Transformations in banking as a result of the new digital age are challenging financial regulation and supervision.

### Customer Relationship
- **Digital Channels**
- **Automated financial advice**
- **New intermediaries**

### Banking Products
- **Payments**
  - Mobile payments
  - Instant payments
  - Third-party providers
- **Credit**
  - New credit scoring models
  - Lending marketplaces
- **Deposits**
  - Neobanks
- **Investment**
  - Automated and high-frequency trading

### Infrastructure
- **Financial market infrastructure**
  - Real-time payment systems
  - Distributed ledger technologies
- **IT infrastructure**
  - Cloud computing

### Objectives of regulation and supervision
- **Efficiency**
- **Financial Stability**
- **Consumer protection**
- **Integrity**
Benefits and risks from the transformation of financial services

**Efficiency**
- Automation of processes
- Disintermediation (blockchain)
- Flexible and scalable IT infrastructure
- Increased competition
- Lower costs of managing cash

**Financial Stability**
- New operational IT risks
- New providers subject to laxer controls
- More pressure on banks’ profitability
- Increased volatility and procyclicality
- More diverse ecosystem
- New tools to manage risks
- Lower settlement risks

**Consumer protection**
- New security risks
- Greater access to and use of personal data
- Risks from automated tools
- New providers subject to laxer rules
- Control & traceability of customer interactions
- Empowerment of consumers

**Integrity**
- Anonymity of virtual currencies
- Greater speed of payments
- New tools to monitor & analyse transactions
- Digital methods of identity verification
A Level Playing Field for all providers is needed to properly address the risks and to ensure fair competition

- Same regulatory treatment for activities involving similar risks
- No unnecessary barriers to fair competition

- Financial stability
- Consumer protection
- Integrity (AML/CFT)
- Access to payments infrastructure
- Access to and use of clients’ data with due consent
- Access to regulatory and supervisory guidance
Banking prudential rules and regulatory loopholes lead to asymmetries between competitors

Same regulatory treatment for activities involving similar risks

<table>
<thead>
<tr>
<th>Financial stability</th>
<th>Banks</th>
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<tbody>
<tr>
<td>Activity-specific regulations or no regulation</td>
<td>Prudential regulation</td>
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<tr>
<td>Restrictions to engage in unregulated activities (e.g. cryptoassets)</td>
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<th>Consumer protection</th>
<th>Non-bank players</th>
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| Integrity (AML/CFT) | |
|---------------------| |

Prudential regulation has implications for non-core businesses in which banks compete with non-bank players.
How can these asymmetries be reduced?

- Limiting the scope of prudential regulation when warranted
  - Exceptions or exclusions from the prudential perimeter for non-core businesses

- Addressing existing gaps in the regulation
  - A regulatory and supervisory framework for the new activities

- Facilitating innovation for all players
  - Regulatory sandboxes as a safe testing framework for both incumbents and new players
Data is a key strategic asset in the digital economy and might also be a source of Unlevelled Playing Field

The virtuous circle of data

- Trust
- Value added
- Consent
- Actionable insights
- Customer's data

&

No unnecessary barriers to fair competition

Access to payments infrastructure

Access to and use of clients’ data with due consent

Access to regulatory and supervisory guidance

Regulations on the accessibility / portability of clients’ data have broad implications for consumer protection, competition and the structure of the financial services market
European authorities are considering the above issues in setting their regulatory stance on FinTech

FinTech is defined* as “technologically enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services”

* Following the Financial Stability Board
The European Commission has defined its guiding principles

**Policy goals**

Fostering access to financial services
- Automated financial advice and execution
- Crowdfunding
- Sensor data analytics

Increasing efficiency for the industry
- RegTech
- Outsourcing and cloud computing
- Distributed ledger technologies (DLTs)

Lowering entry barriers
- Licensing and passporting
- Innovation facilitators (regulatory sandboxes)
- Standards and interoperability

Balancing data sharing with security & protection
- Free flow of data
- DLTs for data storing & sharing
- Big data to lower information barriers
- Cybersecurity

**Core principles**

- Technological neutrality
- Proportionality
- Market integrity
The European Banking Authority’s approach to FinTech

The EBA takes stock of a FinTech mapping exercise (1H2017): 31% of the sample of FinTech firms in the EU are not regulated, and 14% are only regulated under national regimes.

Six lines of action for EBA’s work

Authorisation and sandbox regimes

Impact on business models of banks and other regulated entities

Impact on resolution of financial firms

Prudential risks for banks and other regulated entities arising from FinTech

Consumer protection and conduct

Impact on AML/CFT
The European experience in regulating access to clients’ data

<table>
<thead>
<tr>
<th>PSD2 (by 2018)</th>
<th>GDPR (by 2018)</th>
</tr>
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<tbody>
<tr>
<td>access to payments accounts for third-party providers offering aggregation or payment initiation services</td>
<td>new right to personal data portability</td>
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</table>

- **individual & business** clients
  - transactions on **payments** accounts
    - real-time access with certain standardization
  - “transactional” data from **all sectors**
    - deferred access with less standardization
- **individual** clients
  - access with certain standardization
  - deferred access with less standardization

Sectoral regulations might create asymmetries between players in a digital context in which the boundaries between sectors are becoming blurred.
Thanks!
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