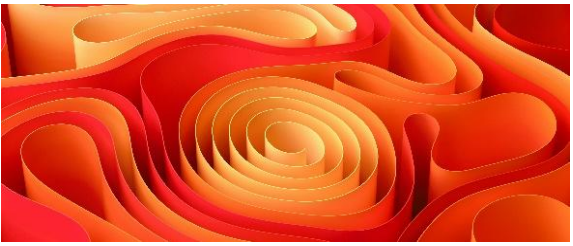
Pills

Regulatory/Supervisory Pills | N.24 February 2026



TOPICS:

Technology

SOURCE:

European Central Bank

ECB: Encouraging Innovation, Managing Risks - The Approach to Digital Transformation

- This keynote speech - by Patrick Montagner, Member of the Supervisory Board of the ECB, at the 10th Annual FinTech and Regulation Conference - sets out the ECB's **supervisory perspective on digital transformation in the banking sector**. It is emphasized that innovation is essential for competitiveness but must be accompanied by **robust governance and risk management**.
- A central theme is the **rapid adoption of artificial intelligence**. The ECB notes that a large majority of supervised banks already deploy AI, including generative AI, across functions such as credit scoring, fraud detection and operational processes. While acknowledging efficiency and productivity gains, supervisors highlight **material governance gaps**, particularly around data quality, explainability, lifecycle model oversight and accountability. The speech stresses that AI-related risks cannot be addressed through initial validation alone and require **continuous monitoring, human oversight and alignment with banks' risk appetite**. Concentration among a small number of non-EU AI providers is identified as a systemic vulnerability with implications for operational resilience, data protection and geopolitical risk.
- The document also addresses **tokenisation and digital assets**. Tokenised deposits are distinguished from stablecoins, with the former viewed as a potential extension of traditional banking activities and the latter presenting higher liquidity, operational and compliance risks. Banks engaging in tokenisation are expected to do so within a coherent strategy, supported by realistic business cases, adequate investment and sound risk management.
- **Regulation is presented as an enabler of innovation** by providing a common framework for managing interconnected risks. The ECB highlights the role of DORA, MiCAR and the AI Act in harmonising expectations, improving information sharing and supporting coordinated supervisory responses. Particular emphasis is placed on operational resilience, third-party dependencies and cyber risks, which are increasingly interlinked.