

Who will be the future of finance?

Open banking - challenges and oppertunities

25 October 2017

Lars Erik Fjørtoft
PwC

Death by a thousand cuts



*More than
80% believes
their business
is at risk*

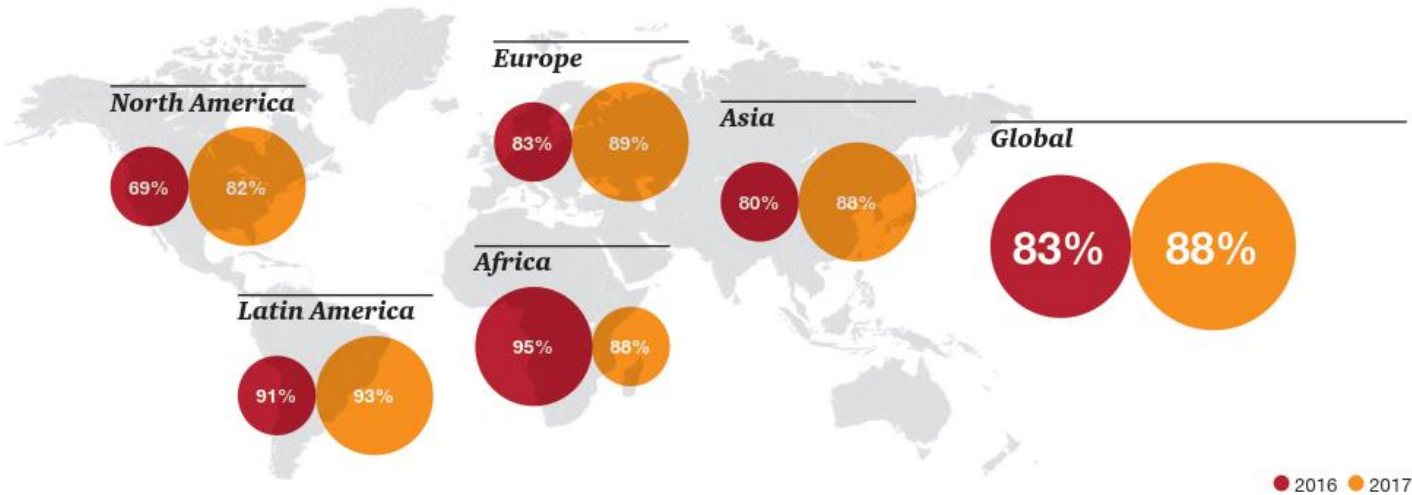


Source: PwC Global FinTech report 2017.
© 2017 PricewaterhouseCoopers LLP. All rights reserved.

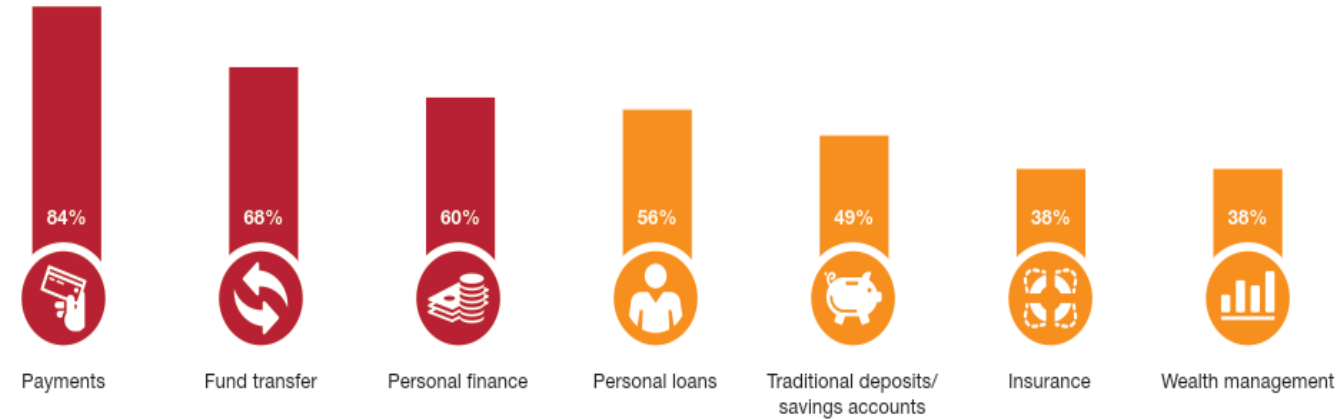
More than 80% believe business is at risk

Do you believe that part of your business is at risk of being lost to standalone FinTech companies within the next five years?

(Percentages shown correspond to “Yes”)



What financial activities do you believe your customers already conduct with FinTech companies?



“Innovation is happening outside of the organisation, with emergent technologies being leveraged by startups, and if Financial Institutions want to speed up their innovation they need to significantly increase their collaboration with FinTech companies”

Manoj Kashyap, Global FinTech Leader, Partner PwC US

The incumbents respond in 3 ways

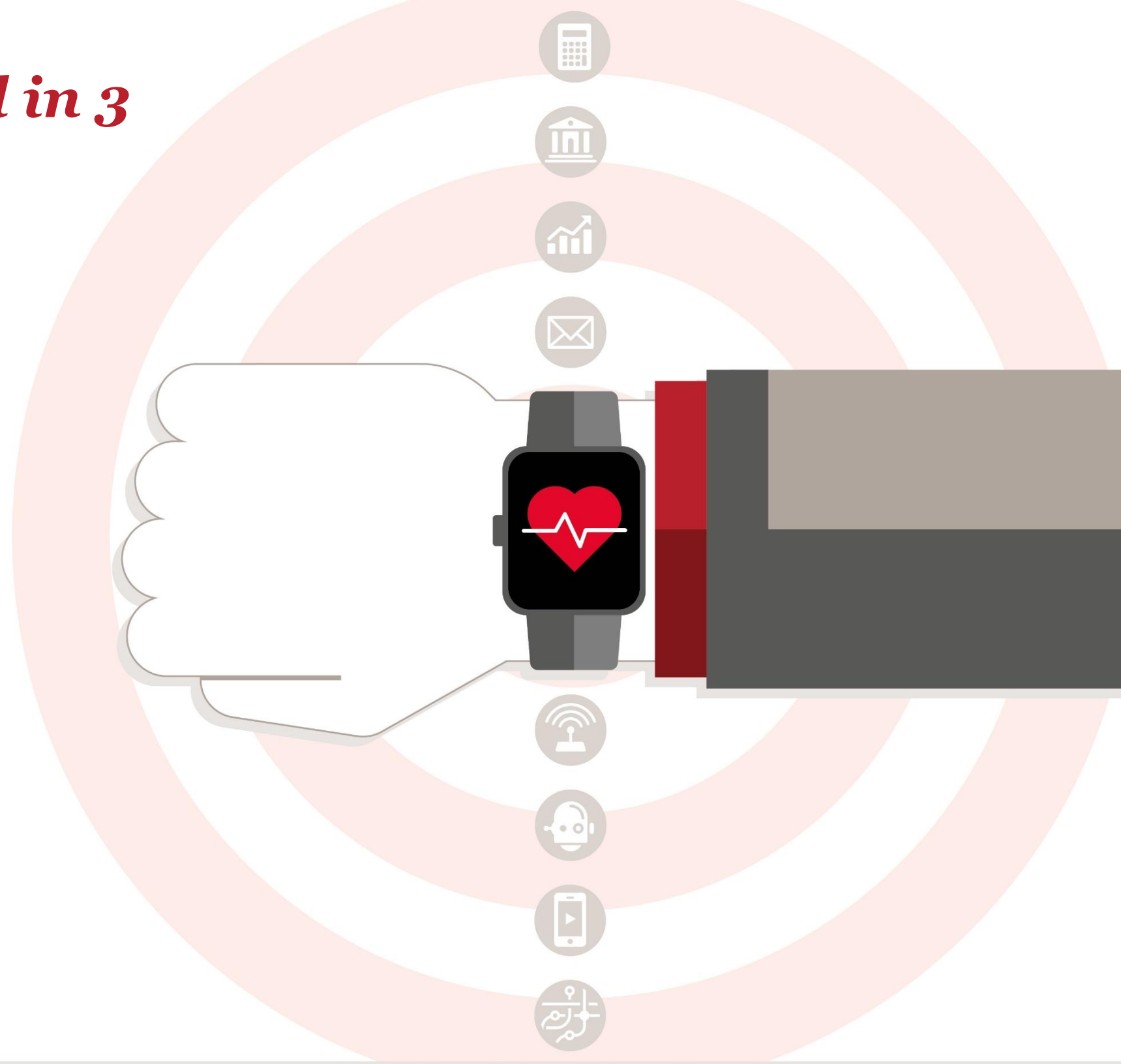
1) More innovation and put disruption in the center of their strategy

77%

Increase spending on innovation

56%

Puts disruption in the center of their strategy



2) Alliances and partnerships

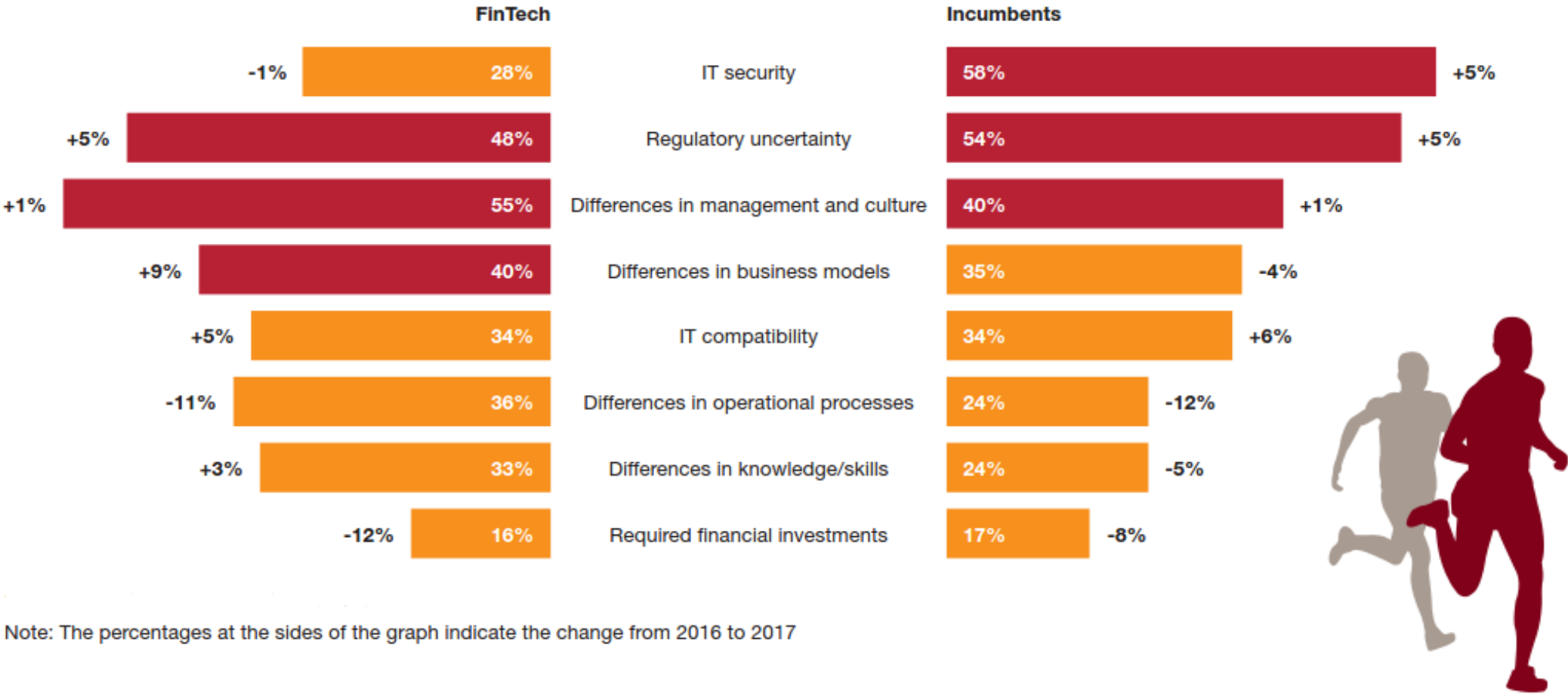
82%

***Say they plan to form
partnerships with
Fintechs within the
next 3-5 years***



And integrate

When working with Financial Institutions (or FinTech companies), what challenges do you face?



Note: The percentages at the sides of the graph indicate the change from 2016 to 2017

Source: PwC Global FinTech Survey 2017

“Traditional Financial Institutions are too slow in implementing things. For a startup it takes no time to adapt to new circumstances and make changes accordingly. Incumbents take forever. Integrating with them is a nightmare because they lack the culture, know-how, and they lack the incentive.”

CEO of a Latin American FinTech company

An isometric 3D graphic composed of numerous cubes of varying sizes and colors (red, orange, yellow, and white) arranged in a complex, stepped pattern. The cubes are set against a light gray background with a faint grid of dashed lines, creating a sense of depth and architectural structure.

3) New technology

77%

*Expects to starts using
blockchain by 2020*

30%

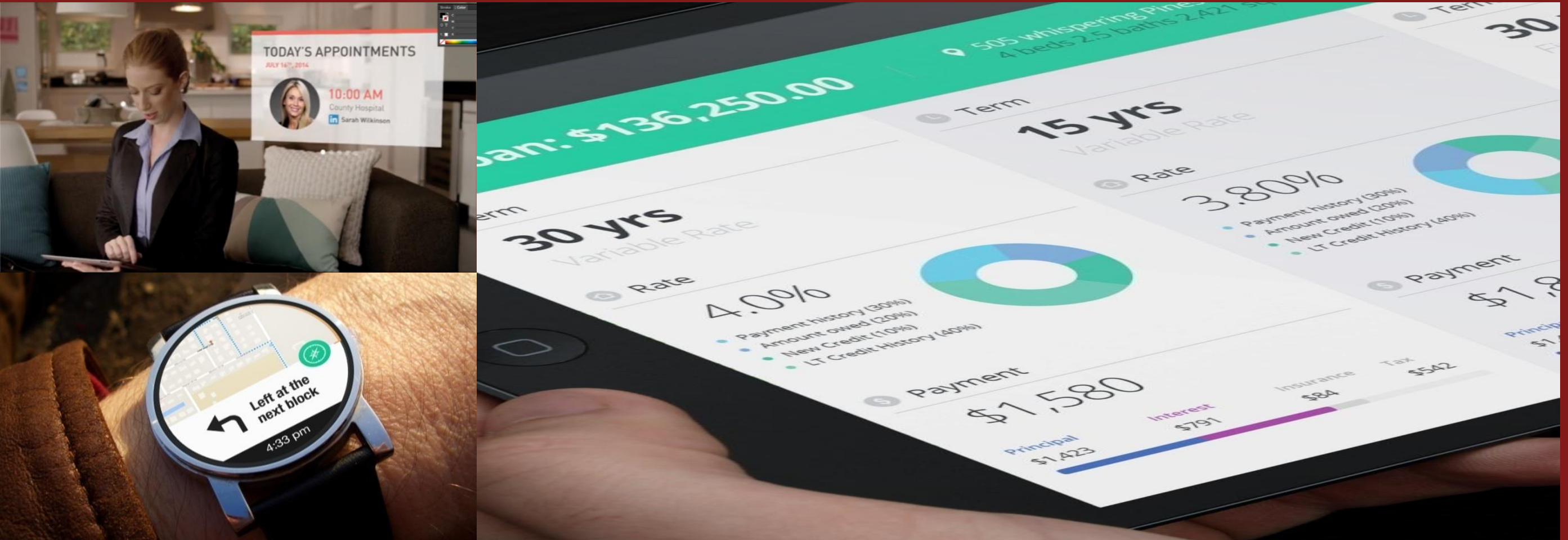
Incumbents

46%

FinTech

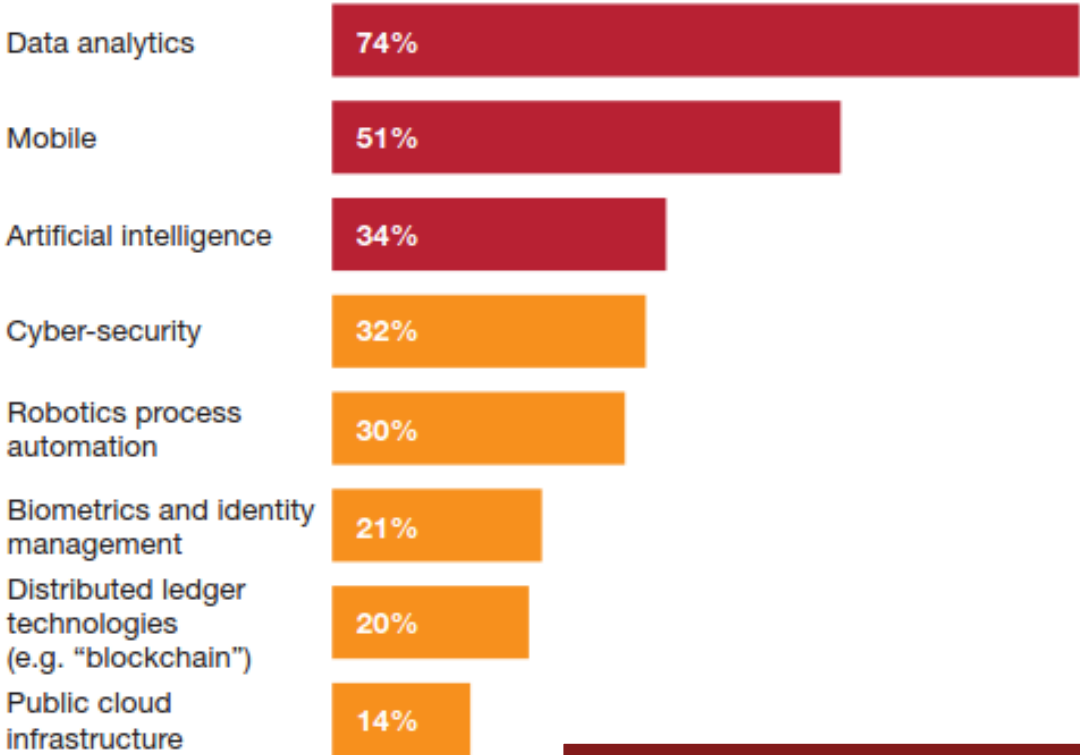
*Investments in AI
(Artificial Intelligence)*

2. Emergent technologies are enabling convergence

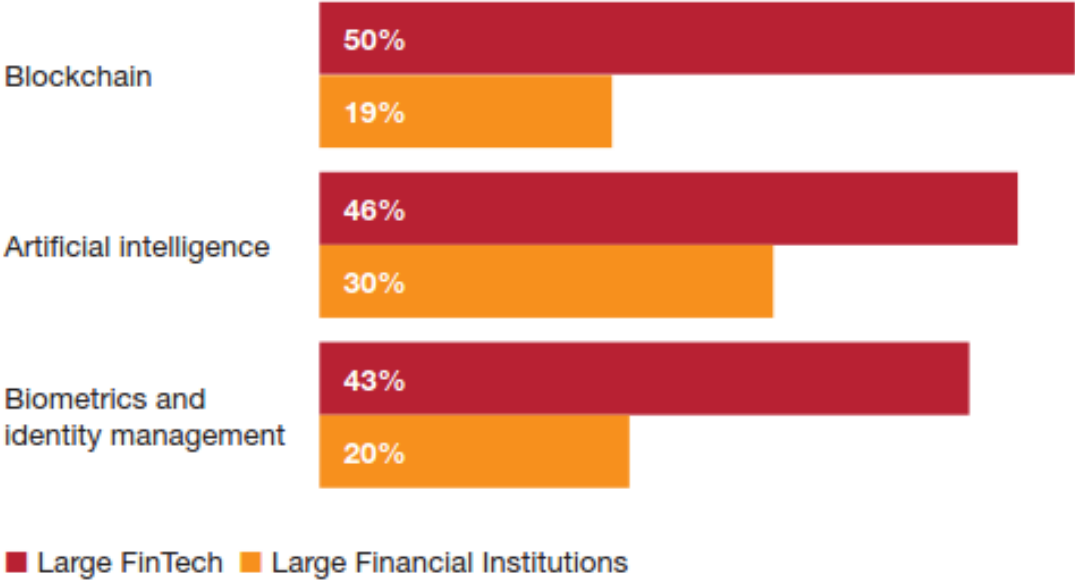


Investment in enabling technologies will help narrow the gap

What are the most relevant technologies for your business that you plan to invest in within the next 12 months?



Percentage of large companies that identified these emerging technologies as the most relevant to invest in within the next 12 months



Note: We include only responses of companies with more than 500 employees.

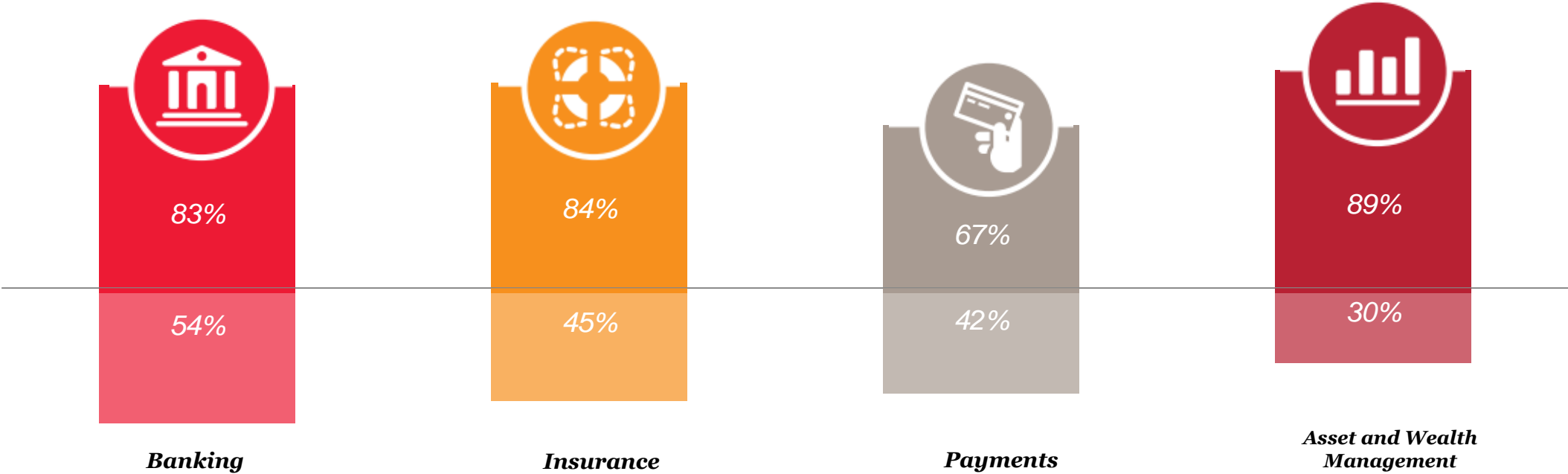
According to PwC's DeNovo, recent advancements in AI have pushed the technology to the top of the list for financial services. Startups that apply AI to Financial Services have been funded more extensively, with an average funding of US\$1 bn over the last two years.

Source: PwC Global FinTech Survey 2017

Innovation trends under an industry spotlight

Percentage of respondents expecting to increase partnerships over the next three to five years

Percentage of respondents currently engaged in partnerships with FinTech companies

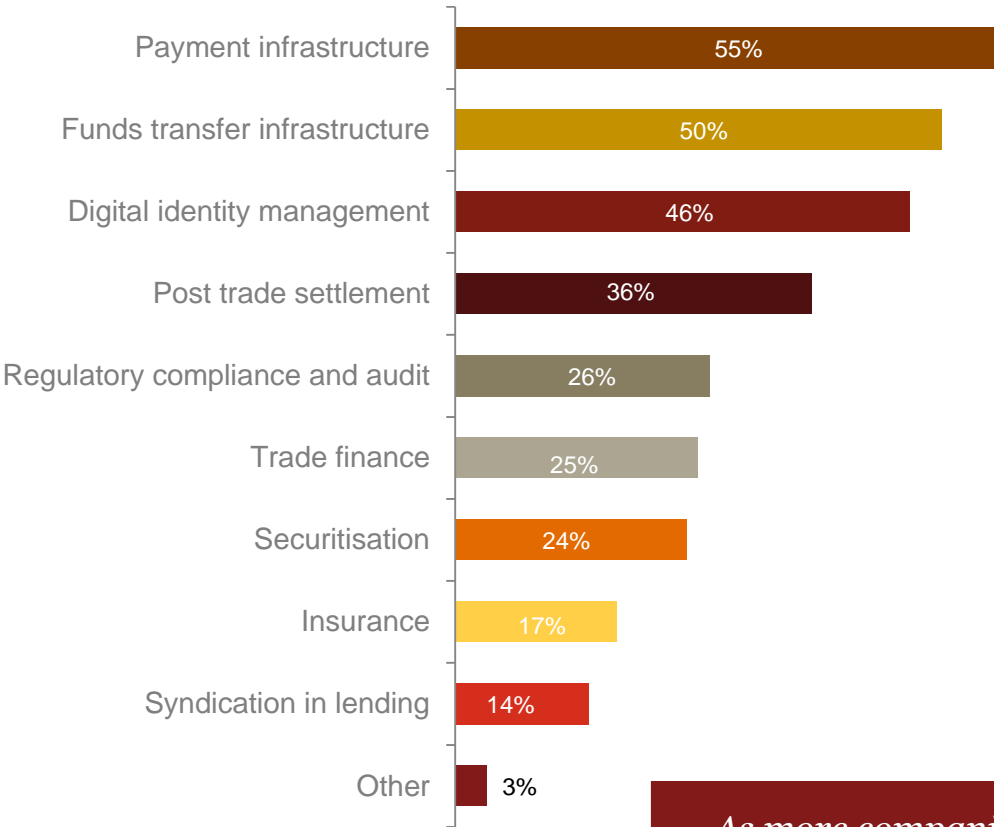


- Most bankers see personal loans (64%) and personal finance (50%) most at risk of moving to a FinTech company.
- Bankers are increasingly turning to FinTech companies to engage in partnerships (54% vs. 42% last year), and to buy the services of FinTech companies (40% vs 25% last year).
- Insurance companies have been accelerating efforts to keep pace with the trends reshaping the market and closing the gap with other financial sectors.
- They are increasingly coming together as 45% engage with FinTech companies, compared to 28% last year.
- Overall, payment companies are confident in their ability to innovate.
- Innovators are being seen as an opportunity for payments companies, especially as 27% are offering their services to FinTech companies (vs. 17% of respondents across all sectors) and as they are increasingly partnering with them (42% compared to 35% last year).
- 60% of Asset & Wealth Managers (AWMs) see wealth management activities at risk of moving to a FinTech company.
- FinTechs and AWMs are just beginning to come together, with only 30% engaging in partnerships.

Source: PwC Global FinTech Survey 2017

Blockchain is moving out of the lab

What business use cases do you most likely see blockchain technology useful for?



77%
Expect to adopt blockchain as part of an in production system or process by 2020

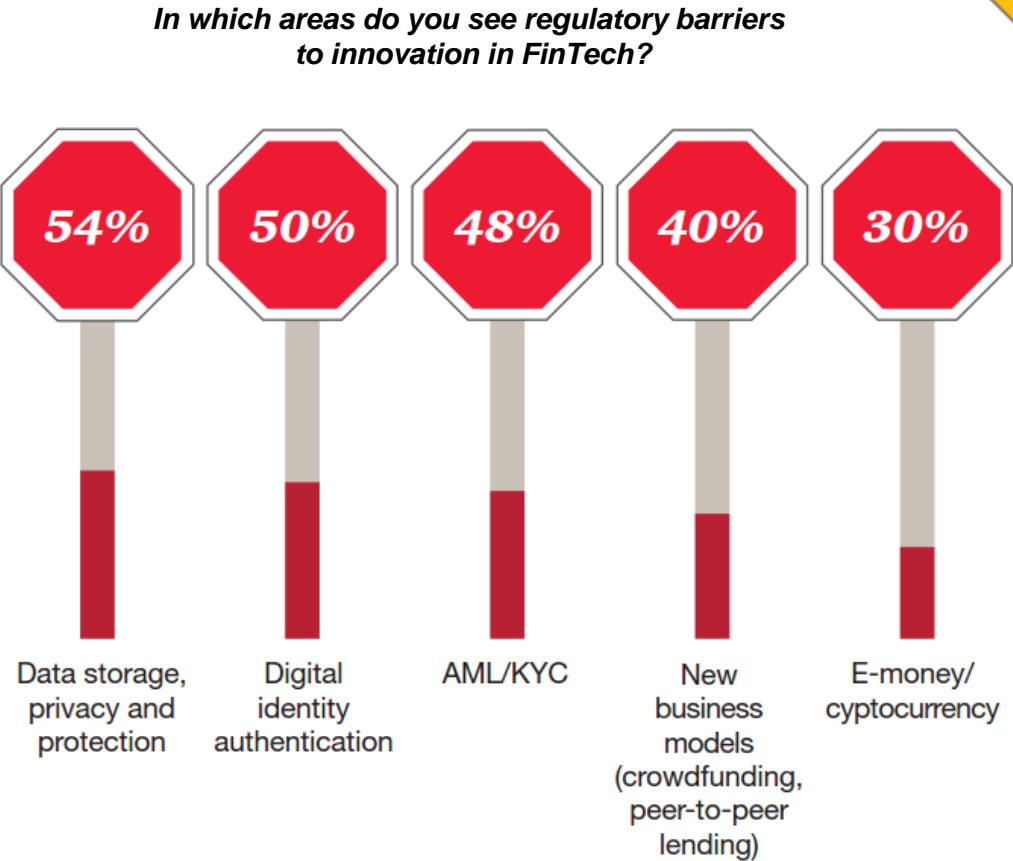
As more companies are realising the business use cases of blockchain, funding for the technology is increasing. In fact, according to data in PwC’s DeNovo platform, funding in blockchain companies increased 79% year-over-year in 2016 to US\$450 mn.



Regulations trigger disruption and innovation

The term RegTech has emerged to characterise innovation and emerging tech focused on solving complex regulatory challenges, enabling smarter regulation and reducing complexity in existing regulation and compliance.

There are many aspects to this including automation, data and analytics, machine learning and AI, and blockchain and cyber to name but a few.



Within the DeNovo platform, we currently follow over 230 startups that help financial institutions manage their regulatory and compliance processes.

Funding of these companies has increased at a CAGR of 44% over the last four years with cumulative investment at US\$1.4 billion.

Source: PwC Global FinTech Survey 2017

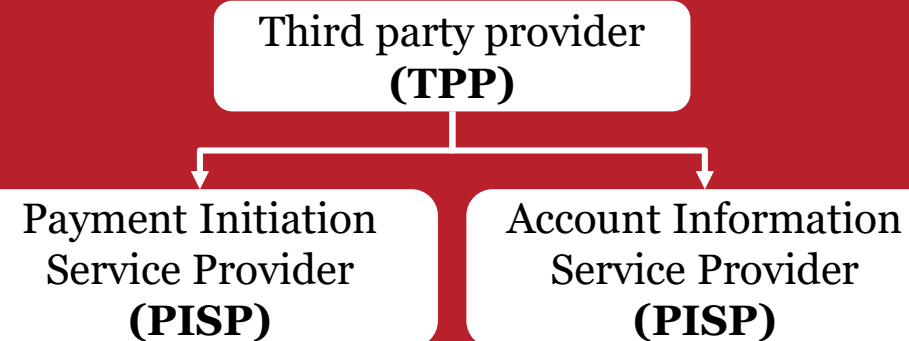


**What challenges and
opportunities can PSD2
and Open Banking
provide?**

PSD2/Open Banking – the future is now?

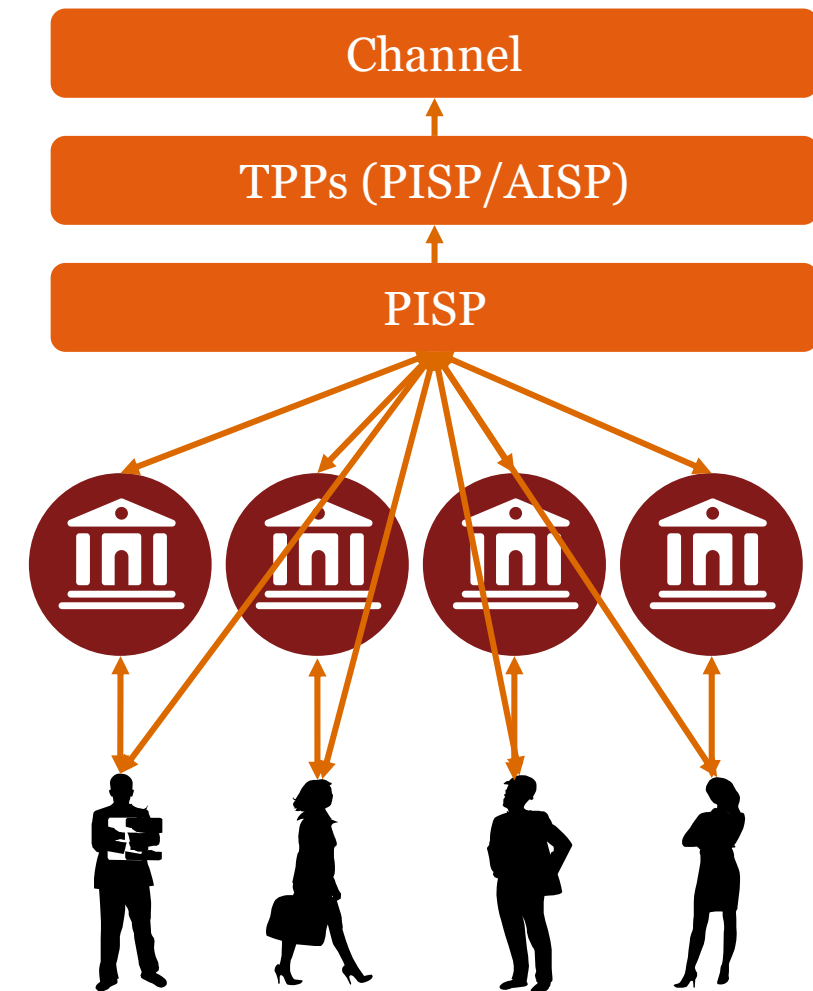
Technology driven directive to enhance competition, innovation and transparency in the Single Digital Market.

And ensure secure payment and access to accounts



Tomorrow
1:X

Today
1:1 bank-client



What are the customers interested in?



Purchase



Payment

The winner takes it all?

