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Chapter 4: The emergence of FinTech ecosystems and their disruption of traditional banking models through artificial intelligence innovation

4.1. Introduction

While many traditional banks have developed standalone electronic payment activities as a way to innovate and respond to fintech or digital challenger banks, these legacy institutions do not have the technological skills or the associated spirit of innovation that fintechs or neobanks can bring to financial services. As a result, the emergence of local fintech ecosystems and the digitalization of finance and banking more broadly require an urgent response by banks (Kshetri, 2017; Lee & Shin, 2018; Li & Zhang, 2021). This response is either an approach of collaboration, where neobanks and fintechs offer parts of services that can be white-labeled and offered through bank platforms, or an approach of major transformation accelerated internally through the use of information technology and artificial intelligence and by focusing on user experience. Of course, the first approach leads to a kind of commoditization of banking and implies reduced margins on basic payment services. However, the fintech ecosystem also offers banks an opportunity to reinvent themselves through the support of other fintechs and the development of a platform strategy based on the banks' long-standing relationships of trust with their customers.Fintech is a broad term that encompasses innovative technologies that companies use to better manage financial operations and services by streamlining, automating, and delivering them to consumers and businesses, and their variety includes any type of innovation in financial services like the provision of loans and credit, investment management, payments and remittances, payments and accounting, insurtech, tax preparation, etc. The creation of a fintech ecosystem in a country is a process that usually takes time to develop, with more or less favorable conditions. These conditions correspond to various factors that make up the country's attractiveness for the degree of financialization of a country, the maturity of digital ecosystems, the characteristics of local markets, and their demographics (Manyika et al., 2017; Milian et al., 2021).

4.1.1. Background and Significance

The financial services industry has remained largely untransformed by technological advancement. Today, the banking sector remains in large part a physical network consisting of thousands of branch locations, and services such as checking, payment processing, money transfer, consumer loans, mortgages, and investment management continue to be the domain of banks. Technology has played a role in the automation of specific banking functions such as ATMs, forex trading, credit risk management, treasury forecasting, and check clearing, but these internal and back-office changes have not altered or been disruptive of traditional banking service delivery. Banks remain, as they have for centuries, the providers and processors of transactions on behalf of consumers for a fee, and of credit in varying forms for a margin with associated risks.

The last two decades have nevertheless witnessed an increasing number of new companies entering the market to provide banking services such as investment management, credit processing, personal finance, and payments without becoming banks themselves. Companies provide essential banking services while sidestepping traditional banking restrictions. Increasingly, firms such as these are working with banks to offer innovative financial services while leveraging the banks' established systems and licenses. These fintech firms are capitalizing on the underlying changes in consumer expectations and the practical capabilities enabled by new technologies. Technologies are combining to transform fintech through better and easier user experiences and task automation.

4.2. Understanding FinTech

What is FinTech? Financial technology, also referred to as FinTech, can be broadly defined as technology that facilitates the provision of financial services. In recent years, the term has become associated with new players challenging traditional financial service providers' market holdings and that the term itself has become a synonym for startups using new technology to provide established financial services. It can be seen as any technological innovation in financial services - which leads to the conclusion that "fintech" could include banks as well as non-banks. The projects, funding sources, and activities that could be classified into FinTech span a large scope that includes analytics and big data, blockchain technology and cryptocurrencies, crowd-funding, roboadvisors, smart contracts, and technology-assisted asset management, together with younger startups and mature tech firms. These companies offer products that include mobile payment solutions, insurance, investment, wealth management, and lending, as well as other services.

Recently there has been a surge of attention given to FinTech, with current funding in the sector nearing 100 billion USD. It might appear that FinTech has suddenly emerged, changing the financial service landscape entirely overnight. The truth is that over the past centuries, technological advancements have always been at the core of financial service evolution; every time technology has greatly improved, financial services have adjusted to incorporate higher efficiency and lower cost solutions. This is due to the elasticity of demand for financial services - that as the cost of operating financial services declines, the availability of these services increases, thereby stimulating additional demand for these services. Never, however, has the speed at which FinTech has advanced posed as radical a disruption to the financial service ecosystem. Particularly in developed economies, the regulatory environment of the financial service industry has kept banking operations limited and concentrated, creating barriers to entry and hindering competition.

Fig 4.1 : Understanding FinTech.

4.2.1. Definition and Scope

What is FinTech? A simple search will provide you with plenty of definitions. The words "FinTech" and "Financial Technology" emerged across the globe with varying emphases. "FinTech" refers to how technology is used to deliver financial services. Supply chain finance is mentioned as part of the FinTech sphere. Other definitions

consider FinTech as a term designating a mammoth trend that is changing how consumers interact with their banks.

Other definitions would consider FinTech emerging from the deep disruption through the Internet of the once clear barriers of separation between the Finance sector and other economic sectors; or FinTech referring to those products and services propelled not only by the internet but also by emerging technologies (cloud computing and big data, analytics, blockchain and encryption, AI, biometrics and more). These definitions emphasize the many dimensions of iFinTech, a term coined on how – under the exigent pressure of stagnating margins, heavy regulation, and new players such as the "Big Tech" – financial services should be digitalized through the strategic processes of innovation, disintermediation and disruption. In these definitions, innovation refers to the design of new products or a new approach to create or deliver those products within the FinTech market. Disintermediation and disruption capture contemporaneous dimensions of the digital strategy of financial institutions, banks and non-banks: on one side, the attempt to capture a piece of the FinTech market by creating complete offers or partnerships that allow them to present a broad value proposition to their potential customers; on the other, the threat to disrupt the bank sector by drawing away customers with attractive "high tech, low touch" value proposals.

4.2.2. Historical Context

The broad term Financial Technology (FinTech) has been around for more than half a century, since the term was coined by a banker in 1972 to identify systems offering telecommunications support for international money transfers. From then to the early 2000s, the focus of the sector was on back-office technologies employed to automate processes, enhance productivity, and reduce transaction costs, and it would not be until the mid-2000s that the common usage of software services began to reshape the landscape. Today, services provided by FinTech firms are varied, disrupted by different waves of innovation: from internet-based deposits offered in the early 2000s; to peer-to-peer services for lending; to widely adopted blockchain-based solutions; and to tech giants entering the market with payment platforms. Nowadays, banks mainly compete with tech giants and tech-focused financial intermediaries, such as FinTech firms for data-driven financial services. They rely on extraordinary reach, big data analytics, and user experience rather than legacy branches or on tapping large deposits, and their arrival is not due to any exogenous shock.

Developments in policy have also favored this financial disintermediation. The financial crisis prompted a demand for regulatory change; a need to support bank credit supply while exerting pressure on the weakest banks in the system; and a strong focus on imposing restrictions on banks' own-market-making activities. With more services being

made available by online platforms, more customers have become attracted to the more lenient selling practices of tech firms, which have acted as levelers, more interested in the user experience than spent on costly branch networks and customer service.

4.3. The Role of AI in FinTech

AI technologies are broadly applied across many sectors, and financial services are not an exception. The AI revolution will have a dominating impact on how financial services firms operate, and overcrowded financial services sectors would see their growth revitalized by the enabling effects of AI technologies. Guaranteeing results that can be provably inspected, AI should provide support during basic and high-stakes decision making in financial services. By deploying AI for greater predictive accuracy, financial services firms could accomplish various goals, such as lowering business operating costs, increasing revenue, and growing or protecting their customer base. More specifically, AI technologies can boost efforts used for target marketing and segmentation, demographic and customer behavior prediction, customer sentiment analysis, upselling and cross-selling, chatbots and virtual assistants, underwriting and credit scoring, loan and insurance price and risk assessment, fraud detection, and algorithmic trading.

AI technologies would also enable positive externalities that would benefit financial services industries worldwide. These externalities include generalized increase of productivity in diverse areas of business operations, greater regulatory compliance, payments efficiencies, improvement in algorithmic trading and data analysis for institutional investors, enhanced security and fraud prevention by banks and partners, simplified and cost-effective processes for long-tail customers, more inclusive and personalized products and services, and advanced revenue opportunities for business partners. AI is not a disembodied technology, and deploying these systems in financial services operations imposes concrete costs.

4.3.1. AI Technologies in Financial Services

With the growing adoption of Artificial Intelligence (AI), the integration of AI in FinTech is on the rise. The AI-enabled FinTechs offer customized services that considerably lessen operational costs such as risk management and fraud verification. The AI solutions are capable of engaging in marketing and promotion of InsurTechs and NeoBanks through AI technologies such as Bots, Speech Recognition, Natural Language Processing, and Contextualized AI Solutions. The digital bank personnel are being replaced by chatbots which operate on basic programming and natural language processing. These chatbots are well equipped to answer rudimentary customer inquiries.

Based on AI technology, these voice-based transactions are more securely executed using voice recognition software rather than any physical interaction. Personalization has become the mantra for digital companies these days, and the FinTechs have understood that AI can provide true personalization – giving users what they require in real-time and accordingly. AI helps in predicting what the customer would like to buy in the future or what type of innovations in services can help in keeping existing customers engaged. The technological advancements in AI can have a strong impact on how finance will be managed in the next decades. AI plays a major role in many FinTechs turning possibilities into action. It helps Financial institutions to adapt forecasts based on econometric models or scenarios efficiently and effectively.

AI is becoming increasingly important in Financial services, helping organizations transform the way they interact with clients, manage risk, recognize revenue, leverage talent, and regulate processes and outcomes. AI enables us to see possibilities that are not visible from the peak of our industry experience, and to think about Financial services in completely new ways. From changing the cost and time of conducting transactions for customers, improving the speed and accuracy of credit-scoring, relieve humans from engineering low-value tasks and help workers make better low-risk decisions, to managing the inherent risk, improve businesses, and enhance transaction security with better predictive models and fraud detection, AI can truly help us rethink Financial services.

4.3.2. Benefits of AI Integration

Research has established that AI has far-reaching potential in the improvement of productivity across numerous stages and sectors, powering new product and service innovations and advancing economic growth. Bank services deliver great deal of value for users but right now, they are not able to take advantage to a significant extent with other hardships such as legacy infrastructure and heavy regulations on finance. In finance, major share of operational tasks is repetitive and mundane, services are not personalized due to lack of user knowledge, products are not always optimized for risks like market fluctuations and fraud, data is not utilized optimally to aid key decisions such as credit, liquidity, forex, or investment.

AI is able to provide insights and efficiency on these key tasks at financial institutions, making the entire finance ecosystem more agile. Apart from cutting costs and resource utilization, it can markedly reduce time and lead to better user experience and decision making. Unfortunately, the common notion about AI is how it threatens jobs but research clearly establishes that at present, it augments the capabilities of humans in terms of implementation, creativity and decision making. Rather than replace humans, it raises their significance and usefulness. Over time, it will be able to take care of repetitive and

mundane tasks and humans will be able to focus more on domains that require judgment, insight and intuition and thus have unparalleled growth in the working and economic landscape.

4.4. Disruption of Traditional Banking Models

The digital disruption of the banking industry primarily originates from cost reductions and advanced technical and AI capabilities of agile startups, digital banks, and the ever-growing ecosystem of solution providers. The purpose of these solutions is to address customer expectations for faster, better, safer, frictionless, and cheaper banking services. Startups have broken the product categories, targeting niche markets and underserved customers more radically than banks, applying creative business models. Thus, their initial penetration of activities such as payment processing has proved successful at scale. Their advantage relies on a revamped customer proposition and removing operational inefficiencies with new AI-enabled virtual services such as chatbots or document extractors to name a few. Companies are scanning the industry environment, looking for strategic alliances and the emergence of a victory or failure scenario. Banking-as-a-Service is an additional way to provide easy-to-consume modules of the banking value chain.

For traditional banks, this means that it is not enough to optimize their systems for efficiency. Instead, they have to rethink their core capabilities; industrialize operations, or become platform orchestrators or API exporters. Banking could be built vertically or through vertical slices of product areas enabled by AI and other technologies or be integrated horizontally, assessing areas of specialization. Whatever the industrial model pursued, the contextual nature of banking needs richer data exchange, preferably with the clients' consent and incentives for their participation. Traditional banks must adopt a platform business model for financial services, which connects customers, bank's services, and third-party solutions, while big data exchange makes them contextual banking service providers. On the other hand, embedded finance connects financial services to non-companies, enriching the product offer through partnerships with banks or startups.

4.4.1. Challenges Faced by Traditional Banks

The formal banking system is nowadays facing multiple challenges. These include demographic and social changes, digitalization and advanced analytics, financial regulation and accelerating market convergence, uncertainty and geopolitical risk. These changes require action by banks in terms of modernization and change. In particular, they will need to cater for changes in demand and respond to the challenges of new

customer generation, seeking more product and service personalization; of new distribution models, aspiring to omni-channel global contact; of new delivery modes, preferring digital and mobile over traditional networks; of new risk analytics, calling for affordable, quick access to funding; and next-generation value proposition, demanding sustainable investment opportunities. The threat from global players is pushing established banks to adapt to a more collaborative business model. However, many banks are lagging with respect to the necessary change.

The longer it takes to adapt the higher the probability banks will lose the core of their existing business. Banking will become a utility service offered by competing firms. These accumulated challenges may have serious implications for those banks who resist in addressing their strategies and essentially keep the existing platforms by which they deliver products and services. The time is now. In response to the mounting pressure of the open ecosystem and fast-paced digitalization of the industry, banks are evolving into ecosystem orchestrators, curating a diverse set of complementary third-party products and services for consumers and enterprises alike. The findings suggest that to survive, banks must shift from being product-centric investors to become platform-centric orchestrators. By transitioning into platform orchestrators banks promise to fulfill customer needs by delivering compelling solutions rather than stand-alone products.

4.4.2. Case Studies of Disruption

At the same time, the proprietary bank does not sit idle. It picks up on the FinTech trend and implements a similar disruptive innovation. The bank implements an Origination and Servicing Cost Reducing WorkFlow Supporting Technology to open new sources of demand for its services. To continue to satisfy Customers Cost Reduction and Time Saving and Offer Rates Optimizations motives, it automates the loan origination and servicing processes, and pushes Costs Off Demand while offering new Demand Oriented Transaction Services around the Financing and Related Supporting Services Disintermediation of Proportionally Justifying Digital Demand that have become Digitally Factored. These include, among others, the relaxing of the brain-dead loan eligibility conditions for working class niche Communities in exchange for the opening of Transactional Accounts. The bank offers entrepreneurship related training in learning centers located mostly in their workstations, with Customer care relationship people who are from the communities served. Product specialized Transaction Services include Small Direct Delegated Delegations of Authority Disbursing MicroLoans Highly Targeted to Community Need Niche Externalization Demands. These are so constituted that Transaction Services Disintermediation Disruption of such Hiring Demand will be so beneficial that they will be Digitally Factored and Automate Normal Bank Branching Nearby Economics Currently Required. The Outsourcing policy will also reduce

taxpayer borne Welfare dependency demand offering losses without taxpayer borne fiscal policy provisions.

4.5. FinTech Ecosystems

The future of FinTech will be made up of FinTech ecosystems. The growth of company partnerships across the FinTech industry is turning FinTech into an ecosystem. Growth within the FinTech ecosystem can be fueled by permanent or interim collaboration between members of disparate sub-sectors, such as digital banking, payment technologies, open finance, investment and wealth management, lending technologies, financial infrastructure, and insurance technology. Collaborative filtering technology can be leveraged, wherein partners can use FinTech platforms to provide additional services with improved risk profiles, to existing customers. Legacy banks have exciting opportunities through collaborative ecosystem efforts to use their enormous assets and customer bases to fuel both their own growth and that of vibrant partners.

FinTech ecosystems can also be used to analyze bank-specific cross-sell opportunities to capture existing customer spending, share of wallet, or engagement. For instance, credit unions have become pioneers of embedded banking for underserved communities. Credit unions have made estimates on the billions of dollars lost to payday loan companies and have digitally embedded their own low-cost offerings in existing payday loan company infrastructure targeting specific communities. Moreover, they have opened no-fee accounts that offer low-cost short-term loans in micro-transaction amounts to indigent customers with models that integrate merchant-bank relationships and predilection for loaning short-term payouts with financial health checkups for loan repayment ability. It is a unique but successful embedded banking FinTech ecosystem, which other financial institutions would be wise to use as a model.

4.5.1. Components of FinTech Ecosystems

Creating a FinTech ecosystem not only means creating the platform of the services but also an array of services from banks, telcos, payment companies, technology companies, credit scoring, insurance companies, equity crowdfunding platforms, capital markets infrastructures and others. In this section we will analyze some of the building blocks of FinTech Ecosystems.

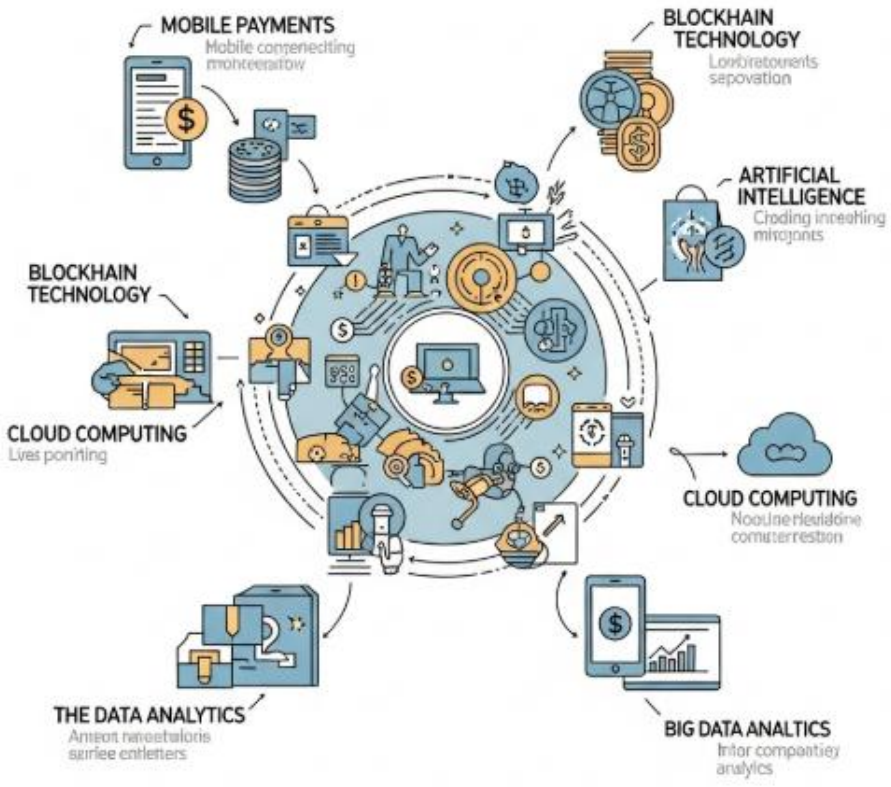

Fig 4.2: Components of FinTech Ecosystems.

Core Banking Services: Technology infrastructure required by banks to provide financial services to customers. Core banking services usually relate to storing customer and transaction data needed to offer digital banking services. These services can be offered by banks as SaaS delivery models or are bought by banks as license software.

Banking as a Service Companies: Technology companies and cloud platforms that allow banks or non-banks to offer end-to-end banking services to customers without developing their own technology infrastructure. Embedded finance tools provided by cloud platforms allow developers from any industry to add banking services to their customers and ecosystems in a simple way, employing the APIs provided by the BaaS companies.

Fintech Neobanks: New banks that are digital first, have no physical presence, that depend on technology infrastructure provided by BaaS banks and financial services offered on top of that cloud infrastructure. These Neobanks are usually targeting niches due to a clustered strategy.

Embedded Banking: Digital financing and banking products embedded into broader customer service offerings. Embedded Banking includes capabilities such as the use of intelligent applications to determine the right product at the right time to offer to the right customer to drive a seamless user experience. Embedding FinTech products in a software with a different focus and at different price points.

4.5.2. Key Players and Stakeholders

The FinTech Space Ecosystem is an elaborate business platform that connects startup companies, entrepreneurs, and traditional banks. The financial ecosystem is nonetheless diverse, with participants having a wide range of strengths and interests. Bank on the left edge and looking for new technologies that help reduce costs, widen profits, and mitigate risks from hackers and fraudsters. On the right side, startups are looking for financial partners, customers, and capital sources to test products, build companies that scale, and serve enterprise clients. They monetize by licensing these services, charging transaction fees, or some combination. In the middle layer, specialized investors from Silicon Valley and Wall Street are providing the capital needed to build the business.

Some third-party ecosystems connect banks and fintechs by creating a marketplace that sits between banks and fintechs, facilitating both discovery and transactions. These platforms help banks identify fintechs that fit their needs. Banks use these marketplaces to issue requests for proposals. Marketplaces continue to be very operational: helping banks meet regulatory compliance, by providing access to reporting and audit capabilities, and enabling core technology integration processing payment transaction-driven services. Many banks see fintechs as competitive, while core service providers see fintechs as partners. Other banks are attempting to create their own domestic monopolies by engaging in a play-to-scale strategy and investing in their own vertical solutions.

4.6. Regulatory Landscape

Due to the necessary and substantial shift of economical activity into a digital-first paradigm as a result of the global pandemic, the global regulatory landscape for digital finance is rapidly evolving and growing in complexity. Few industries, if any, face as many challenges or possess as many opportunities as are currently being presented to banking and payment platforms. The current emphasis by regulators on data collection, storage and usage, market integrity, consumer and investor protection, privacy and strong anti-money laundering programs creates significant compliance challenges for the adoption of digital finance products and services. This section analyzes the current primary regulatory challenges being faced by the digital banking ecosystem, including

crypto-assets utilization concerns, money laundering and anti-terrorist financing issues, as well as consumer and market protection considerations.

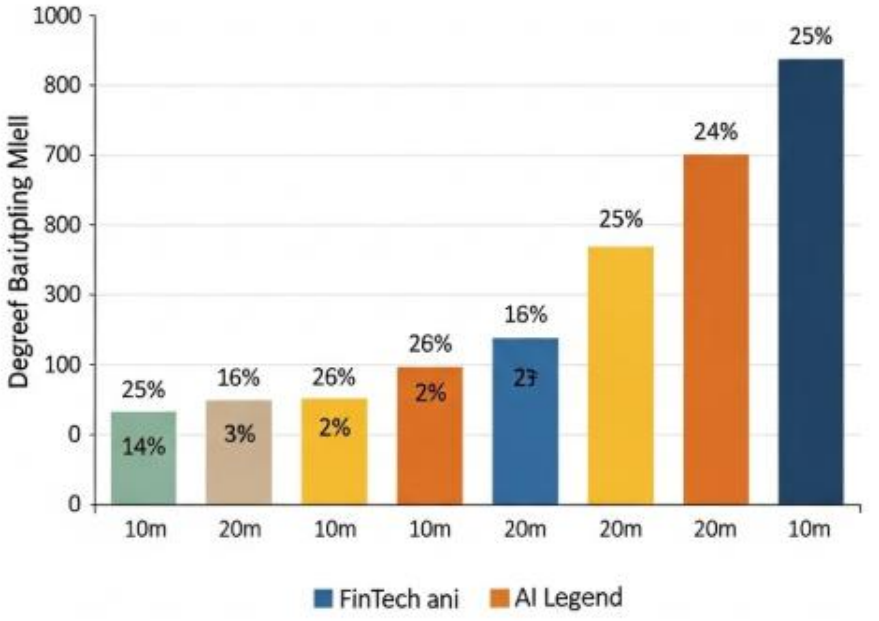

Fig : The Emergence of FinTech Ecosystems and Their Disruption of Traditional Banking Models through AI Innovation.

Digital banking is subject to both local and global regulatory frameworks. The primary sources of global regulation for digital finance are various international regulatory bodies. As of 2023, the guidance is focused on connectivity, crypto-asset risk management, stablecoin risk management and operational resilience. Each digital activity presents its own unique challenges for risk management. The focus is on the money laundering risks associated with virtual assets and the markets for crypto-assets. Guidance is provided on crypto-asset networks and the securities services activities associated with it.

4.6.1. Global Regulatory Frameworks

The challenge of producing globalized legislation and its associated implementation/harmonization difficulties require a long time horizon for the creation of FinTech ecosystems. Just as FinTechs have generated disruption to the underpinnings of traditional banking very quickly and social mood swings in respect of the traditional banking model may move fast, the slow pace of regulation will both generate further

dissonance in actions and reactions and the need for governments to have the vulnerable supports of the traditional banking system standing ready to be enforced if necessary.

Current structures of regulatory frameworks transnationally typically consist of multilateral treaties and international secondary legislation, national standards that have been laid down in accordance with the provisions of treaties, and national policies for their application. The sheer complexity of the layers has often meant that national authorities have been too inexperienced to be able to apply the provisions of the treaties intelligently. To add a second layer of complexity, some of the peer-to-peer lending products do not even have a traditional lender as an intermediary who can be regulated with perhaps a twist of logic.

In such an unregulated and inexperienced international arena, it was only to be expected that the initial contact and exchanges between the jurisdictions took place via recommendations and guidelines published by international organizations, which urged countries to take the first steps to establish legislative and regulatory regimes around the world. Because of the global nature of the sector, the uncoordinated development of national regulatory frameworks was not only difficult in terms of coordination and harmonization processes, creating risks of arbitrage, but also created the risk of implementation delay on potential operators due to the complexity of directives to keep in line with.

4.6.2. Compliance Challenges

The dynamic innovation environment in fintech poses challenges to regulators in monitoring emerging business models and the disruptive technologies they use. Due to operating on the fringes of regulation, licensed institutions worry that their unlicensed rivals have lower compliance costs, such as those that are incurred in meeting Know Your Customer (KYC) and anti-money laundering (AML) requirements. Furthermore, many new tools disrupt compliance processes. For example, the use of blockchain has enabled the risk-free transfer of value without intermediaries. This disintermediation prevents the banking sector from fulfilling its AML and terrorist financing obligations. Additionally, financial institutions can outsource their KYC processes to a third party, providing decentralized validation of user documentation and transaction risks. While de-traditionalizing KYC is an increasing cross-border reality, it is delectably difficult to ensure customer neutrality and avoid regulatory arbitrage.

The rapid development of technologies associated with artificial intelligence or blockchain is posing challenges to the legal and regulatory framework outlined above. The same is true for the regulatory standards that have resulted from recommendations, in particular, which mandates that, as a minimum, virtual asset service providers

implement AML Control Frameworks. The new age of fintech compliance regulations, while reinforcing the primary objective, are likely to grapple with a host of new issues. As mentioned earlier, market regulators face the problem of preventing market manipulation by virtue of the underlying coding methodologies. In the domain of robo-advisory companies and other algorithms in the investment management space, the level of abstraction of the AI solutions creates challenges to the core regulatory principles of disclosing such methodologies in a transparent way. Regulatory estoppels would likely emerge on the crossing of financial interests between public obligations and political accountability to disclose methodology that might create advantages for private sector players.

4.7. Conclusion

The emergence of FinTech ecosystems has had a significant impact on the global financial services landscape. AI-driven disruptions are not limited to traditional banking models, but also have implications for non-banking firms that have traditionally not been involved in finance. We described the different building blocks of FinTech ecosystems, focusing on the importance of the interface between consumers and the digital architecture provided by banks. The resulting value proposition must not only be attractive, but the ecosystem must also be used by consumers, who will provide their data and by third-party technology providers who will be required to invest time and money in the development of applications and tools to provide the financial services in demand.

The degree of future disruption will depend on the capitalization and international expansion of the new players in the SABER category (Savings, Account, Banking Services, Exchange, Remittances), the historical position of the big banks in those countries, and their ability to adapt the initial propositions to country specific realities that depend on cultural aspects, and issues related to market sophistication. There are obvious ways of being ambivalent on the long-run risk or opportunities that the current FinTech model will generate in the future. The same boldness that started the current round of innovations may end up creating a new generation of giants that block competition again. A similar ambivalence about where FinTech will take us in the long run is revealed by the fact that discussions about monetary policy around the world have included the possibility that central banks could become involved in establishing Digital Currencies, thus becoming fintech itself.

4.7.1. Future Trends

The primary focus of our research has been on the emergence of financial technology ecosystems and their impact on the digital disruption of traditional intermediation sectors. We have provided evidence of how Third-Horizon technologies based on artificial intelligence innovation are creating disintermediation-cointermediation disequilibrium path dynamics in banking and capital markets. Furthermore, we have demonstrated that hybrid FinTech platforms represent bank-like functions within a platform architecture composed of a Regulatory SandBox at the core, an Ecosystem of AI Partners and Services around it, and a Platform Focal-FinTech-User Interface at its perimeter. The emphasis of our study is on what can be considered the research model of the Emergence of the FinTech Ecosystem.

We wish to conclude by outlining some future trends stemming from our analysis. The first trend is that FinTech models should be analyzed on more than two dimensions (Ecosystem; Path of Disruption of Incumbents; Threats, Risks & Managerial Challenges for Entrants, Incumbents, Economies, Societies, and Markets). The second trend is that beyond DeepTech and FinTech for Good, Third-Horizon FinTech models incorporating AI systems for the good of humans and societies at large are likely to proliferate. More generally, a deeper ethical, also systems-oriented reflection is overdue in the FinTech space. Emphasis on the SDGs at Micro and Macro Levels and ESG considerations in investment and advisory finance will require a more holistic – and less reductive – modeling of FinTech developments. Thirdly, we are convinced that AI-based Enhanced Data Analytics will enhance strategy-making and strategy implementation for both FinTechs and Incumbents alike.

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