Press Release

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PwC: 82% of banks, insurers, investment managers plan to increase FinTech partnerships; 88% concerned they'll lose revenue to innovators

- ***From hype to reality - funding in Blockchain technology up 79%; banking seen as epicentre of disruption***

Hamilton, Bermuda - A large majority of **global banks, insurers and investment managers** intend to **increase their partnerships with FinTech** companies over the next 3 to 5 years and expect an average return on investment of 20% on their innovation projects, according to a new PwC report.

The report, *Redrawing the lines: FinTech's growing influence on Financial Services,* finds more than 4 in 5 (82% of) financial services companies plan to increase FinTech partnerships in the next 3-5 years.

The report also finds that funding in blockchain companies by financial services companies **increased 79% year-on-year in 2016 to $450 million globally**. Regulators, PwC says, have an important role to play in encouraging financial services over the starting line in implementing blockchain.

Drawing on a survey of over 1,300 respondents globally, the report 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.

Commenting, **Arthur Wightman, PwC Bermuda territory and Insurance leader**, 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."
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> Mr. Wightman continued: "PwC's report finds that the growing sophistication of models and analytics to better identify and quantify risk is seen as the most important

trend and the one to which the market is the most likely to respond. For this reason, insurers are embracing innovation with a focus on data analytics and 84% are planning to invest in it this year."

Blockchain comes out of the lab

"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," Mr Wightman said. "More than three quarters of global financial services companies plan to adopt blockchain in live production systems by 2020."

The report finds:

- Funding in blockchain companies increased 79% year-on-year in 2016 to $450 million globally
- Almost a quarter (24%) of global financial institutions say they are now 'extremely' or 'very' familiar with blockchain technology

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, **Scott Watson-Brown, PwC Bermuda Asset & Wealth Management leader**, said:

"The financial services industry has 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 such as blockchain.

"However, to date we have only seen about 30 percent of asset and wealth management firms partnering with FinTech companies."

The report finds that AWMs are likely to invest in technologies that will improve operational efficiency and increase innovation in research tools and analytical capabilities in order to improve decision making.

Banking 'epicentre of disruption'

Consumer banking will continue to be the epicentre of disruption over the next five years, according to 80% of respondents. Most bankers see personal loans (64%) and personal finance (50%) most at risk in moving to a FinTech company.

Matthew Clarke, PwC Bermuda partner, Banking, said: 'The focus on innovative product design, ease of use, 24/7 accessibility, and faster services are seen as important initiatives to address customer retention. Bankers also see the rise of FinTech as an opportunity to expand products and services and are increasingly turning to FinTech companies to engage in partnerships and buy their services."

Based on our survey, banks are also exploring new technologies, such as blockchain, with nearly one-third of respondents stating that they are in the early stages of evaluating their strategy and potential partnerships.

- The full report can be found here http://www.pwc.com/fintech

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