



# Financial Services in the Digital Age

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Brussels, 02 February 2016



- Policy brief launched in May 2015 as a contribution to the European Commission's **public consultation** on Building a **Capital Markets Union**
- It calls for a strong **"digital pillar"** in the emerging Capital Markets Union plan – and a closer collaboration between **DG CNECT** and **DG FISMA**

## Lord HILL: Tech and Financial Services

*'New technology is changing the face of financial services. It will be an important driver of the integration of capital markets. Examples like electronic trading, crowdfunding and FinTech show this'*



Lord Hill, European Commissioner for Financial Stability, Financial Services and Capital Markets Union

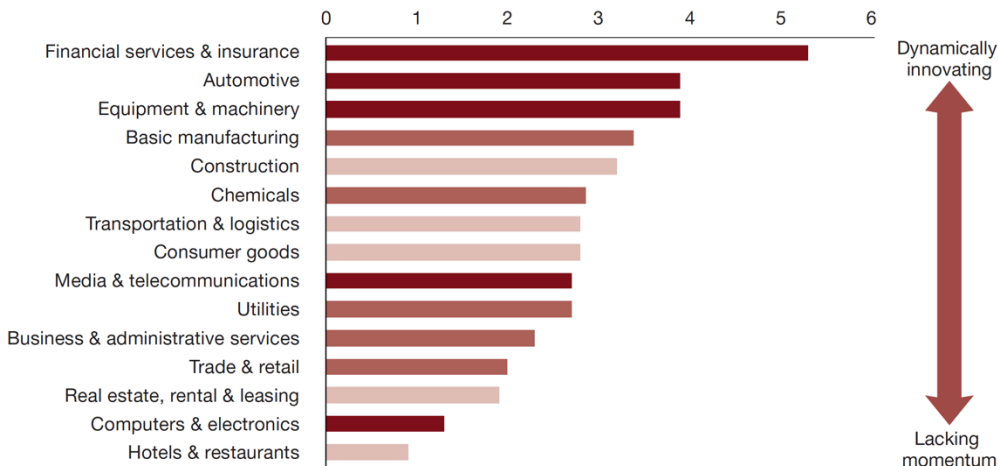
# Digital Transformation in Banking

- Digital transformation of **economy and society** – ranging from manufacturing to culture and healthcare
- Financial sector at the **forefront** of technological advances (digitalisation started in 1970s)
- Not only do digital technologies enhance existing business processes, but they also allow to **reengineer complete systems and architectures** and create **new business opportunities** in the financial sector



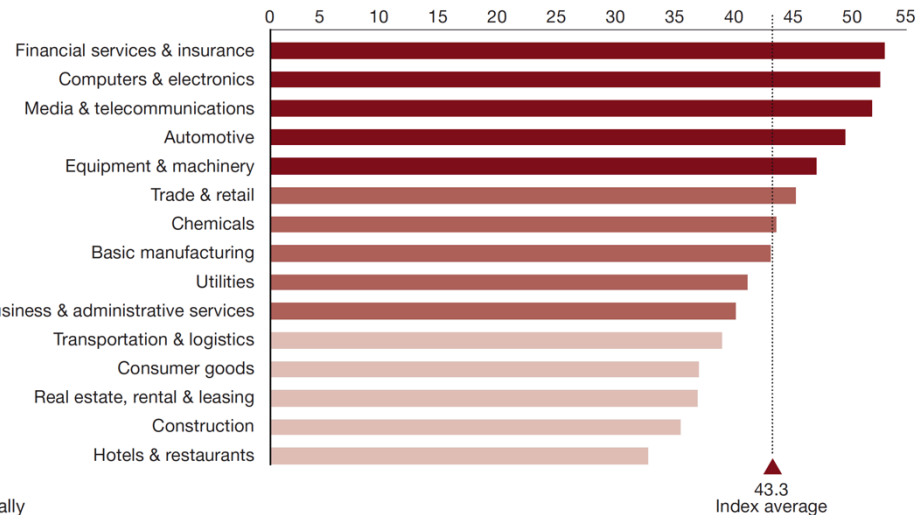
# Industry Digitisation Index

Financial services and insurance is the most digitised...



Dynamically  
innovating

Lacking  
momentum



and the most dynamically  
innovating industry!

# Customer Expectations in a Digital World

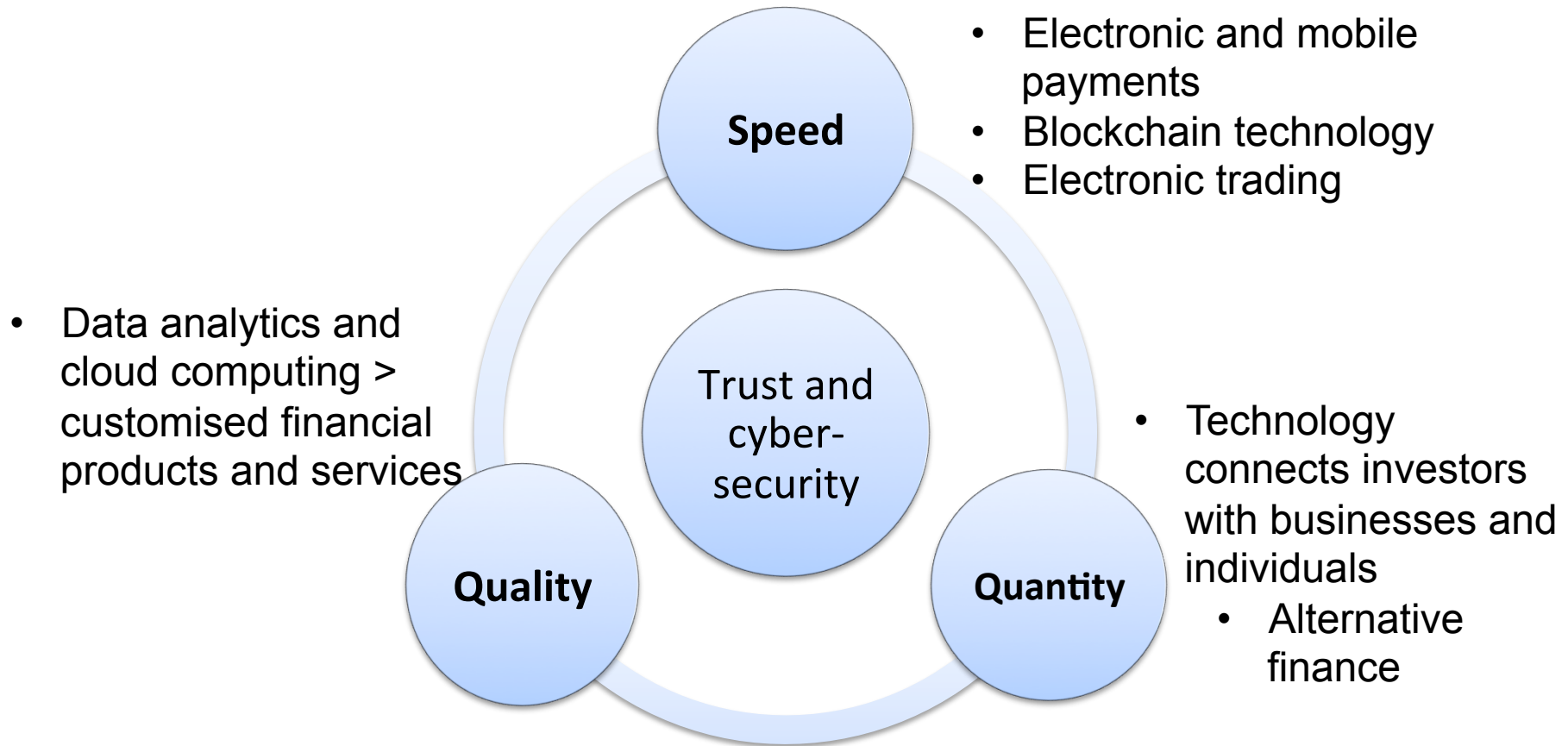
- **Expectations are 'liquid'**
  - Customer experiences seep over from one industry to an entirely different industry: e-commerce to banking, taxis to airlines
- **24/7 customer engagement**
  - Real-time omnichannel services
- **Convenience and customisation**
  - Consumers in the driver's seat: products and services tailored to their needs and preferences

# How Banks Respond to Customer Expectations

Most leading global banks **embrace the digital revolution:**

1. Invest massively in **banking platforms**, improve and reengineer internal processes
2. Invest in **FinTech** through dedicated **venture capital** funds
3. Pursue **open innovation** approach and implement innovative business models
4. Promote **cultural transformation**, integrate (external) know-how and become agile innovators

# Digital in Financial Services



# Trust: At the Core of Financial Sector

- **Centralised trust model:** Historically, the financial sector is heavily regulated. Risks are concentrated and regulated in order to guarantee trust
- **Distributed trust model:** Technology-driven developments (such as peer-to-peer transactions, blockchain), shaping wider societal trends (the sharing economy)
- **Hybrid model:** complementarities between centralised and distributed trust. World's biggest banks are exploring the potential of blockchain technology
- Increasingly, **cybersecurity** is a dominant concern

# Regulating the Financial System

- Two necessary requirements:
  - Make regulation **fit for the digital age**
    - Financial regulation designed for industrial age: reactive or dynamic, future-proof regulation?
  - Build a **single European market in financial services and capital**
- To make European financial industry **competitive** in **the global context** for the benefit of the overall European economy

#DigitalSingleMarket

#SingleMarket

**CAPITAL MARKETS UNION**

#CMU

#CMU

#CMU

**CONSUMER FINANCE**

Better Products, More Choice

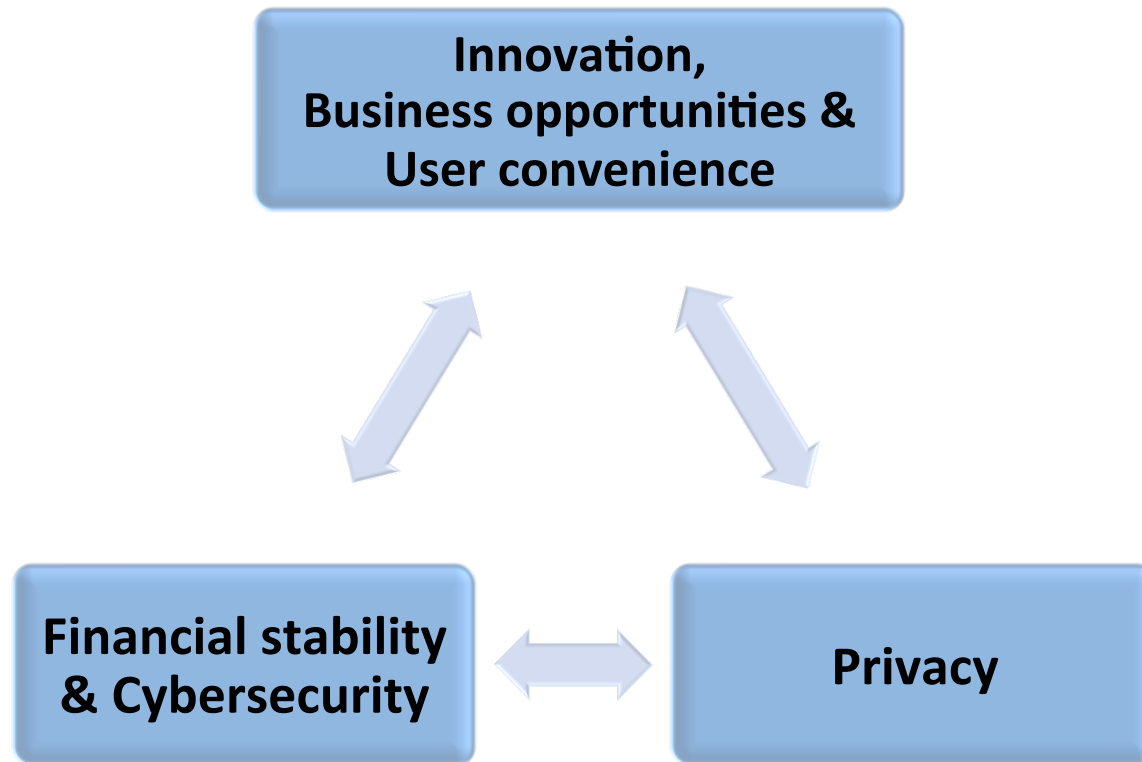
#MyMoneyEU

#MyMoneyEU

## Policy Principles

1. Europe needs financial sector **policies** that are **enabling and opening**. We need a **larger market** that is better regulated.
2. **New technological developments** in financial services – such as blockchain technology – should be **promoted**.
3. **FinTech** should be **encouraged** for everyone – startups, technology companies and financial services incumbents. Legislation needs to be **enabling** for **data-driven businesses** and **‘cloud-friendly.’**
4. **Alternative finance should be encouraged**, and remain complimentary to traditional finance.
5. **Regulation** can and should remain **‘proportionate.’** The emphasis should be on getting the balance right.

# Getting the Regulatory Balance Right



Empowering **tech entrepreneurs** and  
growing Europe's **digital economy**



is spearheaded by:



in collaboration with:



Founding partners:



Partner:

