

# How will Fintech Change Financial Services? Impact of Fintech Becoming Evident at US/Europe Fintech Events

Fintech (Financial technology) is reshaping conventional financial services. Large-scale Fintech events held in Europe and US, such as Money 20/20 and Finovate, offer glimpses into the future. We look into the impacts of Fintech through reports from these events.



Fintech started coming into its own in the global financial crisis of 2008. Due to growing distrust in existing financial institutions, startups based in Silicon Valley are gathering support from the younger generation by developing new services such as personal financial management (PFM) and mobile payment to broadly expand the Fintech users and this is creating new trends one after another, such as application of blockchains..

### Fintech—Continual to Evolve Using the Latest ICT Technology as its Engine

As the name suggests, Fintech relies on constantly evolving ICT. As the ICT world shifts its focus to cloud, big data, and mobile, Fintech in turn continues to adapt to new technologies.

In the ICT field, for example, interest has increased in Artificial Intelligence (AI) and Augmented Reality/Virtual Reality (AR/VR). Fintech exhibits the same trend—just look at Money 20/20, the large-scale Fintech and payment services exhibition held in Las Vegas in October 2016. At this event, spot-light were on the demo of service utilizing the VR technologies. Major Europe based ATM manufacturer, Diebold Nixdorf, drew attention with their demonstration of a new VR-based service. With the service, when users put on the VR device, unfolding a virtual supermarket in front of their eyes. Once inside the virtual store, users are able to browse and select their favorite items using their smartphone. While Diebold Nixdorf had not yet implemented the actual purchase of items for the demo, however, it was evident that they are utilizing the smartphone and applications in an easy way to make use of the new technologies. Elsewhere at the event, Visa Inc. USA also demonstrated a VR service using a head-mounted display.

New technologies always present challenges, but in reality, many such services disappear within a few years. Nevertheless, blockchains and application programming interfaces (APIs) are expected to influence the future development of Fintech services.

### Blockchain Plunge Forward for Practical Use

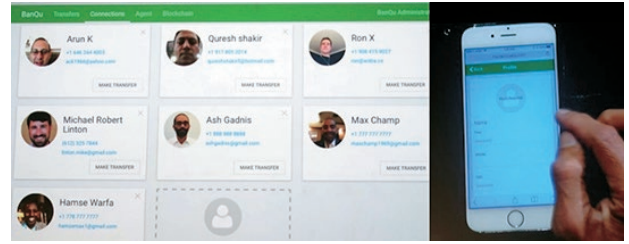
Blockchain, the core technology behind the virtual currency Bitcoin, is poised to upend the framework of payment systems. Blockchain adopts an encryption-based peer-to-peer distributed ledger system. Compared to current centralized payment systems, which are built around large-scale computer systems, the blockchain approach greatly reduces system operation costs. It is also highly secure against fraud such as data falsification and data destruction, as well as system failure. Trial experiments have already begun in Japanese financial institutions and stock exchanges as well, attracting interest from the government and Bank of Japan. In Europe and the US, a number of projects utilizing blockchains have been announced at Fintech events. Many of these are led by startup companies.

In Visa Inc. keynote speech at Money 20/20, they announced a new service that utilizes blockchains. Accompanying them on stage was Chain, a startup company that provides blockchain platforms. Visa's service will utilize "Chain Core," a business-oriented blockchain platform by Chain, to allow financial institutions to remit funds for corporate customers in real time.

In May, at Finovate Spring 2016 held in San Jose, BanQu attracted attention by announcing its refugee support solution utilizing blockchains. They reason that by recreating the process of recognition be-



Money 20/20 Venue



BanQu Service Screen

tween acquaintances in a refugee camp on a blockchain, a proof of identification can be generated, and that based on this proof, refugees can receive aid remitted from outside supporters. Refugees without official identification can also receive quick support. BanQu aims to utilize blockchains in partnership with non-governmental organizations (NGOs), the United Nations, and government organizations to support refugees and the poor.

Blockchain applications are expected to continue expanding in non-payment fields.

### Expanding the Fintech Ecosystem with API

There have also been many new announcements in API, another key technology in the future of Fintech services. APIs allow Fintech startups to link their systems with those of existing financial institutions to create seamless, user-friendly services.

Once an API-based platform is released for an existing financial service, other Fintech players can enter this service to form an API ecosystem. This system may also separate financial service creators from service sellers.

The big bang in financial services started in the 1990s, when the manufacturing and sales of products was separated. For example, the portfolio designer of an investment trust may not be the party selling the trust. APIs are expected to boost this movement further from a technical aspect. By using APIs to link with existing financial institutions, Fintech companies are free to focus on their fields of expertise. This will unbundle and diversify financial services further as well as improve user experience.

Chatbot services, a popular topic at Finovate Spring 2016, also use APIs. New York-based startup ForwardLane made waves at the event. ForwardLane specializes in developing highly polished services for financial advisors and other professional users. The company provides

individualized service to financial advisors by working with major financial and economic information providers and API providers dedicated to market data.

Another player is Kore, a chatbot and messaging app business. Kore provides a chatbot service which links with existing systems of financial institutions. The service notifies customers of missing documents in loan applications and informs staff of the schedule to follow when opening an account.

At Money 20/20, partnerships between major payment providers and infrastructure service providers were announced one after another. Ant Financial of Alibaba, provider of the world's largest mobile payment service Alipay, partnered with the mobile POS giant Verifone. Elsewhere, Google, who provides Android Pay, partnered with Visa and Mastercard. And finally, PayPal USA announced a partnership with social media giant Facebook. Large scale payment network is on the way not just for financial institution, but for broad range of industries, connected and linked through API.

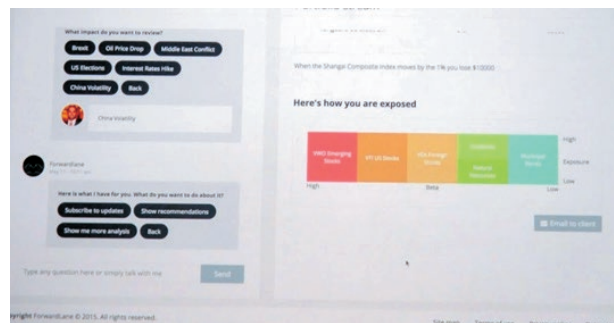
Blockchains and APIs are revolutionizing financial services. They are transforming how existing financial institutions operate, making their services more efficient and productive and ushering in new user experiences.

### Bringing Financial Services to Everyone

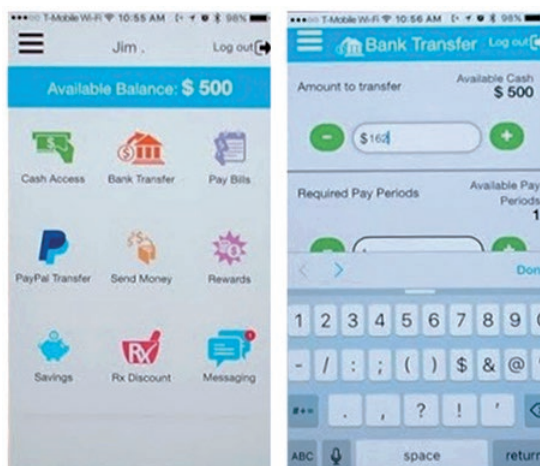
Fintech is also a driving force behind widening the scope of financial services to include sectors unimaginable in the past. A symbolic example of this is mobile point of sale (POS) service, as provided by companies like USA-based Square. With mobile POS, vendors can attach a credit card reader to a smartphone or other device for use as a payment terminal. Now, street musicians can even use it to sell their CDs on the street. Another example is investment advisory services called robo-advisors. Robo-advisors reduce costs by replacing human advisors with ICT, which appeals to younger consumers who have fewer assets and little interest in asset management.

Services that target the Unbanked—people without bank accounts—are also appearing in the US and elsewhere. The unbanked cannot utilize general financial services, such as direct pay for salary or remittances. About 25 percent of households in the USA are unable to use banking services for some reason or another, a total of 90 million people; the unbanked number over 2 billion worldwide. The unbanked are harder to assist with social services and present a challenge to economic development.

Fintech services offer great possibilities as a means to support those in difficult financial situations. One example is BanQu's refugee support solution utilizing blockchains as described earlier. Every year, many services that support people in difficult financial situations are announced at Finovate to great fanfare.



ForwardLane Service Screen



PayActiv Service Screen

San Jose-based startup PayActiv offers a service that provides a virtual payroll account to those without a bank account. The service works with employers to provide employees a specialized service. Employers can even offer advances for half of the amount of work done up to a maximum of \$500.

Another example is Student Loan Genius, which assists students in repaying student loans. In the US, many students take on large student loans to pay for their high college tuitions. Moreover, new graduates often have trouble finding stable employment. Student Loan Genius allows employers to build-in student loan payments into employee benefits, present optimal refinancing plans from annual income, and automatically deduct monthly payments from employee salary accounts.

Fintech presents a great social significance—it provides opportunity to people who have been unable to receive financial services. Once a fringe member in the business finance sphere, Fintech is now becoming mainstream.

Photos courtesy of Fujitsu Research Institute

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