Analysis

Role of cooperation highlighted amid escalating global tensions

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AUTHOR



Atte Valtanen
Senior Economist

Finland has a long-standing tradition of building preparedness across the sectors of society, with the public authorities, the business community and the third sector being actively involved in this work. The benefits of adopting a comprehensive approach to preparedness are obvious. The resilience of the financial sector has benefited from a strong level of preparedness as regards, for example, information networks and the energy sector. Correspondingly, the financial sector's preparedness supports the resilience of society as a whole by safeguarding, among other things, payment services even in the event of severe disruptions. These interdependencies highlight the importance of cooperation not only nationally but also within international cooperation networks. Sharing proven preparedness solutions for use in the preparedness work undertaken in the Nordic and other European countries also allows us to take advantage of solutions developed elsewhere. Against the background of escalating global tensions, we must also continue to prepare for a range of scenarios. In this work, Finland needs Europe and Europe needs Finland.



Resilience of payment and settlement systems

In recent years, Finland and neighbouring regions have witnessed an increase in incidents of varying severity directed at critical infrastructure. Banks are the target of repeated cyber-attacks, some of them very intense. In autumn 2024, one Finnish bank was exposed to a particularly severe cyber-attack, which lasted for more than one month and consisted of many individual attacks. According to information that was also shared publicly, the techniques and methods employed in the attack were highly advanced. In addition, significant resources were used in the attack, suggesting that the perpetrator had access to the resources of a government actor. This campaign was a good reminder of the need to invest in means of avoiding possible more extensive impacts of such attacks also in the field of payment and settlements systems.

There are a large number of undersea telecommunication cables connecting countries around the Baltic Sea. These cables transmit important flows of data to the financial sector, among others. During the past year, these undersea cables have been exposed to an increased number of incidents. Notwithstanding the perpetrators' success in their attempts to sabotage cables, the telecommunications companies have been able to successfully reroute the connections around the broken cables. Any direct consequences for the financial sector have been avoided.

Ever since 2022, when Russia started its brutal war of aggression against Ukraine, determined action has been taken to enhance the financial sector's preparedness both for severe disruptions in normal times and for emergencies. In addition to improvements in regulations and systems[1], there has also been greater general awareness of and preparedness for more serious threats, cyber-attacks and hybrid operations. The financial sector is largely dependent on the services

provided by the rest of the business community, such as uninterrupted supply of electricity and access to IT infrastructure. The financial sector also benefits from society's overall preparedness and can build its own resilience on the preparedness of other critical services. We have done well so far. In a world in a state of perpetual change, however, preparedness work is never complete.

The objective of Finland's Security Strategy for Society is to secure, under all circumstances, the continuity of financial market services vital to society[2]. In the context of financial market services, our ability to ensure the reliable functioning of payment systems is at the core of preparedness. The entire value chain of payments is based on very high availability of digital services and networks. As is characteristic of the financial sector, these services are produced by complex, often cross-border software systems requiring around-the-clock connectivity. For this reason, the Finnish payment infrastructure for telecommunications, services and money transfers is also deeply integrated with global and European networks. Measures ensuring the resilience of this infrastructure and banks' international connections against a range of scenarios must take high priority in the improvement of the sector's preparedness. This is an extensive and complex field. However, awareness of the importance of preparedness is also growing in the other Nordic countries and the euro area, which paves the way for cooperation.

Next steps in enhancing preparedness

The Bank of Finland has identified three key areas of preparedness in the field of payments. Firstly, the instruments for day-to-day payments are highly concentrated in Finland and we need a wider range of alternatives. Secondly, the preparedness measures must also take account of the current instruments for everyday payments to ensure their proper functioning during serious disruptions in normal times or in crises. Thirdly, preparedness is a concern for everyone, and each and every Finnish household and business should ensure that they have sufficient operational capacity in place to respond to severe disruptions.

Day-to-day payments are highly concentrated in Finland. According to the findings of the Bank of Finland's Consumer Survey, around 90% of Finns report that they primarily use payment cards for making retail payments. This trend has prevailed for a long time, with cash being the only alternative to payment by card. Sound preparedness is multi-layered and consists of mutually independent capabilities. As regards payments for day-to-day shopping, the preparedness situation remains weak. We need a wider range of alternatives for making day-to-day payments.

With the support of the Payments Council, the Bank of Finland has long been resolutely advocating for a new form of payment based on instant account-to-account credit transfers. If adopted, it will also increase competition and improve payment resilience[3]. However, the new

payment system will not be an exclusively national solution but will be based on the existing single payment infrastructure provided for by the Single European Payments Area (SEPA), of which all Finnish banks have been owners and members since its introduction more than 15 years ago. The project does not aim to replace the current forms of payment, but to offer new options complementing them. Hence, in the event of a crisis, disruptions to one payment method would not cause failure of all payments. The reliable performance of account-to-account payment methods and measures to boost it are a prerequisite for the smooth functioning of the whole society. The enhancement of operational reliability can also promote business opportunities.

The resilience of existing forms of payment should also be improved. Today, payment by card requires continuous online connectivity between a merchant and a bank. This is referred to as host-to-host connectivity for making card payments. The Bank of Finland has initiated a study exploring how to prolong the functioning of payment cards in a situation where the current necessary connections are unavailable or subject to severe disruptions. This is referred to as offline card functionality. The Bank of Finland has taken the initiative in launching a study on ways of reducing such interdependencies during disruptions. This initiative is designed to ensure that at least critical purchases can be made during disruptions. It is consistent with developments in our neighbouring countries and aptly demonstrates the support of international cooperation to national preparedness efforts. Cooperation with the actors in the retail chain is also vital in all issues of payment preparedness. Mutual interest in securing payments for daily purchases has also been a guarantee of good cooperation across the sectors in the past.

Notwithstanding the extremely high digital maturity and extensive utilisation rate of banking services in Finland, a significant proportion of consumers are still using cash to pay for their daily purchases. According to surveys conducted by the European Central Bank (ECB), the use of cash in Finland has recovered from the Covid-19 induced decline[4]. The survey found that around one in four point-of-sale (POS) payments are carried out in cash. In fact, keeping an appropriate small amount of cash at home for emergency purposes is one of the Bank of Finland's recommendations for a 'home emergency kit' for payments. Cash currently constitutes the sole fully autonomous option for paying at retail checkouts in the event of disruptions to digital payment systems. Cash distribution responsibilities, together with availability and acceptability issues, are key to assessing payment options in society. It goes without saying, however, that cash alone is not an adequate measure of preparedness for disruptions; measures must be taken to enhance the preparedness of digital forms of payment as discussed above.

Preparedness is a concern for everyone

Financial market authorities and the financial sector have a broad responsibility for the smooth

functioning of basic banking services and notably payment services under all circumstances. Work is being done both to strengthen the resilience of current services and to design alternative forms of payment. You can only prepare in advance. When the worst happens, there must be contingencies in place.

Households and businesses have a duty to ensure that they are able to make payments and live up to their financial obligations also in the event of disruptions. Having an emergency kit for payments at home[5] still constitutes a valid approach for individuals and households to plan ahead for emergencies. Businesses also have an obligation to prepare for the continuity of their operations in the face of disruptions to payment or banking services. Although the term 'home emergency kit' is no longer spoken of much, the same fundamental issues remain. Any disruptions to payment systems often feed through, with a time lag, into the cash management systems and invoice payment processes of businesses, not to mention their capacity to pay wages. Each company must individually assess the potential consequences for subcontracting chains, the earnings flow to their employees and their own generated cash flow financing.

Preparedness challenges and global economic developments

The global geopolitical situation has been deteriorating for a long time. There seems to be an accelerating race under way around the world to determine what the future world order should look like. The US-led Western order and US dollar-based economic system, as we know them today, are being increasingly challenged. One example of this is the cooperation of the extended BRICS community (BRICS+). Various alternatives have been put forward in public as to how these countries define the different frameworks for mutual interaction, at the same time as they are pushing for de-dollarisation in world trade. This is at least partly attributable to the sanctions imposed on the banks of countries identified as enemies of the Western world, and implemented, for example, via the international messaging network SWIFT. BRICS+ forms a heterogeneous group of countries, and plans for new payment systems are still in the design phase. However, considering that the cumulative gross domestic product (GDP) of these countries accounts for roughly one-third of global GDP and that the population of the coalition makes up around half of the world's population, the de-dollarisation pursuits of BRICS+ should be taken seriously. The potential for large changes to the global order is apparent. From the European perspective, the evolution of international payment networks into blocks would reduce the predictability of the economy and increase uncertainty in the long term.

The security situation in Europe has deteriorated further, and this trend has accelerated, particularly in 2025. The war in Ukraine is now in its fourth year, and while a ceasefire is beginning to look more likely, it should not be taken for granted that this would bring a long-term solution to

the European security situation. This also serves to sustain uncertainty and highlight the importance of ongoing preparedness efforts. The key role of payment systems in society makes them an attractive target for cyber and hybrid interference.

Finland cannot prepare for all threats alone, but we need extensive cooperation with our allies. As regards payment preparedness, any good solutions need to take into account both existing forms of payment and new, even bold initiatives. In the pursuit of these, we need a fruitful exchange of views, the ability to take the necessary progressive decisions, and sufficient international cooperation.

Notes

1. See The Act on Certain Backup and Emergency Arrangements in the Financial Sector (666/2022, in Finnish). ↑
2. Security Strategy for SocietyGovernment Resolution. ↑
3. For more details on instant payments: What should be done to improve the autonomy of retail payments in Europe? – Bank of Finland Bulletin 2/2025. ↑
4. Space 2024 study. ↑
5. 'Home emergency kit' for payments of the Bank of Finland. ↑

Keywords

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