

# The spy next door

*An industry first between UBS and FinChat aligns the rise of chat apps and compliance monitoring standards. Bill Eng explains the journey of his Asia-based start-up to now provide secured social chat communications to clients and advisers.*

It didn't dawn on Bill Eng initially that helping his neighbour to find a way to monitor her child's social messaging habits would trigger a start-up that could attract the attention of the world's largest wealth manager.

But seeing the success of his initial efforts, Eng decided to put to commercial use his Master's in Physics from the University of Cambridge as well as his 18 reclusive years as a boffin in a top secret defense research laboratory. He also roped in a creative IT genius, Arjun Singh, to help develop a fully professional bank-ready product.

He pitched the idea to the Monetary Authority of Singapore (MAS) and SuperCharger, a fintech accelerator in Hong Kong. And just six months later, FinChat Technology is emerging as a name to reckon with in the field of compliance monitoring, analytics and archiving tools for messaging on mobile devices in regulated industries such as financial services.

## MEETING A PRESSING NEED

In many ways, FinChat's offering couldn't be timelier. Around 1 billion people now use WhatsApp on a daily basis, with WeChat used by nearly 850 million people, according to industry data. These are also the preferred channels for Millennials.

In private banking and wealth management, in particular, messaging apps such as WhatsApp, WeChat, LINE, FB Messenger, Skype and others, have become the norm for many adviser-client interactions.

Yet regulators across the globe are demanding that financial institutions remain compliant on data retention and archiving – which made adviser-client contact via social communications channels impossible in the past.

## A FLYING START

FinChat won over UBS with the fact that the web-based and mobile-based



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FinChat Technology

compliance tools capture and monitor business chats – but ensure private chats remain private. When installed

on a banker's phone, FinChat's software can capture and secure everything that happens on the device's business chats.

More specifically, it helps reconstruct a specific time in the life of a trader or banker using their social messaging chat history. Eng can demonstrate it by sharing and exchanging video calls, audio, image and text with another phone, and then retrieving them from the compliance officer's dashboard from the private cloud.

"This is a first, and an essential step for the industry," said Dirk Klee, chief operating officer and head of digital strategy at UBS Wealth Management, at the time of the announcement of the collaboration between the two firms in June 2017.

The decision for the 60,000-employee institution to partner with FinChat was based on the importance to the Swiss bank of breaking the impasse between the ever-increasing usage of social media platforms and rise in compliance monitoring standards. "UBS had this pressing problem," recounts Eng, FinChat's co-founder and chief executive officer.

Added Ketan Samani, chief digital officer for UBS Wealth Management in Asia Pacific, also at the time of the announcement: "Our clients have told us repeatedly they want to use chat apps for communication with their client advisers and to receive product and investment recommendations."

The partnership clearly showed the value in the client experience that FinChat can create. It also showed how ready some foresighted banks are willing to collaborate with budding fintechs despite their fledgling size. "This is something that couldn't have been possible just a few years ago," adds Eng.



### BORN OUT OF POLICYMAKING

Building on his neighborly spirit, Eng says the wave of regulations around data and record-retention around the world in recent years spurred him to set up the business.

In line with these, Europe is certainly fertile ground for FinChat. MiFID-II (acronym for the second Markets in Financial Instruments Directive) comes into force in January 2018, laying the legislative framework for regulating the operation of financial markets in the EU.

Further, earlier this year, the UK's Financial Conduct Authority (FCA) fined a former Jefferies investment banker GBP37,000 for sharing client information with a friend over WhatsApp – exactly the issues that some of the regulations try to address.

With the MiFID-II deadline looming, Eng says FinChat is in a position to implement solutions within a month for a bank. "That's why UBS and other foresighted

banks are asking us to co-develop something quickly with them," he adds.

### GETTING IN POLE POSITION

But this is not purely a regulatory-led initiative; it is also driven by competitive pressure, believes Eng. "This space is very nascent," he says, "but I believe more and more players will emerge because when the market starts to find out about [what can be achieved], big players will come knocking.

Already, most of the top global banks, insurers and even some incumbent leaders of the desktop compliance monitoring space have recently approached us for a solution or partnership." The opportunity in the Asian market is appealing, given the habits of consumers.

This is especially the case in China, where it seems that many investors are not prepared to use anything other than social messaging. "Chinese clients do not want to use email, or bespoke banking apps," notes Eng. ■