

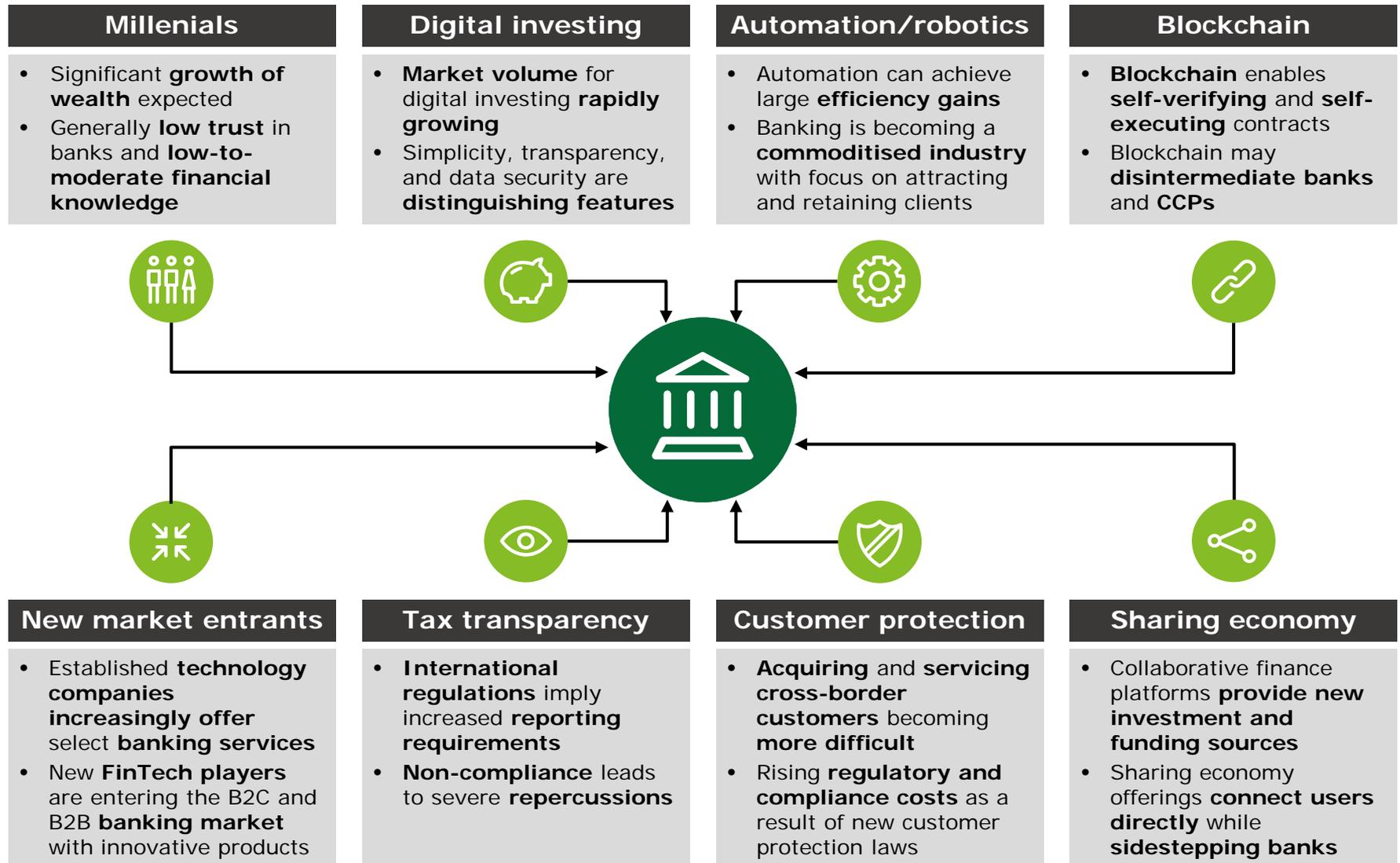
Swiss Banking Business Models of the future and consequences for regulation and supervision

Symposium esisuisse/EFDI/URPP – University of Zurich

Trends and Innovations

Today's change drivers

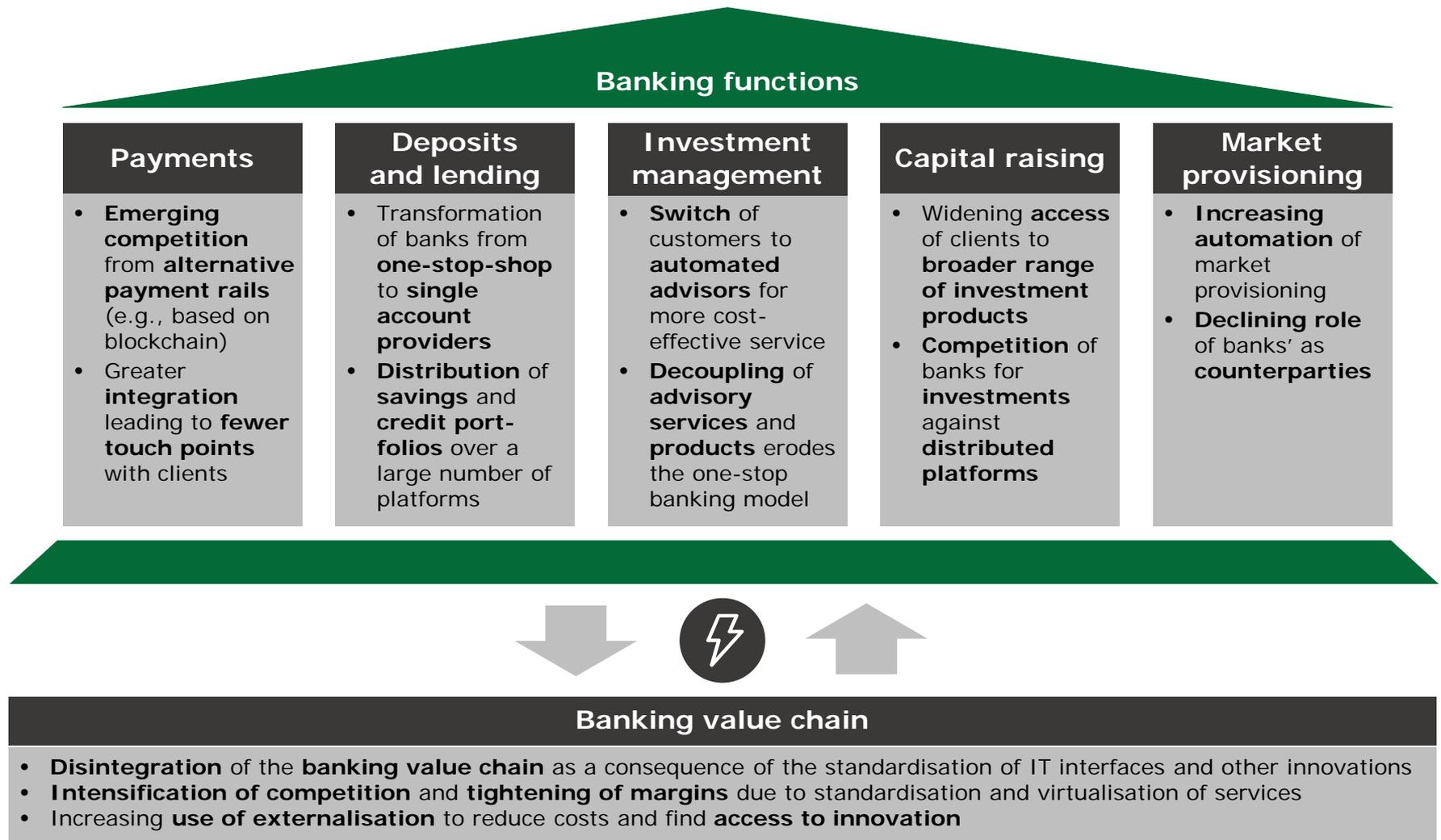
Regulations, new technologies and market entrants, as well as changing client patterns are impacting the banking industry



Trends and Innovations

Impact on banking

These trends and innovations in the industry are reshaping the primary banking functions as well as the entire value chain

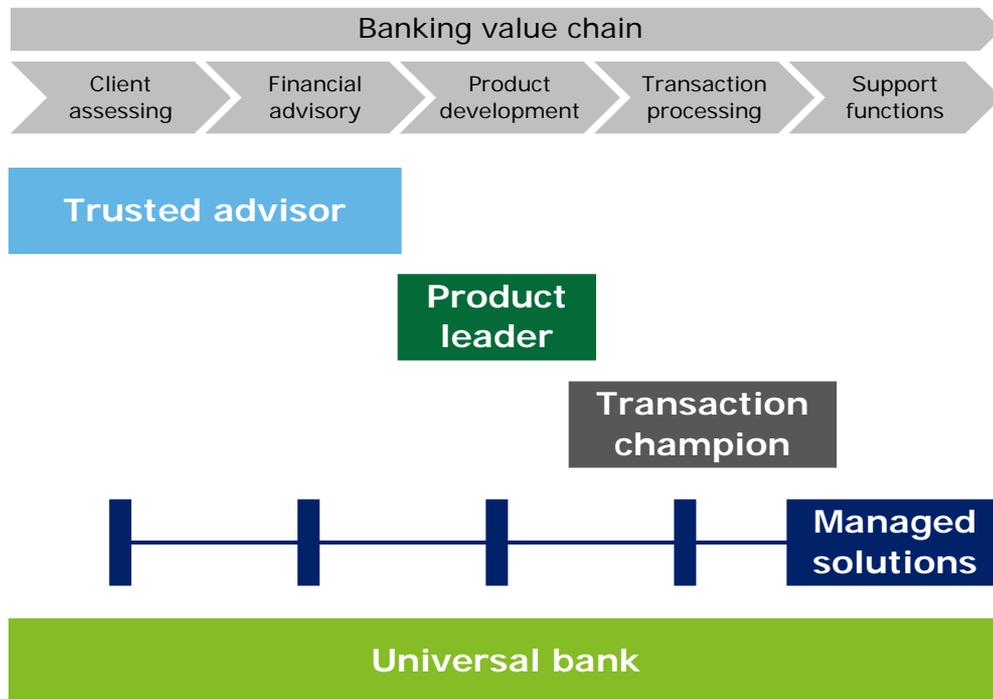


Future of Banking

Emerging pure-play business models

Five generic banking business models emerge as a result of the market trends, reflecting the disintegration of the value chain

Configuration of the value chain and business models



Description

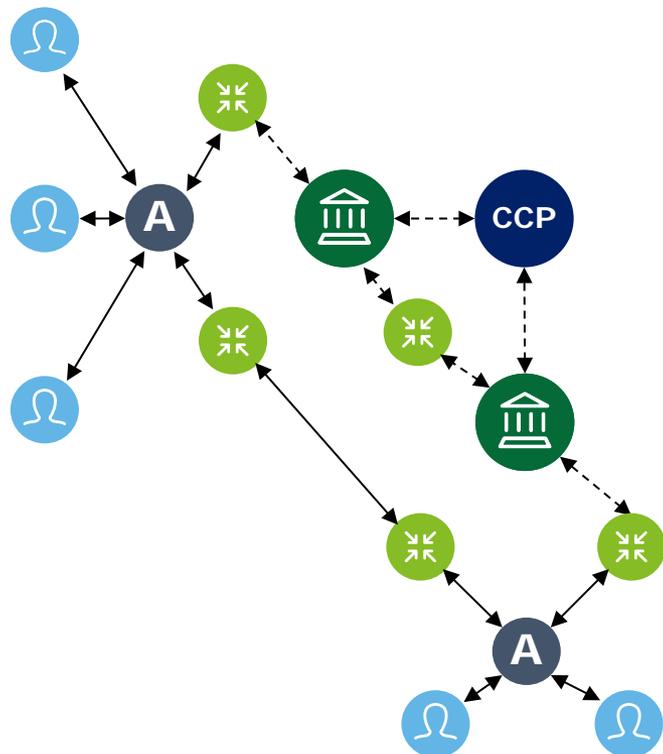
- **The standardisation** of interfaces is a **primary enabler** of the **disintegration** of the **value chain**. The value chain components each follow a different economic logic and have **different technological** and **procedural requirements**
- **Disruptive innovations** combined with standardisation of processes and services create **economies of scale** and **scope** to specialised firms
- **Hybrid models** will **co-exist** with **pure-play business models**, if banks are able to **create a strategic differentiator** from managing the interface between client relationship, product development or transaction processing

Future of Banking

Ecosystem scenario

In the future, traditional banks might only be one player among many in a larger ecosystem serving the banking needs of clients

Potential future banking ecosystem



- **Specialist providers** such as FinTechs **manage relationships with end-clients** directly and offer integrated products and services
- **Payments** and other transactions are mainly **conducted without the involvement of banks** (e.g. P2P-payments)
- Sharing platforms enable the **sharing** of goods and services **without** the exchange of **monetary values**

Fintech and Regulations

The situation today

Regulations are heterogeneous and pursue different objectives. New regulatory approaches are in their infancy and primarily tailored to individual business models

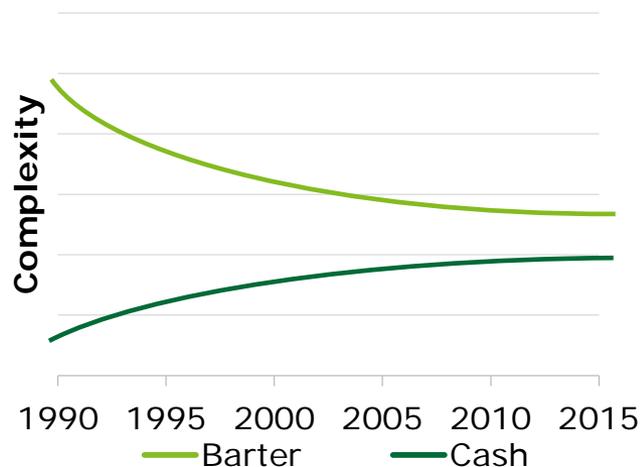


Fintech and Regulations

The challenges ahead

“Bitcoin is like technology that’s arrived from Mars, and so regulators don’t know what to do with it. That’s a good thing.”
Washington Post, 2014

- **Competitive race** amongst regulators worldwide to be FinTech-friendly
- **Data protection**
- **Property law**
- Applicability of **customary legal methodologies**, e.g. requirement of written form, physicality, legal entities, accountability, choice of law, place of jurisdiction etc.
- **Regulatory arbitrage**
- **Disruptive nature**



Reliability and investment security



Fairness

consider both disruptive effect of FinTech and inhibitory effect on traditional payment systems → FINMA principle-based regulation is preferred



Level playing field

limitations on consolidated supervision

Fintech and Regulations

Considerations for regulators

As detailed rules are a motivator for finding workarounds, a principle-based regulatory approach is needed



With market participants permanently online, **technology and data available** in clouds and blockchain providing reliability, the **market is coming up** with a variety of „**workarounds**“ for highly regulated „complicated“ services.



A **principle-based approach, eliminating unnecessary regulation** for all participants and at the same time **enforcing the necessary** one allows the evolution of the digitalization without the participants „fleeing the system“



The future of „**government owned**“ **cash** as the „blood of an efficient economy“ might soon be questioned by highly efficient **barter** and/or **blockchain models**



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