Highlights of The FinTech Dev Night
Event date: 11 June 2024
Location: Franklinstrasse, Frankfurt am Main
Hosted by: Fincite GmbH

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Introduction: About the event itself

The FinTech Dev Night is a first of its kind event where various insiders from within the financial domain gather with those of a more technical background, to discuss the latest applications of technology in the financial industry. This event, hosted at the Franklinstrasse in Frankfurt am Main by Fincite, offered a good view into the world of programming and code developing, a domain that I have not been very familiar with thus far.

In this document, I have used Roman numbers to rank the various sessions of the event. There are no direct quotations, yet covered topics and answered questions have been documented below with utmost care and accuracy based on my own notes, careful listening and a final review. Moreover, I have included several photographs that capture important (sub)topics. The information has been documented with explicit permission of the event organiser.

I.   18:25: Introductory speech by Fayssal El Mofatiche (Flowistic)

- The purpose of today is to create a FinTech community
- Frankfurt is still overweighted on the financial part -> More emphasis on the technological part is needed

II. 18:30 - 18:55: Regnology's Journey to Cloud and SaaS Transformation with Google Cloud by Steffen Dangmann (Director Cloud & AI Engineering, Regnology) and Daniel Körnlein (Customer Engineer, Google Cloud)

- Regnology is a 1,100 person software engineering company based in Germany
- They offer 12+ products for insurers, banks, regulators, and other financial corporations
- Rubbie Cloud works for Regnology

- Three advantages that Regnology can offer its clients: i) Scalability -> Regnology's regulatory reporting application can be scaled horizontally on the public cloud ii) Security -> The public cloud provides high security standards that meet Regnology's and also regulatory requirements iii) Ease of operations -> the public cloud allows Regnology to automate operations and reduce manual efforts
- Especially when dealing with banks there are a lot of regulatory requirements to keep in mind
- Regarding Regnology's cloud journey, there is a need to set up Oracle and use follow up steps -> We created a self-serving platform for our employees -> We developed RCloud in 2022
- Google Cloud is the infrastructure provider, SaaS platform on top for customer
- 2023 -> Deutsche Boerse and Clearstream are our first customers following the technical go-live
- 2024 -> Over 20 new customers and all new AI tools made availlable to customers
- We have had a partnership with Google since 2020 -> Co-Development
- Regnology and Google co-developed the Oracle Operator and Alloy DB
- New products are characterised by seamless onboarding to RCloud on GCP with emphasis on Scalability -> In fact, in our mission to reduce complexity by moving from legacy on-premise setup towards cloud, we are willing to risk 10-15% of our customer base
- Oracle does not always play well with hyperscalers
- Specific challenges to Regnology -> The ability or inability to organise specific databases
- A transparency layer may come in the near future -> This is largely the work of Regnology in collaboration with Google engineering
- Following Sillicon Valley Bank's collapse, the EU increased regulatory requirement -> We produced new hardware yet the delivery ship sank -> Immense fallout followed
- Banks use very harmonised data models -> This is a huge datamine ready to be exploited
- One of our customers has databases of about 350 Terabytes -> This is larger than we expected -> someone in our company came up with vertical data model which made it hard to structure this database

- So what are our main challenges? -> i) Security concerns of clients ii) Key encryption management, this is addressed by Regnology iii) Start with a small team driving change -> pioneering team, incremental rollout of your plans

Question from the audience:
- With regard to regulatory projects for banks, can you name three of the biggest challenges that you are confronted with?

Answer:
- The first challenge we have is that France and Switzerland are particularly tough with their technology/digital tax
- The second major challenge we face is security (particularly in the case of banks)
- And thirdly, tokenisation -> How can we tokenise data that is not needed for regulatory reporting to save costs and partition accessibility?

Second question from the audience:
- Why did you choose a database instead of a scale out?

Answer:
- We have to process enormous amounts of data, 200 Gigabytes per day -> We use a database for fast pivoting, still the most effective method
- With Big Data in finance, there is once a month / or once per three months or so an enormous pile of data for regulatory purposes that needs to be processed

III. 19:00 - 19:50: Getting data platforms production ready - Dr. Alex Ortner (Big Data architect at Thinkport GmbH)

- Data platforms for big data have five main applications, which are as follows:
- i) Risk management -> Credit risk, market risk, operational risk
- ii) Detection -> real-time monitoring of market data
- iii) Regulatory Compliance -> AML for example
- iv) Investment Strategies -> Algorithmic trading, investment analysis
- v) Customer Insights -> customer segmentation, marketing

- So here are some of our core challenges to solve:
- i) Quality -> Making sure data is accurate, consistent and well-integrated
- ii) Privacy and Security -> Regulatory compliance (GDPR, MAR) and cybersecurity
- iii) Governance -> Metadata management, policy management
- iv) Scalability, performance and costs
- v) AI implementation and market operations -> Operationalisation and monitoring of AI applications
- A good example of a problem we solve is reduction of GDPR Fines for our clients

- There is still no global datamanagement regarding governance
- Metadata catalogue is in place, yet nobody is using it
- A Demo lab -> Data Bricks Unity Catalog
- You can realise your own dataset using databricks and Cubanita -> develops Spark
- The disadvantage is that two people cannot work in the same file, for it will crash
- Special files formats have been designed to read, write at the same time -> Data catalog -> It is an abstraction from SQL
- We have a unity catalog -> Using a scalable database acts as a clue, and you are paid 24/7
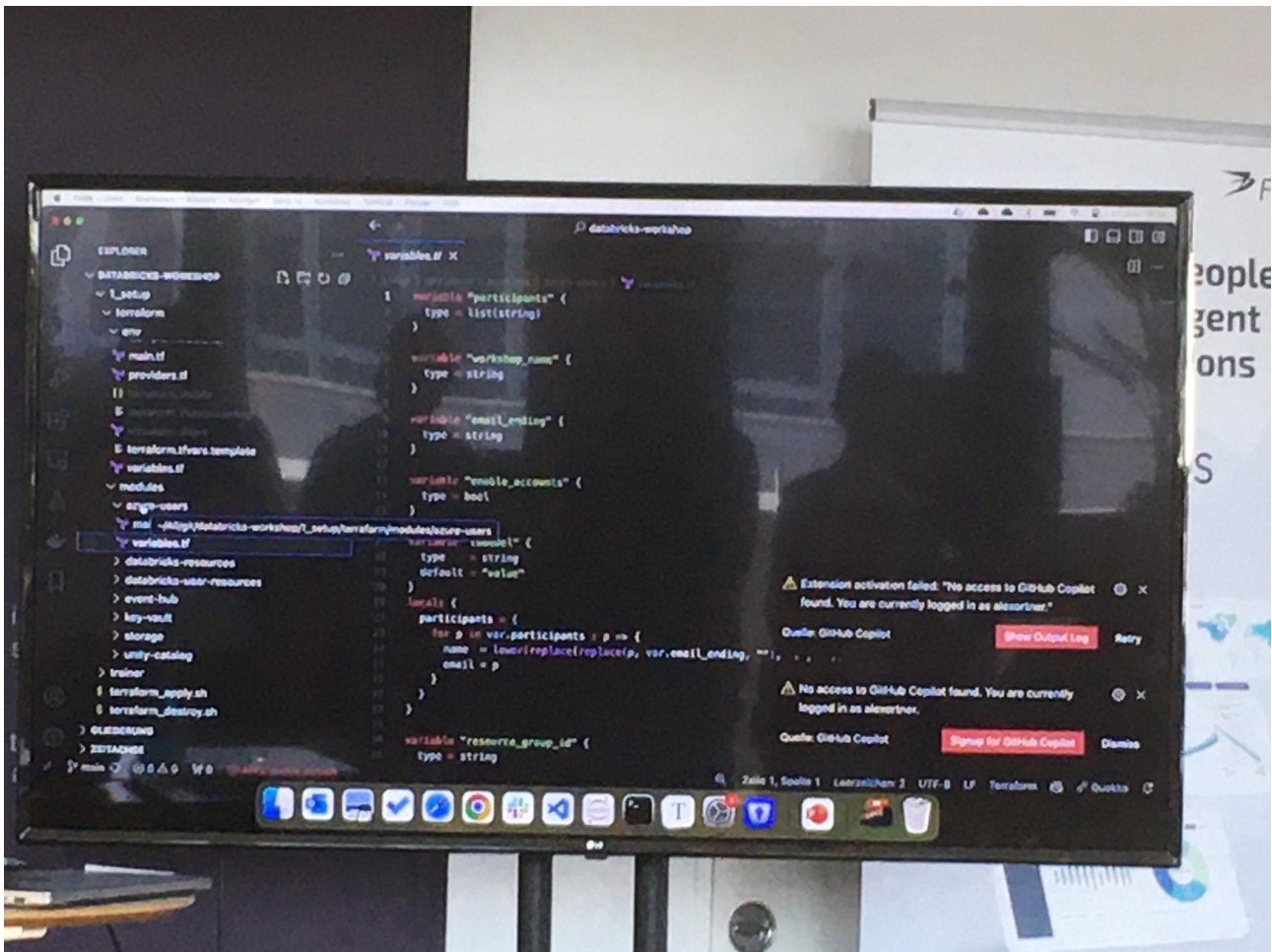
- Catalog abstraction is one of the advantages of databricks -> And from a regulator's perspective, data is well-protected
- The disadvantage for big datasets is that you have a run-up time of several minutes
- Row-mask functionality is an effective way to limit access to specific users
- Databricks may well be the best option for untrained people to work with

Question from the audience:
- How do you obtain a unified platform on top of existing datasets?

Answer:
- There is a legacy problem -> And Catalog offers a possibility to connect external data -> Yet this does not work for all systems, not for STP systems for example
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Another question from the audience:
- What if one of the datasets is an index necessary for queries regarding the others?

Answer:
- First you select the unity catalog, or connect directly to the other database through Databricks -> Use FRINO to access various databases from different systems

IV. 20:00 - 20:25: How regulations help to build a SaaS product by Sebastian Bessing (Fincite)

- Wealth management
- SaaS application is used by advisors and investors
- Technology used: Python Django, React, Postgre SQL
- Hosting: Azure (AKS, Managed DB)
- So does regulation help? -> Given that regulation is fixed, we have an advantage to build SaaS products
- Regulation harmonises -> MiFID advisory processes
- We must contain a profile of our customer, followed by a talk with our advisor, and necessary instruments must be filtered -> This is done ex-ante for bought and sold instruments

- Focus on the things that do NOT change -> Good example are similarities across banks in advisory processes
- In every element, MiDID II is not 100% clear
- Multi-step processes with options for every step are available
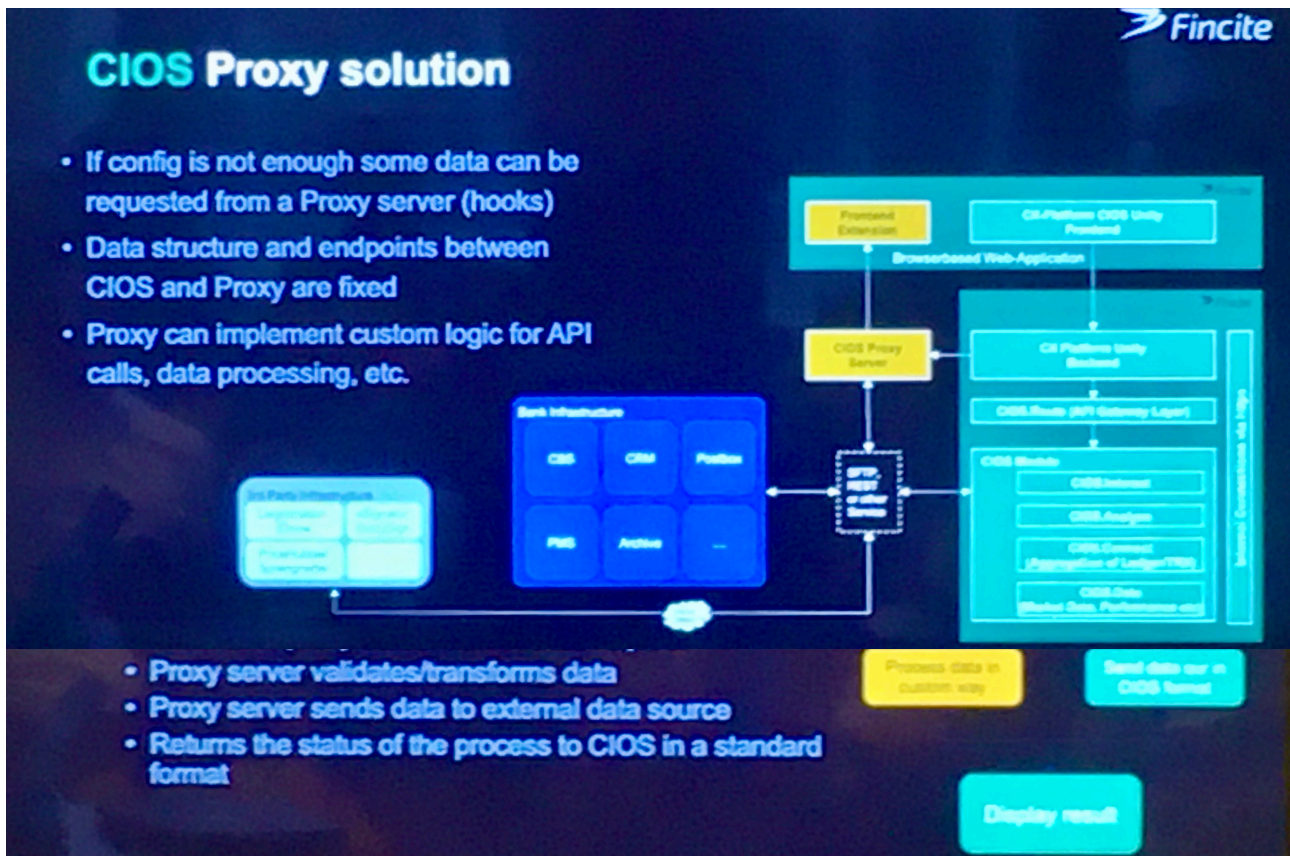
- CIOS advisory process: i) Works stand-alone ii) Some steps are configurable iii) Steps can be replaced or requested by query
- Data structure and endpoints between CIOS and proxy is fixed
- Some proxies have CRM behind it
- We have our own market data in CIOS -> If ISINs (financial instrument identification codes) are used in a dataset for trading, you need to check on specifics and check for example whether it is in core-banking -> Morningstar is our data-provider for this
- Stand alone administrators can add PDFs and map fields to data
- Proxy -> CIOS calls proxy for data request and then adds data to the core-banking system

Question from the audience:
- How do you deal with changes in ISINs?

Answer:
- We receive updates regularly yet we are not responsible for this raw data, our task is effective implementation

V. 21:00 - 21:30: Panel discussion

Moderator: Emily
Participants:
Friedhelm A. Schmidt (Fincite)
Sebastian Schaefer (TechQuartier)
Thorsten Heymann (Deloitte)
Stefan Reinhardt (Allianz Global Investors)
Sebastian Hailer (Bankhaus Scheich)

Emily:
We already saw 4 solutions in innovation, what have you got to add to that?

Friedhelm:
- We do not come from banking in general, plenty of us have backgrounds such as aviation and data science
- In fact, we knew nothing at the beginning about this industry
- Innovation processes that we have now were achieved due to our own motivation and even frustration, less due to our initial know-how

Sebastian (Schaefer):
- Sometimes, organising on your own is hard -> innovation platforms can help with either brokering between the right parties or adding the right idea

Friedhelm:
Sometimes you need to be lucky to reach the right idea

Sebastian (Schaefer):
- Serendipity is worth a lot
- When building trust, in-person interaction does matter

Thorsten:
- Our approach is quite straightforward -> We go where the money is
- Google is our largest strategic partner, NVIDIA comes second
- We do not produce a product -> We are advisory instead -> Focus on tech
- Yet we are early-on adapters of technology

Sebastian (Schaefer):
- Will Google beat Deloitte in 10 years?

Emily:
- Tech eats everything alive usually ;)

Sebastian (Hailer):
- Since 2018, we adopted a more tech-oriented approach
- Tokenisation and crypto are major topics we work on
- We are a young team but also moderated by a more seasoned team
- The EU is quite advanced in regulation -> This is an advantage for us with and we draw more attraction because of it
- We have built our own fund-of-funds and it is one of the first BaFin-approved ones -> Yet you need to be careful not to cannibalise yourself when developing new products

Emily:
- There is a lot of positivity around regulation in this group, unlike some other groups in FinTech -> Yet what are the challenges in regulation?

? (due to the speed of the conversation, I did not recall who made these remarks while writing notes)
- There are a regulatory differences due to novelty -> This hinders cross-border adoption
- Regulation adapts later, yet differently than expected

Thorsten:
- Progressive regulation is in general a good thing, yet the fact that the US has less regulation allowed cryptocurrencies to develop into an actual market

Sebastian (Hailer):
- There are lots of Proof of Concepts, yet they are often small-scale in the EU

Friedhelm:
- The process of regulation is basically put into technology
- Companies sometimes want regulation as it gives more clarity in advance and less risk of being conned by 'Robber Barons'

Sebastian (Hailer):
- Conventional banks are not always fast enough to respond to new regulation
- This is where new innovative firms step in

Emily:
- Do regulators understand the needs of developing firms?

Sebastian (Hailer):
- Germany has a lot of smaller banks -> there is high pressure to be innovative, which is a good thing -> With less of a legacy-burden -> Their ideas can be adopted by bigger banks

Stefan:
- We tried to create a new product for existing banks -> Yet now there is more competition from other countries
- Before, we were used to the end-user perspective

Thorsten:
- If you want to get an idea approved -> Call it AI
- For the first time in my 30 years of experience, all industry leaders are talking about tech
- Family businesses are more long-term oriented, yet have less turnover and somewhat of a survivorship bias versus larger firms
- Whether that is always the best, one can argue

Friedhelm:
- Long-term orientation can also lead to too much conservative behaviour

Sebastian (Schaefer):
- Available tools for innovation are not optimally used yet

Emily:
- AI has arrived -> What do you expect to be the next disruptive thing AI brings?

Sebastian (Hailer):
- The disruption will be more on the process-side than on the product-side -> Intelligence

Stefan:
- AI is used to get hands on a massive load of data in the market

Thorsten:
- AI will reduce reporting costs by a bout 70% -> It may also challenge the off-shore industry as a consequence

Sebastian (Schaefer):
- Much of the thinking is solved by AI -> Question is how it is translated into action

Friedhelm:
- We use a red zone versus a green zone for AI -> For the red zone, do not use AI, for the green zone, use it
- For calculations, AI is ok if it is well-monitored
- The element of trust is high in banking -> So implement AI carefully

Question from Till Blesik:
- What Cyber risks are attached to AI in terms of hacking?

Sebastian (Schaefer):
- If you use outlook for E-mails and trust Microsoft, you can definitely trust AI -> just make sure you use an enterprise version and not a public model
- Risk is in the infrastructure much more so than in the AI and underlying data

On a final note
The conference offered a clear yet extensive lists of challenges the financial industry is facing for the tech-sector can offer viable solutions. It is also interesting to see how needs differ for financial players based on size, location, and the sort of services offered. As apparent, there is a serious case to be made for AI and other technologically refined equipment to be more actively applied in the field of finance, and Frankfurt, as THE financial hub of Europe or at least the EU, may well be the best starting point. Thank you for reading! For feedback or comments, please send an E-mail to quero@discounted-by-a-lightning-strike.com.

I have no interests to declare other than my attendance as a board member of investment committee Carpe Divitias.