

“Legal practitioners who refuse to participate in the Fourth Industrial Revolution and turn a blind eye to FinTech shall do so at their own peril!”

General discussions with Loo Choon Chiaw, Managing Partner of Loo & Partners LLP

Asian Legal Business: FinTech is one of the financial buzzwords repeatedly used in 2016. Please briefly explain what Fintech is.

Loo Choon Chiaw: FinTech is just a shorthand phrase for financial (Fin) and technology (Tech). Initially, it was a reference to the application of computer technologies to the traditional back-end office functions of financial institutions. Gradually, it has been used to describe the application of new technologies, in the financial services space, to front-end consumer products by new entrants in their attempts to unseat existing and established players. The term now also denotes the disruption of the highly regulated financial services market consequential upon the replacement or enhancement or transformation of the delivery of traditional financial services by the adoption of new computer programmes, new technologies and innovations, new operating processes, or new business models.

ALB: Please enumerate the key areas of traditional financial services which have been affected by FinTech.

LCC: The key areas are too many to enumerate. I shall mention only two that immediately spring to my mind, namely, mobile payments and machine learning.

ALB: What about mobile payments?

LCC: Mobile payments have also been referred to as mobile money transfers and mobile wallets. Briefly, they are payment services operated under regulatory supervision and transacted via mobile devices which replaced the use of good old cash, cheques and credit cards.

ALB: We have all experienced mobile payments. Can you elaborate more on machine learning?

LCC: This is merely an application of artificial intelligence which enables a machine to learn and function when it is not explicitly programmed to do so. Many startups have gained inroads into financial services by the use of machine learning technologies. Such applications take all shapes and sizes. For



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instance, leading players in the lending space have already been using machine learning technologies to build up their credit risk models in selecting creditworthy customers and eliminating bad loans. The traditional functions of financial processing and credit-related decision making have also been enhanced and streamlined by machine learning technologies, thereby enabling the financial institutions to process loans more efficiently and hassle free. Machine learning technologies have also made it possible for the leading providers of financial information to trawl and capture instantaneous data from Twitters (not confined to tweets from President-elect Trump) and other social media sources, and up-to-date contents from the public domain, including researches and publications released by

think tanks and academicians, and articles, reports, documents and other information released by governmental authorities and private enterprises. Thereafter to sift through the massive information captured, separating the wheat from the chaff, and transmitting the most pertinent information to their customers in real time.

ALB: Where are the world's leading FinTech hubs?

LCC: In a report entitled 'Connecting Global Finance: Hub Review 2016' recently released by Deloitte, London, Singapore, New York, Silicon Valley and Hong Kong have been ranked the top 5 FinTech hubs, followed by South Korea, Switzerland, Frankfurt, Sydney, Canada and Shanghai. In arriving at the league table, Deloitte took into account the presence, in each of the hubs surveyed, of the necessary ingredients, namely the availability of the specialised talent pool and investment capital, the existence of a progressive regulatory framework and strong government support, and the close collaboration of players from the financial services space and technology space within the FinTech ecosystem, which are requisite for the development of a world class FinTech hub.

ALB: Do you agree with the league table?

LCC: Absolutely! The league table was the result of a comprehensive assessment of the index performance scores of each of the 21 FinTech hubs reviewed in Deloitte's report.

ALB: What about the inclusion of London as one of the top 5 hubs?

LCC: Before the Brexit vote, London (or the Square Mile) with its several centuries of rich financial history, a comprehensive financial and legal infrastructure, an inexhaustible investment capital, the ease of access to EU's single market and specialised FinTech talent pool, a progressive regulatory framework, strong government support and the close collaboration of the Fin players (who can rival the best of their opposite numbers in New York) and the Tech players (who could give

the Silicon Valley boys a good run for their money) within the local FinTech ecosystem, was regarded the FinTech capital of the world. However, much uncertainty arose after the Brexit vote, in particular whether UK-based FinTechs will continue to have easy access to EU's single market and its talent pool. Thus, UK-based FinTechs are compelled to hedge their positions and plan for both scenarios, thereby holding back their expansion plans, or to relocate to another FinTech hub on the basis of the imminent occurrence of the 'worst case' scenario.

ALB: Will Singapore unseat London's throne as the world's FinTech capital?

LCC: While the jury is still out on whether London could still cling on to its position as the world's pre-eminent FinTech capital after the Brexit vote, Singapore appears to be a serious contender for that position. As a leading financial centre in the region, Singapore has in place all the ingredients necessarily for it to become the FinTech centre of the world. It is pertinent that Singapore government has already committed SGD225 million in its support of FinTech projects. Deep pocket investors, including the Government of Singapore Investment Corporation (GIC) and Temasek, Singapore's sovereign wealth funds, are also ready to invest in FinTech ventures. Various initiatives have also been implemented in support of the FinTech sector, including those relating to the Regulatory Sandbox, the Cloud Computing Guidelines, the Strategic Electronic Payments, the FinTech Office, the MAS Innovation Lab, the International Technology Advisory Panel and Talent Development.

ALB: What are the challenges faced by the traditional banks and the FinTech startups respectively?

LCC: The traditional banks are losing their experienced staff to the FinTech startups as they are attracted by the perceived learning opportunities and the less regimental and friendlier working environment. They are also under a constant threat from the FinTech startups, which are watching the bank's most profitable services like a vulture. In contrast, FinTechs have a different set of problems, they lack established branding and retail presence which are the essential conditions for scaling up.

ALB: What will the outlook of FinTech industry in 2017 be?

LCC: There is a consensus among the FinTech experts that 'collaboration' will be the buzzword for 2017. Indeed, Accenture in its recent report entitled "FinTech and The Evolving Landscape: Landing Points for The Industry" drew a distinction between 'disruptors' and "collaborative" FinTech ventures, namely those who merely target the

financial institutions as prospective customers (and not as competitors), and noted that they are gaining ground over the disruptive players. It will certainly be a win-win for all when the traditional banks and the FinTech startups can find ways to work together, thereby allowing the startups to tap the banks' pool of customers and the banks to embrace the startups' innovative technologies in driving the banks' future products and services in a more efficient and cost effective manner. With this collaborative approach, the customers shall be the bigger winner.

ALB: As the managing partner of a leading boutique legal practice, please share your thoughts on FinTech from the perspective of an attorney.

LCC: We are in the midst of what Professor Klaus Schwab termed 'the Fourth Industrial Revolution' and have been bombarded with buzzwords like 'Internet of Things', 'market disruptions', 'digital networks', 'intelligent robots', 'innovation labs' and "FinTech ecosystems' day in and day out. Opportunities abound for legal practitioners who have a good working knowledge of FinTech, who should be quick to seize the opportunities when they are still available. It is noteworthy that in May and November this year, London law firms Simmons & Simmons and Slaughter and May respectively started to offer free legal advice to FinTech startups. Legal practitioners who refuse to participate in the Fourth Industrial Revolution and turn a blind eye to FinTech shall do so at their own peril!

ALB: What are the special skill sets which a FinTech attorney should have?

LCC: In addition to the core competence which a legal practitioner ought to possess, namely, analytical mind, attention to details, logical reasoning, persuasiveness, sound judgment and good communication skills, a FinTech practitioner should be familiar with the relevant laws and regulations which have an impact on FinTechs in general. He should commit adequate time and resources in apprising himself of the latest changes made to the relevant laws and regulations, the latest judicial decisions pronounced on those laws and regulations, and their practical implications vis-à-vis his FinTech clients and prospects.

ALB: What value add does a FinTech attorney bring to his client's table?

LCC: A competent FinTech practitioner brings great value to his client's table. A FinTech thrives whenever it can cause a market disruption in offering services in an area where established financial institutions are either not permitted to do so in view of regulatory constraints or not keen to jump into the fray for commercial reasons. In this context, its adviser will help it to navigate through the jungle of

complex regulations and devise a business model which will steer clear of the regulatory minefield. When the relevant regulations dictate compliance requirements, its advisor will help it obtain the requisite licences from the applicable authorities, and attend to the numerous queries which the authorities will likely to raise in reviewing the applications. Even after the application has been approved and the licences issued, a FinTech will require its advisor's advice and services in its continuing compliance of the regulatory requirements. A FinTech will also need its advisor to opine on the legality of any proposed change of its existing business model or the launching of any new product. When a FinTech is challenged by a regulator over the legality of its business model or products, its advisor will help it to defend its position and answer the challenges head on, where necessary.

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