

The BBVA logo is displayed in white text on a dark blue background. The letters are bold and sans-serif.

Regulation

# Rethinking regulation for digital financial services

Santiago Fernández de Lis - Head of Regulation

FinSAC Conference on FinTech

Vienna, May 22, 2019

Creating Opportunities

# Participation of banks in the fintech ecosystem

## A multi-faceted strategy



Investing, acquiring and partnering with the best fintechs in the market allows to **accelerate the digital transformation** by incorporating new products and markets, attracting talent with the best digital and entrepreneurial capabilities, and grasping technological innovations.



Building an **internal incubator** to combine internal talent and know-how with the partnership of resident entrepreneurs



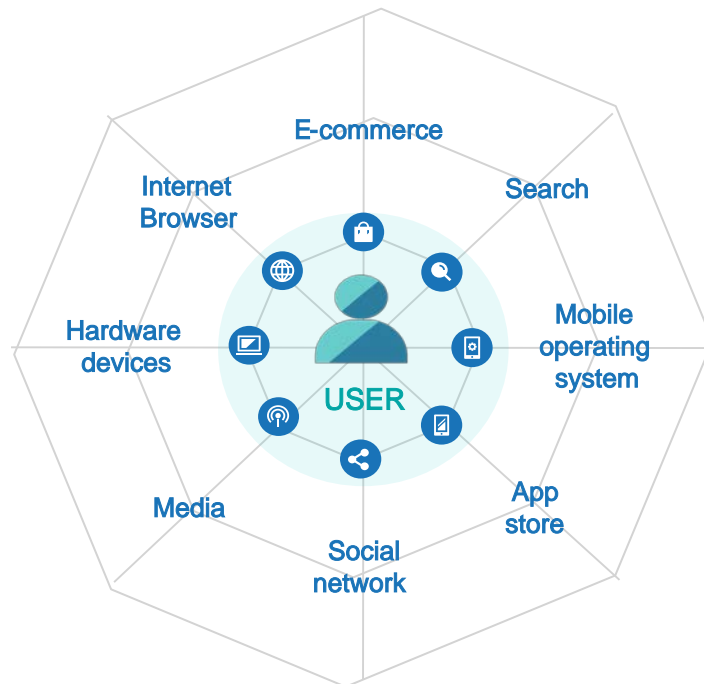
Cooperating with the **external ecosystem** is key not only in order to improve products and services but also the value proposition offered to banking customers

# BBVA and the fintech ecosystem



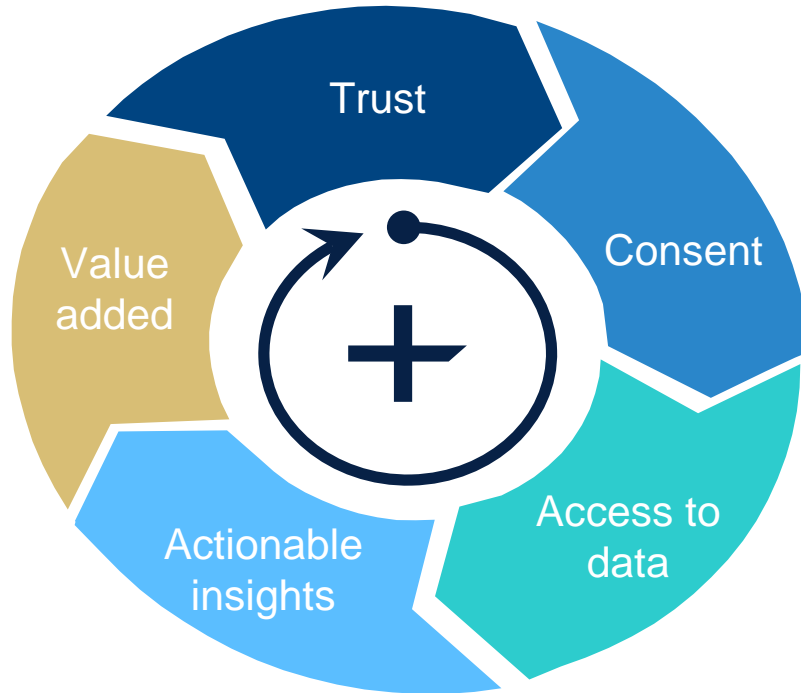
# Digital ecosystems build a network of interconnected products and services

BigTech players have successfully developed digital ecosystems from different core products



- Network effects create self-reinforcing feedback loops for successful ecosystems
- Gatekeeper roles allow digital ecosystems to extend into related markets
- Big data and AI generate a virtuous circle between access to data and the quality of the services

# Trust at the cornerstone of the digital economy



“ Without trust there is no data, without data there is no creation of value and without creation of value there are no opportunities for people ”

Clients are necessarily at the center of the digital transformation

# Data forms the backbone of the digital economy: how can users protect and have control over their data?

## PSD2 & GDPR are shaping access to clients' data in the EU

### PSD2

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**access to payments accounts**  
for aggregation or payment initiation

- **Banks** will be able to access consenting clients' payments data from other institutions.
- **Non-banks** will also be able to access such data when authorised as third-party providers (**TPPs**), which seems relatively easy for either small or large digital players.

### GDPR

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new right to **personal data portability**

- **Individuals** may share freely with any firm (i.e. "port") the personal data declared and observed by any other firm they are engaged with.
- **Consent** is also regulated in GDPR and is always needed to access and process any personal data (contractual relationship is the alternative basis for processing).

The rationale for open banking should be applied across all sectors to create a **comprehensive user-driven data sharing framework**

BigTechs' customer base, financial capacity and access to data could trigger profound changes in financial markets

## Authorities are concerned of potential financial instability risks

### Provision of critical inputs to financial institutions

- Reliance by financial institutions on BigTechs for **cloud computing, data and AI services** will only increase
- Reduced risks at firm-level, but **systemic risk as a result of concentration**

### Provision of payment services to end-users

- **Payment initiation and instant payments** may enable rapid and large-scale movements of customers' funds
- **Heightened volatility of deposits**, liquidity risks?

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