

Financial Technology in Asia Post-Brexit

A spectacular Masonic Temple located in the prestigious Andaz Hotel next to London's Liverpool Street station was the setting for the 'Financial Technology in Asia Post-Brexit' evening reception hosted by FS^{tech} and China Telecom in March.

Built in 1912, the Masonic temple had remained boarded up and forgotten for many decades. Only in the year 2000 did staff at the Great Eastern Hotel, as the Andaz was then known, discover an additional room

in blueprints when undertaking refurbishment works. Behind a fake wall there lay a heavily studded door, with a spiral staircase leading to an opulent room of marble and gold. Truly a remarkable setting and one befitting to what turned out to be a highly stimulating evening.

A selection of canapés and drinks were served as guests arrived, before FS^{tech}'s Publishing Director Mark Evans took to the stage to begin proceedings. After thanking the sponsors, China Telecom, Evans noted that "the world is definitely changing" and that "although nobody can be perhaps certain about the future, one thing you can

be 100 per cent certain about is it's going to be changing very rapidly". He then introduced the first speaker of the night, David Gyori, the CEO of Banking Reports and a highly regarded FinTech author, consultant and trainer.

Gyori began by outlining two conclusions: That it is a prudent idea for Western financial services providers to co-operate with Eastern financial services providers, and an equally good idea to co-operate with telecommunication companies.

So how did he come

to these conclusions? Setting the scene, Gyori began by outlining the main driving forces behind the FinTech revolution. He said: "The biggest factor is that ICT is GPT. What does this mean? ICT stands for information communications technology and GPT stands for general purpose technology. GPT are technologies which are penetrating all industries." Gyori noted previous historical examples of GPTs, including writing, printing and electricity, adding that "according to historians of science ICT is the current wave of general purpose technology. It's going to totally change every industry, including financial services. When an innovation or a trend is industry specific the incumbent players can slow it down. But when it's a general purpose technology it's bigger than any given industry. We cannot slow it down, the only thing we can do is learn it, understand it and try to win it."

Gyori also talked about the "banking innovation paradox", explaining that the one thing bankers learnt from the 2008 financial crisis was to take on less risk. He added: "However, all the FinTechs are shouting to banks that if they don't innovate more, and they continue to remain a dinosaur and don't become inherently innovative, then they will die out. Yet more innovation is more risk and this is the banking innovation paradox."



Mark Evans from FS^{tech} with China Telecom's Charlie Cao



Gyori compared the state of Western banking to a discovery made by evolutionary biologists, the idea being that the best evolving species were not increasing their share of the ecosystem but rather maintaining their share of the ecosystem. Gyori explained that this was because “new species are taking up their share and this is exactly what is happening to Western banks. Even if you pour resources into innovation, chances are you only keep your market share because there are new players entering the arena.”

Gyori talked further about the “stagnation” of Western banks’ assets, but added that “meanwhile Eastern banks are growing quite dynamically in countries like China, India, Indonesia, Malaysia and Vietnam”. This was, he explained, because “their organisational structures are ready to take on constant technological and strategic



change and have much less in the way of legacy systems. So co-operation between Western and Eastern banks is highly beneficial.”

Moving on to his second conclusion, Gyori noted that the traditional bricks and mortar channel is “statistically going out of business” and that the new primary channel “is the smartphone”. Gyori explained that this was

“not because the smartphone fits banking that well, but because the smartphone, just like the entire ICT revolution, is something that is bigger than banking. Research shows that Millennials could live without a bank but they couldn’t live without their smartphone. Now the smartphone operations belong to the mobile network operators.” Therefore, Gyori concluded, “banks

have to co-operate with both mobile network operators and Eastern banks in order to win together.”

The second speaker of the evening, Mark Hedley, Director of ICT at the China-Britain Business Council then took to the stage and began by briefly outlining the role of his organisation. He said: “We at the China-Britain Business Council work very closely with the UK government, in particular the Department for International Trade, and also our colleagues in China at the various ministries. We help take UK companies into the Chinese market. We help them to identify opportunities, understand the opportunities and then exploit them.”

Following this, Hedley spoke of the impact that Brexit was having and would continue to have on UK-China relationships in trade and investment. “I think we’re fairly positive overall in terms of the outlook for UK-China trade. If we look at the current trading relationship between the UK and

China it’s actually better than it’s ever been before. I think that’s something that we’ve already seen borne out in increased trade flow,” he said.

Hedley moved on to discuss the change in China’s growth strategy, explaining that it was now more focused on “quality growth” rather than just the pace of growth, which “China realises is unsustainable”. He noted that high growth previously was the work of low value exports to the rest of the world, but now that is changing. Hedley explained: “China’s going through a shift. It’s becoming a consumption-led, service-led economy and over the coming years the UK is waking up to the fact that there is a power shift from West to East. It’s already happening and over the next decade it’s only going to get more pronounced. In terms of looking for new markets to explore, China represents perhaps the most attractive one in terms of sheer scale of that market opportunity. We’re moving from ‘made in China’ to ‘innovate in China.’”

Hedley proceeded to touch upon a number of flagship policies in China which were “a good place to look” for opportunities. The country’s ‘Five Year Plans’ were “a good place to start”, according to Hedley, who noted that “China is distinct in its ability to plan in the long term” and that the country is shifting towards a greener, more sustainable environment, geared towards the creation of “a moderately prosperous society”. He added: “China is very proud of that fact that it’s brought several hundred million people out of poverty and into the middle classes.”

He also spoke of the ‘Digital Silk Road’, a policy which echoes China’s ‘Belt Road’ initiative and seeks to build not just transportation networks but whole cities across the central Asian belt. Concluding, Hedley said: “There are massive opportunities for the UK to take part in these projects, whether through capital investment or collaborating with Chinese companies on joint projects right across the



region. We're already seeing huge opportunities for UK companies to take part in these projects."

The third and final speaker of the evening was Charlie Cao, Managing Director of China Telecom Europe. After thanking the attendees and those who had made the event possible, Cao introduced the audience to the workings of China Telecom.

"We are the world's largest fixed line operator with over 140 million fixed access lines in service; we own China's largest optical fibre network which is 83,000 kilometres long and covers 70 per cent of China's territory, connecting all Chinese cities. China Telecom Europe also provides the Euro-Asia network – a 'Digital Silk Road' – which consists of seven independent terrestrial cables and four independent submarine cables routing from Asia to Europe to our customers," he said.

After his introduction, Cao explained the issues affecting outside investment in the country. He noted: "There are three big obstacles that foreign companies are facing when operating in China: newly released telecom regulations, accessing the cloud from China and foreign exchange restrictions."

In regard to the first issue, Cao emphasised that businesses which had not acquired the correct telecommunication business permits in China might experience a sudden service interruption. "This could happen to every business in this room which operates in China if your current service providers do not have permits in China," he said, adding "we are willing to help your business overcome this obstacle in



China and make sure your business runs seamlessly at all times."

The second obstacle for foreign business is how to access cloud services from China. Cao believes that China Telecom could also assist British businesses here. He said: "A lot of cloud technology may encounter firewall challenges in China and we could contribute toward overcoming these technical barriers for your business. We have partnerships with Alibaba Cloud, Google, Amazon AWS and Microsoft Azure. We help our customers to build hybrid cloud in China as well."

The third and final obstacle outlined by Cao was that China is further tightening foreign exchange restrictions, and as a result, foreign companies in China are taking a hit from new exchange controls. He said: "To overcome this, local billing in China is something we offer to all of our customers. Especially after Brexit, business may move towards

Central and Eastern Europe, and we offer local billing not only China, but also in Asia-Pacific."

Concluding his speech, Cao commented: "I hope that through tonight's event, as all of us step forward into the post-Brexit era, and that Chinese and British businesses might stand strong together, with the goal of mutual economic prosperity. I hope that tonight we can learn something from one another, and are open to explore future business opportunities."

So, with British Prime Minister Theresa May finally triggering Article 50 as promised in March 2017, it is clear that the world is going through a period of global economic and political change. While there are quite clearly risks and uncertainties, there are also vast opportunities, and China and Britain are in a prime position to work together and co-operate further to take advantage of these.