

Banking in the Digital Age – Are we on the right track?

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Europabüro Konrad-Adenauer-Stiftung

Digitalization is an ongoing process. In a world of technological progress a variety of different and new products can be offered to customers. They often better meet the needs of flexible citizens and offer new and more convenient possibilities. At the same time the confidence in traditional banking institutions still makes them customer's first choice. So how should banks, emerging FinTech companies, the government and the society deal with this challenge? Is there a balance which can be kept?

The Finance Forum – initiated by the Konrad-Adenauer-Stiftung (KAS) and the Association of German Banks (BdB) – tackled these and other important questions in its second session "Banking in the Digital Age – Are we on the right track?". On Wednesday, 21st June different representatives of the European Union, the German Federal Ministry of Finance and the Association of German Banks came together for a working breakfast in the European Office of the Konrad-Adenauer-Stiftung to discuss the state of affairs and how best to proceed.

After a short introduction remark from Andreas Krautscheid, Member of the BdB Senior Management Board, in which he described the situation of FinTech companies in general, their possible influence on competition and their future role in the Association of German Banks, Ralf Jacob from DG FISMA of the European Commission shed light on challenges and on how the Consumer Financial Services Action Plan wants to address these. The highly fragmented market for banks and the lack of interoper-

ability should be replaced by cheaper transactions, more choice as well as easier e-identification – all across European borders. Brian Hayes (EPP), Shadow-Rapporteur of ECON-FinTech-Report in the European Parliament, focused on the gap between a banking experience that is digital for already about 80% of the citizens and the reality in which 20 million small business still do not accept electronic payments. The first FinTech-Report thus tried to give directions in order to tackle these remaining challenges: certain values of the sector should be preserved and customers must not be left behind. Doris Dietze gave an insight in the member state's perspective. Being responsible for the FinTech division in the German Federal Ministry of Finance she highlighted the good position of Germany when it comes to FinTech companies. In order to keep and further strengthen this situation the German ministry set up a four pillar strategy.

All speakers agreed on certain points. First of all, digitalization in general and especially in the banking sector needs to be seen as an opportunity not as a threat. FinTech companies challenge existing institutions which fosters competition. In the long run it puts pressure on the prices and allows customers to choose the offer which they perceive as best. Moreover, a solution for the intra-European barriers in the digital as well as the banking sector is overdue. According to the speakers, the approach that needs to be chosen is the rewriting of existing rules. At the same time, the ongoing process poses the question which role the global tech firms play. Companies like Google or Amazon dispose of the necessary capacity as well as the technical skills to compete with

EUROPABÜRO BRÜSSEL

JANA NIEDRINGHAUS

OLIVER MORWINSKY

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traditional institutions and to offer suitable solutions for customers.

All in all, it was a very interesting and fruitful session that gave insights in the different aspects of digitalization in the banking sector. It is important to keep up with the technical progress and to use it to the customer's advantage. Or as Doris Dietze put it: While drafting new regulations, think digital!