



## Focus on fintech

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### What is 'Fintech'?

Fintech, meaning 'financial technology', is the term used to describe technology which seeks to automate the delivery and use of financial services. Originally, the term was used to describe the technology driving software of well known finance houses. Since the turn of the century, the term has come to include consumer-type services and software. It now covers any technological automation of the financial services sector, including lending, fundraising (including crowd funding), online banking, trading, credit card transactions and much more.

The expression also encompasses crypto-currencies such as bitcoin and similar, for which it is probably best known, given the publicity surrounding this area. Some of the key areas which FinTech touches upon are set out below. Much of the innovation is disruptive, covering hot areas such as [blockchain](#) and artificial intelligence, as well as trading and markets, where innovation and technology enhance or replace existing market activities.

### Digital Payment Platforms

Any form of payment service must address complex legal issues such as: (i) responsibility for unauthorised transactions; (ii) refusal of payment instructions; and (iii) timing of payment. These issues must also be considered in the light of consumer protection legislation (where consumers are involved). Regulatory and legal aspects of payment service businesses, ranging from peer-to-peer payments, card products, money transfers through to the issuing of electronic money and the attendant anti-money laundering processes, as well as online identification, all need to be considered.

### New Financial Models

Crowdfunding and alternative methods of investing and/or raising capital are increasingly on the rise. Areas include personal finance management, investment management based on automated advice, crowdlending, e-factoring, automated saving and insurance.

### Data Analytics

Techniques involving the collection and analysis of data on spending patterns, targeted promotion of products

and recovery of bad debt can give those carrying this out a competitive advantage in a fast moving market. There are legal ramifications and regulatory requirements arising of big data which can involve complex data protection advice.

### **Cybersecurity**

Although not strictly part of Fintech, cybersecurity touches on all areas involving data and the risk of unauthorised access, particularly where personal data is concerned. Most Fintech applications which are public facing involve the collection of personal data and are accessible via the internet and therefore at risk of a cyber attack, which can have far reaching effects, including damage to a business' reputation and in the worst case, its demise.

### **Starting out in Fintech**

For new businesses looking to start out in Fintech, they have a competitive advantage in that they are able to design their products in an agile manner and focus firmly on customer experience without the burden of existing legacy systems. However, they also face challenges because the absence of a known brand and proven reputation can lead to a lack of trust and issues such as regulatory compliance can be burdensome for new businesses.