



The Impact of Fintech on the Transformation and Upgrading of Investment Banking

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Abstract. China's economy is transitioning into a new phase of high-quality development, propelled by a wave of scientific and technological advancements. Financial institutions are increasingly integrating advanced technologies such as artificial intelligence, big data, and information and communication technologies into their daily operations. This comprehensive technological integration is not only reshaping the financial industry but also serving as a vital engine for sustainable development. This article focuses on CITIC Securities, using a SWOT analysis to evaluate the internal and external factors influencing the transformation and upgrading of its investment banking business. The analysis reveals that CITIC Securities needs to clearly define its strategic direction for digital transformation, identify key tasks, and optimize resource allocation. Furthermore, the firm should implement a differentiation strategy to enhance its competitive edge in the rapidly evolving financial landscape. By embracing these strategic imperatives, CITIC Securities can better position itself to leverage technological advancements, drive business growth, and contribute to the broader goals of sustainable economic development in China. This approach will enable CITIC Securities to navigate the challenges and opportunities presented by the ongoing technological revolution and industrial transformation.

Keywords: Fintech Integration, SWOT Analysis, Investment Banking Transformation.

1 Introduction

Today's information technology innovation has a profound impact on society. Big data, cloud computing, blockchain, artificial intelligence, and other advancements have been integrated into financial innovation, improving the efficiency, experience, and risk management of financial system operations. Over the past few decades, China's industry has developed rapidly. However, there is still a gap with international standards, and financial technology applications are not yet mature. The increasing demand for innovative products in the financial market has pushed the investment industry to face significant development challenges.

Since 2017, the cumulative total investment in financial technology within the securities industry has reached nearly 100 billion yuan [1]. These large numbers not

only reflect the financial industry's emphasis on technology but also show that financial technology is gradually becoming the core engine driving the high-quality development of the securities industry. From 2016 to 2020, investment in fintech within the securities industry increased from 10.4 billion yuan to 24 billion yuan, with a compound annual growth rate of 23%. Large banks and securities companies are the central forces driving technological upgrades and digital transformation in the financial industry. In 2020, fintech investment in the banking industry accounted for about 45%, with a year-on-year growth of 37%. In the securities industry, Huatai and CICC invested 2.23 billion yuan and 1.35 billion yuan in fintech in 2021, increasing by 26% and 110% year-on-year, respectively. The fintech investment growth rate among leading companies was higher than the industry average.

The online reforms brought by fintech have promoted a rapid increase in the size of the industry's customer base and business penetration rate. They have also made mobile banking and brokerage trading apps the primary means for financial institutions to serve customers. In 2021, ICBC's mobile banking customers approached 470 million. China Merchants Bank and Ping An Bank achieved customer penetration rates of 98% and 114%, respectively, achieving complete coverage of their customer bases. In the securities industry, the number of A-share investors exceeded 200 million by February 2022, doubling in five years. Among these, the online account opening channel brought in more than 90% of the new customers. Through continuous research and development investment and innovative practice, the securities industry is accelerating towards intelligence, automation, and data, providing customers with a more convenient, efficient, and safe financial service experience.

Many articles relate to the use of fintech to expand investment banking business. Zhang (2023) mentioned in his research that the application of fintech can help investment banks innovate business models and improve service efficiency [2]. Through the application of fintech, banks can develop more competitive investment banking businesses. Additionally, Ren (2022) and Yan (2023) believe that fintech can improve service quality and efficiency, reduce operating costs, and is key for commercial banks to cope with the impact of fintech and enhance their competitiveness [3-4].

Moreover, literature points out that fintech not only changed investment banks' business models but also profoundly influenced their competitive strategies. Shi (2023) analyzed the impact of fintech on the competitive strategy of Citic Securities' wealth management business and pointed out that fintech helps improve customer satisfaction and market share [5]. In their studies, Wang (2023) and Zhou (2024) discussed the importance of fintech in competitive strategy [6-7]. Wang suggests that fintech can help securities companies form a differentiated competitive advantage, while Zhou discusses fintech's role in optimizing key customer marketing strategies. Zhou points out that fintech can provide a better understanding of customer needs. However, it is regrettable that there is no in-depth case study on the transformation of investment banking business using fintech.

This paper conducts a SWOT analysis of Citic Securities, a successful case of investment banking combined with fintech. It analyzes the status of Citic Securities'

investment banking transformation from multiple dimensions, such as strengths, weaknesses, threats, and opportunities, to provide reliable development suggestions. The paper summarizes successful models and offers recommendations for the future development of China's investment banking business.

2 Citic securities' investment banking development in the Fintech background

The investment banking business of Citic Securities encompasses various aspects, including equity financing, debt financing, structured financing, and financial consulting. It actively integrates fintech, upgrading its investment banking business platform to achieve online management of the entire project lifecycle. This system connects with external systems to form a seamless closed loop. By applying fintech, Citic Securities connects internal and external data to build its exclusive data and knowledge base. Additionally, it independently develops investment banking search engines and automation tools to reduce repetitive labor, thereby improving project quality and efficiency.

As an industry-leading technology, the intelligent cloud platform integrates AI algorithms to enable intelligent investment and transactions, helping new, high-quality, and productive enterprises grow [8]. Consequently, since 2024, Citic Securities has completed equity underwriting for strategic emerging enterprises totaling 20.9 billion yuan and underwritten scientific and technological innovation bonds worth 46.4 billion yuan. The company has also increased equity investment in major national strategic areas by more than 1.4 billion yuan.

Moreover, Citic has collaborated with Alibaba Cloud and Zhongguancun Kejin to accelerate the industry's digitalization process, demonstrating its innovative leadership in the field of financial technology. This cooperation model not only sets a benchmark for the digitalization of securities firms but also signals that these firms will increasingly adopt digital technology in the future, expand their global market presence, and collectively advance the digital transformation of the entire industry.

3 SWOT analysis of Citic securities' Fintech-driven investment banking transformation

3.1 Strengths

Dual effects of brand leadership and Fintech integration. In the wave of financial technology, Citic Securities has effectively broadened its customer contact channels through digital marketing and intelligent customer service technologies. This approach has made its brand effect more significant. Its strong brand background allows Citic Securities to quickly attract and retain customers, even when entering markets late or during periods of market fluctuations. The application of financial technology has not only improved the customer experience but also accelerated steady

customer growth, far surpassing the results achieved through traditional customer manager efforts.

Since implementing the strategy of integrating fintech into brand building, Citic Securities has experienced an annual growth rate of 30% in the number of online customers, significantly exceeding the industry average of 15%. Moreover, the use of digital marketing and an intelligent customer service system has increased the average customer satisfaction to 92%, up 10 percentage points from the previous period. In fintech-related financial media and social media, Citic Securities' brand mention rate increased by 50% compared to the pre-transformation period, further solidifying its market leadership position.

Product innovation and investment research empowered by Fintech. Citic Securities makes full use of financial technology to continuously enrich and optimize its product line. By analyzing customer needs with big data and combining these insights with artificial intelligence algorithms for product customization, Citic Securities has launched a number of innovative financial products. These products are more competitive under the new asset management regulations. For example, the "Tiantian Profi CAI" series has attracted a large number of customers with an annualized return rate that is, on average, 2-3 percentage points higher than similar products in the market. The asset scale of this product line has increased by 150% over the past two years.

At the same time, financial technology has strengthened Citic Securities' professional investment research capabilities. Machine learning is used to predict market trends, providing investors with more accurate investment advice and risk management plans. Citic's accuracy rate for predicting market trends using machine learning has increased to 85%, about 15 percentage points higher than traditional analysis methods. This improvement has resulted in more stable returns for investors.

Fintech driving expansion into high-end business sectors. In frontier business areas such as the New Third Board and the Science and Technology Innovation Board, Citic Securities has achieved intelligent and efficient business processes by leveraging fintech. Through intelligent process management, the time required for project examination and approval has been shortened by an average of 30%, leading to improved business response speed. By enhancing transaction transparency with blockchain technology and utilizing smart contracts to reduce transaction costs by 10%, Citic Securities has established a stronger competitive advantage in the high-end market.

The application of fintech allows Citic Securities to assess customers' risk tolerance more accurately, provide customized margin and short selling services, and use its extensive securities resources to meet the special needs of high-net-worth clients. Consequently, the number of customers in high-end business areas, such as margin lending and short selling, has increased by 25% annually. The proportion of high-net-worth customers has risen to 30% of the total customer base, doubling compared to before the transformation.

Fintech-driven human resource optimization and specialization. Leveraging the power of fintech, the Investment Banking Department of Citic Securities continuously optimizes human resource allocation and enhances the professional quality and innovation capabilities of its team. The implementation of an intelligent talent management system has increased the retention rate of key position talents to 90%, which is 15% higher than the industry average. By establishing this system, Citic Securities can accurately identify and nurture employees with potential and provide them with personalized career development paths. Additionally, fintech applications have fostered knowledge sharing and collaboration within the team, improving overall work efficiency. The participation rate in online training courses based on fintech platforms has risen to 95%, significantly enhancing employees' professional skills while reducing average training costs by 20%. The annual growth rate of innovation projects in the Investment Banking Department has reached 40%, with many innovations receiving internal and external industry awards. Moreover, the comprehensive service platform built through fintech enables the Investment Banking Department of Citic Securities to offer more comprehensive and professional investment banking services, meeting diverse financial needs in a complex and volatile market.

3.2 Weaknesses

Cognitive limitations and ambiguities in digital transformation. Citic Securities' understanding of digital transformation was limited in its early stages. The focus was heavily on the superficial aspects of online transformation, such as expanding mobile banking and WeChat banking channels, without fully grasping the core elements of digital services—innovation and comprehensiveness. For example, compared to leading industry financial technologies, Citic Securities' investment service innovations lagged by about 18 months, resulting in a market share of only 30% compared to competitors.

The essence of financial technology lies in using big data, artificial intelligence, and other advanced technologies to reshape financial service models [9]. However, Citic Securities' exploration and investment in this area have been inadequate. Over the past three years, the proportion of total investment in digital innovation has been only 15%, well below the industry average of 25%.

Additionally, the strategic positioning of digital transformation at Citic Securities has been vague. The lack of clear goals and detailed plans has led to an unclear transformation direction, making it difficult to build sustainable competitiveness. As a result, only 60% of customers believe that Citic Securities' digital transformation has brought substantial service improvements, which is lower than the industry average of 75%.

Homogenization of transformation and lack of technological innovation. Citic Securities has faced a dual dilemma of technology homogeneity and insufficient innovation during its transformation process. Over the past year, breakthrough

projects in new business areas, such as blockchain finance and digital currency, accounted for only 5 percent of the company's total projects. This is significantly lower than the industry average of 15 percent. In terms of technology and product development, Citic Securities has not managed to distinguish itself from competitors. For instance, its intelligent customer service and the popularity of online account services have not created a unique competitive advantage.

Moreover, the lack of technological innovation has hindered the company's ability to make significant strides in new business areas. This shortfall makes it challenging to meet the market demand for high-value and differentiated digital products and services [10]. Citic Securities' market share for differentiated financial products, such as customized solutions, stands at only 10%, which is considerably lower than that of its competitors. Therefore, Citic Securities needs to strengthen its technological innovation, deepen its financial technology capabilities, and develop innovative and unique business models to lead the market.

Inadequate data integration and lagging governance. Data is the lifeblood of fintech, but Citic Securities faces significant challenges in data governance and integration. Only 50% of internal data is effectively utilized, while a large portion remains dispersed, duplicated, or in non-unified formats, hindering efficient use. A recent data quality audit revealed an error rate as high as 10%, significantly above the industry standard of 3%, compromising data accuracy and decision-making. The company's annual investment in data governance accounts for just 10% of the total IT budget, well below the recommended industry level of 20%, which limits the improvement of data governance. Issues such as data dispersion, duplication, and non-standardization severely restrict the effective use and value extraction from data, while shortcomings in risk control management pose hidden dangers to digital transformation.

3.3 Opportunities

China has recently undertaken significant financial system reforms. On one front, it continues to mitigate risks in key areas such as real estate, local debt, and small to medium-sized financial institutions. Simultaneously, the new "Nine Laws" have set the course for capital market reform, with future policies focusing on rigorously controlling capital market entry and exit, enhancing investor returns, fostering the development of first-class investment banks and institutions, and accelerating the influx of medium and long-term capital into the market. Additionally, reforms in the science and technology system will support the growth of new productive forces, with the potential establishment of a new nationwide system being a key focus. The Third Plenary Session of the CPC Central Committee is expected to elaborate systematically on this new system, highlighting the importance of deepening industry marketization and digital transformation—an emerging trend.

Over the past two decades, China's financial industry has experienced unprecedented rapid development, maintaining strong growth. With the release of the CBRC's Guidance on the Digital Transformation of the Banking and Insurance

Industry, the digital transformation of the banking sector has reached new heights. This guideline identifies several key directions, including deepening the application of industrial digital finance, accelerating the digital transformation of personal financial services, enhancing the digital capabilities of financial market transactions, building a digital operation service system, and establishing a safe, efficient, and win-win financial service ecosystem. It aims to guide the banking industry to fully embrace the digital era, leading to fundamental changes in business models and service methods.

The widespread application of advanced technologies such as big data, cloud computing, and blockchain has provided robust technical support for commercial banks' customer acquisition and product innovation [11]. The growing popularity of digital financial products and services has enhanced the personalization, differentiation, and customization capabilities of financial services, significantly improving service quality and efficiency. Concurrently, the advancement of technological capabilities has led to comprehensive improvements in network security, data security, and risk management, ensuring the steady development of the banking industry.

In this context, reforms in the science and technology system aim to drive the development of new productive forces, offering more innovation opportunities and development space for investment banks and institutions. Citic Securities will closely monitor trends in the science and technology sector, explore deeper integration with fintech, and strengthen its innovation capabilities and competitiveness.

3.4 Threats

China is entering an era of low interest rates due to the combined impacts of COVID-19 and geopolitical factors. In this context, the investment banking business of commercial banks faces the challenge of a scarcity of high-yield assets. Since 2020, the stock market has experienced drastic fluctuations, and there have been frequent occurrences of "gray rhino" and "black swan" events. These developments have gradually exposed risks within the financial system. To address and control systemic risks, China has implemented the strictest regulatory policies in history. This regulatory environment compels the investment banking business of commercial banks to adapt to policy changes, adjust business models and strategies, and elevate the professional skills and policy sensitivity of their employees.

Risk spread during economic downturns. China's economy is in a critical period of deleveraging and structural adjustment. Combined with the global economic downturn and the impact of COVID-19, local risks associated with platform companies and real estate enterprises have significantly expanded. Frequent defaults among real estate enterprises and the continued explosion of non-standard products have exacerbated the situation. Affected by policy tightening, local government platform companies face limited financing channels, leading to sharply increased liquidity pressure. These risk events have imposed more stringent standards for client access, due diligence, and duration management in the investment banking business of commercial banks. This situation reflects the inevitable challenges as China's economy transitions from high-speed growth to high-quality development, along with

the gradual exposure of local economic risks. In this economic environment, Citic Securities is also confronting a crisis in its business transformation.

Tightening regulatory policies. Since the establishment of the Financial Stability and Development Council (FSD), China's financial regulatory policies have been continuously tightened. This tightening has reduced opportunities for regulatory arbitrage, promoted the simultaneous investigation of financial risks and regulatory innovation, and provided clearer policy guidance along with a more stringent market environment for the steady development of investment banking.

Citic Securities must find new profit growth points to counter the impact of the low-interest-rate environment on profitability. The firm should maintain a high level of vigilance and sensitivity, strengthen risk management and internal controls, actively adjust and optimize its business structure, and improve service quality and innovation to navigate the complex and volatile market environment.

4 Strategies for applying Fintech to investment banking transformation

For analyzing Citic Securities' digital transformation, the following three points are crucial.

First, clarify the strategic direction and key tasks of digital transformation. Companies need to emphasize the importance of digital transformation at the strategic planning level. The fintech development strategy should be closely integrated with the overall company strategy, and the scientific and technological innovation system and mechanism should be improved. The company should define key directions for fintech development, focusing on critical business scenarios such as next-generation trading systems, quantitative ecosystems, investment and research big data, and large proprietary platforms. Cross-departmental, cross-team, and cross-functional agile teams should be established to promote efficient collaboration and integration within Citic Group, thereby enhancing business transformation and core competitiveness [12].

Second, optimize the allocation of resources. Companies need to improve the effectiveness evaluation of digital transformation projects, the measurement standards for technology input and output, and the resource allocation structure. This will ensure that capital is more effectively directed toward generating business value and growth. A digital management system should be established to enhance the management of scientific and technological resources, optimize demand analysis and management, and guide resources to areas critical for the company's strategic development, thereby strengthening differentiated competitive advantages.

Finally, promote a differentiation strategy. Citic Securities should drive the transformation of wealth management by developing differentiated marketing and customer classification strategies. The focus should shift from single-product marketing to a multi-channel and diversified product supply chain to meet the asset allocation needs of different customer groups. Headquarters resources should be

utilized to provide customized services, build a tiered value-added product system, and use CRM systems to deeply analyze customers, thereby improving customer retention. Additionally, an Internet marketing platform should be established to create a positive feedback loop, and collaborative marketing should be deepened to leverage the group's advantages and achieve greater business effects.

5 Conclusion

This paper conducts a SWOT analysis of the transformation of Citic Securities' investment banking business and offers suggestions for its future development.

First, Citic Securities should closely integrate fintech development with the company's overall strategy. It should focus on key business scenarios, form flexible teams, promote efficient internal collaboration, and drive business transformation and core competitiveness.

Second, the effectiveness of transformation projects and the measurement standards for technology input and output should be optimized. Establishing a digital management system will improve the management of scientific and technological resources. By optimizing demand analysis and resource management, resources can be directed toward areas most critical for the company's strategic development, thereby enhancing differentiated competitive advantages and realizing the benefits of digital transformation.

Finally, the transformation of wealth management should be accelerated. Citic Securities should develop differentiated marketing and customer classification strategies, shift to multi-channel marketing, diversify the product supply chain, and deepen collaborative marketing. Cooperation with entities like Citic Bank and Citic Prudential should also be pursued.

Due to some limitations, the data collection, knowledge reserve, and understanding of investment banking business transformation in this paper are relatively limited. The analysis is based on data from the past five years, which may result in certain shortcomings. However, the suggestions provided are practical, relevant, and timely, offering valuable insights for the transformation and development of Citic Securities and other investment banking firms.

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