

2020 EBA Policy Research Workshop  
*New technologies in the banking sector –  
impacts, risks and opportunities*

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# Introductory remarks of José Manuel Campa, Chairperson of the European Banking Authority

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Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort

## The importance of continuous dialogue

Good afternoon and welcome to our ninth EBA Policy Research Workshop.

These are annual events intended to bring together economists and researchers from supervisory authorities and central banks as well as leading academics to discuss how the banking sector is evolving and challenges from a regulatory and supervisory perspective and always generate rich discussion.

This year the event is hosted for the first time via an online format, a format which offers the considerable advantage of enabling many more of you to join us from across the EU than if the event had been taking place in the traditional manner.

This year the Workshop focusses on the application of new technologies in the banking sector and the impacts, opportunities and risks. This is timely. First, because we are witnessing a significant increase in experimentation and roll-out of new technologies across the EU financial sector, a trend accelerated in the context of the COVID-19 crisis. Second, because I think we are only at the cusp of what will be a period of immense technology-enabled change, not only in terms of the way in which customers access and engage financial services and institutions' compliance and other operational processes, but also the structure and functioning of the financial sector. Indeed, it is for

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these reasons that FinTech is one of the EBA's areas of strategic policy work in 2020 and for the coming years.

Let me reflect on these points in turn.

Banks and other financial sector participants are increasingly leveraging new technologies to change and enhance the way in which customers access financial services. In particular, financial institutions have for some time been investing in mobile and online banking platforms and new systems for remote customer onboarding, both of which have been leveraged throughout the COVID-19 crisis as customers across the EU are increasingly turning to digital solutions to access financial services and make cashless payments.

In terms of operations and processes, financial institutions are leveraging AI, cloud and RegTech solutions to streamline systems and generate cost savings, for example in the context of credit scoring, customer onboarding, suspicious transactions monitoring and reporting. And we see DLT and digital tokens increasingly being used in the context of, for example, trade finance, bond issuance and payments.

Importantly innovative technologies are also being engaged to facilitate new business models. On the one hand further enabling the disintermediation of financial services by supporting the entry of new firms in the banking and payments sectors, for example crypto-asset service providers. On the other, enabling the reaggregation of financial services, for instance through the use of digital platforms bridging traditional financial market participants and, for example, so-called BigTechs.

I know Carolyn will provide her perspectives on the opportunities and risks presented so I will not elaborate. Instead let me draw attention to the EBA's FinTech Knowledge Hub<sup>1</sup> which has been established to bring together competent authorities in a common setting to enhance engagement with incumbent and new entrant institutions and other FinTech firms about innovative technologies.

The objectives are to enhance our financial innovation monitoring capacity, to promote knowledge sharing about opportunities and risks presented, and to foster technological neutrality in regulatory and supervisory approaches.

Why are these things important?

First, we need to keep pace with market developments to understand on a timely basis opportunities and risks arising from innovative technologies and, where appropriate, to repond with changes to our regulatory and supervisory approaches to remove inadvertent barriers to applications of these technologies in the financial sector and to mitigate effectively any risks arising.

Second, we need to promote a common approach across the EU to the acceptance, regulation and supervision of applications of innovative technologies. This is vital when we think of incumbents

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<sup>1</sup> <https://eba.europa.eu/financial-innovation-and-fintech/fintech-knowledge-hub>

seeking to use the same RegTech solution across a group, or for firms seeking to scale up their products or services cross-border. And for many firms we need not only common standards at the EU level, but also international level, hence the EBA's proactive engagement in international policy work streams relating to FinTech, for instance in the setting of the Basel Committee on Banking Supervision and the Financial Action Task Force.

Third, we need to find solutions that are forward-looking and meet our stated policy of achieving technology neutral in regulatory and supervisory practices.

To be clear, technological neutrality is about achieving the right balance between facilitating innovation, scalability and competition across the EU Single Market whilst continuing to achieve the central regulatory objectives of consumer protection, prudential resilience, market integrity and ultimately financial stability.

In simple terms this should mean that (i) the use of a specific technology is neither preferred nor prejudiced and (ii) we should not inadvertently prevent the use of new technologies because our regulatory or supervisory approach is unsuited to it (iii) recognising that by design banks have specific prudential treatment activities, especially using new technology, presenting similar risks should be subject to similar regulation and supervision. For instance, consumers should always benefit from the same standard of protection when accessing the same products and services, regardless of who is providing the service. And this technologically neutral approach to an activity must continue to exist in parallel with the 'entities-based' approach for prudential purposes to ensure that combination of activities provided by an entity and aggregate risks are appropriately regulated and supervised, in particular from a prudential perspective taking account of the impact of businesses failing.

To achieve these elements we need a space for enhanced dialogue between supervisors and industry on innovation-related issues but also between supervisors – hence the establishment of the FinTech Knowledge Hub. The Hub can be accessed via the EBA's website where you can find our thematic reports<sup>2</sup> on topics such as 'the impact of FinTech on banks, payment institutions and e-money institutions' business models, crypto-assets, Big Data and Advanced Analytics and forthcoming reports on topics such as RegTech and SupTech and platformisation on which we have an ongoing industry survey.<sup>3</sup>

Of course applications of new technologies are also challenging our traditional approach of industry-based regulation – innovative technologies are inherently cross-sectoral and can be leveraged by participants across the EU financial sector to unbundle and re-bundle financial services. This means that we have the challenge of securing dialogue not only cross-jurisdictional but also cross-sectoral consistency in our regulatory and supervisory response.

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<sup>2</sup> <https://eba.europa.eu/financial-innovation-and-fintech/publications-on-financial-innovation>

<sup>3</sup> <https://eba.europa.eu/financial-innovation-and-fintech/fintech-knowledge-hub/regtech-industry-survey>

This points us towards greater cross-disciplinary coordination, knowledge-sharing and collaboration in our work as we seek to adopt a forward-looking response taking account of prudential, financial stability, conduct of business, AML/CFT, data protection and potential competition considerations.

It is also the reason why, in addition to establishing the FinTech Knowledge Hub, we have established with the other European Supervisory Authorities (EIOPA and ESMA) the European Forum for Innovation Facilitators (EFIF).<sup>4</sup> The EFIF provides a platform for supervisors to meet regularly to share experiences from engagement with firms through innovation facilitators (regulatory sandboxes and innovation hubs), to share technological expertise, and to reach common views on the regulatory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination.

So, to underline, continuous dialogue, between industry, supervisors, regulators and other stakeholders is essential if we are really to maximise the benefits of innovative technology applications in the EU financial sector and mitigate risk effectively.

Which brings me to the importance of events such as this one. We hope it is valuable to you all to share ideas away from the immediate pressing aims of policy and supervision and, I assure you, we see it as key for us to reflect on the changes that happening around us and what we need to do to prepare. These events are immensely valuable in bringing together different perspectives and stimulating policy debate in this important area.

Now before handing to Carolyn, may I highlight some of the EBA's work currently underway on FinTech.

First, consistent with the EBA's role of monitoring the effectiveness of the regulation of banking and payments activities in the EU, the EBA is continuously monitoring the regulatory perimeter to determine if it remains appropriate in light of emerging activities, including those that are technology-enabled. One recent example is our work in relation to crypto-asset activities which informed our advice to the European Commission on the need for legislative changes, in turn, informing the legislative proposal for a regulation on markets in crypto-assets.

Of course our monitoring work never stands still and we are continuing to follow market developments.

Second, we are continuing to monitor financial sector use cases of innovative technologies, for instance our recent work in relation to Big Data and Advanced Analytics where we identified key pillars - data management, technological infrastructure, organisation and governance and analytics methodology – necessary to support the rollout of Advanced Analytics, along with a set of 'elements of trust'. We will be working with the other ESAs and the European Commission towards these elements.

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<sup>4</sup> <https://esas-joint-committee.europa.eu/Pages/Activities/EFIF/European-Forum-for-Innovation-Facilitators.aspx>

As I mentioned, the EBA is currently performing an analysis in the area of RegTech to better understand the ongoing activity in this area, raise awareness on RegTech within the regulatory and supervisory community, and inform any relevant future policy discussion. The EBA is also seeking ways to facilitate the adoption and scale up of RegTech solutions across the EU whilst acknowledging and looking to address the underlying risks. You can expect a report from us on these points next year.

Similarly, the EBA is currently assessing the use of digital platforms for the provision of banking and payment services. The overall objective of this work is to assess whether existing approaches to regulation and supervision are technology neutral and remain fit-for-purpose. Again, I expect us to issue a report in mid-2021 setting out a summary of market trends and any regulatory and supervisory issues arising, including (as appropriate) recommended actions. The report will be a key input into the work launched by the European Commission pursuant to the Digital Finance Strategy.

On the subject of the Digital Finance Strategy, we will also be taking forward the preparation of important guidelines to promote greater convergence on the elements related to identification and verification needed for on-boarding purposes, and on the manner and extent to which financial service providers are allowed to rely on customer due diligence (CDD) processes carried out by third parties, including other financial service providers. We will also be carrying out additional work on AI, including the development of regulatory and supervisory guidance on the use of AI applications in finance, following the publication of the upcoming EU-wide framework on AI.

And of course we are following closely the legislative proposals on markets in crypto-assets and digital operational resilience which propose significant supervisory and oversight roles for the EBA.

So we have much work ahead and look forward to maintaining this continuous and vitally important dialogue on the use of innovative technologies in the EU financial sector in order that we can work to achieve this crucial balance of facilitating the scaling up of technology-enabled financial services cross-border whilst ensuring effective risk mitigation for consumers and financial stability in line with the principle of technological neutrality.

I conclude by thanking all of you who have contributed papers for this workshop, and to EBA colleagues, particularly the Programme Committee, Samuel da Rocha Lopes and Giovanni Giamello for the excellent organisation. We look forward to an interactive and lively discussion of the excellent papers which will be presented over the next two days.

Now may I welcome Carolyn Rogers, Secretary General of the Basel Committee on Banking Supervision, for her keynote speech reflecting on the impacts, risks and opportunities presented by the application of new technologies in the banking sector.

Thank you very much for your attention.