

Demystifying All the Hype

Expert panellists met at the third discussion opportunity of the day to demystify some of the current buzzwords and phrases surrounding the digitisation of wealth and wealth management in Asia. Blockchain, crypto-currency and fintech were all put under the microscope.

These were the topics discussed:

- *Making sense of crypto and blockchain - what are the real applications & implications in financial Services?*
- *FinTech - What's working or not working?*
- *How are FinTech companies partnering with larger more established institutions?*
- *What makes these partnerships work - what both sides are looking to achieve?*
- *What has emerged from any of the Incubators, Labs and other initiatives?*
- *There has been lots of talk - but what's next?*
- *What's really under the lid? Is there any genuine innovation?*
- *Is China where we see the real innovation and opportunities?*

PANEL SPEAKERS

- Navin Suri, Chief Executive Officer, Percipient
- Seamus Donoghue, Vice President of Business Development, Metaco
- Stanley Chao, Co-Founder and Head of Data Science, Red Pulse
- Frank Henze, Practice Lead - Financial Services IT, Trimantium GrowthOps
- Julian Kwan, Chief Executive Officer, InvestaCrowd



EXECUTIVE SUMMARY

Panellists gathered for the third discussion panel of the Hubbis Digital Wealth Forum to explain some popular buzz-words, and how they are impacting the financial industry. Crypto-currencies were analysed although some experts warned that particular bubble had already burst. Blockchain was discussed as a key emerging technology, especially for transaction referencing, with the potential to disintermediate traditional custodial intermediaries such as banks and other specialists, although potential security issues were raised. Fintech is thriving and can be invested in as long as risk is spread. However, it is concerning that big companies often choose to buy out small fintech companies or simply copy what they need. Innovation was most certainly not considered by panellists to be "digital lipstick" and is indeed thriving in the financial industry, albeit more slowly than in other business sectors.



THE EXPERTS HUBBIS ASSEMBLED FOR the discussion began by explaining the concept of the Blockchain and its relevance to wealth management.

Blockchain refers to the coded blocks of transactions that organise crypto-currencies such as Bitcoin, a digital representation of physical currency.

This digital record, or ledger, can be shared across computers without the need for a central authority as the mathematics ensure honesty because of multiple verification points from any computer able to access the global web. The use of blockchain for recording financial transactions in a private network is also likely to expand, indeed an experiment is already under way in the UK amongst selected asset management firms.

“As Blockchain technology is still in its infancy, there is a positive vibe, just as there was during the technology bubble of the late 90s, with people working together to iron out the wrinkles,” explained a panellist. “All you need is an internet connection; it is just a better way of doing things.”

“Blockchain,” continued an expert, “is perfect for the finance world because there are no physical products and it is accessible by everyone.” Another panellist concurred, saying that once the technology matures it will help to create liquidity in private equity and other deals. “There are significant application and growth possibilities,” he observed.



JULIAN KWAN
InvestaCrowd



FRANK HENZE
Trimantium GrowthOps

NOW THE CRYPTO HYPE HAS DIED DOWN - ARE YOU

Convinced it will blow up



A rational engagement for Wealth Management clients



Source: Digital Wealth Asia Forum 2018 - Singapore

Single access - a risky business

“In Blockchain, intermediaries are unnecessary, and all assets become bearer assets,” observed an expert. “This allows greater control and lower costs, but also involves greater risk.” But he also noted that high net worth individuals (HNWIs) and people in general are not yet prepared to manage their own assets and all the security risks associated, so it will take time to come into the mainstream.

This is a significant impediment, the same expert explained. “Imagine walking around with your entire portfolio in your pocket,” he said. “Then imagine you got attacked and lost it all. The possible failure point is something we must work on to remove from the equation.”

Will crypto-currencies continue to be a rational engagement for HNWIs? “There are a lot of moving parts involved,” hedged one panellist, “so it is a high-risk investment I would say.”

“Actually,” argued another panellist, “I think the naysayers are focusing on the wrong things. The real advocates for crypto-currencies are from a younger generation, they have grown up knowing the concept of trading crypto-currencies for in-game resources in video games. They see the unfairness in the excess charges made for transferring traditional currency abroad.”

Fintech frustrations

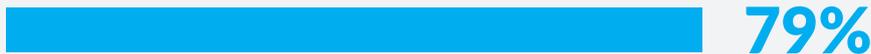
Panellists then sought answers to the problem of getting advances in technology accepted by the financial industry. “The bigger companies



SEAMUS DONOGHUE
Bit-Harbor

WOULD YOU PERSONALLY INVEST IN A FINTECH START-UP?

Yes



No



Source: Digital Wealth Asia Forum 2018 - Singapore

are so embedded in their traditional legacy systems and it takes time to unwind out of those,” began an expert.

“Dealing with the inertia of large companies and being passed through many departments and sales processes is frustrating and time-consuming,” vented a panellist, “so we tend to aim for newer, smaller companies with a simpler structure and a more open outlook.”

Another element of this resistance to new technology is that some older, larger firms do not necessarily want to be regulated, transparent and compliant. “We must make sure the incentives are there to pull them onboard,” confided an attendee.

It is not all doom and gloom for fintech however, as one attendee explained. “There have been some fabulous successes,” he said, “such as the adoption of new international transfer technology by the second-largest bank in France, and these successes are set to continue.”

“Would audience members invest in a fintech start up?” asked a panellist. “Fintech would make an excellent investment,” answered an expert, “provided that, as with any investment, you look at the people behind it and their proven track record. If they are credible, and will deliver the goods, why not?”

“I think fintech is safer to invest in than cryptocurrency,” suggested an attendee, “if you take small bets and create a portfolio of fintechs rather than putting all your money on one horse.”

Any fintech must exist to solve a pain-point rather than to simply put a runner in the race, however. “When investing in fintech,” advised an expert, “ask yourself, does this directly and successfully address a vital need that can be solved by technology?”

What does the future hold for cryptocurrency, Blockchain and fintech?

Panellists then predicted where these technological advances would take us in the next ten years. “The amount of brain power moving into the crypto-currency and Blockchain space is phenomenal,” enthused a panellist, “so I predict that paper will become obsolete and we will all be trading everything we own in a much simpler way.”



NAVIN SURI
Percipient

“ALONGSIDE BIG DATA, ARTIFICIAL INTELLIGENCE AND DATA MANAGEMENT, BLOCKCHAIN WILL REACH A POINT WHEN IT IS BIG AND EFFICIENT ENOUGH TO PROVE ITS CONCEPT.”

“We are on a journey towards a digital future,” concurred an expert. “Alongside big data, artificial intelligence and data management, Blockchain will reach a point when it is big and efficient enough to prove its concept.”

“When looking at the really big players in the financial industry, do you think small fintechs will have any engagement, or will the behemoths simply develop in-house?” queried an attendee.

“Bigger companies cannot help but become slower and more bureaucratic,” explained an expert. “Although size goes hand-in-hand with financial clout, it is also associated with lack of flexibility and innovation, therefore we predict that smaller fintech companies will continue to be at the forefront of innovation and therefore desirable.”

“I disagree,” argued a panellist. “The big companies like innovators, but they will not be lining up to buy the technology; instead they will buy the company, or simply copy the technology.”

Innovation alive and thriving

“We keep using the word ‘innovation’ but is there any genuine innovation happening or is it just ‘digital lipstick’, meaning smoke and mirrors?” asked an attendee as the discussion neared its end.

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“Yes, in the world of technology, there is genuine innovation,” replied one expert. “We can now do things we never dreamed of doing 20 years ago, it is amazing. There are some real changes possible, and indeed happening, including in the wealth management sector.”

“In terms of impact, Blockchain has profoundly changed the outlook for every industry,” an expert added. “Banks are trusted intermediaries, but if we no longer need those intermediaries, what happens to the banks? New economic models are being created, and within 20 years the financial industry and many other industries will be completely reinvented.” ■

