

BSA Digital Mutual virtual conference 2020

The Future of Fintech beyond Covid-19

David Gardner, Partner, Technology & IP

The Future of Fintech beyond Covid-19

“The rapid emergence of Covid-19 was a major Black Swan event.”
KPMG – Fintech Pulse Report (Sept 2020)



**Fintech
(pre Covid-19)**

The “Sharing Economy”

- Platform driven
- Social value
- *Uber, Airbnb, eHarmony*

Regulatory focus

- Strong Customer Authentication (SCA)
- Outsourcing and operational resilience
- Busy regulatory programme

Fintech investment

- \$15bn investment (2019)
- Big Tech/Platforms
- Fast growth businesses
- Chasing customers before profitability?

Open Banking/PSD2

- 1m unique users in UK (OBIE, Jan 2020)
- Regulation-led innovation
- Limited customer awareness

Digitisation of Financial Services

- Transition to online/mobile
- Closing or re-shaping branches
- Uneven progress and benefits

Covid-19 – *The Black Swan*



- A unique crisis
 - Global economic impact
 - Complexity and risk in unlocking the lockdowns
 - Risks of “second/third wave” outbreaks
 - Ongoing uncertainty damages confidence
- A paradigm shift for society?

“In April 2019, there were 67,873 sales of cars to private buyers; [in April 2020] there were 871, a drop of 99% to a level last seen in 1946. The Bank of England expects the economy to contract by 14% this year and you have to go back more than 300 years to top that..”

The Guardian (May 2020)

The New York Times
SATURDAY, MAY 9, 2020

U.S. UNEMPLOYMENT IS WORST SINCE DEPRESSION

APRIL'S RATE OF 14.7% TOUCHES ALL PORTS OF ECONOMY

BY MICHAEL W. SHERBERT

WASHINGTON — The unemployment rate in the United States in April 2020, at 14.7%, is the highest since the Great Depression, according to a report from the Bureau of Labor Statistics on Friday. The rate has risen from 3.6% in February 2020 to 14.7% in April 2020, a sharp increase that reflects the impact of the coronavirus pandemic.

The report shows that the unemployment rate has risen for 14 consecutive months, the longest streak since the early 1980s. The rate has also risen for 10 consecutive weeks, the longest streak since the early 1980s.

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Georgia Killing Puts Spotlight on a Police Force's Troubled History

BY MICHAEL W. SHERBERT

ATLANTA — The killing of a Black man by a police officer in Georgia has reignited a debate about the role of police in the United States. The incident has also highlighted the troubled history of the police force in the state.

In Flynn Case, Russia Inquiry, Is Barr's Target?

BY MICHAEL W. SHERBERT

WASHINGTON — The Justice Department's investigation into the activities of Michael Flynn has become a major focus of the media. The inquiry is seen as a test of the loyalty of Attorney General William Barr.

As Official Toll Ignores Reality, Mexico's Hospitals Are Overrun

BY MICHAEL W. SHERBERT

MEXICO CITY — The official toll of the coronavirus pandemic in Mexico is significantly lower than the actual number of deaths, according to reports from the ground. Hospitals are overwhelmed with patients, and many are dying without being recorded.

Acceleration of digitisation



| Digitisation | Trend pre-Covid-19 | Acceleration during Covid-19 |
|---------------------------------|---|--|
| Video Conferencing | Some adoption of video conferencing technology, frequent business travel | Zoom downloaded 2.13 million times on 23 March, rising from 56,000 per day two months earlier (<i>Aptopia</i>) |
| Contract Centre services | Trend towards automation of support services and promotion of online channels | 84% of UK contact centre operators moved to a predominantly remote working model lockdown (<i>contact-centres.com</i>) |
| The Digital Economy | <i>Trend towards provision of products, services and payments online (retail, leisure, media, etc)</i> | <i>Amazon earned revenues of \$73bn for Q1 2020, equivalent to \$10,000 per second</i> |
| Cash and payments | <p><i>Circa 1/3 UK payment transactions in cash</i></p> <p><i>Trend away from cash, towards contactless & mobile payments (thisismoney.co.uk)</i></p> | <p><i>Contactless limit increased to £45 (€50) in March 2020</i></p> <p><i>50% reduction of ATM withdrawals in March 2020 (Link)</i></p> |
| Digital Banking | <p><i>Increased customer awareness and adoption of services (including Open Banking)</i></p> <p><i>Adoption varies and relatively slow in some demographics</i></p> | <p><i>6 million new digital banking app downloads in UK from 14 March to 14 April 2020, equivalent to 12% of the population and 200,000 downloads per day (Nucoro)</i></p> |

**Fintech
overview**
(post Covid-19)

The “Isolation Economy” *

- Amazon, Ocado, UberEats
- Social distance / hygiene
- Limited physical contact

** Prof. Markos Zachariadis,
Manchester University*

Regulatory focus

- Customer protection, vulnerable consumers
- Outsourcing and operational resilience
- Delayed deadlines and consultations

Fintech investment

- Deal volume reduction
- Cashflow and investment challenges
- (Short term?) government support
- Focus on profitability

Open Banking/PSD2

- #PowerOfTheNetwork
- Customer demand
- Policy focus on *Open Finance* and *Smart Data*

Digitisation of Financials Services

- Rapid transformation of business models
- Digital switch-over
- Stickiness and benefits?

Fintech – Where to next?

The economy

*Reduced elasticity – permanent changes
Longer term uncertainty*

Customers

*Helping vulnerable consumers
“Re-building **business** for society”*

Fintech trends

Regulators/Policy makers

*Resilience and customer protection
Wider tech initiatives
(Smart Data, Digital IDs...)*

Fintech providers

*Creating responsive solutions
Pressure to generate profit
Maturity and partnerships*

Building Societies and Fintech

- Competition, collaboration...or partnership?
 - Leverage advantages – *Trust, community, values*
 - Technology choices
 - Strategic decisions
 - Customer focus

“When talking about money and people’s finances, **trust** in an organisation is also a key factor. This is where **established providers** can bring real benefits to their **carefully selected partners**. For me, **innovation** is all about bringing together the right partners and the right people to deliver **for the needs of our members**.”

Alex Bannister, director of strategic partnering at Nationwide Building Society
(FinExtra Report 2020)



Contact details



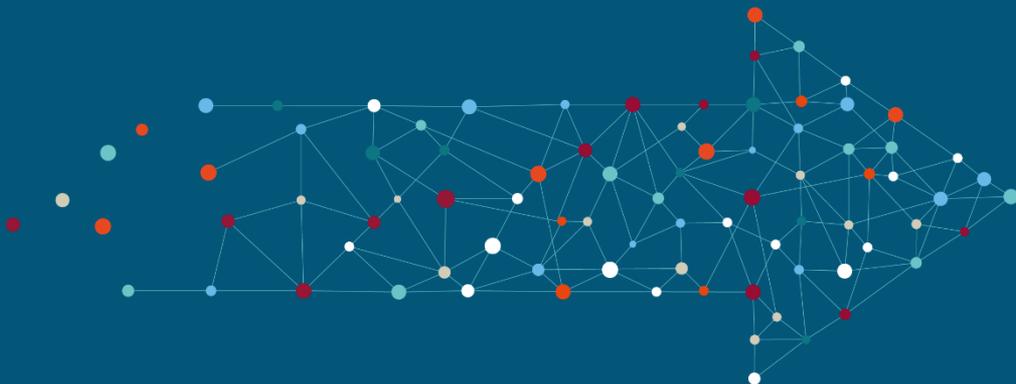
David Gardner, TLT LLP

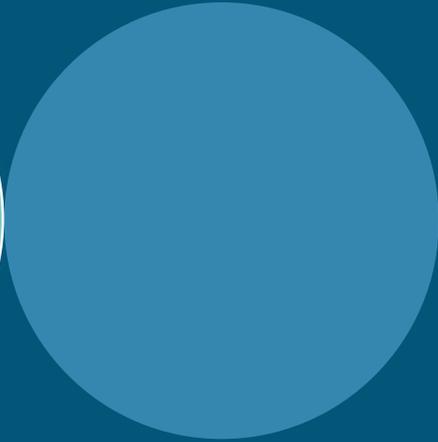
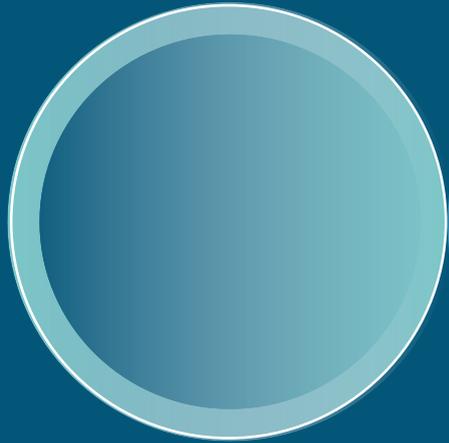
Head of Fintech

Partner, Technology & IP

+44 (0)7833 483 362

david.gardner@TLTsolicitors.com





Thank you