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Fintech Trends in 2016

An extract from Australian Mortgage Report 2016



5 FINTECH TRENDS IN 2016

*Deloitte consulting partner and fintech practice leader, **Chris Wilson** highlights expected fintech trends for Australia in 2016*

Scale

In Australia, we expect more integration in 2016 as current fintechs seek scale.

Although in 2015 Australia had less than one percent of global fintech investment, Sydney, along with Berlin, is under the investment microscope as a hot city.

With \$20bn of capital invested in fintechs in 2015 globally, there is an estimated \$88bn looking for opportunity in 2016.

The very early stage startups, and fintech angel investments in Australia, will have to step up to get to the incubation stage to build sustainable businesses to attract some of this finance.

Collaboration

We expect a more collaborative environment with an increasing number of partnerships between financial institutions and fintechs.

There are areas ripe for collaboration with fintechs, include scaled up peer to peer (P2P) lenders and bank mortgage lenders. In the insurance industry, we expect fintechs assist incumbents within their regulatory value chain.

Predictive analytics

Some 100 new insurance start-ups are anticipated by year end.

Partnerships will aim to improve the customer's end-to-end experience in mortgages. Banks could team up with a property data provider to give the customer an accurate valuation of their prospective purchase.

The earlier in that cycle that they can engage, the better opportunity they will have to become the bank of choice when it gets to financing. Collaborative partnerships can continue with post-purchase stakeholders such as utility providers.

Be mindful of the 'creepy line' – once crossed it is very hard to recover from the loss of trust. Banks, insurers and wealth managers have to be very careful, to balance anticipation of need, with the implicit trust consumers have in them.

Regtech

Fintech companies will also start to use their algorithmic platforms and predictive analytics to help large companies and banks with their compliance overheads.

Fintech providers will be able to help identify front line issues, by applying different or unusual data sets to help with the decision-making processes to deal with money laundering, know your customer, and sanctions type work.

Through carefully monitored access to internal data, fintechs will assist financial institutions generate more accurate regulatory compliance reporting on issues such as default risk.



EVERY HOUR IN FINTECH...

- **3.3m** people use *ALIPAY* for transactions
- **16** people invest in *BETTERMENT*
- **\$958,900** is loaned by *LENDING CLUB*
- **\$32.19m** is processed by *PAYPAL*
- **\$4.8m** of invoice volume handled by *ZUORA*
- **\$60,388** is pledged to *KICKSTARTER* projects
- **11,544** transactions are executed using *BITCOIN*
- **4,450** US auto insurance quotes are given online
- **\$37,000** is loaned to small businesses by *PAYPAL CREDIT*
- **9,000** P2P money transfers executed by *VENMO*
- **\$4.66m** is processed by *SQUARE* registers

Blockchain

We don't expect commercial grade scalable blockchain platforms until 2017, but in 2016, a lot of blockchain proof of concepts and pilots will come to market.

Australian banks are busy exploring what that will mean to them.

Blockchain technology is often used as the generic name for the family of technologies known as distributed ledger technology (DLT). It provides the same functionality as bitcoin (the digital currency), but uses different approaches to realising it through alternate algorithms and solutions.

Blockchain is used to transfer value through a consensus of replicated, shared, and synchronised digital data spread geographically across multiple sites.

Despite a range of competing standards and a large number of apps, the three core functions are to keep records immutably, transfer value and write smart contracts.



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