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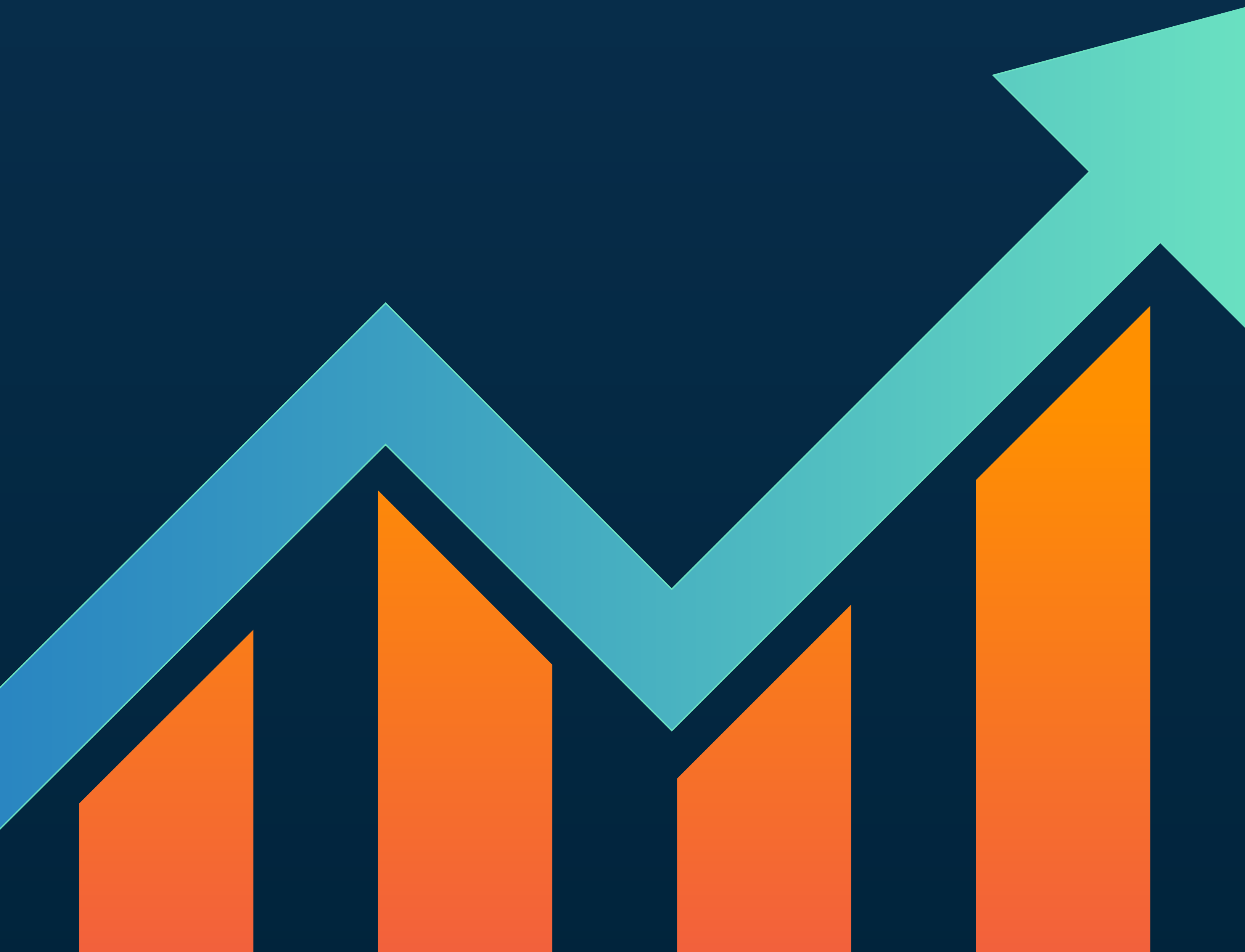
2018
FINTECH TRENDS



In the last few years, the FinTech sector has quickly evolved from primarily concerning back end, data processing platforms and infrastructures, to fully encompassing transactions from end-to-end. Along with minimizing security risks and automating processes that result in fewer losses and increased consumer approval ratings, FinTech innovations have provided consumers a level of accessibility and convenience once unachievable by traditional institutions. Now an over 40 billion industry, FinTech is not going away and showing no signs of slowing down.

What are the top 5 FinTech trends to emerge in 2018?

TREND 1

Artificial Intelligence

Voice Assistants, ChatBots and Processing Times:

Broadly defined as the development of computer applications or machines that mimic cognitive functions to perform tasks traditionally carried out by humans, Artificial Intelligence or “AI” is being increasingly used in the banking and lending space in the following ways:

- Voice Assistants are making the consumer experience more seamless by assisting with queries around analysis of spending, reviewing balances, purchase history information, and payment scheduling.
- Speech recognition will excel at call centers, with bots being able to offer help and direct calls more quickly and easily.
- Voice assistants are even being developed to handle banking functions. OCBC Bank recently partnered with Google to launch the first AI powered voice banking in Singapore. OCBC Bank consumers will be able to pose general banking questions to a Google Assistant at any time of the day to get instant responses.
- AI chatbots are expected to cut $8 billion of business costs by 2022. Juniper Research suggests “between three-quarters and 90 percent of queries in these areas will be dealt with by "chatbots" within the next five years, resulting in cost savings of up to $0.70 per interaction.”

TREND 2

Cryptocurrency Diversification

Cryptocurrency is a medium of exchange or virtual currency, that uses cryptography (encrypted code) to secure financial transactions and control the creation of additional units. Transactions are confirmed by way of a publicly distributed ledger called the blockchain, enabling direct peer-to-peer payments.

- Cryptocurrencies have become extremely competitive, with currencies like Bitcoin leading the pack.
- This diversification of currencies has led to the trend of people releasing their own versions of cryptocurrencies by way of initial coin offerings (ICOs). ICOS are similar to crowdfunded ventures however, backers are motivated by the prospect of getting a large return on their investment.
- As more cryptocurrencies enter the market, financial professionals and tech consumers will have more options to choose from.
- Like with other investments, diversifying helps offset risk. Anyone who has followed the continual rise and fall of Bitcoin, knows the cryptocurrency market can be particularly volatile and akin to riding a very tumultuous rollercoaster.
- Due to this, expect to see more cryptocurrency portfolio offerings in the near future.

Popular Cryptocurrencies

1) Bitcoin - The first cryptocurrency to use a decentralized ledger, Bitcoin is the most popular cryptocurrency and currently the most valuable per unit.

2) Ethereum - Ethereum is an open-source, blockchain-based computing platform that uses smart contract technology. “Ether” is the cryptocurrency generated by Ethereum.

3) Ripple XRP - Ripple is not a currency but a network that does not use blockchain. XRP – which is the actual crypto-currency – is a token which is used on the Ripple network to facilitate transfers of money between different currencies. To buy Ripple XRP, you typically have to buy it with another cryptocurrency.

4) Litecoin - Litecoin is an early Bitcoin spinoff, similar in technical design to Bitcoin, only allows for faster transaction confirmations.

5) Dogecoin - Once a “joke cryptocurrency,” with a dog as its logo, Dogecoin reached a capitalization of $60 million in January 2014. It is commonly used for tipping and unlike other cryptocurrencies, has no cap as far as how many Dogecoins can be produced.

TREND 3

Blockchain

From changing the way properties are sold and recorded to how health records are stored and managed, blockchain is poised to disrupt a lot of industries including finance. Here is how:

- Cross-border transactions - Blockchain is making cross-border payments not only safer but quicker by reducing the need for intermediaries.
- Digital Identification - Transferring information between banks will be become less cumbersome as a consumer's personal details will already be stored and shared with banks connected to the ledger.
- Trade financing: Automating payments, delivering smart contracts in real-time, carrying proof of ownership, and reducing the need for intermediaries are all ways blockchain can simplify, reduce costs, and help secure trading.

TREND 4

Near Field Communication

Near Field Communications (NFC) is a form of contactless communication between devices like smartphones or tablets.

- NFC is being increasingly used for digital payments or “digital wallets” and because of its small radius, is considered a secure alternative to credit cards.
- Most modern technology and smartphones already possess this technology, so expect to see more businesses and transactions set-up for contactless payments.
- Also expect to see more contactless payment options in non-retail settings. For instance, some cities like San Francisco, are now offering digital payment options for parking meters.

TREND 5

Cybersecurity:

With new technology comes new potential security risks and concerns. As technologies evolve, so do potential threats. In response, businesses are increasing their security measures and budgets to prevent unauthorized access to databases and websites. To protect consumer interests, at least 36 states have mandated some sort of data privacy legislation or compliance regulations.

- The new mindset of cybersecurity is to take a preemptive approach to hackers following the Moving Target Defense (MTD) model. Instead of defending unchanging infrastructures as they are being attacked, MTD strategy calls for intentionally creating uncertainty by deploying mechanisms designed to continuously change.
- Moving Target Defense was originally created for military defense tactics to increase the attacker's uncertainty regarding the defender's location and was adopted early on by the Department of Homeland Security.
- Anticipate seeing more businesses in the lending space utilizing multi-layered cybersecurity strategies.

An Opportunity for Collaboration:

An Opportunity for Collaboration:

In order to maintain their market share and not become obsolete, most banks have accepted they either need to embrace emerging technologies or work in tandem with FinTech companies. The upside is banks can offer FinTech start-ups the capital and customer base they often lack, and in turn, FinTech companies can provide banks a quicker turnaround of the innovative technologies they need.

Interested in learning what innovative solutions we offer?

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