**MEDIA RELEASE**

# CFA Fintech Report: Obstacles to Growth mean FinTech unlikely to Replace Traditional Financial Sector

*Highlights areas of potential industry disintermediation including Blockchain, Robo-adviser, Mobile payment, P2P Lending*

**Sydney 10 July 2017:** The new FinTech 2017: China, Asia and Beyond Report (Report) released by CFA argues that, while FinTech companies were usually strong at technology and applications, they are mostly inexperienced in financial sector operations and therefore unlikely to completely replace the more conventional sectors of the financial services industry.

One of the Report's authors, Mr Larry Cao, CFA, Director, Content Asia Pacific, CFA Institute, said FinTech firms had a natural growth curve in areas where they were usually part of a system and built smart experiences that banks couldn't or didn't want to build.

"First, the most ideal development for FinTech firms is to collaborate with banks; each party has its strengths, and cooperation should be the long-term win–win strategy; second, banks are weak in technological segments like P2P while FinTech's offer more room for innovative ideas and technological skills but at lower profit margins; and third, FinTech enterprises continue to capture the technological development market because traditionally banks haven't been eager to develop these kinds of businesses. However, a change in attitude would pose the biggest threat to FinTech enterprises given the banking industry's sheer scale and resources."

Mr Cao said discussion had evolved in recent years from simply defining Fintech to more involved narratives about its potential drawbacks.

"While FinTech will have a significant and potentially revolutionary influence on a broad set of sectors within the global financial services, FinTech leaders interviewed for our Report noted that startups needed a large flow of customers, a large amount of data and a very strong credit risk skills to be successful," he said. "There was consensus the number of startups that would become big peer-to-peer winners was going to be in the tens, not in the hundreds or the thousands".

Mr Serhan, CFA, President CFA Society Sydney and Managing Director, Research Strategy, Asia-Pacific at Morningstar, said the Report focused on what CFA felt it brought to the FinTech table in terms of expertise and insights, namely a global membership organization of investment management professionals.

"Our global industry network is unparalleled and we add value by facilitating a balanced discussion among the major stakeholders. It will be their collective actions, rather than the action of any individual group, that will determine the FinTech industry's future and its impact on investors and financial services around the world including Australia."

Mr Serhan noted the objective of the Report was to focus on areas where innovations are likely to disrupt financial institutions including blockchain, robo-adviser, mobile payment and P2P lending and intentionally limited discussion about artificial intelligence, big data and cyber security.

“Some areas of FinTech, like robo-advisers, were specifically relevant to the Australian financial landscape,” he said. “Robo-advisers for example offer low marginal-cost wealth management service via the internet and mobile devices with the help of internet technologies, big data analysis, quantitative financial models and algorithms. In terms of Australia’s unique mandated superannuation system, robo-advisers can deliver tailor-made wealth management services rapidly and conveniently to all investors instead of only high-net-worth clients. It’s a perfect combination of technology and finance working for the benefit of the end investor.”

CFA has organized a series of continuing education events on its specific topics of interest in Asia Pacific, including on ‘The Future of Investment Advisory’ and ‘Understanding Blockchain’.

CFA welcomes feedback on this Report via WeChat (QR code) or email at: fintech.apac@cfainstitute.org

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