



The EBF Vision for Banking in the Digital Single Market



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The EBF Vision for Banking in the Digital Single Market

I. CHALLENGING
ENVIRONMENT

II. CHALLENGES &
OPPORTUNITIES

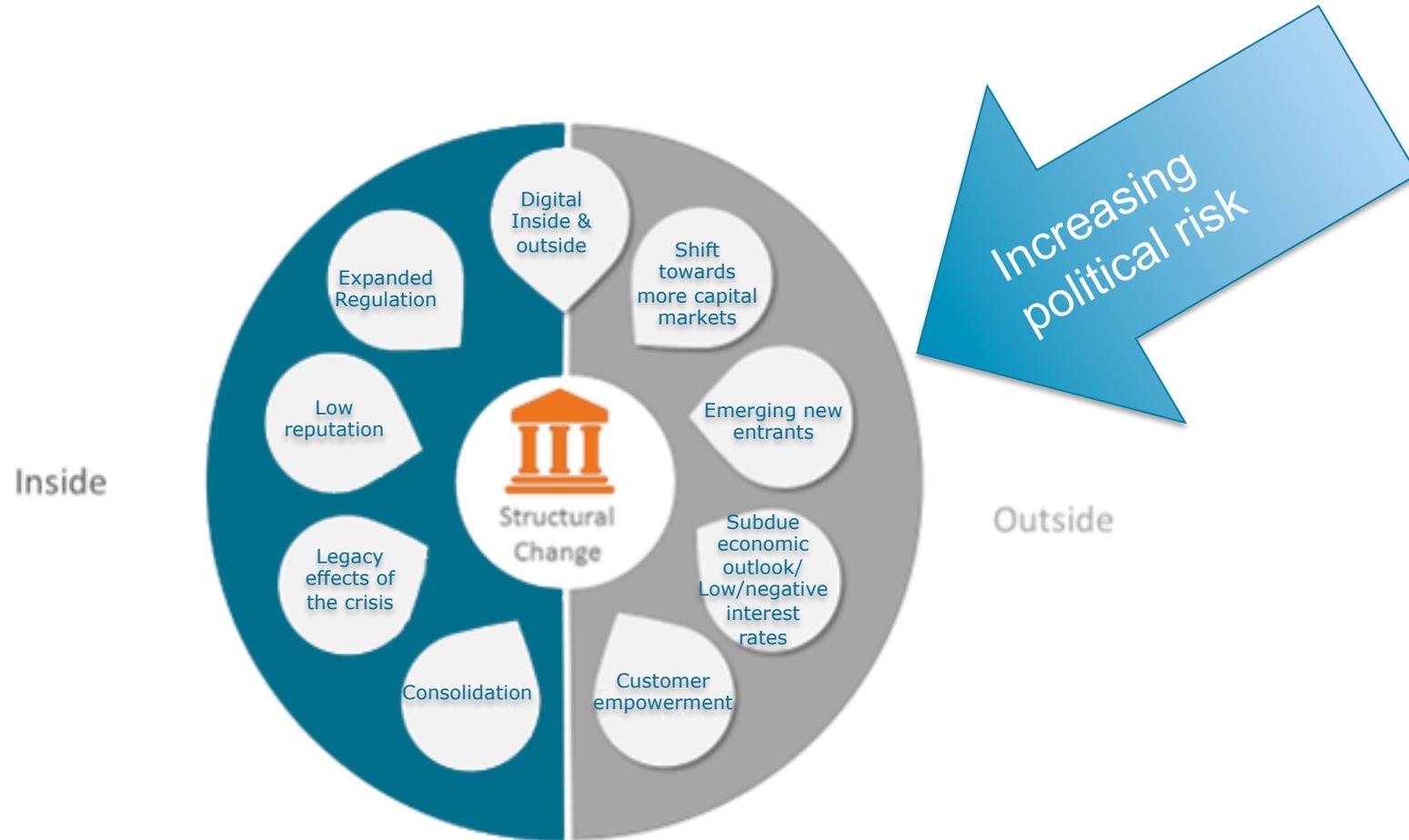
III. THE ROLE OF
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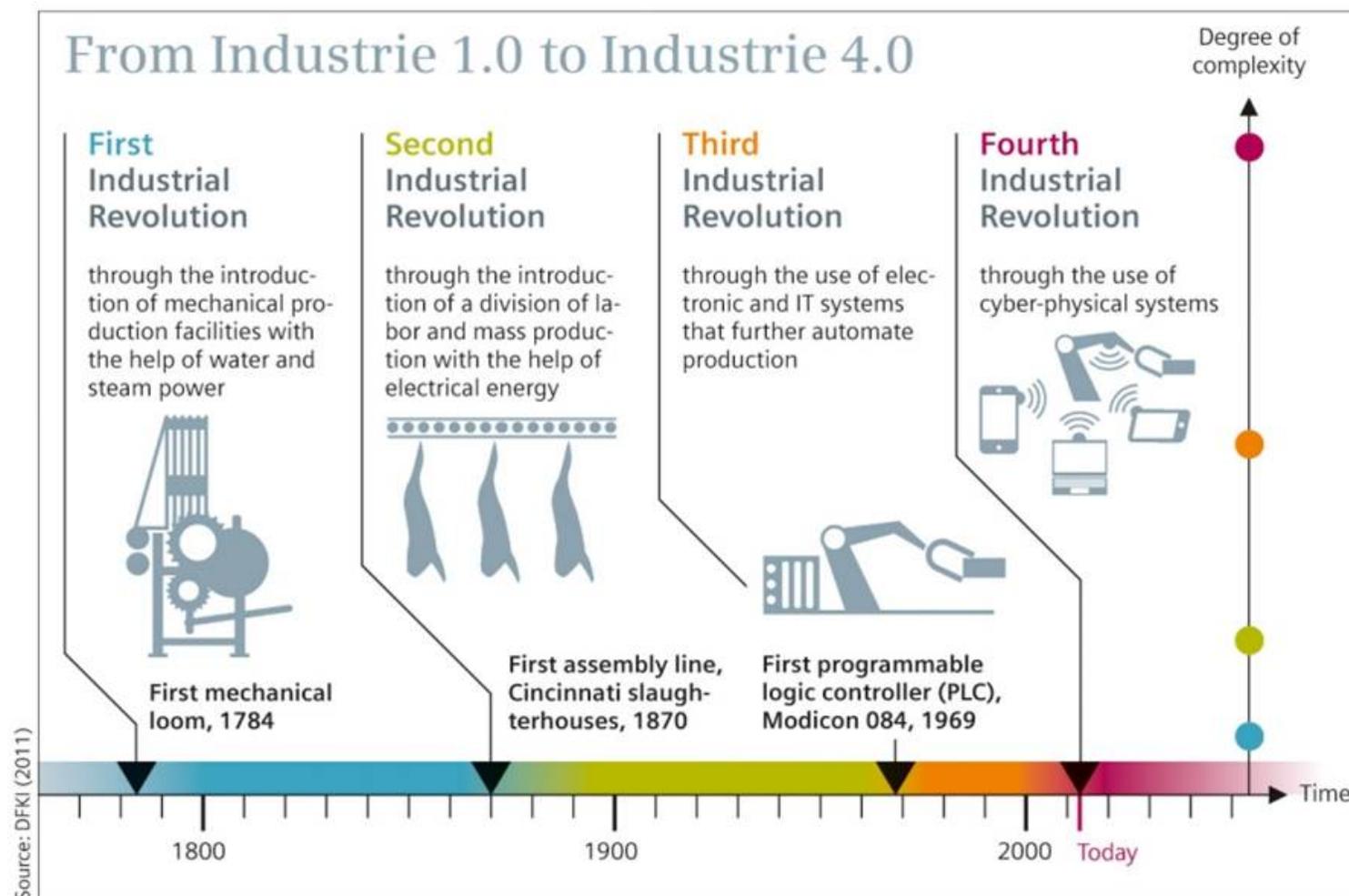
I. CHALLENGING ENVIRONMENT

Vision 'BANKING 2020'

Disruption
affects banks
from all side



Digital Revolution 4.0



Banking Digital Revolution

The question surrounding the banking industry today is not whether the industry will be transformed, but how it will be transformed.

New competitors, new technology, and new consumer expectations are impacting the banking industry faster and to a more significant degree than ever experienced.

Digital disruption is occurring at every level in the banking industry - From new technology to new competition to heightened customer expectations

Increasing Competition



Embedded Disruption

DISRUPTIVE FORCES

- 1 Cost Commoditization:** Financial institutions will accelerate the commoditization of their cost bases, removing them as points of competition and creating new grounds for differentiation
- 2 Profit Redistribution:** Technology and new partnerships will enable organizations to bypass traditional value chains, thereby redistributing profit pools
- 3 Platforms Rising:** Platforms that offer the ability to engage with different financial institutions from a single channel will become the dominant model for the delivery of financial services
- 4 Systemically Important Techs:** Financial institutions increasingly resemble, and are dependent on, large tech firms to acquire critical infrastructure and differentiating technologies
- 5 Experience Ownership:** Power will transfer to the owner of the customer interface; pure manufacturers must therefore become hyper-scaled or hyper-focused
- 6 Data Monetization:** Data will become increasingly important for differentiation, but static data sets will be enriched by flows of data from multiple sources combined and used in real time
- 7 Financial Regionalization:** Diverging regulatory priorities and customer needs will lead financial services in different regions of the world down distinct paths
- 8 Bionic Workforce:** As the ability of machines to replicate the behaviours of humans continues to evolve, financial institutions will need to manage labour and capital as a single set of capabilities



Bill Gates

**BANKING IS
NECESSARY.**

BANKS ARE

NOT.

II. CHALLENGES & OPPORTUNITIES

Digital has overtaken regulation as the top priority for global banks.

The Economist Intelligence Unit, 2014

Challenges & Opportunities



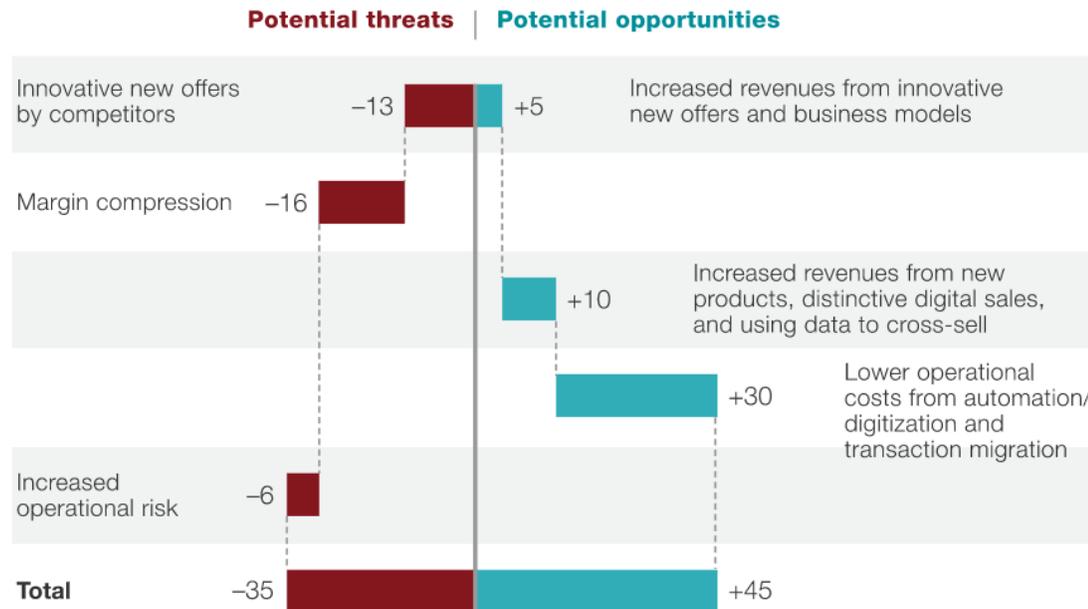
An Opportunity for Banks

- ◆ Streamlining organization through enhanced innovation / modernization
- ◆ New revenues from innovative new offers
- ◆ More efficiency and lower operational costs
- ◆ Sharing of resources (promising developments of Regtech & shared utilities)
- ◆ Partnerships with FinTech
- ◆ An opportunity for consumers (new offers and improved customer experience)

Challenges & Opportunities

Digital innovation in banking offers potential rewards and losses.

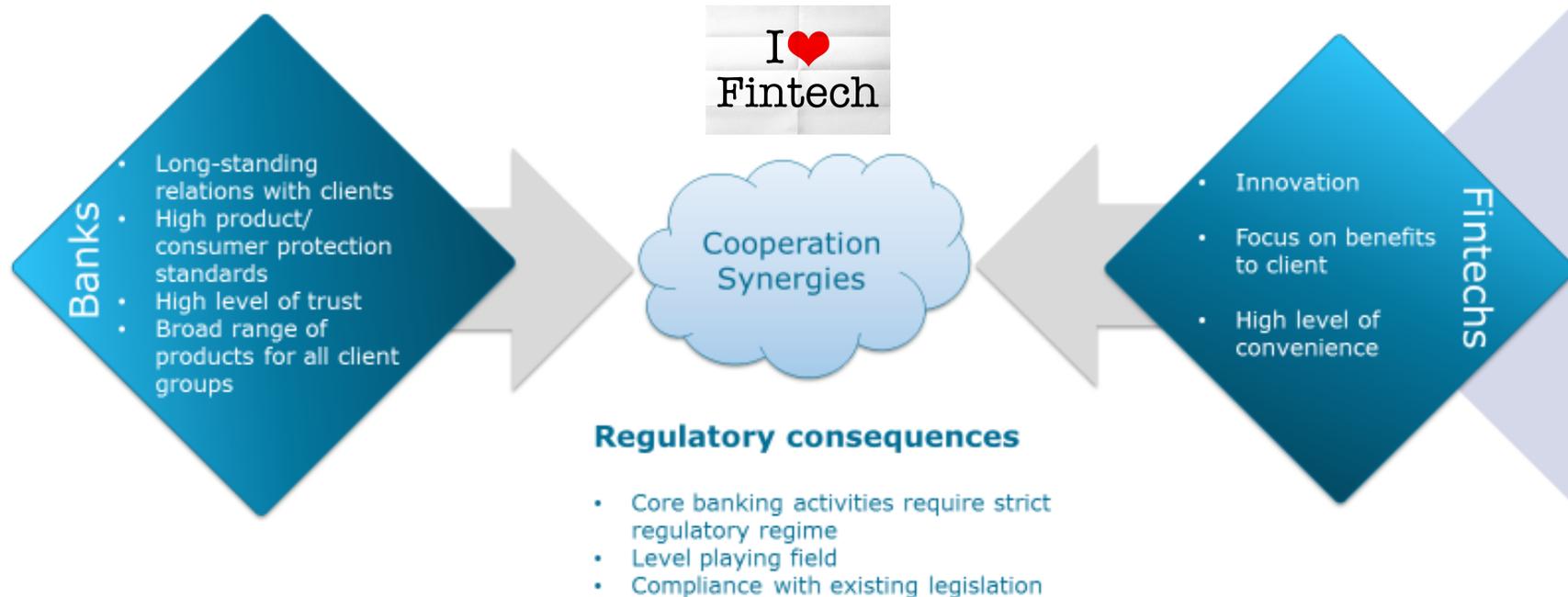
Impact from digital, % of net profit for retail bank



Source: McKinsey analysis

Challenges & Opportunities

Banks and fintechs: cooperation, not confrontation



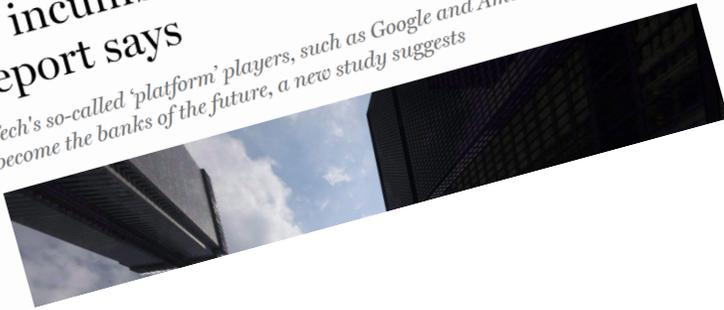
www.ebf.eu

The Rise of Platform Companies



Big tech, not fintech, the top threat to incumbent banks, McKinsey report says

Tech's so-called 'platform' players, such as Google and Amazon, could become the banks of the future, a new study suggests



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Challenges & Opportunities

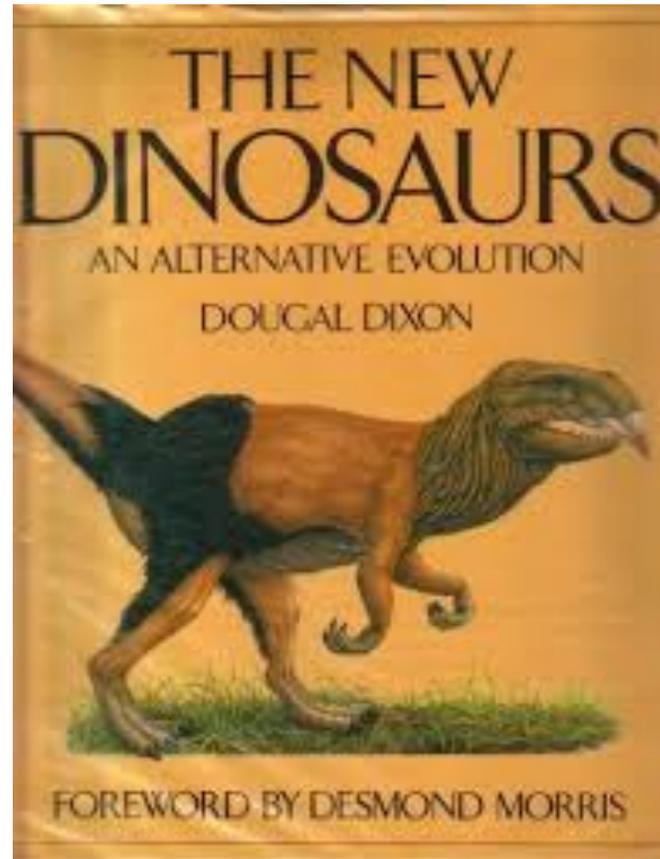


Main challenges

- ◆ Regulation fit for the purpose of digital ?
 - ◆ Level playing Field : banks are strongly regulated & supervised (which could be a barrier to innovation) & new players are less burdened by regulatory requirements
 - ◆ Technology (and digital platforms) neutrality
 - ◆ Fair access, use and sharing of data
- **The digitalisation should not leave the financial sector open to new risks, significant failures - endangering financial stability, and causing loss of public confidence**

III. THE ROLE OF REGULATION

The Role of Regulation



The Role of Regulation

Policy makers can play a key role in unlocking the potential efficiency benefits of financial innovation, while seeking to safeguard a level playing field for market participants, consumer and investor confidence and trust, and overall resilience in the financial system.

The Role of Regulation



Examples of regulatory constraints

- ◆ Uneven level-playing field
- ◆ E-identification/ Digital on-boarding versus AMLD
- ◆ Penalisation of prudential treatment of investment in Software
- ◆ Regulatory constraints on adopting cloud
- ◆ Cloud, data, platforms
- ◆ Penalisation in attracting digital talents (Remuneration)
- ◆ Cybersecurity requirements
- ◆ Fair access, use & sharing of personal data (PSD2, GDPR, liability, ...)
- ◆ ...

The Role of Regulation



State of Play

- ◆ CEOs Roundtable on Banking in the Digital Age (Commissioners Oettinger & Dombrovskis) & follow-up
 - Set-up of the FinTech task force
 - Action plan on Retail Financial Services
 - Consultation on FinTech (deadline 15 June 2017)
- ◆ Free Flows of Data initiatives
- ◆ European Supervisory Authorities (Automated Financial advices, Use of consumer data, Cloud, ..)
- ◆ Implementation of EU legislation (PSD2, AML IV, GDPR etc.)
- ◆ EP resolution on “FinTech: the influence of technology on the future of the financial sector”
- ◆ Cybersecurity package (Sept. 2017)

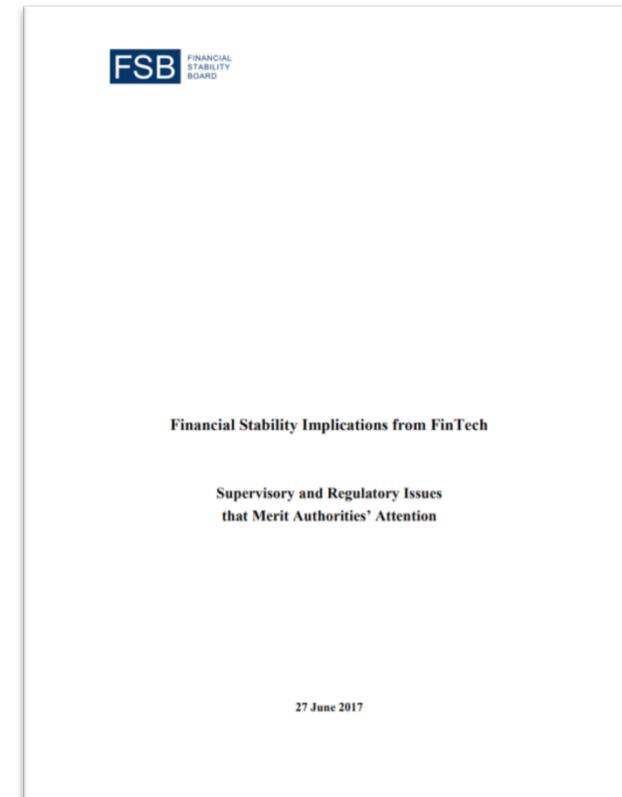


The Role of Regulation



Next - further supervisors & international involvement

- The EBA discussion paper on its approach to financial technology (deadline 6 November 2017)
- The ECB draft guides to bank licensing & fintech bank licensing (deadline 2 November 2017)
- FSB issued a report on the financial stability implications from FinTech (June 2017)
- World Economic Forum Published a report on FinTech (August 2017)
- The Basel Committee published a consultative document entitled “Sound practices: Implications of fintech developments for banks and bank supervisors” (deadline 31 October 2017).



IV. EBF ACTIVITIES

EBF Strategic pillars



EBF activities



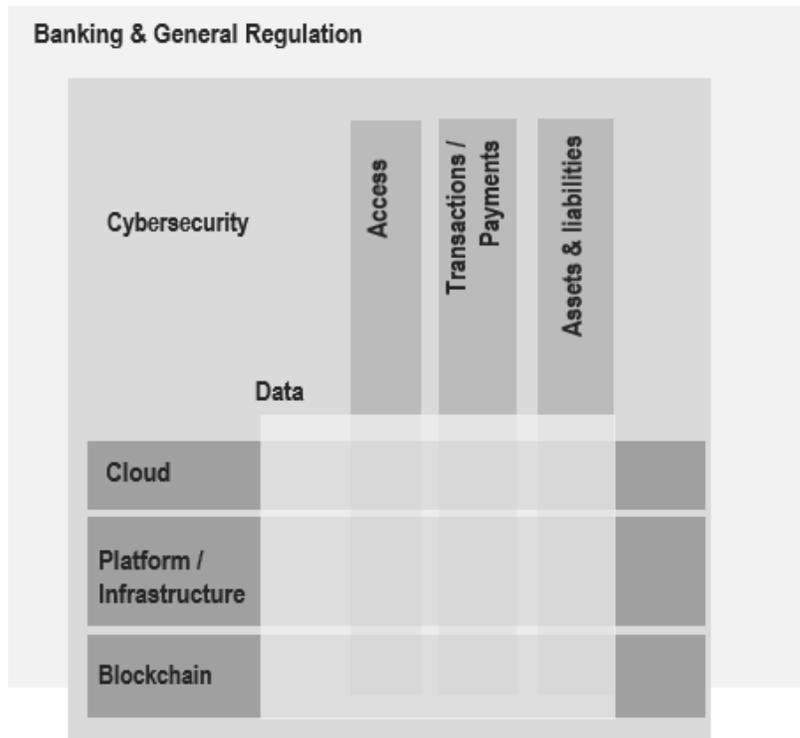
Digital transformation

- ✓ Continuous EBF positioning and leadership role
- ✓ Engagement with and shaping the work of EU Commission
- ✓ From positioning to concrete contribution (Prudential treatment of Software, data related issues, DLT, Cybersecurity – including engagement with relevant stakeholders (Europol, SSM,..)
- ✓ Engagement with Fintech community



EBF Workstreams

Digital skills



- Banking and general regulations
- Access / E-identification / e-signature /e-archiving
- Data
- Cloud
- Payments and aggregation
- Cybersecurity
- Online platform and infrastructure
- Blockchain technologies
- Alternative lending and investment (automated advice, AI, ...)
- Digital skills

Digital & Post-Trade



Will the digital transformation impact the post-trading sector?

- ◆ Significant impact on post trade services
- ◆ DLT...
- ◆ ...but not only!
 - E-ID
 - Data
 - Cybersecurity

OUR VISION



A thriving European economy underpinned by a stable, secure and inclusive financial ecosystem

A competitive financial system that creates and supports economic opportunities for Europe in a challenging environment





Thank you

Daniele De Gennaro
Financing Growth & Blockchain

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