

Reinventing Banking and Finance

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*Frameworks to navigate global fintech
innovation*

Helene Panzarino and Alessandro Hatami



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FOREWORD

AUTHORS' NOTE

Over the best part of the last two decades, technology has profoundly changed society. Industries such as retail, travel, music and news are virtually unrecognizable from what they were like not too many years ago – not to mention the way we interact with each other. Perhaps surprisingly, financial services providers have been largely immune to this transformation, due in part to the complexity of the regulation they are subject to, but also to the inertia of their customers, who until recently felt their banks were the only trustworthy managers of their money. All this changed dramatically after the financial crisis of the late 2000s leading to the rise of what has become known as 'Fintech'.

The spark of the idea for this book came about as a natural extension of over 30 years' work in digital innovation in financial services. We approached fintech innovation from two different directions: one of us has a track record of looking at fintech innovation from the standpoint of the disrupting innovators, while the other comes from the perspective of the disrupted incumbent. We decided to pool our years of experience to provide a reasoned analysis of the changes that are happening and, more importantly, why we should care.

However, the book that we actually wrote took a slightly wider berth than we anticipated. We thought it was important to remind ourselves of how the banking sector got to the age of digital and fintech. So, we discussed the role of banks in society and through the ages – from biblical times to the rise of Silicon Valley.

We also took a look at the drivers behind fintech disruption, looking at talent, capital and regulation but not forgetting customer appetite. We dissected the ideal 'Neobank', describing what a bank would probably look like if we had no legacy issues or expectations to worry about.

Circling back to our core objectives, we delved into how digital innovation is actually being implemented across the globe, creating distinctive geographic hubs, and establishing global communities of like-minded companies solving the same financial problems, while making the most of their markets, challenges, and opportunities.

Finally, we felt that a book on fintech disruption would not be complete without a review of some of the most important global fintech hubs. In the

second half of the book, the chapters are structured by regional hubs to give the reader an overview of the individual ecosystems of London, Paris, New York, Tel Aviv, the Gulf and Shenzhen. We reached out to our networks across the globe to get insiders' perspectives on how the fintech hubs across the globe are structured and are operating. We share this with our readers, with the caveat that even though we have tried to be as up to the minute as possible, fintech is evolving so rapidly that there will inevitably be some information that needs to be updated.

Ultimately our goal is to share our passion for and fascination with the changes finally transforming one of the pillars of society – banking. It is the means through which a society can reward both prudence and entrepreneurship, enriching the community in the process. This was very much the case before industrialization led banks to become increasingly detached from their customers and their needs. Unfettered growth, faceless expansion, complacency and possibly arrogance are a recipe for disaster. In this book, we address the impact of digital transformation in banking and finance on all stakeholders, sifting out the runners and riders, and inevitably along the way the winners and losers.

During the many months of writing this book, we developed a heightened awareness of the speed of change in digital disruption and of the incredible work being done by pioneering entrepreneurs, courageous incumbents, dedicated academics, visionary investors and supportive public institutions, work that sometimes goes unnoticed on the global stage. It certainly reminded us to think more laterally and maintain our peripheral industry vision, as it is easy to forget that financial services and fintech is a global industry movement, collectively stronger than its individual parts when it comes to solving shared problems, and that increasingly nation state lines are blurring.

In reading this book, we hope that you will find your own passion for the topic and continue to learn with us.

*Helene Panzarino
Alessandro Hatami*

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LIST OF ABBREVIATIONS

ABC	Agricultural Bank of China
ACPR	Autorité de contrôle prudentiel et de résolution
ADGMA	Abu Dhabi Global Market Authority
AI	Artificial intelligence
AMF	Autorité des Marchés Financiers
AML	Anti-money laundering
API	Application programming interface
ASIFMA	Asia Securities Industry and Financial Markets Association
B2B	Business-to-business
B2C	Business-to-consumer
BAT	Baidu, Alibaba and Tencent
BAU	Business as usual
BBB	British Business Bank
BOC	Bank of China
BOCOM	Bank of Communications (China)
BVCA	British Venture Capital Association
C2C	Consumer-to-consumer
CASS	Current Account Switching Service (UK)
CBB	Central Bank of Bahrain
CBI	Confederation of British Industry
CCB	China Construction Bank
CFPB	Consumer Financial Protection Bureau
CFTC	Commodities Future Trading Commission (USA)
CMA	Capital Market Authority (Saudi Arabia)
CMIS	Commissioner of the Capital Markets, Insurance and Savings (Israel)
CPA	Cost-per-action
CPC	Cost-per-click
CVC	Corporate venture capital
DFS	Department of Financial Services (NY)
DFS	Department of Financial Services (NY)
DFSA	Dubai Financial Services Authority
DIEDC	Dubai Islamic Economy Development Centre

DLT	Distributed ledger technology
EBA	European Banking Authority
EBF	European Banking Federation
EC	European Commission
ECZ	Special Economic Zone (China)
EIS	Enterprise Investment Scheme (UK)
ESMA	European Securities and Markets Authority
EU	European Union
EVCA	Invest Europe (formerly European Private Equity & Venture Capital Association)
FCA	Financial Conduct Authority (UK)
FDIC	Federal Deposit Insurance Corporation
FISCO	Financial Blockchain Shenzhen Consortium
FPC	Financial Policy Committee (UK)
FSA	Financial Services Authority (UK)
FSMA	Financial Services and Markets Act 2000 (UK)
FSMR	Financial Services and Markets Regulations (Abu Dhabi)
GAFA	Google, Apple, Facebook, Amazon
GCC	Gulf Cooperation Council
GDPR	General Data Protection Regulation (EU)
GFIN	Global Financial Innovation Network
GSMA	Global System for Mobile Communications Association
HKMA	Hong Kong Monetary Authority
ICBC	Industrial and Commercial Bank of China
ICO	Initial coin offering
IDF	Israeli Defense Forces
IF	Innovate Finance
IFGS	Innovate Finance Global Summit
IFPI	International Federation of the Phonographic Industry
IIT	Indian Institutes of Technology
IMPA	Israeli Money Laundering and Terror Financing Prohibition Authority
IPO	Initial public offering
ISA	Israeli Security Authority
KAFD	King Abdullah Financial District
KYC	Know your customer
LBS	London Business School
LIBF	London Institute of Banking and Finance
LSE	i) London Stock Exchange; ii) London School of Economics and Political Science

M&A	Merger and acquisition
MAS	Monetary Authority of Singapore
MENA	Middle East/North Africa
MiFID2	Markets in Financial Instruments Directive 2004 (EU)
MIT	Massachusetts Institute of Technology
ML	Machine learning
MVP	Minimal viable product
NBB	National Bank of Bahrain
NCTA	The Internet and Television Authority (USA)
NYC	New York City
OCC	Office of the Controller of the Currency (USA)
OECD	Organisation for Economic Co-operation and Development
ONS	Office of National Statistics (UK)
P2P	Peer-to-peer
PBoC	People's Bank of China
PE	Private equity
POC	Proof of concept
POS	Point of sale
PRA	Prudential Regulatory Authority
PSD2	Second European Payment Services Directive
QR	code Quick response (code)
R&D	Research and development
SaaS	Software-as-a-service
SAMA	Saudi Arabian Monetary Authority (SAMA)
SCA	Securities and Commodities Authority (UAE)
SCGC	Shenzhen Capital Group
SEC	Securities and Exchange Commission (USA)
SEIS	Seed Enterprise Investment Scheme (UK)
SFC	Securities and Futures Commission (China)
SME	Small and medium-sized enterprise
SNC	Start-up Nation Central (Israel)
SOAS	School of Oriental and African Studies
STEM	Science, technology, engineering and mathematics
SZIFA	Shenzhen Internet Finance Association
UCL	University College London
UCLA	University of California, Los Angeles
UKCFA	UK Crowdfunding Association
UKIFC	UK Islamic Finance Council

UKRI	UK Research and Innovation office
USP	Unique selling proposition
UX	User experience
VC	Venture capital
WEF	World Economic Forum

