

“Digital Agenda & FinTech: the way forward for finance professionals”

Brussels, 26 January 2016

REPORT



On 26 January, ACCA (the Association of Chartered Certified Accountants) & Deloitte organised an event in Brussels on "Digital Agenda & FinTech: the way forward for finance professionals" to discuss with experts the impact of the digital revolution on the finance and professional services industries and their users.

David Barnes, DTTL Global Managing Director for Public Policy (Deloitte) introduced and concluded the event; **Ivan Štefanec**, MEP delivered the key note speech and **Faye Chua**, Head of Business Insights at ACCA, moderated the debate comprising **Peter Kerstens**, Adviser on Financial Sector Cybersecurity, DG FISMA, European Commission, **Paul Brook**, EMEA Team Lead Big Data, Dell (member of DigitalEurope), **Timo Span**, Partner Technology in Banking, Deloitte NL, **Katarzyna Hanula-Bobbitt**, Senior Public Affairs Officer, FinanceWatch, and **Faris Dean** (FCCA), Director and Head of Business Services at Bowden Jones Solicitors.

The debate revealed that:

- Internet and digital technologies are transforming our societies, with an incredible potential for new opportunities, but also presenting challenges. From online payments for goods and services to peer-to-peer lending, omnipresent connectivity, infinite data and artificial intelligence are fundamentally transforming the financial services industry. FinTech is influencing how people live and work, as well as their expectations. Technology transformation in finance brings with it opportunities and advantages such as growth, speed and convenience, but also risks linked to security, fraud and transparency.
- Regulation needs to reflect values, which are timeless, while technology is not. It was also stressed that unlike machines, people have a social conscience that can adapt to the times.
- There are new business models, new market participants and new paradigms (e.g. virtual currencies and payments, peer-to-peer transacting, cloud computing, distributed ledgers, big data), which can bring into question existing regulatory models and approaches. This also raises the issue of regulated versus non-regulated sector and actors. There are clearly regulatory, privacy/security and societal dimensions at play, which need to be balanced.



Introductory speeches

David Barnes, DTTL Global Managing Director for Public Policy at Deloitte, opened the debate, set the scene and raised points for the panellists - and audience - to reflect on. David also explained how FinTech cuts across Deloitte's key global public policy focus areas:

- It is already having - and this will surely only grow - a huge impact on workforces in different sectors. At Deloitte, we hired 62,000 people last fiscal year, a young person every eight minutes. Their interest in and knowledge of ever-evolving technologies will be critical to helping our clients' and our own business thrive
- Blockchain and other new technologies will have a marked impact on financial systems. We want to ensure those systems remain trusted, as well as evolutionary
- We also want to see companies and organisations grow and innovate in an inclusive way. FinTech is helping to break down barriers and will continue to be a gamechanger in this space

Ivan Štefanec, MEP gave the keynote speech, drawing on his experience on the Parliament's IMCO Committee (Internal Market and Consumer Protection):

- Our working procedures and standards have completely changed in a relatively short time and productivity has improved. However we have a challenging situation in the EU – we still deal with 28 markets – as a single EU digital market is not yet established. The European Commission put forward the Digital Market Strategy. By the end of this year there will be 16 initiatives under three pillars:
 1. Access for consumers and businesses to digital goods and services across Europe. Main initiatives: rules to make e-commerce easier cross-border; more rapid and consistent enforcement of consumer rules; more efficient parcel delivery; preventing unjustified geo-blocking; identifying potential competition concerns affecting European e-commerce markets; modern, more European copyright framework and law; reducing VAT related burdens and obstacles.
 2. Environment – creating the right conditions and a level playing field for digital networks and innovative services to flourish. The Commission is expected to come up with ambitious telecom rules and the review of the audiovisual media framework. It will also be looking into online platforms; reinforcing trust and security in digital services. A proposal of partnership on cybersecurity is also expected.
 3. Economy & society – maximising the growth potential of the digital economy. Main initiatives: European free flow of data initiative; defining priorities for standards and interoperability; supporting inclusive digital society.
- There are seven challenges that (will) significantly influence our environment and financial services: the role of SMEs – they create two-thirds of jobs – quite often we forget the most important employers but it is crucial to provide much better financial

services for them; completing the single market in services; trade agreements, notably speeding up TTIP; implementing the Euro in other member states (could help cut transaction costs); Banking Union; Capital Markets Union; the UK Referendum (which will have a huge impact on financial services in the EU).

- The innovative potential of digital applications and financial services leads to the improvement of working standards, more transparent processes and improvement of productivity.

Roundtable (moderated by Fay Chua)

Faye Chua, Head of Business Insights, ACCA

- The digital revolution is fundamentally reshaping finance and further work is needed on issues such as how to ensure both convenience and security, fight online fraud and guarantee a sufficient level of data protection¹.

Peter Kerstens, Adviser on financial sector cybersecurity, DG FISMA, European Commission

- Recently we have seen a very big transformation – digitalisation is everywhere and its capacity is really beyond imagination. Financial services have become an ‘anytime, anywhere, any device’ proposition. This will allow new business models and approaches to emerge. Policy, however, usually deals with risks, not opportunities. Finance is a heavily regulated sector and the regulation is usually focused on financial and economic risks. An area that is much less developed is operational risk. At the same time we see that the financial sector is becoming entirely digitalised.
- The regulatory framework we have is very focused on centralisation in order to manage the risks. The FinTech industry as a whole is distributed and this raises the question of regulation and how it should be applied to the new reality. It is a big challenge from a policy point of view.
- Technology changes a lot and regulation doesn’t. That is why we have to do it gradually without jumping to conclusions.
- Financial risks do not necessarily change with technology. Therefore regulators should not try to limit what is possible, instead they have to focus on values.
- There are three big objectives that need to be pursued in relation to legislating FinTech: promoting opportunity and security and privacy. This presents a ‘trilemma’ – it is very difficult from a policy point of view to pursue all three at the same time. Putting emphasis on one objective will make the other two suffer.
- The Commission is currently not planning to come up with any new proposals but there is a lot of regulation already in place e.g. 50 pages on cyber alone and a lot of work ongoing e.g. via the Call for Evidence.

Paul Brook, EMEA team lead Big Data, Dell (member of DigitalEurope)

- Many analysts predict that Big Data will become a line of business for organisations. However this has already been the reality for many companies for a while. Dell’s experience with customers show that we are seeing the Internet of Things (IoT) as a growing area – especially in the way we ‘create’ data.
- One of the things that innovators may do already is train machines to process data. Machine learning and other automation tools will rapidly become the norm in the IoT/digital universe.

¹ see [ACCA-IMA report on SoMoClo technologies](#)

- There are opportunities, as well as challenges. How do humans fit into this machine learning world? Who is responsible for training the machine and owning the data? How do we cope with the speed at which machines work? How do we make sure they do what we instructed them to do, particularly when a machine starts generating its own code? How do we secure large datasets that could be both persistent and transient? How do we adapt business models and create new models for a digital world? A challenge for policy makers is to regulate something that is virtual.
- Unlike machines, human beings have a social conscience that can adapt to the times.
- There is no way for regulators to truly understand the complexity of technology. The most important thing is to understand the societal values as these are permanent, unlike technology.

Timo Span, Partner Technology in Banking, Deloitte NL

- Technological innovation and megatrends will fundamentally impact universal banks, both directly and through the impact on their clients. Although banks will continue to have a crucial role in the financial system, distribution, payments and several internal processes will be significantly impacted and they will probably become smaller in size. Banks should start to proactively change their business and operating models. Continued trust – an attribute they retain in many customers’ eyes - will be key to their survival.
- In this digital era, clients demand seamless integration of payments into their own lives and/or businesses. The interplay between technological disruption and regulatory development will transform payments into a more international and innovation driven business.
- Banks will probably lose their pre-eminent position in the payments value chain, the majority of the projected growth in the market will be taken by new players. This overall trend should be supported by the massive forecast investment in FinTech - banks are starting to place their bets on it.
- We should expect more new entrants in the payments domain; Bitcoin is already being used but probably won’t (completely) replace ‘regular’ currencies while Blockchain is getting ever better and will be used for many innovative solutions in and outside the payment domain, for example for ‘Know Your Client’ purposes and account management.
- Banks need to cooperate with FinTechs and be open to change and so prevent disintermediation; they are losing market share but still have many assets to leverage such as fundamental trust with customers”.

Katarzyna Hanula-Bobbitt, Senior Public Affairs Officer, FinanceWatch

- The financial crisis highlighted inefficiencies in the financial sector and their inability to meet the customer needs (high costs, slowness, lack of transparency, bad consumer service).
- Consumers turned to look for alternatives as the well-established financial institutions didn’t provide them with what they needed. They were given advice not when they needed it but when the financial institutions decided to give it to them or when they wanted to sell something. It jeopardised trust.
- Digitalisation has allowed us to connect and share ideas. FinTech enables customers to get what they need, when they need it and for the appropriate price. It also provides

more transparency. Millennials Millennials² think differently! And what they want is to feel that they are in control.

- FinTech can democratise finance. Customers realise that you don't need an exclusive relationship with the bank, information can be easily found online. Innovation is changing behaviours.
- Fintech companies are looking for regulation – they are usually very small without big marketing budgets and use people as multipliers. Regulation will allow them to get out of 'regulatory limbo'. When we talk about FinTech regulation, we should concentrate on the product (rather than 'fitting into' the existing regulatory structure).
- Finance is complex and policymakers should really focus on how not to kill innovation but at the same protect consumers. Regulation should allow customers to benefit from the product with minimal risks. Current regulatory formulas might not work; we may need a new approach.
- Society/people can create ideas, that became causes and that causes can change the entire industry. Digitalisation changes the way society is structured. However there are risks that we need to address. It is important to keep in mind that everything we put online is there to stay forever.

Faris Dean, Director and Head of Business Services at Bowden Jones Solicitors

- The digital agenda isn't only something for larger organisations or firms, it is now also affecting the SME market and all accountants need to consider the issues before they can advise their clients properly. Clients are constantly pushing advisers to work in a more intelligent and diverse technical way.
- There will be more demand for the relevant skills and the accountancy professional bodies need to incorporate that into their syllabuses. Finance professionals need to embrace the new era and adapt to it.
- Basic IT skills are now essential for companies if they want to survive long term. Clients are becoming more and more IT literate and aware; professional advisers need to up their game accordingly. Legal literacy and awareness of taxation harmonisation are also increasingly important for accountants.
- Digital contracts and settling disputes online will prove interesting and make some things easier for businesses, however data protection³ will be an issue and concerns will focus on privacy.

Conclusion

- Following the roundtable, the audience Q&A covered areas such as the complexity of FinTech – and whether it's an EU or a global 'issue'; how to balance innovation with privacy and security and what role remains for local bank managers.
- David Barnes then closed the event, reminding us of Bill Gates' words - "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten" - and concluding with remarks around the pace of change in digital; the associated importance of trust and how any (more) regulation of the FinTech sector needs to encourage and protect but also not 'date' too quickly.

² See [Deloitte's 2016 millennial survey output](#)

³ See ACCA report [Constant Forward Motion: The evolving phenomenon of cybersecurity regulation and the race to keep up](#)