

# **DIGITAL TRANSFORMATION IN THE EURO-MEDITERRANEAN AREA: FINANCIAL INCLUSION AND STABILITY**

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## **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?



# WHAT'S 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

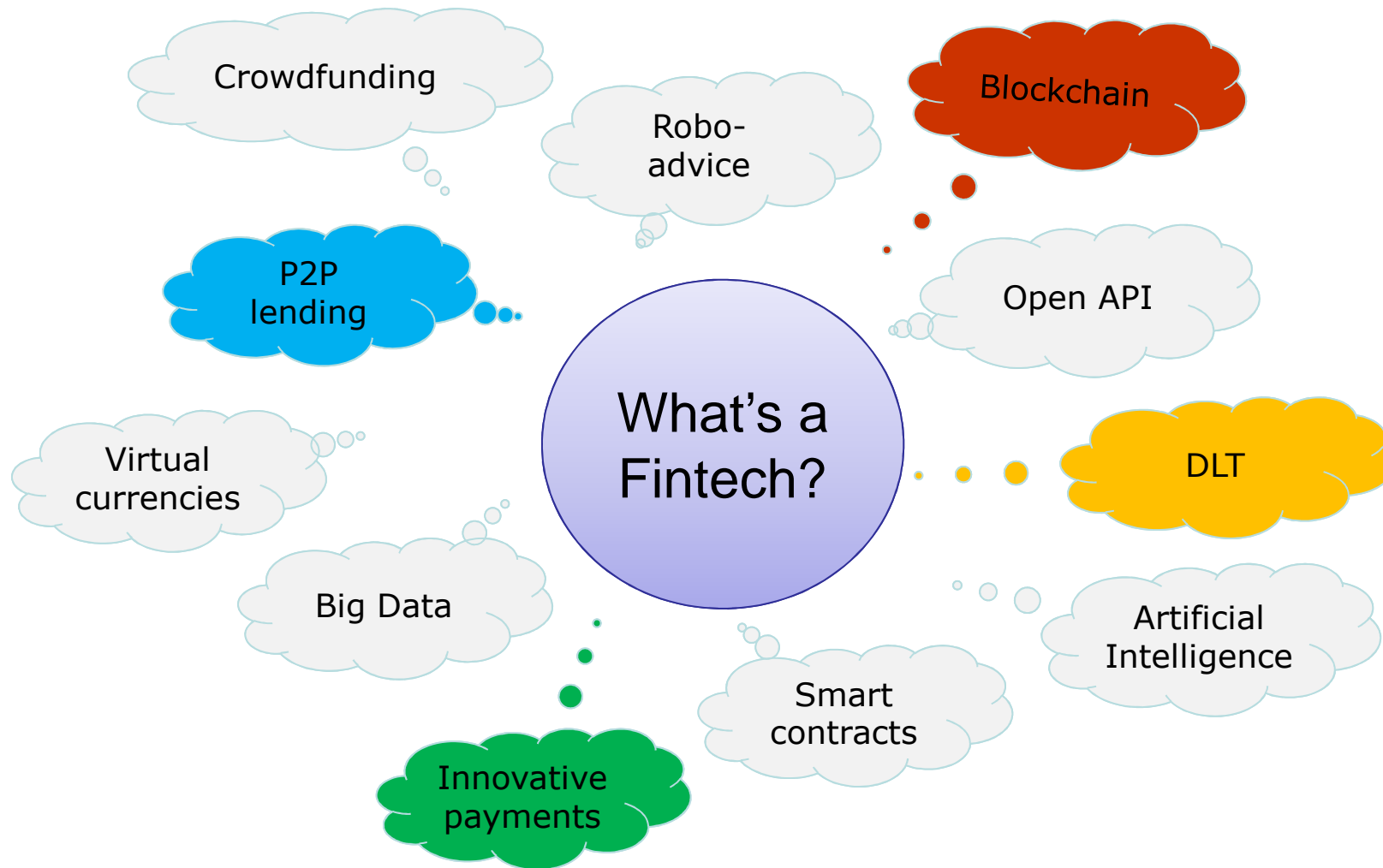
Financial sector is historically among largest investors and innovators in new technology

■ **NOW!**

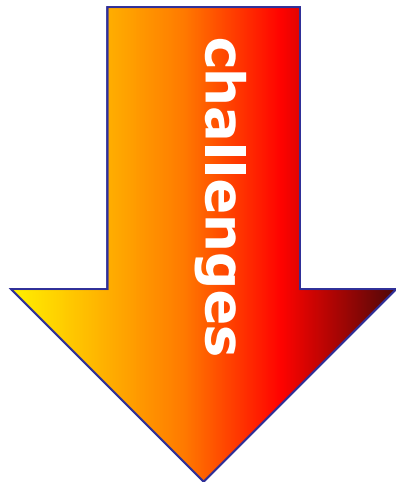
- ◆ design and delivery of new innovative financial digital services over global digital networks
- ◆ direct marketing to consumers and businesses with disintermediation of incumbent financial institutions
- ◆ additional layering at front-end of value chain
- ◆ host of new non-traditional service providers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

Potential disruption of traditional financial market structure and regulatory framework

# WHAT'S FINTECH? TECHNOLOGICALLY ENABLED INNOVATION

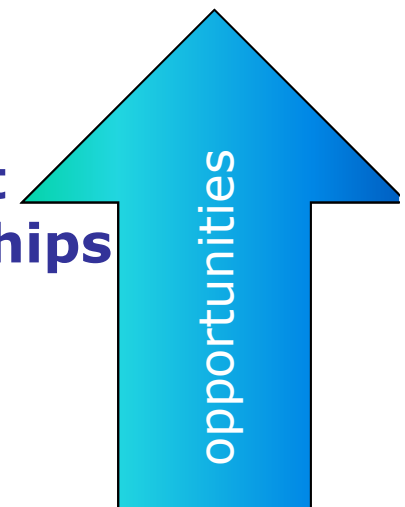


# FINTECH CHALLENGES AND OPPORTUNITIES

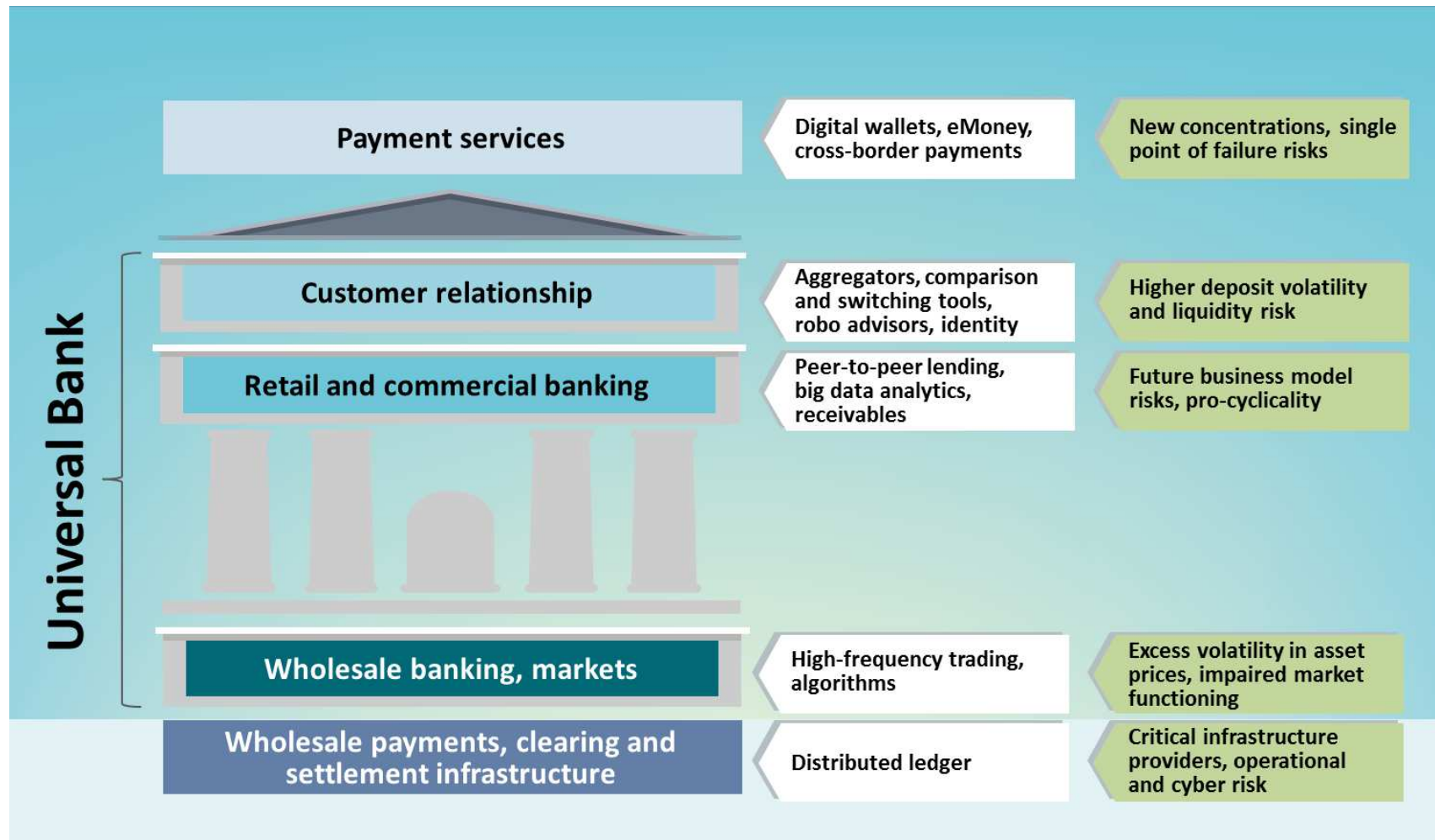


- ✦ Higher conduct risk
- ✦ Lack of data privacy
- ✦ Cybercrime Security
- ✦ Increased ICT & Outsourcing risk (Cloud computing)
- ✦ Third-party risk (platformization)
- ✦ High Strategic risk
- ✦ Financial Stability impact (cliff effect)
- ✦ Lack of expertise
- ✦ Disintermediation of regulated firms or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

# TO BE OR NOT TO BE FINTECH?

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?”



## TRANSITION 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  
(**P2P, P2B, B2P and B2B** Business models)

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

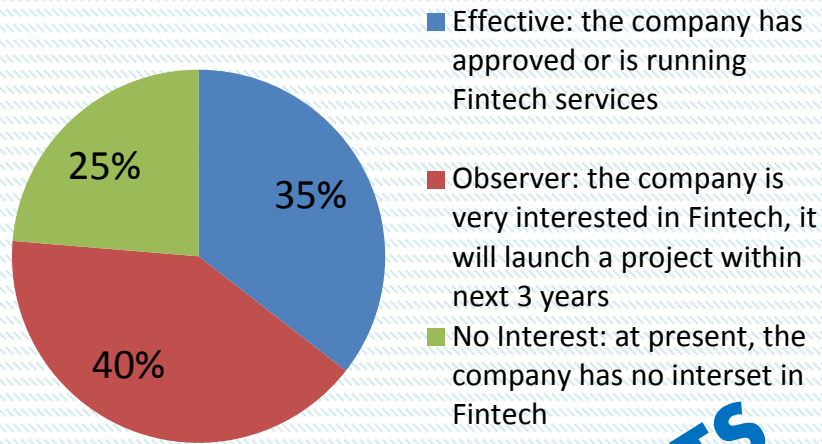
# HOW TO UNDERSTAND FINTECH?

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?

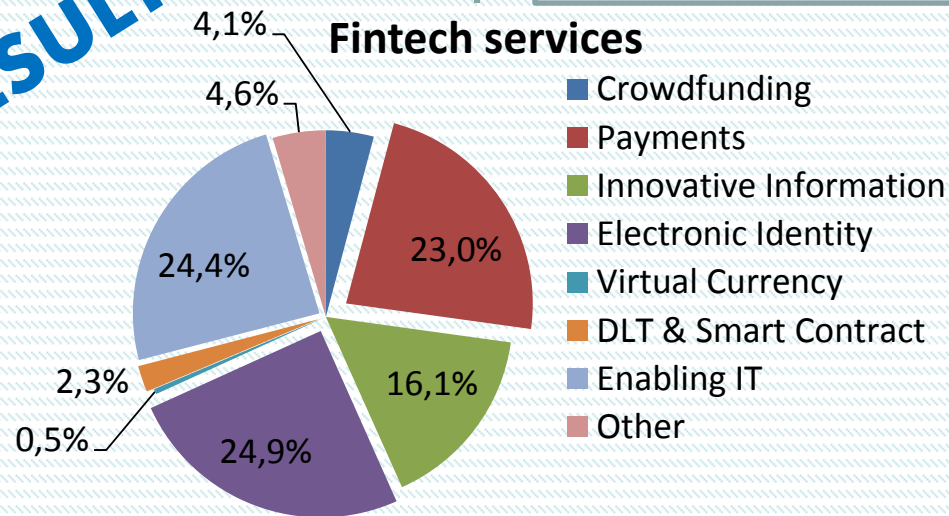
## Interest in Fintech



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

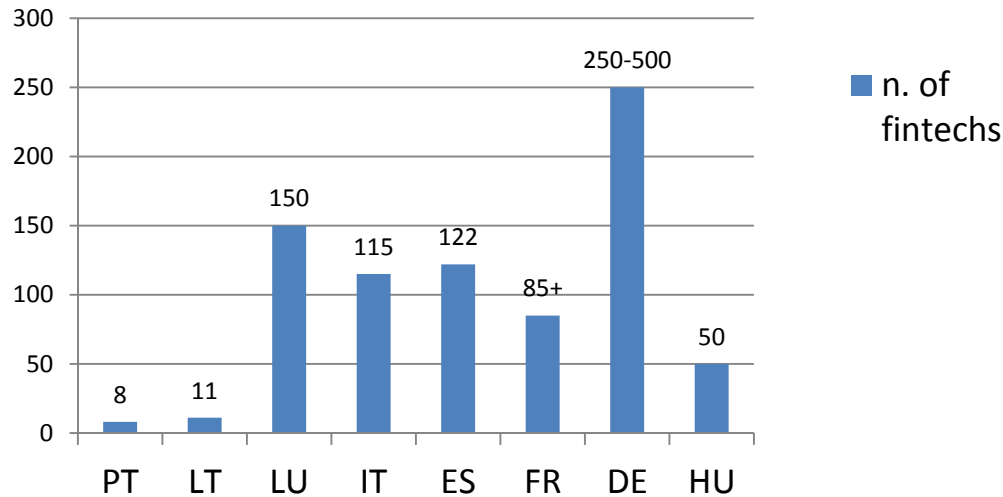
**ILLUSTRATIVE PRELIMINARY RESULTS**

## Fintech services



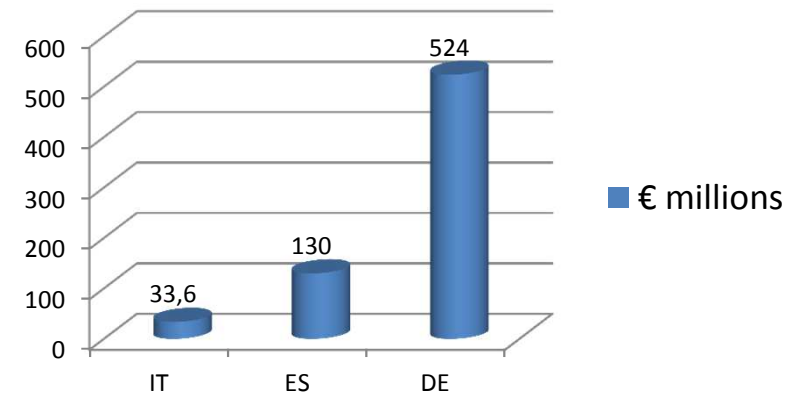
# HOW TO UNDERSTAND FINTECH?

## Fintech under SSM -2015



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

## Investments in Fintech -2015



**ILLUSTRATIVE  
PRELIMINARY RESULTS**

# WE ARE STILL INVESTIGATING THE FINTECH WORLD

