



PREFACE

Financial inclusion, the providing of available and affordable financial services to disadvantaged and low income individuals and small and medium-sized enterprises (SMEs) is one of the foremost pressing issues faced in developing Asia. The idea of promoting greater financial inclusion is not a new one. Governments, together with financial institutions, have long strived to implement initiatives making financial services more accessible to wider parts of society. Yet, with the cost of financial inclusion remaining high until recently, large segments continue being underserved, even unserved, by conventional financial institutions.

Today, the potential of innovative digital financial services to spur greater financial inclusion in Asia is widely recognized. The FinTech wave is impacting the financial landscape in a variety of ways, leading to the introduction of new business models and solutions, such as digital payment, peer-to-peer lending and equity crowdfunding platforms, making financial products and services available to more people and SMEs by lowering costs and access barriers. This (r)evolution is driven by a number of factors, from changing demographics and investment behavior, increased financial literacy and consumer expectations, a growing need for alternative funding channels for SMEs, to technological advances.

Furthermore, a growing middle class with disposable income and the appearance of digitally proficient HENRYs (high earners, not rich yet), has led financial service providers to look for innovative ways to extend their services at appealing rates to lure in these new potential investor segments. In response to the growing demand, regulators have begun implementing new regulatory frameworks opening the way for low cost digital investment management services. These so called Robo-Advisors are expected to play a key role in enabling increased investor participation, leading to new opportunities in capital markets.

The change in market expectations led well established financial institutions to set up in-house FinTech units stimulating a startup culture to innovate themselves from within, and are collaborating with FinTech companies. This collaboration is mutually beneficial – FinTech solutions offer financial institutions opportunities to improve customer experiences and serve new customer segments at a lower cost, while collaboration with financial institutions helps FinTech companies to broaden their reach.

FinTech has not only challenged the conventional approach to financial services provision, but is also revolutionizing how regulations are handled with the increasing popularity of regulatory sandboxes enabling market players to conduct innovative experiments in a safe and supervised environment. With FinTech companies continuously increasing their cross-border financial transactions, regulators have also begun looking beyond their borders to build collaborative partnerships with their counterparties in other jurisdictions.

This issue of *Nomura Journal of Asian Capital Markets* features articles on FinTech developments by financial regulators and researchers discussing regulatory frameworks, challenges, and the future outlook in the region, with insights on the potential of FinTech in capital markets.