

## **Digitalization in Monetary Policy, Banking Supervision, and Financial Stability – Legal and Economic Perspectives**

Winter Semester 2024 Joint Seminar  
Prof. Dr. Alexander Meyer-Gohde / Prof. Dr. Roland Broemel

Digitalization is pervasive, influencing almost every aspect of modern society. The supervision and stability of the financial sector and the communication and implementation of monetary policy are no different. The interdisciplinary seminar will examine various aspects of digitalization and the associated challenges for monetary policy and supervision as well as its consequences for financial stability from an economic and legal perspective.

The seminar is primarily aimed at law students of the specialization areas 1 (Internationalization and Europeanization), 2 (Law and Finance) and 4 (Constitution, Administration, Regulation), but is also open to interested students as well as doctoral candidates if there is sufficient capacity. Lectures and papers can be delivered in English or German.

### **Topics for law students**

#### **I. Digitalization-induced risks in the financial sector - Regulatory approaches**

Policy makers and regulators are striving to strike a delicate balance between preserving innovation in a competitive EU financial sector and at the same time reducing digitalisation-induced risks. The principal regulatory objectives are (i) safeguarding financial stability, (ii) protecting consumers and (iii) deepening market integration and protecting market integrity. Digitalisation-induced risks can manifest themselves in the disruption of one or several of these objectives by (i) enhancing operational risks, (ii) leading to misallocations of capital or (iii) triggering herd behaviour or silent collusion. The causalities underlying such risks are versatile, which is reflected in the regulatory approaches that emerged to cope with respective risks. In this block, recent legislative acts are introduced and analysed. Considering areas of tension between policy objectives, this block aims to shed light on **subjects** and **concepts** of respective regulation.

- 1. AI Act: AI governance in the EU Banking Sector - How do we make sure that there is accountability for decision making whether through humans or AI?**
- 2. DORA: Managing of ICT risk – Coping with dynamics and uncertainty - A legal framework for structural adaptation?**
- 3. DORA: Managing of ICT third-party risk – Mitigating risks without interfering with the market forces (too much)?**
- 4. MiCA: Regulating providers (CASPs) and products (ART, EMT) - Entity-based vs activity-based regulation**

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**Fachbereich Rechtswissenschaft**

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## II. Orchestrating information within the system

This block aims to shed light on the orchestration of information within the system from two perspectives. **The orchestration of information**

- **to complement risk-based legislation** (Topics 5 and 6). Within the last years financial regulation shifted its focus from endogenous risks (boom-bust-cycles) increasingly to risks arising from exogenous shocks (i.e. through the realisation of hybrid risks, climate risk, cyber risk). Confronted with high levels of uncertainty, the allocation of (scarce) resources to manage risks efficiently is challenging. The ability to learn and evolve is key to adapt to dynamic risk landscapes. Constant risk-awareness as well as the review of existing strategies and measures are a precondition for adaptation – regular testing to generate dynamic knowledge as well as supervisory feedback are complementing measures essential to enable these goals.

- **to enhance the access to relevant data, with an emphasis on consumer protection and market integration** (Topics 7 and 8).

Topic 7 concerns the access to information on EU companies and EU investment products. The ever-increasing availability and versatility of financial products provides opportunities to pursue investment interests in a targeted manner. To foster sound, informed, and environmentally and socially responsible investment decisions that serve the efficient functioning of the market the availability of relevant information is a precondition. However, as volumes of information increase continuously, investors capacity to duly filter, consider and compare the relevant information is challenged. The European Single Access Point provides for centralised access to relevant data.

Topic 8 concerns companies' access to customer data. Because customer data is an essential building block of digital business models, firms have an incentive to gather relevant data, but not to share it. Moreover, rules pertaining to the protection of personal data and competition law might impede the free flow of information within the market. The broad availability of customer data holds potential to promote data-driven business models and stimulate competition. Overall, the economic outcomes for financial services customers could be improved, for example by making it easier to switch providers or take advantage of personalised products. The EU's Open Finance Proposal aims to establish clear rights and obligations to manage customer data sharing in the financial sector beyond payment accounts. It is based on the principle that customers own and control the data they supply and the data created on their behalf.

5. **The ECB's cyber stress testing, TLPT under DORA and CyRST: Generating dynamic knowledge through testing to foster resilience**
6. **RegTech and supervisory feedback: Opportunities arising from real-time information sharing vs rule of law requirements**
7. **ESAP Regulation: Standardising, centralising and sharing of information about companies and financial products**
8. **The Open Finance Proposal: An EU framework for financial data access (Open Banking)**

## III. Monetary Policy and the Digital Euro

The final block covers key topics relating to the planned introduction of the digital euro, which is now in the realisation phase. The legal tender status provided for in an accompanying regulation in principle establishes an

acceptance obligation that will have an impact on the design of digital platforms, but also on mass administration. As the digital euro is to be available to citizens free of charge, the revenues for the services of the participating companies are to be determined in a regime of price regulation. Ultimately, the market effects of the digital euro depend on the specific design of the usage restrictions.

- 9. Regulation of fees for the provision of a digital euro**
- 10. Legal tender status of a digital euro: scope and effects of the obligation to accept**
- 11. Use restrictions to protect the market structure**

## Topics for students of economics

(Not exhaustive)

1. The Economic Impacts and the Regulation of Artificial Intelligence
2. Artificial Intelligence, Globalization, and Strategies for Economic Development
3. Will the Artificial Intelligence revolution cause a great divergence?
4. Generative AI and jobs: Potential effects on job quantity and quality
5. Globalisation and automation of the service sector
6. "Automation" of Manufacturing in the Late Nineteenth Century
7. Automation: Theory, Evidence, and Outlook
8. The macroeconomics of automation: Data, theory, and policy analysis
9. Tasks, Automation, and the Rise in U.S. Wage Inequality
10. Digital Euro: Implications for Monetary Policy
11. Digital Platforms, Technology, and Their Macroeconomic Impact
12. Digitalization and the euro area and EU economies
13. The Impact of Digitalization on Macroeconomic Indicators
14. Digitization and the Future of Work: Macroeconomic Consequences
15. Digitization and the Macro-Economics of Superstars

### **Introduction:**

Preparatory Meeting (Law)

October 16, 2024, 3 pm

The meeting will be held online:

<https://uni-frankfurt.zoom-x.de/j/62899853937?pwd=s4BNHfwOl4uMzz7FQebgYFqKbIAREG.1>

Meeting-ID: 628 9985 3937, Code: 230289

### **Seminar:**

February 11./12., 2025, 9 am – 4 pm

House of Finance, Room 3.36 / Chicago

The seminar will be held in person.

### **Course Grade:**

The grade will be based on a presentation and seminar paper.

Should you have any questions, please do not hesitate to reach out to [professur.broemel@jur.uni-frankfurt.de](mailto:professur.broemel@jur.uni-frankfurt.de) or [Ray@jur.uni-frankfurt.de](mailto:Ray@jur.uni-frankfurt.de)

**Please note, that all topics for law students will be introduced at the preparatory meeting on 16 October 2024 and get assigned subsequently.**