

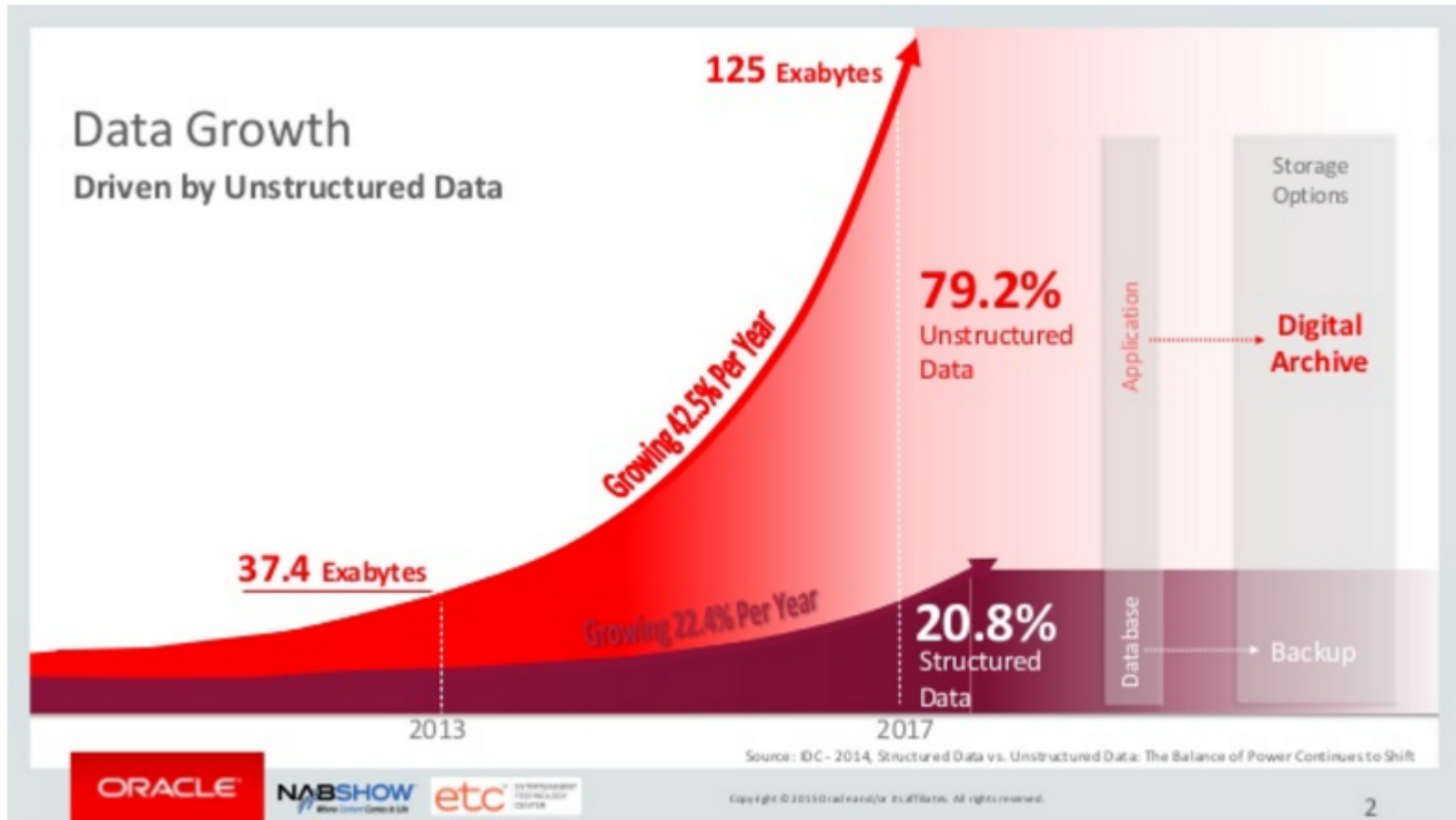
# Financial innovation, big data and operational risks

Álvaro Martín, Lead Economist – Digital Regulation

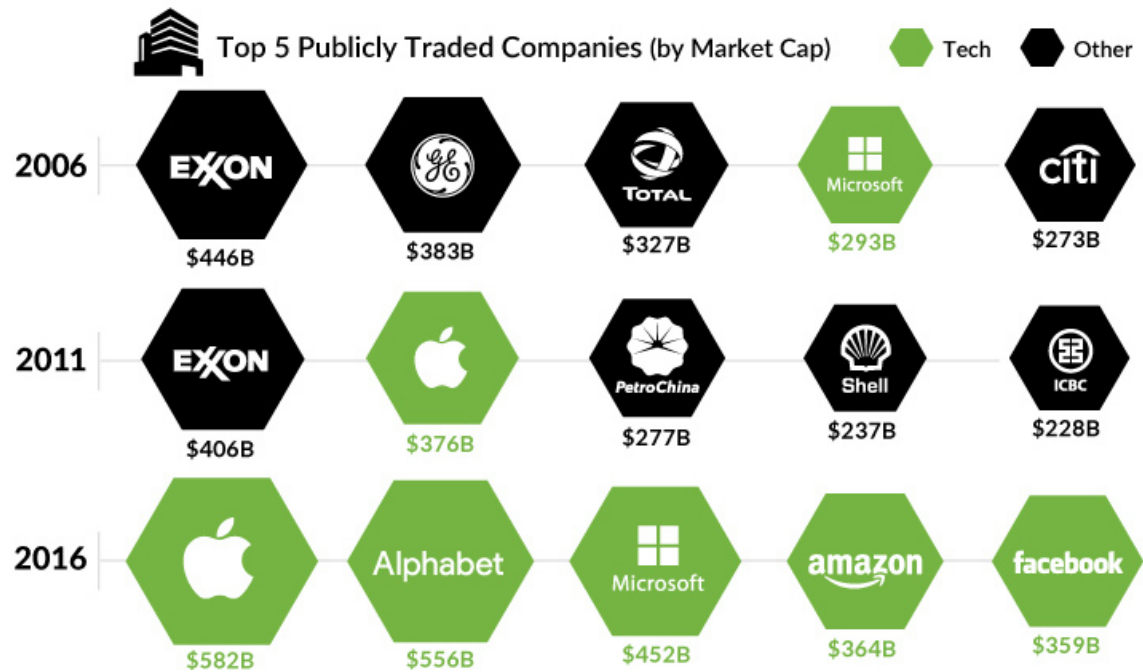
Santiago de Chile, November 2017



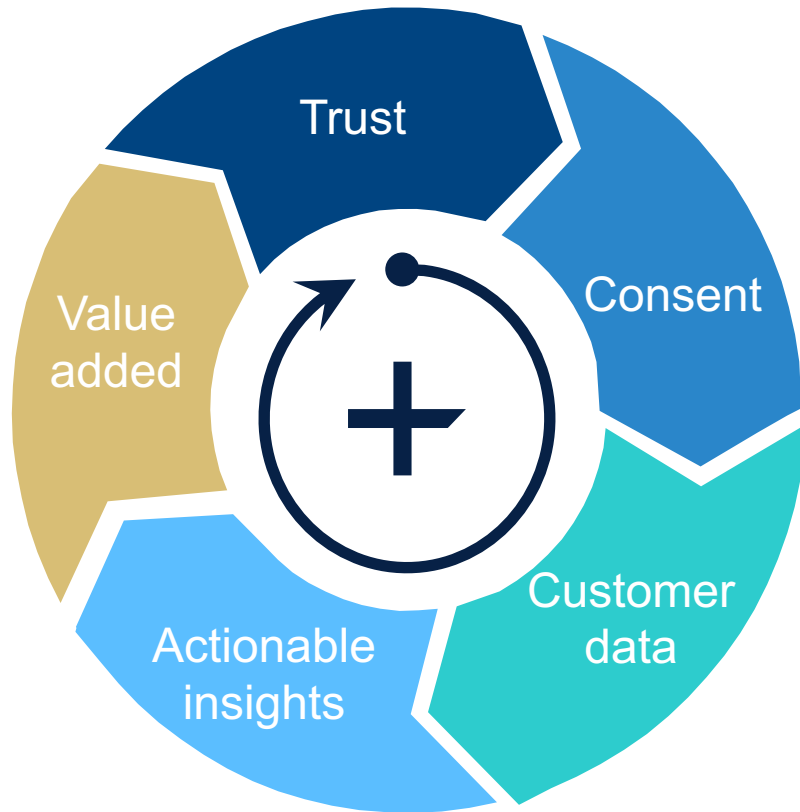
# Digitisation leads to unprecedented data capture



# Data-driven tech giants have surged



## Trust as the cornerstone of data-driven banking



**“** Without trust there is no data, without data there is no creation of value and without creation of value there are no opportunities for people **”**

# How does fintech fit financial regulation?

## Efficiency



- + Process automation
- + Disintermediation (blockchain)
- + Flexible and scalable IT infrastructure
- + Increased competition
- + Lower costs of managing cash

## Financial Stability



- New operational IT risks
- New providers subject to laxer controls
- More pressure on banks' profitability
- Interconnections and third-party reliances
- Increase volatility and procyclicality
- + New tools to manage risks

## Consumer protection



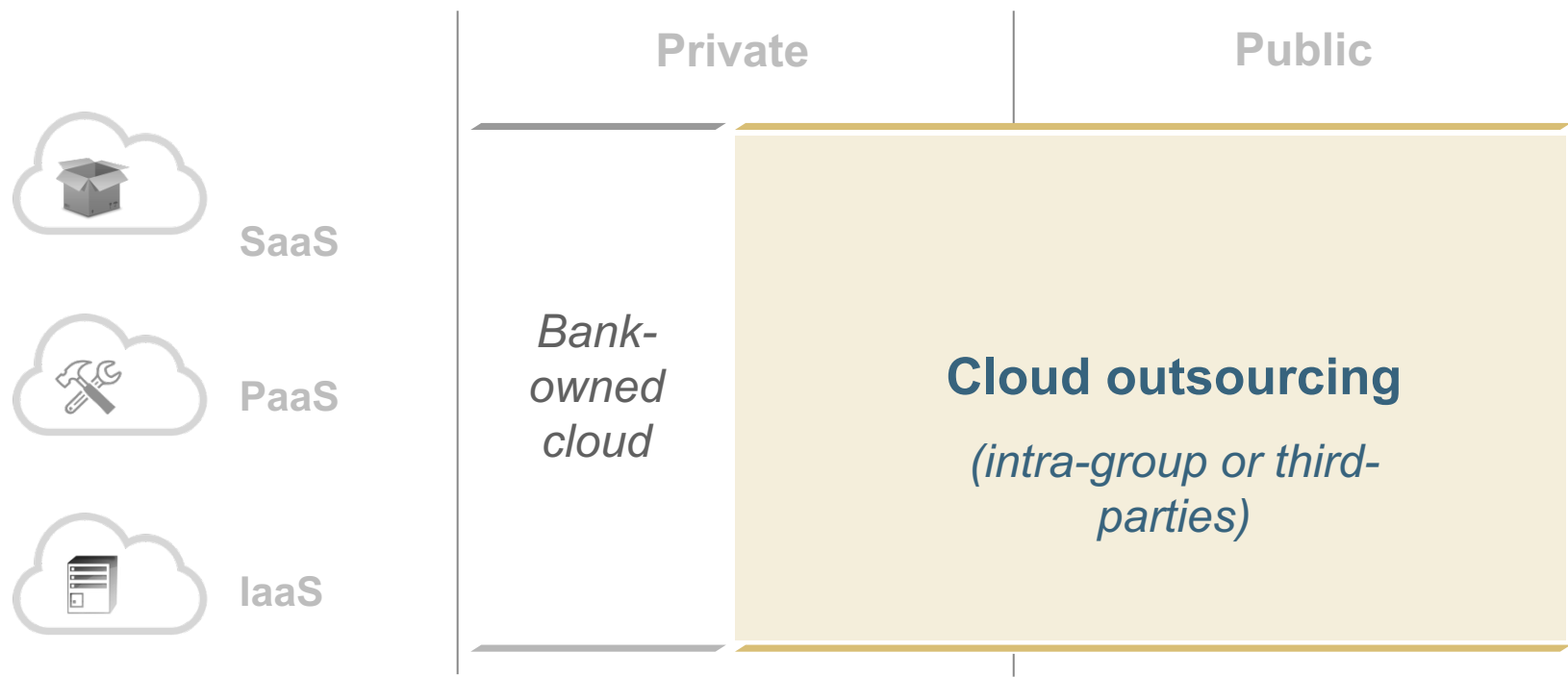
- New security risks
- Greater access to and use of personal data
- Risks from automated tools
- New providers subject to laxer rules
- + Control & traceability of customer interactions

## Integrity



- Anonymity of virtual currencies
- Greater speed of payments
- + New tools to monitor & analyse transactions
- ? Digital methods of identity verification

# The regulators' view of cloud computing





## A new era in banking

The digitization of the economy generates an exponentially growing trace of consumer behavior.

Banks are becoming data-driven organizations, built on a foundation of trust. New skills and technologies needed to extract value from data.

Operational risks are increasingly relevant in the age of fintech. Cloud computing might change the operational risk profile of banks.



A photograph of a modern, multi-story office building with a curved facade and large glass windows. The building is set against a clear blue sky. The BBVA logo is visible on the upper part of the building. The foreground shows a paved walkway and some greenery.

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