News Release

Date:	Thursday 6th April 2017
Contact:	Ellie Raven, media relations, PwC Tel: +44 (0) 207 804 363 | Mobile: +44 (0) 7525 925 830 Email: ellie.raven@pwc.com
No. of pages	3
	Follow/retweet: @PwC

Most global financial services companies plan to increase FinTech partnerships, as 88% fear loss of revenue to innovators

- More than 4 in 5 (82%) financial services companies plan to increase FinTech partnerships in the next 3-5 years
- 88% are concerned they will lose revenues to standalone FinTech companies. On average, global firms believe almost a quarter (24%) of their revenue is at risk
- An average ROI of 20% on FinTech related projects is expected by financial firms
- FinTech startups have seen $40 billion of cumulative investment globally over the past four years according to PwC's DeNovo platform

London, 6 April 2017 -- A large majority of global banks, insurers and investment managers intend to increase their partnerships with FinTech companies over the next 3 - 5 years and expect an average return on investment of 20% on their innovation projects, according to a new PwC report *Redrawing the lines: FinTech's growing influence on Financial Services.*

The report, drawing on a survey of over 1,300 respondents globally, shows clear signs the finance industry is getting to grips with innovation. One driving factor behind these partnerships is an increasing fear within the industry that revenue is at risk to standalone FinTechs, with 88% of financial services respondents seeing it as a real threat (83% in 2016). On average, up to 24% of revenue is thought to be at risk.

As a result, a mutual understanding is emerging between the two parties - FinTech startups require the access to capital and customers provided by incumbents, and big financial firms are starting to understand how FinTech could be the key to finally overcoming legacy technological and customer communication issues.

Commenting, Manoj Kashyap, Global FinTech leader at PwC, said:

"FinTech collaboration, and innovation more widely, is not about jumping on the latest bandwagon - it's about finding the best, most efficient way to carry out your business strategy and ultimately better serve your customers.

"As financial institutions work ever more closely with innovators, consumers will begin to feel the benefits. The costs and frustrations customers often encounter when interacting with their bank, insurer or fund manager will hopefully begin to subside as they feel the benefit of streamlined, efficient businesses producing more tailored, customer centric products."

Turning threat into opportunity

The report shows that partnering with FinTechs will be a key way for firms to outsource parts of their R&D and bring their strategy to life, ultimately allowing them to offer new products to customers much more quickly.

Mobile money services are becoming a gateway for accessing populations previously unserved by banks. PwC predicts that using mobile technology to help new customers gain access to finance could open up a demographic worth $3 trillion to the payments industry.

Start-ups applying AI to financial services have been funded extensively, receiving an average funding of $1 billion annually over the last two years, according to data from PwC's DeNovo platform. The report shows that AI, and the data and analytics tools behind it, will be used by banks, fund managers and insurers to coach their customers through daily interactions on the best financial decisions for them.

Blockchain is coming out of the lab

- Over three quarters (77%) of global financial services companies plan to adopt blockchain in live production systems by 2020
- Funding in blockchain companies increased 79% year-on-year in 2016 to $450million globally
- Almost a quarter (24%) of global financial institutions say they are now 'extremely' or 'very' familiar with blockchain technology

The report makes it clear that blockchain is moving from hype to reality and real life use cases are set to become much more common. With the potentially huge back-office cost savings and transparency gains blockchain can provide, the technology will receive increasing investment as finance firms explore its ability to ensure they are fit for future growth.

Survey respondents believe the most likely use cases for blockchain will be payments, funds transfer and digital identity management. Opinions around use cases for blockchain vary by country, often driven by the level of development in the technology in each geography. Respondents from the United States cite funds transfer infrastructure as the most likely business use case, probably explained by the maturity of blockchain investment already undertaken there.

Commenting, Steve Davies, EMEA FinTech leader at PwC, said:

"The financial services industry has now fully embraced FinTech to help drive change and innovation. Activity ranges from partnering with FinTechs startups, financing in-house incubators, and deploying new solutions, to testing use cases in areas like blockchain. Sustained focus on innovation is much needed and can only be a good thing for firms and their customers."

"There are few overnight successes and, unsurprisingly, as much perspiration as inspiration. There is a tension between the time needed for new ideas to mature and the expectations of firms seeking to collaborate with Fintech startups. Managing expectations around returns is important, particularly for firms facing significant cost pressures. Embracing Fintech is as much about different ways of working and problem solving as it is about deploying new technology."

Notes to editor

1. Manoj Kashyap and Steve Davies are available for interview. Please contact Ellie Raven, PwC media relations, on ellie.raven@pwc.com or +44 (0) 207 804 3663.
2. PwC's 2017 Global FinTech Survey is based on the responses of 1,308 participants, principally CEOs, Heads of Departments, Heads of Innovation, Heads of IT/ Digital/ Technology from 71 countries spread across six regions and a variety of industries including banking, asset management, fund payments, insurance, reinsurance and FinTech. The majority of respondents are from large companies, but small and medium sized companies also took part in the survey.
3. The survey also includes insights and proprietary data from PwC's DeNovo platform. DeNovo provides on-demand consulting about FinTech and emerging technology. The platform can be used to search for analysis on specific startup companies, emerging technologies and industries. It allows you to assess the impact of innovation on your business and follow the topics, trends and companies that interest you. To try DeNovo for free, or upgrade to DeNovo Premium for deeper strategic analysis and direct access to subject matter experts, please visit https://denovo.pwc.com.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.