

The Fundamentals of Risk Management

Fintech companies have been taking Singapore by storm in recent years, powered by their abilities to wield technological solutions in the business world, such as bolstering efficiency and customer satisfaction.

The rising tide of technology sector growth has bolstered all industries, but Fintech companies have been the ones really riding the wave.

Breaking Down 'Fintech'

It's important to understand what the word 'Fintech' means. More and more, 'Fintech' is becoming a required vocabulary word in the modern business world. 'Fintech' is a combination of the words 'financial' and 'technological,' illustrating the scope of the solutions provided. Essentially, technology, such as software and apps, is applied to empower financial services.

It's very common for Fintech companies to throw their hats in the ring against real-world, physical banks, offering an alternative all-inclusive solution for customers. Fintech companies utilize common financial tools, such as lending, investments, and payments.

While brick-and-mortar banks have seniority, fully digital, cloud-based solutions appeal greatly to many young people today. Today's banking customer values easy and accessible services over in-person interaction with bankers and consultants.

Range of Fintech Solutions

Singapore is uniquely poised to embrace and benefit from entrepreneurs and other financial mavericks. Asia is a hub for blooming entrepreneurs, and Singapore itself is an APAC financial hub.

Fintech solutions are not one-size-fits-all. On the contrary, Fintech solutions are multifaceted and can appear in traditional financial services such as trading, enterprise solutions, payment, or lending. Fintech meets more modern needs as well, like cryptocurrency, data analysis, cloud solutions, blockchain, and crowdfunding.

Singapore's Most Utilized Fintech Services

1. Payment: In constant demand, and an important factor to maintain competitiveness. Likely the largest Fintech sub-sector.
2. Lending: Fintech is uniquely poised to capture the peer-to-peer lending (P2P or P2B lending) sector, as this takes place on a digital platform linking lenders and borrowers. This allows lenders to make more passive returns than other methods of saving or investing money and will enable borrowers to access funds with lower interest rates than they might otherwise find.
3. Blockchain and AI: next-generation financial services need a platform and a scaffold to be best utilized by customers.

Classification of Risk Factors

Fintech, a relatively new industry, is not without risks.

The speed of cross-border transactions provides a particular challenge. Speed and security are usually mutually exclusive, but in the name of Fintech, they cannot be. Risk management is important in making decisions along these lines, including risks like:

- Fraud
- Security and privacy risks
- Money laundering
- Terrorist financing
- Regulation
- Merchant risks
- Credit and operational risks
- Outsourcing risks

Risk management must be a constant touchstone and foundation of any Fintech firm.

Regulators are constantly being challenged by the evolving and developing institutions, and rising to meet these challenges head-on. As a result, risk management is incredibly complex and requires constant dedication.

Fintech's Labor Retention Problems

Risk management in Fintech, like Fintech itself, is so new and emergent that bringing on qualified professionals can feel impossible.

When it comes down to brass tacks, the number one business issue Fintech organizations must grapple with is obtaining and maintaining a high standard of talent. While Singapore and Asia have many opportunities, one weakness of these markets is a shallower talent pool.

Executives must sometimes make difficult calls about onboarding less qualified individuals and investing in their training. Of course, there are pros and cons to waiting for the perfect candidate and training a less suitable candidate, but these challenges are just one facet of the world of Fintech.