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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 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, a focus on delivering a with differentiated customer experience to target markets."

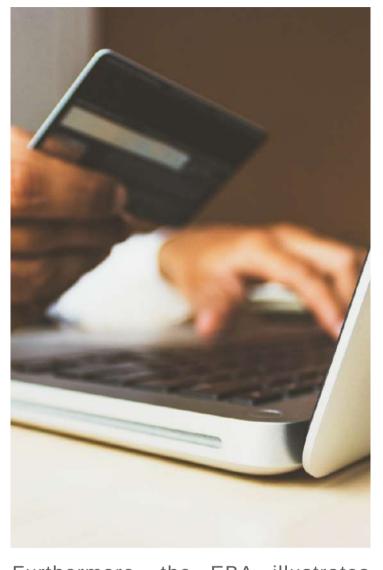
[Ian Pollari, Global Fintech Co-Leader, KPMG: The rise of digital platforms in financial services -January 2018].

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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].

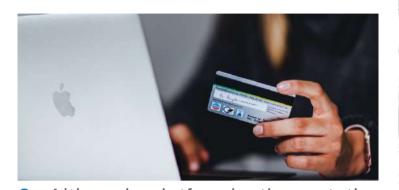


Furthermore, the EBA illustrates five (5) main types of technological infrastructures "that enable at least one financial institution directly - or indirectly using a regulated or unregulated intermediary - to market to customers, and/or conclude with customers' contracts for financial products and services".

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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, challenges appear that many require attention. Of the 26 authorities competent that responded to an EBA survey in November 2020 consider that digital platforms give rise to challenges regarding the of financial supervision 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 con-duct of business consumer protection requirements. [The survey was launched via the EBA's FinTech Knowledge Hub: https://www.eba.europa.eu/financial -innovation-and-fintech/fintechknowledge-hub/regtech-industrysurvey].

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Given the aforementioned opportunities and challenges, in ad-"the challenges dition to 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 platformbased business models and the opportunities and risks arising thereof by supporting such authorities in:

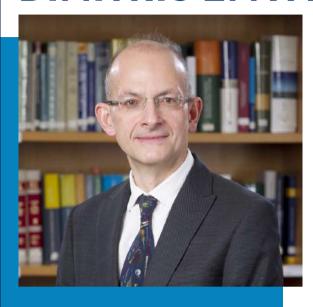
- a) gaining information on such fast-evolving market; and
- b) sharing information on financial institutions' reliance on digital platforms to facilitate coordinated EU-wide monitoring by developing a framework on the aggregation of information on such reliance and by establishing indicators for assessing 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 keep broadening transaction possibilities, 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.



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