

**Remarks by Martin J. Gruenberg
Chairman, FDIC at the
Forum on the Use of Technology in the Business of Banking
Arlington, VA
May 7, 2018**

Introduction

Welcome and thank you for joining us at today's Forum on the Use of Technology in the Business of Banking. The purpose of today's event is to gain a deeper understanding of emerging technologies that are being or may be adopted by banks and that may have the potential to enhance bank operations, improve financial services delivery to consumers and small businesses, or promote economic inclusion.

Today's event will also explore steps banks are taking to manage risks, especially cyber risks, as they incorporate emerging technologies into their overall strategy. This emphasis on risk management is especially important for the FDIC and our fellow regulatory agencies to understand as we supervise insured institutions with evolving business operations.

Innovation has always been essential to the banking system, and we know that new products and services can be transformative. ATMs, on-line banking, and mobile banking are all embedded in the structure of banking today, but were once innovations.

New technologies have the potential to offer benefits to both banks and their customers. These include reduced transaction costs, increased credit availability, better customer experiences, better operational efficiency, and increased access to mainstream banking.

At the same time, innovations bring new challenges for financial institutions and for the FDIC, some of which are difficult to anticipate. Cybersecurity, Bank Secrecy Act and anti-money laundering concerns, consumer protection issues, and privacy and data security are risk areas that all financial firms must manage, but these could be amplified as banks and others adopt or expand new technologies.

In addition to developments within banks, new technologies continue to generate potential competitors to traditional banks. This non-bank competition arising from innovations is not new. Nonbank financial companies have competed alongside banks for decades, and banks will need to continue to adapt to changes in the competitive landscape – regardless of whether those changes come from technology-focused companies or from other non-bank financial firms.

To ensure that we are prepared to understand and address the changing landscape in financial services and the way banks use and adapt to new technologies in our roles as bank supervisor, deposit insurer, and receiver of failed institutions, the FDIC has dedicated significant resources to identifying and understanding issues with respect to emerging technologies in banking.

To lead these efforts, the FDIC has established an Emerging Technology Steering Committee, co-chaired by Doreen Eberley, Director of the Division of Risk Management Supervision, and Mark Pearce, Director the Division of Depositor and Consumer Protection, both of whom will be moderating panels at today's Forum. The other members of our Emerging Technology Steering Committee include the most senior executives of the FDIC, including our chief information officer and chief privacy officer; our general counsel; and the Directors of the Division of Resolutions and Receiverships, Division of Insurance and Research, and Office of Complex Financial Institutions.

The Steering Committee, in turn, has established two interdivisional working groups to consider the retail and wholesale aspects of emerging technologies in banking. Through these efforts, we are monitoring trends, opportunities, and risks in this area, and evaluating impacts on banking, general safety and

soundness, deposit insurance, financial reporting, economic inclusion, and consumer protection. This work informs our supervisory strategy for responding to opportunities and risks presented by the use of emerging technologies to supervised institutions.

As we go through today's program – and I believe we have an excellent program - the FDIC is interested in a few key themes that revolve around understanding evolution in bank operations, improving efficiencies in delivering consumer and small business financial services, ensuring safe and sound risk management practices, including cyber security, protecting consumers, and fostering economic inclusion.

The first panel will focus on transforming bank operations, which means the back office or the “plumbing” so to speak that powers how a bank conducts business. Panelists will discuss key technologies that are being developed or adopted by banks with the goal of improving operational functions, such as improving the speed of payments and data management, or facilitating compliance with laws and regulations. The discussion will touch on potential opportunities, and the challenges associated with newer technologies like distributed ledger technology and cognitive computing, how innovation is moving rapidly to speed up payments to real time, and how banks, including community banks, can establish strategies to keep pace with emerging technologies.

This panel will also include a discussion about cybersecurity, which clearly is one of our greatest challenges. As innovation has resulted in greater use of automated, digital, and online processes and networks, protecting a financial institution's data and assets has shifted from purely physical protection to include significant virtual protection. In response, financial institutions are now continually challenged to assess and strengthen information security programs and refocus efforts and resources to address cybersecurity risks. We are interested in hearing about how those efforts might be affected by emerging technologies.

The second panel will focus on new technologies, applications, and delivery channels that are impacting retail banking, in other words, innovations that “touch” consumers and small business. We'll be hearing about new ways banks are engaging with consumers and keeping up with evolving customer demands for the way they want services delivered. Panelists will discuss how banks are innovating to digitalize lending, streamline account opening through digital channels, provide innovative payments products, and enhance economic inclusion by using technology to engage with customers regarding their access to financial services.

This last issue – economic inclusion - is of particular interest to us at the FDIC. In the United States, a relationship with an insured depository institution continues to be essential to households' full participation in the economy. Just as graduating from school and getting a first job are milestones, a bank account, too, is a key step on the road to financial well-being. Something as basic as an insured deposit account affords households the ability to safely deposit and store income, make payments toward monthly obligations such as rent or a mortgage, and engage in convenient daily transactions – such as buying groceries or more durable household goods. Bank accounts also come with a host of protections, such as those concerning electronic funds transfers and other rules that limit consumer liability for unauthorized transfers.

In addition, while an account may provide the foundation for economic participation, the benefits from a banking relationship can help families to save, establish credit histories, and obtain credit on favorable terms. When delivered with attention to the needs of consumers, this bundle of products and services can help families realize their goals and, in so doing, strengthen their confidence in the banking system, which goes to the core mission of the FDIC. So, we are very interested in hearing about methods to leverage technology to increase access to banking services.

Today's luncheon speaker, R. Jesse McWaters of the World Economic Forum, will provide his views of the future landscape of financial services and the role banks will play.

Finally, after lunch, the third panel will focus on access to consumer financial data, which is an important public policy issue being discussed here in the US and internationally. The three panelists, who

represent a range of stakeholder perspectives, will discuss the potential benefits of consumer financial data access; challenges raised by current practices; potential impacts on banks and their customers; and potential ways to address challenges going forward.

In addition to hearing from experts on panels throughout the day, we are aiming to promote dialogue. We invite members of the audience, who also have a great deal of expertise in these areas, to participate in questions and answers at the end of each panel and in informal discussions during the breaks and at lunch.

In conclusion, let me thank all of you for participating in this conference, those in the room and those tuned into the webcast. I am looking forward to a spirited and informative discussion today.