

ABDUL AZIZ AL GHURAIR

Chairman of the Board of Directors of Mashreq

Jean-Claude Trichet, European Chairman of the Trilateral Commission, former President of the ECB

I turn to the first speaker. I already said how deeply you have been and continue to be involved in commercial banking, not only in your bank but at a much larger level, and we would like very much if you could tell us your main messages. You have the floor, Your Excellency.

Abdul Aziz Al Ghurair

Thank you very much, Jean-Claude. Ladies and gentlemen, good evening. I am thrilled to be here and share with you all the rapid evolution of the financial services sector that we have witnessed in the United Arab Emirates. Every industry across the spectrum is met with disruptive changes, including financial services. Digital innovation and transformation of consumer behavior and expectations have been game-changers that have pivoted the course of the future. It is safe to say that consumers are very much like regulators – they have been enablers of change which has made the transition to digital an easy task.

Of course, the pandemic has further accelerated these trends. It has pushed us further and faster. I will address this from the perspective of the United Arab Emirates. My personal takeaway on digital transformation is that change, and disruption can occur anywhere. And with that, I'd like to highlight a few themes that have been the most prominent.

Digital payments: Cashless societies are upon us and the pandemic has turbocharged the transition towards it. Last year, the UAE government introduced KLIP, the first-ever digital payments system in the country. It presented a huge influx of opportunity, and every bank made its way to the network. Fintechs and specialized players are also increasing their presence within this industry, creating an ecosystem that can only benefit transformation in digital payments at large, while giving consumers greater flexibility, choice and convenience in payments.

In this growing, interoperable ecosystem, the future of banking is dependent on banks' abilities to adopt a platform strategy and cut across industries. Banking as a Service (BaaS) means that financial products will seamlessly be embedded end-to-end across the digital customer journey. Growing integration and partners within the industry requires utmost attention towards securing the digital journey and keeping customers' money safe from cybercriminals. Focus on these aspects proliferate as people and companies revalue the meaning of money, opening the door further for continuous growth of cryptocurrencies. The question we must all ask is how broad or narrow money will be in the future.

The use cases of blockchain technology within the financial industry are surging, while cryptocurrencies continue to gain strength. It is estimated that there are already over 100 million blockchain wallet users worldwide. The combined market capitalization for all the cryptocurrency has already surpassed USD 2 trillion. To understand the sheer scale of this, the combined value of the companies on the Dow Jones Industrial Average is only USD 10 trillion. Let us recognize therefore that digital money is a serious business. Looking to the future, there are only two possible scenarios ahead.

At one end, can be a system that is narrow and closed in which only central bank money survives, while other digital currencies are confined to the fringes. On the other end of the spectrum can be a system that is broad and open. Allowing decentralization of money with the proliferation of the new digital currencies from government and private institutions. It is still very early in day and, given the degree of uncertainty, it is impossible to predict the endgame. Regardless the impact of an open decentralized financial system could be profound, and we must be proactive in considering the implications.

To this effect, financial players will need to rigorously invest in technology, their partners, their relationships with developers. Thinking strategically on how to survive will be key. We must never forget that future of finance is data and artificial intelligence. By 2025, it is expected that the focus on data intelligence will increase by a factor of 20. In no uncertain terms, the message is abundantly clear that data will presume a spot as the most strategic asset, especially for financial institutions. As a result, artificial intelligence will become a core differentiator. It is a clear value proposition driven by increased revenue through specialization of service. AI has the ability to reduce costs through efficiency generated by higher automation, reduced error rates and better resource utilization. However, the biggest possibility AI will potentially help in is avoiding future financial crises by flagging events early and reducing dependency. This could also be true in spotting potential climate change on the global economies. As we increasingly understand the link between the fragility of our planet and economic cost, data will be key in understanding the link between weather and trade, between climate protest and consumer choice, between ESG rating and the company valuation.

Now is the time for the financial industry to truly embrace the change and be bold in doing so because money and finance tomorrow will look nothing like today. Ladies and gentlemen, thank you very much.

Jean-Claude Trichet

Thank you very much indeed, Your Excellency. It was very stimulating, and I am sure that you will receive a lot of questions, particularly on what you said on the acceleration of underlying trends and what you said on crypto assets and data and artificial intelligence. Thank you very much indeed.