

Closing speech delivered at the Fintech and Cybersecurity conference

MONTSERRAT MARTÍNEZ PARERA, VICE-CHAIR OF THE CNMV
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Good afternoon. It is my pleasure to close this very interesting two-day Fintech and Cybersecurity sector conference.

I am not going to make an exhaustive summary of everything that has been said, but I would like to point out, by way of conclusion, four aspects of the debate that, in my opinion, are relevant from the point of view of the CNMV's activity.

Before starting, I think it is appropriate to dedicate a few words of thanks to the professionals and experts from the sector who have participated in different panel discussions. I would also like to express my gratitude to all of you who have followed the conference on the Internet and thanks to the CNMV team who made the event possible. This forum is yet another example of our commitment as an institution to financial innovation, and of our desire to promote the development of an appropriate framework for the use of new technologies in the securities markets.

Technological innovation is a key driver of economic and social progress. In the financial sphere, new technologies offer important benefits for investors and for companies, by increasing the range of products and services on offer, and ultimately improving the efficiency and competitiveness of the sector.

At the same time, financial innovation is transforming the way the industry operates and changing the structure of the market. These dynamics bring new risks, which we as supervisors must monitor and understand well. It is therefore a question of finding the right balance between promoting innovation and the use of new technologies, on the one hand, and the need to maintain the integrity of the securities markets and adequate investor protection, on the other.

This brings me to the first of the four aspects I mentioned at the beginning, which I would like to highlight today: the need for an **appropriate regulatory framework**. This is particularly relevant in the current context, in which companies and citizens are making increasing use of digital technologies. In Spain, in 2020, 91% of the population was an Internet user, 4.3% more than in the previous year¹. And in the wake of the pandemic, early studies point to even greater growth in the use of digital solutions by consumers and businesses.

¹ See "Ciberamenazas y tendencias" ("Cyberthreats and trends"), 2020 Edition, CCN-CERT IA-13/20, Spanish National Cryptologic Centre.

Fortunately, the European Commission has long since taken the initiative to move forward in regulating the digital environment. As the Chairman of the CNMV pointed out at the opening of the conference, the European Commission's digital finance package² is heading in the right direction. In addition to the digital payments strategy, two large blocks should be highlighted: the Regulation that will govern cryptoassets that are not financial instruments, known as MiCA³, and the Regulation for the management of technological risk, also known as DORA⁴, which has a cross-cutting scope for the financial system.

In any case, many of the regulations are still in the process of being developed. In this context, supervisors and market participants must make an effort to move forward together, maintaining a constant dialogue, and at the same time be extremely cautious in the face of unregulated innovations.

Secondly, I would like to address the growing development of what are known as **cryptoassets**. A cryptoasset is simply a digital representation of a security, or rights, that can be transferred and stored electronically using DLT or similar technology. But the different uses and types are broad, and the boundary between them can sometimes be unclear.

Some of these digital assets could be considered marketable securities or financial instruments, and to these the current regulations would apply⁵. But this is a limited part of the cryptoassets that are appearing on the market. A good many of them, such as those that give rights to access services or products (the so-called utility tokens) or are referenced to an asset (known as asset-backed tokens), are not financial instruments and, for the moment, are not subject to regulation either in Spain or at European level. Nor are cryptoassets known as cryptocurrencies, which are intended to be used as a means of payment, adequately regulated.

The MiCA Regulation aims to regulate these products and reduce investor risk. In any case, until we have a clear framework, I would like to remind you of the warnings that both the CNMV and the Bank of Spain have issued on several occasions⁶. Simply, before investing our savings, we should always ask ourselves if we have enough information, if we understand the product and if we are able to understand the risks we assume with the transaction.

Thirdly, I would like to highlight the area related to the direct application of new technologies such as the massive use of data, the storage of this data in the cloud or **artificial intelligence**, which have also been discussed at this conference. Artificial intelligence, in particular, has great potential for application in the provision of financial services and, in particular, in areas such as advice and portfolio management, where it is becoming increasingly relevant.

² *Digital Finance Package*, of the European Commission published on 24 September 2020.

³ *Initiative for a regulation establishing a framework for Markets in Crypto Assets (MiCA)*.

⁴ Draft Regulation of the European Parliament and of the Council on the digital operational resilience of the financial sector of 24 September.

⁵ For more details see "[CNMV considerations on cryptocurrencies and ICOs addressed to financial sector professionals](#)", CNMV, 8 February 2018, and "[Criteria in relation to ICOs](#)", CNMV, 20 September 2018.

⁶ [Joint public statement from the CNMV and the Bank of Spain on the risk of cryptocurrencies as an investment](#), 9 February 2021.

For the time being, artificial intelligence is more of a tool to support these activities. Put more simply, we can say that it is a step beyond the automation of processes or the use of complex quantitative models from the configuration of some initial parameters. Artificial intelligence techniques are based on algorithms that have a learning curve in which the initial configuration of the algorithm is adjusted based on the errors and successes observed. To ensure an optimal result, it is important to evaluate the algorithms properly and transparently. And, in particular, pay attention to the data used, and minimise possible biases in the design.

New technologies also have great potential to help companies comply with regulations in a much more automated and less costly way. The same is true for the work of supervisors. This is what is known as RegTech and SupTech, whose potential has been explored today.

In this area, we still have a long way to go, but there are already some promising applications in supervisory reporting, that is, in automating the information that entities must provide to the supervisor. Also, in the SupTech field, where algorithms help us to analyse a large amount of information such as, for example, the advertising provided on entities' websites.

And finally, the fourth aspect I would like to highlight is the **development of the platform economy**. The rise of digital platforms may have a disruptive effect in the structure of the financial market. Platforms offer new business models that facilitate the connection between different parts of the value chain and exploit the benefits that the model brings in terms of network effects and cost reduction, allowing them to scale in size quickly. In many cases, platforms base their business on the exploitation of user data.

Beyond the implications that the eventual proliferation of platforms may have on the market structure, it is important that users understand the business model, the use that is made of the data and how or to what extent they are giving a consideration for the services that the platforms offer them.

I shall end with two additional reflections on what I believe should be the keystone for the development of innovation in our country.

On the one hand, **cybersecurity**. We are used to news of attacks on companies or institutions to gain access to data or carry out some kind of fraud. In 2020, 23% of large companies in Spain had experienced a security incident in the previous year⁷. And the trend is growing.

Today, the expert from the Spanish National Security Institute (INCIBE) acknowledged the good base we have but reminded us of the importance of devoting resources to limit and properly manage technological risk. Investing in cybersecurity is a matter of survival for businesses, users and supervisors. Security breaches not only harm the users directly affected but can also lead to a widespread loss of confidence, ultimately limiting the adoption of new technology solutions. In this respect, the Regulation being developed at European level (DORA) that I mentioned

⁷ See "Ciberamenazas y tendencias" ("Cyberthreats and trends"), 2020 Edition, CCN-CERT IA-13/20, Spanish National Cryptologic Centre.

earlier is of importance. Its implementation will require an additional effort from companies, but the benefits it will bring to the sector as a whole are undoubtedly greater.

On the other hand, in addition to cybersecurity, we need to put the emphasis on **financial education** in general, but also with greater emphasis on that applied to new technologies, particularly for retail investors. In this area, we must spare no effort to ensure that users have a good understanding of the features and risks of new services and products.

I conclude. Thank you all once again for your attention. At the CNMV we will continue to seek ways to facilitate the dissemination and knowledge of financial innovation so that we can move safely towards a better and more extensive application of new technologies in the provision of financial services and, in general, in the securities markets.