

Copenhagen
Fintech



Future of Nordic Financial Services



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Executive Summary

Global finance faces unprecedented disruption as political upheaval, generative AI, and technology giants converge to reshape markets at an accelerating pace. The convergence of seismic political realignments, the explosive rise of artificial intelligence, and the expanding influence of technology platforms is transforming the financial services landscape faster than ever witnessed before.

For financial institutions in Europe, this moment presents a critical strategic challenge. The coming years will be decisive in shaping whether the sector emerges as a continental financial powerhouse or retreats to the sidelines of global finance. Three powerful forces are converging to create both extraordinary opportunity and existential risk:

First, Europe's shift towards unified, principles-based regulation affords certain institutions a temporary first-mover advantage through their leadership in digital finance and regulatory collaboration. However, this advantage is not guaranteed; other regions are rapidly studying and adapting these innovative practices, leading to a more harmonized and competitive environment.

Second, platform economics driven by BigTech and FinTech players are fundamentally challenging traditional banking models. Advances in AI, cloud computing, and digital ecosystems now enable unprecedented personalization,

shifting competitive dynamics and raising the stakes for those slow to adapt.

Third, a fragmenting geopolitical landscape means institutions must navigate increasingly complex, multi-jurisdictional environments. The future will be determined by whether European market unity prevails over fragmentation, which will shape competitiveness on the global stage relative to American and Chinese financial giants.

A clear example of regulatory innovation can be seen in how redesigned investment account structures have significantly increased retail investor flows and participation. Recent research shows that simplified and transparent account frameworks not only strengthen capital markets and support innovation but also secure longer-term financial outcomes for individuals. Policymakers and institutions across Europe are actively referencing these success stories and considering how to adapt their own investment and pension frameworks, reflecting the rapid diffusion of best practices throughout the region^{1 2}.

Using PA's [FutureWorlds™](#) framework, we address these challenges by helping leaders in financial services organisations think strategically about future scenarios and their potential outcomes. We identify and analyse the key driving forces impacting the Nordic Financial Services industry and explore what these forces could mean for the sector's evolution. Through rigorous scenario planning, we examine four plausible futures for Nordic Financial Services by 2035, analysing varying levels of European integration and technological disruption. Rather than predicting a single outcome, these scenarios enable leaders to understand the range of possibilities and prepare strategic responses that will position their organisations for success across multiple potential futures. PA Consulting worked in close collaboration with Copenhagen Fintech (CPHFT),

¹ <https://www.bloomberg.com/news/articles/2025-08-17/the-eu-sees-sweden-as-a-model-as-it-looks-to-encourage-investors>

² <https://www.dai.de/en/detail/study-on-swedens-success-model-strengthening-the-capital-market-for-financing-innovation-and-securing-pensions>

leveraging the unique expertise of senior PA partners and CPHFT leaders, each bringing important and distinctive perspectives to the project.

While this is a broad industry-level analysis, we recommend leaders to apply the same structured scenario-planning approach to their own domain and business lines. This will ensure strategies are grounded in the specific competitive dynamics, capabilities, and opportunities unique to each organisation.

The window for transformation is open, but it will not remain so indefinitely. Based on our macro-analysis of converging forces and future scenarios, we have identified four key scenarios and driving factors that are especially important for the future of the industry, serving as a basis for ongoing planning and debate.

We anticipate that Nordic financial services leaders will have to:

- Identify their own future worlds to test strategies, uncover overlooked vulnerabilities, and surface new growth opportunities relevant to their organisation's market and capabilities.
- Anticipate change and position ahead of competitors by proactively shaping industry trends through new products, partnerships, and policy / regulatory engagement. When organic growth stalls, they must pursue strategic acquisitions or alliances to expand scale and reach new customers.
- Embrace emerging technology and ecosystems to unlock new value streams. They must embed open finance, AI driven personalisation, and digital assets into their offerings to reach more customers with lower incremental cost.

Testing new models and piloting CBDCs, tokenisation, and DeFi use cases early will capture first mover advantage.

- Build resilience and efficiency into the core of operations by automating processes, renegotiating supplier contracts, and scaling shared services to reduce costs. They must turn compliance and security into differentiators, enabling faster market entry and lower cost to serve in any economic climate.
- Mobilise talent as the ultimate strategic asset by upskilling and empowering their workforce in key areas, digital, data, ESG, risk, compliance, and strategic thinking, to drive transformation. Fostering a culture of agility and innovation will ensure their people can execute new strategies at speed.

By taking coordinated action across these four critical layers, organisations will be positioned to lead rather than follow. Seize this moment to invest comprehensively, ensuring that your institution emerges stronger, more innovative, and more resilient than ever.

“The path forward requires choosing a strategic posture now before market forces choose for you.”
 — Martin Walker
 Financial Services Sector
 Lead, PA Consulting Sweden

“Collaboration and innovation are in the Nordics’ DNA making the region a blueprint for Europe’s future competitiveness.”
 — Thomas Krogh Jensen
 CEO
 Copenhagen Fintech

Introduction

The Nordic financial sector is entering a period of profound transformation one unlike anything seen before, due to the level of uncertainty about the future. Prepared in collaboration between the consulting firm PA Consulting Group and Copenhagen Fintech, this report examines the forces driving this change, explores how leaders can position their organisations for success, and presents four distinct scenarios for 2035 generated through PA's Future Worlds methodology. It also offers a structured approach for leaders to conduct their own analysis and build their own future worlds.

For leaders of banks and insurance companies, the next decade will be shaped not only by accelerating digital innovation and regulatory shifts, but also by the emergence of new competitors from both within and outside the traditional financial ecosystem. In a landscape marked by uncertainty, established players will face intense competition from agile FinTechs, tech giants, and other non-traditional entrants. At the same time, smarter and more integrated regulation across Europe invites the possibility of new growth, collaboration, and reshaping the region's competitive advantage on the global stage.

Will Nordic financial leaders seize opportunities created by digitalization, data-driven business models, and evolving customer expectations? Or will inertia and fragmented regulation allow others - inside and outside the region - to set the pace of innovation?

To make this uncertainty actionable, we have developed four scenarios for Nordic Financial Services in 2035. Each scenario reflects different outcomes along two fundamental strategic dimensions that will determine how effectively the region capitalises on transformation:

- **European Market Integration:** Does the EU succeed in creating a deeply unified financial and capital market through initiatives like the Savings and Investment Union and Digital Decade agenda, or does fragmentation persist across member states?
- **Industry Structure:** Is the financial system shaped primarily by platform-based innovation and FinTech disruptors enabled by smart policy and regulation, or do incumbent institutions and public actors retain control?

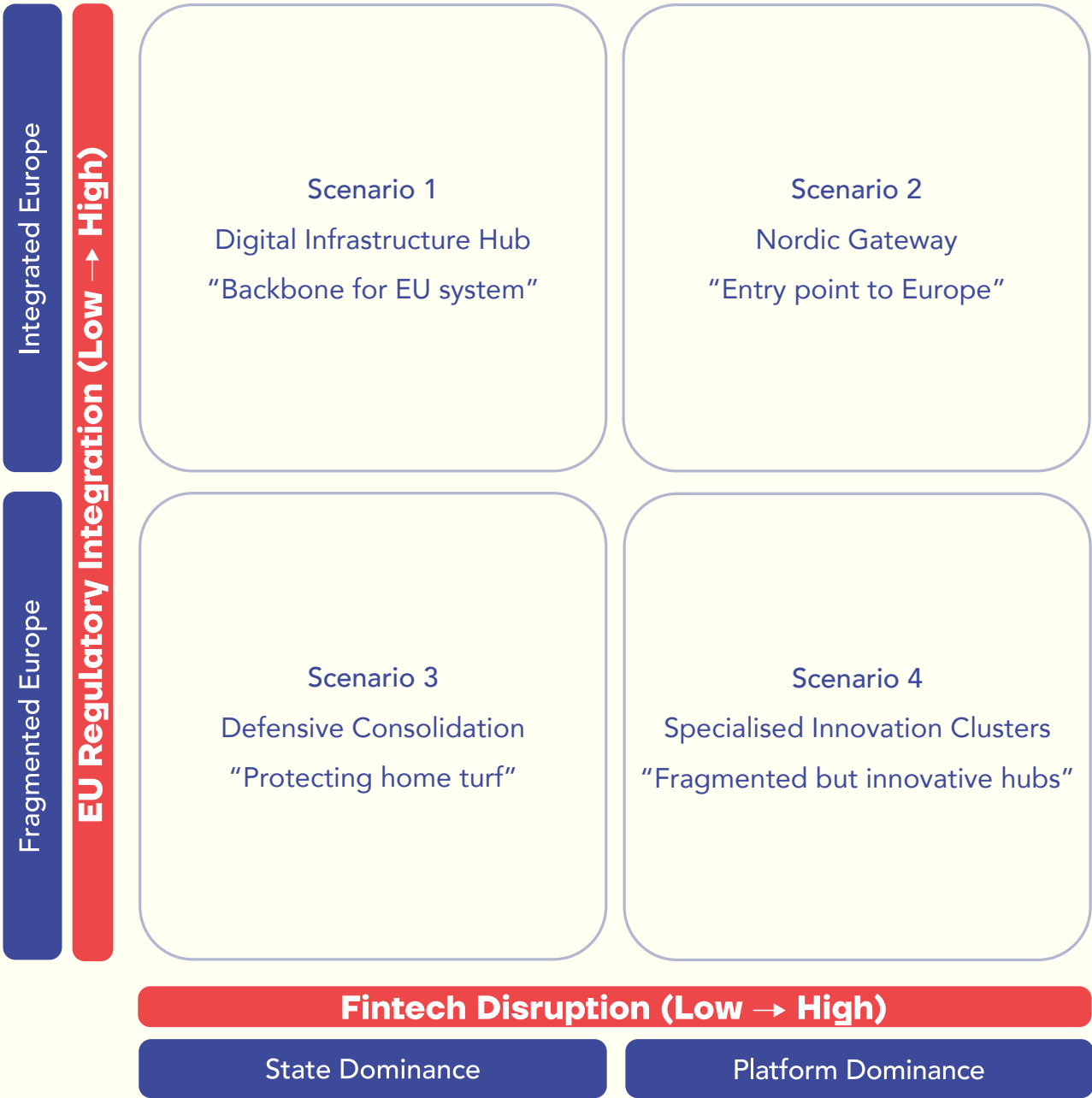


These dimensions create four distinct scenarios:

- Scenario 1: Digital Infrastructure Hub - EU integration achieves regulatory harmonisation, but traditional banks and public institutions remain dominant. The unified European market becomes a powerful yet closed ecosystem, with Nordic institutions providing the digital infrastructure for a more centralised, state influenced financial system.
- Scenario 2: Nordic Gateway - Regulatory harmonisation creates a unified European financial market, whilst platform based FinTech disrupts the industry. Nordic institutions leverage their digital first strength to become the main gateway for global financial services, as Nordic FinTech platforms expand seamlessly across Europe.
- Scenario 3: Defensive Consolidation - EU integration and FinTech disruption do not materialise as expected. Traditional banking structures and national regulations remain, with incumbent institutions retaining control. The Nordic advantage becomes mainly defensive, focused on protecting domestic market share rather than expanding internationally.
- Scenario 4: Specialised Innovation Clusters - EU integration stalls and member states adopt different regulations, but FinTech platforms still drive major industry change. The Nordic region becomes a cluster of innovative digital finance hubs, each specialising in different regulatory areas and use cases, linked by cross border platform networks.

By examining these four futures, this report equips leaders with the strategic

insights, a strategic planning framework and actionable guidance needed to navigate uncertainty and position their organisations for success across multiple potential outcomes. Rather than predicting a single future, we illuminate the choices available today and their implications for tomorrow’s competitive landscape.



Future Worlds™

Methodology

The scenarios are developed using FutureWorlds™, PA Consulting's structured methodology for navigating uncertainty and identifying strategic priorities. FutureWorlds™ combines advanced AI tools with deep consulting expertise to help organisations anticipate change, challenge assumptions, and build future-ready strategies. For this work, we have also incorporated the expertise and industry insights of Copenhagen Fintech Hub, further enriching our approach and ensuring relevance to the evolving fintech landscape.

1

DEFINE OBJECTIVES

We clarify what decisions need support and what future questions we are solving for

2

SCAN THE LANDSCAPE USING AI

We analyse signals across news, research, and trends to surface

3

ADD EXPERT JUDGEMENT

We combine AI results with domain expertise to ensure relevance and rigour



4

IDENTIFY KEY DRIVERS OF CHANGE

We group and prioritise the forces most likely to reshape your environment

5

CREATE FUTURE WORLDS

We build 4 distinct, plausible futures to explore uncertainty and challenge assumptions

6

HIGHLIGHT CRITICAL CAPABILITIES

We define what you'll need to succeed across scenarios - strategic and operational

The result of this immersive process is a clear vision of what could happen in the future and where you want your organisation to be in that new world. And that makes it easier to set a course for success:

Drive a growth strategy

FutureWorlds stretches your thinking, letting you identify and understand the uncertainties you face so you can find opportunities for growth and set a strategy for seizing them.

Support concept generation

FutureWorlds offers a framework for thinking differently about your customers and markets, generating new insights that inspire product and service concepts.

Develop a technology roadmap

FutureWorlds provides a common language and understanding for diverse stakeholders to unite around, which makes it possible to clearly consider and communicate uncertainties in technical areas.

Inform portfolio analysis

FutureWorlds lets senior leaders explore possibilities and envisage what the future may hold for their organisation, shaping portfolios of work with informed decisions.

Inform portfolio analysis

FutureWorlds lets you identify potential opportunities, highlighting what new capabilities you'll need to capitalise on them.

Design a technology strategy

FutureWorlds structures your vision for your organisation around known uncertainties, letting you understand the technology enablers that will get you to your desired state.

The purpose of this report is not to predict the future but to help you prepare for multiple plausible ones, helping you to act with confidence.

DRIVING FORCES

Regulatory

Geopolitical

Technological

REGULATION

What's currently happening in European Financial Regulation?

Open Finance is Expanding Across Europe

The EU is rolling out the Financial Data Access (FiDA) regulation as part of its broader Digital Finance Strategy, and it's set to transform how the industry thinks about financial data sharing. Launched in 2023 with full implementation expected by 2027, FiDA is taking the "open banking" a concept from PSD2 and expanding it across the entire financial ecosystem, banking, investments, insurance, pensions, you name it.

FiDA is designed to create an open finance framework, allowing secure and efficient sharing of financial data across a wide range of services and institutions, not just banks, but also insurance companies, investment firms, pension providers, and more. This harmonized data-sharing environment is intended to:

- Empower consumers and businesses to control their financial data and grant access to service providers of their choice, regardless of the provider's location within the EU.
- Promote competition and innovation by making it easier for new and existing providers to offer tailored financial products and services across borders, thus expanding consumer choice.
- Facilitate a genuine single market for financial data, where consumers

can access and use services from anywhere in the EU, supporting the vision of a single European data space.

What's driving this? Three main goals: unleashing new FinTech business models, giving consumers real control over their financial data, and levelling the playing field for innovative companies trying to break into the market. Nordic countries are particularly well-positioned here because they've been leading the charge on open banking with progressive regulators and strong API adoption rates³. The Nordics have produced a number of FinTechs operating in this space who are expanding data access across the EU, including Tink, Trustly and Enable Banking.

In summary, FiDA's framework is explicitly intended to make it easier for consumers to access and select financial services from across the entire EU, enhancing both competition and consumer choice.

The Capital Markets Union is Getting a Major Push

Europe is actively working to create a truly unified capital market through the Capital Markets Union initiative, recently rebranded as the Savings and Investment Union (SIU). Right now, European capital markets are fragmented with different securities laws, insolvency rules, and market practices across countries. The SIU is working to harmonise all of this into one deep, integrated market that can efficiently move investment capital across the entire bloc.

3 <https://www.mastercard.com/news/europe/en/newsroom/press-releases/en/2021/june/uk-and-nordics-lead-open-banking-in-europe/#:~:text=%2A%20,progressive%20regulators%2C%20and%20consumer%20readiness>

This is particularly exciting for Nordic countries. As smaller economies, they're gaining access to much larger pools of pan-European capital, and they're actually showing the rest of Europe how it's done. Take Sweden: they've managed 660 IPOs in the last decade (mostly SMEs) and created an investment culture where over a third of the population has investment accounts⁴. Their tax-incentivised stock savings accounts have activated retail investors and entrepreneurship in exactly the way the SIU wants to achieve across Europe.

Recent EU summit discussions are reinforcing this commitment, though there's still debate about how to structure oversight; some want centralised supervision while others, like Luxembourg, prefer a network of national centres of excellence. But the direction is clear: capital needs to flow freely across European borders to drive growth and innovation⁵.

Nordic Pension Systems are Leading the Way

Something remarkable is happening with European pension assets: about 62% of all EU pension assets are now concentrated in just three countries, Sweden, Denmark, and the Netherlands⁶. This didn't happen by accident; it's the result of decades of pension system reforms that created massive pools of long-term capital for markets.

EU policymakers are taking notes. They see these Nordic models as templates for what needs to happen across Europe to make the SIU successful. At the same time, they're tackling the practical barriers that still make cross-border finance expensive and complicated, things like fragmented post-trade processes and inconsistent national rules that sometimes push companies to seek funding outside the EU entirely.

⁴ <https://www.dai.de/en/detail/study-on-swedens-success-model-strengthening-the-capital-market-for-financing-innovation-and-securing-pensions>

⁵ <https://today.rtl.lu/news/world/a/2287086.html#:~:text=For%20nearly%2010%20years%2C%20the%20unease%20in%20Luxembourg%20fund%20industry>

⁶ <https://www.ie.vanguard/content/dam/intl/europe/documents/en/the-future-of-pensions-and-retail-investments.pdf#:~:text=nearly%20two,The%20Netherlands%2C%20Denmark%2C%20and>

The solution in development includes a single European securities rulebook and integrated settlement infrastructure to connect the financial "plumbing" across borders.

The Draghi Report is Shaping the Future

A major development in 2024 was the Draghi report on European competitiveness, commissioned by the European Commission. This isn't just another policy document; it's laying out a strategic vision for how Europe can stay competitive through ambitious industrial policy that combines sustainable growth objectives with deep financial market integration and digital innovation.

What's particularly interesting is how the report validates what Nordic countries are already doing well: effective pension fund mobilisation, financial innovation, and cross-border capital markets expertise. But it's also calling for these strengths to be scaled up across all of Europe. The report emphasises the need for more coherent, investment-friendly regulatory frameworks that support both financial competitiveness and long-term economic resilience. The key insight? Digitalisation, financial integration, and economic resilience need to be pursued together, not as separate initiatives competing for resources and attention.

Digital Transformation and Regulatory Innovation is Accelerating

European regulators are actively steering the financial sector toward comprehensive digital transformation. The EU's Digital Decade vision for 2030 is setting concrete targets for digital innovation, from cloud adoption to AI use, that banks and FinTechs are expected to meet. This is being supported by major policy frameworks like the Digital Markets Act and the Digital Opera-

tional Resilience Act (DORA).

At the same time, new regulatory frameworks are introducing enhanced disclosure requirements and operational standards that are reshaping how the entire industry operates. Nordic regulators and institutions are generally ahead of the curve here, and what's interesting is that compliance is becoming a driver of innovation rather than just a cost centre. Banks are developing new digital financial products and investing in RegTech solutions to meet evolving regulatory requirements.

Smart Regulation is the New Normal

Smart regulations seem to be emerging in Europe, being a shift from simple deregulation to strategic regulatory frameworks that promote innovation, market integration, and competitive strength. Key initiatives like FiDA, MiCA, and SIU exemplify this approach, while mechanism such as the 28th EU regime create optional, harmonised frameworks that complement national laws and facilitate cross-border scaling and operations within a single market.

This regulatory evolution presents Nordic financial institutions with a complex regulatory landscape of expanded opportunities and heightened obligations. The potential benefits include streamlined access to the European markets and clearer guidance on emerging technologies. However, these advantages come with increased supervisory scrutiny and more sophisticated compliance demands that extend well beyond traditional requirements

For the European market, the implications are clear: future market success increasingly depends on adopting to European regulatory frameworks that treat innovation and operational excellence as fundamental business neces-

sities (and societal necessities) rather than individual competitive differentiators. Nordic financial sectors have shown notable adoptability in maintaining innovation within restrictive regulatory environments, though this success often reflects institutional resilience rather than optimal regulatory conditions. As European smart regulation develops, Nordic FinTech experiences in exploiting and navigating compliance challenges while preserving competitive edge could provide practical insights for broader the European financial sector, assuming continued regulatory improvements that better balance oversight with innovation enablement.

What's emerging across Europe isn't deregulation, it is what regulators are calling "smart regulation." This means using EU-wide frameworks like FiDA, MiCA, SIU, and other regulatory measures to drive innovation, integration, and long-term competitiveness all at once^{7 8}. For example, the 28th EU regime is an optional, harmonized legal framework at the EU level, designed to sit alongside the national laws of the 27 Member States, with the goal of simplifying cross-border activity and fostering a true single market⁹.

For Nordic financial players, this creates both opportunities and responsibilities. The opportunities are significant: access to a much larger unified market and clear rules for new technologies. But it also means meeting higher supervisory expectations and more complex compliance requirements.

The trend is unmistakable: future competitiveness depends on aligning with these European regulatory drivers that are making innovation and operational excellence core business requirements, not optional add-ons¹⁰. Nordic countries are well-positioned to lead this transformation, but they're also being called upon to help scale their successful approaches across the entire European financial system^{11 12}.

7 <https://www.theparliamentmagazine.eu/news/article/the-future-is-cryptographic#:~:text=The%20current%20parliamentary%20report%20on,playing%20field%20for%20service%20providers>
8 <https://www.bis.org/review/r240327c.htm#:~:text=sector,what%20Fran%C3%A7ois%20Villeroy%20has%20called>
9 <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op369~246a103ed8.en.pdf#:~:text=The%20term%20%E2%80%9C28th%20regime%E2%80%9D%20refers,Opting%20for%20a>

10 https://finance.ec.europa.eu/news/commission-seeks-feedback-savings-and-investments-union-2025-02-03_en#:~:text=competitiveness,and%20financing%20opportunities%20for%20businesses
11 <https://www.bis.org/review/r240327c.htm#:~:text=sector,what%20Fran%C3%A7ois%20Villeroy%20has%20called>
12 <https://www.quantfol.io/post/nordics-are-leading-in-financial-tech-adoption#:~:text=The%20tech%20adoption%20trend%20in,of%20a%20rapidly%20changing%20landscape>

GEOPOLITICAL

What's currently happening in the geopolitical financial landscape?

The world is moving away from the era of seamless financial globalisation and entering what experts are calling a “financial archipelago” of regional blocs. This shift has accelerated dramatically since the war in Ukraine began. Western allies, including all Nordic countries through the EU, responded with unprecedented financial sanctions against Russia – freezing central bank reserves and cutting Russian banks from SWIFT.

This “weaponisation” of financial networks revealed how interconnected systems can become vulnerabilities. In response, alternative systems are expanding rapidly: China’s CIPS payment system and Russia’s SPFS are growing as rivals aim to insulate themselves from Western financial influence. The result is the emergence of competing financial ecosystems rather than one global system¹³.

New Regional Payment Networks are Emerging Everywhere

Across Asia, the Middle East, Africa, and even within Europe, new payment networks and financial alliances are taking shape, often motivated by a desire to reduce dependence on US or European infrastructure. Rather than a simple West versus China divide, we are seeing the emergence of several

distinct spheres: a US-led “Atlantic” cluster, a growing China-centric network, an increasingly independent European approach, and other strong regional hubs. Even within what is traditionally considered the Western alliance, there is growing separation. For example, the EU and Nordic countries are building their own payment infrastructure rather than relying solely on global giants like Visa and Mastercard. The global financial landscape is shifting from a bipolar model to a multipolar system defined by multiple regional groupings.

For Nordic countries, which are strongly oriented toward the Western alliance, this fragmentation creates strategic challenges. The region needs to stay globally connected while reducing the risks of over-reliance on any single external system or provider.

Digital Currencies are Becoming Geopolitical Tools

Payment systems and currency sovereignty have become major battlegrounds in this new landscape. The long-standing dominance of the US dollar and American payment systems like Visa and Mastercard is being actively challenged by European efforts to secure greater financial autonomy.

The European Central Bank’s push for a digital euro isn’t just about technological advancement; it’s a strategic move to protect monetary sovereignty as digital currencies proliferate globally¹⁴. Central Bank Digital Currencies (CB-

¹³ <https://atlasinstitute.org/weaponized-finance-sanctions-swift-and-the-future-of-global-political-risk/#:~:text=This%20marks%20a%20major%20change,large%20as%20Russian%20exports%20were>

¹⁴ <https://www.reuters.com/sustainability/boards-policy-regulation/ecbs-lagarde-urges-eu-lawmakers-speed-up-digital-euro-law-2025-06-23/>

DCs) have become geopolitical instruments: China's digital yuan is already in large-scale pilots, supporting efforts to internationalise the renminbi outside the dollar system.

Nordic countries are at the forefront of digital currency innovation in Europe. Sweden's Riksbank has pioneered the e-krona pilot in response to declining cash usage, while Norway's central bank has tested a CBDC prototype using blockchain technology and participated in cross-border experiments led by the Bank for International Settlements¹⁵.

The rise of private stablecoins, crypto-assets pegged to traditional currencies, adds yet another layer of complexity to the landscape.

European regulators are concerned that global stablecoins could undermine monetary sovereignty. This concern has prompted the EU to introduce the Markets in Crypto-Assets (MiCA) regulation, which provides a core framework that is now in place, while additional guidelines are still being finalized. The regulation has also encouraged compliant projects such as Finland's EUROe. Nordic FinTech innovation continues to play a crucial role in shaping these regulated digital financial infrastructures.

The Digital Euro is Moving Forward Despite Banking Sector Concerns

The ECB has set ambitious objectives for the digital euro initiative: providing an electronic payment method that's accessible across all eurozone countries, reducing dependence on non-European payment providers. The digital euro aims to be free for basic use, work for both peer-to-peer and retail transactions, and complement cash while ensuring the euro's continued legal tender status.

¹⁵ <https://cointelegraph.com/news/norwegian-central-bank-uses-ethereum-to-build-national-digital-currency>
<https://www.reuters.com/business/finance/china-considering-yuan-backed-stablecoins-boost-global-currency-usage-sources-2025-08-21/>

However, the banking sector faces significant challenges. A cost study on the digital Euro for European Credit Sector Associations reveals that banks will need extensive investments in new systems, compliance procedures, mobile apps, and settlement models. Banks are concerned about financial stability, lending capacity, and the sustainability of business models if basic digital euro payments remain free while operational costs fall on them¹⁶.

The digital euro's rollout may create considerable pressure on banks unless the regulatory framework addresses fair cost recovery and innovation opportunities.

Regulatory Systems are Diverging Along Geopolitical Lines

Different regions are encoding their values into financial regulations, creating friction for cross-border business. The EU emphasises financial stability, consumer protection, and data privacy through rules like GDPR and upcoming AI regulations. The US prioritises market freedom and sanctions enforcement, while China focuses on state control and technological self-reliance. The US "Genius Act" explicitly aims to promote US dollar denominated stablecoins and prevents the federal states from building out their stablecoins, this is promoting organisations such as Uber, Amazon and Walmart from announcing their own stablecoin plans. The US strategy is to promote the use of US dollars backed by US government treasuries. China is also considering yuan-backed stablecoins to boost global currency usage¹⁷. In the meantime Europe are nervous about "private money" and largely exploring state backed digital currencies.

Nordic banks and financial institutions, generally aligned with EU standards,

¹⁶ https://v3.globalcube.net/clients/eacb/content/medias/position_papers/digital_euro/pwc-digital-euro-cost-study-2025.pdf
¹⁷ <https://www.reuters.com/business/finance/china-considering-yuan-backed-stablecoins-boost-global-currency-usage-sources-2025-08-21/>
<https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-genius-act-into-law/>
<https://fortune.com/crypto/2025/07/08/uber-amazon-meta-apple-x-airbnb-stablecoin-adoption-why/>

must navigate multiple compliance regimes. They're seeing EU standards exert global influence through the "Brussels effect," but fragmentation still occurs when EU member states lag in implementing directives. As they serve global organisations with Treasuries requiring funds in multiple currency types, they will be forced to decide the role they play.

US Regulatory Priorities are Shifting Toward Deregulation

A significant source of regulatory divergence is the US shift toward "America First" policies and renewed emphasis on deregulation. Recent proposals aim to roll back financial regulations, particularly in areas like digital finance oversight, signalling a willingness to prioritise market flexibility and short-term competitiveness for domestic firms.

For Nordic financial institutions, this trend creates complications. Diverging US standards make cross-border compliance more complex, increase regulatory arbitrage risks, and hamper cooperation on anti-money laundering, cyber resilience, and other shared challenges. There's also potential for a "race to the bottom" where financial centres compete by lowering oversight rather than maintaining high standards.

For Nordic economies, highly invested in global rule alignment, open markets, and strong consumer protections, this divergence presents both challenges and opportunities. It reinforces the need for the EU to pursue "open strategic autonomy," protecting core European values while maintaining flexibility to respond to policy shifts from major players.

Open Strategic Autonomy is Becoming the Nordic Response

Both Nordic countries and the EU are moving toward "open strategic auton-

omy": staying open to international trade and capital while building domestic capacity for critical financial infrastructure and technology. Current efforts include developing European cloud services, payment networks, and card schemes.

For the Nordic financial sector, this means operating amid intensifying great-power rivalry and regional competition. The sector continues championing open markets and global standards while supporting European initiatives that reinforce shared values like rule of law and transparency.

Nordic institutions are already adapting their strategies, withdrawing from Russia and strengthening positions in EU, US, and stable Asian markets. Going forward, Nordic banks must stay agile and alert to how developments in Washington, Brussels, or Beijing could reshape global capital flows, investment security, and the fundamental infrastructure of finance itself.

The recognition of these geopolitical realities is becoming a key competitive advantage, with adaptability and alignment with like-minded partners emerging as critical success factors in this new fragmented financial world.

TECHNOLOGY

What's currently happening in Nordic financial technology?

Technological innovation is a major force currently transforming financial services in the Nordic region¹⁸. It is changing how value is delivered, how risks are managed, and how institutions compete. In many cases, digital and financial innovation are becoming increasingly intertwined. This shift is being driven by a range of organizations, including established banks, challenger banks, and FinTechs, all of which are adopting new technologies to update their operations and offerings¹⁹.

Cloud Computing is Becoming the New Foundation

Cloud infrastructure has become foundational to what's happening across the industry. Nordic banks and FinTechs are rapidly adopting cloud computing for scalability, faster development cycles, and cost efficiency. This is part of a broader European trend; over 80% of banks in the EMEA region are planning to increase cloud investments, but it's particularly powerful in the Nordics because of high digital literacy and strong internet penetration.

Major incumbent banks are forging significant tech partnerships and migrating core services to cloud platforms, accelerating their transformation into digital-first operations. These cloud-based, API-driven architectures are

allowing financial institutions to launch services mobile banking, personal financial management, tailored credit offers far faster than legacy IT systems ever could.

But this innovation is bringing new challenges. Most major cloud providers aren't European, which raises concerns about sovereignty, resilience, and systemic risk. The EU's Digital Operational Resilience Act (DORA), which took effect in January 2025, is imposing strict risk management requirements for ICT and third-party dependencies. Nordic regulators are following suit, requiring banks to build robust cybersecurity, develop fallback plans, and ensure data localisation when needed.

What's emerging is a hybrid cloud approach: public cloud for flexibility, but sensitive operations staying in private clouds or local data centres to meet compliance and operational continuity requirements. The result is a sector that's more open to FinTech collaboration, more efficient, and more vigilant about concentration and vendor risks.

AI is Becoming the Competitive Differentiator

Artificial intelligence is a clear competitive advantage in Nordic financial services. The region was among the first in Europe to deploy AI for chatbots, credit scoring, and fraud detection. Now, facing agile digital-native competi-

18 <https://chartered-investment.com/en/media/news/innovation-and-opportunity-in-the-nordic-finance-sector/#:~:text=Nordic%20investment%20markets%20stand%20out,alternative%20investments%2C%20underscoring%20the%20region%E2%80%99s>
19 <https://www.quantfol.io/post/nordics-are-leading-in-financial-tech-adoption#:~:text=The%20spirit%20of%20collaboration%20is,keeping%20operations%20lean%20and%20efficient>

tors, incumbent institutions are using AI to streamline operations and deliver deeply personalised services. Artificial intelligence is becoming a critical topic in Nordic financial services.

While not the earliest adopters in Europe, institutions across the region have shown a strong willingness to experiment with and implement AI, particularly within their operations in areas such as chatbots, credit scoring, transaction monitoring and fraud detection. Driven by mounting pressure from global developments and competition from regional FinTechs, established banks and providers are increasingly integrating AI to streamline processes, deliver more personalised services, and reduce costs. The results are tangible: Bankdata, a major Danish financial IT provider, achieved up to 25% cost reductions through AI-powered automation in 2023. That's not just efficiency gains, that's fundamental business model transformation²⁰.

The frontier that's emerging is "agentic" AI systems, software that's capable not just of automating tasks, but of making autonomous or semi-autonomous decisions under oversight. Think systems that can adjust investment portfolios or flag compliance anomalies without continuous human input. Nordic wealth managers are testing AI-driven robo-advisors, and banks are rolling out real-time AI-based risk assessments for lending and compliance²¹.

The promise is faster, smarter, more tailored services. The challenge is ensuring these systems remain transparent, ethical, and accountable. The EU AI Act is setting the bar here, mandating human-in-the-loop controls for high-risk financial AI applications. Nordic banks, known for strong consumer protection, are proactively building governance and bias-mitigation frameworks to ensure AI earns client trust. This is positioning the region to lead in

²⁰ <https://www.computerweekly.com/news/366592058/Nordic-banks-pursue-AI-in-battle-with-digital-competitors>

²¹ https://www.sas.com/en_sg/customers/sdc-dk.html#:~:text=Looking%20forward%2C%20Moos%20is%20interested,bank's%20customers%20to%20bank%20personnel

responsible AI deployment in finance.

Quantum Computing and DeFi are on the Radar

Looking ahead, financial institutions are actively exploring two potentially transformative technologies: quantum computing and decentralised finance (DeFi).

Quantum computing could allow financial firms to solve complex simulations and portfolio optimisation problems orders of magnitude faster than today's computers. Nordic banks and universities are directly involved in international research consortia to assess use cases. But there's also an urgent risk dimension: quantum computing threatens current cryptographic standards. Experts warn that within a decade, quantum attacks could break the encryption that underpins banking and data privacy, making early investment in quantum-resistant security essential²².

Nordic banks are beginning to inventory vulnerabilities and partner with cybersecurity specialists to ensure future-proof resilience. This isn't theoretical anymore; it's active preparation for a known threat timeline.

Decentralised finance (DeFi) represents a longer-term but significant disruption. Built on blockchain, DeFi platforms enable peer-to-peer lending, trading, and asset issuance without traditional intermediaries, offering both cost and transparency advantages. The Nordic region's influence is already visible: Aave, one of the world's largest DeFi protocols, was founded by a Finnish entrepreneur.

While DeFi is still emerging, traditional banks in the Nordics are experimenting with digital bond issuance and blockchain-based trade finance, often in

²² <https://www.hsframer.com/insights/reports/2025/fsr-outlook-2025/teetering-on-the-brink-of-quantum-utility-not-if-but-when#:~:text=Quantum%20computers%20are%20expected%20to,need%20to%20take%20steps%20now>

regulatory sandboxes. Regulators, closely aligned with the new MiCA regime, are starting to address both centralised and decentralised digital asset risks.

What's likely is convergence: traditional finance adopting tokenisation and blockchain-driven efficiencies, while DeFi platforms become more integrated into regulated financial ecosystems. Trusted pilots and careful regulatory sandboxes are shaping adoption in ways that minimise instability and misconduct.

Innovation is Happening with Caution and Credibility

The Nordic countries provide an example of how technological innovation and responsibility can be pursued together. The focus is not only on adopting new digital tools but also on considering aspects like responsible deployment, compliance, and customer trust. This approach is seen among FinTech startups, established financial institutions, and in national infrastructure.

More broadly, the boundary between digital and financial innovation is becoming less clear as technology becomes more integrated into financial services. In the Nordic region, institutions that invest both in core technology and in effective risk management may be better positioned to succeed as the landscape evolves. Increasingly, technology is becoming an essential component of financial services, both in the Nordic countries and across the global financial sector.



THE FUTURE WORLDS



Introductions to scenarios

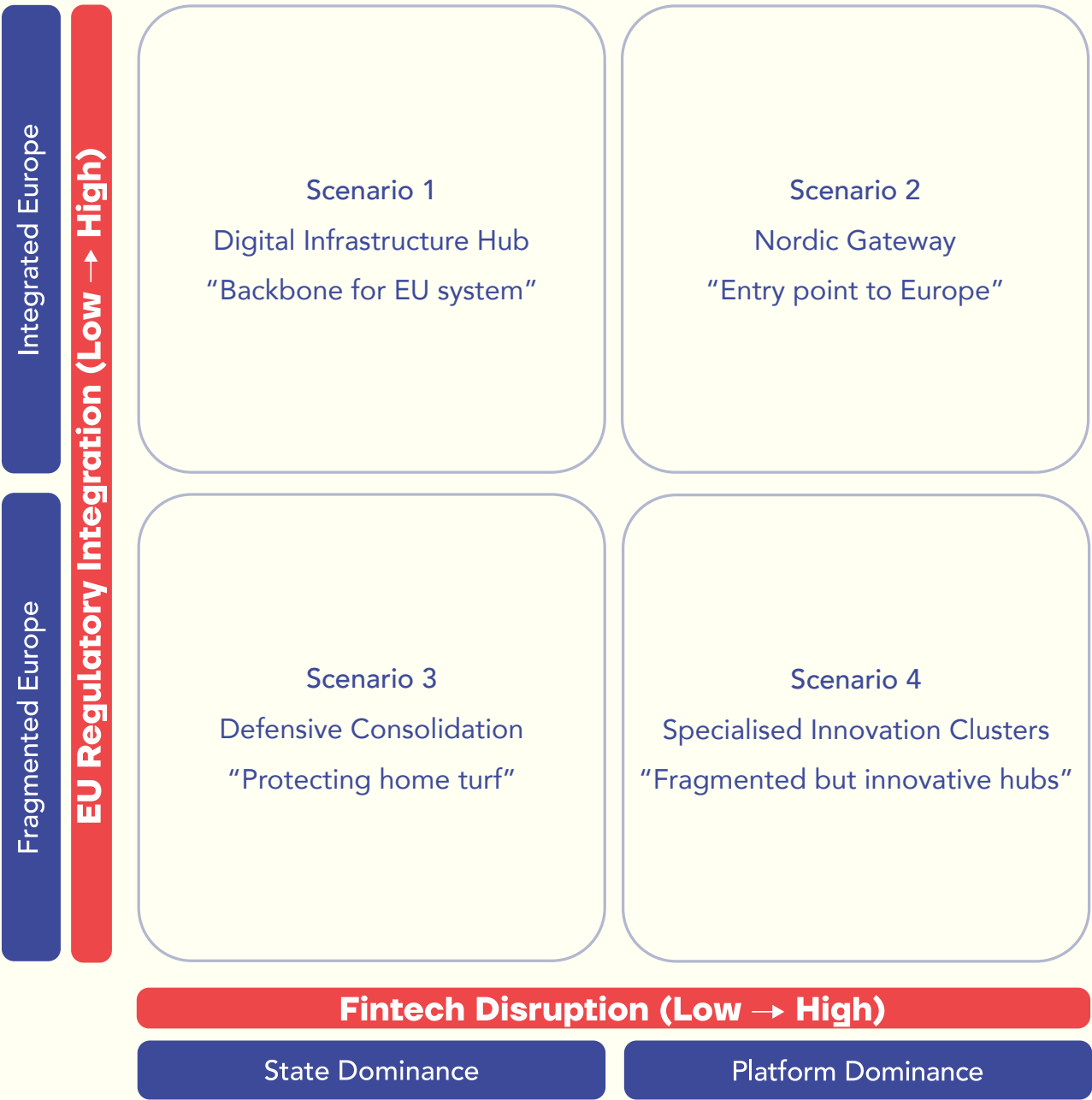
Based on the driving forces shaping financial services-regulation, geopolitics, and technology there are multiple, diverging paths the industry could take by 2035. While many trends appear clear in direction, their pace, impact, and interaction remain highly uncertain.

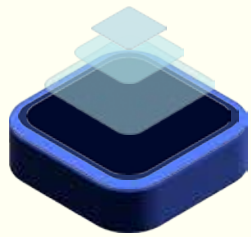
To make this uncertainty actionable, we’ve developed four equally plausible scenarios for financial services in 2035. Each world reflects a different outcome along two fundamental strategic dimensions:

European Market Integration: Does the EU succeed in creating a deeply unified financial and capital market, or does fragmentation persist across member states?

Industry Structure: Is the financial system shaped primarily by platform-based innovation and FinTech disruptors, or do incumbent institutions and public actors retain control?

These two axes generate four distinct strategic futures. They are not forecasts. Rather, they offer a structured way to explore how today’s decisions could play out under very different conditions.





Digital Infrastructure Hub

Europe has achieved deep financial integration but under strict regulatory control that prioritises stability over innovation speed. The Savings and Investment Union vision has been realised through a “fortress finance” approach, cross-border capital flows freely within Europe, but the system is tightly supervised and protected from external disruption. A handful of consolidated European banks dominate the landscape, operating as regulated utilities under centralised oversight. While consumers enjoy secure, transparent financial services with strong data protection, the emphasis on prudence has slowed digital transformation compared to more liberal markets in Asia and North America.

How We Got Here: The Regulatory Response

From Crisis Prevention to System Control

The transformation began with European policymakers drawing lessons from global financial instability and tech platform dominance in other regions. Rather than embracing open competition, Europe chose a path of managed integration. The Financial Data Access (FiDA) regulation was implemented with strict gatekeeping provisions that favoured established institutions over new entrants. While data sharing increased, it occurred within tightly controlled parameters designed to prevent systemic risks.

The Nordic countries, despite their tradition of financial innovation, adapted to this new reality by positioning their established banks as stability anchors. Their expertise in regulatory compliance and risk management made them

valuable partners in Europe’s consolidation strategy, even as it constrained their FinTech ecosystems.

Savings and Investment Union: Integration Through Consolidation

The SIU succeeded in eliminating cross-border barriers, but the process was accompanied by extensive banking consolidation encouraged by European authorities. The Nordic pension systems’ €2.5 trillion in assets became key stabilising forces in this new architecture, but their investment choices were increasingly guided by EU-wide strategic priorities rather than pure market returns.

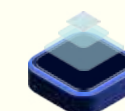
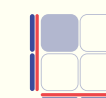
The Draghi Report’s call for industrial policy was interpreted through a lens of economic security rather than innovation acceleration. The result was a coherent European financial system, but one designed more for resilience than rapid adaptation to technological change.

The New Financial Architecture

Centralised Supervision and Control

By 2035, European financial supervision has become highly centralised. The European Central Bank and European Banking Authority set uniform standards for capital requirements, risk management, and consumer protection across all member states. While this eliminated regulatory arbitrage and reduced compliance costs for cross-border operations, it also created formidable barriers for new entrants who must meet stringent requirements from day one.

Nordic regulators, once known for their innovation-friendly approaches, now primarily implement EU-wide directives. Their deep regulatory expertise



made them influential in shaping these standards, but at the cost of their historical flexibility and responsiveness to local innovation.

Digital Euro Dominance

The digital euro launched successfully and became the dominant payment method across Europe, but its design reflects the system's emphasis on control over convenience. While functional and secure, it lacks the seamless user experience and innovative features of private alternatives that were deliberately constrained. In Sweden and Denmark, national digital currencies complement the digital euro, but both operate under strict government oversight. These local currencies are seamlessly integrated with the EU-wide CBDC framework via their central banks, ensuring interoperability while maintaining state control over digital payments.

The payment infrastructure is robust and sovereign, reducing dependence on US-based networks, but innovation in payment services has slowed as private companies face significant regulatory hurdles to introduce new features or business models.

Technology Under Tight Control

Managed Innovation Through Sandboxes

Technological innovation continues but within carefully controlled regulatory sandboxes. AI applications in finance are thoroughly tested for bias, transparency, and systemic risk before deployment. While this approach prevents harmful applications, it also means European financial services lag behind global competitors in AI sophistication and personalisation.

Cloud computing adoption proceeded cautiously, with DORA requirements

leading to extensive use of European cloud providers and strict data localisation rules. Nordic banks, leveraging their early cloud experience, became advisors to other European institutions navigating these constraints, but the overall pace of digital transformation slowed compared to less regulated markets.

BigTech Exclusion Strategy

Europe successfully limited BigTech platforms' direct participation in financial services through a combination of regulatory barriers and strategic policy choices. While this protected European banks from platform competition, it also meant European consumers missed out on some of the seamless, integrated digital experiences available elsewhere.

Nordic FinTech companies, which might have competed globally in a more open environment, instead became specialised vendors serving the consolidated European banking sector. Their innovations were absorbed into incumbent systems rather than disrupting market structures.

Geopolitical Fortress Mentality

Strategic Autonomy Through Isolation

Europe's approach to global financial fragmentation was to build walls rather than bridges. While this protected the European system from external shocks and maintained monetary sovereignty, it also reduced European financial institutions' global competitiveness and limited their access to international innovation.

Nordic banks, traditionally internationally oriented, found their global ambitions constrained by the need to comply with increasingly complex European requirements that made expansion outside the EU challenging. They became

regional champions rather than global players.

Values-Based Differentiation

Europe's commitment to data privacy, consumer protection, and financial stability became its primary competitive differentiator. The GDPR-AI Act-DO-RA regulatory trinity created a comprehensive framework that attracted some global capital seeking predictable, high-standard regulatory environments, but deterred others seeking faster innovation cycles.

Market Structure and Competition

Oligopolistic Stability

The wave of EU-encouraged consolidation created a stable oligopoly of pan-European banks, with Nordic institutions playing key roles either as independent regional champions or as components of larger European groups. Competition exists but is managed and predictable, with clear market positions and limited disruption.

Private credit markets and alternative financing developed slowly within regulatory constraints. Buy Now Pay Later services evolved into traditional consumer credit products under banking supervision. Tokenised assets exist but primarily within regulated frameworks that limit their disruptive potential.

Innovation as Service Provision

FinTech companies survived the regulatory tightening by becoming service providers to incumbent banks rather than independent competitors. Nordic FinTech expertise in user experience and regulatory compliance made these companies valuable partners, but they operated more as technology vendors than financial innovators.

The Customer Experience Trade-off

Security Over Sophistication

European consumers in 2035 enjoy financial services that are transparent, secure, and trustworthy. Data protection is comprehensive, pricing is clear, and systemic risks are well-managed. However, many consumers notice that their financial apps lack the personalisation, speed, and innovative features available in other regions.

The Nordic tradition of user-centric design influenced European standards, ensuring that regulated services remained functional and accessible, but the emphasis on safety over innovation created a noticeable experience gap with global competitors.

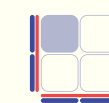
Predictable but Limited Choice

The consolidated market structure provides consistency and reliability but limited choice. Consumers can access their funds anywhere in Europe seamlessly, benefit from strong consumer protections, and trust that their data is secure. However, they often find themselves wishing for the variety and cutting-edge features available in less regulated markets.

The Nordic Adaptation

From Innovation Leaders to Stability Champions

Nordic financial institutions successfully adapted to the new European model by leveraging their strengths in regulatory compliance, risk management, and operational efficiency. Their digital infrastructure became models for European standardisation, and their pension fund management expertise influenced EU-wide policies.



However, the region's traditional culture of financial innovation was channelled into incremental improvements within established frameworks rather than disruptive breakthroughs. Nordic FinTech companies became Europe's most compliant rather than its most innovative.

Workforce Transformation Under Constraints

The regulated environment created different workforce demands than in more open markets. Compliance expertise, risk management, and regulatory technology became premium skills. While automation still eliminated routine jobs, the highly regulated environment created new roles in oversight, audit, and regulatory reporting.

Conclusion: Stability's Price

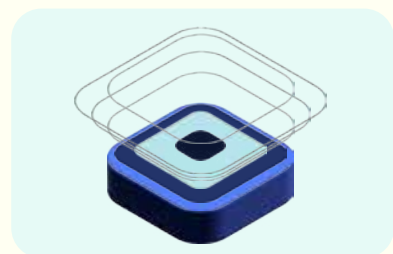
By 2035, Europe has built a financial system that prioritises stability, sovereignty, and consumer protection above all else. The Nordic countries played crucial roles in shaping this system, contributing their expertise in digital infrastructure, regulatory cooperation, and risk management.

The trade-offs are clear: Europe avoided the financial instability and privacy concerns that plagued other regions, but at the cost of innovation speed and global competitiveness. European financial services are trustworthy and secure, but they lack the dynamism and cutting-edge features that drive customer excitement and market leadership elsewhere.

This scenario demonstrates that regulatory choices have profound consequences for market structure and innovation trajectories. While Europe's fortress approach successfully protected its financial sovereignty and consumer interests, it raises important questions about long-term competitiveness and

adaptability in a rapidly evolving global financial landscape.

The Nordic experience in this scenario illustrates how even traditionally innovative regions can find themselves constrained by broader regulatory choices, suggesting that the balance between stability and innovation remains one of the most critical strategic decisions facing European financial policy makers.



Nordic Gateway

Europe has achieved a fully integrated financial single market powered by digital innovation. The Savings and Investment Union vision has been realised, creating seamless capital flows and enabling true pan-European financial competition. Platform-based FinTech companies and transformed incumbents offer personalised, AI-driven services that anticipate customer needs in real-time. This integrated digital ecosystem positions Europe as a global leader in financial innovation, competing effectively with US and Chinese financial blocs through superior technology integration and consumer protection standards.

How We Got Here: The Regulatory Foundation

From Fragmentation to Integration

The transformation began with Europe's commitment to smart regulation – not deregulation, but unified, innovation-enabling frameworks. The Financial Data Access (FiDA) regulation, launched in 2023, expanded open banking principles across the entire financial ecosystem. By 2027, consumers could seamlessly share their banking, investment, insurance, and pension data with authorised providers, unleashing a wave of personalised financial services.

The Nordic countries proved crucial early adopters. Their existing strengths in API adoption, digital infrastructure, and progressive regulation made them natural testing grounds for FiDA's implementation. Swedish banks, already leaders in open banking, quickly demonstrated how data sharing could create value for both consumers and businesses, providing a template for broader European adoption.

Savings and Investment Union: From Vision to Reality

The Savings and Investment Union overcame decades of fragmentation by harmonising securities laws, insolvency rules, and market practices across member states. The breakthrough came from recognising that Nordic pension systems offered a blueprint for success. Sweden, Denmark, and the Netherlands, which collectively held 62% of EU pension assets, demonstrated how large pools of long-term capital could drive innovation and growth.

The Draghi Report of 2024 provided the strategic vision that tied these initiatives together, calling for Europe to unite digital innovation and financial integration within a coherent industrial policy. This wasn't just regulatory reform; it was economic statecraft designed to secure Europe's global competitiveness.

The New Financial Infrastructure

Digital Payment Revolution

By 2035, Europe has built truly sovereign digital payment infrastructure. The digital euro launched successfully, providing citizens with free, instant payments while reducing dependence on US-based card networks. The ECB's careful design, working offline, respecting privacy, and complementing rather than replacing commercial banking – won over initial sceptics in the banking sector.

Private stablecoins, regulated under the MiCA framework, flourish alongside the digital euro, enabling programmable payments and supporting innovative business models. Nordic banks offer custody services for a range of digital assets to local and international corporate customers. Nordic FinTech companies, leveraging their experience with Swish and Vipps, played key roles in developing user-friendly interfaces and cross-border functionality.

WORLD IN 2035



Nordic Gateway

Open Finance Ecosystem

FiDA's expansion beyond banking created a true open finance ecosystem. AI-powered platforms can now access a customer's complete financial picture, from checking accounts to pension contributions, to provide holistic financial advice, detect fraud patterns, and automate routine transactions. Nordic banks, with their strong digital foundations, became early leaders in offering these integrated services.

The result is a customer experience where financial services anticipate needs rather than react to requests. A Finnish entrepreneur can receive real-time cash flow predictions, automated invoice factoring, and personalised investment recommendations, all powered by secure data sharing across previously siloed financial institutions.

Technology as the Great Enabler

AI and Cloud Computing Transform Operations

The cloud computing revolution that began in the early 2020s reached maturity by 2035. Nordic banks, led by early industry pioneers, completed their migration to hybrid cloud architectures that balance innovation with the sovereignty requirements of DORA regulations. This cloud-first approach enabled rapid deployment of AI-powered services that would have taken years to implement on legacy systems.

Agentic AI systems now handle routine financial decisions under human oversight, adjusting investment portfolios based on market conditions, flagging compliance anomalies, and even conducting preliminary credit assessments. The EU AI Act's human-in-the-loop requirements created a framework for responsible deployment that built consumer trust while enabling innovation.

Quantum-Ready Security

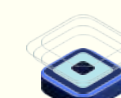
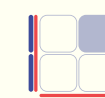
As quantum computing developed in the 2020s, Nordic financial institutions led Europe in preparing for new cybersecurity challenges. They recognized that quantum computers, extremely powerful machines, would eventually break current security systems used by banks. Rather than waiting, they proactively upgraded to "quantum-safe" security that would remain protected against these future threats. By 2035, Europe's financial system operates on these new standards so that everything from high-value transfers to archived records remains secure even against future quantum machines. This early shift turns a technology risk into an advantage: firms cut exposure to data theft, avoid costly last-minute overhauls, align with emerging regulatory timelines, and can market stronger security - outpacing regions that wait.

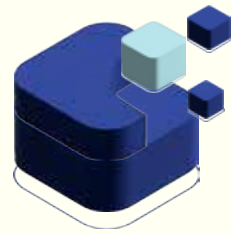
Geopolitical Advantages in a Fragmented World

Strategic Autonomy Through Integration

While global financial fragmentation accelerated through the 2020s and early 2030s, Europe's integrated response strengthened its position in the multipolar world. The combination of the digital euro, unified regulatory standards, and sovereign cloud infrastructure reduced dependence on US technology platforms and payment networks.

Nordic countries, with their strong transatlantic ties but clear European orientation, became bridges between different regulatory approaches. Their expertise in balancing openness with sovereignty helped shape Europe's "open strategic autonomy" doctrine, maintaining global connectivity while building domestic resilience.





Defensive Consolidation

By 2035, global financial markets have devolved into fragmented regional clusters, shaped by dominant nation-state priorities and restrictive localized regulations.

The United States strategically pursued the global dominance of the US dollar by actively promoting private sector stablecoins, embedding them into international financial markets. China countered this by accelerating the development of alternative payment networks to reduce dependency on Western financial infrastructure. Meanwhile, Europe attempted to establish a unified digital euro to reinforce financial sovereignty across member states, but ultimately failed to prevent fragmentation.

This is the most restrictive of all possible futures, a world where geopolitical fears have overwhelmed economic logic, where technological innovation has been sacrificed for security, and where the Nordic countries' traditional strengths in openness and innovation have been constrained by a broader retreat into economic nationalism.

How We Got Here: Paths to Divergence

Gradual Erosion of European Integration

Throughout the late 2020s and early 2030s, escalating geopolitical tensions, persistent disagreements over financial regulations, and diverging national economic priorities progressively undermined European financial integration. Key initiatives (other than the CMU and SIU already mentioned) such as FiDA (Financial Data Access) and the Digital Euro experienced fragmented adop-

tion, as member states selectively implemented these frameworks based on domestic economic and security considerations, exacerbating market fragmentation.

Increasing Regulatory Divergence

Member states increasingly prioritized national regulatory frameworks to protect their financial systems from vulnerabilities and external shocks, effectively reversing previous harmonization efforts. Significant regulatory discrepancies emerged around digital finance innovation, data localization policies, crypto-asset management, and varying approaches to sustainable finance, substantially complicating cross-border financial operations.

Ambitious EU-wide initiatives, notably the Capital Markets Union and Savings and Investment Union (SIU), have largely failed to materialize, constrained by persistent national interests and insufficient political alignment. Efforts to launch and scale a unified digital euro have faltered due to regulatory fragmentation and divergent adoption paths, leaving space for various private stablecoins but failing to establish a true seamless cross-border financial infrastructure.

For Nordic countries, this reality is especially complex. With Finland embedded within the Eurozone, Denmark closely connected yet autonomous, and Norway positioned distinctly outside, the region presents a patchwork of regulatory and monetary environments. This fragmentation hinders seamless financial integration and significantly reduces economies of scale for Nordic financial institutions and fintech companies, placing them at a competitive disadvantage compared to more global players.

Moderated Technological Advancement

WORLD IN 2035



Defensive
Consolidation

Financial technology innovation continues at a moderated pace, emphasizing security, reliability, and proven solutions. Nordic financial institutions, traditionally cautious yet progressive adopters of technology, have concentrated on secure European cloud infrastructures, advanced AI-driven risk management, and controlled distributed ledger applications. Their primary focus has been on operational efficiency, cybersecurity, and stringent compliance, deliberately avoiding radical or unproven technological innovations.

Nordic Focus on Regional Collaboration

In response, the Nordic countries pragmatically intensified internal collaboration and more closely aligned their regulatory practices. They streamlined regulatory coordination, paving the way for pan-Nordic investment, and, to the extent possible given the varying approaches to European financial integration, enhanced Nordic financial (tech) infrastructure, thus aiming to ensure regional economic stability and growth.

The New Financial Architecture

Emergence of Regional Financial Clusters

By 2035, Europe's financial landscape consists of several semi-autonomous regional ecosystems, each operating under distinct regulatory frameworks, technological standards, and market practices. National financial clusters dominate, characterized by localized infrastructure and tightly controlled regulatory regimes, substantially limiting cross-border financial interactions. In response to this fragmented environment, financial institutions and fintech companies in the Nordics have adopted diverse strategic paths. Some act as local ecosystem orchestrators, leveraging deep knowledge of domestic markets and tightly managed partnerships. Others have pursued partnering strategies, positioning themselves as reliable providers of financial and com-

pliance infrastructure to technology-driven platforms that manage customer relationships. A third group has specialized narrowly within vertical markets, offering niche solutions that minimize cross-border regulatory complexity and capitalize on deep sector-specific expertise.

Innovation Restricted by Regulation

Regulatory fragmentation and strict localized compliance requirements have severely curtailed financial innovation. The restrictive (and in some countries limited) implementation of FiDA has limited the potential of open banking, transforming what could have been a platform for innovation into a constrained, fee-driven service model. APIs and data-sharing practices are subject to stringent controls, with innovation primarily oriented toward compliance, security enhancements, and risk management rather than customer experience or service diversification.

Limited data sharing has resulted in consumers and small businesses experiencing less innovation and competition. The restricted data environment hampers the ability of financial institutions and fintech firms to create novel financial products and services, significantly impeding market growth.

Market Dynamics and Competitive Implications

Stagnation and Limited Scale

Within this highly regulated and fragmented scenario, market dynamics have settled into stability but lack dynamism. Financial markets are characterized by low competition, reduced innovation rates, and standardized product offerings tailored primarily for regulatory compliance rather than customer-centric excellence. Nordic institutions face significant competitive pressures from global players who benefit from greater scale, more harmonized regulations in their home markets, and better access to international capital.

WORLD IN 2035



Defensive
Consolidation

Limited capital flows across borders have significantly impacted growth potential, creating an environment of constrained market expansion and restricted investment opportunities.

Challenges for SMEs and Fintechs

Small and medium-sized enterprises, along with innovative fintech startups, are disproportionately affected by restrictive market conditions. Limited access to cross-border capital and restrictive local market sizes significantly hinder scalability, innovation, and overall growth. As a result, the Nordic entrepreneurial landscape, previously a global benchmark for innovation, has become markedly less dynamic and more inward-looking.

Conclusion: Resilient but Restricted

By 2035, the Nordic financial landscape is characterized by robust regulatory oversight, security, and stability. Governments and industry have responded by trying to double down on shared strengths: interoperable digital infrastructure, harmonised regulation, and deep institutional trust. Workforce programmes emphasise compliance, cybersecurity, risk management, and incremental innovation, skills suited to a defensive, stability-first environment. A financial system oriented exclusively towards mitigating downside risk may inadvertently limit its potential for innovation, growth, and international competitiveness. While rigorous risk management ensures safety and stability, it is equally critical to encourage competition, experimentation, and innovation to sustain long-term economic leadership. A narrowly risk-averse approach risks creating a static environment, maintaining reliability but at the expense of dynamism. Consequently, Nordic financial institutions and regulatory frameworks that successfully balance security with incentives for innovation are more likely to achieve durable resilience and maintain a competitive edge in global markets.

Values-Based Competition

Europe's commitment to privacy, consumer protection, and financial stability, encoded in regulations like GDPR, the AI Act, and DORA, created competitive advantages in markets where consumers and businesses valued these protections. While other regions competed through deregulation, Europe competed through superior standards that attracted global capital seeking stable, predictable regulatory environments.

Market Innovation and New Business Models

FinTech Ecosystem Flourishes

The regulatory clarity provided by FiDA and unified European standards unleashed a wave of FinTech innovation. Buy Now Pay Later services matured into sophisticated consumer credit products under clear regulatory frameworks. Private credit markets expanded dramatically, offering SMEs and corporates alternatives to traditional bank lending. Tokenised assets became mainstream, enabling fractional ownership of everything from real estate to intellectual property.

Nordic FinTech companies, building on their experience with successful payment innovations like Swish and Vipps, became major players in this expanded European market. Their expertise in user experience design and regulatory compliance provided competitive advantages as they scaled across borders.

The Nordic Success Story

From Regional Leaders to Global Champions

Nordic financial institutions leveraged their existing strengths, digital innovation, regulatory cooperation, and technological leadership to become major players in the enlarged European market. Some merged to achieve continental scale, while others found profitable niches in specialised services like

WORLD IN 2035



**Defensive
Consolidation**

cross-border payments or AI-powered wealth management.

The region's culture of public-private collaboration, exemplified by the Swish and Vipps payment systems, provided a model for Europe-wide infrastructure projects. Nordic expertise in digital identity, developed through national ID systems, became foundational to Europe's cross-border financial services.

Workforce Evolution

The transformation required significant workforce adaptation. Routine processing jobs were automated, but new roles emerged in areas like AI ethics, quantum security, and sustainable finance. Nordic countries' strong tradition of lifelong learning and social support systems helped workers navigate this transition more successfully than many other regions.

Conclusion: Europe's Financial Renaissance

By 2035, Europe has achieved what seemed impossible in 2024: a financial system that is simultaneously more integrated, more innovative, and more competitive than its global rivals. The Nordic countries, far from being marginalised by integration, became the architects and beneficiaries of this transformation.

The key insight proved to be that smart regulation, unified, innovation-enabling, and technology-forward, could create competitive advantages rather than just compliance costs. While other regions competed through fragmentation or deregulation, Europe built strength through principled integration. This scenario represents not just financial market evolution, but a demonstration that coordinated policy can proactively shape technological change to drive economic competitiveness. The Nordic model of balancing innovation with consumer protection, competition with cooperation, and growth with stability became the template for 21st-century financial systems worldwide.



Specialised Innovation Clusters

Europe's grand vision of financial integration has crumbled into a patchwork of competing national systems. The Savings and Investment Union never materialised, and regulatory harmonisation efforts collapsed amid geopolitical tensions and nationalist pressures. By 2035, European member states operate increasingly divergent financial systems, some forming mini-blocs with aligned regulations, others pursuing entirely independent paths. Yet this fragmentation has unleashed unprecedented innovation as FinTech platforms and digital finance companies exploit regulatory gaps and compete fiercely across borders.

This is a world where regulatory arbitrage drives innovation, where multiple digital currencies compete for dominance, and where Nordic countries have emerged as nimble leaders by embracing global connectivity over European integration. While inefficient and sometimes unstable, this fragmented landscape has produced the most dynamic and diverse financial ecosystem in decades.

How We Got Here: The Regulatory Breakdown

European Integration Stalls

The turning point came in the late 2020s when the Savings and Investment Union initiative collapsed under the weight of national interests and geopolitical pressures. The Financial Data Access (FiDA) regulation was implemented inconsistently; some countries embraced open finance while others imposed strict data localisation requirements that effectively blocked cross-border innovation.

Nordic countries, recognising that their small domestic markets required global connectivity, chose a different path. Rather than retreating into European fragmentation, they strengthened ties with the UK, US, and select Asian markets, positioning themselves as bridges between different financial ecosystems.

Digital Currency Chaos

The digital euro launched but never achieved critical mass. Only a subset of EU countries fully adopted it, while others developed their own digital currencies or allowed private stablecoins to dominate. Early national digital currency implementations became templates for several other countries, but interoperability remained limited. Private stablecoins proliferated in this regulatory vacuum, creating a complex landscape where multiple digital currencies compete for market share across different jurisdictions with varying regulatory approaches.

The New Financial Architecture

Multiple Overlapping Systems

By 2035, European financial infrastructure resembles a complex web of competing and sometimes incompatible systems. Payment rails multiply across borders, digital euros, national CBDCs, private stablecoins, and cryptocurrency networks all coexist.

Nordic financial institutions have become specialists in navigating this complexity. Their early investments in digital infrastructure and API-driven systems positioned them perfectly to operate across multiple platforms simultaneously, offering seamless currency conversion and cross-border payments.

Regulatory Arbitrage Drives Innovation

The absence of harmonised European regulation has created a marketplace for regulatory competition. Some jurisdictions position themselves as crypto hubs, while others focus on DeFi innovation. Certain European regions have found their niche by combining innovation-friendly regulations with strong consumer protections, making their major financial centres significant FinTech hubs serving global markets.

Technology Unleashed

Platform Innovation Accelerates

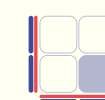
Without the constraints of unified European regulation, technology platforms have flourished. BigTech companies from the US and China have gained significant market share, often by acquiring local FinTech companies to navigate national regulations.

Nordic FinTech companies have thrived by focusing on interoperability and user experience. Companies like Klarna expanded beyond Buy Now Pay Later into comprehensive financial platforms, while new players emerged specialising in multi-currency wallets and cross-border payments.

AI and DeFi Flourish

The fragmented regulatory landscape has accelerated AI adoption in finance, with countries competing for FinTech investment by relaxing AI oversight. Cloud computing adoption has exploded as companies seek to operate across multiple jurisdictions efficiently.

Decentralised Finance has flourished in this environment, offering alternative funding channels that bypass traditional banking systems. Nordic countries



have emerged as unlikely DeFi centres, with Finnish company Aave exemplifying how Nordic FinTech can lead global DeFi innovation while maintaining regulatory compliance.

Geopolitical Adaptation

Nordic Strategic Positioning

Nordic countries have turned fragmentation into opportunity by positioning themselves as neutral bridges between competing financial blocs. Their strong institutions, stable currencies, and advanced digital infrastructure make them attractive partners for countries seeking alternatives to US or Chinese financial systems.

Nordic pension funds, managing over €2.5 trillion in assets, have become crucial providers of cross-border capital in a world where traditional funding sources are increasingly constrained by geopolitical considerations.

Multiple Currency Reality

The end of dollar dominance has created a multipolar currency system where Nordic countries excel at currency management and hedging. Swedish banks now offer sophisticated multi-currency products that allow businesses to operate seamlessly across different financial blocs, while Danish financial institutions have become specialists in currency risk management.

Market Structure and Competition

Intense but Localised Competition

Competition varies dramatically by jurisdiction. In open markets like the Nordics, consumers enjoy cutting-edge AI-driven financial services, seamless cryptocurrency integration, and fully digital lending platforms. This disparity

has created migration patterns, with financial talent and capital flowing toward jurisdictions that embrace innovation.

Private Credit and Embedded Finance Explosion

The fragmentation of traditional banking has created enormous opportunities for private credit markets and embedded finance ecosystems. Nordic institutional investors have become major players in global private credit markets, while Nordic companies have led the evolution of Buy Now Pay Later into comprehensive embedded finance platforms.

The Customer Experience

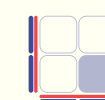
Innovation for the Adventurous

Consumers in innovation-friendly jurisdictions enjoy unprecedented choice and functionality. AI-powered financial assistants provide personalised advice, cryptocurrency wallets offer instant global payments, and automated investment platforms optimise portfolios across multiple asset classes and currencies.

Nordic consumers have become early adopters of these advanced services, benefiting from their countries' innovation-friendly regulations and strong digital infrastructure.

Digital Divide Widens

The gap between advanced and traditional financial services has become a chasm, creating new forms of financial exclusion where access to advanced services depends more on regulatory jurisdiction than economic status. Nordic countries have worked to minimise this divide by maintaining strong public financial infrastructure alongside private innovation.



Risks and Challenges

Systemic Instability and Compliance Complexity

The lack of coordinated oversight has created new systemic risks, while operating across multiple regulatory regimes creates enormous compliance costs and complexity. Nordic countries have addressed these challenges by maintaining strong domestic financial infrastructure and developing sophisticated compliance technology that they now export to other markets.

Nordic Success in Fragmentation

From European Integration to Global Connectivity

Nordic countries have successfully pivoted from European integration to global connectivity, strengthening ties with the UK, US, and select Asian markets. This strategy has made Nordic financial institutions crucial intermediaries in global capital flows, operating across multiple regulatory regimes while maintaining trust and stability.

Innovation Within Stability

The Nordic model of combining innovation-friendly regulation with strong consumer protection has proven highly successful in this fragmented world. Their pension systems have become even more important as sources of patient capital, with Nordic pension funds now playing crucial roles in funding innovation across multiple jurisdictions.

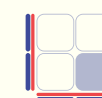
Conclusion: Opportunity in Change

By 2035, the fragmentation of European financial markets has created a complex but dynamic landscape where innovation thrives in the gaps between regulatory systems. Nordic countries have emerged as winners by embracing global connectivity over regional integration, positioning themselves as

bridges between different financial ecosystems.

This scenario demonstrates how regulatory fragmentation can accelerate innovation by creating competitive pressure between jurisdictions and opportunities for regulatory arbitrage. For Nordic financial institutions, this fragmented world has proven highly advantageous, as their combination of advanced technology, strong institutions, and global outlook has allowed them to thrive in an environment where adaptability and international connectivity are more valuable than scale or regulatory protection.

The key lesson is that in a fragmented world, success belongs to those who can navigate complexity, build bridges between different systems, and maintain the flexibility to adapt quickly to changing conditions.



Conclusion

The decade to 2035 will define Nordic and European finance. The four scenarios in this report highlight sharply different outcomes, from a unified, innovation-led renaissance to a fragmented, defensive market. The coming years will decide whether the region becomes Europe's financial powerhouse or fades in global relevance.

Crucially, while we outline four plausible futures, reality may blend them or take an entirely different turn. The purpose of these scenarios is not for us to predict a single outcome, but to help leaders prepare for multiple plausible ones. They are planning tools, not prophecies. Strategic foresight must be a continuous discipline, enabling leaders to pivot as signals emerge. By revisiting these scenarios and scanning the horizon, financial services leaders can avoid paralysis and act with confidence amid uncertainty. In this decade, adaptability and vigilance will matter as much as the strategic bets you make.

Institutions that secure trust, shape regulation, embed digital and AI, and deliver large-scale transformations that have a clear long-term value creation proposition will lead. Those that delay will be left behind.

Four layers and 11 strategic imperatives

To succeed across all plausible futures, you must act decisively. Leaders must continuously assess the market and continue to develop scenarios for tomorrows today. The following recommendations set out what leading financial institutions must do now to remain competitive, resilient, and relevant in a rapidly evolving landscape.

Strategic Layer

Position for market leadership by anticipating change and adapting faster than competitors. Shape markets through innovation, alliances, and proactive regulatory engagement. Buy growth and market share where organic expansion is limited or slow.

- Accelerate innovation cycles by shortening development timelines, testing in-market, and pivoting fast to seize first-mover advantage.
- Secure cross-border scale by acquiring or partnering with players in target markets to access customers, technology, and regulatory licences.
- Shape regulation to your advantage by engaging policymakers early, ensuring new rules protect your market position and create barriers to weaker competitors.
- Make sustainability a profit driver by tying ESG capabilities directly to product innovation, investor attraction, and regulatory incentives.

Innovation Layer

Create new value streams through technology, ecosystems, and emerging infrastructure. Leverage open finance, AI, and digital assets to expand reach and relevance.

- Monetise open finance by embedding products in high-traffic platforms, capturing customer flows without proportional cost growth.
- Win on personalisation by deploying AI to identify profitable micro-segments and tailor pricing and offers before competitors act.
- Capture early-mover advantage in digital assets by leading in CBDCs, tokenisation, and DeFi services before regulatory certainty attracts larger incumbents.

Foundation Layer

Make resilience and efficiency a source of enduring competitive advantage. Engineer systems, compliance, and cost structures that can outperform in any market cycle.

- Turn resilience into a selling point by marketing security and reliability as key differentiators in customer acquisition and retention.
- Exploit regulatory complexity by building compliance capabilities that allow faster market entry and lower cost-to-serve than less prepared rivals.
- Lock in cost advantages during downturns by automating aggressively, renegotiating supplier contracts, and scaling shared services.

Human Layer

Mobilise talent as the ultimate strategic catalyst. Shape a workforce ecosystem capable of leading transformation, innovating at speed, and delivering against emerging stakeholder expectations.

- Concentrate skills investment where the competitive payoff is highest, in digital, data, ESG, risk, compliance, and strategic thinking.

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