**MFSA** MALTA
FINANCIAL
SERVICES
AUTHORITY

# Digital Transformation & FinTech Adoption within the Maltese Financial Services Sector

FinTech Supervision & Financial Stability

March 2023

FinTech Adoption Study | Aims

# Objectives

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Identify FinTech Service Providers

Assess existing and prospective Digital Transformation Strategies ('DTS') and business strategies, their objectives and capacity

Identify the adoption of enabling and innovative technologies, including their applications

Analyse implications from the adoption of DTS, including barriers, challenges, benefits and risks

This Study builds on a research paper undertaken by the Fintech Supervision on Demystifying FinTech during Q1 2022.

MFSA

FinTech Adoption Study | Questionnaire and Response Rate

# FAS Questionnaire

**Q1 2022**
Study on Demystifying FinTech

**Aug. 2022**
Submission Reminders | Circular Published

**Sep. 2022**
Deadline Extension

FAS Questionnaire Launch | Circular Published
**Jul. 2022**

Submission Deadline
**Aug. 2022**

Publication of FAS Results
**Mar. 2023**

**Target Population** | 390 Authorised Persons ('AP')

**Response Rate** | 95%

**Total Authorisations** | 472

# Implementation of Digital Transformation Strategies

| **Yes** <br> 46% | **Yes \| Accelerated due to COVID-19 Pandemic** <br> 6% | **No** <br> 48% |
| --- | --- | --- |

52%
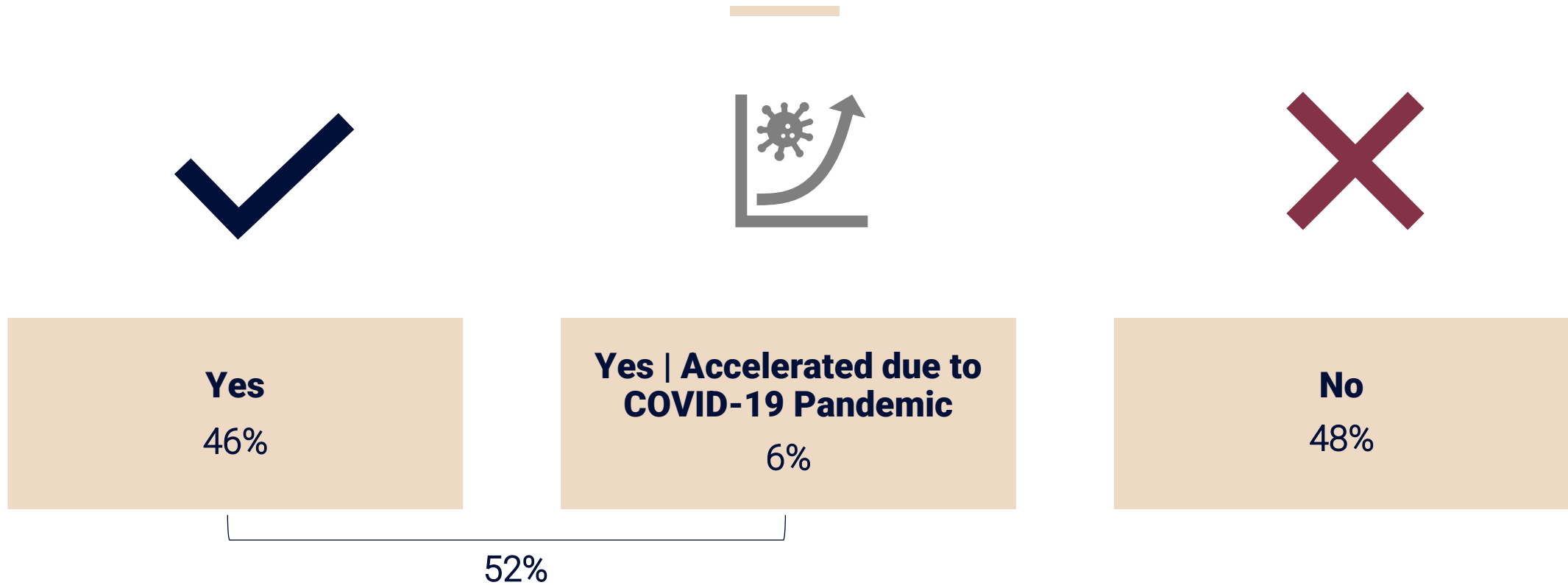
More than half of APs note that their DTS are **equally focused on the back, middle and front office.**

FinTech Adoption Study | Results Summary

# FinTech Service Provider Eligibility

| No Information | DOES NOT QUALIFY | QUALIFIED IN 2021 | EXPECTED TO QUALIFY IN 2022 | EXPECTED TO QUALIFY BEYOND 2022 |
|---|---|---|---|---|
| 47 APs | 13% | 260 APs | 71% | 46 APs | 13% | 4 APs | 1% | 8 APs | 2% |

It is important to point out that we adopted a very stringent definition of FinTech, with very specific characteristics and that this does not reflect that APs are not utilising some form of enabling technology.

FinTech Adoption Study | Results Summary

# Top 3 Objectives for DTS Implementation

**Enhanced Efficiencies**
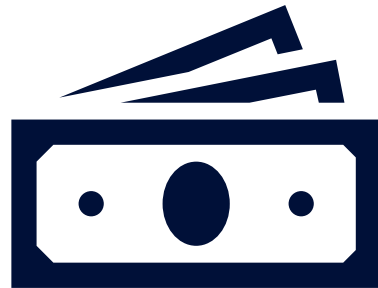
**Enhanced Customer Experience and Engagement**

**Reduction of Operational Risk**

FinTech Adoption Study | Results Summary
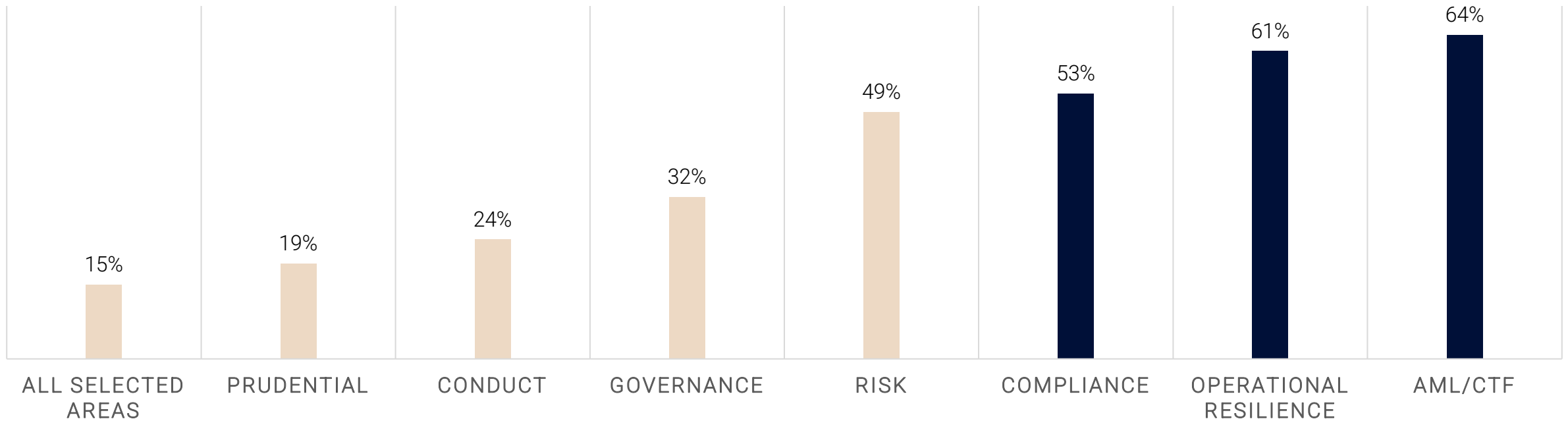
# Main Financing Sources and Outsourcing

Most Utilised Source of Financing

**Own Funding | 82%**

Most Utilised Cooperation Method

**Third-Party Providers | 70%**

FinTech Adoption Study | Results Summary

# Adoption of Enabling Technology as a Percentage of Target Population

| Technology | Percentage |
|---|---|
| CLOUD COMPUTING | 41% |
| API | 33% |
| WEB AND MOBILE APPLICATIONS | 32% |
| WFMS | 23% |
| PROVISION OF A DIGITAL PLATFORM | 21% |
| BIG DATA AND DATA ANALYTICS | 18% |
| DIGITAL IDENTITY, BIOMETRICS AND SENSORS | 13% |
| AI AND ML | 12% |
| RPA | 9% |
| GIS | 5% |
| DLT | 4% |
| AR AND VR | 1% |
| QUANTUM COMPUTING | 0% |
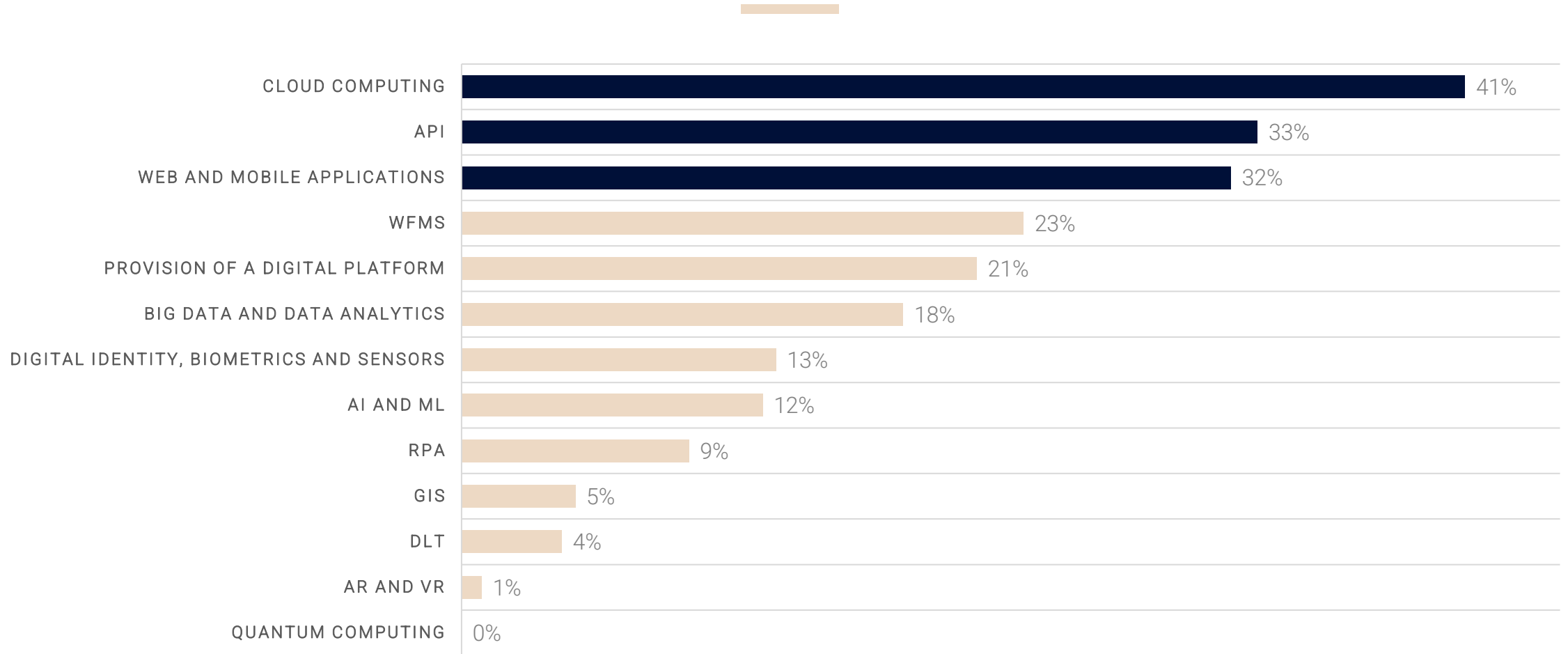
FinTech Adoption Study | Results Summary
**Sectoral Adoption of Enabling Technology**
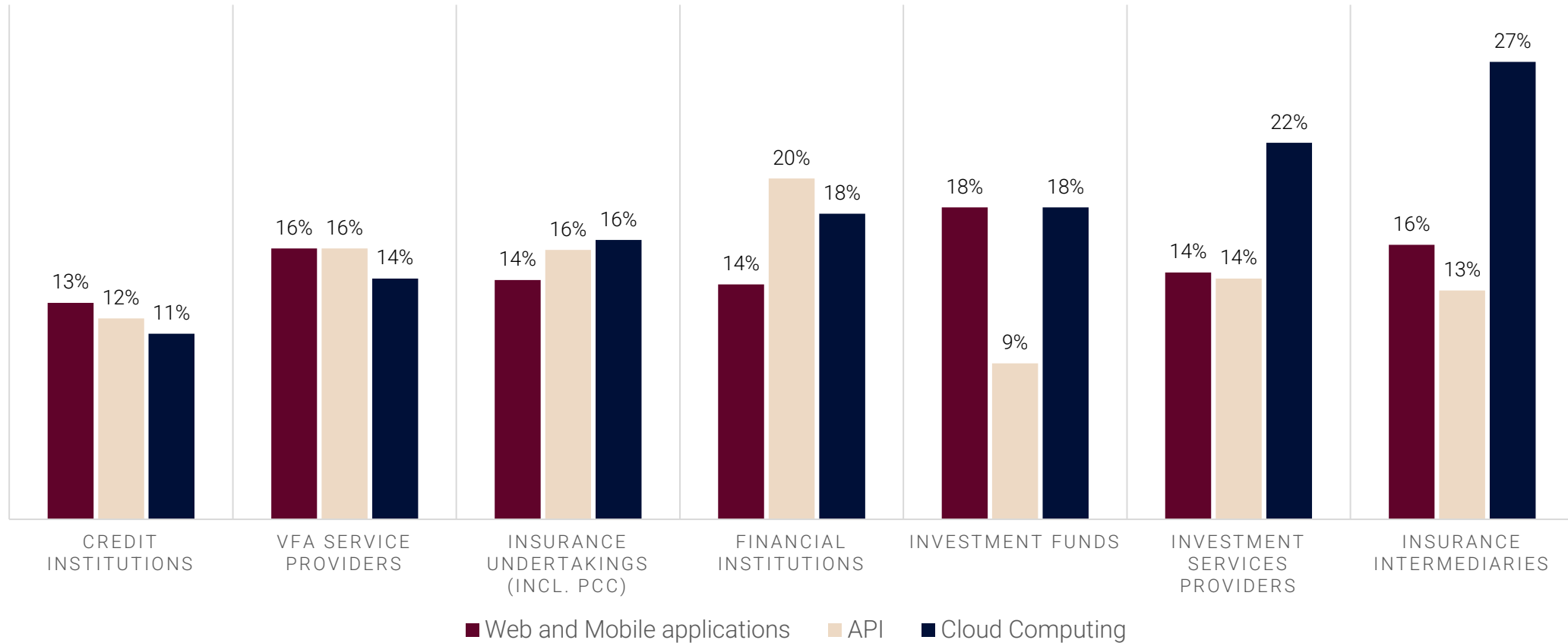
# Top 5 Applicability of Enabling Technology

| | Cloud Computing | API | Digital Identity, Biometrics and Sensors | AI and ML |
|---|---|---|---|---|
| FIRST | SaaS for Internal Purposes | Regulatory Compliance, Fraud and Risk Reduction | Digital Signatures | Chatbots |
| | PaaS for Internal Purposes | Payment Services | Face Biometrics | Cybercrime |
| | IaaS for Internal Purposes | Account Information Services | Fingerprint Biometrics | AML |
| | SaaS – B2B | Facilitating Access to Other Service Providers | Self-Sovereign Identity | Operational Efficiency |
| FIFTH | SaaS – B2C | Connecting Customers and Service Providers | Temperature Sensors | Fraud |

FinTech Adoption Study | Results Summary

# Top 5 Strengths Influencing the Adoption of Enabling Technologies

Access to European
Single Market

Availability and
Access to Adequate
IT Infrastructure

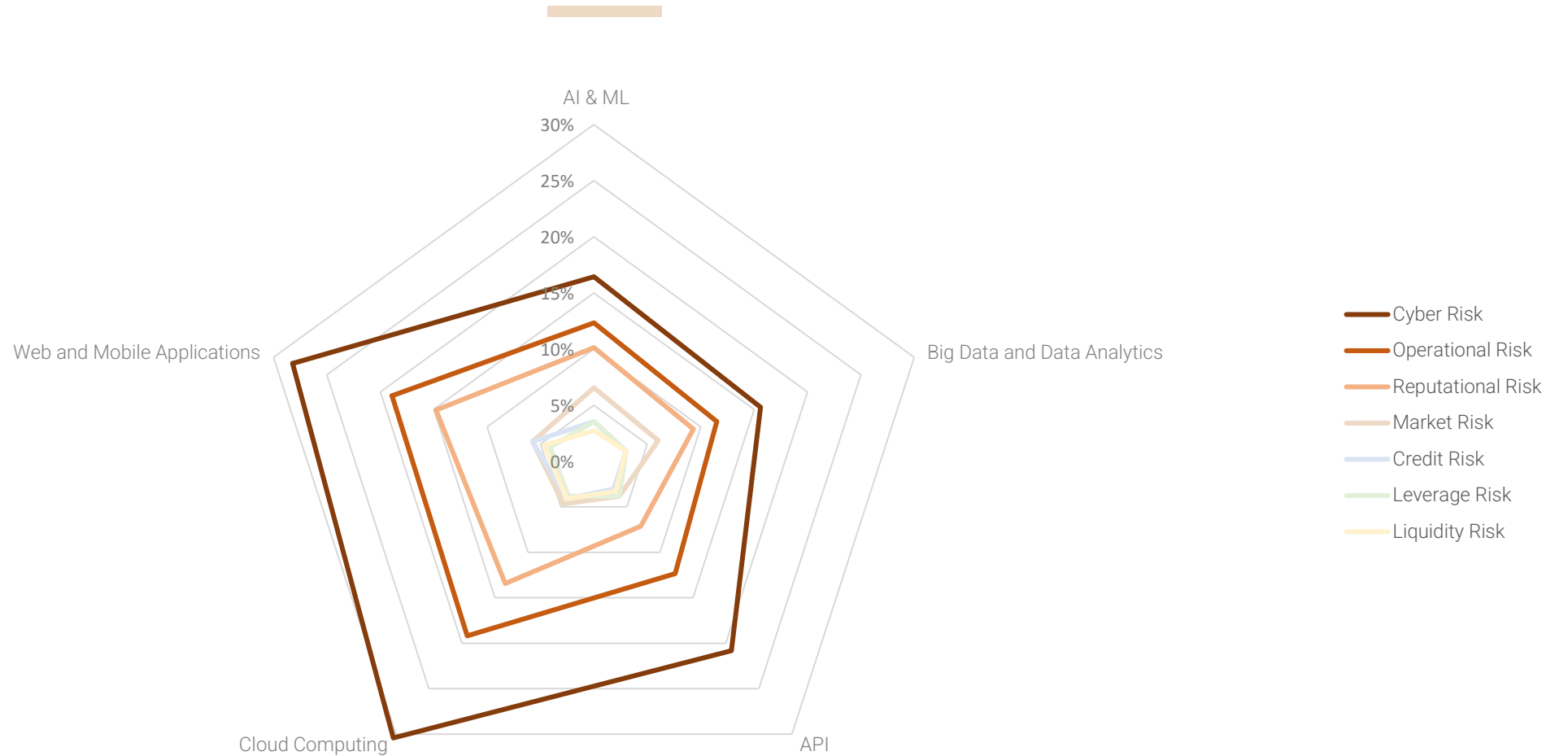Maltese Regulatory
Openness and
Accessibility

Availability and Access
to Supporting Services
(e.g. Accounting, Legal)

Operational Costs in
Malta

# Risks of Innovative and Enabling Technologies

# THANK YOU