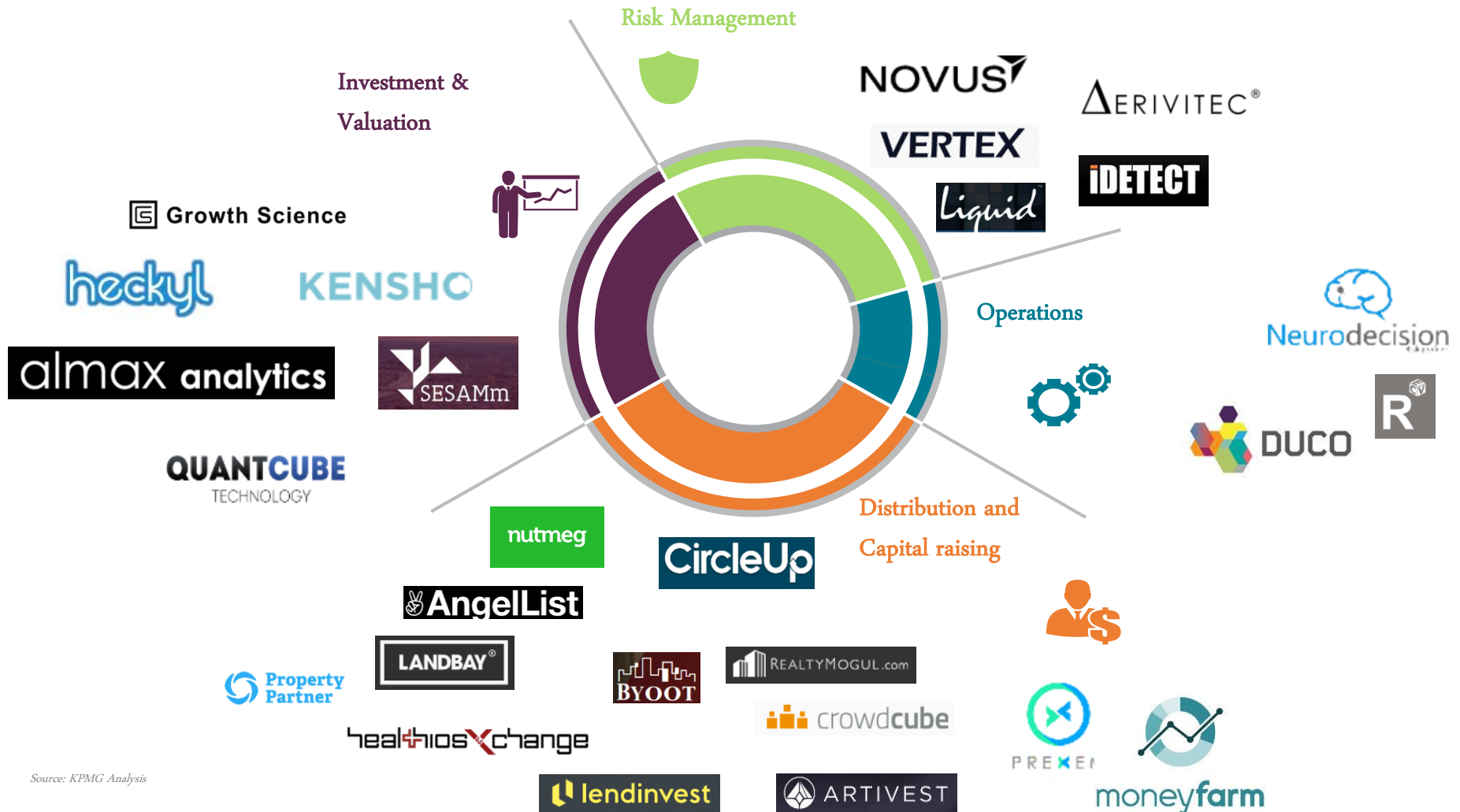


FinTechs and the Asset Management Industry

**Said Fihri, Associate Partner,
KPMG Luxembourg
23 February 2016**

Overview of FinTechs active in the AM industry



Source: KPMG Analysis

4 Hot topics in the industry



Robot
Advisors



Crowd
Funding



Data &
Analytics

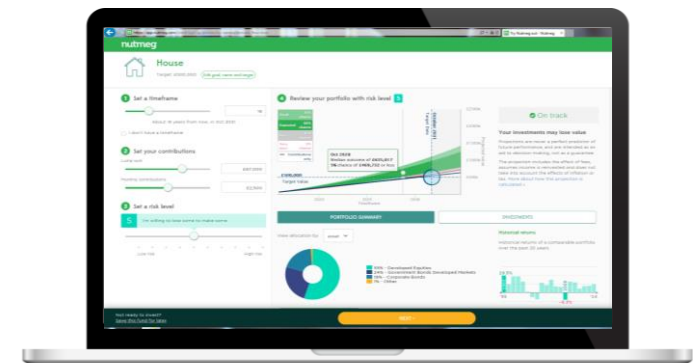


Blockchain

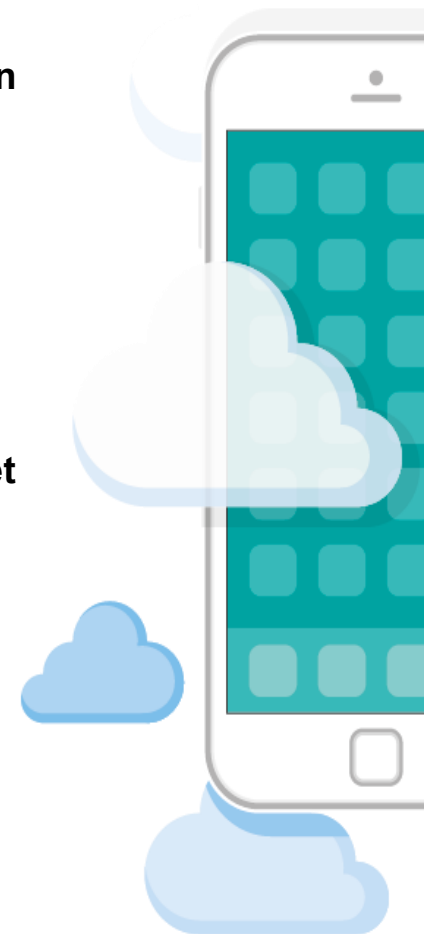
Robot Advisors

- **Portfolio defined by automated algorithm-based portfolio management: customers invest in a pre-defined portfolio tailored for specific needs (retirements, big spending, children education etc. or just to invest) based on goals, time horizon and investor risk profile (determined via an online questionnaire)**
- **Constant monitoring of portfolio allocation with automatic rebalancing**
- **Customer experience is put at the forefront: the objective is to invest as easily as you shop online**
- **Significant AUM growth in USA while moderate in Europe where customer acquisition is challenging**
- **Large Asset Managers are jumping in the US and in Europe**
- **In Europe, banks (largest fund distribution channel) are buying white labeled solutions to offer robot advisor to their clients**

“I actually believe those kinds of tools [robot advisors] are like an ATM machine. We are all going to have to have it.” Larry Fink, BlackRock CEO

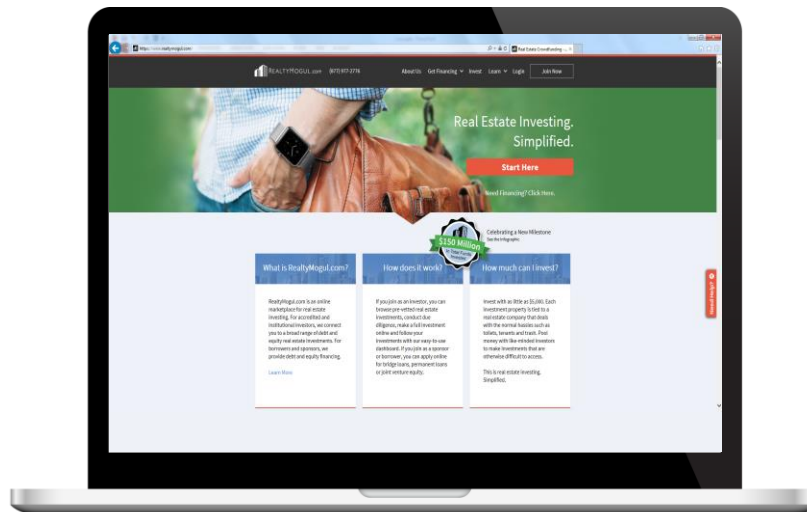


- **Investing in Startups: Fintechs are helping VC to evaluate investments in startups with D&A by assessing their business model**
- **Market Data Analytics: Fintechs have developed market analysis tools based on D&A that help Asset Managers to make better informed investment decisions based on traditional market data**
- **Social media and internet: Hedge funds are using social media (e.g. Twitter's mood is said to impact stock market) and more broadly internet (e.g. price on Amazon of India to forecast inflation) to model economic activity in what is effectively real-time**



Crowd funding

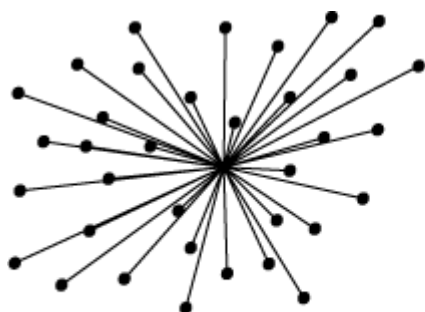
- **Crowd funding is the practice of funding projects by raising small amount of money from a large number of people**
- **Platforms represent new pools of capital for real estate and venture capital funds**
- **Investments are currently limited to professional investors and debt instruments in most EU countries**
- **At the same time, it allows a greater number of investors to have access to Alternative investing**



“You can now invest in real estate, even if you’re not Donald Trump” CNNMoney

Blockchain = a distributed ledger of transaction

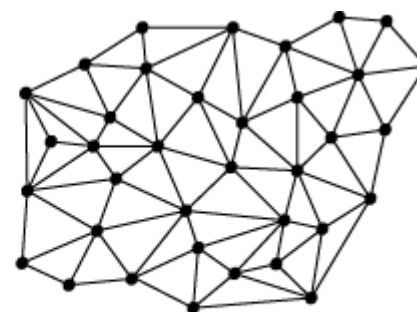
- **Blockchain is the underlying technology of Bitcoins (crypto currency)**
- **Transactions are timed and ordered in chains of Blocks**
- **The blocks are broadcasted to computers part of the network that all have the ledger of transactions**
- **Once a transaction is recorded it cannot be altered**
- **The main benefit of a distributed ledger is to decrease transaction time to seconds instead of days**
- **It can be applied to land title, audit, e-commerce, clearing and settlement, etc.**



centralised



decentralised



distributed

Major banks are actively working on Blockchain



Source: R3

Blockchain: Still a long way to go

- **Regulatory:** Regulation must evolve while the decentralized model has been encouraged until now (eg. EMIR and CCP clearing)
- **Legal issue:** No jurisprudence exists around smart contracts while laws & taxes vary from one country to another
- **Vested interest:** Blockchain might eventually call the existence/business model of many market participants into question
- **Technology brand image:** Blockchain is associated with Bitcoin's negative image (drug traffic, anonymity, etc.)
- **Market standards:** common standards have to be adopted by the industry
- **Integration with current infrastructure:** the technology needs to be deployed by phases and develop its own eco-system

What should Luxembourg do to become the European FinTech Hub?

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- **Ease access to capital: many startups have to go abroad to get capital and are sometimes obliged to move their HQ**
 - **Attract entrepreneurs and companies from all over Europe, Asia and America by developing a one stop shop for FinTechs**