Insights: Alerts

6 Key Takeaways: FinTech and Financial Institutions - The Next Generation Strategy

OCTOBER 4, 2017 Written by

Kilpatrick Townsend's **Michelle Tyde** recently spoke at the 2017 President & CEO Georgia Bankers Conference on the topic of "FinTech and Financial Institutions — The Next Generation Strategy."

Key takeaways from that presentation include:

- The digital revolution has impacted virtually every area of business – telecommunications, logistics, travel, and retail. In the financial services industry, technology driven FinTech companies are transforming the way customers access and manage their money.
- While financial institutions have been risk adverse since the 2008 financial crisis, focusing on regulatory and compliance issues, FinTechs have innovated the industry offering enhanced products and services in areas such as payments and lending, to emerging areas including robo-advisory and blockchain systems. According to PWC, more than 20% of financial services business is at risk to FinTechs by 2020.
- Given the proliferation and impact of FinTechs on the industry, financial institutions can no longer afford to ignore the disruption caused by FinTechs. They must implement a strategy to adapt to and benefit from the FinTech-fueled changes to industry.
- Both parties bring significant strengths to the table. Financial institutions manage risk and are optimized for security and regulatory compliance. FinTechs are agile and innovative. A partnership between financial institutions and FinTechs can maximum the parties' strengths and assets. Hence, collaboration, FinTegration, is a necessary strategy for financial institutions in the FinTech era.
- In collaborating with FinTechs, financial institutions must implement a new digital business model which focuses on self-directed services, customer experience, data analytics, and cybersecurity. Financial institutions can leverage a number of FinTech solutions including cloud services, APIs, and data analytics.
- Outside counsel can assist financial institutions in structuring a collaborative partnership with FinTechs that maximums the benefits of technological innovations while minimizing the associated compliance and cybersecurity risks.