

Session 9

Does Innovation Really Serve Growth

Innovation economies and the role of FinTech as the new world power broker

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The world's power balance is shifting, west to east; central controls to decentralization; asset accumulation to the sharing economy and the preference for "utility" consumption of financial products.

No industry has experienced this shift more radically than financial services. Fueled by the global economic downturn of 2008, consumers have demanded greater transparency and choice; regulators have been forced to encourage greater competition in many previously closed markets and new technology business models have gained momentum with far reaching impact across most of the financial services landscape.

Lured by the "new dawn" of the largest industry on earth, over 900 investors have poured \$50BN into FinTech innovation in the last 5 years creating innovation hot spots in 54 countries globally.

So the question as to whether FinTech is best defined as catalyst for the most pervasive global change the world has seen, is frequently asked.

One thing that is undeniable is that FinTech is a revolution. It is changing the way people gain access at the bottom of the financial inclusion ladder right through to the way in which central banks see their futures as gaining ever closer proximity to the ordinary consumer than was ever imagined.

It is a "global virus" – that is seeing traditional finance centers make way for more agile FinTech hubs – Tel Aviv leading with cyber security, London with RegTech and Blockchain, Nairobi with mobile credit & payments, Zurich with WealthTech and Singapore with open API's for banks and digital identity.

FinTech has allowed for the technology giants to gain greater power over traditional financial giants. Finance Innovation Now – a consortium of players such as Apple, Amazon, Paypal and Intuit – is actively lobbying Washington to change financial regulation. Valuations have soared for the world's 50 FinTech unicorns such as Transferwise, Alipay and Sofi – businesses worth over \$1 Billion and who have histories as short as 5-10 years vs. contenders who have been around for over 100's years.

Financial institutions such as Barclays and BBVA are publically stating that they are becoming technology businesses fueling open innovation programs that scan the globe for the best in class innovation from Beijing to Cape Town.

Governments are accelerating their position to forge new partnerships – public/private collaboration is becoming more common. The stakes are high – country competitive indices are being shaped by the financial powerhouses. These, in turn are the new entrants, agile incumbents and growing partnerships between the two.

The saying that the money moves the world is taking on a new meaning when the concept of money and value are changing because of crypto currencies and the way in which data can be modeled to create new products and services, never even imagined a few years ago.

Marc Andreessen, Founder of the Silicon Valley VC, Andreessen Horowitz, was famously quoted as saying –“Software is eating the world”. Never before has this been so meaningful when you look at the power broker quotient of FinTech and how in less than 5 years, we are all facing the possibility very different futures based on the impact of “Tech” in traditional “Fin”.