TRENDS IN FINTECH
AND INVESTOR COMMUNICATIONS:
2017 and Beyond

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**Trends in Fintech and Investor Communications: 2017 and Beyond**

Financial technology developments have impacted all players in the securities industry, from broker-dealer giants to mom-and-pop investors and everyone in between. Distributed ledger technologies like blockchain are being integrated into more and more areas, including proxy voting. Automated investment advisors and micro-investment applications are opening up the market to new groups of investors. Artificial intelligence, regulatory technology, and other innovations are upending business models across the industry.

Today, having the right financial technology in place is fundamental to reaching business goals, achieving efficiency, managing operational risk, and staying compliant. Meanwhile, investor preferences are evolving as demographics shift and new technologies deliver innovative ways to manage investments.

In 2017, firms rapidly adopted fintech with an eye to the future, directing their tech investment into key priority areas that will impact the organization, individual roles, and investors through 2020 and beyond.

**Mediant’s Fintech Trends Survey**

To further examine the evolution of fintech, Mediant surveyed financial services professionals at the 2017 SIFMA Operations Conference. We undertook this survey to investigate what is driving fintech investments, examine the impact of these new technologies, and shine a light on the impact of these trends on investor communications.

We surveyed a cross-section of the industry in order to get a comprehensive investigation of fintech trends in this space. Our top category of participants was broker-dealers, at nearly one-third of all respondents. The bulk of the remaining respondents were comprised of solution providers (23%), banks (13%), clearing/settlement companies (11%), and fund companies (7%). Financial advisors and asset managers, regulators, consultants, Big 4, and government employees also participated in the survey.

**Mediant Fintech Trends Survey Respondents**

![Diagram showing percentages of survey respondents by category: Broker-Dealer (33%), Solution Provider (23%), Bank (13%), Clearing/Settlement Co. (11%), Misc - Regulator/Government, Big 4, etc. (8%), Fund Company (7%), Consultant (4%), Financial Advisor (1%)].


Trends in Fintech Investment

While headlines about fintech create a buzz, organizations must consider a range of competing priorities and goals when investing in new technology. We began by asking participants about the baseline trend in technology investments this year. Did your firm commit to more investment in tech in 2017 compared to the previous year?

A strong majority of respondents said their firm invested more this year than last, at 78%, with only 3% saying that their firm invested less in tech in 2017 than in 2016. Some firms were more committed to new technology than others. For example, 100% of bank respondents stated that they invested more in tech in 2017 than in years past. Broker-dealers were more mixed than the average, with 70% investing more than last year, but 26% of broker-dealers saying that their firms invested the same this year as last year.

Investment in new technology this year compared to last year

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What Drives Fintech Investment?

With a wide variety of organizations represented, there is no surprise that we can’t point to one single reason firms are investing in fintech. It is likely that even within a single firm, there are multiple causes for bringing in new technology.

Nearly 30% of all survey participants said that managing operational risk was the primary driver for new tech investments, while around 25% pointed to keeping up with new and changing regulations as the primary driver. Smaller groups pointed to cost efficiency, meeting investors’ communication needs, or other specific customer needs as reasons behind investment.

Primary driver for investing in new technology

- Managing Operational Risk: 30%
- Keeping Up with New & Changing Regulations: 25%
- Cost Efficiency: 15%
- Meeting Investors’ Communication Needs: 14%
- Addressing Cyber-Security Threats: 10%
- Specific Customer Needs: 3%
- All of the Above: 3%
Breaking it down by type of firm, responses vary across categories.

**Primary driver for investing in new technology – Banks**

- Managing operational risk: 45%
- Keeping up with new and changing regulations: 11%
- Cost efficiency: 11%
- Meeting investors' communication needs: 11%
- Specific customer needs: 11%

**Primary driver for investing in new technology – Fund Companies**

- Managing operational risk: 80%
- Meeting investors' communication needs: 20%
Primary driver for investing in new technology – Solution Providers

- Managing operational risk: 25%
- Keeping up with new and changing regulations: 19%
- Cost efficiency: 19%
- Meeting investors’ communication needs: 12%
- Addressing cybersecurity threats: 25%

Primary driver for investing in new technology – Broker-Dealers

- Managing operational risk: 35%
- Keeping up with new and changing regulations: 44%
- Cost efficiency: 4%
- Meeting investors’ communication needs: 17%
While **Banks** are clearly making a strong push for technology investments, the reasons behind the investment are mixed. Though each and every investment driver option got a nod from bank participants, managing operational risk emerged as the most important priority, closely followed by keeping up with new and changing regulations. **Fund Companies**, on the other hand, only pointed to two drivers, with meeting investors’ communication needs as the standout response. **Broker-Dealers** point to keeping up with new and changing regulations as a top motivator for tech investment (44%).

Looking Ahead:
How Will Fintech Impact Organizations and Individuals?

As consumers, we use new technology in order to make our lives easier and more efficient. Organizations are no different. But with so many applications of fintech receiving attention-grabbing hype, it can be difficult to determine what has the most impact and will continue for years to come. Our survey respondents cut through the noise to provide insights into the actual types of fintech that will impact their company over the near-term and medium-term.
In the next two to three years, the majority of overall respondents were split between machine learning/AI and institutional tools to unify and manage existing processes (both at 30%) as the fintech innovations that would have the most impact on their companies. Breaking it down by type of firm, institutional tools topped the list for broker-dealers and clearing/settlement companies, while machine learning/AI was the top choice for banks and solution providers.

In the next three to five years, machine learning/AI stays at the top of the list, with nearly one-third of survey participants pointing to it as most impactful. In this timeframe, blockchain appears on the scene as an influential technology for nearly one-quarter of respondents. In fact, blockchain and distributed ledger technologies will grow in importance over the next five years, with only 13% pointing to it as most impactful fintech in the next 2-3 years, to 24% saying it is the most impactful fintech in 3-5 years.

For some groups, the growing influence of blockchain is especially significant. Only 11% of bank respondents chose blockchain for the next 2-3 years, but that number grew to 44% of bank respondents pointing to blockchain as the strongest influencer over the next 3-5 years.

For fund companies more than any other group, personal finance and wealth management platforms will be impactful over the next 2-3 years, with the bulk (40%) of fund company respondents choosing that option. No more than 30% of any other group selected personal finance/wealth management platforms. This suggests that fintech-driven tools like robo-advisors and other digital wealth management platforms will be especially embraced by fund investors.

We found that what is impactful in the near-term is not significantly correlated with what is impactful in the medium-term, which shows that these technologies continue to shift and evolve, and affect organizations at different rates and in different ways.

Meanwhile, respondents provided information about what types of fintech would impact their own individual roles in the near-term.

Which fintech innovation will have the most impact on your role over the next 2-3 years?

- **Machine learning/AI**: 24%
- **Institutional tools to unify and manage existing processes**: 37%
- **Personal finance and wealth management platforms**: 17%
- **Blockchain and distributed ledger technologies**: 15%
- **Digital banking and peer-to-peer payments**: 6%
- **Bitcoin and cryptocurrency**: 1%

Respondents selected institutional tools to unify and manage existing processes (at 37%) as the fintech innovation that would have the most impact on their role over the next two to three years. Machine learning/AI was close behind at 24%. Through these results, we see that fintech influences individual roles in organizations in a way that aligns with the organization as a whole.
Fintech in Investor Communications

This year more than ever, for firms with investor communications needs, it is impossible to be successful without a robust engagement strategy to capture the attention of investors, educate them, and get them involved in the proxy process. Fintech and other digital solutions allow financial firms to connect with investors in ways investors prefer, which is necessary for success.

In order to enhance engagement with investors, survey respondents are employing a range of fintech-based strategies.

Type of fintech most important for enhancing investor communications – Overall

When considering the top two types of fintech most important for enhancing investor communications—developing mobile applications and new delivery methods such as text-based messaging—it becomes clear that offering a diverse set of communication platforms and methods is key. The most cutting-edge materials won’t be engaging if offered only on a platform that the investor doesn’t use or prefer. Nearly two-thirds of respondents agree that a focus on mobile strategies is key in order to achieve a successful investor communications strategy that serves the entire market.

Other fintech areas of focus for enhancing communications with investors include offering cloud-based solutions (14%), integrating shared services (19%), and engaging on social media (6%). While these options captured far fewer survey respondents’ answers compared to the top two, the range of responses shows that there is not one simple way to engage with investors. The strategy of meeting investors where they are should include each of these options.
In terms of actually implementing those important technologies, nearly half of respondents stated that their company is currently implementing or planning to implement digital services in order to enhance communications with investors. At a slightly lower rate, 42% said they were implementing mobile applications.

**Technology implemented to enhance communications with investors**

- **48%**: Digital services
- **42%**: Mobile applications
- **28%**: Partnering with full-service solution providers
- **25%**: Cloud-based solution
- **25%**: Integrating shared services
- **20%**: Engaging on social media
- **25%**: Partnering with full-service solution providers

Potentially, implementing digital services is the most accessible to firms to implement today. While a minority of participants are currently developing mobile applications, providing cloud-based solutions, or engaging on social media with investors, those strategies have not been overlooked as important and will likely rise in significance in 2018 and beyond. Nearly 30% of firms are partnering with service providers like Mediant in order to achieve these crucial investor communications goals.
Future-Proofing Business with Fintech

Using technology to solve financial problems is nothing new, but the large-scale adoption of fintech by organizations across the industry is creating a fresh wave of opportunities. Even for those that have not yet invested heavily in fintech, the message from survey respondents is clear: financial technology is positively impacting the way financial firms operate and interact with investors.

From brokers to regulators, everyone in the industry is seeking technology-driven solutions to alleviate costs, optimize existing processes, stay compliant, and meet investors’ diverse needs that are anything but one-size-fits-all. Keeping up with the pace of fintech evolution requires an innovative, forward-thinking approach, embracing new possibilities in order to achieve business success for many years to come.

Mediant conducted this survey at the 44th Annual SIFMA Operations Conference, the foremost gathering of operations and technology leaders from across the securities industry. Ten percent of conference attendees answered the survey between May 8 and May 10, 2017 in Boca Raton, FL.
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