

LEVEL UP

Joseph Ellis

Growing with Fintech

Cybersecurity



1

Disclaimer

*A Few Things First***This presentation is for information only.**

Evaluate risks before acting based on ideas from this presentation.

This presentation contains opinions of the presenters.

Opinions may not reflect the opinions of Tandem.

This presentation is proprietary.

Unauthorized release of this information is prohibited.

Original material is copyright © 2023 Tandem.



2



Joseph Ellis

CISM, CRISC, CISSP, Security+
Boost Consulting Manager



3

Agenda

Here's the Plan

What is Fintech?

Domains and Specializations

Incorporating Fintech in Banking

What to Consider When Considering
New Fintech Solutions



4



What is Fintech?

IT'S A MYSTERY

5



“Maybe in order to understand mankind, we have to look at the word itself. ‘Mankind.’

Basically, it’s made up of two separate words – ‘mank’ and ‘ind’.

What do these words mean? It’s a mystery, and that’s why so is mankind.”

Saturday Night Live, <https://youtu.be/EigfHLZHQkE>



6

Questions?



7



What is Fintech?

LET'S TRY THIS AGAIN...

8

Fintech Terminology

Angel Investor, Business Angel

An affluent individual person who provides funding capital for a business start-up, usually in exchange for a stake in the business.

Deloitte, "FinTech buzzwords glossary", 2023



9

Fintech Terminology

Datafication

Datafication is the practice of taking aspects of life that have previously never been quantified and turning them into data that can be assigned a value.

Financial services use datafication to help make decision making faster and more accurate.

Deloitte, "FinTech buzzwords glossary", 2023



10

Fintech Terminology

Gazelle

A gazelle company is one which achieves a revenue growth of at least 20% annually.

Deloitte, "FinTech buzzwords glossary", 2023



11

Fintech Terminology

Smart Contract

A smart contract is a self-executing piece of code that allows the processing and verification of a transaction.

Typically, a smart contract runs on a decentralised ledger such as a blockchain, which monitors and enforces the contract.

Deloitte, "FinTech buzzwords glossary", 2023



12

Fintech Terminology

Unicorn

The term 'unicorn' was popularised by venture capitalist Aileen Lee and is used to define a start-up company with a valuation of over \$1 billion.

It refers to the rarity of a company reaching this valuation, similarly to the mythological creature.

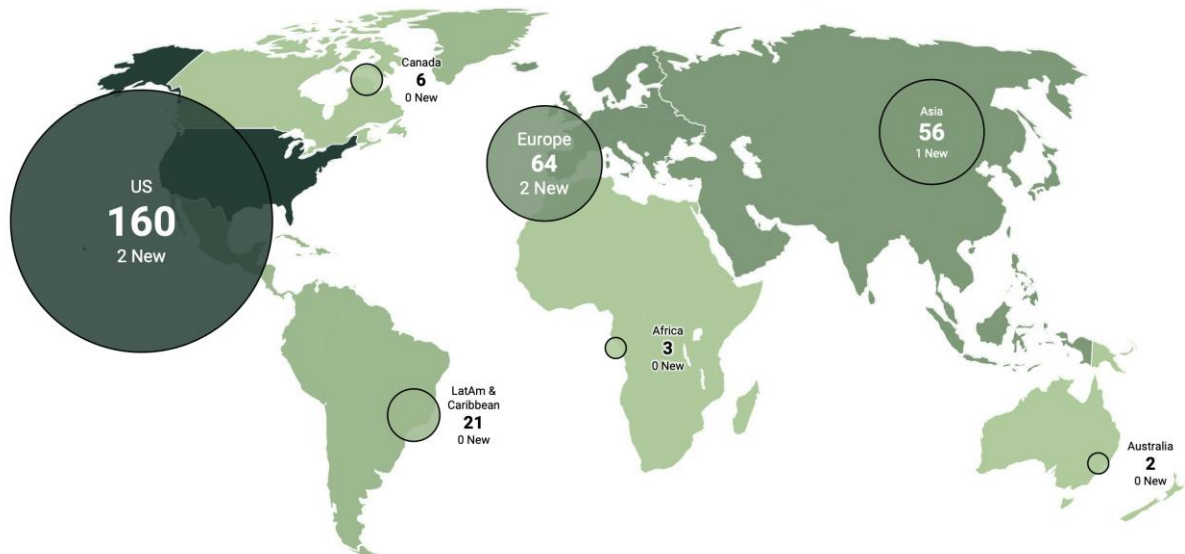
Deloitte, "FinTech buzzwords glossary", 2023



13

State of Fintech | Global Trends | Unicorns

The US has more total unicorns than all the other regions combined



CBINSIGHTS
CB Insights, State of Fintech 2022

40

14

What is Fintech, to You?

Cashless Payments, Decentralized Lending, Investing, Crowdfunding, Robo-Advisors, etc.

Innovation? Disruption? Competition?

“Trying to **disrupt the banking and finance industries** by changing the way we pay and borrow money” (CNBC International, 2018)

“...firms using new technology to **compete with traditional financial methods** in the delivery of financial services” (Wikipedia)

“Brett's best yet! Bank 4.0 is a tour de force that opens your eyes to what already exists, and your mind to the eminent possibilities. A must read.”
—Piyush Gupta, Group Chief Executive Officer, DBS Bank

BANK 4.0

Banking Everywhere. Never at a Bank



15

“Not all Fintechs are looking to compete with the banks.

In fact, it’s actually a more reasonable play to collaborate with the banks and leverage their experience and capital to achieve better outcomes.

That is the strategy of Banktech companies.”

Jeremy Quainoo, Country Operations Director, JUMO

16

Fintech Characteristics



Fintech is having a **growing impact** on the Banking, Financial Services and Insurance (BFSI) sectors.



Fintech is **its own sector**, a distinct vertical that interacts with its many neighbors.



Fintech is inherently **market-focused**, providing quick, specialized solutions to fulfill needs and produce positive impacts.



17

Fintech Framework

“ABCD of Fintech” - Automation / Artificial Intelligence

Blockchain

Cloud Computing

Digital Solutions / Data Processing



18



Fintech Domains

DOMAINS AND SPECIALIZATIONS WITHIN THE FINTECH SECTOR

19

Paytech

Payments, transactions – cashless, cardless, touchless, peer-to-peer, wearable (e.g., Apple Watch)

Fundamental evolution of the payment experience - more electronic/digital interactions, less face-to-face

Examples include PayPal, Venmo, Zelle, Square, Stripe, Door Dash, Uber, etc.



20

Regtech

Helps organizations comply with regulatory requirements and reduce fraud and money laundering

Provides greater efficiency and accuracy than manual compliance processes, leading to **better risk management**

Examples include Tandem, Chainalysis, ComplyAdvantage, Continuity, Hummingbird, BehavioSec



21

Lendtech

Loans and credit extensions via electronic or tele-deployment channels, crowdfunding, “DeFi”

Especially valuable for non-banked peoples in developing regions

Examples include Upstart, Lending Club, Reggora, Oppfi, SoFi



23

Wealthtech

As the wealth transfer from boomers to more tech-savvy younger generations continues, the wealth management space is adapting to provide streamlined, proactive, and agile services.

Examples include WealthFront, WealthSimple, RobinHood, Coinbase, as well as “vintage” platforms that are adapting to this model, like TD Ameritrade, Charles Schwab, etc.



24

Banktech

API- and technology-driven digital transformation of the banking experience, leading to the creation of **Neobanks**

Traditional banking function of **matching borrowers with lenders** is being adapted into this domain

Examples include Chime, Varo Bank, Ally Bank, various Internet and mobile banking technologies



This Photo by Unknown Author is licensed under CC BY-SA-NC

25



Incorporating Fintech

26

Incorporating Fintech

How can we implement Fintech solutions to better serve our customers and communities while also fostering growth for our organization?



27

Incorporating Fintech

“...firms using new technology
to compete with traditional
financial methods in the
delivery of financial
services”



28

Incorporating Fintech

Many customers still prefer
the familiarity of traditional
banking organizations to
the wild frontier of purely
digitalized technologies.



29

Incorporating Fintech

“Financial institutions already have many of the ingredients they need:

They have the financial leverage and capability to allocate investments toward technologies that turn paper-heavy errands into digital customer experiences...

Forbes.com, “Forget Fintech — Traditional Banks Have (Finally) Figured It Out”, 2021



30

Incorporating Fintech

“Financial institutions already have many of the ingredients they need...

They possess a vast and longstanding reservoir of knowledge when it comes to servicing their customers...

Forbes.com, “Forget Fintech — Traditional Banks Have (Finally) Figured It Out”, 2021



31

Incorporating Fintech

“Financial institutions already have many of the ingredients they need...

They have brand trust — which is a major competitive advantage if they can match the digital game of their fintech rivals.”

Forbes.com, “Forget Fintech — Traditional Banks Have (Finally) Figured It Out”, 2021



32

Incorporating Fintech

Ask...

What do your customers
or members want?

What do they need?



34



Considering Fintech Solutions

35

Considering Fintech Solutions

Risk Management
Cost vs. Benefit



36

Considering Fintech Solutions

Consider your organization's...



Risk appetite, "size and complexity"



Management support, oversight, expertise



Technology resilience and security



Controls: In-house or outsourced?



37

Considering Fintech Solutions

Consider your organization's...



Regulatory compliance and scrutiny



Financial and accounting maturity



Partnerships, mergers, acquisitions



Ability to develop new vs. adopt existing



38

Considering Fintech Solutions

Consider your organization's...



Risk appetite,
"size and complexity"



Regulatory compliance
and scrutiny



Management support,
oversight, expertise



Financial and accounting
maturity



Technology resilience
and security



Partnerships, mergers,
and acquisitions



Controls: In-house or
outsourced?



Ability to develop new
vs. adopt existing



39

Considering Fintech Solutions

Recruit Help



40

Questions?



41

Guidance Resources



ithandbook.ffiec.gov

Architecture, Infrastructure, and Operations ~~Booklet~~ (June 2021)

FFIEC

**Conducting Due Diligence on Financial Technology Companies:
A Guide for Community Banks** (Aug. 2021)

Federal Reserve Board of Governors

Community Bank Access to Innovation through Partnerships
(Sep. 2021)

42