

## Deloitte Banking Alert

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### Navigating the Digital Era: Rise of Suptech

In a bid to adapt to the burgeoning digital landscape within the banking sector, **ECB Banking Supervision** has spearheaded a **formidable digital transformation**. This endeavor aims to **fortify** supervisory efficacy while comprehensively following the **challenges and prospects presented by the digital era**.

Over the past three years, the ECB has collaborated with national supervisors to construct **several innovative supervisory technology (Suptech) tools**. More than a dozen of these groundbreaking tools are currently operational, streamlining the daily workflow of supervisors and fostering the seamless integration of European banking supervision.

#### Tools:

Among these pioneering tools stands **Athena**, a web-based platform engineered to aid supervisors in sifting, extracting, and comparing information from an extensive array of articles, supervisory assessments, and bank documents. Leveraging an intelligent search engine and employing cutting-edge natural language processing techniques, automated optical character recognition, and translation capabilities, **Athena** significantly diminishes manual tasks within supervisory assessments. Plans are in place to further augment Athena's capabilities, incorporating the prowess of large language models to furnish summarization and question-and-answer functionalities.

**Heimdall**, another notable tool designed for fit and proper assessments, has been operational since June 2022. It streamlines assessments via automatic machine reading of banks' fit and proper questionnaires, reinforced by automatic translation, textual analysis, process automation, and data analytics. This enhances assessment quality by reducing manual labor, enabling supervisors to focus on intricate cases.

These tools complement core systems like **IMAS (Information Management System)**, tailored to serve supervisors and supervised entities alike. IMAS digitizes their interactions, augments data quality, and bolsters transparency and efficiency. Coupled with IDRA, a reporting database offering diverse reporting capabilities, these systems support the entire supervisory cycle, catering to thousands of staff engaged in daily supervision. Looking ahead, pivotal queries revolve around sustaining the relevance of these **Suptech** tools and ensuring enduring benefits for the supervisors utilizing them. Furthermore, attention is drawn towards facilitating accessible technology and nurturing an environment conducive to sustained innovation.

## ECB's Fourth Supervision Innovators Conference 2023: Charting a Digital Future in Banking and Supervision

Addressing these concerns, the ECB recently hosted its fourth Supervision Innovators Conference in **September 2023**, attracting over 1,200 innovators from supervisory, regulatory institutions, the private sector and academia worldwide. Discussions spanned **generative artificial intelligence (AI)**, the future of supervision, digital transformation, technological development, and related topics.

**The Chair of the Supervisory Board** highlighted the **significant changes** brought by **digitalization in the banking sector**, emphasizing the shift to digital banking and the rise of AI-based services. Continuous investment in digital transformation was stressed to maintain effective supervision amidst digital challenges and opportunities. During the conference, a technology expert encouraged a departure from linear thinking in response to rapid technological advancements. The ECB aims to keep pace by envisioning real-time access to banks' status, amalgamating technology, data, and innovation.

An ECB Supervisory Board member emphasized the importance of providing advanced technology, developing cutting-edge capabilities and fostering an innovative culture for all ECB users. Leveraging **IT systems and Suptech tools** to empower supervisors remains a committed focus, aiming to forge partnerships, expand digital training, and explore technological frontiers.

## Conclusion

The ECB's proactive approach to embracing the **digital revolution** within the banking sector has been instrumental in enhancing supervisory capabilities. Through the strategic implementation of innovative supervisory technology (**Suptech**) tools like **Athena and Heimdall**, significant strides

have been made in automating tasks, streamlining assessments, and augmenting data quality for more effective supervision.

The conference featured engaging presentations and demonstrations showcasing **Suptech tools** developed by **the ECB and supervisory bodies worldwide**. Participants hailed these sessions as pivotal highlights of the event. The next Supervision Innovators Conference is slated for **September 2024**, promising further insights and advancements in the ever-evolving realm of banking supervision.

**For further questions regarding the aspects mentioned in this alert, please don't hesitate to contact us.**



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