

Hong Kong banks turn to start-ups for tech edge

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Hong Kong's towering skyline is dominated by major banks and investment houses—but smaller start-ups are playing an increasing role on the financial landscape.

The number of "FinTech" start-ups in Hong Kong—offering technology tailored to the world of finance—is rising rapidly, taking advantage of the city's position as an industry hub and gateway to China.

From data analysis to alternative lending and investment options, nimble smaller firms with a tech edge are vying to lure consumers.

Some major players are now seeking to team up with these potential rivals as a short cut to innovation.

"I think that what you're finding with a lot of these traditional institutions is the recognition that their customers and consumers are all demanding more from them," said Adrian Seto, director of FinTech innovation at consultancy Accenture.

"They are looking for better service, quicker service, better user experience."

Banking is, Seto said, "becoming a more competitive marketplace, and all of this is driven by technology."

Some leading [financial institutions](#) have launched their own programmes

to support fledgling start-ups as a way to tap in to new ideas.

"They have recognised that instead of pushing back, they should embrace the change and work with these start-ups," says Seto.

Accenture runs the FinTech Innovation Lab which sees seven start-ups from across the Asia-Pacific region come to Hong Kong for a 12-week programme, at the end of which they will present their concepts to investors and finance executives.

US finance giant Citibank and Singapore-based bank DBS have also launched similar programmes in Hong Kong.

FinTech explosion

Hong Kong's status as a finance hub and its connections to the Chinese market have led to an explosion of FinTech firms, according to Janos Barberis, founder of FinTech HK, an online platform which looks to help such start-ups.

"The level of activity in Hong Kong has been incredible and it is due to continue, driven by the large market opportunity within Asia," he says.

There are around 50 FinTech start-ups in Hong Kong with five or more new companies emerging each year, he adds.

"Compared to Singapore, Hong Kong's FinTech development is much more driven from the ground up, letting the market decide the best way forward," says Barberis, who adds that the increasing number of finance professionals looking for a new direction is also a boost.

Start-up founders have often broken away from a corporate background.

"They are willing to take the risk and say: 'I'm going to leave my job and build a business because the return will be better'," says Barberis.

One such firm is DemystData, which launched four years ago after founders Mark Hookey and Oliver Meyrick met at a start-up event in Hong Kong.

The company quickly analyses large sets of data to help financial institutions make better decisions on loans and other forms of credit, and has since secured several high-profile clients, including Citibank.

Pave their own way

But while some start-ups are keen to team up with traditional finance houses, others want to pave their own way.

"One of the duties of small, innovative firms is to pressure bigger institutions to get better quicker and faster, and also to reduce fees and reduce what they charge customers," says Mathias Helleu, executive chairman of Hong Kong-based 8 Securities.

Launched in 2011, Helleu's firm helps smaller investors choose between investments from around the world—typically only within reach of large investment houses with global operations—which 8 Securities says offers an affordable alternative to services offered by banks.

"In that particular segment, the fees charged by the banks are very, very, very, high, and I think the only way for them to cool down is to have pressure," says Helleu.

As consumers demand improved ease of use, transparency and automation, banks will need to work with the new kids on the block, says FinTech HK's Barberis.

"Finance has been using technology since the 1950s and has been one of the industries with the largest IT spending," he says.

"However, today, technology is developed by start-ups and used directly through them.

"Banks will adapt... because the stakes are too high if they don't."

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