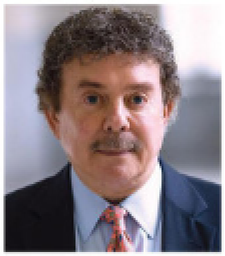
Financial technology: The continuing evolution of a

What is fintech? In simple terms: financial technology. We experience it, we live it when we send money via Pay Pal, swipe our Starbucks card to purchase a latte, deposit a check via the photo app on our smartphone, or use a ride-sharing service like Uber or Lyft.


Jerry Haar

Fintech is a true disruptor and will continue to be so. According to a recent PwC report, investment in fintech grew from $5.6 billion in 2014 to $12.2 billion in 2015. For the first half of 2018, the global fintech sector raised nearly $42 billion.

Fortunately for our community – always strong in financial services – fintech is rapidly gaining prominence. Along with Art Basel and eMerge Americas, Fintech Americas (now entering its sixth year) can claim to be a magnet, gathering place, and deal-making space in the dynamic arena of financial technology.

Just how are banks harnessing fintech in their operations?

Lloyd's, one of the UK's biggest banking firms, will spend over $4 billion on new technologies and digitizaton over the next three years to boost the customer experience and make its business more efficient. The bank is also increasing employee training time by

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50% from current levels.

However, the transformation driven by fintech is more than a series of one-offs. During the past 20 years these new technologies have permeated the investment banking space as well. As Armin Rosen, writing in a Columbia Business School blog, notes, they have "democratized" investment banking by spurring robo-advisors that use algorithm-based computer programming to generate automated investment guidance.

An example is Betterment, founded in 2008, with $5 billion in assets under management, using proprietary algorithms to assess where to invest clients' money.

Other technological tools and applications include blockchain and distributed ledger, artificial intelligence, cybersecurity, regtech, and insurtech.

For the most part, however, banks focus largely on fintech for payments. But more and more are beginning to look to the entire value chain, from gamification and compliance training to surveillance software and as well as artificial intelligence to improve customer service and spur greater workforce productivity.

Skuchain is a good example. As reported by Ernst & Young, it is a blockchain-based startup aimed at supply chain management. For trade financing, they provide smart contracts that govern all aspects of trade agreements. Skuchain plans to eliminate the use of paper-based letters of credit and is working with banks to shift towards electronic letters of credit that will sit on top of the blockchain. The goal is to increase transparency into trade visibility and eliminate the time spent on exchanging documents for verification.

So what does the near-term future look like? Looking at predictions for the rest of the year and beginning of next, one can envision and acceleration of AI and regtech as well as next generation digital lending, insurtech innovations, and financial services incumbents building their own digital banks.

For banks to ensure that their employees have the aptitude to deliver success in tomorrow's world – recognizing that millennials will comprise nearly three-fourths of the global workforce – a major report by Ernst & Young ascertains that they will have to evaluate technology's sweeping disruption of the banking labor force, get in tune with a younger generation of bankers, promote diversity of thought and possible solutions to challenges in the banking world, and foster and empower a collaborative workforce.

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FOUNDED JUNE 2, 1983
VOLUME XXXVI No. 21

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bscriptions______________(305) 358-2663
prints______________(305) 358-2663

ditor and Publisher / **Michael Lewis**
resident / **Carmen Betancourt-Lewis**

Y (ISSN: 0889-2296) is published weekly for $145
ail: to Europe $190 per year, the Americas $145 per
d by Today Enterprises Inc., 2000 S. Dixie Highway,
mi, Florida 33133, USA. Periodicals postage paid at
STMASTER: Send address changes to MIAMI TODAY,
HIGHWAY, SUITE 100, MIAMI, FLORIDA 33133.