

Chapter 2

Financial Technologies (FinTech), Instruments, Mechanisms, and Financial Products in the Current Context of Artificial Intelligence and Globalization

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ABSTRACT

The holistic approach of the phenomenon of expansion of financial innovations, respectively of current financial technologies, as otherwise abbreviated to FinTech, knows very specific elements and is adapted to the global financial context, and lately, the share of financial services in the virtual space is dominant compared to their traditional form. Moreover, this new financing instrument has arisen mainly due to the need to streamline the financing system, based on technology, either to provide financial services adapted to the current needs of consumers (especially those who are in need of financing, this is also the real reason for the FinTech coupling of the financial inclusion of the financially excluded), as well as the design of new financial products that are reliable and responsive to the market. The financial space is dual, presenting two often contradictory assumptions (all channels, stocks, and collection flow, on the one hand; and all entities, channels, stocks, and investment flows), and in the current context of digital financial technologies, this is in virtual space.

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INTRODUCTION

The advancement of financial technologies includes robotic financial trading, payments made through encrypted cashless platforms, crowdfunding financial platforms, financial consulting, technical and robotic assistance through virtual space, and last but not least virtual currencies so developed lately. “The value of FinTech’s global investment in 2015 increased by \$ 22.3 billion by 75%. Corporations, venture capital and private equity firms have invested more than \$ 50 billion in nearly 2,500 FinTech companies globally since 2010” (Financial technology (FinTech): Prospects and challenges for the EU, EPRS, Cemal Karakas, Carla Stamegna - Graphics: Christian Dietrich, 2018). However, financial technologies (FinTech), although registering a rapid growth in the virtual space, have positive aspects, especially regarding the speed with which the financial services (adapted and flexible) reach the many financially excluded, but also have risks, challenges such as be particularly data related and of consumer protection, the risk of increasing financial volatility, as well as the alarming increase of cybercrime). The risks in particular attract the attention of the regulators of financial services, and a European Commission has been set up.

The defining elements for any financing model, regardless of whether we think of fintech or other types, are given by the following characteristics: digitization (artificial intelligence tools are crucial for digitizing services), mobilization (virtual space offers not only the possibility but especially the platform of realization of the mobility of people and services), disintermediation (virtual space offers the possibility of direct access without intermediaries), automation (through the financial services existing on

Figure 1. Representation of Financial Technologies (FinTech)

Source: Financial technology (FinTech): Prospects and challenges for the EU, EPRS, Cemal Karakas, Carla Stamegna, 2018



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