

# BigTech, Platforms, and Financial Services

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*Banking as a Platform (BaaP) and Banking as a Service (BaaS) represent strategic approaches designed to offer customers a comprehensive experience. Rather than focusing solely on financial products like mortgages and car loans, financial institutions integrate these services into broader offerings that cater to customer needs, such as acquiring homes and cars. This approach emphasizes high personalization, aligning with customer preferences. However, a strategic debate exists on whether BaaS dilutes or enhances a bank's brand. Additionally, financial inclusion remains a significant challenge, particularly in regions like Latin America, where cash transactions dominate, and regulators are focused on expanding access to financial services.*

**MODULARITY, FLEXIBILITY, AND THE ROLE OF WALLETS:** To effectively offer a platform, Financial Institutions must maintain high modularity and flexibility, especially as interfaces and technologies evolve rapidly. Developments in Artificial Intelligence (AI), particularly Generative AI (GenAI), are accelerating these changes. Digital wallets have emerged as the most crucial interface for financial services, with data access becoming a key area of focus for future advancements. As big tech companies shift towards more collaborative approaches in financial services, regulatory dynamics in the US, which are generally less aggressive compared to the EU, play a significant role in shaping the industry. The North American open banking market is vibrant, with millions of customers sharing data despite a lack of specific open banking regulations.

**REGULATORY AND STRATEGIC CONSIDERATIONS:** Regulators are increasingly exploring BaaS opportunities, risks, and impact on roles in financial services. Frequently, BaaS banks handle Anti-Money Laundering (AML) and Know Your Customer (KYC) processes for other entities. This allows for leveraging the capabilities that traditional Financial Institutions have developed. The strategic move towards embedded banking necessitates a careful selection of partners to ensure these embedded services are effectively managed. Big tech companies' control over digital wallets, akin to browsers of a decade ago, has significant implications. For instance, Europe's initiative to create a European Wallet connected to Digital ID underscores the evolving role of wallets in financial services, potentially positioning big techs as Digital ID providers.

**REGULATORY DEVELOPMENTS AND DATA ASYMMETRY:** The EU's clear regulatory stance on open banking is evolving with new regulations like FIDA and broader data-sharing policies within the European Union. These regulatory frameworks impact both big techs and the financial services industry, highlighting the need for coordinated regulatory developments. Data asymmetry remains a concern, as big techs have access to vast data sets, potentially affecting competition. Notable developments in the EU, such as the Payment Services Regulation (PSR), Payment Services Directive (PSD3), and eIDAS 2.0 regulations, indicate ongoing discussions on authentication approaches, further complicating the regulatory landscape.

*We look forward to continuing the DataTalk series on Wednesday, August 14, 8:00 am Washington DC when we will explore Open Finance, Open Data and Digital ID. This series gathers thought leaders and experts sharing their insights and views, as well as a dialogue with member firms about implications for the financial services industry and new developments on the policy front. If you would like to register for the upcoming session of DataTalk, please [register here](#).*