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EU leadership in Fintech. How can new technologies help develop the CMU?

Developed and integrated capital markets, especially in a monetary union, are crucial to ensure a good match between savings and investments and an increase in cross-country risk sharing, contributing to economic growth and financial stability.

In order to pursue these benefits, definite progress needs to be made in the project of the Capital Markets Union, launched 5 years ago.

New technologies can play an important role in developing the Capital Markets Union, helping overcome barriers to integration. Indeed, new financial technologies (Fintech) create an array of new possibilities for financial agents, instruments and transactions, by improving the efficiency of financial activities, making financial markets more inclusive and improving regulatory and supervisory capacities of the public sector.

The efficiency of different activities such as equity and debt issuance, asset management or corporate governance can be improved with Fintech, allowing for better access to capital markets, reducing barriers and transaction costs and therefore, enhancing financial markets' competitiveness. Some concrete examples of this are crowdfunding and alternative investment platforms, virtual vote tools for shareholders, supply chain finance and robotic financial advisory.

New technologies can also make financial markets more inclusive by enhancing retail investors' activity through low-cost digital platforms and more transparent and trust-worthy products. Deepening the integration of financial markets at a retail level is key for a successful Economic and Monetary Union that takes into account the needs of its citizens. Retail investors are the main source of long-term financing of the economy. A broader participation of retail investors in the financial sector can help smooth asymmetric shocks that may affect individual countries.

Furthermore, new technologies can help improve public sector's regulatory and supervisory capabilities, through the so called Regtech and Suptech. However, new technologies may also present risks from a regulatory and supervisory point of view. Thus, policy initiatives should be directed to boost technology development while at the same time, ensuring that financial consumer protection and financial system stability are guaranteed.

The regulatory sandbox, which will be launched shortly in Spain, pursues both objectives simultaneously. The sandbox allows firms to test their innovations under appropriate supervision by the relevant authorities. This helps not only innovators

and consumers, but also the supervisors and regulators themselves by having access to valuable information which could, eventually, lead to further improvements of financial regulation and supervisory practices. This initiative responds to the well-defined need to push innovation as a central element for sustainable and equitable economic development. Likewise, it guarantees that technological change protects users of financial services, maintains financial stability and market integrity, while at the same time preventing money laundering or financing of terrorist activities.

It is time to make significant progress in the deepening of the Economic and Monetary Union and turn the Capital Markets Union into a reality. For that purpose, we should make use of any means at our disposal. New technologies have undoubtedly a very relevant role to play. Spain is ready to contribute actively to this endeavor. ●