Simplification of EU digital laws: good news for the financial sector?

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AI Act | GDPR | Better Regulation

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Chapter I – A lost decade?

A decade of digital ambition and the rulebook it produced.

A decade of digital lawmaking

133

EU digital legislative initiatives (April 2025)

101	9	15
in force	in negotiation	planned

Four Commissions. Five years of the Digital Decade.

82

governance mechanisms at EU level

- **28** advisory bodies
- **11** networks
- **7** governing boards
- **5** executive agencies
- **13** decentralised agencies
- **9** in the Commission
- **6** independent bodies
- **3** standardisation bodies

Source: CEPS digital acquis dataset (Zenner / Marcus / Sekut), April 2025.

The Commission's GDPR verdict

July 2024: "very positive"

Six years on, the Commission calls the GDPR a **cornerstone of EU digital policy** that significantly strengthens citizens' civil liberties.

The flagship is sound. The problems, it says, are limited — and fixable with the right tools.

… problems 'only' here:

1. **Weak national enforcement.** → a GDPR implementing regulation.
2. **Private-sector compliance.** → tools, checklists, guidelines.
3. **International data transfers.** → more cooperation & adequacy.

The template for how Brussels treats every digital law: celebrate first, then patch at the edges.

Chapter II – The Draghi diagnosis

Competitiveness as the lens and Europe’s own rules as the obstacle.

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Five firms in the global top 50

5

EU tech companies in the global top 50

SAP	**#18**
Schneider Electric	**#26**
Nokia	**#35**
ASML	**#42**
Infineon	**#47**

133 digital policy initiatives and 82 governance bodies later, the EU has fallen **further behind the US and China since 2010**.

Draghi: the digital rulebook as a problem

1 Complexity & overlaps

Laudable aims – but GDPR and the AI Act overlap and contradict, holding back AI projects.

2 Fragmented enforcement

Member-State divergence plus AI Act inconsistency creates legal uncertainty and locks EU firms out of early innovation.

3 Overregulation & cost

GDPR compliance burdens EU firms far more than US rivals – with measurable effects.

The compliance gap, measured:

−26% data storage

−15% data processing

EU vs US firms, attributable to GDPR.

Chapter III – The digital laws of the EU in a new world of realism

The AI Act as the test case for the 'European way'.

Three regulatory models, one AI race

USA

Markets first

- Sector-specific rules; innovation led by Big Tech and top universities.
- Leads on firms, venture capital, R&D, talent and infrastructure.
- One large, unified digital market.

CHINA

State-driven

- AI as the key to the global tech race; long-term national plans.
- An automated-decision law but the focus is investment.
- Was far behind five years ago; could soon be dominant.

EU

Values first

- Aligning AI with core values and democratic principles.
- Hoping for a GDPR-style ‘Brussels effect’ on AI.
- Post-Brexit, behind on nearly every metric – and losing ground.

Strong aims, weak certainty

What works

- ✓ **International alignment** (OECD AI definition).
- ✓ **Context-aware principles** (Art. 8).
- ✓ **Burden-sharing along the value chain** (Art. 25, 51 ff.).
- ✓ **Conformity via standards** (Art. 40).
- ✓ **Future-proof & cooperative** (delegated acts, RSB, guidance).

What creates uncertainty

- ✗ **Vague text & unclear procedures** (e.g. Art. 3).
- ✗ **Blurry prohibitions & high-risk cases** (Art. 5, Annex III).
- ✗ **Horizontal scope** legal overlaps & governance chaos.
- ✗ **Evolving AI** does not fit the product-safety (NLF) mould.
- ✗ **Training-data access** left unsolved.

… and not really enforceable

European level

- Commission / AI Office
- AI Board
- Advisory & expert groups
- EDPS

National level

- Competent authorities (NCAs)
- Notifying authorities
- Market-surveillance auth.
- Fundamental-rights bodies

The friction: new AI Act players collide with the sectoral regulators that already govern AI in **finance and health**. On top, all 27 Member States appoint very different NCAs – despite the wording of Art. 81 AI Act.

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A widening AI gap towards the USA and China

Firms retreat to ‘deployer’ status

Investment stalls amid legal uncertainty; most EU firms simply buy finished AI products from US Big Tech.

A static law for a dynamic technology

Frequent modifications, new risk categories and multiple purposes force repeated conformity assessments.

No working governance system

Neither the EU nor Member States can staff or fund it and new-vs-old turf wars make it worse.

Consultants win either way

Even where third-party assessment is optional, firms fall back on costly certification. The Big 4 and law firms profit.

Chapter IV – Brussels response to Draghi

Learning from past mistakes and improving the digital acquis.

Brussels’ answer: simplify

Three instruments, one promise: cut burden without lowering protection.

Digital Omnibus on AI

Targeted AI Act fixes: deferred high-risk deadlines, lighter rules for low-risk AI, SME relief.

Political agreement: 7 May 2026

Digital Omnibus (data)

Recalibrates GDPR, ePrivacy, the Data Act, NIS2 and DORA. For instance, by introducing one incident-reporting point or by loosening consent rules.

Proposed 19 Nov 2025; in negotiation

Digital Fitness Check

An evaluation that stress-tests the whole digital rulebook for coherence, cost and competitiveness.

Findings expected Q1 2027

The Digital Omnibus on AI

Targeted AI Act amendments – political agreement, May 2026.

Machinery Regulation

Shifted to Annex I Section B so that sectorial rules apply first.

High-risk rules postponed

staggered application deadlines from 2 Dec 2027 to Aug 2028.

AI-literacy reframed

duty partially shifted to the Commission and Member States.

Sensitive data for AI

explicit basis to process special-category data for development & bias detection.

SME / SMC relief

simplified documentation and proportionate quality management.

New nudifyer ban

Prohibitions in Article 5 were extended to cover a new AI-driven risk in the area of CSAM

The Digital Omnibus on Data

Six recalibrations of core data-protection rules.

1 **Narrower 'personal data'.** Not personal if the controller cannot identify the person.

2 **Sensitive data for AI.** New Art. 9(2) exceptions for AI development and operation.

3 **Fewer information duties.** Art. 13(4) waiver for clearly-defined, low-data activities.

4 **Breach reporting overhauled.** Single entry point, higher thresholds, a 96-hour deadline.

5 **Cookies recast.** Art. 88a/b: a consent-free catalogue plus browser-level consent.

6 **Curbing abusive requests.** Tighter limits on excessive Art. 15 access demands.

The Digital Omnibus on Data: Next steps

The road ahead

22 Jun 2026	Draft report for translation
15 Jul 2026	Amendments due
Sep–Dec 2026	Committee negotiations
Feb 2027	Plenary vote
Summer 2027	Trilogue negotiations

Two committees, one fight

LIBE — personal data · **ITRE** — non-personal data

Rapporteurs: Aura Salla (EPP) & Marina Kaljurand (S&D).

What's actually being fought over

- What counts as 'personal data'? (Art. 4(1))
- AI access to sensitive data (Art. 9 / 88c)
- ePrivacy vs cookie rules (Art. 6 / 88a-b)
- Innovation principle vs risk-based approach (Art. 5)
- Privacy by Design & DPO tasks (Art. 25 / 70)

Chapter V – Good news for finance?

The sector with the most to gain from simplification … but most seem left unsolved.

Banking & credit

Insurance

Capital markets

Where the digital rulebook creates problems

Two rulebooks, one institution

NEW: Horizontal digital law

- GDPR
- AI Act
- Data Act
- DMA / DSA
- NIS2
- DORA

stacks on top of

EXISTING: Sectoral financial law

- CRR / CRD
- MiFID II
- Solvency II
- PSD2
- MiCA
- EBA / ECB GLs

Why finance is uniquely exposed

- **Already the most-regulated sector.** Digital law adds a second, horizontal layer over an already dense rulebook.
- **The highest density of named high-risk AI uses.** Annex III singles out credit scoring (5b) and life & health insurance pricing (5c).
- **Every AI use sits in an existing supervisory regime.** ECB / SSM, EBA, ESMA, EIOPA and national authorities already supervise it.

While there are good news …

What the Digital Omnibus delivers for finance

- ✓ **Single incident-reporting point:** One portal for DORA, GDPR, NIS2, eIDAS and CER. No more triple-filing the same incident.
- ✓ **Aligned breach thresholds, one 96-hour deadline:** A single notification logic instead of competing clocks and templates.
- ✓ **A legal basis for AI training data (Art. 9 GDPR):** Special-category data may be processed for models and bias detection (e.g. credit models)
- ✓ **High-risk AI timeline deferred (May 2026 deal):** Staggered deadlines past 2 August 2026 give compliance teams breathing room.
- ✓ **SME / SMC relief:** Simplified technical documentation and proportionate quality-management duties.

The ceiling: almost all of this is procedural. It changes ***how you file and when you comply*** but not ***what you must comply with.***

… the core problems remain

What simplification does *not* touch

Substance untouched

High-risk duties on credit & insurance stay: conformity assessment, Art. 10 data governance, Art. 14 oversight, Art. 27 FRIA on top of existing model-risk rules (CRD, EBA GLs).

DORA resilience unchanged

Only the reporting mechanics are streamlined. The operational-resilience and ICT third-party obligations remain in full.

Supervisory fragmentation

No rationalisation of who supervises AI in finance: ECB / SSM + EBA / ESMA / EIOPA + AI market-surveillance authorities + DPAs + the new AI Office.

The real risks ignored

Horizontal-on-sectoral layering is never reconciled and dependence on a few US AI / cloud providers (a concentration & financial-stability risk) is untouched.

Good news for finance? At the margins, yes. On the problems that matter, no. Simplification streamlines the paperwork; it does not fix the architecture.

Simplification is not reform

Permanent crisis mode

Accelerated lawmaking; Better Regulation safeguards suspended; major reform blocked.

A broken policy cycle

No proper evaluation, no feedback, no course-correction between laws.

The Delivery Gap

Digital laws that look complete on paper but miss their goals in practice.

The Omnibus and the Fitness Check simplify the rulebook.

They do not repair the policy cycle that has produced it. Which is exactly the structural reform the financial sector needs.

Good news for the financial sector?

Yes, at the margins. No, on what matters. The real task is a structural reform of EU lawmaking.

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