



# FUTURE OF FINTECH IN ASIA

## Whitepaper

Intel® and Kapronasia

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A decade ago, a bank's IT department was responsible for operational tasks like managing servers, setting up computers to ensuring printers had enough toner.

Viewed predominantly as a cost center, IT enabled business, but did not drive it. That has changed. Technology has gone from an afterthought, to a key part of financial institutions' future strategies as finance and technology have come together to re-define the future of the financial industry and disrupt the existing status quo.

Since the term 'Fintech' started to go mainstream a few years ago, there have been countless discussions, events, websites, and conferences talking about the potential of Fintech to change the financial industry. 2017 will be the year when the proverbial 'rubber hits the road' in Fintech as we see many internal banking proof-of-concepts move to production as business models that look good on slides, start to be tested in the real world.

Not be left out, governments and regulators are 'all-in' on Fintech as they seek to attract start-ups and business to their regions. Most notably, regulators in Singapore, New York and London have all setup Fintech focused groups within their organizations and have established 'Fintech' sandboxes to foster innovation. The Monetary Authority of Singapore, Singapore's financial industry regulator, in particular, has done a significant amount to push Fintech and beyond, having a 'Chief Fintech Officer,' has setup an innovation lab and organizes one of the largest Fintech conferences in Asia.



We are truly in the golden-age of Fintech. New technologies like Blockchain, Artificial Intelligence and Machine Learning are enabling new business models and ways of thinking about banking. Yet many of these remain very nascent. Despite all of the discussion about Blockchain, the only large scale production use case we have thus far is Bitcoin itself.

Many platforms that are using artificial intelligence are barely scratching the surface of what may be possible. The next few years will be critical for the industry as it moves from theory to practicality.

According to Mike Blalock, GM and Head for the FSI Industry Vertical at Intel, "In their transformation to Digital, banks will continue looking for creative partnerships that allow them to deliver a secure and frictionless brand experience across all customer channels, leveraging analytics and automation to deliver sustained business growth."

## Asia Fintech Today



Asia of course remains at the center of this industry transformation. Of the top-5 largest Fintech Unicorns, 4 are based in Asia, unsurprising when you consider the potential and the fact that many of the Fintech giants are focused on the enormous opportunity that Asia offers.

Home to three quarters of the world's people, according to the World Bank, 40% of which remain unbanked despite an average smartphone penetration of 80%. Asia is, in many ways, ripe for Fintech disruption.

Ant Financial, a large Chinese Fintech, processes 175 million digital payments daily and in 2015, captured US\$20 billion in fees from the traditional finance industry. Users on Tencent's WeChat mobile chat app, an app that is incredibly popular in China and growing internationally, sent over 14.2 billion virtual 'red envelope' cash gifts over Chinese New Year 2017. PayTM is India's largest digital payment provider and processed 1 billion transactions in 2016 across its 177 million user accounts.

None of these tech companies started off as banks, but they are rapidly changing the way that millions of consumers in Asia manage their daily finances as they threaten to disrupt the traditional finance industry. In response, banks have hired Chief Innovation Officers and traditional CIOs are now a key part of financial institutions' management team. Nearly every sizable financial institution has an Innovation center and many have setup corporate investment arms focused on Fintech.

But Fintech in Asia also faces some critical challenges. Differences in language, culture and customs make it difficult to scale businesses regionally. Varying regulation and regulator objectives make any pan-region traction or direction challenging. How much this slows the spread of Fintech throughout the region remains to be seen.

## Future of Fintech in Asia

We are only at the beginning of what will certainly be a period of rapid change for the financial industry. Fintech, as we know it today, is redefining payments, banking, investing and insurance. New technologies promise to streamline processes and open up new product and service opportunities.

As these technologies move into production over the next few years, end-customers will see new products and services come to market. Fees will continue to shrink as new robo-advisor platforms launch and wealth management 'democratizes,' opening up a wider range of products and services to customers who never had access to them before. Blockchain technology will start to streamline backend operational processes. Artificial intelligence and machine learning will impact product selection and automate customer services. Technology in general will drive the launch of new products.

China and India will remain key centers of Fintech growth. Demonetization in India has raised the interest and profile of digital payments as retail transactions increasingly go mobile or online. In China, continued progress in cloud, blockchain and big data will continue to support the development of innovative and government-supported payment, credit and lending platforms.

South-East Asia will also see tremendous future development. Singapore will continue to develop itself as a Fintech center for South-East Asia while e-commerce and Online to Offline (O2O) services including taxi booking and food delivery drive digitization in the rest of the region as companies like Grab and Go-Jek continuing to blur the line between Fintech and traditional commerce.

It is increasingly important for banks to stay on top of the latest trends as well. As China's Fintech companies have shown, the industry moves quickly and banks risk being disrupted. Having an agile and adaptable infrastructure has always been critical for banks, but now more so than ever.

## Intel in Fintech

For the past 50 years, Intel has been a key technology enabler for the Financial Services industry. Today Intel continues to enable capabilities and solutions across Data Driven workloads, On-demand and scalable compute needs, Perceptual Customer experiences, Hardware enhanced Security, amongst others. Through its global Fintech enablement efforts, Intel works closely with a number of Fintech players in global hubs like Singapore, Boston, London, New York & Tokyo.

For more information on Intel in Financial Services, visit <http://intel.ly/2IRZ0kU>

## About Kapronasia

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