

27 March 2023

Publication of the MFSA FinTech Adoption Study

The Malta Financial Services Authority ('MFSA') would like to inform the public that on 27 March 2023 [published](#) a study focusing on **Digital Transformation & Financial Technology** ('FinTech') **Adoption within the Maltese Financial Services Sector** ('FinTech Adoption Study' or 'Study').

In line with the Authority's mandate to monitor, understand, and assess the developments and implications of the use of innovative technology and digital transformation in financial services, especially within the Maltese Financial Services sector, the Study sheds light on the state of digital transformation and FinTech adoption within the Maltese financial services sector. Initiated on 12 July 2022, through the circulation of an online questionnaire, the Study covered 390 relevant Authorised Persons ('AP') representing the majority of the financial services sector.

The main objectives of Study were to understand whether APs falling within scope of the Study have a digital transformation strategy and, if so, in what capacities and which enabling technologies and innovation were being explored and/or utilised. Additionally, the Study also assessed how several factors are contributing towards these developments within the local context and the perceived risks arising from such enabling technologies and innovations. The findings of this study will provide the Authority with the necessary insight to carry out further initiatives and supervisory engagement in this area going forward. A few of the key observations are as follows:

1. State of Digital Transformation

Slightly more than half of surveyed APs took direct or indirect actions towards digitisation, digitalisation, or implementation of enabling technologies and innovations (hereinafter referred to 'Active APs') while more than half of APs with no Digital Transformation Strategies ('DTS') in place do not consider taking actions towards digital transformation and adoption of enabling and innovative technologies.

The main objectives identified by Active APs related to (i) efficiency purposes; (ii) enhanced customer experience and engagement; and (iii) reduction of operational risks. Meanwhile, in terms of capacities, the majority of Active APs dedicated less than 25% of their internal Full-Time Employment ('FTE'), Information Technology ('IT') budget, and DTS budget towards the adoption of their DTSs.

A significant number of Active APs make use of Regulatory Technology ('RegTech') solutions across their DTS, mostly in Anti-Money Laundering ('AML') and Counter Terrorism Financing ('CTF') while around 50 APs have identified themselves as falling within scope of the definition of FinTech Service Provider.

2. Adoption of Enabling Technologies and Innovations

The Study identified that the main enabling and innovative technologies adopted within the Maltese financial services landscape were cloud computing, Application Programming Interfaces ('APIs'), and web and mobile applications. Cloud computing was mostly prevalent across insurance intermediaries¹, APIs across Financial Institutions² ('FI'), and web and mobile applications across investment funds³.

It is noted that the FAS provides a more in-depth analysis, including, the types of applications, stage of adoption stage, deployment time and ownership of the technological solutions for each of the enabling technologies.

3. Factors within the Maltese Context

The FAS also identified how certain factors influence and impact the state of digital transformation and adoption of FinTech within the Maltese context. Access to the European Single Market, availability and access to adequate IT Infrastructure and the Maltese regulatory openness and accessibility were identified by APs as the top three factors positively influencing this space.

¹ As authorised under the Insurance Distribution Act (Chapter 487 of the Laws of Malta).

² As authorised under the FI Act (Chapter 376 of the Laws of Malta).

³ As authorised under the Investment Services Act (Chapter 370 of the Laws of Malta).

4. Perceived Impact and Risks

APs noted that the net impact following the adoption of enabling and innovative technologies was overall positive, with payment services, payment infrastructures, and commercial banking as the main areas influenced following digital transformation. In this regard, the adoption of cloud computing, big data and data analytics, and APIs had the highest positive effects on the overall financial services landscape.

From a financial stability perspective and according to the opinion of APs, cyber risk was perceived as the highest level of risk, mostly prevalent in cloud computing, web and mobile applications, and APIs. Nevertheless, APs believe that the increase in such risk was low, indicating no immediate threats to financial stability.

The [study](#) and a [presentation](#) outlining the main findings are available on the MFSA website. Additionally, interested parties wishing to discuss these outcomes and any other potential Digital Finance and/or FinTech initiatives should contact the Authority at Fintech@mfsa.mt. For further information of the MFSA's initiatives on FinTech and Innovation, interested parties should refer to the MFSA dedicated pages on [Digital Finance: FinTech and Innovation](#).