



PLATFORMIZATION: A LOOK INTO THE FUTURE OF BANKING SERVICES

AUTHORS

Dimitris Emvalomenos, Lawyer, LL.M., Mediator, Dep. Managing Partner, Bahas, Gramatidis & Partners LLP

Maria Tranoudi, Lawyer, LL.M., Senior Associate, Bahas, Gramatidis & Partners LLP

BAHAS, GRAMATIDIS & PARTNERS LLP

Platformization: A look into the future of Banking Services

1. The COVID-19 pandemic has created a rapidly evolving scenery for the banking and financial environment, along with almost all aspects of life. The hot banking - financial trend accelerated by the pandemic's creative destruction is the so-called *platformization* of financial services, which is eventually expected to alter drastically the "status quo" of the financial sector by a new infrastructural and economic model where digital platforms will prevail.



As KPMG Global Fintech Co-Leader, Ian Pollari, noted already in 2018:

"A few factors are driving this shift. From within the industry, competition from non-traditional players is driving ongoing disaggregation of the traditional banking value chain. It is also becoming more difficult to differentiate traditional financial products, while the proliferation of product portfolios, features and channels to market, create increasingly complex and higher cost operating models. Consequently, many leading financial institutions are transitioning from a product orientation to a customer orientation, with a focus on delivering a differentiated customer experience to target markets."

[Ian Pollari, Global Fintech Co-Leader, KPMG: The rise of digital platforms in financial services - January 2018].

Platformization: A look into the future of Banking Services

2. According to European Banking Authority (EBA) report on “**The use of digital platforms in the EU’s banking and payments sector**” issued in September 2021:

“Platformization presents a range of potential opportunities for both EU consumers and financial institutions, for instance in terms of improved accessibility of financial services and reduced cost, and offers significant transformative potential. Digital platforms offer consumers and small businesses the ability to connect to financial and other service providers through an online or mobile channel as an integrated part of their day-to-day activities.”

This essentially, means, that digital platforms will allow banks to integrate services via technology providers, thus creating novel, personalized offers and enhance customer experiences [EBA/REP/2021/26].



Furthermore, the EBA illustrates five (5) main types of technological infrastructures *“that enable at least one financial institution directly - or indirectly using a regulated or unregulated intermediary - to market to customers, and/or conclude with customers’ contracts for financial products and services”*.

Platformization: A look into the future of Banking Services

Such infrastructures may serve as “bridges” between financial institutions and customers and, according to same above report, they are:

a) Comparators: digital platforms comparing products offered by multiple financial institutions.

b) Financial Institutions +: digital platforms provided by financial institutions, which additionally allow access to third parties’ products and services.

c) Banking /Payments as a side service: digital platforms providing non-financial products and services as a dominant activity and financial products and services as a side service.

d) Ecosystems: digital platforms acting as a single point of entry to multiple third-party providers of financial and non-financial products.

e) Enablers : digital platforms operated by large technology companies (i.e. BigTechs) and enabling access to payments and other services (such as digital wallet services) albeit regulated financial institutions remain the relevant payment service providers and leverage data for service extension.



3. Although platformization, at the moment, presents opportunities and does not seem to impose any threats to the financial ecosystem, many challenges appear that require attention. Of the 26 competent authorities that responded to an **EBA survey in November 2020** consider that digital platforms give rise to challenges regarding the supervision of financial sector activities and/or the monitoring of the regulatory perimeter in their jurisdictions. Also, platformization of financial services can pose some challenges for competent authorities in supervising compliance with conduct of business and consumer protection requirements. [The survey was launched via the EBA’s FinTech Knowledge Hub: <https://www.eba.europa.eu/financial-innovation-and-fintech/fintech-knowledge-hub/regtech-industry-survey>].

Platformization: A look into the future of Banking Services

Given the aforementioned opportunities and challenges, in addition to *“the challenges for supervisors in keeping pace with evolutions in business models and wider market developments”* the EBA plans in 2022 (see same above EBA’s report) to assist competent authorities to deepen their understanding of platform-based business models and the opportunities and risks arising thereof by supporting such authorities in:

- a) gaining information on such fast-evolving market; and
- b) sharing information on financial institutions’ reliance on digital platforms to facilitate coordinated EU-wide monitoring by developing a framework on the aggregation of information on such reliance and by establishing indicators for assessing future systemic risks.

4. Generally, digital transactions will keep increasing in the coming years and platforms will play a key role. As long as, technology will keep broadening the transaction possibilities, more challenges will arise, including some in the banking and financial activities. Not by a coincidence, within the EU, platforms are already regulated in various respects (such as by the Platform to Business – **P2B** Regulation (EE) 2019/1150 and the Digital Single Market – **DSM** Directive (EE) 2019/790), whereas the proposed regulations on digital services (Digital Services Act - **DSA**) and digital markets (Digital Markets Act – **DMA**) will follow soon changing the landscape. Thus, no doubt, more will also come on the platformization of banking / financial services.



THE AUTHORS

DIMITRIS EMVALOMENOS



Lawyer, LL.M., Accredited Mediator of the Greek Ministry of Justice & the Centre of Effective Dispute Resolution (CEDR), London, UK, Dep. Managing Partner at the Law Firm “Bahas, Gramatidis & Partners” (BGP). Leader Partner of BGP’s Commercial Section. With attention to detail, project management capabilities and over 30-year experience, he has assisted numerous international and Greek clients navigate a variety of complex commercial deals and resolve highly demanding disputes. His essential work mottos are: meticulous preparation, careful collection and scrupulous examination of information and data, exhaustive planning, diligence, persistence and flexibility in proceeding, preemptive approach, business orientation, seeking actual interests and alternative solutions. Articles on topics of his practice area are regularly published in international journals.

Contact

d.emvalomenos@bahagram.com
+(30) 210 331 8170

MARIA TRANOUDI



Lawyer, LL.M., Senior Associate at “Bahas, Gramatidis and Partners” (BGP) Law Firm. Maria has a broad ranging banking practice with a focus on syndicated lending, real estate finance and corporate financings. She has extensive experience, advising Greek and international clients on general corporate matters, on mergers and acquisitions, commercial agreements and corporate restructuring.

Contact

m.tranoudi@bahagram.com
+(30) 210 331 8170



Athens (Head Office)
26, Filellinon str.
10558 Athens
Tel.: +30 2103318170



Athens (Branch Office)
9, Nav. Nikodimou str.
10558 Athens
Tel.: +30 2170001726

Website: www.bahagram.com

Email: law-firm@bahagram.com



ΜΠΑΧΑΣ, ΓΡΑΜΜΑΤΙΔΗΣ
& ΣΥΝΕΤΑΙΡΟΙ
ΔΙΚΗΓΟΡΙΚΗ ΕΤΑΙΡΙΑ

BAHAS, GRAMATIDIS
& PARTNERS^{LLP}

This document was prepared by Bahas, Gramatidis & Partners and is made available for informational purposes only. This document is up-dated at the date indicated on its first page. The information contained in this document, the completeness of which is not guaranteed, does not represent a legal opinion, nor an exhaustive examination of a subject matter and cannot replace an opinion released on a specific subject matter.

Bahas, Gramatidis & Partners accepts no responsibility to any person for any direct or consequential loss arising from the inappropriate use of this document or any alleged reliance upon its content or any other circumstances relating to its use. This document may not be reproduced, distributed or published, either in whole or in part, for any purpose unless expressly authorized by Bahas, Gramatidis & Partners. For any further clarification, or to find out more about the services available to clients, please contact Bahas, Gramatidis & Partners.