

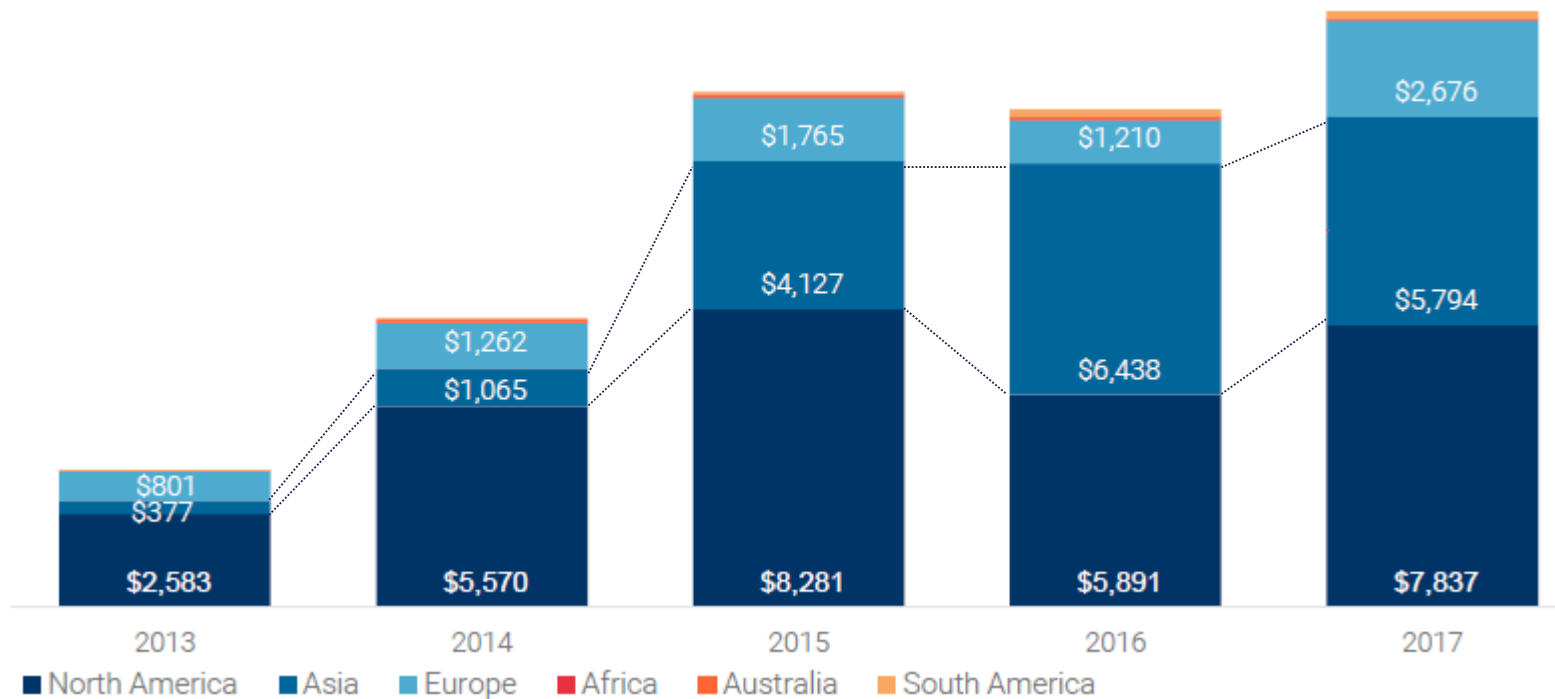
Landscape of FinTech Developments

~ Issues for Discussion ~

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Emerging of FinTech

- VC Investment
 - Substantial growth in Asia area



(Source) CB Insights

Background of FinTech

DEMAND

- Economic activities via Internet
- Economic growth in emerging and developing countries → more demand (gap)

SUPPLY

- Smartphones
- Artificial Intelligence, Big data analytics
- Blockchain, Distributed Ledger Technology

FINANCIAL INDUSTRY

- Strengthened financial regulation
- New entrants from non-financial sector

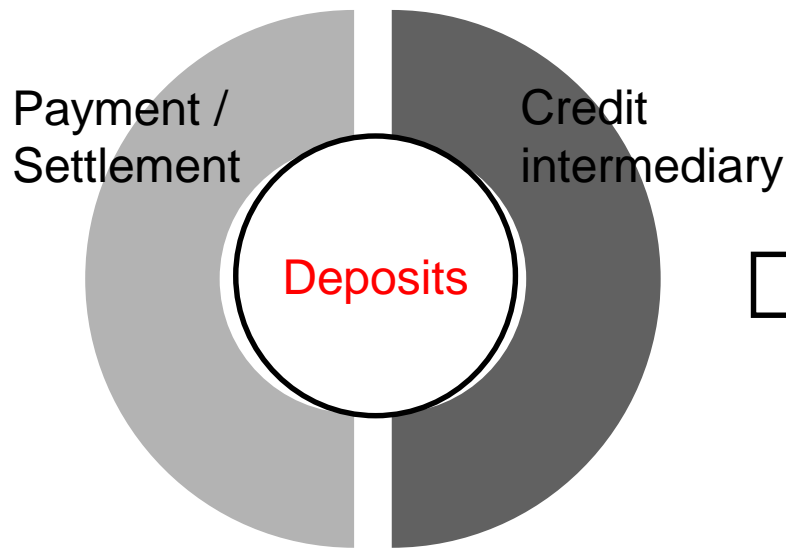
More active utilization of technological innovation

What we see in the world?

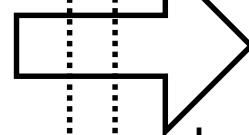
- Bedrock of finance is “information processing”. Most of innovative technologies are related to the basic financial infrastructure (e.g. “money”, ”ledger”).
 - ➔ Innovation in IT has significant impact on financial industry
- “Information revolution” and “data revolution” in all over the economy. FinTech represents only one part of it.
 - ➔ financial services made by FinTech are bundled with wide-ranging non-financial services and are offered seamlessly through the application software

Change in Infrastructure of Financial Services

Traditional Framework

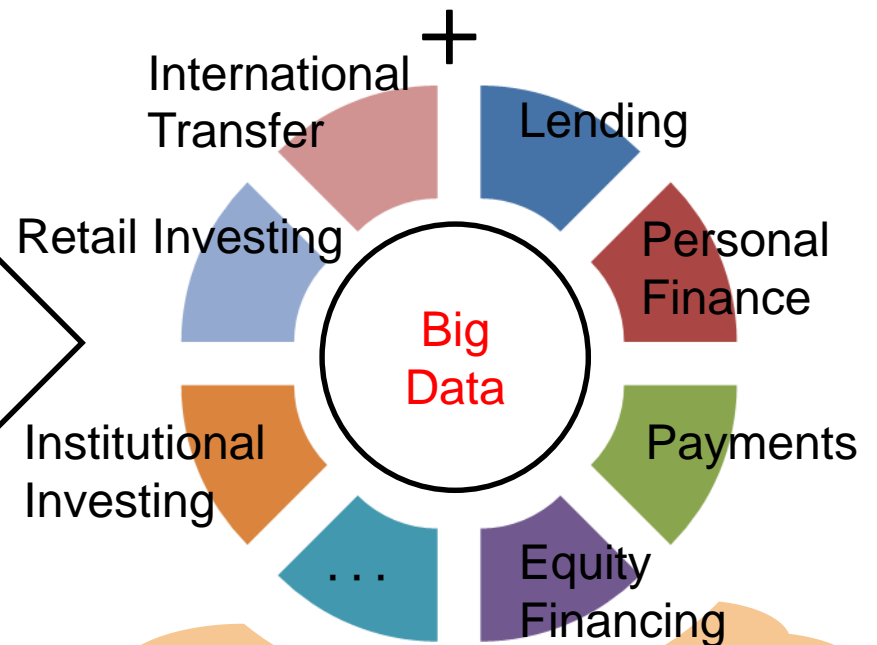


Branch, ATM,
Computing Center



New Framework

Traditional Framework



IT Platform

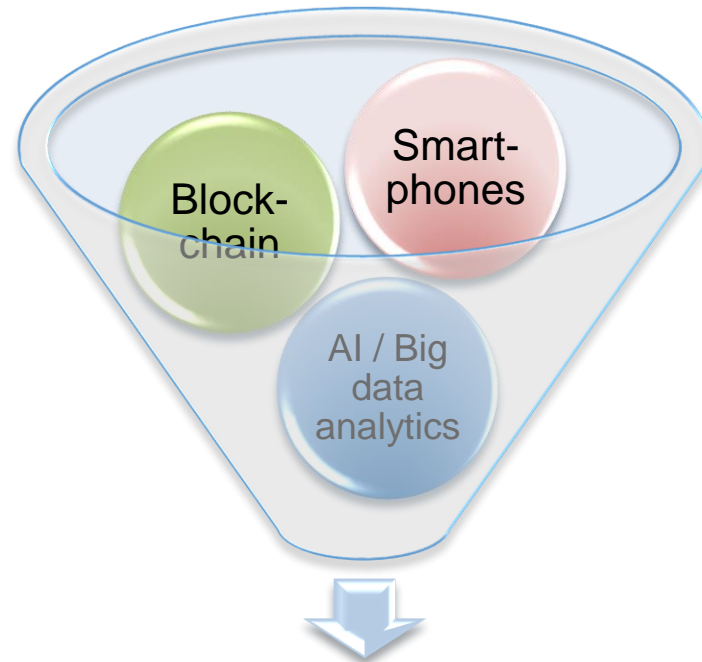
Macro economical Impacts of FinTech

- Vitalization of economic activities : Financial inclusion
 - ✓ To offer wide opportunities to access financial services
 - ✓ To enhance growth possibilities of industries with payment and settlement service
- Promotion of economic activities connected with FinTech
 - ✓ e-commerce, sharing economy, IoT (Internet of Things)
- Resolution of various social problems
 - ✓ Financial inclusion
 - ✓ Aging society : more secured financial transaction with innovative technologies

Historical coincident

Issues for Session 1

- Spreading usage of Smartphones (2007~)
- Introduction of Blockchain Technology (2008~)
- AI / Big data accumulation and analytics



Payment, Remittance, Lending...

Impact on Financial Service

Issues for
Session 2 and 3

Globalization and Financial Inclusion

- With Smartphones, easier access to financial services
- With AI/Big data analytics, larger access to financing
- → Great opportunity to be a “Leap frog”

Personalization

- expanding the possibility to provide financial services tailored to each person all over the world

Holistic Platform

- FinTech-type financial services are increasingly being provided in combination with these new non-financial services

Virtualization

- expanding the possibility to offer financial services that are not dependent on fixed infrastructure

Impact on Financial Stability

Issues for
Session 3

◆ Enhancement of risk management

- ✓ AI/Big data analytics may contribute to the dispersion of risks through portfolio diversification
- ✓ Spillover risk between financial and non-financial through the holistic platform

◆ Competition and new business opportunities

- ✓ Incumbents may suffer profit decrease in short term
- ✓ But, in emerging and developing countries, new entrants from non-financial industries can built a significant presence
- ✓ In developed countries, collaboration with FinTech companies enables to create new business opportunities

Impact on Financial Stability

Issues for
Session 3

◆ Emerging risks

- ✓ More information and data usage: privacy protection etc.
- ✓ “Opened innovation” and “emerging transaction or practice”: cyber attacks etc.
- ✓ AML/CFT



Thank you!!