



## Bernd Leukert

Member of the Management Board – Chief Technology, Data and Innovation Officer, Deutsche Bank AG

# Delivering a digital future for European Financial Services

The adoption of new technology in the financial sector has moved at a tremendous pace and has the potential to deliver significant benefits to firms, their customers and the wider economy. The pace of innovation in the sector also has the potential to disrupt and destabilise the EU financial system, bringing with it risks for market integrity, consumer trust and economic sovereignty. It is a transformation that will need to be carefully navigated not just by financial services firms, but by regulators as well. The ambition should be nothing less than to deliver a single digital market, with consistent, risk-based rules for all participants.

For Deutsche Bank, digitalisation does not only mean developing new products and services but also requires a fundamental rethink of the way in which products and services are delivered. Our technology strategy has focused on expanding engineering expertise and introducing agile delivery to support a culture of innovation. In July 2020 we announced a strategic partnership with Google Cloud that will accelerate our move to 'native' cloud computing, transform our IT architecture and generate considerable value for clients.

These changes to the way we approach technology allow us to be simpler, safer and more efficient. For example, the bank has used robotic process automation to enhance money laundering checks and partnered with the start-up WorkFusion to transform the way we process documents in our Trust & Agency Services businesses. In addition, technology has allowed us to provide innovative products and services to our clients, digitalising cash management for some of Europe's largest corporates and allowing our institutional clients 24/7 instant mobile access to trade on FX pairs.

The benefits of digitalisation have been made clear in the light of the COVID crisis. We have been able to support the majority of our workforce operating remotely without any significant disruption. We have also been able to adapt quickly to support clients and manage unprecedented lending volumes. These positive effects of the digitalisation of Europe's financial services sector need to be preserved through the post-COVID recovery.

Equally the experience of the pandemic highlights some of the risks that could flow from disruption of the existing financial services ecosystem in Europe. Banks have played a critical role in channeling loans to firms and customers in need, leveraging balance sheets, networks and relationships not easily replicated by start-ups or third country technology providers.

The market-making role of large universal banks in the EU has been important in ensuring capital markets have kept functioning.

The challenge for policy makers through the recovery will be to preserve competition and innovation without compromising the integrity of the European financial system. In striking that balance, there are a number of key elements that need to be in place:

**Continuous dialogue** – Investment in innovation requires legal certainty and this demands open communication channels with regulators and stakeholders – for instance within regulatory sandboxes or innovation hubs.

**A level playing field** – a consistent approach to the regulation and supervision of the risks inherent in particular activities or services is essential to avoid competitive distortions, the potential for regulatory arbitrage and to secure consumer trust.

**An effective framework for data** – standardized data access is essential to understand customer needs and provide the right products and services. An effective data framework would offer individuals practical tools to control their data and how it is used. To support innovation, regulation should focus on governance mechanisms for a data driven economy. Rather than designing regulation narrow pre-defined use cases, the framework should focus on protecting the interests of the individual data subject regardless of the specific use case.

**A truly single digital market** – the development of a fully harmonized framework for the regulation of digital financial services is perhaps the single most important step to ensure competitiveness of the EU in this space. Even where regulation does not directly pose a barrier to digitalisation, fragmentation due to national gold-plating of rules will reduce the scale benefits of investment in digital solutions and discourage cross border solutions. ●