The Future of the Banking Industry

Dialogue with the Banking Industry on ESCB Statistics
Frankfurt, 16 March 2018
Vision ‘Banking 2020-2025’

From repair, to recovery to a financial system that creates & support economic opportunities
Next generation banking services must be reliable, safe and driven by innovation

- Further digitisation is needed to provide better services and financing to consumers & businesses
- Strengthening competitiveness of European banks with other leading markets
- Regulation that does not hurdle innovation, but at the same time applies same risks, same services, same rules principle to all actors
- Further assess the applicability of new technologies (AI, DLT, Cryptocurrencies) and remove obstacles for proven applications (cloud, big data analytics, e-identification)
- Bolstering cyber resilience of the sector, cyber risk keeps increasing
- Work on green finance and High-Level Expert Group on Sustainable Finance
Banking in 2025

• Embrace Fintech developments and competitors – we are all innovators

• Industry is forming many technology partnerships via different models
  > investing, merging, accelerating, integrating, optimising

• Consumer protection, security and financial stability need to be maintained at any cost

• Equal contribution to an innovative and competitive ecosystem:
  > “same services, same risks, same rules and same supervision”

• Cross-border activity will increase (M&A, Pan-EU expansion, banking union)

• As services become more virtual, human dimension not be overlooked
  > focus on financial education and digital skills becomes essential for consumer protection and cybersecurity.
European banks as a main driver of the digital economy

- **Key priority for EBF**: Recommending a conducive regulatory environment in order to enable the digital transformation of banks with secure financial services and products

- Banks have historical adoption of emerging technology, from ATM to Artificial Intelligence

- **2015**: Positioning banks as a building block of the Digital Single Market
- **2015**: Digital Banking Blueprint + creation of the EBF Digital Strategy Group
- **2016**: Digital Banking Vision Paper, CEO Roundtable, EC Fintech Taskforce
- **2017**: Engagement with the Fintech community, emerging technologies
- **2018**: Deepening of EBF digital workstreams, knowledge sharing on emerging technologies
## Digital & Retail strategic themes 2018

### DATA
- Article 29 WP Guidelines
- GDPR Implementation
- E-privacy
- Artificial Intelligence

### PAYMENTS
- EBA RTS
- PSD2 Implementation
- Cross-border payments
- Dynamic currency conversion

### CYBERSECURITY
- Dialogue with supervisors
- Partnerships
- Awareness raising
- EC Cybersecurity Act

### CLOUD
- EBA Recommendations
- EBF Cloud Banking Forum
- Free flow of data
- EC WGs cloud security certification & portability

### OTHERS
- Digital Skills
- Blockchain/Cryptocurrency
- E-Identification
- Online-Platform
- Digital Single Market
- Action Plan Retail FS

### FINTECH
- EC Fintech Action plan
- Community engagement

### GEN. BANKING REGULATION
- Treatment of software
- RegTech

### CEO ROUNDTABLE DIGITAL

### EU FRAMEWORK OF EXPERIMENTATION

### INTERNATIONAL
EBF: partnering for growth

SAVE THE DATE
WEDNESDAY 26 SEPTEMBER 2018
AT THE NATIONAL BANK OF BELGIUM
#DFE18

organized by

EBF Cloud Banking Forum

EC3 European Cybercrime Centre
## Sectors of innovative services - Fintech

<table>
<thead>
<tr>
<th>Credit, deposit, and capital-raising services</th>
<th>Payments, clearing and settlement services</th>
<th>Investment management services</th>
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</thead>
<tbody>
<tr>
<td>Crowdfunding</td>
<td>Retail</td>
<td>High-frequency trading</td>
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<td>Lending marketplaces</td>
<td>Mobile wallets</td>
<td>Copy trading</td>
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<td>Mobile banks</td>
<td>Peer-to-peer transfers</td>
<td>E-trading</td>
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<td>Credit scoring</td>
<td>Digital currencies</td>
<td>Robo-advice</td>
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<tr>
<td><strong>Market support services</strong></td>
<td><strong>Ecosystems (infrastructure, open source, APIs)</strong></td>
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<td><strong>Data applications (big data analysis, machine learning, predictive modelling)</strong></td>
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<td><strong>Distributed ledger technology (blockchain, smart contracts)</strong></td>
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<td><strong>Security (customer identification and authentication)</strong></td>
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<td><strong>Cloud computing</strong></td>
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<td><strong>Internet of things / mobile technology</strong></td>
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<td><strong>Artificial intelligence (bots, automation in finance, algorithms)</strong></td>
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Source: BCBS.
Impact on payment statistics

• PISPs/AISPs/CISPs
  > How can banks report on third party activity?

• CISPs
  > Understanding fraud
Understanding consumer behaviour

• Could fintech solutions help improve money management?
• If fintech usage grows, how should authorities interpret the data?

Example:
  Scenario: Credit card repayments on multiple cards
  Current situation: Evidence of balance-matching by people
  Fintech solution: Repay more on balance with highest rate
  Problem: How should a shift from balance-matching be interpreted?
Statistical reporting – current framework

Sources: Derived from FCA’s “Call for Input: Using technology to achieve smarter regulatory reporting”
Reporting agent

Human interpretation & implementation into systems

Production of reports (automated or manual)

Review & submission of returns

IRF-compliant IT solutions

ECB/EBA

ECB requirement

Human interpretation & implementation into systems

Receipt & validation of returns and data collation & analysis

Sources: Derived from FCA’s “Call for Input: Using technology to achieve smarter regulatory reporting” and ECB’s “The role of BIRD”
## Statistical reporting – machine reporting

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<th>ECB machine executable requirement</th>
<th>Receipt &amp; validation of data and data collation &amp; analysis</th>
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Integrated reporting

• Banking sector supports integrated reporting

• Growing support from stakeholders: EC; EP

• Reporting agents need:
  > a road map for the IRF
  > commitment from European authorities and all national central banks
  > reassurance about how reports will be generated and interpreted
  > less duplication and fewer overlapping reporting requirements