



# Boao Forum for Asia Annual Conference Summary (No. 3)

Boao Forum for Asia Institute

March 23rd, 2017

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## Session Two

### **FinTech: How will it change Finance?**

**Time:** 1:35 p.m. to 2:46 p.m., March 23rd, 2017

**Venue:** ICC, Level 1, Dong Yu Grand Ballroom B

**Moderator:**

- Peter TUFANO, Dean, Sa ï Business School, University of Oxford

**Panelists:**

-CHEN Shengqiang, CEO, JD Finance

- Gregory D. GIBB, Co-Chairman & CEO, Shanghai Lujiazui International Financial Asset Exchange

-Elle KIM, Vice President, Samsung Electronics

-LI Dongrong, President, National Internet Finance Association of China

-LIU Shi, Founder and Chairman, Billions Finance

-MA Weihua, former CEO, China Merchants Bank

-Kelvin TEO, Co-Founder and CEO, Funding Societies and Modalku

**Key points:**

- The financial industry has entered the era of financial digitalization. Behind the development of FinTech is profound technological revolution.



- FinTech 2.0 is in essence a more in-depth use of data. With the increase in data and lower cost of digital computing, data can significantly improve the efficiency in services and operations.
- FinTech enterprises should take data as the basis and technology as the means to provide services for traditional financial institutions and help them increase efficiency, reduce cost and increase revenues.
- FinTech should respect the nature of finance, follow the laws of financial activities, make good preparations in risk pricing and stick to the bottom line of risk prevention.
- Real FinTech should contribute to the real economy. Achieving the goal of inclusive finance by using advanced digital technology will become a reality.
- With the wide application of FinTech, problems related to privacy, digital security and so on begin to surface. The FinTech industry should intensify regulation and supervision and improve the financial supervision system.

### **Synopsis:**

China's FinTech development has entered the 2.0 Era. With the development and application of the new generation of information and technology, such as big data, cloud computing, block chain, artificial intelligence, mobile internet and so on, science and technology is beginning to play an increasingly important role in increasing financial efficiency and improving financial services.

Each revolution in and large-scale application of information technology will revolutionize the financial industry and bring new risks and challenges as well. In the era of mobile finance, FinTech enterprises should respect the nature of finance, follow the rules in financial activities, strengthen their risk management, and work proactively with traditional financial institutions and supervision departments so as to promote the sound development of FinTech.



## **FinTech 2.0 Is A More In-depth Use of Data**

LIU Shi said that FinTech 2.0 is the multi-dimensional and in-depth use of data. Mobile Internet has brought unprecedentedly rich data. The traditional, data processing method cannot meet the current demand. By using intelligent data analysis and artificial intelligence and other technologies, data can significantly improve the service quality and corporate operation.

MA Weihua said that behind FinTech is profound technological revolution. With the reduced cost in digital computing, the current big data application has already gone beyond memory computing, context analysis, and sentiment analysis and entered the phase of predictive analysis. Artificial intelligence is also derived from the optimization of the algorithm; block chain is a kind of decentralized game-changing technology. These improved technologies, when applied in the financial industry, can bring more imaginative changes than the Internet finance. The past underlying factors of the financial industry will witness a complete change, and the efficiency of financial services will be greatly improved.

CHEN Shengqiang noted that Internet finance, FinTech and technological finance are three different concepts. Internet finance is, in essence, the expansion of the channel, that is, selling financial products by using Internet as the sales channel; FinTech is a revolution in technology, that is using technologies such as big data, artificial intelligence and block chain to provide services for financial institutions; technology finance means that enterprises use technology to develop themselves. With data as the basis and technology as the means, FinTech can help traditional institutions improve efficiency, lower cost and increase revenues. Take the operations of Jingdong Finance as an example. “Jingdong Baitiao (IOU)” is now using 30,000 variables to conduct ratings of 200 million Chinese people. They make



automated loans without any human review. Technological progress, and science and technology accumulation makes FinTech possible.

### **Respect the Nature of Finance and Strengthen Risk Prevention**

LI Dongrong noted that FinTech is in nature finance. It is a result of the in-depth integration and innovation of finance and technology. FinTech can improve the quality and efficiency of traditional financial services, but if used improperly, it will have a huge impact on financial activities. With the wide application of FinTech, and significant increase in capital flow and flow rate, the negative impact that financial industry may face cannot be neglected. FinTech industry should adhere to the bottom line of risk prevention and exercise prudential supervision to ensure consistency and transparency of supervision. At the moment, China is improving its financial regulation system and concerned departments are making great efforts to build a long-term mechanism to promote the orderly development of Internet.

Kelvin TEO noted that the volume of persona data that mobile application has collected is already huge and hackers also pose a great threat to data security. As financial audit becomes increasingly dependent on data, the issue of protection of personal privacy and storage and protection of data is becoming all the more important. As a result, it requires more sophisticated technology.

Gregory D. GIBB said that we should combine new big data with traditional data. In terms of credit, understanding of investment and matching logic, we should not be overconfident of the new technologies, new models or new data. We should give ourselves three to five years to accumulate experience and maintain and exploit traditional financial advantages while focusing on data security.



Elle KIM said that since FinTech is cross-boundary, regulation and supervision in this regard might become another challenge that FinTech will face in the future. FinTech enterprises should work actively with their counterparts in other countries, listen to the opinions of industry experts, regulators and governments, shoulder their corporate responsibility and ensure the safety of their products.

MA Weihua emphasized that supervision and regulation should be equal, transparent, inclusive and stable. At first, Regulators should not be afraid of previous failures and should allow room for the development of commercial practices. Secondly, regulations should respect the market and follow the rule of survival of the fittest. Lastly, the system should keep pace with the time, and “*Commercial Banking Law of the People's Republic of China*” should be amended. It is imperative to promote regulatory reform.

### **The Real FinTech Should Contribute to Real Economy**

LI Dongrong said that the financial industry has experienced financial computerization and financial informationization, and now it has entered the era of financial digitalization, namely the era of mobile finance. Mobile payment, mobile credit, mobile banking and other areas are witnessing rapid development. In the past, the impoverished region does not have access to financial services and has the problem of “the last mile of the financial services”. In the era of mobile Internet, we can solve this problem by using digital technology and achieve the goal of inclusive development.



CHEN Shengqiang noted that due to cost coverage and credit system, inclusive finance cannot be realized by traditional financial methods. New technologies provide viable commercial models to inclusive finance. So far, Jingdong Finance has cumulatively served over 100,000 SMEs, and the total amount of loans reached 250 billion Yuan. The cumulative amount of loans to the rural population reached 40 billion Yuan, and it has helped 42,000 poor people get financial services. Jingdong Finance has implemented different risk pricing for different groups.

MA Weihua said that FinTech will influence the real economies represented by inclusive financial in five aspects: first, mobile payment has changed people's contact with the financial means; second, big data can help small and medium-sized enterprises achieve better risk management through data analysis and summary; third, save the cost; fourth, it can realize cross-industry, cross-population, cross-border, and cross-regional allocation of resources; fifth, it will promote the circulation of capital.

Gregory D. GIBB said that FinTech will solve two major issues in China's real economy. First, difficulty in financing faced by private, small and micro enterprises; second, high risks in personal investment. Currently, the financing demand of personal, small and medium enterprises and individuals accounts for 10% to 15%. In the coming three to five years, the percentage will increase to 20% to 30%. Big data computing ability and personal investment strategy will become the focus of the market. Financial technology can solve the problem of excessive concentration of individual investment and promote the diversification of individual investment.