

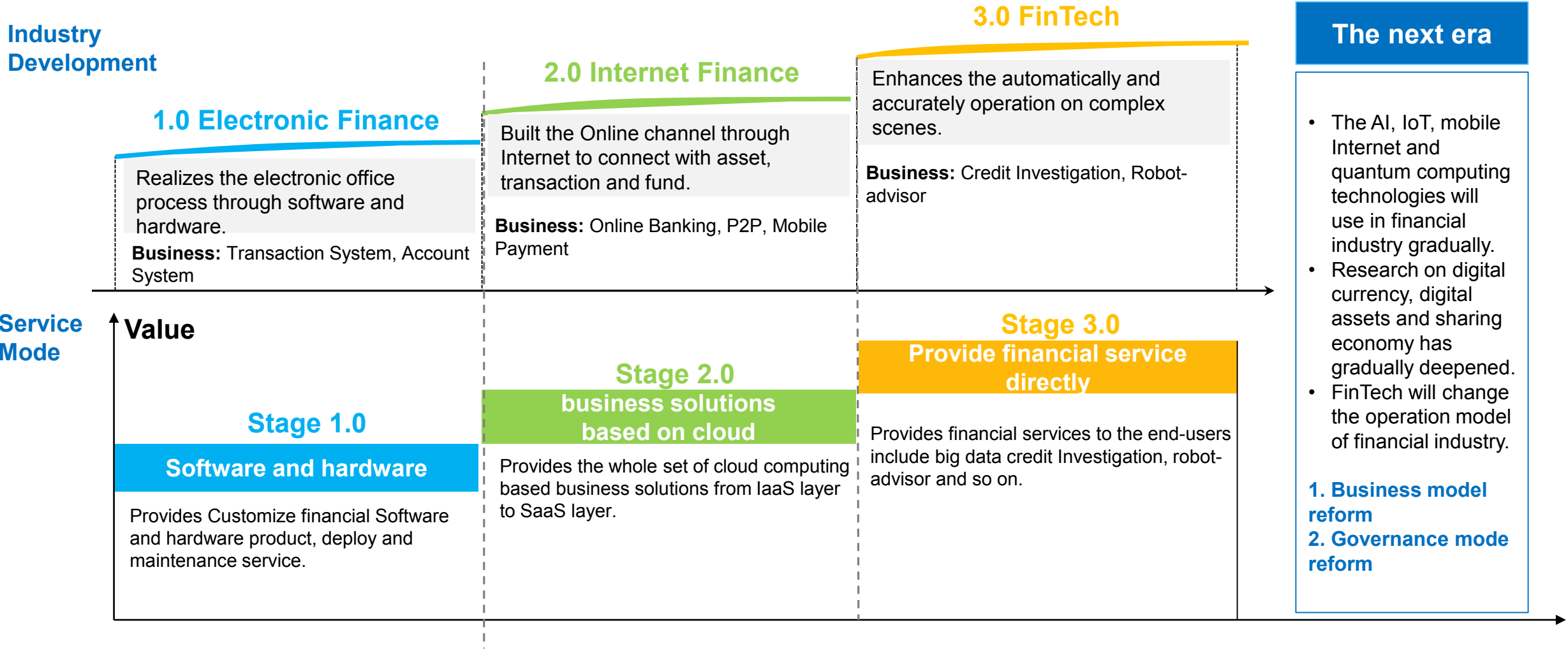


The Development of FinTech in China

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2018.05

The technology application in financial industry has been carried out in the 3.0 era.



Financial technology has a wide range of applications, and brings the efficiency and effectiveness.

1

Channel reform

The importance of online channels has increased significantly. Using technologies such as mobile Internet to provide companies and individuals with new channels for consultation and trading, so as to achieve better customer reach.

E.g.: mobile payment, P2P lending, etc.

2

Operation optimization

Apply emerging technologies within financial institutions and deploy new architectures or applications to **optimize work processes and improve work efficiency** to achieve higher operational efficiency and better customer experience.

E.g.: robot-customer service tools, precision marketing tools, public opinion monitoring, quantitative analysis tools.

3

Service model innovation

Combining emerging technologies such as big data, artificial intelligence, and blockchain with financial services to launch innovative products.

E.g.: robot-investment, digital currency, supply chain finance.

4

Promote the reform of regulatory concepts and regulatory approaches

- **Regulatory concepts:** The development of FinTech promotes the development of RegTech, enhances the automation of supervision, comprehensively strengthens risk control capabilities, conducts supervision during events, and achieves the goal of maintaining market order and protecting investors.
- **Regulatory approaches:** Post-audit-style supervision turned to real-time and dynamic process supervision.

Meanwhile, FinTech also brings new financial regulatory challenges.

01

FinTech brings decentralization of financial business, which may lead to new business risks.

02

The application of new technologies deepens the information security risk.

03

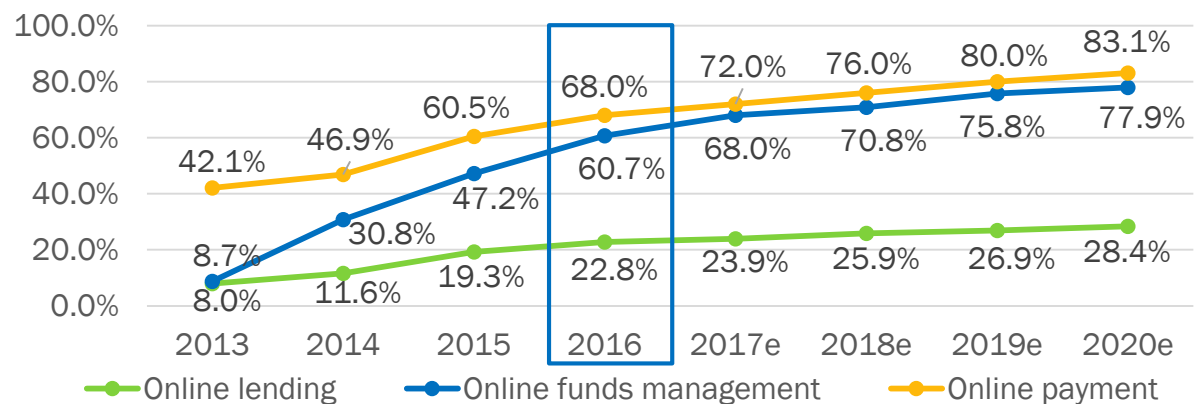
The diversification of financial technology makes it difficult to identify illegal and irregular transactions.

04

The competition between FinTech and traditional finance may lead to risks.

The main segments of FinTech show rapid growth in China.

The key segments' user penetration rate of FinTech in china in 2013-2020



Source: iResearch

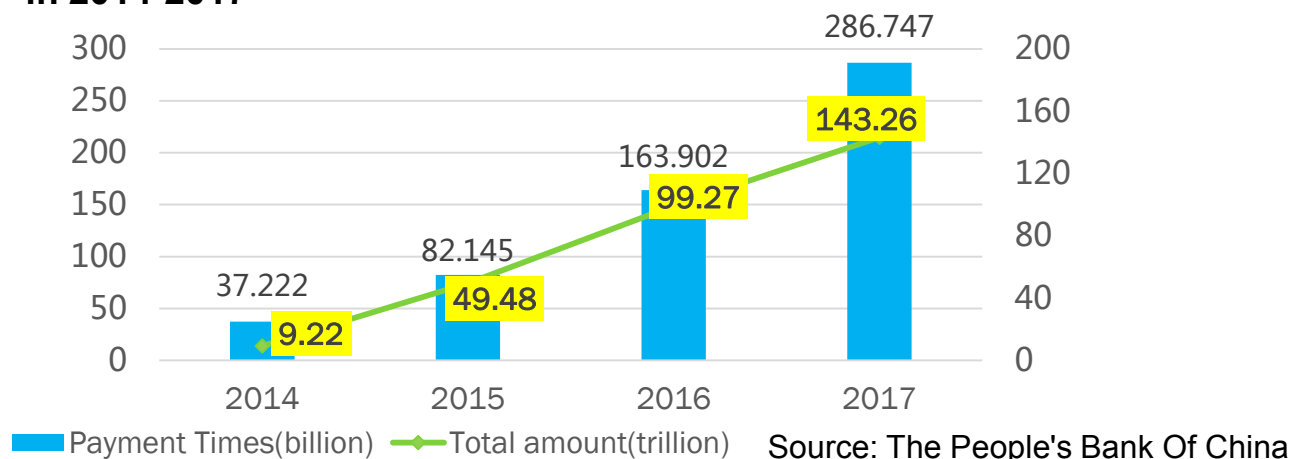
The status and trends of user penetration:

- In 2016, the users penetration rate of Online payment and Online funds management were above 60%. By the end of 2017, the Online payment users of WeChat has reached 800 million.
- It is expected that by 2020, the user penetration rate of online lending, Online funds management and online payment will increase to 28.4%, 77.9% and 83.1%.

The key segments' market scale of FinTech in China:

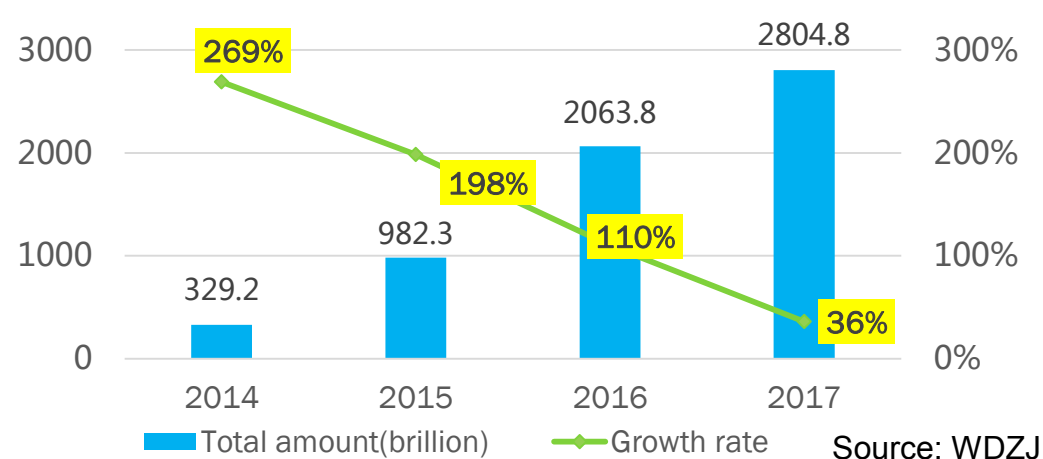
- In 2017, the Online payment amount of Chinese third party payment agency reached RMB 143.26 trillion, a growth rate of 44.32%.
- In 2017, the Online lending amount reached RMB 2804.8 billion, a growth rate of 36%.

The online payment market scale of third party payment agency's in 2014-2017



Source: The People's Bank Of China

The Online Lending market Scale in 2014-2017 (billion)

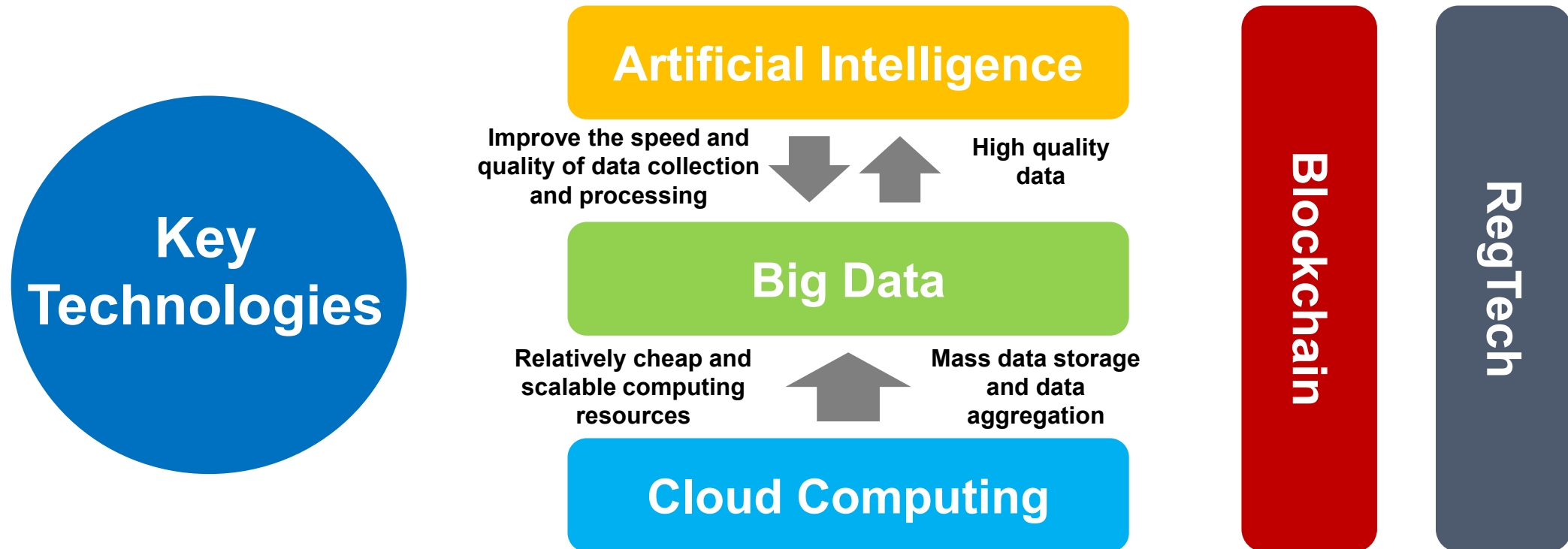


Source: WDZJ

Note: (1)All amounts are calculated in CNY. (2)The exchange rate of USD and CNY is 1:6(approximate).

Cloud computing, big data, AI and blockchain are the key technologies of FinTech.

The development and application of emerging technologies such as cloud computing, big data, artificial intelligence, and blockchain have had a major impact on the business service model of financial institutions. They have gradually become the key technology driver for the development of the financial industry.



Technology Trend 1: Cloud computing applications enter “deepwater areas”, but there are still safety issues that need to be solved.



Cloud Computing

Role

- Cloud computing is a technical means to realize IT resources on demand. Financial companies can use IT resources like water, electricity, and coal.
-

Value

- Effectively reduce financial institution IT costs;
 - High reliability and scalability;
 - Higher degree of automation in operation and maintenance;
 - Support big data and artificial intelligence.
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Trend

- The popularity of technology will increase continually;
- Users will require better solution.

Technology Trend 2: Big data driven the financial business, data is a key production factor.

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Big data

Role

- Data is the “oil” of the digital era. Big data technology helps financial institutions continuously improve their ability to be wisdom.
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Value

- Improve decision making efficiency;
 - Strengthen data asset management capabilities;
 - Realize accurate marketing services;
 - Enhanced risk management capabilities.
-

Trend

- The financial industry relies heavily on data;
- Getting insight though data analytics becomes more and more important.

Technology Trend 3: Artificial intelligence is accelerated application by finance institutes. Many financial positions are being replaced by AI.



Artificial Intelligence

Role

- Expand the breadth and depth of financial services to realize intelligent, personalized and customized financial services.
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Value

- Further improve the data processing capacity and efficiency of the financial industry;
 - Promote the trend of service models to be automated, personalized, and intelligent;
 - Improve financial risk control effectiveness;
 - Boost the development of inclusive financial services.
-

Trend

- Some positions were replaced by AI;
- Maximize people's value.

Technology Trend 4: Blockchain moves from concept to application. It has optimistic outlook but still face multiple constraints.



Blockchain

Role

- By constructing a value-based network, it has become a new "pipeline" for the financial industry.
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Value

- Refactor the credit mechanism;
 - Reduce financial supervision costs;
 - Realize an efficient and low-cost trading model;
 - To achieve personal privacy protection.
-

Trend

- Technology has not matured to the financial level;
- There may be subversion in the future;
- Blockchain 1.0 digital currency -> 2.0 smart contract (current) -> 3.0 decentralized application (future).

Technology Trend 5: RegTech will become a new focus for FinTech.



RegTech

Role

- RegTech is a tool to control financial risks and ensure financial security.
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Value

- Improve regulatory capabilities;
 - Reduce regulatory costs;
 - Helping compliance.
-

Trend

- The importance of RegTech is highlighted;
- RegTech applications have become new hot spots.

Thanks !