation in financial services. Internationally, the context relies upon mature, secure digital infrastructure and the widespread democratisation and increased access to finance and liquidity. All of these innovation-enabling contexts rely upon assorted standards to ensure quality and compliance. This submission focuses on the important role standards play in supporting innovation in industry.

*Keywords:* fintech, blockchain, smart contract, identity management, asset tokenisation and exchange, digital euro.

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The Mission of the **Central Bank of Ireland** is to serve the public interest by maintaining monetary and financial stability. The statutory objectives of the Central Bank include price stability and the stability of the holistic financial system, whilst ensuring the correct and effective regulation of financial service providers and markets concerning consumers' best interests and protection, for example by ensuring efficient and effective operation of payment and settlement systems.

### **What is CP156?**

**CP156** is a public consultation process seeking feedback on the **Central Bank of Ireland's** approach to innovation engagement in financial services. The CBI approach as laid out in the document here has been developed in line with European stakeholder considerations at the [European Forum for Innovation Facilitators](#), and in response to 375 engagements with local financial service providers and clients in the Irish ecosystem since the Innovation Hub was established in 2018.

### ***Q1 What is your feedback on the enhancements underway with the Innovation Hub?***

***Are there other areas that should be developed?*** The Innovation hub proposals meet known standards and approaches in financial services oversight as described in the 2023 [Joint ESAs Report on Innovation Facilitators](#). In Section 3.3 Risks and Challenges to Innovation Hubs, a number of identified issues can be mitigated by taking a standards-based assessment of the issue or topic in hand. Where standards exist in relation to a new service or product proposed to an

innovation hub or sandbox, how well the business model meets those key standards can be a useful measure in selection and management through the sandboxing process.

***Q2 What is your feedback on the proposal to establish an Innovation Sandbox Programme? Will the proposal support the Central Bank in meeting our overall objectives, including the needs of consumers and the wider economy?***

The most common types of inquiries to innovation hubs and sandboxes across all innovation facilitators in the financial services domain (per Joint ESAs Report) relate to:

- Determining if an activity requires licencing, authorisation or registration
- Specific supports on regulatory and supervisory obligations
- Exploring risks associated with the future regulatory treatment of the use of innovative technology (e.g. AI, cloud computing, blockchain, APIs, etc).

Each of these inquiry types may benefit from standardising response formats, offering clear and generic guidance: FAQs and ‘Deep Dive’ info-sheets on specific areas where it is already known that new product and service applicants frequently do not have all options considered when proposing their business model for assessment within a European policy, regulatory and legal framework.

The final bullet raises issues for any Central Bank Innovation Hub, where the institution may not be well placed to speculate on emerging technology innovations and how they might impact consumers and clients into the future. In particular, collaboration with relevant and appropriate standards development organisations including National Standards Authority of Ireland and others including ISO, CEN etc... can bring some structure and insights to the analysis and exploration into emerging business contexts, enabled by digital infrastructure e.g.

blockchain; automated decision-taking e.g. AI/ML; and cross-border data governance e.g. cloud computing, APIs and platform technologies.

***Q3 What is your feedback on the operating model of the Innovation Sandbox Programme?***

The operating model described lacks detail and is time-constrained. SEEBLOCKS.eu considers the operating model to be conservative and cautious. It is unlikely to meet the expectations of the early-adoptive pace of product and service development typical of the Web3 and Defi ecosystem. This runs the risk of constraining or discouraging new business innovation in Ireland, and is a missed opportunity for meeting the information and analysis requirements of emerging entrepreneurial talents and innovative digital business models in the future.

***Q4 Are there specific themes or areas of innovation that the Central Bank Innovation Sandbox Programme should address?***

Though not explicitly stated, we assume that the Central Bank will have links and share learnings with the [EU Blockchain Regulatory Sandbox](#), which is delivering advanced research and insights from emerging blockchain and DLT use cases in relation to the EU regulatory context.

Further, the recent SEEBLOCKS.eu Public Consultation raised four key areas [SEEBLOCKS.eu public consultation](#) deemed important policy, regulatory and legal references for wider adoption of blockchain as core business infrastructure:

1. [Markets in Crypto Assets Regulation](#) (2019)
2. [Framework for EU Digital Identity](#) (2021)

3. [EU Data Act](#) (2022)
4. [ECB Digital Euro](#) (proposed) (2023)

The full selection list is included here for reference.

- [EU Data Act](#) (2022)
- [EU Digital Finance Package](#) (2020)
- [Regulation for digital operation resilience for the financial sector](#) (2020)
- [EU Markets in Crypto Assets Regulation](#) (2019)
- [ECB Digital Euro](#) (proposed) (2023)
- [EU AI Act](#) (proposed) (2023)
- [Framework for EU Digital Identity](#) (2021)
- Other

SEEBLOCKS.eu proposes that the Central Bank Innovation Hub select appropriately from the current context of existing *AND* emergent policy and regulatory contexts to provide insight and support to new product and service providers in the Irish financial services ecosystem.

Recognising that financial services are almost completely aligned with fintech service provision there is a closer than ever association between enabling, foundational technologies (such as blockchain and DLT) and the policy and regulation that govern these services. The greatest challenges exist where autonomous service provision / transaction execution takes place e.g. AI or Machine Learning decision assistance, and/or autonomous smart contract execution and the Central Bank finds itself in the role of offering cybersecurity or code auditing advice. In situations such as these, international standards are an invaluable context offering mature best practices and access to evolving industry standards.