Analysis

Better preparations required for disruptions in basic banking services

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The risk of basic services in the Finnish financial market being disrupted during emergencies or other serious disruptions has grown as internationalisation has increased. At national level, Finland should prepare for a situation where the supply of foreign financial market services comes to a halt or significantly deteriorates.



National preparations need improvement

National preparations for disruptions in the supply of foreign financial market services should be significantly developed. The world has changed due to a variety of military, political and financial crises as well cyber attacks. The financial market infrastructure – systems and processes enabling movement of money or securities from payer to payee – has mainly passed into foreign hands, which has made Finland dependent on the supply of foreign services.

Although internationalisation as such is justified based on the spirit of the European Single Market and the cost savings achieved, it has made Finland more vulnerable. If, for some reason, foreign infrastructure services are not accessible, basic economic services, such as payment of invoices and salaries and securities trading, will be seriously disrupted or totally disabled.

Basic services must be secured during disruptions

Preparations involve contingency plans to e.g. prevent problems impairing public access to basic services or to limit such impairment. During serious disruptions and emergencies it must be possible to maintain the basic economic functions required to ensure people's livelihood, the overall functioning and safety of society and the material preconditions for military defence.The reasons for crises or disruptions are not essential; what matters is the impact on basic economic activities.

The objectives of contingency preparations are specified in the Government Decision on Objectives of Security of Supply. Acquisition of financial market services from abroad is possible, but national standby facilities are required in case foreign services become inaccessible. The Government Decision states that certain basic financial market services[1] must also be ensured in situations where critical systems for these services are not available either inside or outside Finland. In addition, the card payment infrastructure and the functioning of card certification in Finland must be secured.

Private sector role critical

Traditionally there has been a functional cooperation in contingency preparations between the private sector and the authorities, but internationalisation has increased disagreements about the need for national financial market preparations. This cooperation in preparations is conducted by the National Emergency Supply Agency, which includes both authorities and representatives from the private sector. It is essential that the private sector participate in preparations, because the

sector provides a significant part of the critical infrastructure and services.

National measures form the basis of contingency preparations. At present, the Finnish financial market is highly dependent on the supply of foreign services, which means that even our basic services are vulnerable to disruptions in foreign supply. The probability of long-term disruptions in significant foreign services may be small, but, if they occur, the impact of such disruptions on the daily functioning of the Finnish economy will be considerable.

Notes

1. Interbank payments, clearing, settlement and custody of securities, and payment of pensions and other regular transactions. ↑

Keywords

contingency planning, financial markets, infrastructure, maintenance support performance