

**Commissioner OETTINGER at the
World Savings and Retail Banking Institute conference**

Thursday 27 January at 9 am

Keynote Speech

Dear President Haasis,

Dear Mr De Noose,

Ladies and gentlemen,

Since we met in Washington in the fall of 2015, the environment on both sides of the Atlantic has been subject to some important and somewhat unexpected events. But the digital transformation of the way we live, work, learn and interact remains a constant. The digital revolution is the megatrend of our times. It will drive innovation, competitiveness and economic growth. And digitisation will shape all of our economies and societies and determine our future welfare.

For the financial sector and for savings banks global economic and regulatory developments are of course also very important framework conditions. Compared to the turbulent global financial and economic crisis, we are now in a much calmer economic environment. The International Monetary Fund is forecasting an annual upturn in global growth in 2017 and 2018 to 3.4% and 3.6%, carried in particular by a stronger economic expansion among developing and emerging market countries. But important uncertainties remain, for instance regarding

US fiscal policy, overall monetary conditions and, more broadly, also regarding the impact of a tide of anti-free-trade sentiment in many corners.

Savings banks have weathered the storm of the financial crisis fairly well. Their business model, which is focused on a close relationship of trust with a localised client base has proven resilient in difficult times. The digital revolution does however represent a challenge that is neither one-off nor cyclical. It will therefore be a lasting challenge for you to translate the strengths of your current business models into the digital world of the future.

The European Commission has responded to the digital revolution with its Digital Single Market Strategy. Over the past two years we have taken a wide range of measures to make it a reality. The objective is to build a Digital Union, which can ensure Europe's digital sovereignty and competitiveness in a lasting fashion.

For Europe it is crucial to do away with barriers between countries and to integrate the European market. In the digital world, scalability is key. That is why we want to leverage the full size of our internal market with nearly 510 million customers and over 20 million companies. This giant market must be an asset for European companies to compete globally, and must become an even more attractive investment location and a business opportunity for many globally active players from elsewhere.

We have made considerable progress in bringing this about. I will give you just a few examples: We reduced the number of data protection laws in Europe from 28 different national laws plus some regional laws to only a one. This is a huge step forward towards a world-class standard in data protection. It will enhance trust and consumer confidence. In the same vein, we have earlier this month aligned the rules for electronic communications with this new data protection rules. We have also set out our strategic approach on international transfers of personal data based on this high standard.

Confidence and clarity about the rules are also important for the digital economy more broadly. That is why we defined the principles we want to see applied in the platform economy. To enable a vibrant data economy in Europe, we are also tackling the difficult questions relating to access to and use of machine-generated data as well as liability issues of automated systems. Naturally, cybersecurity is also crucial for trust. The Network and Information Security Directive – the so-called NIS Directive – which was adopted last year should increase trust for consumers and citizens. The EU has also set up cyber dialogues with its key strategic partners, including the United States. We need to progress significantly here given the increasing threat globally.

We also must put in place the very high-capacity digital infrastructure that is a pre-condition for a Gigabit society and the successful digitisation of economy and society. The Commission has therefore

proposed new rules for telecoms to create the right investment conditions that will enable next generation networks, such as 5G.

On the crucial issue of digital skills, I have recently launched a multi-stakeholder partnership, the Digital Skills and Jobs Coalition. All interested stakeholders—in particular private actors from the financial sector—are encouraged to join the coalitions at EU- and national levels and to make pledges for concrete short-term actions.

You may have heard of the initiative Digitising European Industry. We launched this initiative to combine the efforts of national platforms and to exploit synergies and create scale to enable companies to digitise and support standard setting at EU level.

This is just to give you a flavour of where we are in Europe with the digitisation of the economy, the Digital Single Market and the objective to create a Digital Union with a long-term strategic vision.

[Digitisation in finance]

In finance, the digital revolution has already transformed the way how banks develop and deliver their services. The young generation raises challenging questions: "*Do we really need banks? Cannot Amazon or Google or new Fintech firms provide us with what we need?*"

So, the future of banking is, quite literally, in the hands of customers—on smart phones and tablets.

Banks realise that they have a lot to lose or gain from this revolution. I hear that they are making huge investments in terms of effort and money to adjust their technology and processes to this new environment. I hear that banks are at the same time facing the high costs of regulatory compliance and of re-engineering of their internal processes and interactions with clients. However, the process of disruption has only begun.

Indeed, a new generation of Fintech startups is taking aim at the heart of the industry. From payments to wealth management, from peer-to-peer lending to crowdfunding, it represents a pot of revenues that Goldman Sachs estimates is worth \$4.7 trillion.

In Germany alone, 1.2 billion euros were invested in Fintech companies in 2015. They employ more than 13,000 people. This may be little in terms of the size of the financial sector, but Fintechs are growing fast. They have been quicker than banks in taking advantage of digital technologies, developing banking products that are more user-friendly, cost less and are optimised for digital channels.

The Fintech firms are not about to kill off banks. But they will contribute to reshaping the finance landscape. Financial innovation has a big future; and banks need to adapt.

Banks play a critical role in the European economy and will continue to do so. And Europe needs them to channel funding to the real economy and contribute to economic growth. Banks have to embrace the digital age, invest in innovation and adjust their business models. I

also would like to see banks and the entire financial sector as investors in the very-high-capacity digital networks that we need in Europe.

The role of the public sector in this is to support the financial sector by laying down the right framework conditions—an appropriate legislative framework and supporting a favourable technological and digital environment, including infrastructure, cybersecurity and electronic identification systems. We can help the industry to take advantage of cloud computing, big data, artificial intelligence.

We have to propose a legislative framework that enables innovation, minimises risks and guarantees stability through an appropriate level of regulation. Finally, our duty is to protect the consumer, the investor and their personal data and to ensure a level-playing-field for all players of the sector.

As you can see, digital transformation is also highly challenging not only for you, but also for policy-makers and regulators! This is where I believe collaboration is essential, to identify the priorities and to define a common strategy.

We have already launched consultations regarding a Capital Markets Union Action Plan, on Retail Financial Services, on the regulatory framework as well as on Platforms. Resulting from this the Commission stated in November that the EU financial services framework is considered sound, but that adjustments should be made to remove unnecessary regulatory constraints, enhance the

proportionality of rules or to reduce undue regulatory reporting burdens.

In a Round Table process that I organised last year with the leaders of major European banks, and which included the ESBG (European Savings Banks Group), I had the opportunity to hear about the key issues faced by the banking sector in the context of digital transformation. As a follow-up as well as to address other suggestions and demands, a joint task force has been created in the European Commission. Its work would lead to further announcements during 2017 complementing ongoing actions.

I already spoke about our recent initiative Building the Data economy and our approach to online platforms. On platforms, we will proceed based on the principles of a level playing field, transparency, fairness, openness and non-discrimination.

We are also heavily investing in the development of digital technologies, which are important to the financial sector, such as e-Identity, cybersecurity, big data, cloud computing, high performance computing, digital skills, artificial intelligence, online platforms and digital infrastructure.

Ladies and gentlemen,

I believe we have an opportunity to establish a common high-level agenda to tackle digital transformation and maintain an innovative, competitive, inclusive and safe European financial service sector. I am

pleased to see a wave of innovation in finance through digitisation both in Europe and across the globe. I am also pleased to see that many leading financial players have taken up the digital innovation challenge. I am therefore convinced that the values and competitive advantages of savings and retail banks today can be translated into the digital world. In my view, the values of what we in Europe call the “Social Market Economy” should also shape the digitised economy. In fact, these values—on which you already rely—may give you the competitive edge also in the future, if you embrace digitisation and innovate. We as policy makers will certainly play our role in this process.

In the light of what you are going to discuss later on regarding financial inclusion, let me remind you that financial inclusion has digital inclusion as a pre-condition. Digital inclusion in turn depends on good internet access and digital skills. Beyond what policy makers are already doing, you—as a global association of financial institutions with their feet on the ground—could make a very valuable contribution in these areas through financing the relevant investments and through your corporate social responsibility activities.

I wish you every success in your endeavours!