

Demystifying the Hype: Crypto- currencies, Blockchain & AI

Panellists gathered at the Hubbis Digital Wealth Asia Forum to discuss the ever-evolving landscapes of digital assets, blockchain technology and AI. While digitalisation is certainly nascent, increased uptake, understanding, regulation and guidance are ensuring that technological advances are becoming increasingly beneficial for wealth management.

These were the topics discussed:

- *Making sense of blockchain - what are the real applications & implications in financial services?*
- *What is happening in Artificial Intelligence (AI) - and what are the implications for wealth management?*
- *FinTech - wWhat is working or not working?*
- *How are FinTech companies partnering with larger more established institutions?*
- *What makes these partnerships work - what are both sides looking to achieve?*
- *What is really going on under the hood? Is there any genuine innovation?*
- *What has emerged from any of the Incubators, Labs and other initiatives?*
- *here has been a lot of talk - but what is next?*

PANEL SPEAKERS

- **Christophe Lee**, Founding Partner, JP Asia Partners
- **Frank Henze**, Practice Lead - Financial Services IT, Trimantium GrowthOps
- **Mark Wightman**, Partner, Wealth & Asset Management Advisory, EY
- **Seamus Donoghue**, Vice President of Business Development, Metaco
- **Jamie Spence**, Founder & Managing Director, Asian Link



EXECUTIVE SUMMARY

Technology does not have to be scary

The ever-changing landscape of digitalisation can be intimidating. Ensure that everyone is kept abreast of new technologies and understand their benefits. Education is key, banking professionals do not want to be intimidated and bamboozled, they want to be empowered.

Blockchain will and cryptocurrencies might weather the storms

Although the markets are currently volatile, Blockchain technology is beginning to thrive. Support from big players, regulation, and legitimisation from licensing has led to widespread recognition within the industry. As to cryptocurrencies, they might survive, especially if adopted at national and central bank level, new additions to the space are appearing all the time, although only the ones with something unique to offer will survive.

Blockchain has great value for transactions

Blockchain is extremely difficult to tamper with due to the time-stamped, digitally-dispersed ledger design. These elements make the technology particularly appealing to the financial industry. Blockchain is becoming more institutionalised.

Customer experience

It is important to remember that in this nascent age of digitalisation, blockchain and digital assets must primarily be about customer experience. The aim, eventually, is to reinvent the whole core of banking built on a shared ledger, building it bottom-up, using a trustee model with integrated services, reporting and securities built-in.

AI is an assistant not an overlord

The financial industry is beginning to lose the fear of being replaced and now sees AI as a means to streamline mundane processes and efficiently analyse data, allowing wealth managers to focus upon communication and relationships. Omnichannel options give clients the flexibility they crave.

Business-to-business selling not easy

The process of selling technology that will disrupt the status-quo and require much heavy-lifting to large banks is arduous and time-consuming. The key is to show tangible benefits that translate into added value for customers, which in turn generates returns for the bank. Keeping still is easy but moving forward is essential.

FinTech needs to look in the mirror

FinTech has become somewhat oversaturated with start-ups. To survive they must focus on solving problems for the client and must be far clearer on their value-added. They must also work on the timelines of the large financial institutions, which are slow.

“WE HAVE BEEN SEEING A lot of wealth managers investing considerable sums into AI and blockchain,” began an attendee, “as they believe these innovations will ultimately be beneficial for the wealth management industry. What are these technologies and how will they increase the value of our offering?”

“Cryptocurrency, also known as crypto, is a digital currency used for making or receiving payments which is recorded on the blockchain,” an expert answered. “This in turn can be understood as a distributed, decentralised, public, transaction record-keeping technology, used as a means of establishing trust between two parties without them knowing or having to trust each other. If everyone follows the correct protocol and process, then a transaction will go through.”

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Crypto has lost its mystery

“There was certainly a lot of hype in the crypto and initial coin offering space in the beginning, but now that the dust is settling some useful technologies are emerging,” an expert clarified.

There are now guidelines, regulations and licensing which bring crypto firmly into the realm of legitimate finance. However, as with any new technology, crypto has had teething problems. “The total crypto market size has slumped from USD800 billion equivalent in December 2017 to around USD200 billion now [late November 2018], meaning that there is a lot of volatility,” a guest warned. “It will take time to establish. There have been rejections, failings, but ultimately the principles are highly regarded.”

During this time institutional uptake has steadily increased. “The infrastructure is stabilising, regulation is catching up, and guidance is being offered on crypto insurance management,” an expert elucidated. “Blockchain analysis tools can now allow auditors to examine the whole history of a particular individual or wallet, which aids tax regulation.”



FRANK HENZE
Trimantium GrowthOps



MARK WIGHTMAN
EY

It is important to remember that in this nascent age of digitalisation, blockchain and digital assets must primarily be about customer experience. Without that focus, they will not be accepted. “The aim, eventually, is to reinvent the whole core of banking built on a shared ledger, building it bottom-up, using a trustee model with integrated services, reporting and securities built-in,” a guest reported. “However, business-to-business is a slower process, more bogged-down in regulatory implications and bureaucracy. Customers must always come first.”

Another potential sticking-point is that trading on a trust-less basis involves a very different exchange system, with no intermediaries required. “This leads to decentralisation, which makes regulation difficult and fragmented,” an attendee clarified. Indeed, with new exchange innovations being developed every day, the regulators have an uphill struggle trying to keep up and regulate those exchanges.

The new kid on the block...

“The key factor driving the success of blockchain technology,” a delegate added, “is that a lot of serious players are now signing up. This institutionalisation gives credibility to the whole space.”

“In addition to that credibility,” a guest remarked, “we have seen a lot more focus upon driving value, especially important considering current market conditions.”



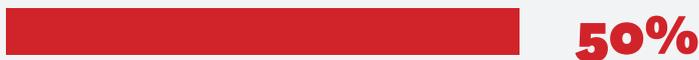
SEAMUS DONOGHUE
Metaco

IS FINTECH MORE HYPE THAN SUBSTANCE?

Yes



No



Source: Digital Wealth Asia Forum 2018 - Hong Kong

“It may be trendy,” admitted a guest, “but what does blockchain actually offer?”

Many potential users who are hesitant to take the leap into blockchain need to understand the measurable benefits of incorporating the technology. “Within the insurance space, companies who swapped over to blockchain early have experienced a 40% reduction in paperwork and administration,” an attendee offered.

“Everybody shared common information,” he continued, “policies could be written much more efficiently and cases could be settled more quickly. These reasons provide a great economic incentive to join. Other insurance companies have seen these benefits paying off and are now signing up in droves.”

Blockchain can indeed reduce the paperwork by digitalising everything, which is a benefit duly passed on to the clients. “It is painful for the client to fill out mounds of forms,” an expert claimed. “Fundamentally, operational efficiency will be increased by every process that becomes digitalised.”

AI heralds the decline of the mundane

The fear-mongering that weighed heavily upon wealth management conferences for the past two years, sparked by concerns over AI replacing human jobs, has now given way to the understanding that AI is streamlining jobs, removing costly, lengthy processes and allowing wealth managers to focus more upon relationships, strategy and innovation.

“The spend is going towards robotic process



JAMIE SPENCE
Asian Link

“AI IS NOT ABOUT REPLACING HUMANS, IT IS SIMPLY PROVIDING ALTERNATIVES FOR ADDED VALUE.”

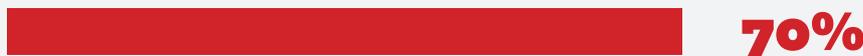
automation (RPA), which is a tactical move as it can be up-and-running swiftly, taking on mundane tasks such as background checks for know your customer and onboarding,” a delegate elucidated. “AI is not about replacing humans, it is simply providing alternatives for added value.”

HAVE YOU BOUGHT CRYPTO OR ANY DIGITAL ASSETS?

Yes



No



Source: Digital Wealth Asia Forum 2018 - Hong Kong

Indeed, delegates agreed that AI is fast-becoming an integral part of how we analyse, define, display, organise, mine and use data. “It is evolution, not revolution,” an attendee advised.

How to sell the future to a dinosaur

“The sell-cycle for digital technology is typically arduous. How should FinTech companies pitch to banks?” a panellist quizzed.

“Competition drives innovation,” a guest responded, “as it is an upward spiral. Innovations that do well are underpinned by a founder with vision and strategic investors. However, one of the major obstacles is always getting big names to jump into the ring.”

“Education should be at the forefront, as many firms are still suspicious of the technology behind crypto,” another panellist advised.

“FinTech is oversaturated with start-ups,” warned one expert. “To stand out, keep it simple when pitching new concepts. Credentials and qualifications may seem impressive, but what can you do for the client, what problems can be solved by what you are offering? Crystallise the central premise. Explain what you do differently. Be prepared to work on the timeline of large institutions, which is slower than that of a small start-up.”

He clarified that they also typically have formidable infrastructures which are incompatible with fundamental change, even if it is for the better.

“We have discussed today’s hype. But what about tomorrow? What will be big in 2019?” a panellist enquired.

“Last year the big thing was undoubtedly blockchain,” a guest reported. “Companies were holding meetings, calling in speakers, desperate to understand what it meant for their business. This year it has been AI. Again, businesses have been concerned with how it would change things for the better, and indeed what problems it may cause. Next year we expect that the markets will be tougher. Wealth management will need to focus upon doing more with less. Adding value for customers will be critical,” he predicted.

Digitalisation – always the next big thing

“We have got to focus on training and education,” another delegate explained. “We must



CHRISTOPHE LEE
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“PARTICULARLY MACHINE LEARNING, RPA AND NATURAL LANGUAGE PROCESSING. THIS WILL LEAD ULTIMATELY TO OMNICHANNEL SOLUTIONS WHICH WILL INCREASE VALUE FOR CUSTOMERS.”

demonstrate the benefits of adopting these new technologies. Fundamentally there is still a way to go here.”

“We will see a continuation of conversations around AI,” added a guest, “particularly machine learning, RPA and natural language processing. This will lead ultimately to omnichannel solutions which will increase value for customers.”

“AI will not be replacing human intelligence,” a delegate asserted authoritatively. “Instead, it will provide solutions to problems and increase value. Wealth management is a customer-experience industry, and anything that allows customers to experience seamless customer-service, whether it is automated banking, conversing with a chatbot, or talking to a human being, will improve that experience. This is an area of exponential evolution, and we must all ensure we stay connected.” ■