

**Proposal for a Regulation of the  
European Parliament and of the  
Council amending Regulation  
(EU) No 910/2014 as regards to  
establishing a framework for a  
European Digital Identity**

ABI's response

*September 2nd, 2021*

## Executive summary

The Italian Banking Association (ABI) appreciates the opportunity to provide its feedback through the "Have your say" procedure, given the importance of the topic.

We welcome the concept outlined in the proposal, where each Member State shall issue a European Digital Identity Wallet (EDIW) after the entry into force of this Regulation: Identity issuance will remain a Member State responsibility, as it is currently the case for the analogical identity document. States will be able to draw on the support of private players for identity wallets management.

In this document ABI submits to your attention its position, which considers as ultimate goal the maximum integration of the various national solutions based on eIDAS through their standardization.

In summary, the key elements ABI wishes to highlight are the following:

- There is a need for cooperation between European institutions, Member States, and the financial sector by collaborating within the Toolbox, as outlined in the Commission's Recommendation. Furthermore, EDIW should build on existing eIDAS-compliant national digital identity systems, thereby preserving investments already made and ensuring a level playing field.
- The high ambitions presented in the initiative are considered a positive development. A new wallet architecture will further stimulate innovation within the financial sector. The founding pillars of this architecture will foster the creation of a digital ecosystem aimed at strengthening the link between physical and digital identities. This will primarily benefit all European businesses and citizens.
- European interoperability for the EDIW has to be pursued, otherwise the consequent developments could lead to 27 separate national Digital Identity Wallets, which will inevitably multiply operational costs, inefficiency (e.g., multiple sets of national rules to comply with) and investments needed from the private sector (e.g., European players will have to tune with all the 27 national solutions).
- It is necessary to ensure a strong coordination with other existing European rules, like the ones set by AML, GDPR and PSD2.
- The significant investments that the banking industry has made in recent years to secure processes should not be compromised by the introduction of new rules.
- When the Strong Customer Authentication (SCA) will be done by the EDIW also for payment transactions, the PSPs will lose the control over the customer activity and its ability in preventing fraud will be limited. The concept that the EDIW issuer will become fully responsible for the potential frauds based on customer Identity theft has to be clearly stated in the EDIW regulation.

## Introduction

ABI believes there is a need for cooperation between European institutions, Member States, and the financial sector by collaborating within the Toolbox, as outlined in the Commission's Recommendation.

Furthermore, EDIW should build on existing eIDAS-compliant national digital identity systems, thereby preserving investments already made and ensuring a level playing field.

ABI welcomes the Commission's proposal, and the high ambitions presented in the initiative and considers them a positive development. ABI believes that a new wallet architecture will further increase innovation within the financial sector. The Association also thinks that the founding pillars of this architecture will foster the creation of a digital ecosystem aimed at strengthening the link between physical and digital identities. This will primarily benefit all European businesses and citizens.

The COVID-19 pandemic has been a catalyst for further digitalisation; as a result, expectations have matured regarding both convenience and high security for any online activity, such as opening a bank account remotely or applying for a loan.

The EDIW usage in the payment context must follow an accurate analysis on the liability attribution among the players involved in the transaction and an overall security evaluation.

ABI considers that the combination of new technology and new principles supported by the regulation can help to better ensure a level playing field with the Big Tech.

The distributed architecture and European approach will potentially help all PSPs, and particularly those operating at the European level, reduce complexity and improve customer experience.

ABI agrees that customer privacy should have a central focus in the proposal, being the EDIW in line with GDPR principles of necessity and data minimization.

At the same time, we underline the need to take the opportunity of the identity wallet introduction to improve the citizen experience in accessing their digital activity.

In this sense, the wallet could be used, for example, to evolve the traditional identity verification solutions, typically based on usernames and passwords

In detail, we emphasise to the Commission the following aspects that may be optimised in the proposal:

## **Proposed architecture**

European interoperability for the EDIW has to be successfully pursued, otherwise the consequent development could lead to 27 separate national Digital Identity Wallets, which will inevitably increase operational costs, inefficiency (e.g., multiple set of national rules to comply with), and investments needed from the private sector (e.g., European players will have to tune with all the 27 national solutions).

The success of the initiative is thus strongly dependent on a centralised governance that is defined with a high level of detailed technical specifications.

With reference to the role of banks and financial intermediaries, ABI believes that they could play an important role for enhancing the use of Digital Identity, if the eIDAS will allow to have a shared legal and contractual framework with the customers to accept their wallets.

## **Identification for payment purposes**

In general, ABI believes that it is necessary to ensure a strong coordination with the rules set by PSD2.

When the Strong Customer Authentication (SCA) will be done by the EDIW for a payment, the PSPs will lose the control over the customer activity and will be limited in preventing fraud.

The concept that the EDIW issuer will become fully responsible for the potential frauds based on customer Identity theft has to be clearly expressed in the regulation.

What has been built with PSD2 in terms of security (SCA) and investments must not be disrupted / jeopardized. Where an EDIW is used to perform SCA for a payment (where PSD2 applies), the end-to-end SCA procedure must be performed within the domain of the EDIW including (Delegated Regulation 389/2018, Article 5) Dynamic Linking and specifically the display of the amount and payee details before the person is asked to authorise the payment.

We believe that a level playing field between PSD2 regulated providers and the new wallet issuers when providing SCA for payments must be guaranteed. The same level of requirements should be applicable to both PSD2 actors and EDIW issuers when offering SCA for payments.

To address Point of Sale (POS) and Point of Interaction (POI) requirements, the user must have the ability to load payment account (and credit card) attributes into their EDIW for all their ASPSPs. This is to allow that user to select the account/card attribute they wish to use for the payment.

In order to ensure adequate room for competition, a similar principle as the "IFR card application selection" should apply: the EDIW must not recommend or prioritise account/card attributes issued by one provider over another. The holder of the EDIW must have the ability to prioritise the attributes for selection purposes.

In general, ABI believes that it is important not to confuse identification and authentication. eID is essential for the first, but not for the latter. ABI considers that identification and authentication are two different processes referring to two different phases of the relationship between the bank and the customer. The authentication phase could also be implemented through eID credentials. Therefore, the new regulation should consider the different scopes to which the identification or authentication activities refer to.

### **Interoperability**

As mentioned above, ABI considers interoperability across the EU of the utmost importance to ensure the success of EIDW. To this extent, interoperability specifications must be centrally defined and extremely detailed, also covering the standardisation of data sets.

The provision of the ID wallet credentials for identification purposes should allow banks to promptly check the credentials' validity, both for online and offline use.

### **Business and governance rationale**

To be successful the EDIW needs a multitude of use cases that allow citizens to use it daily. In this context, there is a need to make it easier for private companies (e.g., SMEs) to become Relying Parties. This given the requirement for them to notify the relevant Member States of their intention to become a Relying Party and to inform about the intended use of the European Digital Identity Wallet (see Article 6b of the proposed regulation).

The use of ID wallets for natural persons is mandated as free of charge, but the underlying ID infrastructure implies costs and fees (e.g., the fees for the ID Provider) for the involved players.

Such measure may hinder the wallet issuance by private players: a sustainable business model should be devised to incentivise the high investments required to issue the wallets, taking into consideration the obligation to rely on national ID and ensure a fair remuneration of the eID providers.

For a private actor become Relying Party, and so accepting eID Wallet, should be as easy as accepting a card payment, where the merchant can access the payment systems via a trusted partner – e.g. the acquirer -.

Certification on the technical solution and procedures used to accept the Wallet will be done then with auditing/certifying the acquirers that will enrol the private business for acting as Relying Party.

Moreover, European and national authorities should consider creating a publicity campaign to promote uptake.

### **Liability and Regulatory framework**

The presence of a fully-fledged eID liability framework, including interaction with payments, is a must in the Regulation before an obligation to apply the ID wallets in private sector applications could be considered.

There is also a need to establish clear rules on how to handle in the daily operations the liability management in the new wallet (e.g., in case of Wallet Identity theft caused by phishing customer data, what are the procedures to allow PSPs and then customers to be reimbursed?).

European “chargeback procedures”, intended as dispute support between the players involved, for the EDIW context should be discussed in the Toolbox.

ABI considers that these rules must be decided at European level, because establishing them at national level could result in potentially having 27 different procedures.

We stress the need to coordinate the eIDAS Regulation contents with other regulations that could interplay with it, such as AML, data protection, PSD2, etc. to avoid overlaps among them.

### **Implementation plan**

Regarding the proposed timeline for implementation ABI believes that the 12 months deadline after entry into force is overly optimistic. The timeline presented is ambitious and in some parts conflicting. ABI believes it is more plausible that the Wallet application should appear in the marketplace at minimum 6/12 months later its requirements are defined.

An evaluation of a successful broad deployment of the ID wallets only 6 months (Art. 12b.5) after the interface specifications are provided seems not to allow enough time for the technical developments.

## CONCLUSION

In conclusion, ABI believes that it will be possible to arrive at a fully integration of the different national solutions based on eIDAS, through their standardisation.

ABI hopes that it will be possible to achieve a smooth customer experience in the usage of the wallet without jeopardising security, especially when dealing with payments.

Although ABI has a neutral position on the technology used, we believe that the use of the attributes of eIDAS digital identities can be enabled, also using the support of innovative technologies such as DLT, to allow the subscription of new services, including banking services.

ABI considers Digital Identity as a catalyst for energy and investment in PSPs' processes, we recommend that the significant investments that the banking industry has made in recent years to secure processes should not be compromised by the introduction of new rules.

As also recognized by the eIDAS proposal, the banking sector can play an important role as a supporting partner for the Digital Identity successful adoption. To this extent, it should be ensured that the financial sector is involved in the standardisation process planned for the next months.

Moreover, the financial sector participation in the forthcoming activities will allow to consider its specificities, especially related to the payment means.