Fintech in Italy: opportunities and challenges for the digital transformation

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AGENDA

- What’s Fintech?
- To be or not to be Fintech?
- How to understand Fintech?
Fintech is defined by the Financial Stability Board as ‘technologically enabled innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services’.
WHAT’S FINTECH?
A NEW BUZ WORD BUT OLD CONCEPTS

Financial sector is historically among largest investors and innovators in new technology

- design and delivery of new innovative financial digital services over global digital networks
- direct marketing to consumers and businesses with disintermediation of incumbent financial institutions
- additional layering at front-end of value chain
- host of new non-traditional service providers with new and non-transparent business models

Potential disruption of traditional financial market structure and regulatory framework
WHAT’S FINTECH?
TECHNOLOGICALLY ENABLED INNOVATION

- Crowdfunding
- Robo-advice
- Blockchain
- Open API
- DLT
- Artificial Intelligence
- P2P lending
- Virtual currencies
- Big Data
- Innovative payments
- Smart contracts
- Innovative payments
- DL
FINTECH CHALLENGES AND OPPORTUNITIES

- Higher conduct risk
- Lack of data privacy
- Cybercrime Security
- Increased ICT & Outsourcing risk (Cloud computing)
- Third-party risk (platformization)
- High Strategic risk
- Financial Stability impact (cliff effect)
- Lack of expertise
- Disintermediation of regulated firms or activities

- Easy trading of retail financial services across borders
- Improve efficiency, make faster and reduce cost
- Establish an effective digital customer relationships
- Rise to new services and business models
- Promote market transparency
- Lower regulatory compliance costs
- Improve the market resilience and granularity
VALUE CHAIN WITH POTENTIAL ISSUES FOR FINANCIAL STABILITY

Source: Speech by Mark Carney - Governor of the Bank of England “The Promise of FinTech – Something New Under the Sun?”
With hundreds of millions now entering the digital financial system every year, could higher economic growth and a quantum leap in social equity be on the horizon?

Or will the range of new financial technologies primarily make existing institutions and markets more efficient and effective?

No small prize but hardly a transformation.

Speech by Mark Carney - Governor of the Bank of England
“The Promise of FinTech – Something New Under the Sun?”
TRANSLATION FROM ANALOGUE TO DIGITAL
3 SUCCESSIVE, OVERLAPPING WAVES

Electronic Data Processing ERA: 1967-1987

- computerization of banking services
- Teller (payments, accounts, loans)
- **Batch processing**
- **Wiring** of Branches
- **Printing & Mailing** (papers)
- Clearing and Settlement infrastructure
- **ATMs**, Payment Cards, NASDAQ, SWIFT,…

**Focus on**: operations, intra/inter-networking, batch data processing and records management
TRANSITION FROM ANALOGUE TO DIGITAL
3 SUCCESSIVE, OVERLAPPING WAVES

Client-Server & Internet ERA: 1987-2007

- Straight Trough Processing (STP)
- Data Centric Architectures (RDBMS)
- POS and remote payments
- Graphical User Interface
- Web 1.0 applications
  - (e-banking, e-money, e-payments)
- Home Computers, Laptops
- non-bank providers for e-commerce

Focus on: Customer, STP & RDBMS/Data Warehouse
TRANSITION FROM ANALOGUE TO DIGITAL
3 SUCCESSIVE, OVERLAPPING WAVES

FinTech ERA: 2007 – present

- New Digital financial products, services & platforms
- **Web 2.0** applications (**m-banking, apps, IoT**)
- **New non-bank players** (P2P providers, sharing economy)
- **Enriched Customer Experience**
- Smartphones, Tablets, fast Networks (mobile or not)
- **New Wholesale** Financial Market Infrastructures
- **New pre-and-post transaction services**: accounts management & price engines, automated trading & advice, smart contracts & Distributed Ledger

**Focus on**: Customer Experience, instantly & reliable transactions, decentralization & disintermediation
A survey: to determine and delineate the form, extent, and position of (such as a “tract of land”) by taking linear and angular measurements and by applying the principles of geometry and trigonometry.

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HOW TO UNDERSTAND FINTECH?

Interest in Fintech

- Effective: the company has approved or is running Fintech services (35%)
- Observer: the company is very interested in Fintech, it will launch a project within next 3 years (40%)
- No Interest: at present, the company has no interest in Fintech (25%)

Survey on more than 100 entities: Banks, Payment Providers, ICT Outsourcers

ILLUSTRATIVE PRELIMINARY RESULTS

Fintech services

- Crowdfunding (4.1%)
- Payments (4.6%)
- Innovative Information (24.4%)
- Electronic Identity (23.0%)
- Virtual Currency (16.1%)
- DLT & Smart Contract (24.9%)
- Enabling IT (2.3%)
- Other (0.5%)

BANCA D’ITALIA EUROSISTEMA
HOW TO UNDERSTAND FINTECH?

Official surveys on the Fintech market are not easily available. Often information come from public sources and primary consultant companies.

ILLUSTRATIVE PRELIMINARY RESULTS

Fintech under SSM -2015

<table>
<thead>
<tr>
<th>Country</th>
<th>n. of fintechs</th>
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<tbody>
<tr>
<td>PT</td>
<td>8</td>
</tr>
<tr>
<td>LT</td>
<td>11</td>
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<td>LU</td>
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<tr>
<td>DE</td>
<td>250-500</td>
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<tr>
<td>HU</td>
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Investments in Fintech -2015

<table>
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<tr>
<th>Country</th>
<th>€ millions</th>
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<td>IT</td>
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<tr>
<td>ES</td>
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<td>DE</td>
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WE ARE STILL INVESTIGATING THE FINTECH WORLD

Thank for your attention!