

V. NEW TECHNOLOGIES IN FINANCIAL SERVICES AND PAYMENTS

Issues at stake

Technology is transforming the provision of financial services and many elements of the current financial system. All financial activities are concerned and can potentially reap the benefits of digitalisation and fintech.

Technologies such as DLT, cloud and AI help to improve existing financial services and processes, increasing their efficiency, agility and transparency, facilitating their cross-border provision and supporting risk management. These technologies also facilitate financial innovation, with the introduction of new services and operating models, enhanced personalisation, the reduction of time to market and the entry of new players into the market. The Covid-19 crisis shows that digitalisation may also be a safety net against operational risks. Furthermore, technologies such as AI and ML facilitate reporting, supervisory processes and support AML and fraud detection.

These new technologies may however pose new challenges in terms of cyber-security, accountability or fair competition and raise issues with regard to appropriate data use, sharing and sovereignty. Their cross-border development in the EU may also be hindered by insufficient harmonisation of legal requirements. This requires taking the necessary steps to ensure the right conditions are in place to take advantage of digitalisation and manage any related risks. Several initiatives are underway at the EU and global levels to address these new challenges, e.g. with the new Digital Finance Strategy proposed by the Commission.

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