

Discover IBM Security for FinTechs

A partnership to boost your business



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Welcome to Security for FinTechs with IBM

There's no doubt that the growth in your Financial Technology (FinTech) industry has become one of the most talked-about developments of our time, and rightly so. In just a few years it has rapidly expanded from an emerging area of innovation into a worldwide market worth billions.

Since the start of this decade, global investment has approached US\$50 billion, and with customer expectations and financial regulations adjusting as a result, this growth is widely expected to continue.

A perfect microcosm of this growth can be found in London. In Europe's largest FinTech hub, the technological talent required to make FinTech a success sits along financial talent and regulatory openness to act as a key element of the United Kingdom's recovery from the global financial crisis of the last decade. Indeed, the Office of the Mayor of London claims that 40% of London's workforce is involved in financial and technology service, underlining the importance of FinTech's growing role in a key global financial centre. But such revolutionary changes aren't restricted to the UK and you'll find vibrant FinTech communities in a number of countries and cities across Europe. Indeed, there have been waves of investment in FinTechs which started during the dotcom boom of the 1990s and have given us widely recognised names such as PayPal and LendingClub.

The age of FinTechs – your age – is now, for a whole host of reasons. The financial crisis had a negative impact on trust in the banking system. The ubiquity of mobile devices has begun to undercut the advantages of physical distribution that banks previously enjoyed.

There has been a massive increase in the availability of widely accessible globally transparent data, coupled with a significant decrease in the cost of computing power. There has also been a telling demographic shift.

But perhaps most significantly for banks, consumers are more open to relationships that are focused on origination and sales (for example: Uber, AirBnB or Booking.com), are personalised, and emphasise seamless or on-demand access to an added layer of service separate from the underlying provision of the service or product. As a result of all this, FinTech players have an opportunity for customer disintermediation that could be significant.



Industry Overview

FinTech in the business world



To the man in the street, modern financial technology means the kind of development that allows them to pay for items using their mobile phones, or easily sending money to other people at a touch of a button. But we understand that there's much more to it than that.

Innovations in financial literacy and education, retail banking, investment and even crypto-currencies such as Bitcoin all come under the umbrella term of FinTech.

The term originally applied to the back-end operations of the established financial institutions. But now, generally speaking, FinTech covers the wave of technological start-up companies that have sprung up over the last few years and are changing the way finance is organised and conducted, both on a large scale between businesses and at a smaller level involving individuals and customers.

Many of these start-ups are creating efficiencies and delivering savings to customers and end-users alike, and as a result, this is putting pressure on the traditional institutions to adapt and keep pace in the marketplace.

What impact is FinTech having on business?

One of the most tangible effects that you and fellow FinTech companies are beginning to have on the business world is to make the flow of money around the world smoother, quicker and more efficient.

Previously, for anyone wanting to secure finance to start or expand their operations, for example, it would take huge amounts of time and several financial hurdles working with the traditional investment and venture capitalist establishment to get the funding needed to set their plans into action. Today, crowdsourcing opens up the acquisition of funding for new businesses to a large number of individuals, providing you with alternative finance sources to those traditional financial institutions. And instead of waiting months on end for the money to come to fruition, it can all be done directly and securely in a matter of weeks, or in some cases even quicker than that.

Firms like yours offering new FinTech services tend to be niche companies set up with specific operations in mind, and you're therefore far more agile and able to respond to changes much easier than larger and more established Financial Services. Running a leaner, tighter ship also means FinTech start-ups can keep their overheads and costs down, and in turn offer lower prices for the end-using customer. This doesn't mean being in competition as a consequence, but is more a change that will make FinTech firms part of a wider financial environment.



How are customers changing as a result?

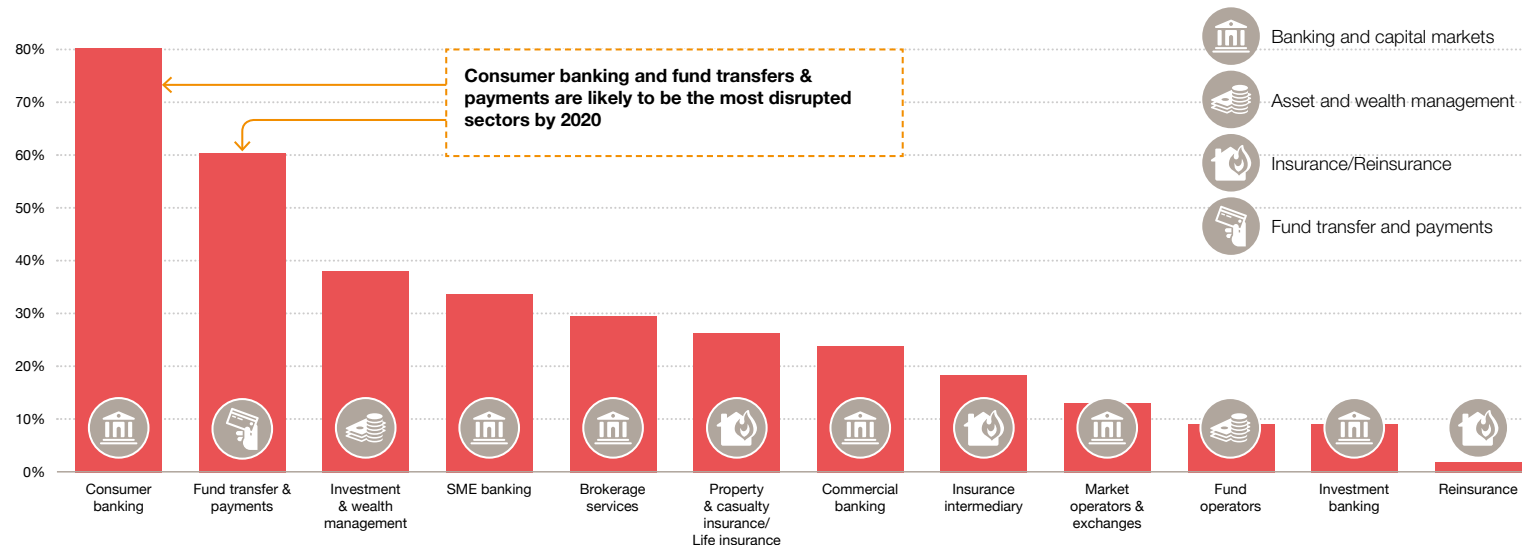
Above all, what the products spawned from the rise of FinTech have done is increase the demands and expectations of customers around the world to receive the quickest, cheapest and simplest services and products, wherever and whenever. People now treat business and finance just as they would shopping, emails or social media – instant actions and tasks that can reliably be carried out on smartphones, tablets or any other mobile devices.

From a business point of view, these changes in behaviour act as a double-edged sword.

On the upside, the playing field is levelled out like never before: the ability for even the smallest of organisations to get funding quickly, use internet and mobile to access a global customer base and sustainably accept card and other digital forms of payment opens up huge opportunities in what previously would have been considered hugely difficult sectors to break into.

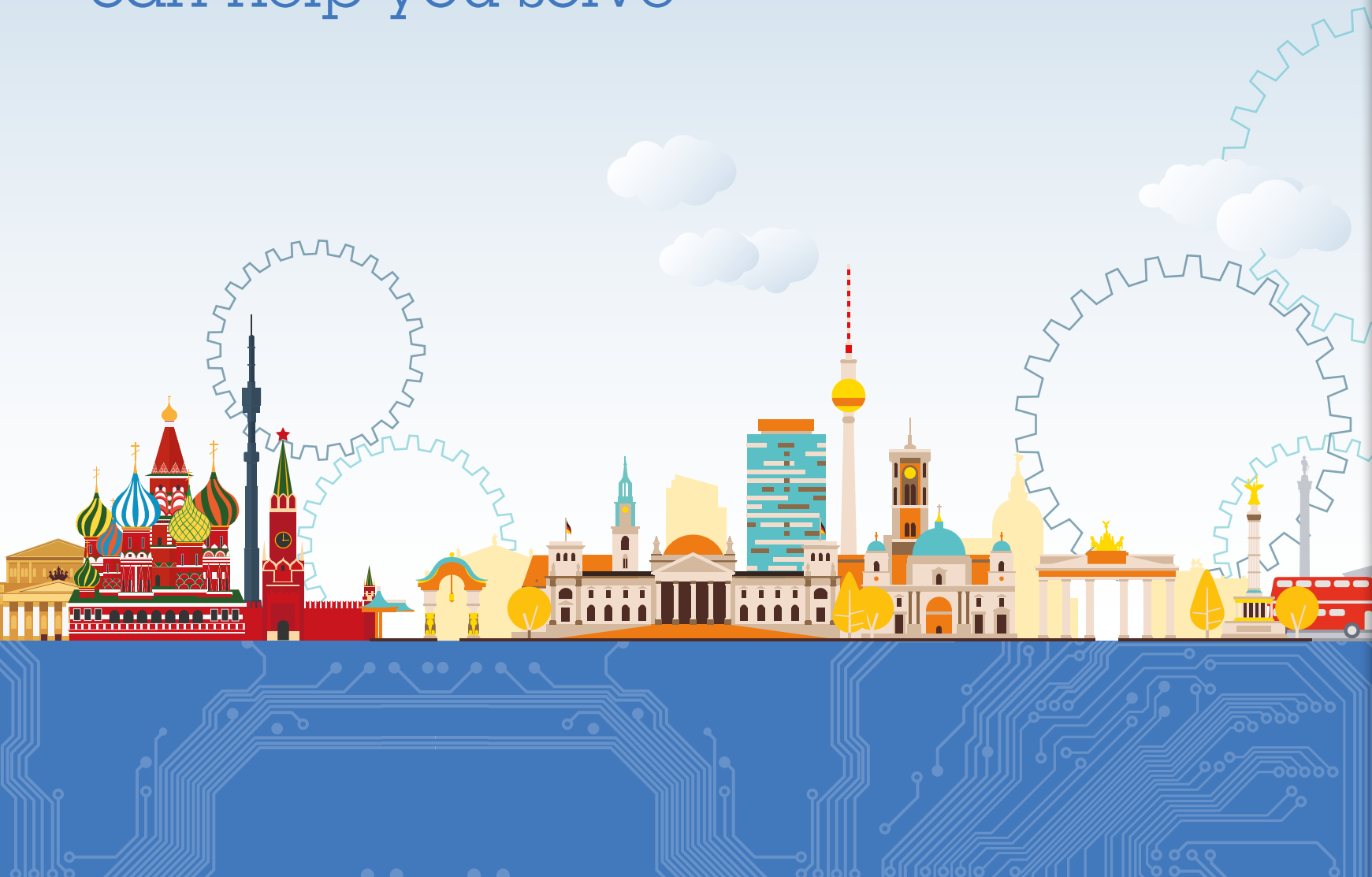
The other side of the coin is that FinTech start-ups don't have the customer base of millions that traditional banks and digital giants have built up over a long period of time. And while a strong customer base is important for any company, it's especially crucial for firms that are just starting out.

Which part of the financial sector is likely to be the most disrupted by FinTech over the next 5 years?



Source: PwC Global FinTech Survey 2016

The technical challenges IBM
can help you solve



Even with strong marketing expertise and a sound business plan, a successful FinTech business requires efficient execution of computing and technology that can be exceedingly complex.

To help you solve the common issues that can arise in this area of development, this task-and-solution guide can demonstrate how an IBM partnership can keep you on the right track technologically, as well as in business.

Compliance and PSD2

“Through PSD2 there will be **more competition** in the area of payments within Europe.”

It's best to strengthen your own position by focusing on **user experiences** and **customer processes**.

“The **interoperability** between different payment paths will increase.”

If your solution needs to be used by a range of partners, then you'll need to invest in an **IT infrastructure library**.

“**Co-operation** between us as FinTechs and traditional payment institutions has to improve.”

To achieve successful co-operation, partners must be on the **same levels** in **security**, **fraud** and **compliance** requirements.

Security

“I want to make sure that my developed app has no **vulnerabilities**.”

Use software solutions that **scan** your freshly developed app for **errors and vulnerabilities**, so that you can **fix them immediately**.

“As a FinTech, I work with **sensitive customer and financial data** every day. That's why I attach great importance to having excellent protection against malware and cyber-attacks.”

You need a program for **anti-fraud security** and **protection against cyber-attacks** that you can trust to protect you and your customers from any threat.



Payments and Blockchain

“**Payments and transactions** are part of my daily business and it’s important to me that these procedures are **efficient** and **safe**.”

Streamline operations more efficiently and securely by **automating** them, moving them into the **cloud** or using new methods such as **Blockchain** or **Distributed Ledger Technology (DLT)**.

“How do I set up a professional **Blockchain environment?**”

You don’t have to deal with it alone! There are **experts** and **consultants** who specialise in Blockchain and are happy to help you.

Legal

“In 2018, **MiFID II** (the Markets in Financial Instruments Directive) will impact the FinTech industry. What will the implications be for me?”

Among other things, all **telephone calls** leading to a transaction will have to be recorded. Software that **manages all mobile devices within your company** will help achieve this in an efficient way.

“The **GDPR** (General Data Protection Regulation) will also go into force in 2018. How should I react?”

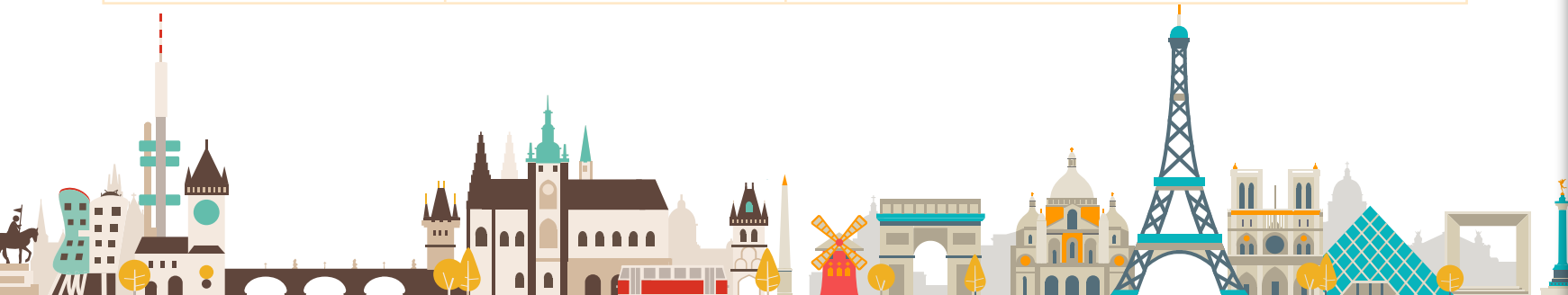
You’ll have to make **privacy** part of your corporate social responsibility efforts. You’ll need to **create new positions in your company** which specialise in **data protection**, aided by suitable software.



Talk to an expert adviser in your region

Whether you have a simple question or are looking for detailed advice on how IBM services can help you achieve your business goals, we're here to help with our team of expert advisers located throughout Europe. Select your region from the contact list below, and either send an email or pick up the phone.

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