

The Impact of Technology in Financial Services: Are We All Ready?

Introducing this seminar, Ms Angie Lin, Founder and CIO, Assured Asset Management, pointed out how much innovation has changed the world of asset management, which she said is totally different compared to a decade ago, when she first thought about finance as a career. "But are we ready for what technology is bringing for us?" she asked.

Moderator Mr Soul Htite, Fintech Entrepreneur, Chairman and Founder, Dianrong, Advisor, Assured Asset Management, introduced the panelists and then asked if innovation in the financial world is being kick-started by major corporations with a lot of resources and manpower or driven by "hungry, small teams."

Dr Frederic Lau, Chief Executive, Airstar Bank Limited, believes ideas are being "consumer-led", with individuals initiating concepts that can be expanded through the financial clout offered by larger companies. "The market drives innovation," he said, "but then who drives the market? Is it large companies that are established or is it entrepreneurs? The ultimate work comes from larger companies because the smaller ones lack resources."

Mr Robert Cheung, CEO at Assured Asset Management, interjected that only about one out of 10 start-ups is able to actually drive innovation, but these companies exist because "they see the problems." He said they are closer to consumers and "more agile and embrace change", but the large companies are needed when it is time to follow through on innovations.

Mr Jonathan Larsen, Chief Innovative Officer, Ping An Group; Chairman & CEO, Ping An Global Voyager Fund, compared the case of CitiBank, a two-hundred-year-old company which was at the forefront of introducing credit card facilities into emerging markets in the 1970s simply because of market demand, to that of Ping An, which is just over 30 years old and has "entrepreneurship in its DNA."

"Unlike the older company that was able to adapt, Pin An has a more rapid approach," he said. "How many new businesses have been started by larger business in the past few years? I can think of very few."

Professor Francesca Cornelli, Dean, Kellogg School of Management; Donald P. Jacobs Chair of Finance; Professor of Finance, Northwestern University, said the landscape in the financial industry is in a constant state of change with the emergence of startups, which in turn are being watched by their "bigger neighbours".

Turning the conversation to how the business world has evolved over the past three decades, Mr Htite referenced the likes of Google, and how traditional institutions are no longer so important when it comes to building businesses and developing technology. "Have we reached a ceiling with these institutions?" he asked.

Mr Larsen mentioned the emergence of ride-sharing startups, noting "taxis still exist," and that traditional financial institutions have a long future. "You are still going to want institutions that are responsible," he said. "I think the consumer wants that; I think the regulator wants that."

Panel members agreed that traditional institutions are important: "it's about governance; it's about trust," said Mr Larsen.

In terms of the scene in Hong Kong and Mainland China, Mr Nelson Chow, Chief Fintech Officer, Fintech Facilitation Office, Hong Kong Monetary Authority, said there has been a shift in the way financial institutions in China operate, but that local banks have not been as quick to embrace new technology and innovations.

With licences for eight virtual banks announced last year, the timing is right, said Mr Chow, noting that stability is the key, but innovation means change and will only work if these innovations are widely accepted.

Mr Larsen said the fact that the Hong Kong Monetary Authority is "actively sponsoring" competition is a positive sign that the city is embracing new technology and innovation. He said he thought regulators today are "highly sensitised" to "what the future needs to be", and that cloud technology will in the near future move banking more off-site and into the hands of consumers.

Just how quickly the landscape is changing in terms of technology and new methods of accessing data was a theme that permeated the seminar, and Professor Cornelli wondered "as the pace of change becomes faster and faster can we promise those who are instigating innovation a stable environment?" She said this is a big issue ahead for regulators.

Mr Chow told the panel about the Hong Kong Monetary Authority Sandbox initiative, launched as a platform through which banks and tech firms can gather data and feedback on their new initiatives.

Mr Larsen finished by saying that the world is seeing a breakdown of the "silos" that previously structured financial services, although that doesn't mean the new ways can't work hand in hand with the old. Through education and growing acceptance, the traditional and innovative will find common ground, and adaptability, the panel agreed, is the key.