

## Marja Nykänen: Banking in the digital age

Opening remarks by Ms Marja Nykänen, Member of the Board of the Bank of Finland, at the Banking in the Digital Age Conference, Helsinki, 14 June 2018.

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Ladies and gentlemen, dear fellow bankers and digital enthusiasts,

Money makes the world go round, as they say. It facilitates trade, enables transactions, and lubricates the economy. But what does money look like? Is it metal coins, paper banknotes, account entries on bank ledgers, or something completely different? The truth is, it is all of the above, and it keeps evolving.

Money is created by the banking sector as a whole, that is, by the central bank and the commercial banks together, and it takes many forms. In a world that is turning increasingly digital, so does money and banking.

Today's event is about looking into the future and about understanding the change. We will hear five excellent presentations from true leaders in this transformation, as well as a panel discussion which includes the top three banks operating in Finland.

We will also have a live illustrator drawing pictures of the presentations. You can see the illustrations taking shape on the screen above. So don't be surprised if there is something strange happening on that screen!

Digital technology is transforming the financial industry both from the bottom up and from the top down. On the one hand, improved infrastructures and back office technology will help to make financial companies more cost efficient. At the same time, however, financial services are becoming more mobile, more 24/7, and more fit-for-purpose.

From the perspective of an individual consumer, the financial industry's digital transformation will be most evident in the nature of payments. Credit transfers between bank accounts will soon happen without delay. Although the use of cash has decreased in recent years and cards have become the most popular form of retail payment, banknotes and coins are in no danger of disappearing soon.

Change is not always perceived as beneficial. The financial industry is already feeling the impact of automation which is making many jobs obsolete. There are many who have been diligently working in the banking industry for decades, but who are now on individual level facing uncertainty and the need for acquiring new skills.

A more digital bank relying more on automation is also more vulnerable to cyber-attacks and systems malfunctions. Information security has traditionally concentrated on the role of the organisation, focusing on measures such as antivirus protection, software updates and data backups. Moving forwards, more attention needs to be placed on containing systemic risks that threaten the entire financial system which may arise from these new technologies, products and services.

Two weeks ago we experienced what a large impact on everyday life the failure of a major card network can have. It is crucial to have payment and settlement systems that function under all circumstances to prevent the economy from being disrupted. The objective is to develop a framework which guarantees the operational integrity of all critical infrastructure that are also shared by financial market. I am confident that we can reach this target in good cooperation between the financial industry and the authorities.

Going forward, the industry landscape will look more diverse, with different kinds of companies, both small and large, providing financial services. It is important that the authorities actively monitor the structural transformation, maintain financial stability and do their part in ensuring that the use of digital financial services is safe and reliable. We need both the experience and stability of the established institutions, as well as the agility and innovative spirit of the newcomers. At the same time, to ensure fair and uniform operating environment, entities who offer similar products or services ought to be subject to the same rules and regulatory oversight.

Today is the final day of our three-day conference Money in the Digital Age. On Tuesday and Wednesday, we hosted an academic seminar, and we were deeply impressed by the brilliant work presented there. Today we will complement that work with insights from leading industry players.

I wish you all will enjoy the programme, and I look forward to continuing the dialogue with you also after the event.