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Introductory statement: Technological change and the future of financial intermediation

The future of the financial system will be shaped to a large extent by the future of financial intermediaries. If we follow media comments and the public debate, we could get the impression that technology will make financial intermediaries redundant. Is this expected demise of financial intermediaries real or an illusion? On the other hand, is the future of financial intermediation something quite to the contrary, a future with an all-encompassing power of banks, where their already existing power is levered and enhanced by digitalisation, data science and unlimited computing power? Is technological innovation in financial services – FinTech – “disruptive” as many FinTech-entrepreneurs like to suggest, or is it rather traditional banking with other means, something that changes the interface by which banks, businesses and consumers interact with each other but otherwise remains quite similar to banking as we know it? Is this technological change an issue regulators should be concerned about and if so, which are the specific issues of concern? If we would enter a time machine that catapults us 50 years into the future, would we still recognise banks and financial services, as we know it based on our experiences from today?

To discuss these and other issues related to the consequences of technological change on the future of banking and financial intermediation, I am happy to welcome two leading experts:

John Kay is an economist whose career has spanned the academic world, business and public affairs. Currently, he is a visiting Professor of Economics at the London School of Economics, a Fellow of St John’s College, Oxford. He is a Fellow of the British Academy and of the Royal Society of Edinburgh. He is a director of several public com-

panies and contributes a weekly column to the Financial Times. He recently chaired the Review of UK Equity Markets and Long-Term Decision-Making which reported to the Secretary of State for Business, Innovation and Skills in July 2012. He is the author of many books, including *The Truth about Markets* (2003), *The Long and the Short of It: Finance and Investment for Normally Intelligent People Who Are Not in the Industry* (2009) and *Obliquity* (2010). His latest book, *Other People’s Money – towards a financial system for the needs of the economy rather than financial market participants* – published by Profile Books and (in North America) by Public Affairs in September 2015.

Patricia Jackson is a member of the EY Global Regulatory Network in the Financial Services Risk Management Group. Patricia joined EY in 2004 as the Partner leading the banking risk practice and then later financial regulatory advice. She was involved in projects with the major banks globally on all the risk types as well as Basel III and stress testing. She is also increasingly involved in risk governance issues including developing an approach to setting and embedding risk appetite and risk culture. She is now a strategic adviser to EY. Prior to this she was the Head of the Financial Industry and Regulation Division in the Bank of England and represented the UK on the Basel Committee for Banking Supervision for 7 years, leading the global QIS studies and calibration of Basel II. Patricia has published a wide range of papers on market and credit risk and bank capital. She is a non-executive director on the board of the digital challenger bank Atom and is involved in setting their strategy going forward.