

## Asian Financial Forum 2018

### Keynote Address

#### Synopsis

The emergence of fintech innovations – mobile payments, peer-to-peer lending, security and biometrics, robo-advisors, cryptocurrencies, to name a few – is redefining the way in which businesses and consumers handle money, banking and purchasing, while reshaping the traditional financial services industry. JP Nicols discussed the development of financial innovation and technology, and how companies from the financial and business communities are leveraging innovation to thrive in the evolving global market. A former senior bank executive, Nicols advises companies from start-ups to the Fortune 500. He is a popular writer, a highly rated speaker, and often quoted in the video and print media.

#### Speaker

- **Mr JP Nicols**

Managing Director of the FinTech Forge and Chairman of NextMoney.org

As the final keynote speaker on the second day of the 11<sup>th</sup> Asian Financial Forum, JP Nicols, Managing Director of FinTech Forge and Chairman of NextMoney.org, said that while fintech is increasingly responsible for the widespread disruption in the financial sector, this is just the tip of the iceberg.

"The development and influence are not being driven by the proverbial two kids in a garage that have an idea that turns out to be something, although we have a number of those stories. This is something that is happening on the edges of the financial industry and right down the centre," noted Nicols.

Citing US entrepreneur and fintech venture capital investor Marc Andreessen, the co-founder of Netscape who wrote "Why Software Is Eating the World", Nicols said that nowhere in the world is fintech development with the potential to eat into the financial sector, occurring more quickly than in Asia. "Market share of fintech investment in Asia is outstripping the US and Europe. You only have to look to China or the Asian banks that are investing to expand and execute their own fintech capacity, both internally and externally." He added it is not only financial institutions that are expanding their fintech capabilities, that technology companies, retailers and insurance companies are investing and partnering with fintech enterprises.

As technology becomes a bigger part of everyday life, Nicols cautioned that financial institutions which fail to keep up with customer demands may lose business. "Disintermediation, or banks losing their intermediary role, presents a serious challenge," he said. The trusted intermediary role includes collecting funds and deposits, and lending where they are needed, facilitating commerce and providing payment cards and trade finance. He pointed out that banks face some of the stiffest competition from non-banking entities in payments, for example in China, where mobile payment is growing so rapidly it can be difficult to complete basic transactions without it. "China is a good example of a place where the traditional bricks-and-mortar banking infrastructure has been leapfrogged straight into mobile banking. Banks are no longer somewhere you go; banking is something you do," he said.

Nicols also talked about how mobile banking has taken over the Chinese tradition of giving a red envelope containing money to family and friends at Chinese New Year. "Last year 14 billion hongbao were digitally distributed, the year before eight billion and the year before that, one billion. Goodness know how many will be distributed this Chinese New Year." Fintech is levelling the financial playing field by making high-level, top-of-the-market services more accessible to all customers, not just institutional clients and high-net-worth individuals. He also said that technologies such as Blockchain are being leveraged by banking and finance to track the provenance of art and diamonds in an attempt to stop the trade in stolen goods and blood diamonds.

With fintech concepts increasingly challenging traditional banking business, Nicols suggested it is a mistake to get caught up in what looks like innovative fintech development, but is actually only what he terms fintech theatre, often defined as trying to paste digital applications onto existing processes. "This won't work in an era where consumers have become digital users and want more digital services," he said, "You can put lipstick on a pig, but it is still a pig... Fintech Innovation cannot be managed like a traditional IT project where every detail from concept to execution is planned out, it is a lot messier... True fintech innovation requires inspired leadership that supports calculated risks in an industry that by nature and tradition is conservative." Nor, Nicols stressed, can banks innovate fintech alone. They need to work with fintech developers and make use of application program interface (API) protocols, and tools for building software applications. "Of course there need to be boundaries to avoid harming the enterprise, but banking leaders need to nurture an environment that supports resources allocation and taking risks."

Nicols' background is in banking and traditional financial services, and for the last five years he has worked on the intersection of traditional financing and fintech, helping organisations to innovate by building on their own internal and external capacity.

During a Q&A session moderated by AFF MC Karen Koh, Nicols said regulation for fast-evolving fintech solutions is necessary, but shouldn't stifle innovation that ultimately benefits consumers and makes life more convenient. He concluded his presentation by saying Hong Kong is a unique and special place, recognised as a global trade and financial centre. "The goal for Hong Kong is how to bring the better of two worlds together, where you have this globally connected Western-friendly city with some of the most amazing fintech concepts in the world being developed in China, and spread them to other parts of the world.

**ENDS**