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INVENTIVE PROBLEMS IN FINTECH

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Abstract

Fintech is emerging industry that uses various kinds of technologies to compete with traditional financial methods in the delivery of financial services. In recent time with the growth of Fintech Companies financial world becoming more and more accessible, transparent and useful. Solutions for the most challenging Inventive Problems existing in Finance usually lay in the intersection of Technology, UX, Finance and Legal verticals. In my presentation I would like to demonstrate this on one of the Disruptive products we produce in one of my companies Currency.com – The World’s First Regulated Tokenized Securities Platform.

My topic will consist of two parts: 1) Description of the Problem and Solution which we invented in Currency.com for the World of Finance and World of Digital Currencies, and 2) Problems we faced before the launch of completely new product for the Market and how we resolved it.

Keywords: fintech, financial services, currency.com, blockchain, digital currencies

Аннотация

ФинТек это новая развивающаяся область, которая использует различные виды технологий для конкуренции с традиционными финансовыми методами обеспечения финансовых услуг. Рост компаний в области Финтек за последнее время делает финансовый мир более доступным, прозрачным и удобным. Решения большинства изобретательских задач, возникающих в финансовых областях, обычно лежат в пересечении технологий, пользовательского опыта, финансовых и юридических вертикалей. В своей презентации я бы хотел продемонстрировать это на примере одного из подрывных продуктов, созданных в одной из моих компаний Currency.com – первую в мире платформу для регулируемых токенизированных ценных бумаг.

Моя презентация состоит из двух частей: 1) Описания проблемы и решения, которое мы изобрели на Currency.com для мира финансов и мира цифровых валют, и 2) Проблемы, которые стояли перед нами при запуске совершенно нового продукта на рынок, и как мы их решили.

Ключевые слова: Финтек, финансовые услуги, currency.com, блокчейн, цифровые валюты.

1. What is the Problem?

1.1. Brief dive into context

The explosion in cryptocurrency has created many opportunities for investors. The sector has corrected in price but doesn't show signs of a slowdown in adoption: there were estimated to be 29 million blockchain wallet users globally in November 2018, compared to 18 million the previous year. Despite this, the biggest and most liquid cryptocurrencies do not allow participation in regulated financial markets. As a result, crypto owners have limited opportunities to participate in lucrative, established financial exchanges. They are fenced in.

1.2. Vision: a seamless financial democracy

Technologies such as blockchain and smart contracts have created the potential for stable and secure exchanges free from intervention by government and regulators.

Financial markets, unlike the old Soviet command economy, are a decentralised way for society to make economic decisions. The higher the share price of a company, the more society values what it does. Rising share prices mean cheaper capital from financial markets, more research and development for products, increased employment and, overall, a better result for the consumer. It is decentralized economic decision-making that has made open and free economies so successful in the past century.

However, crypto investors don't currently have an opportunity to use their crypto to take advantage of traditional financial markets. Currency.com builds a bridge between traditional assets and crypto investors.

Currency.com believes the adoption of cryptocurrencies around the globe presents a real opportunity for financial good. Opening up global markets gives investors from countries dogged by financial instability and political upheaval a chance to build stable investment portfolios in a way they could only have dreamt of a decade ago.

1.3. Key issues – shortcomings of the existing financial system

We understand that crypto owners want the option to diversify. They are demanding a bridge between the old financial world and the emerging crypto one. At present, moving outside crypto entails compromise. Existing financial capital markets have their limitations, but they have upsides as well. Many crypto owners look for volatility and embrace the potential of leverage, but they also want access to as diverse a range of markets as possible.

1.4. The appetite to speculate on real assets

Currency.com has identified a clear demand among crypto owners for access to capital markets and leading financial exchanges such as the NYSE. Some investors are unable to invest in these markets because of financial restrictions based on their location. Others are reluctant to invest because this would mean converting their crypto currencies into fiat and dealing with the resulting financial implications. Currency.com believes crypto holders should have a choice. They should be able to invest in crypto assets, but also use their cryptocurrencies like Bitcoin (BTC) or Ethereum (ETH) to invest in the underlying market price of the world's leading equities and indices such as the Dow, FTSE or Nasdaq, as well as commodities, fiat

currencies, bonds and other financial instruments. Not only will Currency.com enable this integration, but experienced individuals will also be able to leverage their investments to potentially secure larger returns or trade in traditional ways. Trading will be made smooth and flexible, allowing investors who want to stay in crypto to benefit from more asset classes not available directly till now.

1.5. How Currency.com Fixed it

Currency.com Bel Company, in partnership with the Capital.com group, a best-in-class trading platform, revolutionises the cryptocurrency investment ecosystem by enabling anyone using Bitcoin (BTC) or Ethereum (ETH) to benefit from the changing price of shares, commodities, indices, fiat currencies and other financial assets from the world's best-known companies using tokenised securities. This means they don't have to put their crypto holdings under price pressure or swap them into fiat. Currency.com already gave access to more than 1,000 global financial assets and will grow this number up to 10,000 over the next few years.

2. How it Works?

Currency.com is the world's first regulated tokenised securities trading platform that allows users to trade the underlying market price of traditional asset classes using cryptocurrencies or fiat as collateral. They can trade in crypto and profit in crypto.

2.1. What are tokenised securities?

Tokenised securities are tokens representing prices for underlying assets like securities, commodities or bonds. In terms of the economic result for investors – profits or losses – they are analogous to equities, bonds, commodities, derivatives, futures and other financial instruments. As the world's first tokenised securities platform, Currency.com issued 1,000-plus different tokens pegged to the underlying market price of traditional asset classes. They will include companies such as Amazon, Apple, Volkswagen and Coca-Cola; indices such as the Dow Jones 30, the S&P 500 or the Nasdaq 100; and commodities such as gold, silver and Brent Crude.

Opening a trade will give you a token that tracks and moves according to the underlying instrument's price. These tokenised securities allow investors access to diverse established financial markets, while at the same time giving them the opportunity to build their crypto holdings. Crucially, they enable investors to benefit from market-wide price action without placing their crypto holdings under price pressure or turning their crypto portfolio into fiat. Currency.com's tokenised securities are underpinned by robust and immutable blockchain technology. Unlike traditional systems, it is inherently transparent and open – candlesticks of prices are saved and available regularly. Blockchain allows users to check Currency.com asset prices against competitors. Regulatory details and fee lists are upfront and easily accessible.

2.2. How does tokenised securities trading work?

Trading Currency.com's tokenised securities is just like trading any other cryptocurrency or traditional asset on a digital exchange. Clients can choose to buy or to sell. They incur the same profit and loss opportunities – and risks – as any other form of trading. Those who wish to trade in fiat currencies now have this opportunity. Currency.com members can use fiat to buy tokens representing US dollars, euros, Belarusian roubles and Russian roubles, for example, and employ them to trade tokenised securities.

2.3. Solution Advantages

The advantages Currency.com's financial exchange has a unique advantage over those of rivals. It is the first European regulated tokenised security exchange. Capital.com, the partner company to Currency.com, along with traders using the platform, provides the original liquidity prices. These are transparent and accessible via the blockchain. It ensures the buyer and seller are fully aware they are getting the best possible prices. Experienced investors can also use leverage, which magnifies volatility and risk but leads to significant profits via trading should the asset price increase. Conversely, a fall in the underlying asset value will be magnified. To access these leverage options, investors must answer a series of questions in an appropriateness test.

2.4. "Social Good" for the Financial System

On top of this, the platform has a framework to integrate an ICO underwriting service for innovative projects approved by the Currency.com board and Belarusian regulators. This initiative will stimulate the platform, build stability, increase adoption and support entrepreneurs worldwide.

3. New Product Launch Challenge

It is always tough challenge to launch the product to the Market which never existed before. Potential Clients doesn't have experience and habits working with it and in history there were lot of examples when entrepreneurs launched good products which definitely resolve Clients pain but they had very new experience which was unclear for the target audience. So for entrepreneurs it can be clear what problem to solve, find the solution but they can hardly predict how Clients will meet the product in case there were no experience before.

Currency.com faced the same challenge: there was the audience which knows traditional financial services and how trading works, another part was familiar with trading in Crypto world, but there were very few who traded both and there were no one who traded both at the same place.

It was decided to make closed beta launch of the product and share the access to it among the most experienced people those who had experience in both and make the process of collecting feedback in control. Clients who received access were very loyal and appreciates access, they shared their feedback in very concrete and direct form, there very set of angry feedback but all the negative attitude has been resolved as soon as Currency.com team worked personally with these people and made necessary improvement to the UX.

Another challenge which has been resolved with such beta launch is unpredictable size of Back-Office (BO) and Customer Support (CS) department as it wasn't clear at all how people will meet the product, what will be the demand. So it was created minimal necessary Back-Office and Customer Support team and was decided to increase it based on the number of potential Clients.

We created invite codes which gave to the first group of Clients (more experienced guys), they shared invite codes with some people, then these new volunteers formed a queue to the platform. BO and CS processed the Clients from the Queue according to the capacity but as

the rules of the game has been established earlier the Clients were not angry to be in the queue. There were another interesting trick applied which resolved contradiction like “We need to spend money on marketing to attract new Clients and we shouldn’t spend money on marketing until we see the payback from the Clients” and we should test the demand as quick as possible – so ideal result would be if our initial group of Clients will start referring other Clients and we made a game when you can pass over the queue depending on number of Clients your invite. With such approach our queue became around 150,000 accounts. By predicting the conversion, we resolved the problem of uncertainty about potential initial demand.

With such systematic approach to the Business Problems we were able to be much more prepared to the product Public launch, we received lots of valuable UX feedback without negative impact on PR, we saved lots of costs on forming exactly needed Customer Support / Back Office Department, and figure out bunch of problems we didn’t foreseen before the product launch.

4. Conclusions

As you can see that there are lots of Inventive Problems in Fintech industry which resolution opens big opportunities. Most of the problems impossible to solve being in the box using just one dimension. You should understand the context you operate business very well, understand what resources you have in super-system and sub-system and shouldn’t hesitate to put your Business in some new Environment where you will make all negative effects from uncertain things like human reaction to the product under the control.

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