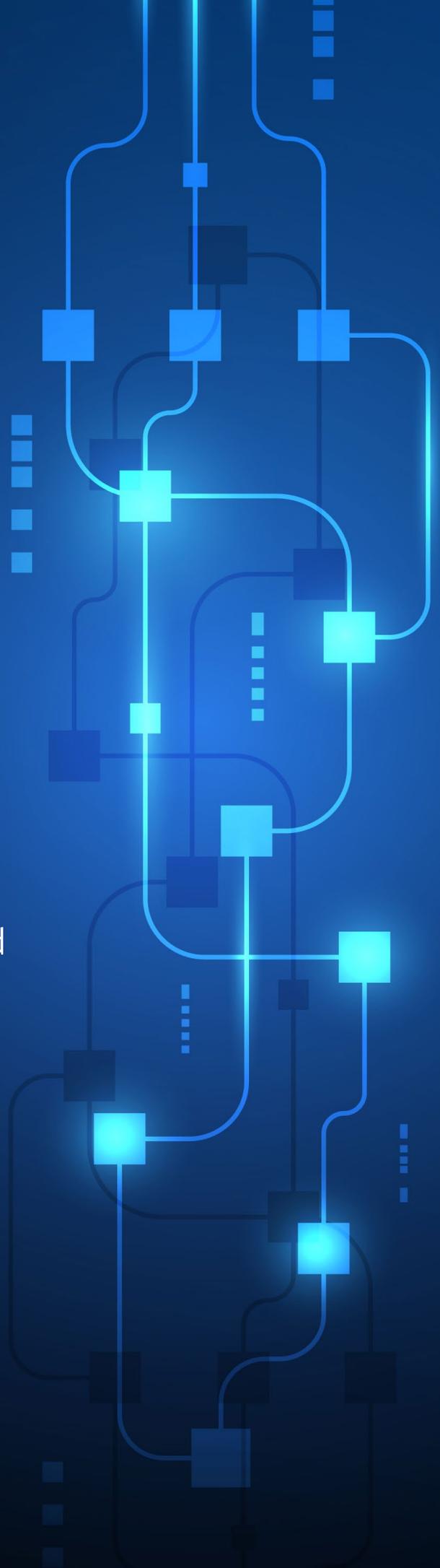


FinTech in 2018: The Fads, the Fears and the Future

A global report by FleishmanHillard



FLEISHMANHILLARD





CLAUDIA BATE

**Head of Financial Services and FinTech,
FleishmanHillard Fishburn**

 @claudiabate
 Claudia Bate

Mainstream buzz around FinTech picked up like never before in the last 12 months. We witnessed the soaring highs of Bitcoin tempting non-experts to consider the tantalising potential for high rewards and saw challenger bank cards appearing in the pockets of millennials worldwide.

Meanwhile, on the horizon we have regulation that promises to shake the industry to its core. Are we heading for the most exciting year to date in Financial Services or has the FinTech industry finally become too full of its own hype?

We gave 30 global Financial Services and FinTech experts – from the likes of Ant Financial, Citi, Ripple, Santander, Western Union, Starling Bank and Visa – the task of separating the fads from the future stars of this space and revealing their deepest fears for 2018 along the way.

What's interesting is that our experts identified that an overhyped fad and the future of finance are not necessarily mutually exclusive. Take artificial intelligence (AI) for example – even a number of AI providers we spoke to admit that the technology was hugely overhyped in 2017. The expectations were frequently overestimated – often by enterprises that are not directly involved in the development of the technology. That's not to say that AI won't completely alter the Financial Services industry in the future, but likely in a more measured way that begins with fundamental shifts in back-end processes, rather than consumer-facing robotics that grab the headlines.

Our experts recognise that there is a fine line between being excited about the future of finance and its potential, and over-hyping. Clients of Financial Services too, whether consumers or other businesses, are increasingly able to see through overly exaggerated claims and are crying out for rhetoric based in realism. As such, authenticity in communications will be as important as ever for the sector in 2018 and beyond.

We'd love to hear your thoughts – the following insights are taken from a snapshot in time and even as we publish, events are changing. Get involved in the conversation in real-time using the hashtag [#FHFinTech2018](#).



CHRIS SKINNER

CEO,
The Finanser

 @Chris_Skinner

 Chris Skinner

The future is uncertain. We know that. If the future was certain, you wouldn't need insurance. However, some things are certain. I am certain that the Bitcoin, cryptocurrency and ICO craze will continue through 2018. I am certain that Artificial Intelligence and distributed ledgers will be discussed by many and implemented by few. I am certain that Open Banking, APIs and the collaborative change in banking will still be high on the agenda. And I am certain that Brexit will continue to concern all those in FinTech and finance.

These are topics picked up in this report, although not everyone agrees with my views here. We will see what happens through 2018 to see who is right and who is wrong. The one sure thing is that anyone commenting on the future is right at the time they made the statement. It is only with hindsight that we are wrong. The thing we are normally wrong about is the impact of technology. We nearly always over-estimate the speed and under-estimate the impact of technology.

I can personally verify this as when I first started using online services, I never believed they would be so integral to the way I live my life. When I first saw a smartphone, I never believed it would be a pervasive and ubiquitous device I could not live without. What will be 2018's big change? What will be the big technology of this decade? I'm not sure, but I do know that distributed ledger technology will change the world so watch that space. Carefully.

Have a great 2018.

THE FADS

Our experts reveal the most overhyped trends of the last 12 months. Will these fads continue in 2018 or will they flop?

INITIAL COIN OFFERINGS (ICOS)

We saw more than \$1.2 billion raised through over 100 ICOs through the first three quarters of 2017 alone, but our experts are sceptical about the trend.

- **Over 50%** of our panel says: “ICOs represent more risk than opportunity and regulators need to step in before disaster strikes”
- While none of our experts believe that ICOs will replace traditional financing and investing, **37%** believe they represent a fantastic alternative option
- With the right regulations in place, perhaps ICOs will move beyond a fad and firmly into the ‘Future of Finance’ category



DANIEL ARANDA, Managing Director, Ripple

We saw an explosion of initial coin offerings (ICOs) earlier this year and they were easily the biggest trend of 2017. I think in the first half of 2018, we will see regulators worldwide come down very hard on many illegitimate, fraudulent ICOs and the people behind them. Lawsuits, fines, and jail time would not be a surprise. These will impact the crypto space in the short-term, but digital assets with strong use cases - like XRP - will emerge as winners.”

[@daranda](#) [@Ripple](#)



JOHAN DALNERT, CMO, BehavioSec

ICOs have been at the top of the hype and will likely be overhyped for the majority of 2018.”

[@BehavioSec](#)



PAOLO GALVANI, Co-Founder and Chairman, Moneyfarm

The crypto craze has investors jumping into ICOs as they urgently scramble to replicate the huge and easy gains made from Bitcoin. Too often, investors don't understand what they're buying, which is incredibly risky - especially in an unregulated market like this. This momentum has put ICOs firmly in bubble territory. The bubble could pop at any time and investors could lose a large chunk of their money in a moment. It's time for financial regulators to stand up and do something to improve the quality of these ICOs and protect the consumer.”

[@galvi](#) [@moneyfarmUK](#)

BITCOIN

Record high valuations in 2017 saw extreme behaviour, from people re-mortgaging their homes to crypto-kitty mania, but can Bitcoin maintain its surge in 2018?

- **62%** say regulators will take a harder stance on Bitcoin in 2018
- **46%** believe we will see another Bitcoin scandal
- **22%** claim the Bitcoin bubble will burst and interest will die down

Yet many still claimed Bitcoin will continue to grow in popularity. As with ICOs, regulation could make or break this trend in 2018.



CHRIS GLEDHILL, CEO and Co-Founder, Secco Aura

The most overhyped trend of 2017 was obviously Bitcoin. Gone are any ideas that it's an actual currency – It's an investment product plain and simple, and one fuelled by enormous greed. Bitcoin had admirable beginnings and philosophy so it'll be a shame to see it crash in 2018 and marked down in history as one of the great crashes alongside the .com boom and tulip mania."

[@cgledhill](#) [@SeccoAura](#)



JONATHAN VAUX, Executive Director, Innovation and Partnerships, Visa Europe

Bitcoin and cryptocurrency continue to be focus of much debate overshadowing the real value of smart contracts. With valuations careering towards \$15,000 (*editor's note: value when comments submitted*), I think we can safely expect the bubble to burst at some point as people break from the 'inner circle'."

[@Londonwelsh66](#) [@VisaInEurope](#)



TOBY TRIEBEL, CEO Europe, Wealthsimple

Right now, I think of Bitcoin as the world's most unregulated casino. With little overall impact on the economy to date, no one has been able to solve the question of how Bitcoin can make an impact, and what it's really worth. In 2018, it could go either way – the bubble will burst or we'll start to see a move by regulators and traditional financial players to try and legitimise cryptocurrencies."

[@tjtriebel](#) [@Wealthsimple](#)

COLLABORATION OVER COMPETITION

There's room for FinTech and banks, say our experts.



YOLANDE PIAZZA, CEO, Citi FinTech

The most overhyped story in 2017 was FinTech disruptors vs. banks. It's an overly-simplistic and outdated view of the space. So much of what's happening in FinTech is about partnerships and collaborations. Pretending that this is some winner-takes-all competition might make good headlines but it doesn't reflect the reality of what we see happening worldwide."

[@Citi](#)



ROB HETHERINGTON, Global General Manager, Financial Services, SAP

There is a current narrative of banks seeing FinTechs as competitors – I've even heard them described as an 'existential threat' to their businesses. But in reality, the banking world overall appreciates the value of partnering with FinTechs. Through collaboration, FinTechs and banks can deliver better products and services to customers. Banks that work successfully with FinTechs in 2018 will see faster speed-to-market and an acceleration in innovation."

[@RW_Hetherington](#) [@SAP](#)



ARTIFICIAL INTELLIGENCE (AI)

Interestingly, AI appears in both our 'Fad' and 'Future' categories – in some cases placed in both by the same expert. This is an exciting trend, but expectations for 2017 were often unrealistic, say our experts.

Fad or not, **97%** of our experts believe that AI will eventually replace some jobs in Financial Services in some form. **56%** believe this will happen in five years or less.



RUTH FOXE BLADER, Director, Investments, Anthemis Group

The term 'artificial intelligence' is overused. We tend to get very excited about enabling technology rather than its applications. Artificial intelligence enables new applications in everything from fraud detection to intelligent cash flow management to automation in insurance claims handling. It's the applications that are worthy of the hype."

[@Foxe_News](#) [@Anthemis](#)



MICHAEL ROLPH, CEO and Co-Founder, Yoyo Wallet

Machine Learning, Artificial Intelligence, Neural Networks, Deep Learning – these topics have been central to nearly every conversation around tech throughout 2017 but there has so far been few practical examples of the impact they're having on our daily lives. Why? Both culture and infrastructure have not quite caught up just yet. This will change in 2018."

[@michael_rolph](#) [@yoyowallet](#)

THE FEARS

Political, social, economic and technological fears abound – our experts reveal the biggest challenges lying in wait for 2018.

THE BURSTING OF THE FINTECH BUBBLE

Investors want to start seeing real returns in 2018, according to our experts.



PHILIPPE GELIS, CEO and Co-Founder, Kantox

The massive investments in FinTech in the last three years have generated thousands of new companies but I think that the peak of expectations is really over. A chunk of companies will not find any market fit or will have limited traction. So in 2018, I expect a first wave of companies disappearing, the market is definitely maturing. There is no doubt that in the long run the opportunity to disrupt the financial industry is huge and investments will go on but in a more rational way."

[@Pgelis](#) [@kantox](#)



SPIROS MARGARIS, VC and Founder, Margaritis Advisory

We'll see further consolidation or partnerships of FinTech startups with other startups, incumbents, and increasingly tech giants. The challenges that come with the big FinTech industry growth, such as increased customer acquisition costs, high burn rate, or slower than expected consumer adoption of the FinTech value proposition will force many startups to look for partners or saviours."

[@SpirosMargaris](#)



ANNE BODEN, CEO and Founder, Starling Bank

The real challenge within the sector is monetisation of the large growth in customers in the medium to long term – most investors have put large bets on companies that have experienced growth and large brand awareness, but often have made little by way of revenue. Investors recognise the innovation and potential within these products and many FinTech businesses have been very successful in raising funding this year. However, longer term profitability of these propositions remains to be seen."

[@AnneBoden](#) [@StarlingBank](#)

THE FEAR OF BEING HACKED

2017 brought us WannaCry – our experts reveal their fears of similar attacks in 2018.



TODD LATHAM, CMO and Head of Product, Currencycloud

Information security represents a major challenge to the Financial Services industry. Someone will get hacked and it could damage the credibility of us all.”

[@toddlatham1](#) [@Currencycloud](#)



PHILIPP POINTNER, VP Product, Jumio

This year’s cyberattacks have caused concern for millions of consumers, further decreasing their trust in financial institutions across the globe. It is likely that in 2018, we will see another surge in cybersecurity threats. As both the type and scale of frauds are getting higher and more complex, surpassing the number of qualified cybersecurity professionals, more companies will turn to AI to combat this phenomenon.”

[@jumio](#)



ROB HETHERINGTON, Global General Manager, Financial Services, SAP

Security and the ongoing threats of cyberattacks remain a challenge the sector has to meet head-on. Trust is integral to customer relationships, and one security breach can severely damage a bank’s reputation. Financial Services institutions, as well as FinTechs need to prioritise data security and encryption.”

[@RW_Hetherington](#) [@SAP](#)

REGULATORY PRESSURE

With the fear of hacks comes compliance concerns. This combined with other game-changing regulations planned for the New Year is putting increasing pressure on the Financial Services industry.



MIKE STEINHARTER, CCO, Earthport

On the regulatory front, notably, financial crime, KYC, transaction monitoring, screening, predictive technology and automation are all highly relevant to financial institutions. While this adds to the pressure on banks, they will also have to compete intensely for market and wallet share, so efficiency and customer service will be of paramount importance."

[@msteinharter](#) [@Earthport](#)



JONATHAN LISTER, Chief Technology Officer, PensionBee

2018 is also the year of the next step up in consumer data protection legislation, with the General Data Protection Regulation (GDPR), coming into force in May. This grants individuals a huge amount of control over their personal information. It has huge ramifications for the incumbent Financial Services industry and startups alike."

[@jayfresh](#) [@pensionbee](#)



JOEL PERLMAN, Co-Founder, OakNorth

I think the implementation of the General Data Protection Regulation (GDPR) is going to be the biggest challenge for the sector in 2018. Given that FinTech companies hold a vast number of customers' financial data, they will be a key target for cyberterrorists and many are still woefully underprepared. Not only will they have to report all data breaches within 72 hours, but they could also face fines of up to €20 million or 4% of global annual turnover depending on the scale of the breach. I think many companies have underestimated just how much preparation is needed and are going to get a shock come May next year."

[@oaknorth](#)

THE B WORD

Brexit weighs heavy on the shoulders of the UK Financial Services sector in particular, but across the globe many enterprises in this space are anticipating the knock-on effect of further Brexit decisions throughout 2018 – with talent standing out as a key concern.

Despite talent concerns, **88%** of our experts believe that diversity in the Financial Services industry will improve in 2018.



CHRIS HILL, Partner, Kemp Little

The first major challenge is likely to centre around Brexit-uncertainty. Access to high quality talent is crucial for a sector with this level of innovation, and for small companies who rely on an international talent pool, the impact of the hesitation that may be felt by those thinking about moving to the UK – for uncertainty over immigration issues if nothing else – could be severe.”

[@KempLittle](#)



JAMIE CAMPBELL, Head of Awareness, Bud

Innovation needs talent and the brutal fact is, we have fewer computer science graduates graduating this year than last year. When we should be seeing an influx, we are seeing the opposite in homegrown expertise. I don’t want to bring up the ‘B’ word, but it looms large when considering the need for high-quality teams to deliver on the FinTech promise.”

[@JCtheOriginal](#) [@this_is_bud](#)



HUSAYN KASSAI, CEO and Co-Founder, Onfido

The UK is currently the world leader in FinTech, but we can only maintain that position with a strong pool of tech talent. Historically, London has been well-placed for it, with a string of top universities on our doorstep – but with Brexit on the horizon, things are about to get tougher. We’re watching the ongoing negotiations with interest, and can only hope the fallout doesn’t negatively impact the FinTech sector.”

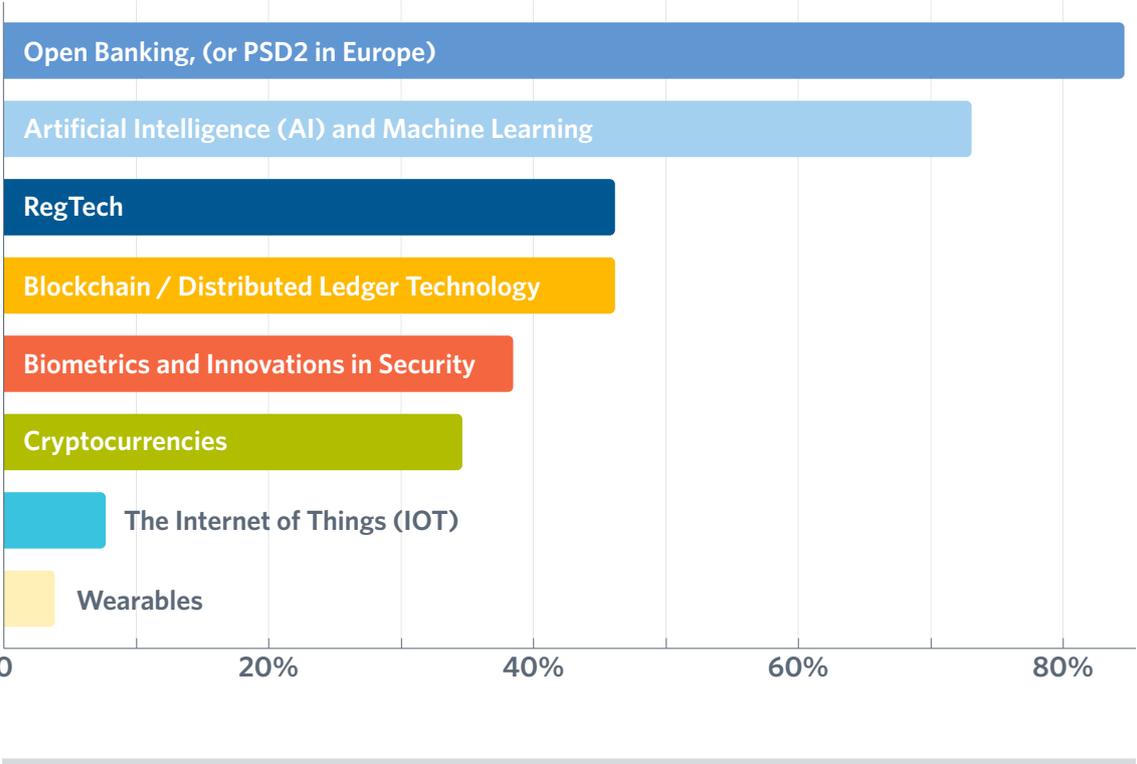
[@HusaynKassai](#) [@Onfido](#)

THE FUTURE

New technologies are continuously emerging in this space, but which ones will have the real impact in 2018, according to our experts?

A LOOK AHEAD

Regulatory changes including Open Banking and the revised Payments Services Directive (PSD2) are top of mind amongst our FinTech experts, alongside the impact of Artificial Intelligence (AI) on the wider Financial Services sector.



OPEN BANKING

Everyone in this industry is aware that regulation is a double-edged sword. While compliance is one of the major upcoming challenges of the New Year, our experts recognise that regulation such as the revised Payment Services Directive (PSD2) and Open Banking presents a significant opportunity.

It's not just European enterprises that need to take heed of PSD2 – 85% of our experts believe this will have a major impact for the global Financial Services industry in 2018.



RICHARD HARRIS, SVP Sales International, Feedzai

Some financial institutions don't understand that the trend toward Open Banking is an opportunity rather than a threat. PSD2 certainly will force the sector to change some old habits, and for the better for the end users – the customers. For the banks and other financial institutions utilising technology like machine learning to control risk, the directive and the continued shift toward open banking will be a competitive advantage."

[@feedzai](#)



CHRIS GLEDHILL, CEO and Co-Founder, Secco Aura

The biggest opportunities in 2018 will come from the emerging Open Banking trend. Banks feel like this is their thing to own and exploit but they're wrong. We'll see the first real disintermediation of banks which they'll claim to embrace but won't like one bit. There'll be a rush of dashboards and widgets on the market vying for position but ultimately the winner will be a non-banking brand making banking 'sexy' or 'invisible' depending on what the customer wants."

[@cgledhill](#) [@SeccoAura](#)



RICH WAGNER, CEO and Founder, Cashplus

(The biggest opportunities in 2018 will be) PSD2 and Open Banking. I would be surprised if anyone says anything different. I don't think much will happen in January when the first phase goes live but already we are seeing a lot of applications leveraging APIs that will create new and better ways for consumers and SMEs to get more value out of their experience of interacting with banking, investment, and utility and consumer goods providers. It will be far reaching in what PSD2 will provide. It's more than just payments or banking."

[@Rich_Cashplus](#) [@Cashplus](#)

ARTIFICIAL INTELLIGENCE

The potential for Artificial Intelligence (AI) in the immediate term may have been overhyped in 2017, but the real and lasting impact will only be fully understood in 2018, say our experts.

74% believe AI will have a major impact on Financial Services in 2018.



NANCY KALOGEROPOULOU, Country Manager UK, Fidor Bank

AI will finally come of age next year, as we'll see increased use of the technology alongside robots to improve efficiency, data accuracy, reduce costs and mitigate risks."

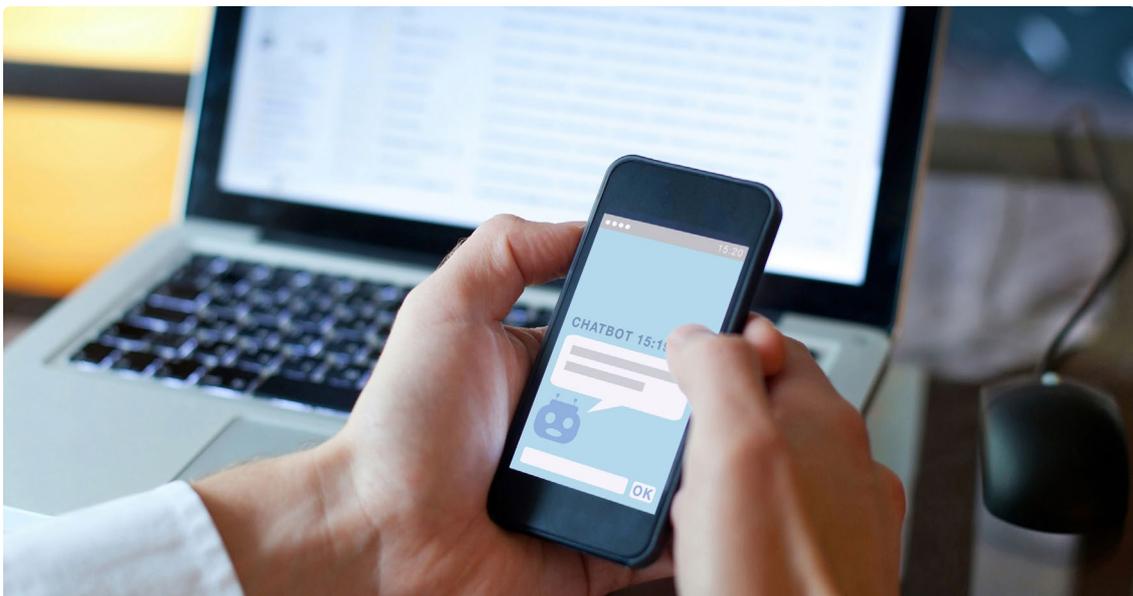
[@nansako2304](#) [@FidorUK](#)



LI WANG, Head of Alipay EMEA, Ant Financial

Innovations that drive better experiences for customers and enable improved customer service, such as chatbots and AI will be a continued focal point for FinTech companies next year. In March 2017, our chatbot system surpassed human performance in terms of customer satisfaction. There's a clear appetite from consumers and an open opportunity for companies in this space."

[@AntFinancial](#)



ARTIFICIAL INTELLIGENCE [CONTINUED]**JOY MACKNIGHT**, Deputy Editor, The Banker

I think artificial intelligence/machine/deep learning will create a storm in 2018 and start to help banks truly deliver on their digitalisation agendas, as well as creating new opportunities."

[@joymacknight](#) [@TheBanker](#)

**JUSTIN LYON**, CEO, Simudyne

Simulation is the bedrock for generalised AI and poses a big opportunity in 2018. Computer simulations are virtual time machines. They are used to understand the past and see the future. They enable us to test and explore any possible outcome."

[@Simudyne](#)

**CHRIS ADELSBACH**, Managing Director, Techstars

The tech trend I called in 2017 was a rise in computational simulation. I still think that this trend will continue, although the big opportunities will rest in Financial Services rather than gaming."

[@ChrisAdelsbach](#) [@Techstars](#)

BLOCKCHAIN

Despite questioning the future of Bitcoin, many of our experts are excited to see further developments in distributed ledger technology in 2018 - making it the third biggest opportunity identified for 2018.

44% believe Blockchain will have a major impact on Financial Services in 2018.



CHARLES D'HAUSSY, Head of FinTech, InvestHK

Blockchain will move from proof-of-concept stage to production stage and dramatically increase transaction efficiency."

[@charlesdhaussy](#) [@investhk](#)



RICARDO BRIZIDO, CTO, Seedrs

In my opinion, the biggest opportunities will be the use of Blockchain technologies and Digital Identity Management. Blockchain will become part of the strategy of many businesses, leveraging the cost saving and transparency that a distributed ledger can provide. Digital Identity Management is still one of the problems FinTech companies face these days, especially when applying it in a global economic context."

[@ricardobrizido](#) [@Seedrs](#)



SHERI RHODES, CTO, Western Union

Does anything beat Bitcoin and crypto on the hype meter? I think the interesting question is how quickly some of the underlying technologies will be useful at scale - and are we solving the right problems with the technology. Like everyone in our space, we're evaluating distributed ledger technology which could help make things more efficient if the market gets built around it."

[@WesternUnion](#)

BLOCKCHAIN [CONTINUED]

Meanwhile, Bitcoin's volatility shouldn't deter us from the potential of other cryptocurrencies, according to some of our experts.



JONATHAN DHARMAPALAN, CEO, eCurrency

In recent years, privately issued digitised value has seen astronomical growth. Central banks around the globe are challenged by the lack of oversight and transparency of this privately issued value being used as money. Central banks are studying these issues and considering their regulatory response. They recognise that technology can solve regulatory and compliance issues. Central banks will have to take on the challenge and lead the way to a digital fiat currency."

[@ecurrency](#)



DANIEL ARANDA, Managing Director, Ripple

The institutional adoption of digital assets – also known as cryptocurrencies – will be the most exciting trend I expect to emerge next year. There has been an incredible rally in cryptocurrencies across the board this year, largely by speculators. Now we are seeing signs that major institutional investors are interested in the space. In fact, Mike Arrington just launched a \$100m XRP fund. We fully expect the digital asset market to be worth over \$1 trillion by next year, and would not be surprised to see some major investment banking names and hedge funds enter the market."

[@daranda @Ripple](#)



THE ASIA OPPORTUNITY

Companies based in Asia will continue to drive innovation and growth for the global FinTech industry.

One in three of our experts predict that Asia is the region that holds the biggest opportunity for FinTech in 2018.



LI WANG, Head of Alipay EMEA, Ant Financial

I believe China, and Asia more widely, is leading the way of innovation in FinTech. We are lucky to have a massive base of customers in China, where people are very adaptive to new things – probably because in the past 20 years, there have been so many changes occurring in the country. This makes China a great test-bed for new innovations.”

[@AntFinancial](#)



PAT PATEL, Content Director, Money20/20 Europe and Asia

One of the most significant trends, specifically in Asia, is the rise of sophisticated tech platforms that enable a range of services to be delivered through ‘super apps’ to the consumer. At its heart, it’s about driving frequent customer interactions and providing convenient services which cater to the everyday lifestyle of the customer, from social to retail to financial. Hot on the heels of Ant Financial and Tencent, there are a number of rising stars across Asia seeking to emulate this model from Indonesia to India. The implications for banks and payments technology companies is likely to be profound, as traditional business models will need to be reinvented and new partnerships forged in order to remain relevant and avoid disintermediation.”

[@patpatel2006](#) [@money2020](#)

REGTECH

Compliance with regulation may be a burden for a number of Financial Services enterprises but it also brings opportunities, according to our experts.

48% believe RegTech will have a major impact on Financial Services in 2018.



STEPHEN DURY, Director, New Business Models, Santander UK

Open Banking will create many opportunities and see exciting new collaborations emerge, however it also represents one of the biggest challenges for the sector. Supporting and educating customers to understand and engage with new propositions will be a responsibility for all players, new and existing. I also anticipate 2018 will also see the strong emergence of RegTech.”

[@santanderuk](#)



JONATHAN VAUX, Executive Director, Innovation and Partnerships, Visa Europe

Open Banking and RegTech will be a key area of focus – digital ID will be hot topic for discussion and banks will invest heavily in proprietary platforms.”

[@Londonwelsh66](#) [@VisaInEurope](#)





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