

# Where fintech is going in 2018?

By [Dominique Collett](#)

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Bitcoin and cryptocurrencies were the hot topics in 2017, and will continue to be headliners this year, while there will be a number of other interesting developments around fintech in 2018.



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## Bitcoin

At the end of 2016 I predicted that 2017 was going to be the year that the world would embrace Bitcoin. I thought it would go mainstream but I had no idea how mainstream it would become. We have seen the Bitcoin price increase from \$1,000 at the beginning of 2017 to \$14,000. It's now covered extensively in mainstream media and most people have now heard of this cryptocurrency.

Bitcoin has been highly volatile over the last month, with many naysayers calling it a bubble. But the cryptocurrency has always been volatile, and some highly rated analysts believe it could reach \$50,000 this year. There is no doubt that speculation is driving the price up – it is a highly risky asset class, yet it can no longer be ignored. It's considered a store of value and I believe that the price still has a way to run. Bitcoin now has a market cap of \$230bn, this is larger than Goldman Sachs and Morgan Stanley combined.

In addition, Wall Street and Silicon Valley are starting to take notice of Bitcoin, and we are also starting to see the large

asset managers structuring Bitcoin funds for their clients.

For Bitcoin to gain traction as a payment mechanism or remittance, people first need to be aware of it. That is what 2017 accomplished. So, we will see more experimentation and trials from businesses like Pick n Pay, which piloted whether they could accept Bitcoin. This year, we expect to see more pilots and experiments of this kind. I believe that while the volatility will continue, Bitcoin could begin to emerge as a payment system in 2018.

## **Insurtech**

Insurers are finally waking up to the digital world and we will see the emergence of some exciting new models that will transform a staid industry. We will start to see the rise of micro and on-demand insurance locally. We will also start to see more alternative models, such as peer-to-peer and alternative risk management.

Our existing insurance industry will not stay static; insurers are also jumping on the digitisation bandwagon.

## **Partnerships**

Initially, it was thought that fintech would be the downfall of banks, but this hasn't happened. In fact, we are seeing a rise in partnerships between fintechs and financial institutions. Two aspects have driven this. Globally, we saw a pull back of venture capital investment into fintech and there's been a dramatic increase in banks' investment and partnerships into fintech. There is recognition that fintech businesses require a lot of money to scale and it takes time to build a brand that customers trust.

In South Africa, we are seeing a lot more interest from banks and insurers to work with fintechs. A few years ago, the incumbents were more interested in building solutions themselves, but now they are opening their platforms to see how they can work together with fintechs. Banks are realising that they need to do more to keep customers happy – something that fintechs are good at. In addition, fintechs are maturing and figuring out how to work with corporates.

## **Chatbots**

Chatbots have been very high profile overseas in the last year. Various banks and insurers have tried to build their own chatbots but are now looking to partner with businesses that have developed the technology, as this allows them to radically cut costs without impacting customer experience. In addition, chatbot intelligence is advancing quickly, which increases the appeal.

## **Digital Fica**

South Africa's Fica bill was a long time coming and it was eventually passed last year. It means that we have moved from a rules based to a risk based Fica approach. Banks have been nervous of adopting any digital processes until the bill was promulgated but now they need to embrace a risk-based approach. Two digital banks - CBA Tyme and Discovery - will put other banks under pressure by using digital Fica processes. Banks need to radically reduce their costs and migrate to digital channels if they hope to compete. Precedents are being set and the SA Reserve Bank is signing off on these processes so there is no reason not to adopt digital Fica.

## **ABOUT THE AUTHOR**

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