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# FINTECH OPPORTUNITIES & CHALLENGES

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UK HM Treasury Special Envoy for FinTech  
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# ME IN A SLIDE



- 1971-present American born Chinese (Chicago area)
- 1989-1993 Computer Science, University of Illinois at Urbana-Champaign
- 1994-2004 Silicon Valley (Apple w/o Steve Jobs, Sun Microsystems, etc)
- 2004-2005 London to head up Skype product team
- 2005-2007 Yahoo! Product head (London)
- 2006-2011 ASI investments, incl Mendeley, Treatwell, etc.
- 2009-present White Bear Yard co-working space and angel investments
- 2011-present Passion Capital venture capital fund launched
- 2014-present British naturalised citizen (4 children; ages 10, 8, 6, 4 years old)
- 2015 Prime Minister's Business Advisory Group, Chair Tech City UK, HM Treasury Special Envoy for FinTech

# SETTING THE STAGE

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- Digital technology
- Financial services
- Opportunities
- Challenges
- Next 12 months

# DIGITAL TECHNOLOGY

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- Fourth industrial revolution
- Unprecedented shifts to market forces, labor markets, consumer behaviour
- Globalisation effect (Whatsapp, Skype, Alibaba, Silicon Valley, Israel)
- Job markets and skills crisis

# MESSAGE DELIVERY

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Founded 1516

Peak 2005-2006

84 million items delivered per day

Today

41 million items (messages) per day



Founded 1992

Today (UK only)

57 million delivered per day

# MESSAGE DELIVERY

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Founded 1516

Peak 2005-2006  
84 million items delivered per day

Today  
41 million items (messages) per day



Founded 1992

Today (UK only)  
57 million delivered per day



Founded 2009

Today (UK only)  
100 million messages per day

# PURCHASING & COMMERCE

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## THE EXTRAORDINARY SIZE OF AMAZON IN ONE CHART

Amazon is bigger than most brick and mortar retailers put together

Market value as of December 30, 2016



Here is how the value of these companies has changed over the last 10 years:

Source: VisualCapitalist.com

# PURCHASING & COMMERCE

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Waitrose

Founded 1904

2013 turnover  
£9 billion  
149 years since founding



John Lewis

Founded 1864



2015 revenue  
\$97 billion  
70 years since founding



# NEWS & INFORMATION

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- 1893 The Financial Times
- 1843 The Economist
- 1827 Evening Standard
- 1821 Guardian Newspaper
- 1814 The Times
- 1516 Royal Mail (Henry VIII Master of the Posts)
- 2006 Twitter (8 years old)
- 2004 Facebook (10 years old)
- 1998 Google (16 years old)



# ACCELERATING PACE

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- 1846 The Electric Telegraph Company (BT plc)
- 2011 Snapchat (3 years old)
- 2010 Instagram (4 years old)
- 2009 Whatsapp (5 years old)
- 2007 iPhone (7 years old)
- 1992 SMS (22 years old)
- 1971 first internet based email



# FOUR HORSEMEN

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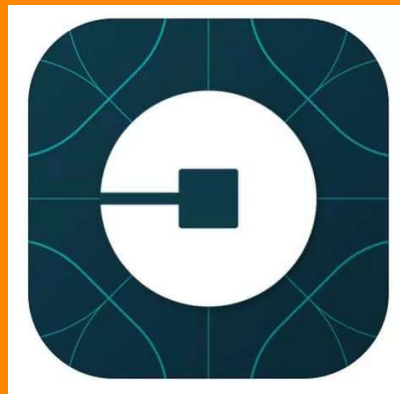
Amazon, Apple, Facebook and Alphabet/Google  
2014 market capitalisation \$1.3 trillion is greater than:

50% of FTSE 100  
GDP South Korea  
GDP Netherlands + Sweden  
GDP 170 other countries

Source:  
Professor Scott Galloway, NYU  
@profgalloway

# DON'T FORGET UBER

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Compare to...

- Ford Motor Company: \$63 billion market cap (\$144 bn revenue, \$4.6 bn profit)

# NEW WORLD ORDER

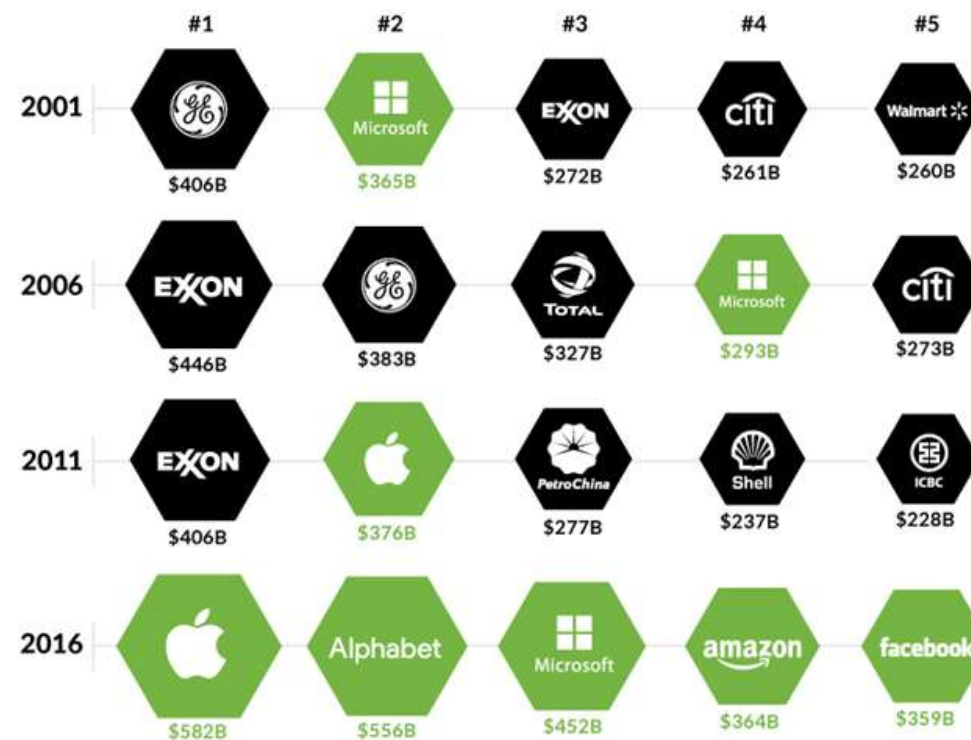
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## THE LARGEST COMPANIES BY MARKET CAP

The oil barons have been replaced by the whiz kids of Silicon Valley



Top 5 Publicly Traded Companies (by Market Cap)



Source: VisualCapitalist.com

# FINANCIAL SERVICES

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- 20-30% of global economy
- 14,000+ banks in the world
- Institutions in every country
- Individualised to mass market
- Reflective of overall market and geopolitical health

# FINTECH



Barclays alone spends £3 billion per year on technology

- London is one of the world's financial centres
- Time zone: GMT
- Talent: 000's of financial services-focused knowledge workers
- Density: 300 of the world's banks have London HQs
- Progressive regulatory environment
- \$4 trillion in foreign exchange through London every single day

London = Silicon Valley + Wall Street + Washington DC in one

# FINTECH OPPORTUNITIES

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- Value creation
  - Financial inclusion
  - Industry collaboration
  - Sector transparency
  - Consumer service and empowerment
- 
- AI/machine learning
  - Blockchain (cultural shift)
  - Cyber security



# FINTECH CHALLENGES

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- Regulatory pace
- Brand equity
- Consumer and business protection
- Industry division
- Skills development
- Financial inclusion
- Cyber security

# LOOKING AHEAD

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- Shift from B2C to B2B
- Back-end services and "wholesale offerings"
- Subsectors incl property financing, insurance, regulatory/compliance, legal
- Cyber security
- New "full stack" retail and commercial banking
- Regulatory catch-up



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THANK YOU

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