

# ***Global FinTech Report***

## ***Executive Summary: Singapore Highlights***

March 2016



## **73%**

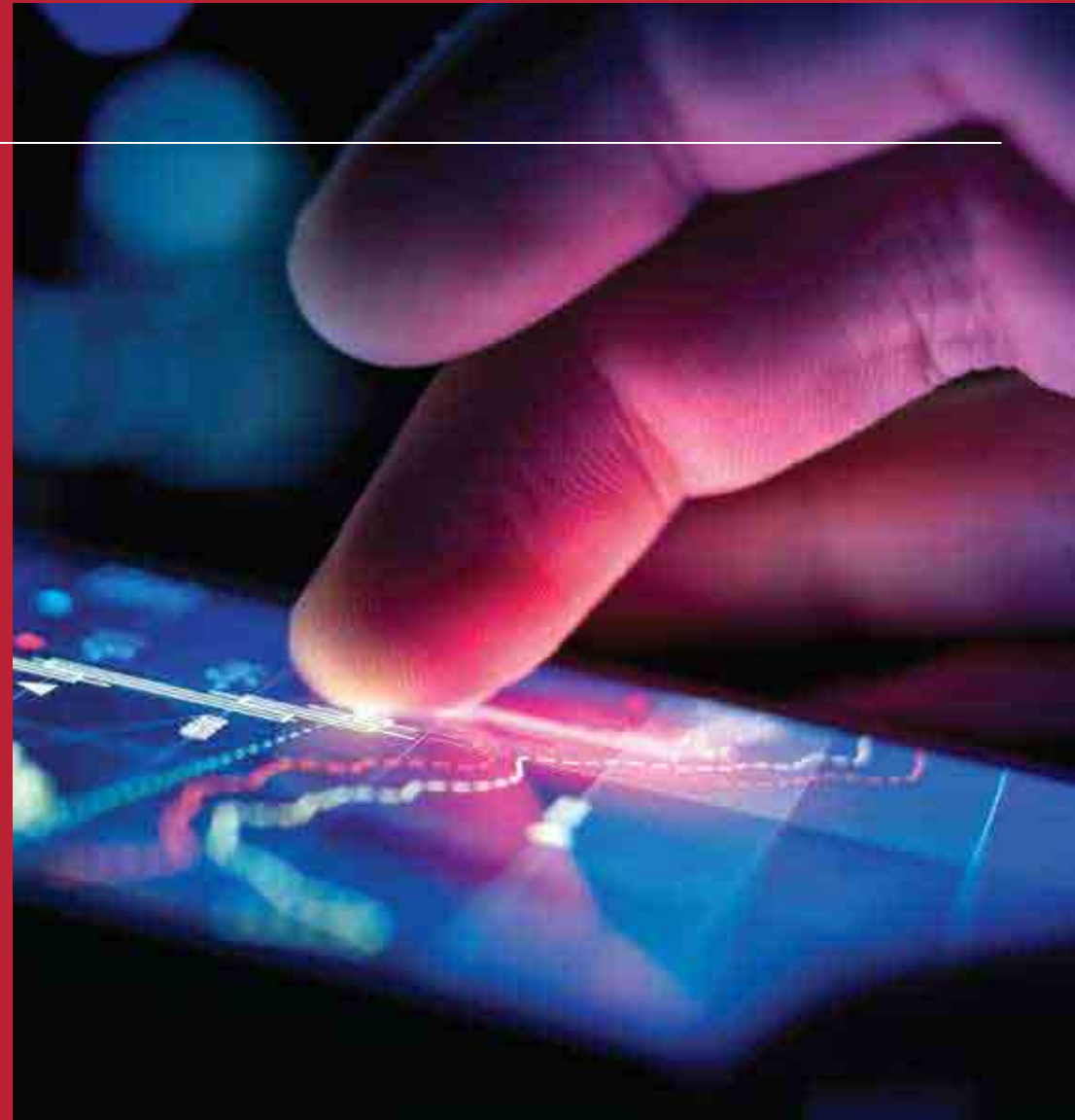
*of traditional  
Financial Institutions  
in Singapore believe  
they are at risk of  
losing business  
to FinTechs*

## **67%**

*of survey respondents  
recognise the importance  
of Blockchain technology*

## *Key messages*

- 4 FinTech is shaping FS from the outside in*
- 5 Where traditional financial institutions have failed, FinTechs are succeeding*
- 6 Disintermediation: FinTech's most powerful weapon*
- 7 Time to get off the bench: Top Threats from FinTech*
- 8 Blockchain: an untapped technology is rewriting the FS rulebook*
- 9 Heading for bargain basement FS? FinTech is slashing costs*
- 10 The free lunch is over: FS must leverage on the FinTech ecosystem*
- 11 Contacts*



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## ***Foreword***



***Antony Eldridge***

Financial Services and FinTech Leader  
PwC Singapore

FinTech is changing the Financial Services (FS) industry from the outside in. We estimate within the next 3-5 years, cumulative investment in FinTech globally could well exceed US\$150bn, and financial institutions and tech companies are stepping over one another for a chance to get into the game. The result is a new competitive landscape and playing field. As the lines between traditional finance, technology firms, e-commerce and telecom companies are blurring, many innovative solutions are emerging and there is clearly no straightforward solution to navigate this FinTech world.

The insights shared in this report are based on responses by financial services and Fintech executives in Singapore, which make up part of our unique and comprehensive global survey of industry players' views on the current and emerging trends in FinTech. We complemented the study with our own insight and analysis into why FinTech is disruptive and how different organisations can and should respond to its challenges. The report is also fuelled with proprietary research from DeNovo, a new platform powered by Strategy& and PwC, focused on FinTech innovation and its impact on financial institutions.

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***“We thought we knew our  
customers, but FinTechs  
really know our customers.”***

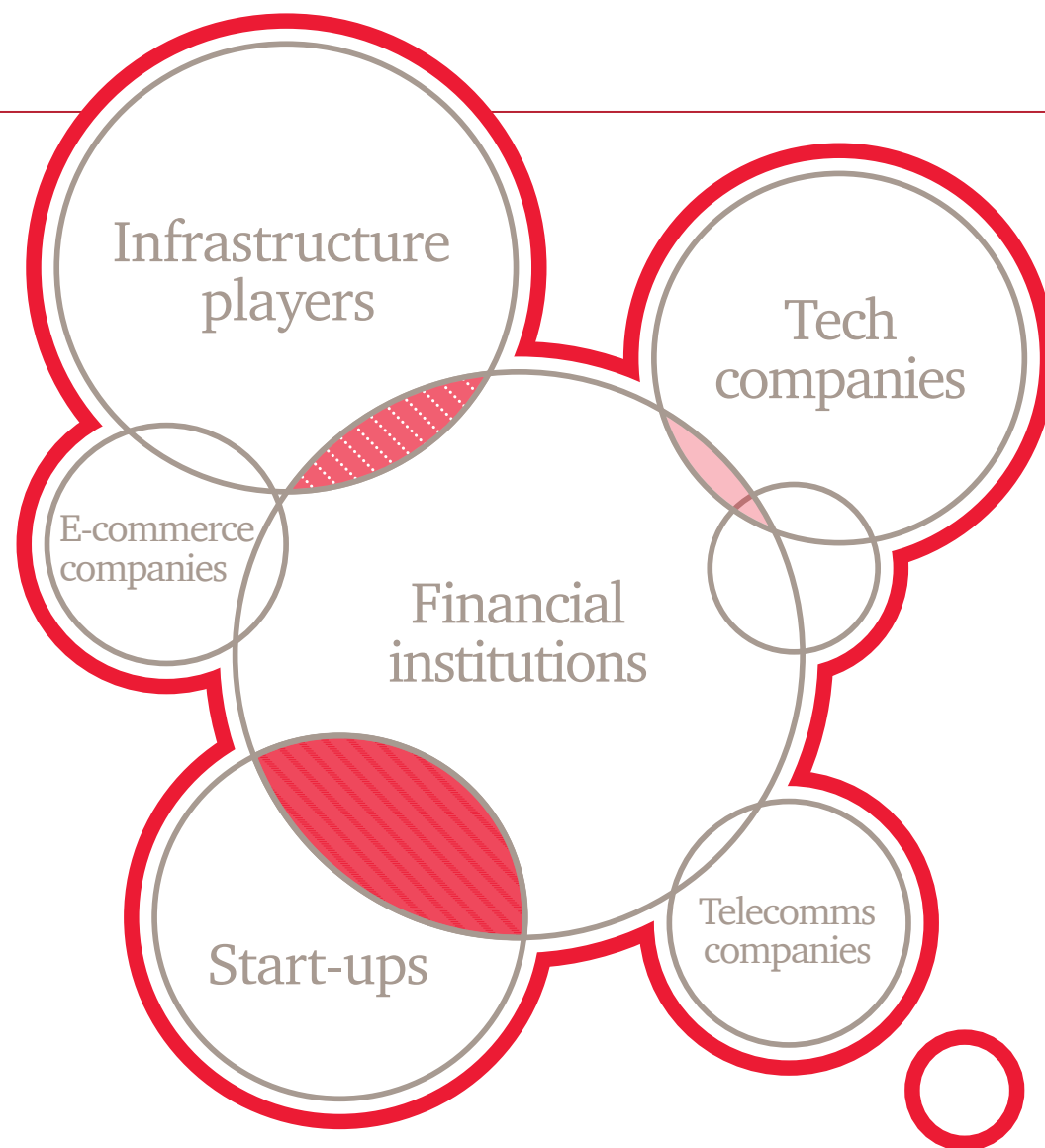
*A senior executive at a global banking organisation.*

## ***FinTech is shaping FS from the outside in***

FinTech is a digital arena where diverse players – traditional Financial Institutions (FIs), technology firms, e-commerce and telecommunications companies, start-ups and infrastructure operators – are contending with a common imperative: to respond effectively to the evolving needs of their customers.

From the CEO of a large global insurance company to the entrepreneur establishing a new robo-advice business in Singapore, FinTech is reshaping the way we think about building, running and leading FIs. Although FinTech is a general term used to identify a considerable array of new financial products and services enabled by the use of technology, it also represents a vast digital territory where the lines between FS and non-FS providers are blurred.

### ***Shaping the FS Industry***



Source: PwC Global FinTech Survey 2016

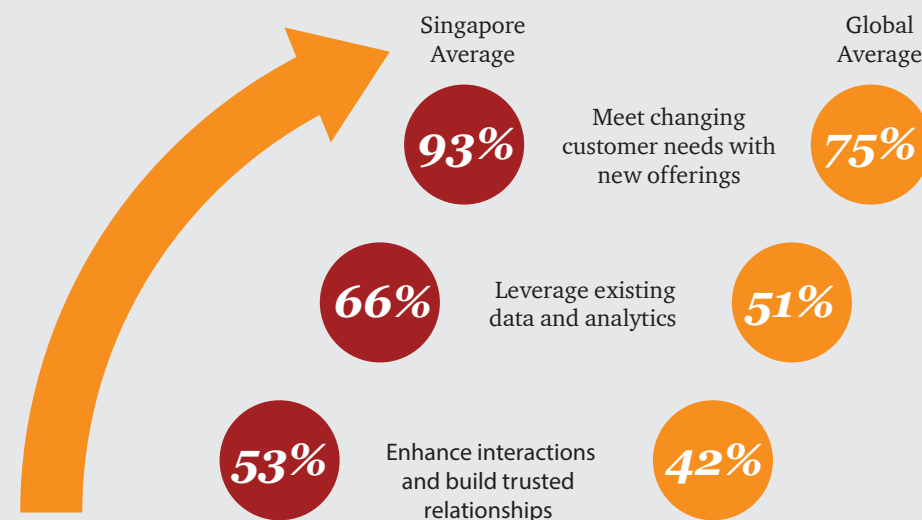
## Where traditional financial institutions have failed, FinTechs are succeeding

Customer behaviours are at the forefront of the FinTech revolution, as our survey demonstrates. While consumers are rapidly adopting new technologies in their day-to-day lives, traditional FS companies are lagging behind. Larger, more traditional FIs are encumbered with complex development processes, wariness about regulation and legacy systems. Meanwhile, FinTechs are using lean, agile methods of product development and innovation to respond to customers' emerging needs.

FinTech is a global phenomenon, challenging the orthodoxy of domestic models of banking and insurance, and reinventing the customer experience in the FS sector. Furthermore, FinTech is serving millions of previously under-served consumers with redefined and innovative solutions.

*Digital is the new normal for customers*

*In which areas do you see the most important impact to your business from FinTech?*



Source: PwC Global FinTech Survey 2016

## ***Disintermediation: FinTech's most powerful weapon***

FinTech is shifting the paradigm of traditional intermediary roles by making them obsolete. While FS organisations have acted as intermediaries in the financial system by providing an invaluable service to clients, their functions are being usurped by new technology-driven business models.

For instance, in the banking sector, online lending platforms allow individuals and businesses to lend and borrow between each other, and robo-advisors are rewriting the rulebook of financial decision-making by bypassing the human financial advisor. These changes pose a serious threat to traditional business models and many FS organisations will face a 'Kodak' moment if they do not respond.

***Will financial institutions  
be disrupted?***

***Yes  
73%***

*of survey participants in Singapore  
believe that part of their business is  
at risk of being lost to stand-alone  
FinTech companies*

Source: PwC Global FinTech Survey 2016



## ***Time to get off the Bench: Top threats from FinTech***

With the pace of change now occurring at increasingly faster intervals, no FS business can sit on its laurels.

In Singapore, 87% of FS companies ranked pressure on profit margins as the top FinTech-related threat, followed by loss of market share (66%). One of the key ways in which FinTechs support the margin pressure point is through innovation which produces a step change function improvement in operating costs. For instance, the movement to cloud-based platforms not only decreases up-front costs, but also reduces ongoing infrastructure costs.

While FS organisations have previously acted as intermediaries in the financial system by providing an invaluable service to clients, their functions are being usurped by new technology-driven business models.

### ***Top threats related to the rise of FinTech***

***In your opinion, what are the threats related to the rise of FinTech within your industry?***

#### ***Singapore Average***

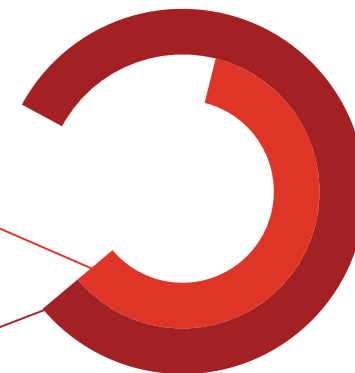
***Pressure on  
profit margins***

**87%**



***Loss of  
market share***

**66%**



## ***Blockchain: an untapped technology is rewriting the FS rulebook***

Blockchain shows huge potential and it will have a profound effect on the FS industry. However, it is being seriously underestimated. Knowledge of and ability to react to blockchain technology is worryingly low. While a majority of respondents in Singapore (67%) recognise its importance, 55% say they are either slightly or not familiar at all about the technology.

***Is the impact  
of blockchain  
technology taken  
into account?***

**67%**  
of survey respondents  
recognise the importance  
of Blockchain  
technology and

**55%**  
are either slightly or  
are not familiar with  
the technology

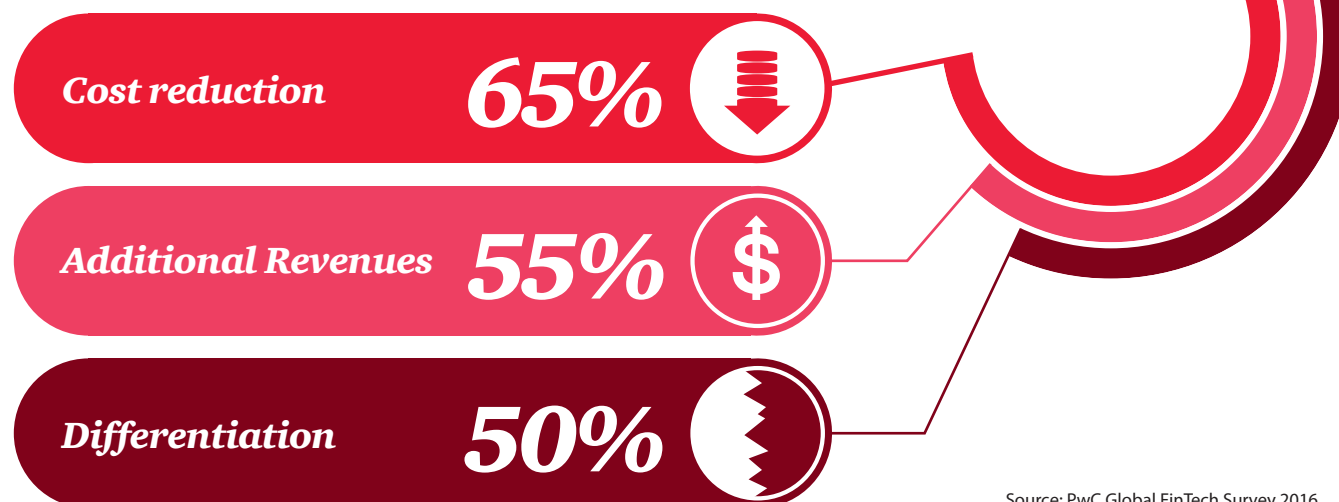


## *Heading for bargain basement FS? FinTech is slashing costs*

Other aspects of FinTech will also impact front- and back-office operations and disrupt the traditional product and process model used by most FIs. FinTech provides new alternatives to advise customers, to process transactions, to analyse data, to help customers make better choices, to manage product portfolios, to leverage mobile technology and so on. The net impact of all these changes is to enhance operational capabilities and dramatically reduce the cost base of the industry.

### *FinTech is slashing costs and improving service delivery*

*Our survey respondents said that key opportunities existed in:*

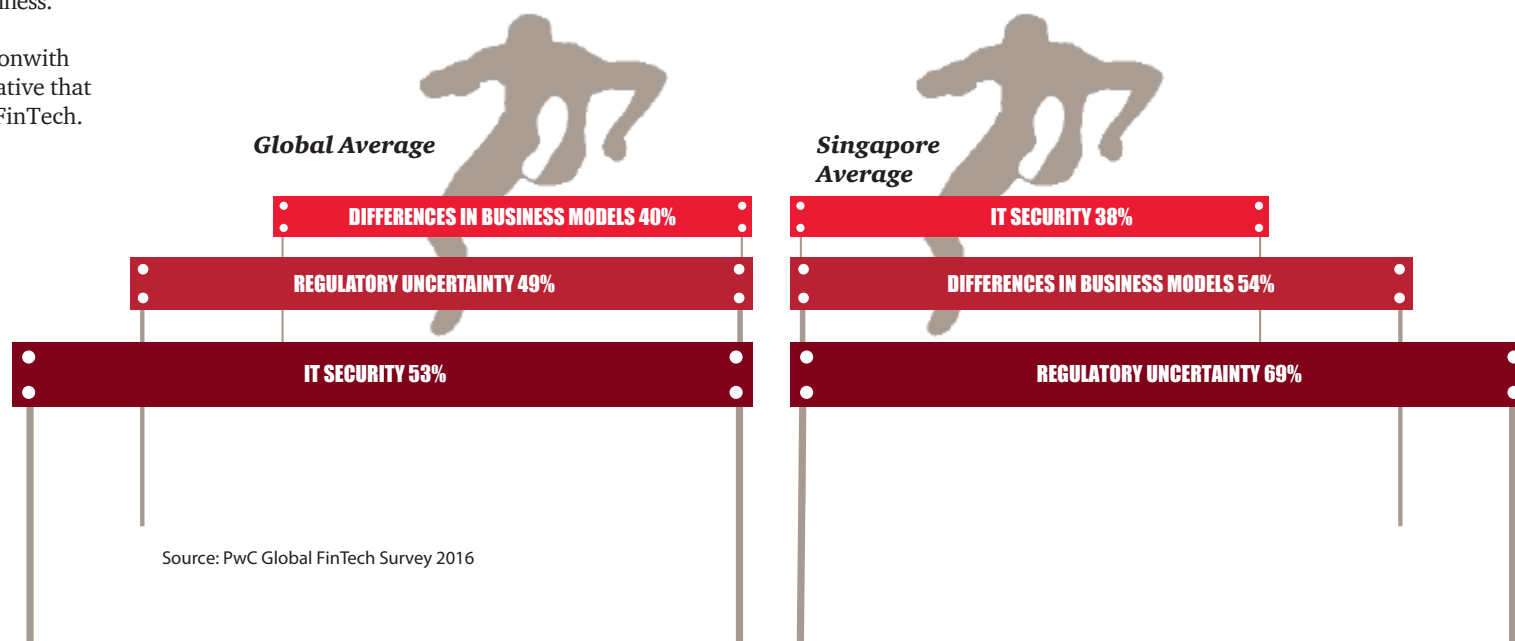


## Challenges for FinTech companies and incumbents

Given how fast technology is developing, incumbents cannot afford to ignore FinTech and its disruptive impact on the market. Incumbents face numerous challenges in dealing with FinTech companies citing regulatory uncertainty (69%), differences in business models (54%) and IT security (38%) as the top challenges facing their business.

In Singapore, the most wide-spread form of collaboration with FinTech companies is joint partnership (33%), indicative that FS firms are not ready to go all in and invest fully in FinTech.

### Top 3 challenges for traditional financial companies and FinTech companies when working together



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### Acknowledgment

We would like to thank Dariush Yazdani, Gregory Weber and the PwC Global research team for their involvement in the development of this report. We would also like to thank Javier Baixas, Barry Benjamin, Jeremy Drane, Menekse Gencer, Roberto Hernandez, Simon Horner-Long, Andrew Jurczynski, Fergus Lemon, Sarah McEneaney, Stephen O'Hearn, Aaron Schwartz, Ajit Tripathi, Jamie Yoder, and Áine Bryn and the Global FS Marketing team for their contributions.

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