

Olli Rehn
Bank of Finland

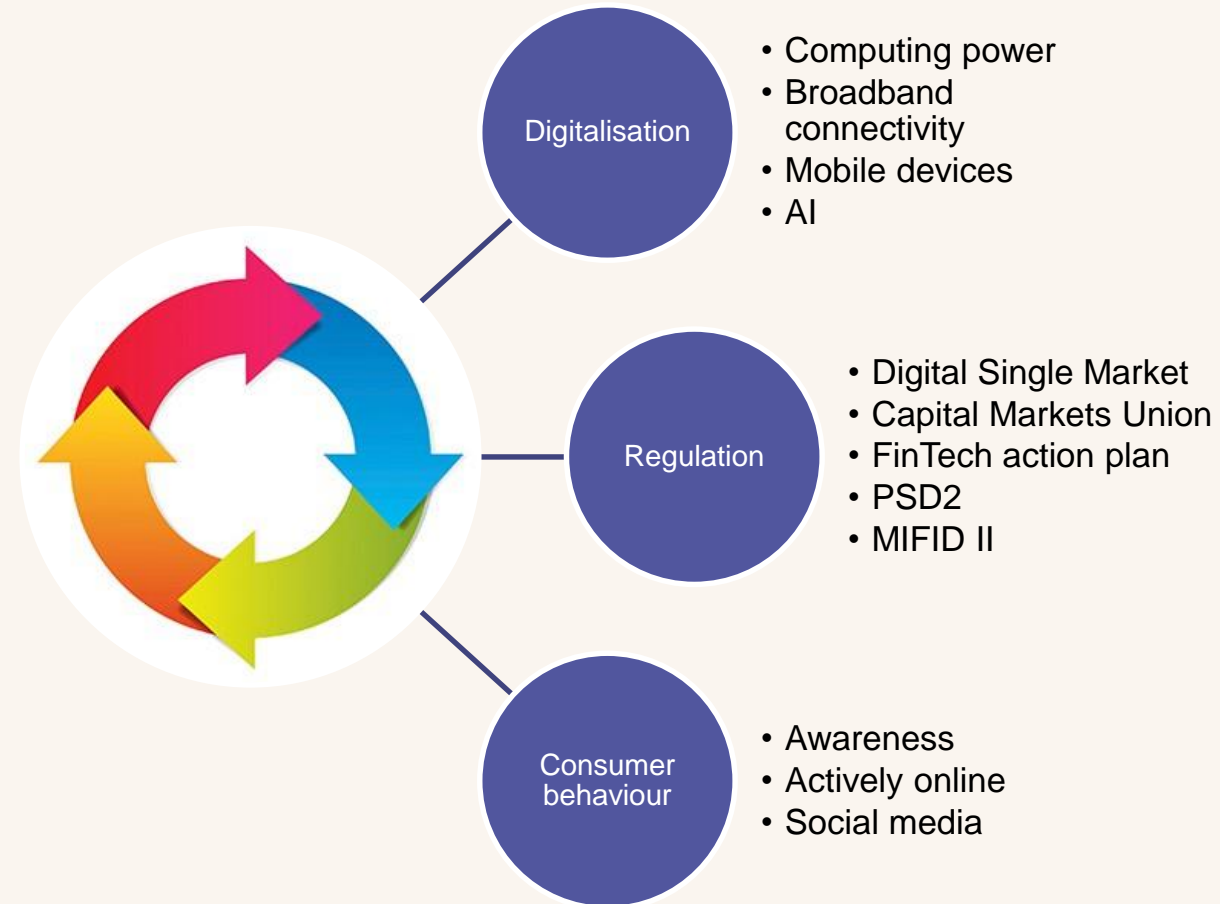
Digital transformation in the financial industry: what's good for the society?

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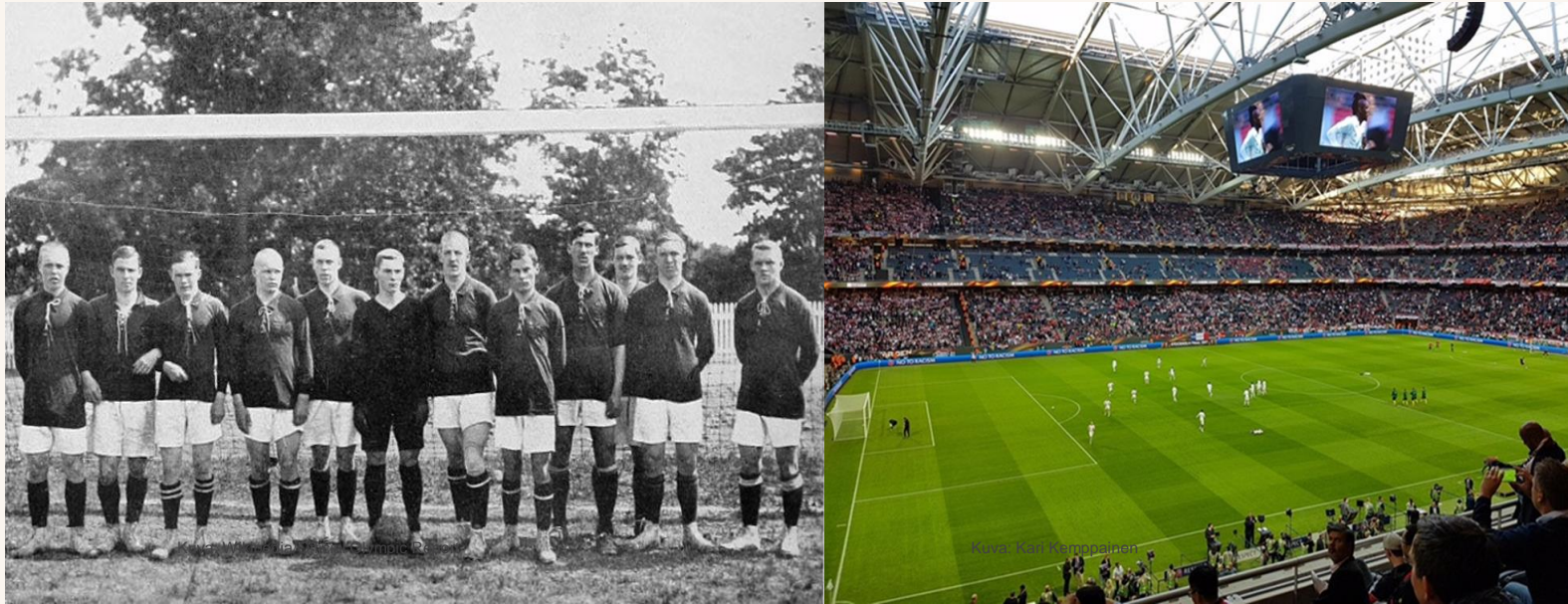


Digitalisation creates new business models and increases competition





The playing field of payments is changing: Is it an old game with new rules – or an entirely new game?





Importance of payments for Finnish banking sector

EUR 0.5 billion
Net income from
payments

8 %
of total income

19 %
of operating profit

What if
half of net income from
payments were to
vanish?

- 4 %
in total income

10 %
-- increase in net
interest income that
would be required to
compensate the losses



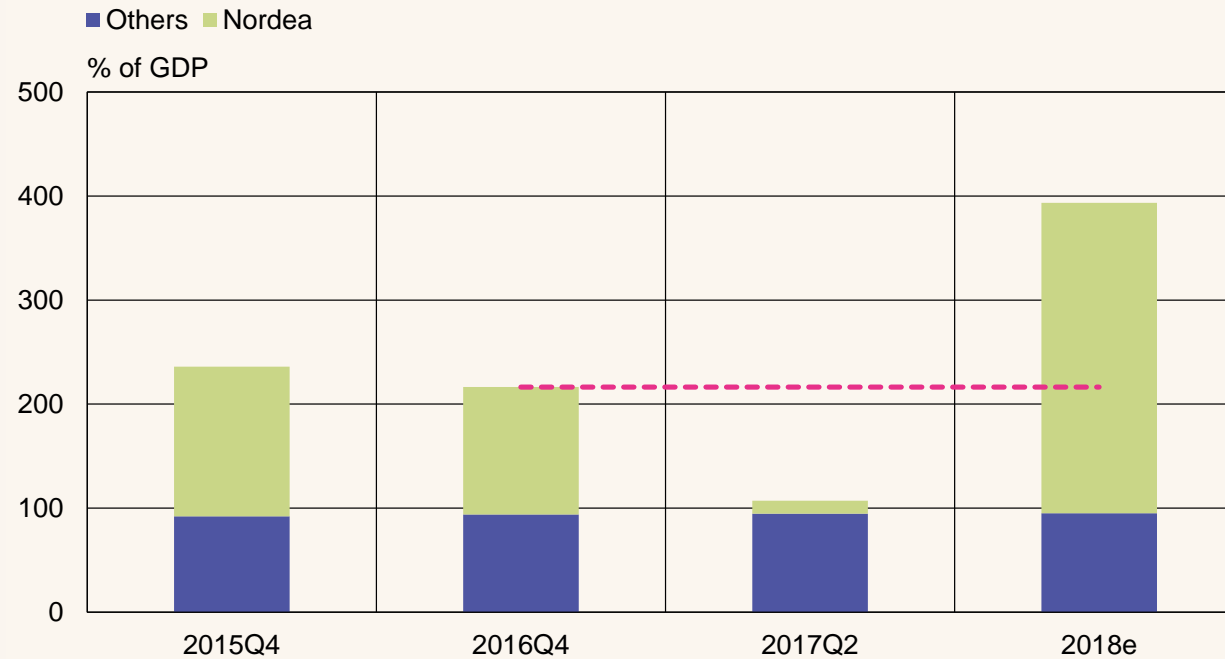
Importance of the FinTech ecosystem

- FinTechs can offer consumers enhanced user experience through innovative services
- Need for FinTech hubs, accelerators and mentoring
- Effort must be put into international cooperation



Size of domestic banking sector will grow to ca. 400% / GDP – well above the average in the EU

The size of the Finnish Banking sector



Source: FIN-FSA.



Importance of digital skills and financial literacy

- Digital skills are at high level in Finland.
- The minority unable to use digital financial services must not be neglected.
- All citizens need at least basic knowledge on cyber security and data protection.
- Adequate financial literacy skills are a necessity in the digital age.
- Cooperation among the promoters of financial literacy is extremely important.
- One example of potential measures to curb over-indebtedness is the positive credit register.



ICOs and cryptocurrencies price bubble





Blockchain vs. centralised payment systems

- Blockchain is of interest for financial sector actors from the perspective of new applications
- Promising applications in the financial sector:
 - Interbank international credit transfer
 - Securities clearing
- Central banks are creating centralized infrastructure for real-time payments
 - TARGET Instant Payment System (TIPS)
 - TARGET2-Securites (T2S)



Summary

- Finland has potential to become a success story in the financial industry's digital transformation – for the benefit of the whole society
- This calls for strong innovation and a flourishing FinTech ecosystem
- And for a balance between innovation and technology, on one hand, and customer protection and financial stability, on the other
- It underlines the growing need for digital skills and financial literacy