



ZBS¹ Združenje bank Slovenije

GOING DIGITAL AND REMAINING SAFE

Digitalization in Banking, Challenges and Opportunities

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Content

- Changes in the environment and impact on the cybersecurity
- Digital skills and cybersecurity
- Conclusion/ Digital transformation priorities

Changes in the environment and impact on the cybersecurity

- Significant regulatory changes
- Changes in the behaviour of customers
- Data abuse and data protection
- New alternative ways to access customers in relation with
- Digitalization in the area of financial services/products
- Business models that have to adopt to the digitalization area

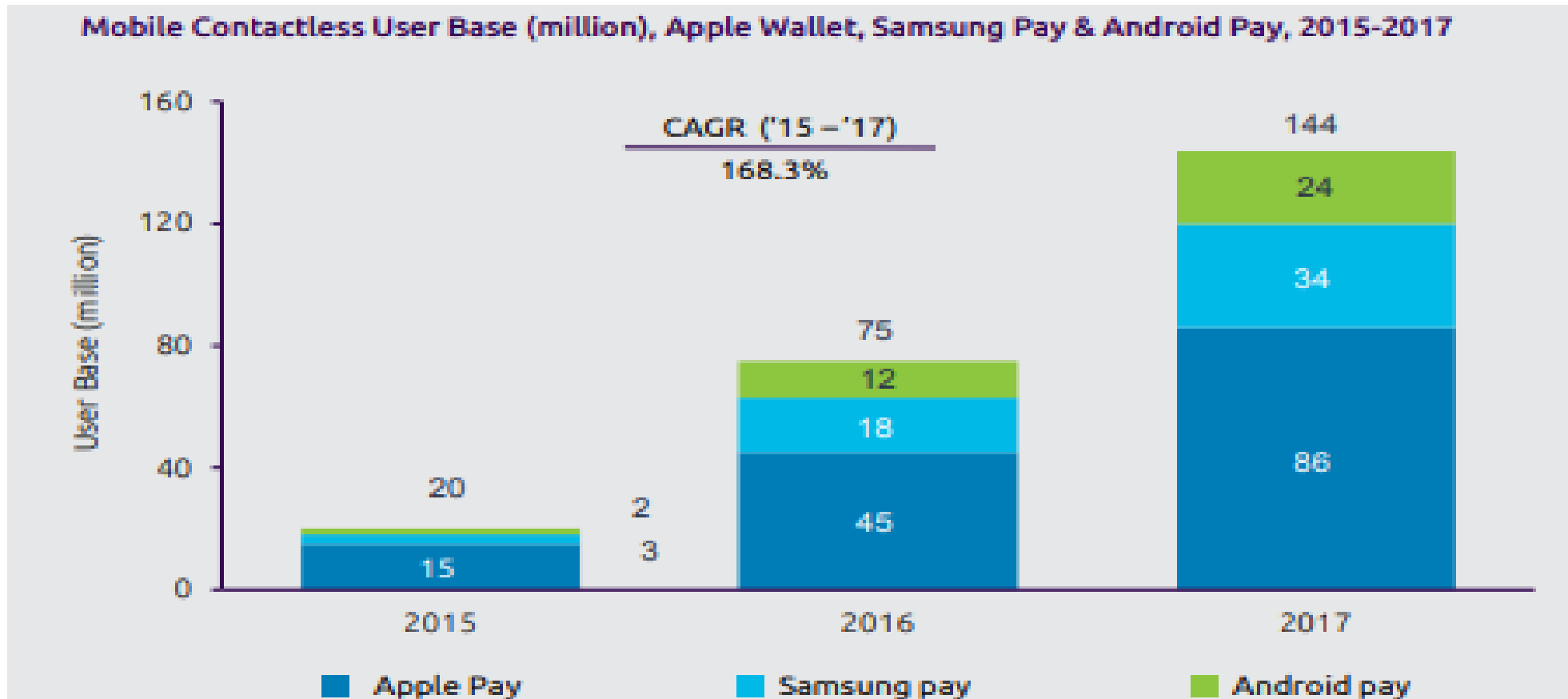
Significant regulatory changes

- Since the financial crisis there have been significant changes:
 - Increased transparency and reporting demand
 - Demands on security and secure data management
 - Demands on consumer protection
 - Changes in the area of anti money laundering and terrorist financing

Changes in the behaviour of customers

- Are multilayer:
 - Influence of new technologies on the customers behaviour expectations related to the provision of financial services (including cost)
 - New technologies of transaction execution (mobile and other applications)
 - Tools for customers behaviour patterns data management
 - Capacity to generate understanding of how the changes in patterns of behaviour affect the changes in customers needs

Especially payments execution has experienced fast development in last years – customers using „online“ and „mobile“ payments

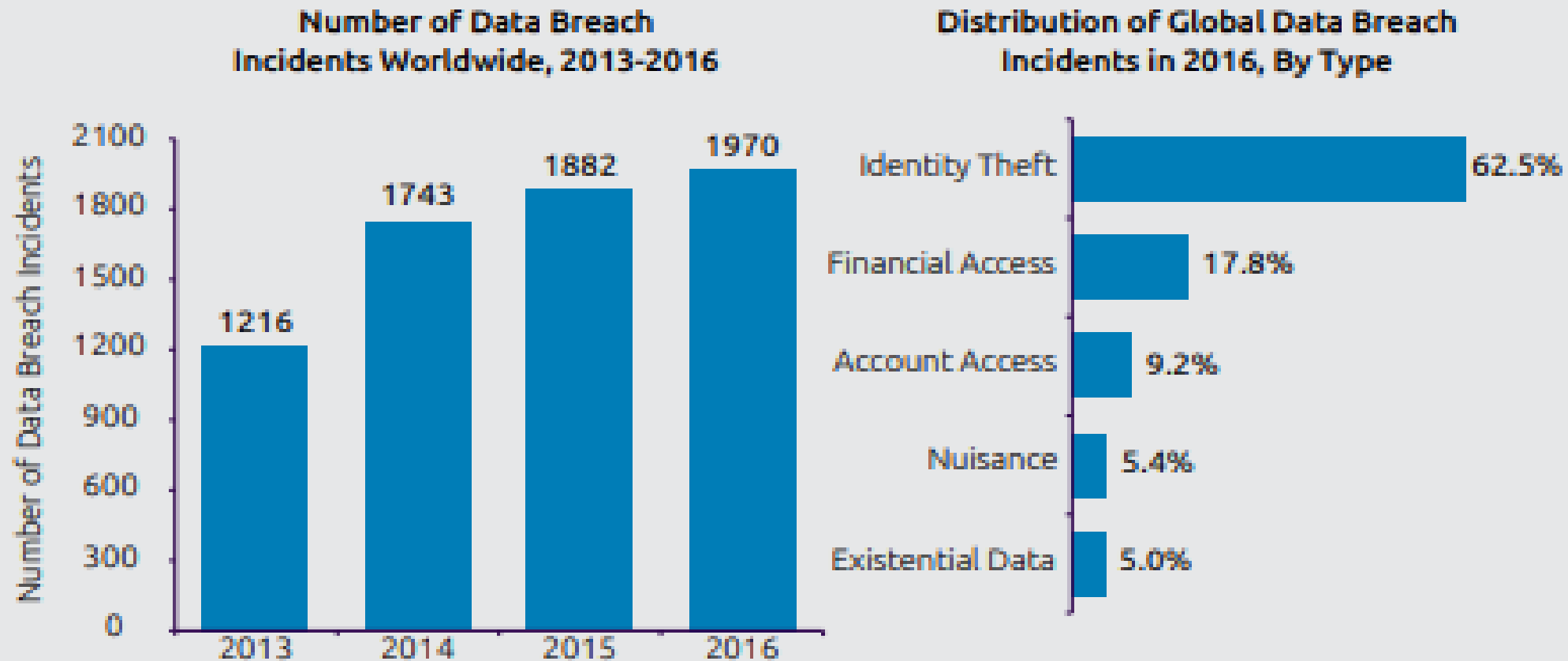


Source: Capgemini Financial Services Analysis, 2017; "More Than 150m People to Use Apple Pay, Samsung Pay and Android Pay by End of 2017" accessed October 2017 at <https://www.nfcworld.com/2017/04/11/351590/150m-people-use-apple-pay-samsung-pay-android-pay-end-2017>

Data abuse and data protection

- One of most dynamic risks
- Fast development of technologies and ways for cyber attacks , especially customers data attacks, are becoming highly complex
- Customers data protection is urgent for maintaining the trust, which requires capacity for:
 - Timely identification of risk of fraud
 - Fast response to the risk of fraud
 - Providing forecast analysis and
 - Investment in to development
- Including also the risk of fulfilling increasing regulatory requirements

Data abuse and data protection



Source: Capgemini Financial Services Analysis, 2017; Breach level Index Report H1 2017 accessed October 2017 at <http://breachlevelindex.com/assets/Breach-Level-Index-Report-H1-2017-Gemalto.pdf>; Number of Breach Incidents by Type, accessed October 2017 at <http://www.breachlevelindex.com/>

Uncertainties

- Role of identity – impact of digitalization on the use of identify data in the financial sector
- Monetization of data – how to increase revenues from available data?
- Technology management – how to manage risk of fast technological development – how to assure understanding ?
- Systemic transparency – how increased demands impact existing business models?



Digital skills status in the EU and some cybersecurity facts

- 44% = 169 million Europeans do not have basic digital skills and 77 million out of those have no digital skills at all
- 37% = 93 million of the European labour force do not have basic digital skills
- 80% of European companies have experienced at least one cybersecurity incident
- There are approx. 4,000 ransomware attacks per day
- 95% of cyber incidents are enabled by some type of human error

Source: EBF

Activities to enhance the digital skills of customers

- Safeguard the integrity of banking networks and the trust of customers
- Engage in partnerships with other institutions (police, Europol...)
- Raise awareness on cybersecurity and digital skills of different groups of population:
 - Customers
 - Children
 - Elderly
 - Professionals- financial sector employees
- Contribute to the process of shaping European regulatory and supervisory environment harmonization process in the area of the fight against the cybercrime

Conclusion/Digital transformation priorities

- Digital transformation of business models is one of the priorities and needs to be based on
 - Regulation
 - Cybersecurity (joint/shared platforms for risk identification and cooperation)
 - Digital skills (constant education process)
 - Access / E-identification / e-signature /e-archiving („Electronic Commerce Act“, „Electronic Identity Management Act")
 - Data (data analytics and privacy) (automatization /centralization?)
 - Online platform and infrastructure
 - Shared/joint platforms to manage/decrease cost of development/investment (B2B, B2C, data base management, data aggregation ...)
 - Partnership instead of competition