

FinTech

Case Study 4. Forging the future of FinTech

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Learning outcomes

- ▶ The role of government
 - ▶ Examine the impact of regulation in the FinTech industry
- ▶ Relationships between incumbents and startups
 - ▶ Assess the competition between incumbents and startups in winning the battle for providing financial services

Overview

1. **The role of government**
2. Relationships between incumbents and startups
3. The future of FinTech

Impact of government regulation on FinTech I

- ▶ **Lufax: FinTech and Transformation of Wealth Management in China**
 - ▶ Lufax (陆金所): A large wealth management and lending platform
 - ▶ Founded in 2011 as an affiliate of the Ping An Group
 - ▶ By 2017, Lufax offered more than 5,000 customized financial products
 - ▶ Lufax uses big data and AI to:
 - ▶ Anticipate the needs of consumers
 - ▶ Conduct credit and risk analyses
- ▶ Growing concern to regulators
 - ▶ Lack the necessary infrastructure to accommodate growing numbers of consumers

Impact of government regulation on FinTech II

- ▶ Read through the case study and consider the following:
 - ▶ How does Lufax use technology to connect users with a range of investment products via its integrated online platforms?
 - ▶ How do Lufax's systems help the company categorize and manage risk?
 - ▶ How might government regulation affect online marketplaces like Lufax?
- ▶ Explore further:
 - ▶ Next big thing: **RegTech** (regulatory technology)
 - ▶ Use of information technology to solve regulatory problems
 - ▶ What is regtech? A must have guide for 2020 [[link](#)]
 - ▶ What is regtech? 12 regtech companies will help you understand [[link](#)]

Impact of government regulation on FinTech III

▶ Video 4-4

- ▶ Speaker: Gregory Gibb, the CEO of Lufax
- ▶ How FinTech companies deal with impending government regulation?

▶ Video 4-5

- ▶ How government regulation impacts financial innovation?

Overview

1. The role of government
2. **Relationships between incumbents and startups**
3. The future of FinTech

Relationships between incumbents and startups I

▶ Eastern Bank: Innovating Through Eastern Labs

- ▶ Mutually beneficial partnership between banks and FinTech entrepreneurs
 - ▶ Startups have a technological edge over incumbents
 - ▶ Incumbents have the resources such as capital and data that startups lack

▶ Eastern Labs

- ▶ **Collaboration** between Eastern Bank and Eastern Labs
 - ▶ Use the bank's customers and resources to develop new financial products
- ▶ It had branched out to form a new firm: Numerated Growth Technologies
 - ▶ Aim of helping other banks launch innovative products and platforms
 - ▶ It was not without its detractors within the bank

Relationships between incumbents and startups II

- ▶ Read through the case study and consider the following:
 - ▶ How did the climate of small business lending change after the economic recession of 2007 and 2008?
 - ▶ Why are partnerships between incumbent institutions and startups mutually beneficial?
 - ▶ Why did Eastern Labs cause tensions at the bank, and how might these be resolved?
 - ▶ Do you think that Eastern Lab's Express Loan product was a success from a financial standpoint?

Overview

1. The role of government
2. Relationships between incumbents and startups
3. **The future of FinTech**

The future of FinTech

- ▶ Next big thing
 - ▶ New technologies may start small, but once they gain traction and widespread adoption, they become the "next big thing"
- ▶ Discussion:
 - ▶ Share your prediction of the most promising upcoming FinTech innovation
 - ▶ What is the application for the technology you have identified?
 - ▶ Are you aware of any startups or firms that are attempting to adopt it?
- ▶ Video 4-6
 - ▶ Takeaways from forging the future of FinTech