

# AI & Big Data - A New Source of Geopolitical Power or Ethical & Regulatory Divergence?

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# FINTECH Ecosystem



- FINTECH Circle founded in 2014 in London, is a leading global fintech community of more than 120,000 people
- Investing via Europe's 1<sup>st</sup> Angel Network focused on FINTECH
- Learning platform FINTECH Circle Institute
- Editor of bestselling book series published by Wiley



# Change is hard in Finance – an Industry that is 500+ Years old



Jiaozi, the world's first [paper-printed currency](#), an innovation of the [Song era](#) (960-1279).

# Globally FINTECH is booming!

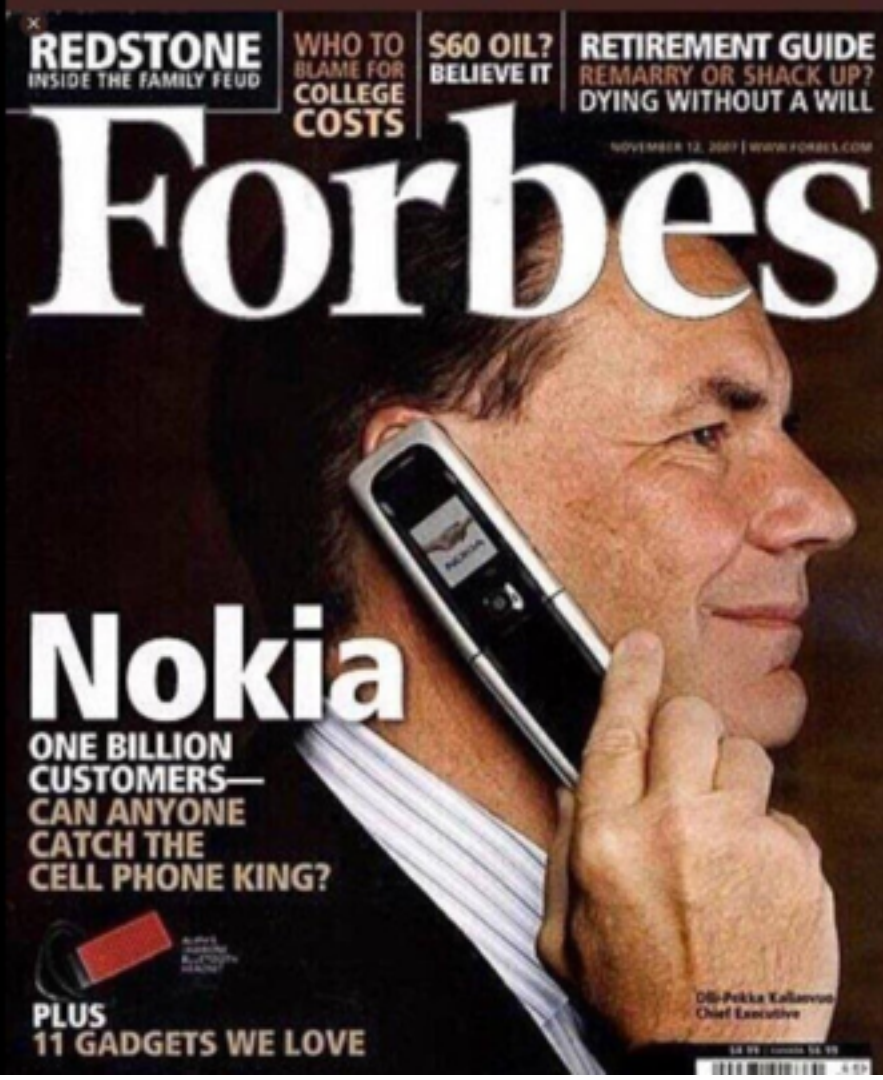
- North America leads fintech activities but activities in other regions growing, especially in China and across Asia are growing.
- Fintech subsectors gaining traction, including
  - **InsurTECH**
  - **WealthTECH**
  - **RegTECH**
  - **Blockchain**
- A shift to **Co-Creation leveraging AI & Big Data**  
Internal innovation labs or innovation garages combined with external know-how



40% of companies are at risk of being displaced because they're not equipped for the digital future.

(Source: Global Center for Digital Business Transformation)

FinTech Mastery becomes a key competitive advantage by helping institutions to innovate their services more rapidly than their competitors.



Can anyone  
catch Nokia as the Cell  
Phone King?

2007

# Don't let yourself be lulled into inaction!



“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten years.”

Bill Gates, Microsoft





A bank with no API Strategy will not be able to compete.  
We believe the initial cost of setting up API systems may be high but the opportunity cost of not doing so is higher.

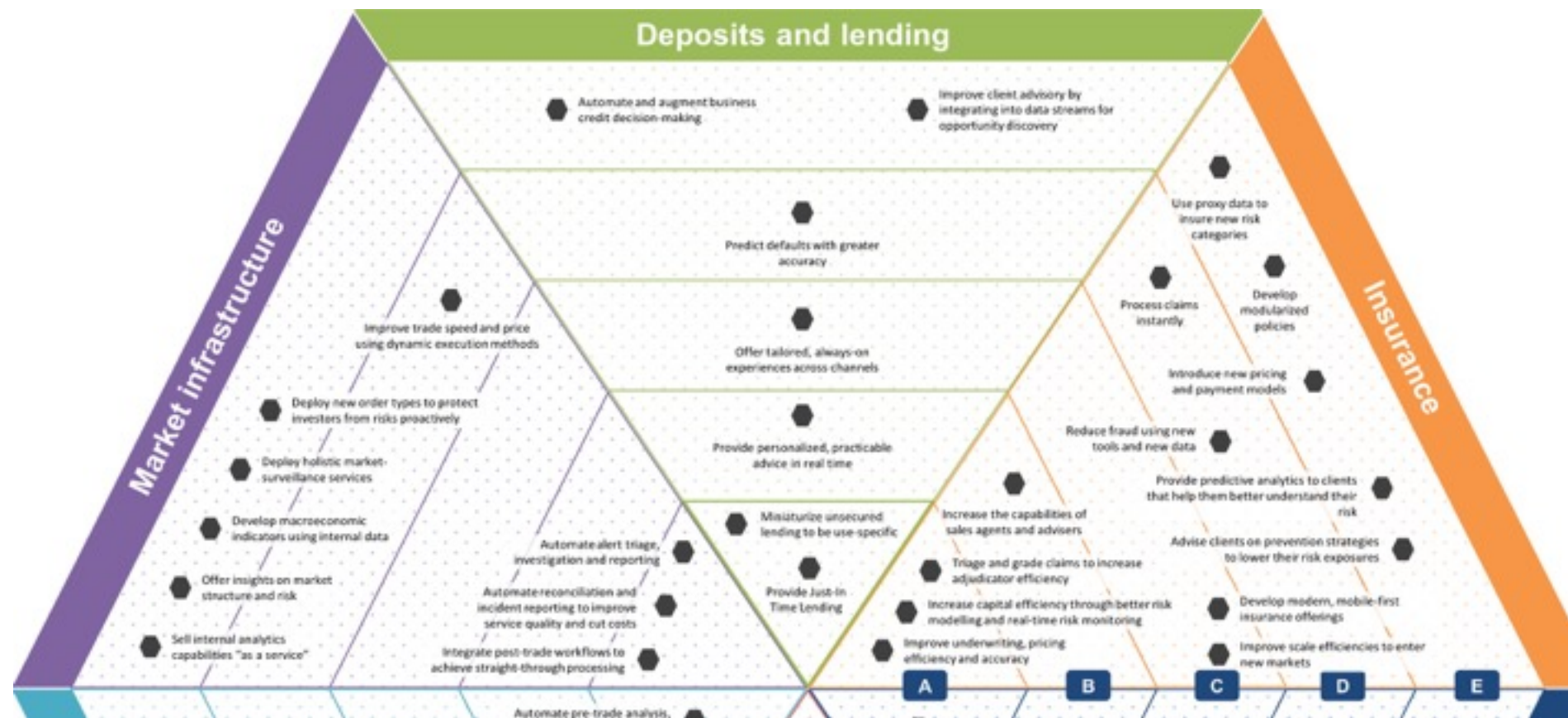
Mr Michael Gardner,  
Head of Innovation Center, Silicon Valley, BNY  
Mellon



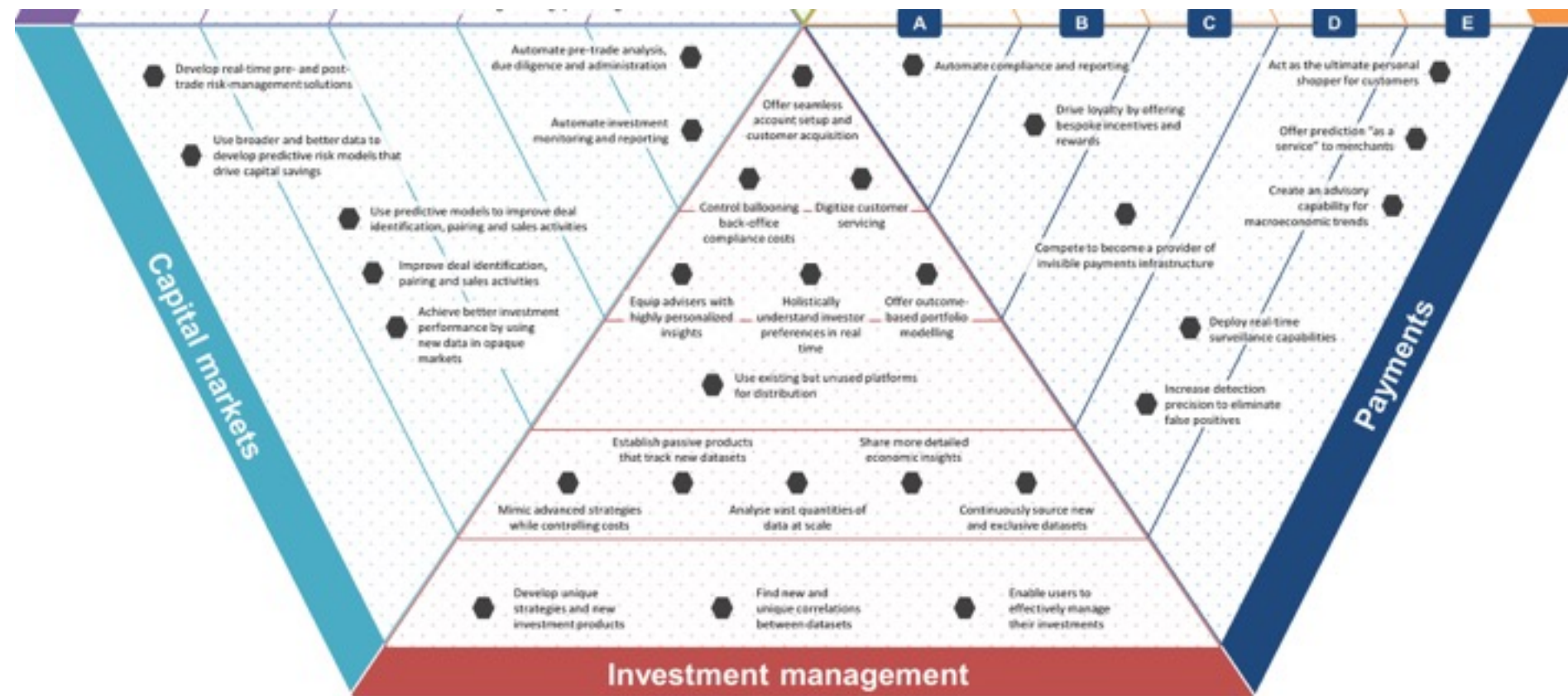
# AI Report by the World Economic Forum



# AI applied to Finance 1/2



# AI applied to Finance 2/2



# FinTech Benefits using AI & Big Data



# The FINTECH PowerShift to Technology Entrepreneurs



“First they ignore you,  
then they laugh at you,  
then they fight you,  
then you win.”

Mahatma Gandhi



# Fintech

## Who wins the FINTECH World Cup?

Challenged to explain the big picture in a 15-minute interval of a World Cup match, I started:

### What's the fintech game?

Fintech refers to financial technologies applied to the financial sector. Technology in finance has been around a long time but what's new, is that lots of new players enter the pitch who are changing the rules of the game.

In the past, financial services were provided by financial services firms. The game was clear, all teams played along just fine, but the audience got a bit bored as nothing exciting happened.

During the financial crisis, we learned that not everything within the financial sector was as rosy as it seemed. Scandals emerged, bribery, and corruption came to the fore. The conceit shocked the world. As a result, people lost trust and wondered if the finance game would ever be fairly played again. The established financial players faced regulatory pressure, improved their internal processes and controls and started to comply with new and tougher rules.

Focused on internal issues and cost-cutting, incumbents lost sight

of what happened around them. In their blind spot, thousands of new players qualified: fintech start-ups joined the 'fintech World Cup'.

### What's the strategy of the fintech startups?

Broadly speaking there are two camps - the disruptive ones and the collaborative ones. The disruptive players consist mainly of "Business to Consumer" (B2C) fintech start-ups who market new financial products and services to individual clients or SMEs. They don't mind fighting with existing players. They aim to convince people to move away from incumbents by promising a better customer experience, at lower cost and more fun. This fintech camp scored a big win early in 2018, when open banking and the Payment Services Directive 2



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was implemented. PSD2 crushes banks' monopoly on their user data. PSD2 and open banking are game changers for fintech.

On the other hand, the collaborative camp consists of fintech, wealthtech, insurtech and regtech firms, focused on selling to banks, insurance companies and asset managers. They are the genuine support squad for the existing financial players. These "Business to Business" (B2B) fintech firms can save costs, increase revenues and protect against compliance risks and fraud. So, these make up a very powerful support team. In the future, the leading banks will have platform-based business models surrounded by ecosystems of the best fintech players. They will pay millions to buy new players to be in the top league. Financial services firms are starting to choose their support squads now.

### Any other newcomers?

The biggest threat for incumbents are another group of new players - the tech giants. They come with millions of loyal fans. On top of that, they are more experienced in advanced technologies and user experience design. It will be just a matter of time until Google, Amazon, Facebook, Apple offer a suite of financial services to their millions of customers over Google Home, Amazon Alexa, Facebook messenger and Apple's Siri follow-up in the form of Chinese tech

giants who are the leading players globally. The fintech World Cup currently would most likely go to China's Tencent or Ant Financial.

### How does the fintech game work? How do you score?

This depends on who you are: start-ups score initially by convincing investors to fund them. This capital is the "oxygen" that startups need to build their product and get market traction.

Incumbents score by having a bold fintech strategy and partnering with fintech firms. The biggest challenge for existing players is that they are slow to assess opportunities, make decisions and roll out new products. Incumbents will only win if they can improve their culture, speed up decision making, empower "intrapreneurs" and explore new business models.

### Can I join the fintech game?

Sure; many left Canary Wharf and the City to join start-ups either as co-founders, as angel investors or as advisors/non-executive directors. Equally, you can play the fintech game within those banks, insurers and asset managers who have realised that fintech is the future and who are taking serious steps and investing in the best internal squad to move up the league tables. Will it be existing players, fintech start-ups or tech giants who win the World Cup in 2023? ■

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