

# A growing hill to climb: The daunting implementation challenges facing financial institutions in Europe

Jessica Renier, Managing Director, Digital Finance

Conan French, Director, Digital Finance

Laurence White, Consultant Senior Advisor, Digital Finance

Robert Priester, Chief European Representative and Regulatory Counsel

DECEMBER 2, 2024

This staff note examines the key elements of the European Union's (EU's) digital finance policy agenda that have yet to be fully implemented. Starting in mid-2025, measures from at least 10 different pieces of legislation that have been adopted or proposed will require implementation steps by financial institutions (FIs) in a very small window of time. This pile-up of implementation measures will not only prove burdensome on FIs, it is likely to lead to overlap, or create inconsistencies and discontinuities in the regulatory framework.

This note builds upon previous IIF publications on the EU's digital finance agenda, including on the digital euro project and the European Commission's (EC's) payments agenda.<sup>1</sup> Our earlier work has documented how these initiatives interconnect, including through potential impacts of the digital euro project on the business models of payment service providers (PSPs) such as banks, and the challenges of administering digital euro holding limits while maintaining citizen privacy. We also recently raised the issue of the interface of privacy legislation with the EU's AI Act.<sup>2</sup>

## 1. IMPLEMENTATION INTENSITY EXPECTED TO PEAK IN LATE 2025 TO MID 2027

Given reasonable estimates of implementation dates, it is possible to map certain critical periods when FIs active in the EU will be grappling with challenges of implementing several pieces of legislation at once (see **chart** on next page). A simple histogram maps the number of concurrent pieces in the implementation phase of the 10 measures yet to be fully implemented (full details of which are in the **Annex**).

On present expected timings, there appears to be significant regulatory implementation intensity building up, with a high plateau occurring around mid-2025 until well into 2027, with a probable spike in late 2025 or early 2026. Several major regulations have key milestones during this period:

- The Data Act, Instant Payments Regulation (IPR), AI Act, and Digital Operational Resilience Act (DORA) all have significant implementation deadlines staggered throughout 2025–26.
- New proposed regulations like the Financial Data Access (FIDA), 3<sup>rd</sup> Payment Services Directive/Regulation (PSD3/PSR), and the **Digital Euro**, if passed, are expected to come into effect during this timeframe.
- All 10 measures discussed in this note (the above, plus **MiCA**, **Data Act**, **eIDAS 2.0** and **Cyber Resilience Act**) are likely to be in simultaneous implementation at end-2025 or early 2026.

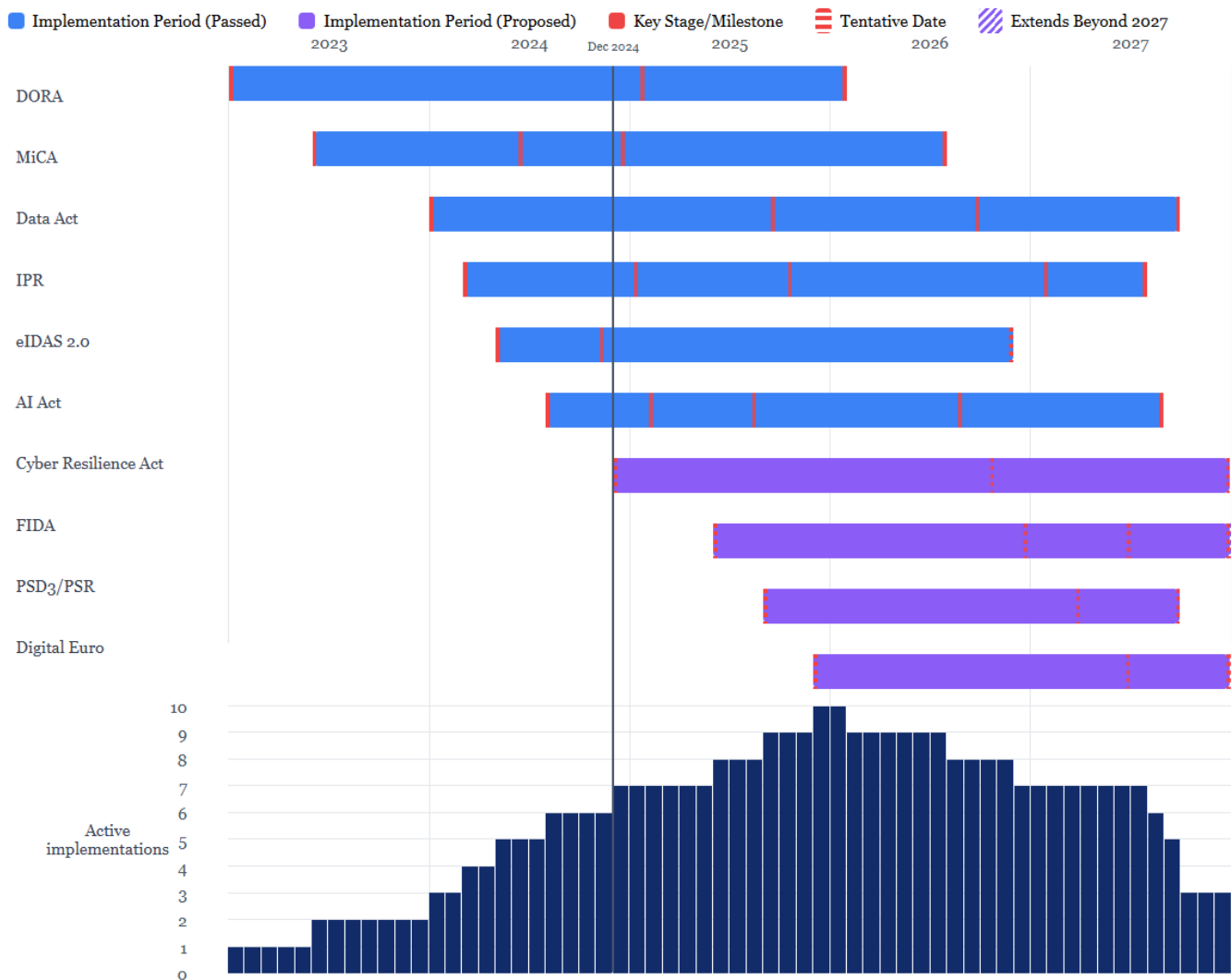
There are also global initiatives to be kept in mind. In the payments space, initiatives that are not specifically EU-related such as Swift's ISO 20022 migration project, due to complete in November 2025, will also impose significant burdens, ahead of realizing significant expected gains.

<sup>1</sup> See [IIF Briefing Note: Digital Euro Update](#) (October 2024); [IIF Staff Note: The Evolution of Open Finance in the EU](#) (May 2024) (which covered the PSD3/PSR package); [IIF staff note on the Digital Euro Rulebook](#) (January 2024); [IIF summary and staff assessment](#) of the digital euro legislative package (September 2023); [IIF Responds to European Commission's Targeted Consultation on a Digital Euro](#) (June 2023).

<sup>2</sup> [IIF Response to European Commission Consultation on AI in Financial Services](#) (September 2024), p. 35

Arguably, this represents an unprecedented level of concurrent regulatory change in the digital finance space for the EU financial and digital sectors, at a time when firms are fighting rising instances of digital fraud. This concentration of regulatory implementation deadlines between 2025–27 will likely create significant operational and compliance challenges for affected organizations, particularly those that are active in multiple market verticals or that are particularly technology-forward. This is the case especially because the technology, legal, and compliance management and specialist support personnel will most likely need to be shared across these multiple concurrent projects. On top of this picture, there will likely be other elements that have yet to become legislative proposals, whether held over from the previous Commission’s strategies and plans or new initiatives of the incoming one.

### EU Regulatory Implementation Timeline (2023-2027)



### 2. OVERLAPS AND DISCONTINUITIES

With so many pieces of legislation, both cross-cutting (“horizontal”) or sectoral (“vertical”), interface issues such as overlaps and discontinuities are almost inevitable. As one example, feedback from members gathered in preparing the IIF’s recent response<sup>3</sup> to the European Commission on AI in finance indicated there was IIF member concern

<sup>3</sup> [IIF Response to European Commission Consultation on AI in Financial Services](#) (September 13, 2024)

about consistency between the AI Act and the General Data Protection Regulation (**GDPR**). The submission stated that the fact that some national data protection agencies have developed a definition of AI that is not completely aligned with the AI Act creates legal uncertainty as regards the requirements a system has to meet. Specifically, differences between definitions of artificial intelligence for GDPR purposes and AI Act purposes have been highlighted as a point of uncertainty.

The same submission emphasized that, in general, regulators should prioritize deduplication and consider how existing financial regulation intersects the requirements of the AI Act. For example, we saw merit in waiting for European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) to finish developing their horizontal AI risk management and cybersecurity standards before considering the need to issue any potentially overlapping or conflicting guidance on related IT risk management, cyber resilience, and the AI Act's interaction with other IT/security, financial infrastructure resilience, and data protection fields.

More broadly, there are many potential areas of overlap or inconsistency across this ambitious legislative agenda that firms will need to track carefully. Some examples of potential issues are:

- Operational Resilience – where operational resilience requirements under DORA might overlap with or differ from cybersecurity requirements in the Cyber Resilience Act, including around incident reporting timeframes and processes.
- Data Access and Sharing – how various data access and sharing requirements across FIDA, PSR/PSD3, and the Data Act might need to be reconciled with data protection obligations.
- Digital Identity – the potential for different technical standards and requirements for digital identity verification across eIDAS 2.0, payment services regulations, FIDA, and Digital Euro infrastructure.
- Testing and Validation Challenges – how requirements for testing and validation of systems will be coordinated across multiple frameworks, particularly during the peak implementation period of 2025–26.
- Cross-sectoral Supervisory Coordination – how national financial competent authorities and digital services and markets supervisors will interact across these various frameworks, potentially creating different supervisory approaches across member states.

### **3. IIF STAFF COMMENT**

Former European Central Bank President Mario Draghi's recent report on EU competitiveness found that across different metrics, a wide gap in GDP has opened up between the EU and the U.S., driven mainly by a more pronounced slowdown in productivity growth in Europe. On a per capita basis, real disposable income has grown almost twice as much in the U.S. as in the EU since 2000.

The Ministries of Finance of France, Germany and Italy have likewise recently written to Director General John Berrigan of the EC's Directorate-General for Financial Stability, Financial Services and Capital Markets Union. In a widely-leaked letter, they advocated for a regulatory pause and a renewed focus on the global competitiveness of European banks.

IIF staff also consider it desirable, before formulating any further legislative proposals, for the Commission to undertake a full stock-take, including a cumulative impact assessment, across these enacted and envisioned initiatives, seeking in particular to identify and, where possible, resolve, legislative overlaps and discontinuities.

## ANNEX: DETAILS OF MEASURES DISCUSSED

### MEASURES IN PLACE

In terms of initiatives already in place, the key digital finance initiatives, or horizontal measures of particular relevance to FIs, include the following:

**PSD2** (Payment Services Directive 2): PSD2 enhances the EU’s payment services market by promoting innovation, improving security, and increasing consumer protection. It mandates strong customer authentication and opened the market to new payment service providers. The directive entered into force on January 12, 2016, with general application beginning on January 13, 2018. A significant milestone was reached on September 14, 2019, when the Regulatory Technical Standards on strong customer authentication (SCA) and common and secure open standards of communication (CSC) came into effect.

**GDPR** (General Data Protection Regulation): GDPR is the EU’s cornerstone data protection law, ensuring the privacy and protection of personal data. It imposes strict requirements on data processing and grants individuals significant rights over their data. It also has provisions concerning automated decision-making. The regulation entered into force on May 24, 2016, with full application beginning on May 25, 2018.

**DMA** (Digital Markets Act): The DMA aims to ensure fair competition in the digital market by regulating large online platforms, known as gatekeepers. It sets out obligations to prevent anti-competitive practices. The Act entered into force on November 1, 2022, with most provisions applying from May 2, 2023. Gatekeeper obligations begin to apply within 6 months after an organization is designated as such.

**DSA** (Digital Services Act): The DSA aims to create a safer digital space where the fundamental rights of users are protected and to establish a level playing field for businesses. It introduces tiered obligations for digital service providers, with the strictest rules applying to very large online platforms and search engines. The Act entered into force on November 16, 2022, with provisions applying gradually: platforms and search engines had to start publishing user numbers by February 17, 2023, followed by special obligations for the largest online platforms and search engines in mid-2023. The full set of DSA provisions became applicable to all intermediary service providers on February 17, 2024.

### MEASURES IN IMPLEMENTATION PHASE

Several key measures have been enacted by the co-legislators, the European Parliament and Council, but are still in the implementation phase. The key measures, and their anticipated compliance timelines, are as follows:

Measure	Application timeline <sup>4</sup>
<b>DORA</b> (Digital Operational Resilience Act): DORA aims to enhance the digital operational resilience of financial entities by setting uniform requirements for ICT risk management, incident reporting, and third-party risk management. The Act entered into force on January 16, 2023, with most provisions due to apply from January 17, 2025, and ICT risk management and testing requirements due to come into effect on January 17, 2026.	Entry into force: January 16, 2023 Most provisions apply: January 17, 2025 Application of ICT risk management and testing requirements: January 17, 2026
<b>Data Act</b> : The Data Act aims to create a harmonized framework for data sharing and usage across the EU, promoting innovation and competition while ensuring data privacy and security. The Act entered into force on January 11, 2024, with most provisions due to apply from September 12, 2025, while connected products	Entry into force: January 11, 2024 Most provisions apply: September 12, 2025 Connected products/related services to be designedly accessible by default: September 12, 2026

<sup>4</sup> The focus here is on compliance dates for private sector. Generally speaking, deadlines for implementing legislation are not separately identified here. Based on publicly available sources (typically EU official sources or third-party summaries).

Measure	Application timeline <sup>4</sup>
must be designedly accessible by default by September 12, 2026, and long-dated pre-commencement contracts become subject to unfair contract terms provisions by September 12, 2027.	Long-dated pre-commencement contracts subject to unfair contract terms provisions: September 12, 2027
<b>IPR</b> (Instant Payments Regulation): IPR, while not formally part of the digital finance package, represents another significant implementation challenge for EU financial institutions during the peak implementation period. The regulation aims to make instant euro payments available to all bank account holders in the EU and EEA.	Entry into force: March 19, 2024 Eurozone PSPs must receive instant transfers; sanctions screening rules apply: January 9, 2025 Eurozone PSPs must send instant transfers: October 9, 2025 Non-eurozone PSPs must receive instant transfers: January 9, 2027 Non-eurozone PSPs must send instant transfers: July 9, 2027
<b>AI Act:</b> The AI Act is the European Union’s comprehensive regulation on artificial intelligence, aimed at ensuring AI systems are safe, transparent, and respect fundamental rights. It classifies AI systems based on risk levels and imposes stricter requirements on applications identified as high-risk.	Entry into force: August 1, 2024 Ban on prohibited systems, e.g. social scoring: February 2, 2025 General purpose AI systems obligations and other provisions: August 2, 2025 High risk systems under Annex III: August 2, 2026 High risk AI systems under Annex I: August 2, 2027
<b>MiCA</b> (Markets in Crypto-Assets Regulation): MiCA is the EU’s comprehensive regulatory framework for crypto-assets, crypto-asset service providers, and stablecoins. It aims to protect investors, preserve market integrity, and support innovation while ensuring financial stability. The regulation creates a standardized EU-wide licensing regime for crypto-asset issuers and service providers, with specific requirements for different types of crypto-assets, including stablecoins.	Entry into force: June 29, 2023 Provisions related to stablecoins (asset-referenced tokens and e-money tokens) take effect: June 30, 2024 Full application of MiCA for other crypto-assets and service providers: December 30, 2024 End of the transitional period for entities operating under national laws before MiCA’s full application: July 1, 2026

### MEASURES NOT YET ENACTED

At the same time, there are still many digital finance measure before the co-legislators. These were measures that were not finalized during the previous term of the European Parliament and European Commission, which ended in June 2024.

At time of writing, significant timing uncertainties and possible slippages could affect this timeline. Post the June 2024 elections, the European Parliament has taken time to re-constitute itself, elect rapporteur MEPs for the various files, and determine if files left without adoption would be resumed without starting all over again. That has now been settled, but the attention and energy has so far been on the Commissioner-designate hearings rather than progressing with legislation. There are also some suggestions that the Council being presided over by Hungary, which has had differences with most other members over Ukraine, has not accelerated matters.

Measure	Possible application timeline <sup>5</sup>
<b>Cyber Resilience Act:</b> This Act focuses on improving the cybersecurity of digital products and services within the EU. It aims to ensure that products with digital elements are designed and developed with cybersecurity in mind.	Expected entry into force: end-2024 (est.) <sup>6</sup> Reporting obligations for vulnerabilities and incidents expected start: October 2026 (est.) Expected full application: end-2027 (est.)
<b>PSD3/PSR</b> (Payment Services Directive 3/Payment Services Regulation): PSD3 and PSR aim to further modernize the EU's payment services framework, focusing on fraud prevention, consumer rights, and open banking. Following passage of extensive amendments <sup>7</sup> in April 2024 by the European Parliament, trilogue negotiations are yet to commence.	Entry into force: Q3 2025 (est.) <sup>8</sup> PSD3 transposition & PSR main application: Q1 2027 (est.) PSR special provisions: Q3 2027 (est.)
<b>FIDA</b> (Financial Data Access): FIDA will establish a framework for secure and open access to financial data, promoting innovation and competition in the financial sector. It is designed to extend the principles of open banking to a broader range of financial services.	Expected entry into force: late-2025 (est.) Financial Data Sharing Scheme Requirements: early-2027 (est.) Main application date: late-2027 (est.), with phased implementation possible. <sup>9</sup>
<b>Digital Euro:</b> The Digital Euro legislative package includes the digital euro regulation governing the issuance, distribution, charging structure, and data protection regimes for the proposed digital euro central bank digital currency, while an accompanying act would ensure the continued acceptance of cash as legal tender. <sup>10</sup> The ECB in parallel has been investigating the digital euro and is now in the preparation phase, having completed the investigation phase (October 2021 – October 2023). The preparation phase is expected to last until October 2025. The Rules Development Group has carriage of multiple sub-projects during this phase. <sup>11</sup>	Passage of legislative package: late 2025/early 2026 Start of possible ECB deployment phase: November 2025 ECB gives 6 months notice of any decision to begin issuance: mid-2027 <sup>12</sup> First issuance date: end-2027
<b>eIDAS 2.0</b> (European Digital Identity Framework): eIDAS 2.0 establishes a framework for European digital identity wallets, enabling citizens to prove their identity and share documents digitally across the EU, building on the existing eIDAS framework, which became effective September 29, 2018.	Entry into force: May 20, 2024 Commission implementing acts deadline for digital identity wallets: November 21, 2024 Main application date: November 2026 (est.) <sup>13</sup>

<sup>5</sup> For many of these measures, estimating the timeline until legislation is enacted is difficult. Most of these measures are awaiting consideration by the Council and/or the start of trilogue negotiations. Legislation does not become effective generally until 20 days after publication in the Official Journal. Even once the end of political discussions is known with certainty, the date of publication is very hard to predict as it depends on a multitude of factors.

<sup>6</sup> The Act was at time of writing not yet published in the Official Journal, and will come into force 20 days after publication.

<sup>7</sup> Covered in [IIF Staff Note: The Evolution of Open Finance in the EU](#) (May 22, 2024).

<sup>8</sup> At time of writing, trilogue negotiations had yet to be commenced, pending the confirmation of the incoming Commission. As such, passage before mid-2025 is considered unlikely.

<sup>9</sup> See Raiffeisen Bank International, [The Current State of FIDA Regulation \(Financial Data Access\)](#), October 11, 2024. This speculatively suggests a phased implementation with the following possible dates:<sup>9</sup>

- Phase 1 (Savings, consumer credit agreements, P&C insurance): Q4 2027
- Phase 2 (Investments, personal pensions, crypto assets, mortgages, IBIPs): Q4 2028
- Phase 3 (Other credit agreements, business creditworthiness assessment, occupational pensions): Q4 2029

<sup>10</sup> The IIF published a [summary and staff assessment](#) of the digital euro legislative package in September 2023.

<sup>11</sup> See the IIF [Briefing Note: Digital Euro Update](#) (October 9, 2024) and the previous briefing and staff notes referred to therein.

<sup>12</sup> (subject to ECB decision to proceed to issuance)

<sup>13</sup> This deadline is estimated as it is due 24 months after wallet implementing acts not yet made at time of writing.