

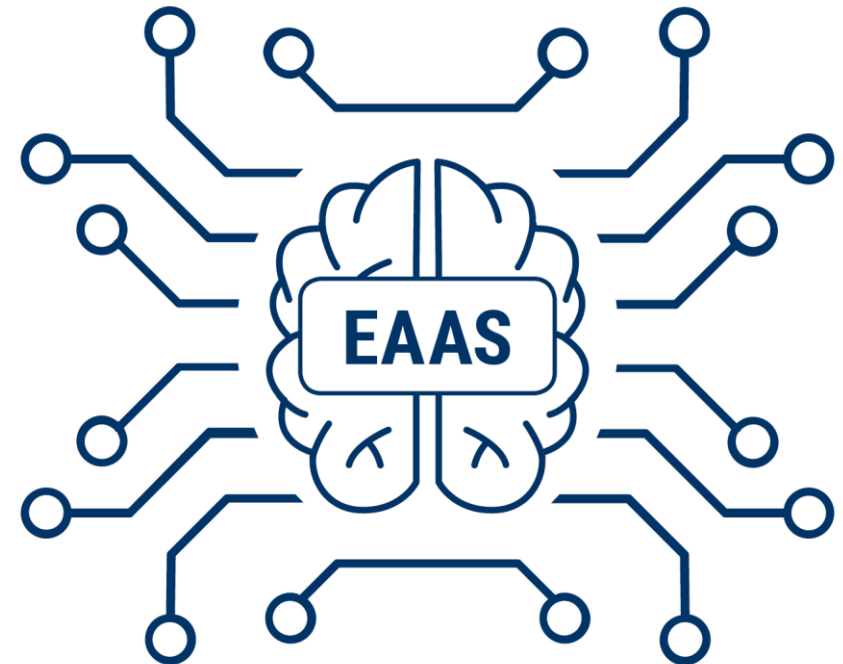
Fintech Trends to Watch in 2018

 CBINSIGHTS

WHO WE ARE

The technology market intelligence platform.

CB Insights software lets you predict, discuss, and communicate emerging technology trends using data in ways that are beyond human cognition. We are a leader in the Expert Automation & Augmentation Software (EAAS) space.



TRUSTED BY THE WORLD'S LEADING COMPANIES



F-PRIME

FIRSTMARK 



NORWEST | VENTURE PARTNERS

 Riviera

SEQUOIA 

“We use CB Insights to find emerging trends and interesting companies that might signal a shift in technology or require us to reallocate resources.”



Beti Cunniff, Corporate Strategy, Microsoft



The CBI Community – Membership Has Benefits

INDUSTRY-SCALE SUMMITS



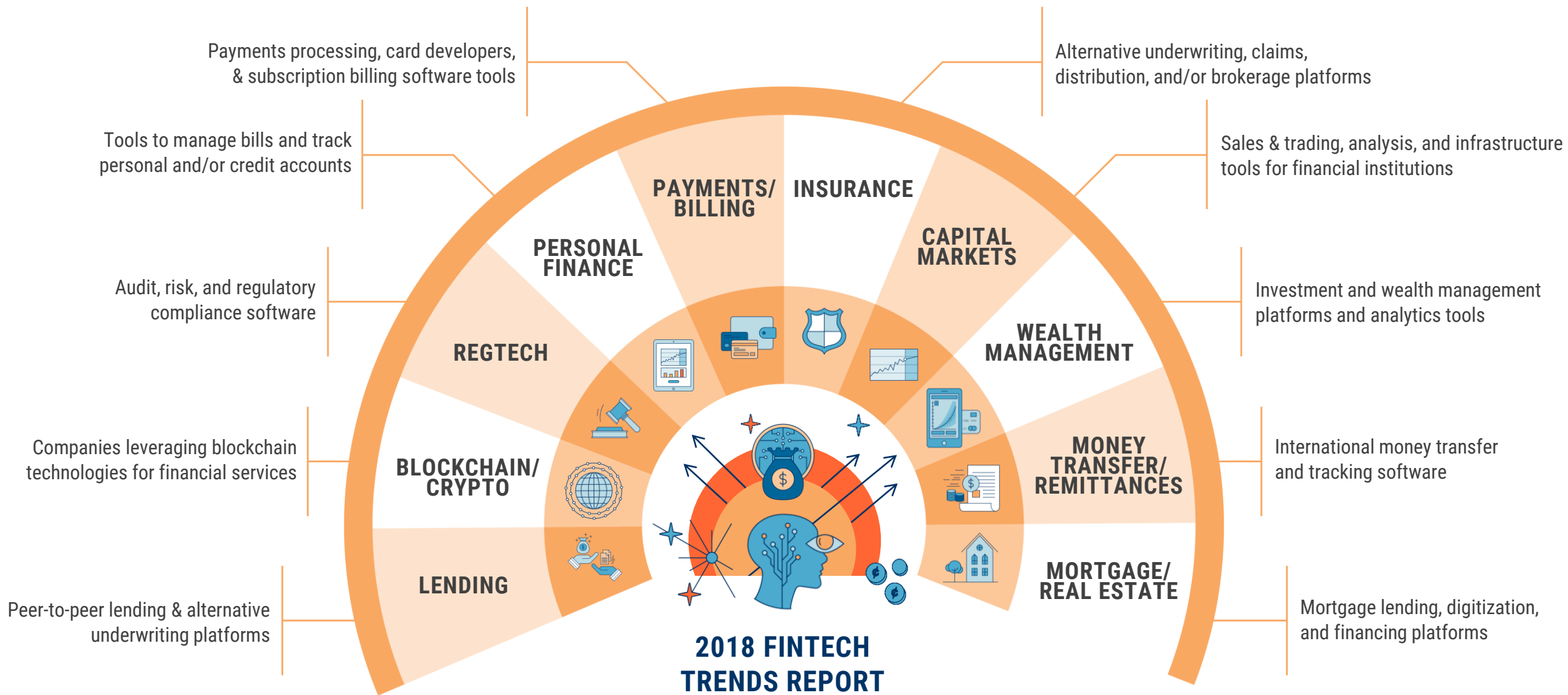
PEER-TO-PEER NETWORK



CLIENT-ONLY EVENTS



WHAT THIS REPORT COVERS



Contents

8 2017 Financing Trends

Annual Deals & Dollars

Regional Trends

Fintech unicorns

18 2018 Trends To Watch

What to watch for in 2018

Where investors are placing bets in
fintech

Which markets will see fintech emergence

How incumbents will act

103 Appendix:

2017 Top VC-Backed Fintech Deals

2017 Most Active Fintech Investors

Fintech Exits: IPO & M&A

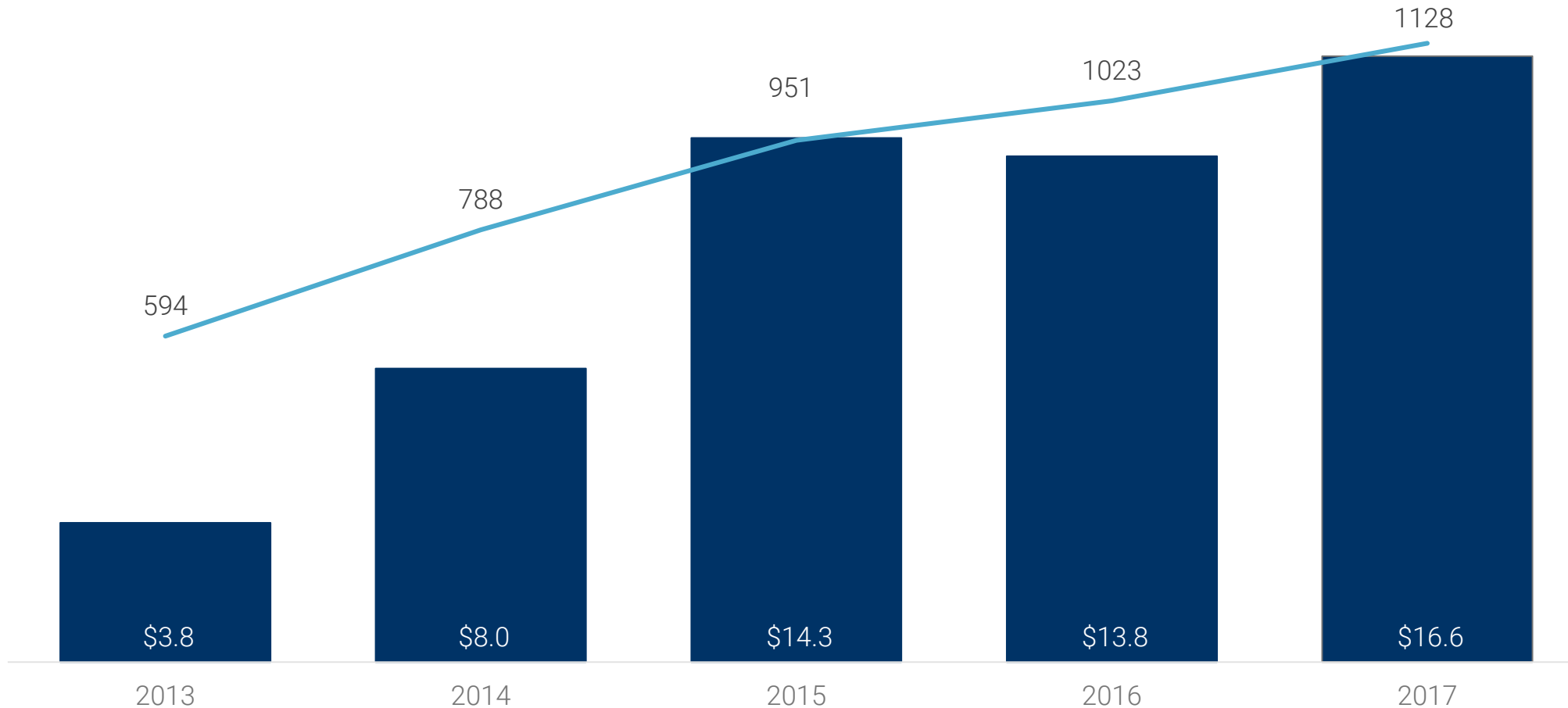
First, a look at what happened in 2017

1. Global fintech financing hit a new record
2. Europe saw the biggest fintech funding jump
3. US early-stage fintech deals fell as investors made more concentrated bets

FINTECH DEALS AND FUNDING HIT NEW HIGHS

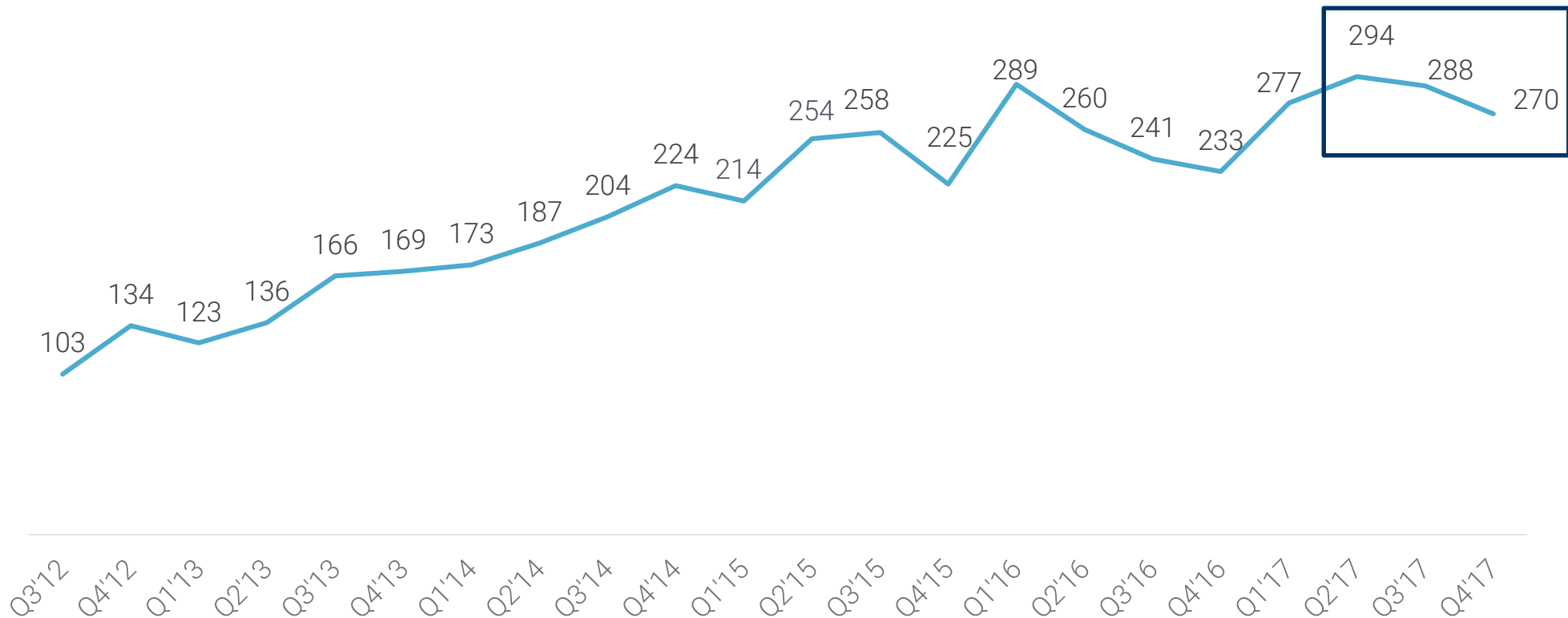
2017 was a record year for VC-backed fintech

Annual global fintech deals and financing, 2013 – 2017 (\$B)



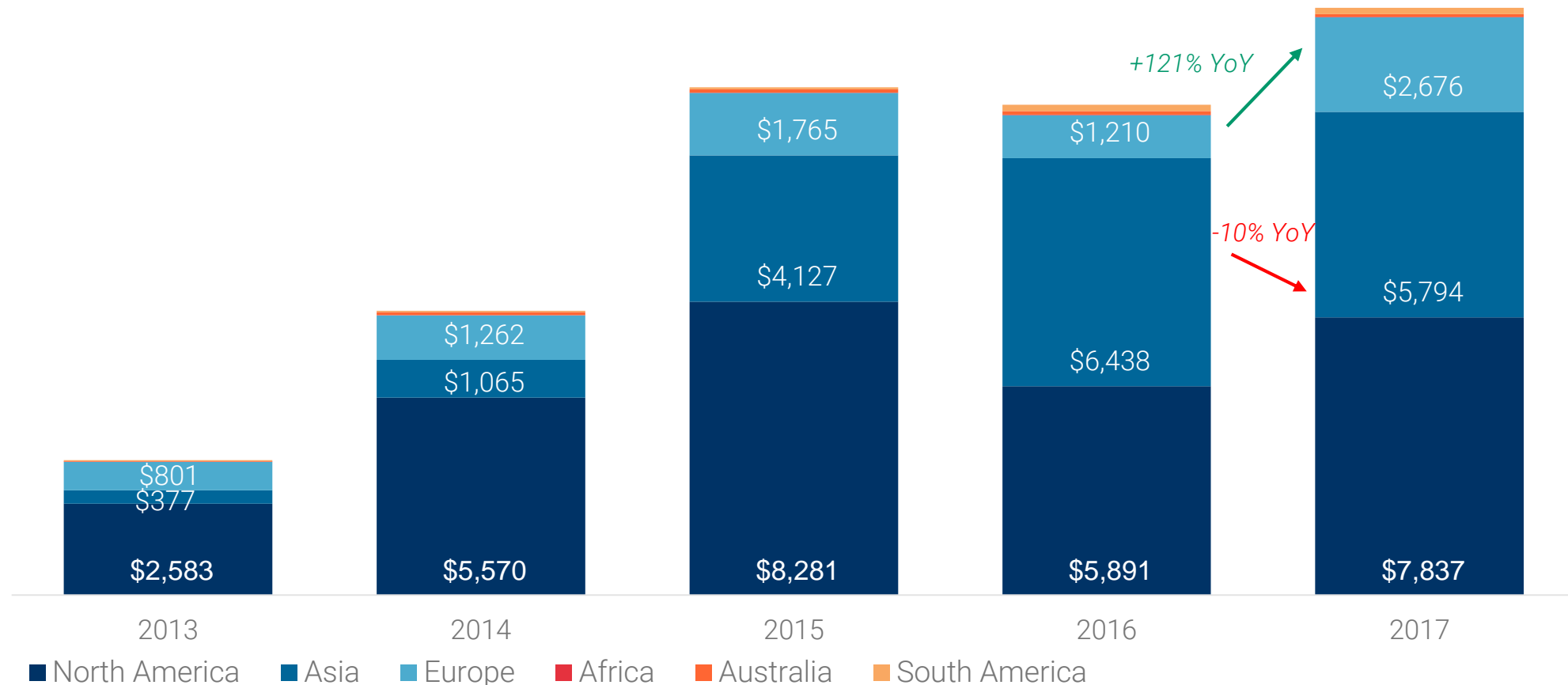
Q4'17 SAW A FOUR-QUARTER LOW FOR GLOBAL VC-BACKED FINTECH DEALS

Despite the annual rise, global VC-backed fintech deals fell for second straight quarter in Q4'17



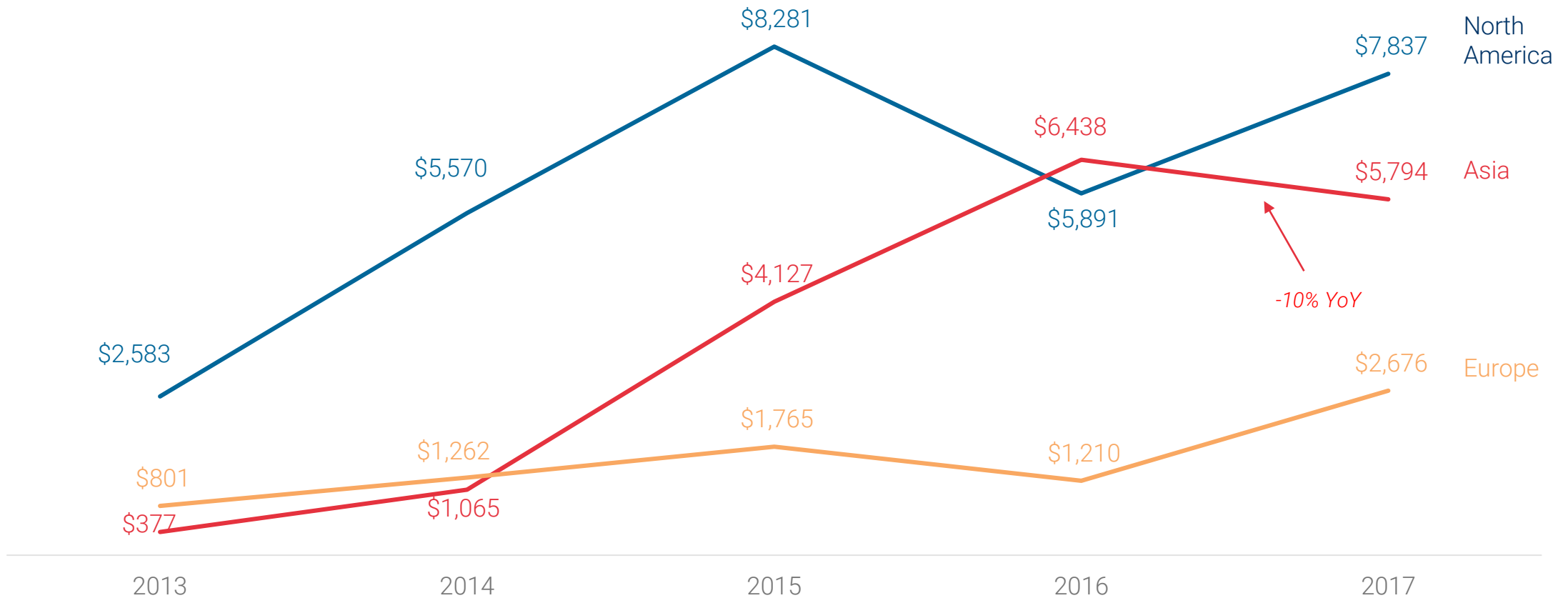
Europe fintech funding grew over 120% in 2017...

Global VC-backed fintech funding share by continent 2013 – 2017 (\$M)



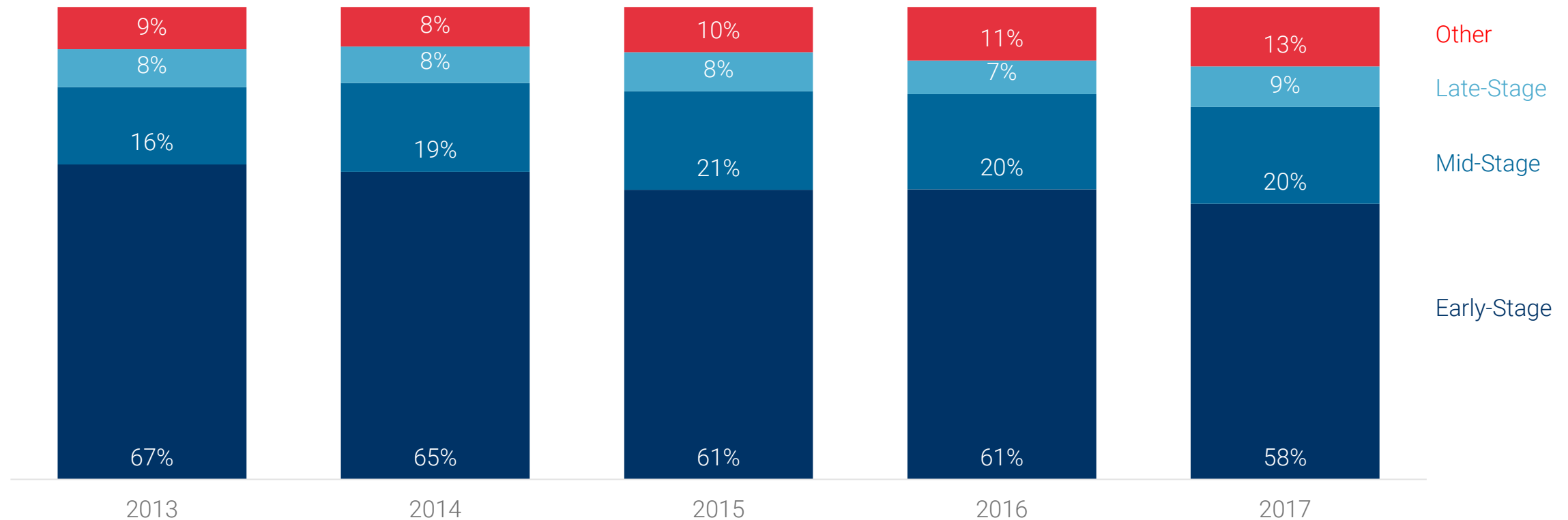
...while Asia funding fell for the first time in 4 years

Annual funding to VC-backed fintech companies, 2013 – 2017 (\$M)



Early-stage fintech deal share drops to 5-year low

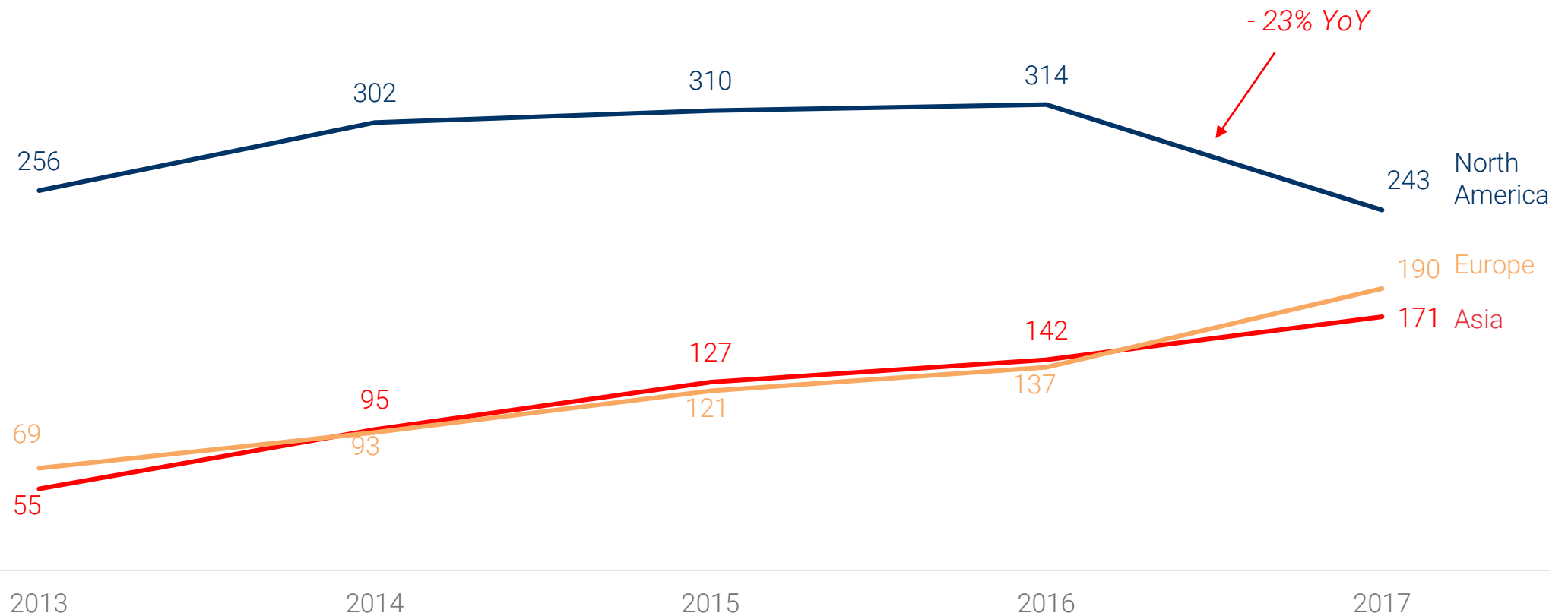
Annual deal share by stage to global VC-backed fintech companies, 2013 – 2017



EARLY-STAGE FINTECH ACTIVITY STILL STRONG IN ASIA & EUROPE

US early-stage fintech deals hit a 5-year low

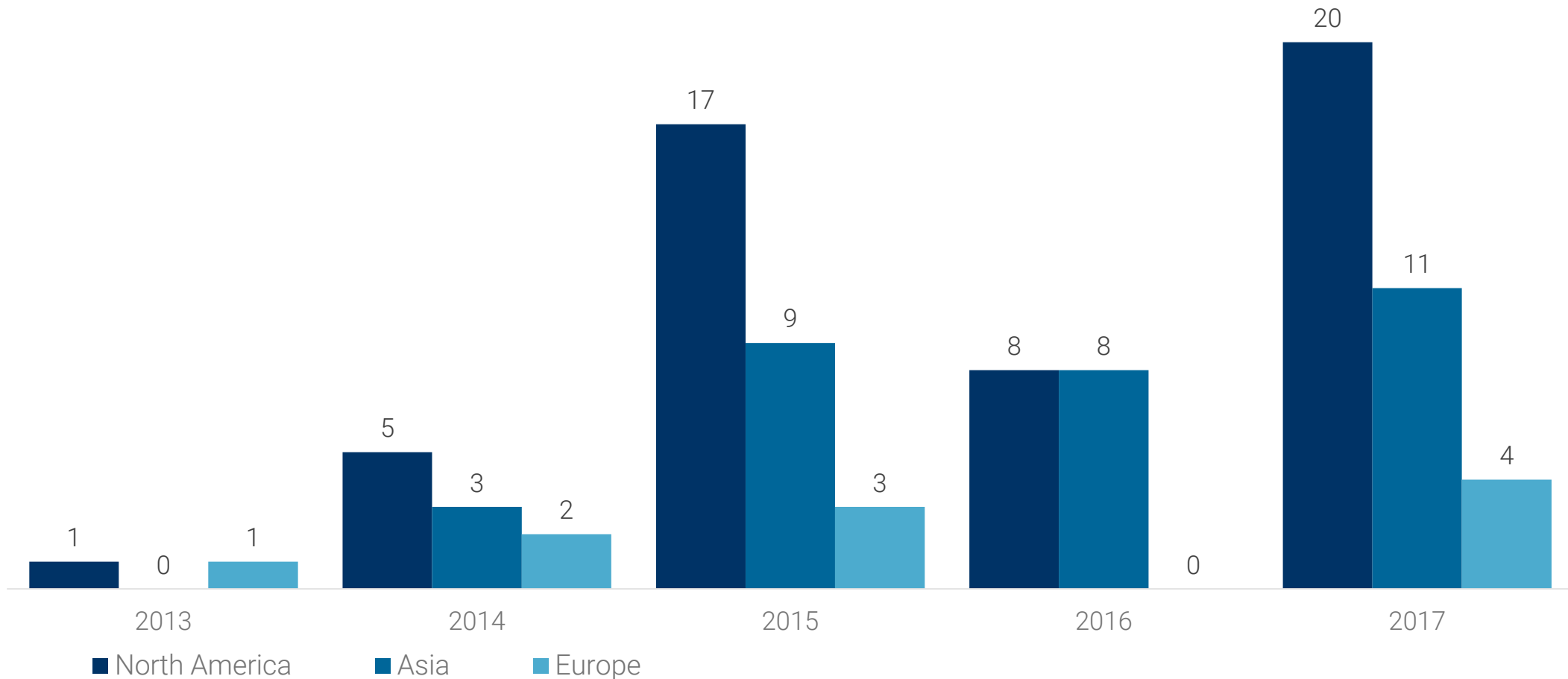
Annual Seed and Series A deals to VC-backed fintech startups, 2013 – 2017



INVESTORS MADE MORE CONCENTRATED FINTECH BETS IN 2017

2017: 35 fintech mega-rounds total \$7.76B

Global number of fintech mega-rounds (\$100M+), 2013 – 2017

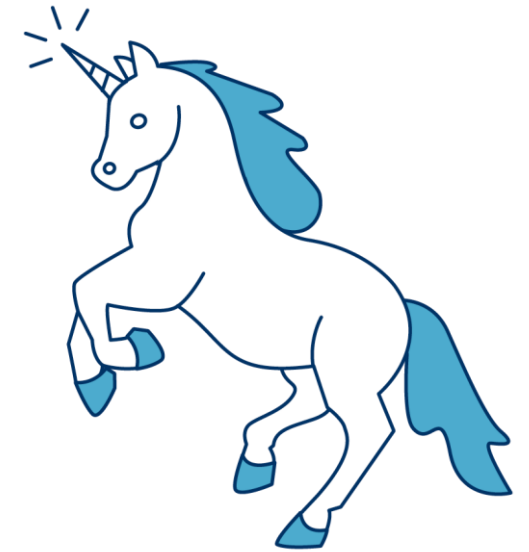


GLOBALLY THERE ARE

25 FINTECH UNICORNS

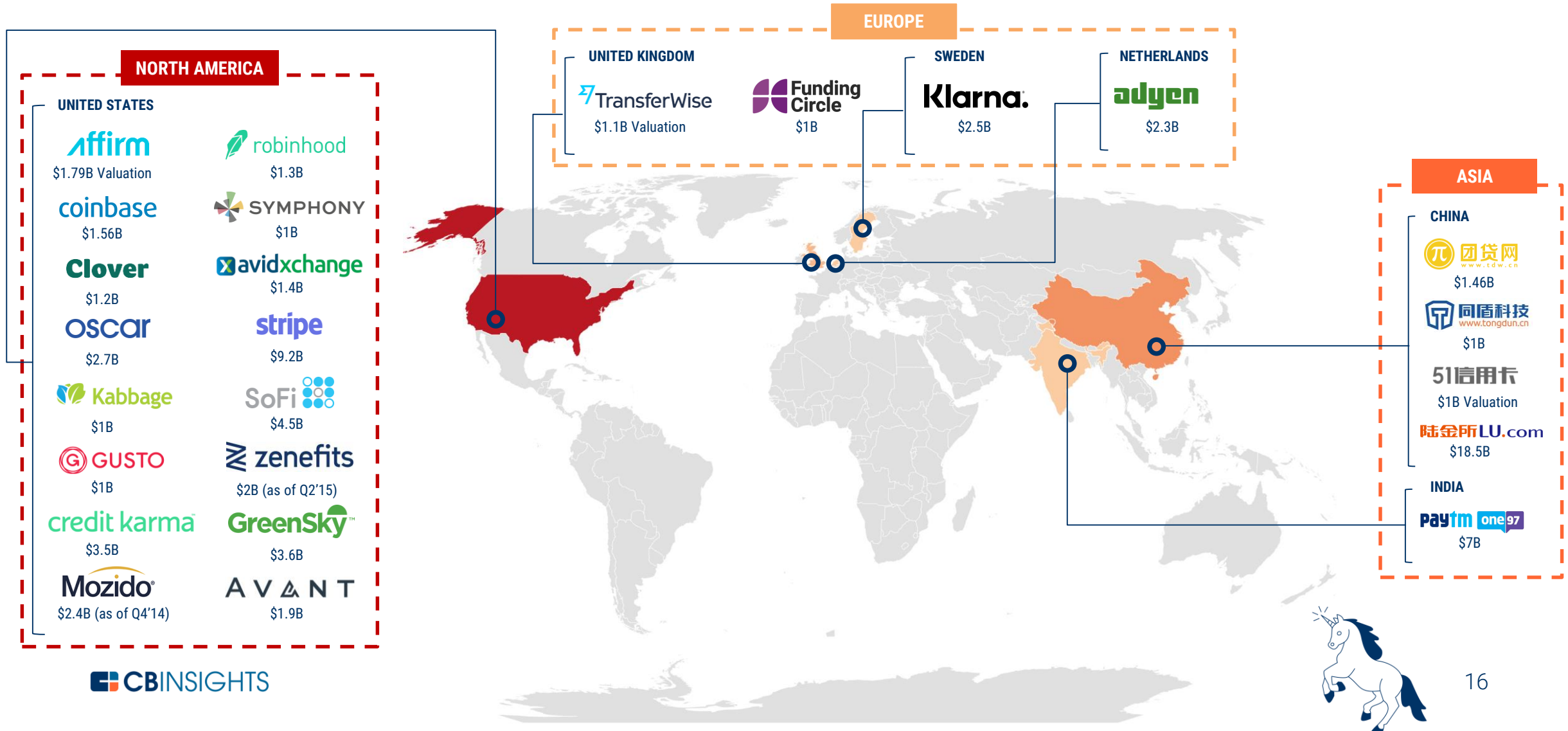
VALUED, IN AGGREGATE, AT

\$75.9 BILLION



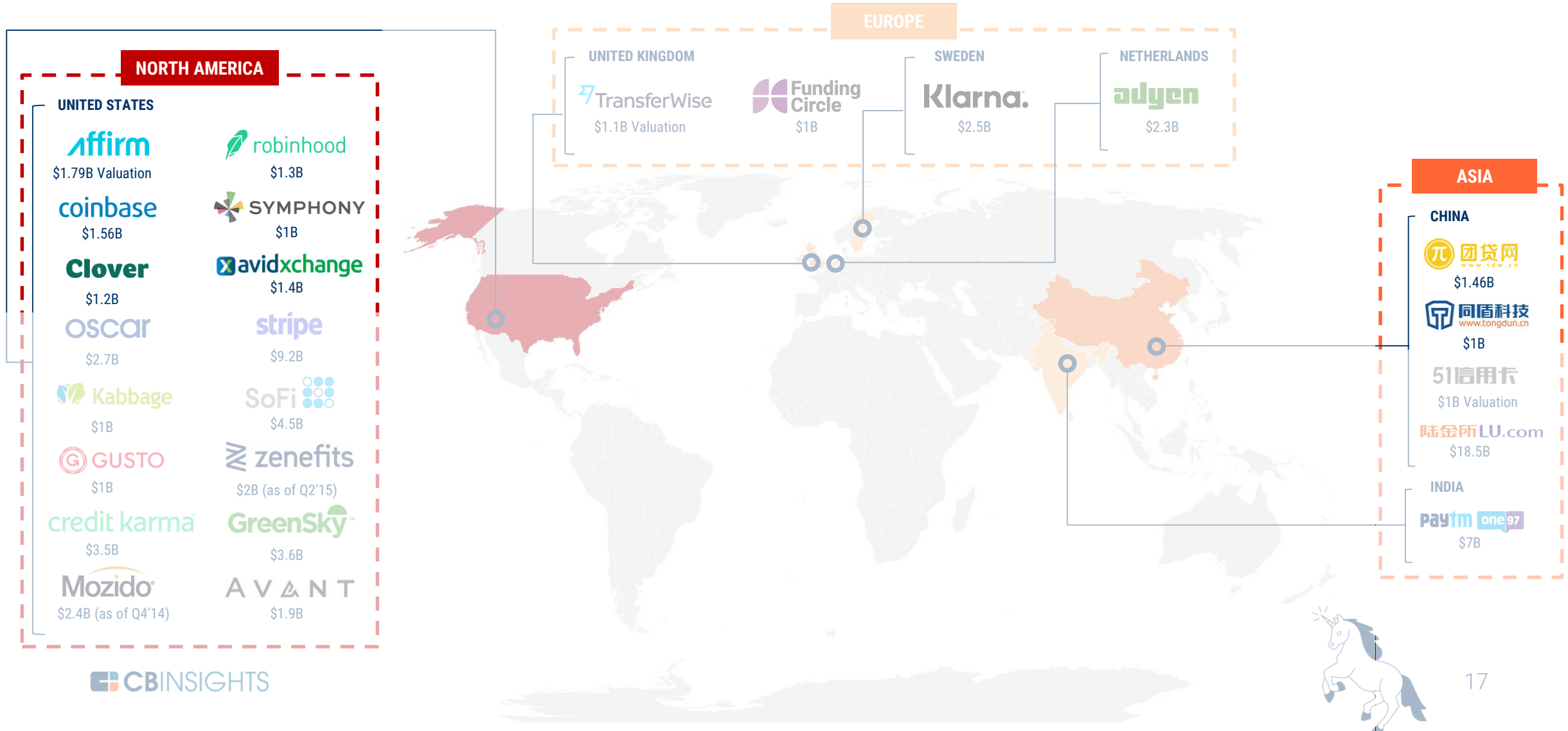
25 fintech unicorns valued at \$75.9B

Global VC-backed fintech companies with a private market valuation of \$1B+



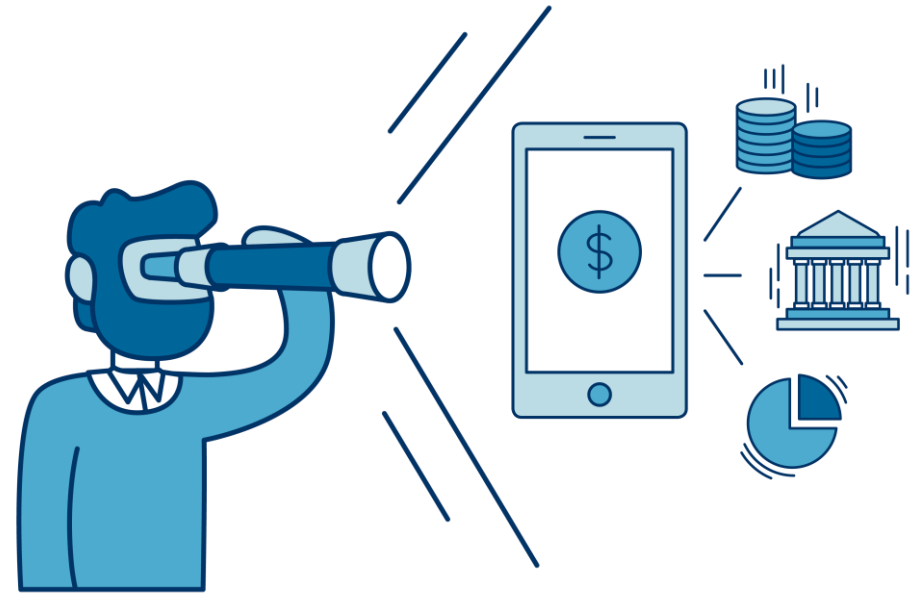
2017 Sees 8 Fintech Unicorn Births

Global VC-backed fintech companies that notched a private market valuation of \$1B+ in 2017



LOOKING AHEAD

2018 FINTECH TRENDS TO WATCH



2018 TRENDS TO WATCH

1. Fintechs unbundling leads to rebundling
2. European fintechs will expand their global footprint
3. Banks forgo partnering in favor of fighting fintech with fintech
4. Wealth management will become the hottest fintech sector in China
5. Latin America and Southeast Asia will see strong fintech growth
6. More companies will look to sell pickaxes amid cryptoasset speculation
7. Capital markets fintech infrastructure becomes a focus area for investment
8. Banks deepen their partnerships with regtech
9. Insurance tech investment moves to the back-end
10. Amazon is primed to get more aggressive in fintech – outside of the US

#1 FINTECH REBUNDLING

Unbundling leads to rebundling

Before: Unbundling the bank

Over the last ten years, fintech startups have targeted single underserved financial products with better UI, digital marketing, and branding



Now: Fintechs build, buy, and partner to grow

1



MONO-PRODUCT TO MULTI-PRODUCT

Startups move beyond a one-product model and are launching new services to expand customer's digital footprint

2



LEVERAGING TECH FOR PRODUCT INNOVATION

Startups focused on personalization create new methodologies to deliver services more efficiently and holistically

3



OPEN NEW INVESTING CHANNELS

Startups are creating next-gen investment platforms for new asset classes ahead of bank offerings

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Next-gen fintech

Fintechs are becoming more aggressive in expanding their lines of business beyond their initial use case

BUILDING



Wealthfront now offers portfolio lines of credit

April 19, 2017

STASH

Stash is expanding into personal banking with the planned launch of Stash bank accounts

October 3, 2017



MoneyLion, the part lending, part savings, and part wealth management app launches MoneyLion Plus

November 6, 2017

BUYING

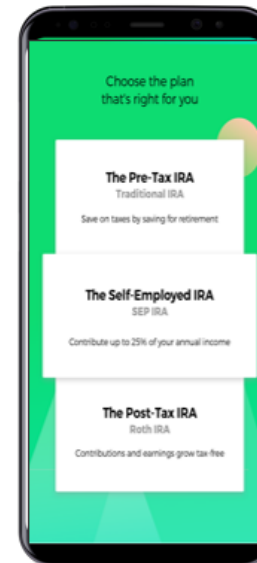
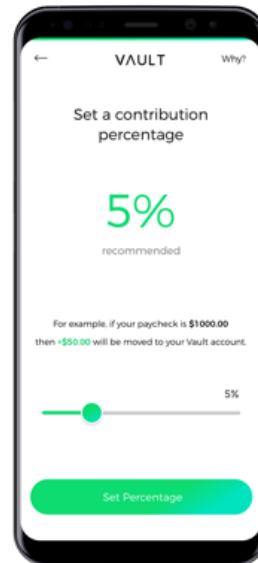
credit karma →



nerdwallet →



acorns →



PARTNERING



+



N26

+



claritymoney +



MOVING BEYOND AN AGGREGATOR

credit karmaTM

Total Funding

\$368.5M

Select Investors

Ribbit Capital, QED
Investors, CapitalG

Credit Karma provides free credit scores and monitoring for 75M+ members. In 2016, the company did over \$500M in revenue by aggregating financial products and offering them to its members.

Competitors

 credit sesame

\$82.5M

 nerdwallet

\$105M

EXPANDING INTO TAX

~1 million

Users filed tax returned with the IRS through Credit Karma's free tax software in 2017

credit karma | TAX[™] + MetaBank 

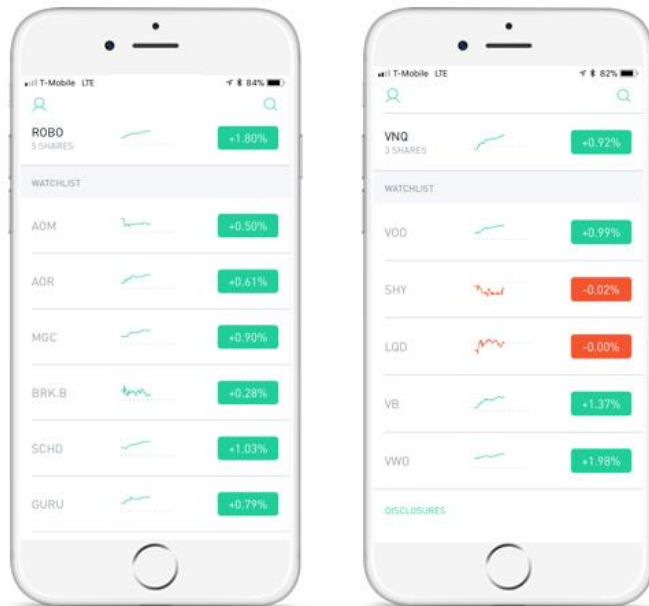
In January 2018, Credit Karma partnered with MetaBank to offer online refund advances up to \$1,000. Users of the no-interest loan receive the advance via an American Express prepaid card.

ROBINHOOD TOPS 3M+ USERS

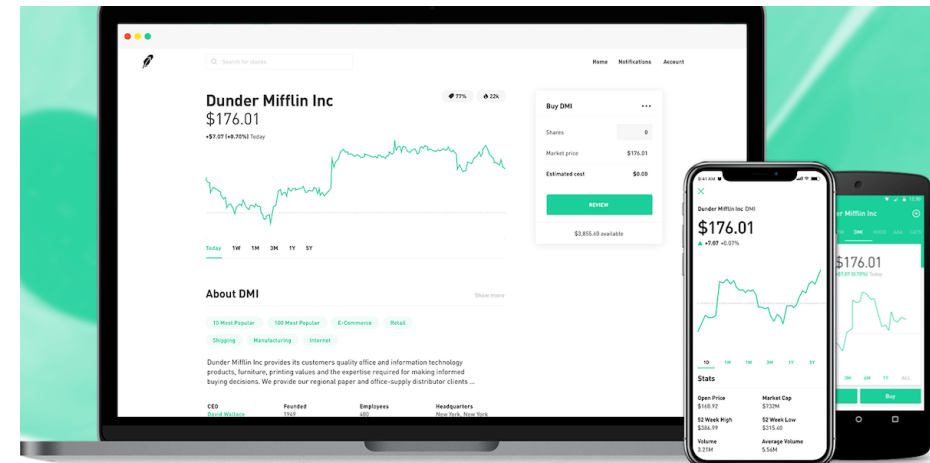
Robinhood planning desktop app – are wealth management services next?



INVESTORS LOOKING FOR A DIY SOLUTION
CAN TURN TO ROBINHOOD FOR \$0 ETF'S



NEXT UP: A DESKTOP TO HELP
ATTRACT MATURE INVESTORS



Now: Fintechs build, buy, and partner to grow

1



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Startups focused on personalization create new methodologies to deliver services more efficiently and holistically

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OPEN NEW INVESTING CHANNELS

Startups are creating next-gen investment platforms for new asset classes ahead of bank offerings

“Continued rebundling will give birth to at least one major consumer product innovation.”

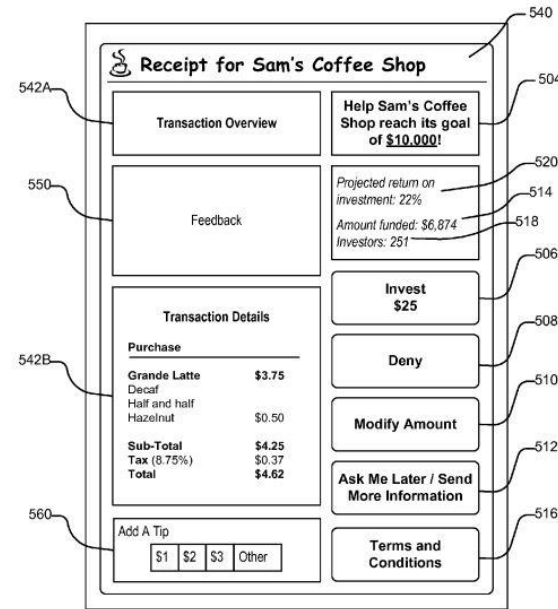
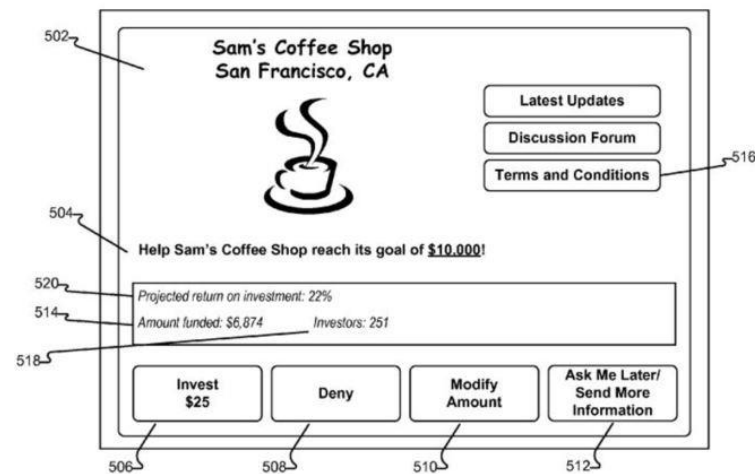


Renaud Laplanche

Co-founder and CEO, Upgrade

From POS to lending, is crowdfunding next?

Square patent grant highlights how data and technology can lead to product innovation



The recently granted patent details how a merchant might make the request through the Square point-of-sale terminal, include specific terms (e.g. return on investment), and be evaluated based on its processed transactions history.

Now: Fintechs build, buy, and partner to grow

1



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OPEN NEW INVESTING CHANNELS

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FINTECHS EXPAND INTO NEW ASSET CLASSES AHEAD OF BANKS

Revolut

Total Funding

\$85.98M

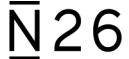

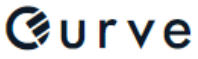
Select Investors

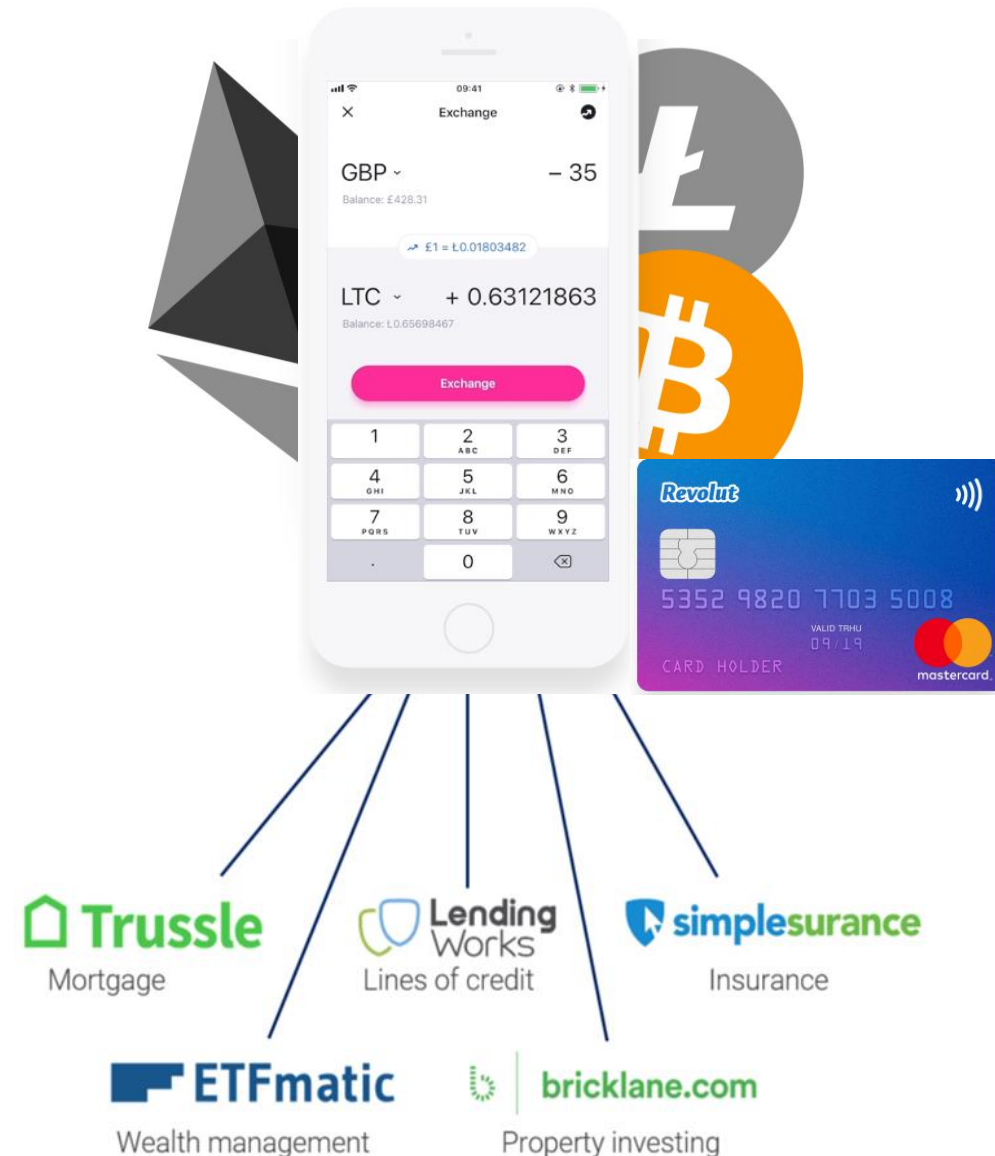
Balderton Capital, Index Ventures, Ribbit Capital

Revolut is a personal finance app for customers to buy, hold, and exchange currencies at a reduced fee.

In addition to applying for a banking license, Revolut added fintech partnerships & added cryptocurrencies to the platform in 2017.

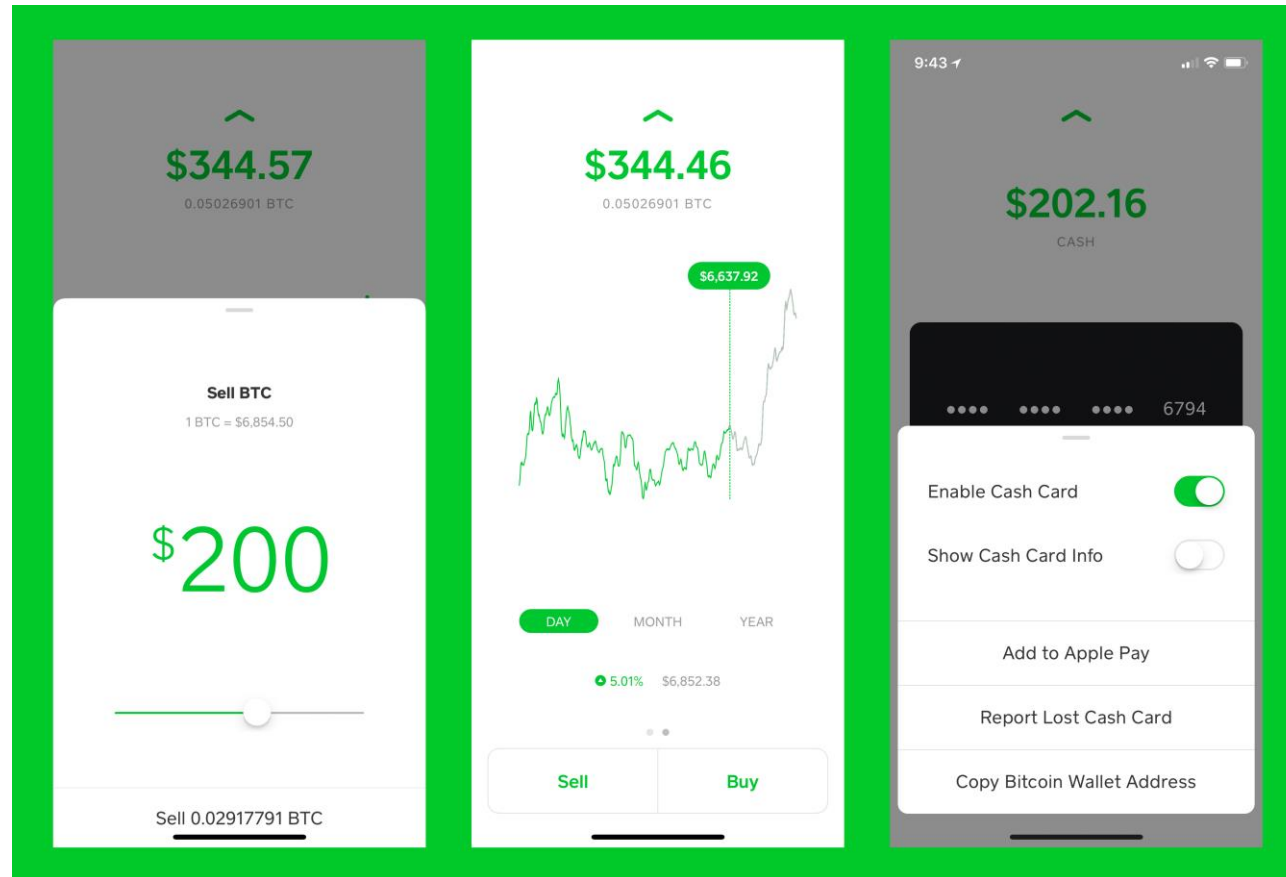
Competitors

 N26	 monzo	 Curve
\$52.6M	\$138.2M	\$14.6M



Square Cash rolls out bitcoin

Square's Cash App is the #1 app in the 'Finance' category of the App Store. In late 2017, Cash App quietly added the ability to send bitcoin to friends.



#2 CHALLENGER BANKS ARE COMING TO AMERICA

European fintechs will expand their
global footprint

EARLY EXAMPLE OF FINTECH EXPANSION

Prior to IPO, Funding Circle expands US foothold



\$373.2M

\$1B Valuation

Select Investors

Accel Partners, Ribbit Capital, Rocket Internet, Union Square Ventures

Funding Circle is a direct lending platform for SMB business loans.

In 2018, the company is launching new partnerships, announced crossing new lending records, and has renewed rumors of a potential IPO.



Funding Circle Announces Strategic Partnership with Kansas INTRUST Bank to Support Growth of US Small Businesses

January 04, 2018 | **AMERICAN BANKER**

Funding Circle Reported Stats (as of 12/7/17)

Global lending	\$5B	Across 40,000 businesses
US lending	\$1B	Across 6,700 US businesses
Best Month	\$260M	In November 2017

EARLY EXAMPLE OF FINTECH EXPANSION

Klarna takes on US online point-of-sale financing

Klarna®

\$369.4M

\$2.5B Valuation

Select Investors

Sequoia Capital, Permira, DST Global

Klarna is Sweden-based alternative payments platform that aims to provide a frictionless buying experience to buyers and sellers.

Klarna was granted a European banking license in June 2017.

The screenshot shows a checkout interface with payment options. At the top, there are radio buttons for 'PayPal' (with the tagline 'The safer, easier way to pay.' and a link 'What is PayPal?'), 'bitcoin', and 'Other' (with icons for various cryptocurrencies). Below these, the 'Pay Over Time with Klarna' option is selected and highlighted with a red border. It displays '\$25/mo. for 12 months' and states 'Apply and get a decision instantly. No application needed for existing accounts.' Below this, a 'KLARNA CREDIT' box shows 'Est. total of payments \$300.00' and 'APR 0.99%†'. At the bottom, a footnote explains the promotional offer and mentions that Klarna Credit accounts are issued by WebBank.

KLARNA CREDIT	
Est. total of payments	APR
\$300.00	0.99%†

† Promotional offer. Includes a potential \$2 monthly minimum interest charge. Subject to [credit terms](#). Klarna Credit accounts are issued by WebBank.

Klarna has grown to 500 US online retail partners since launching its first credit product stateside in October 2016

More to come in 2018?

In 2018, European banking startups from the UK and Germany may look to challenge US fintech for market share and tech talent

PUTTING DOWN GLOBAL ROOTS



Customer Operations
Monzo Bank · Las Vegas, Nevada Area
Posted 7 days ago · 313 views

Save

Apply



TransferWise is launching its new borderless account and debit card that can hold 28 currencies in one account

January 18, 2018 | BUSINESS INSIDER

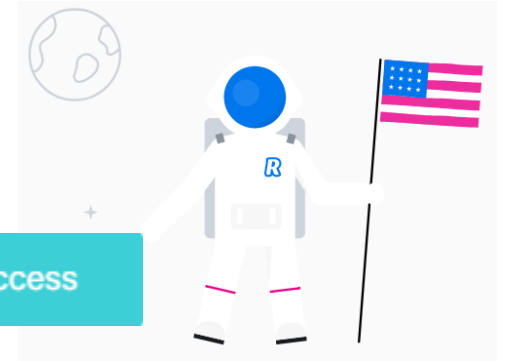


LAUNCHING IN THE US



Revolut lands in the U.S.A

Get early access



N26 is coming to the US

Get early access

Current Job Openings at N26 in the US







































































#3 BANKS INCREASE FINTECH PRODUCT CREATION

**Banks forgo partnering in favor of
fighting fintech with fintech**

Banks are active in fintech investing

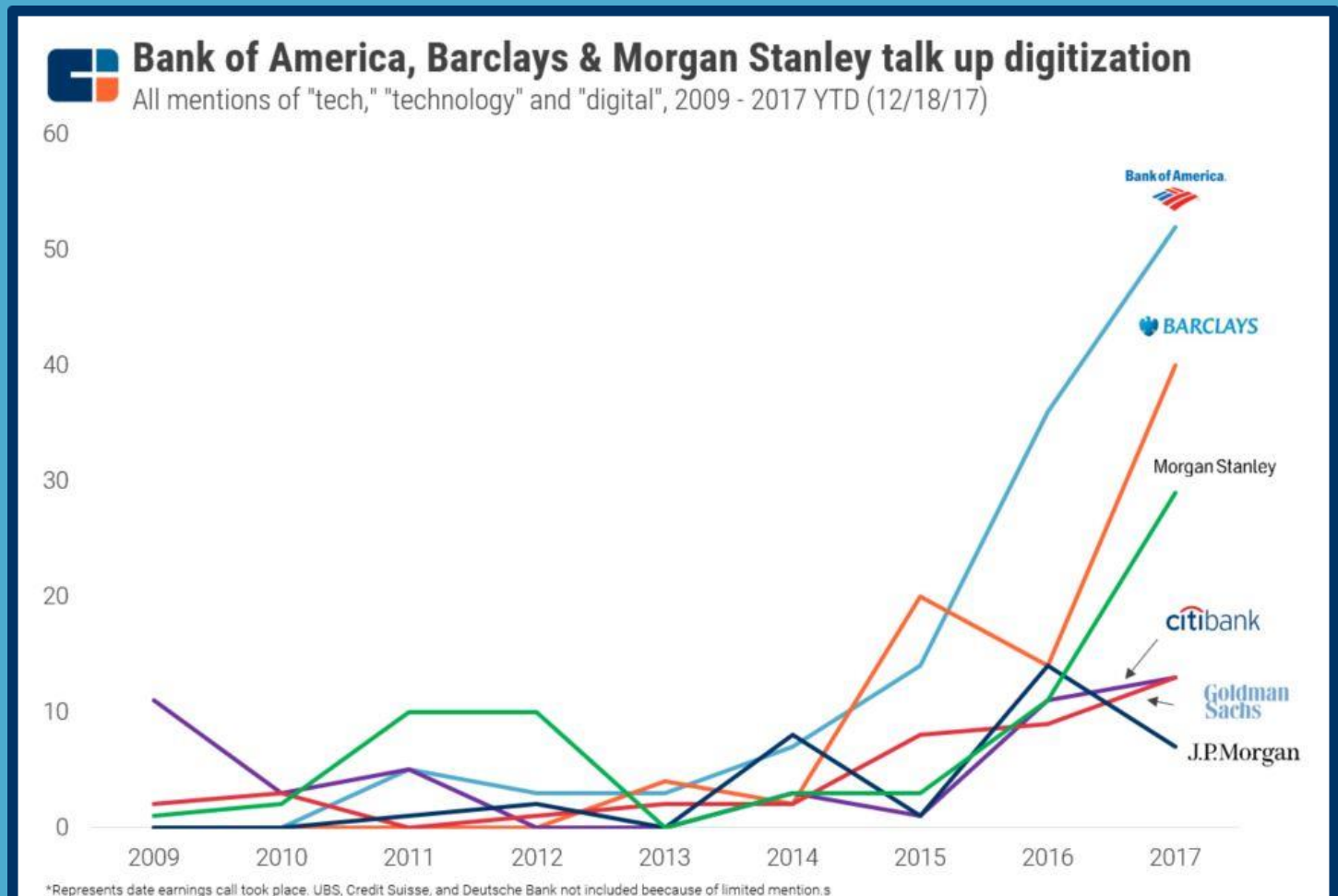
Over the last few years, banks including Citigroup, Goldman Sachs, and JPMorgan have actively invested in fintech startups across data analytics, infrastructure, alternative lending, personal finance management, and more.

Most active US banks investing in fintech

Financial Institution	Rank	Blockchain	Data Analytics	Insurance	Personal Finance	Wealth Management	Fin. Services Software	Lending	Payments & Settlement	Real Estate	Regulatory Technology
	1	 Digital Asset	 KENSHO		 claritymoney	 Betterment	 SYMPHONY	 C2FO	 Aquila		 ACADIASOFT
		 AXONI	 [PERSADO]		 Linkable		 PLAID	 BlueVine	 vivoTech		 JUMIO
		 Chain	 visible alpha				 TRADEIT	 FASTPAY			
		 Cobalt	 AYASDI				 D.A.Q.				
		 R3	 SELERITY				 InvestLab				
	2	 Digital Asset	 KENSHO	 OSCAR	 CompareAsia Group	 motif	 SYMPHONY	 Financeit	 billtrust	 CADRE	 ACADIASOFT
		 AXONI	 [PERSADO]				 PLAID	 nav	 CIRCLE	 better MORTGAGE	 DROIT
			 DataFox						 mo mo		
									 nanoPay		
									 nmi		
									 Square		
	3	 Digital Asset	 KENSHO			 motif	 SYMPHONY	 PROSPER	 LevelUp		 ACADIASOFT
		 AXONI					 investcloud		 GOPAGO		
							 openfin				
							 Cloud9				
Morgan Stanley	4		 KENSHO	 众安保险 ZhongAn Insurance			 SYMPHONY	 陆金所 LU.com			 ACADIASOFT
			 visible alpha				 ERIS				
							 eleni				

Now, more are
talking up their own
digital capabilities

Mentions of “technology” and
“digital” on bulge bracket bank
earnings calls have jumped in
2017.



Goldman's Marcus is the fastest lender to reach \$1B issued

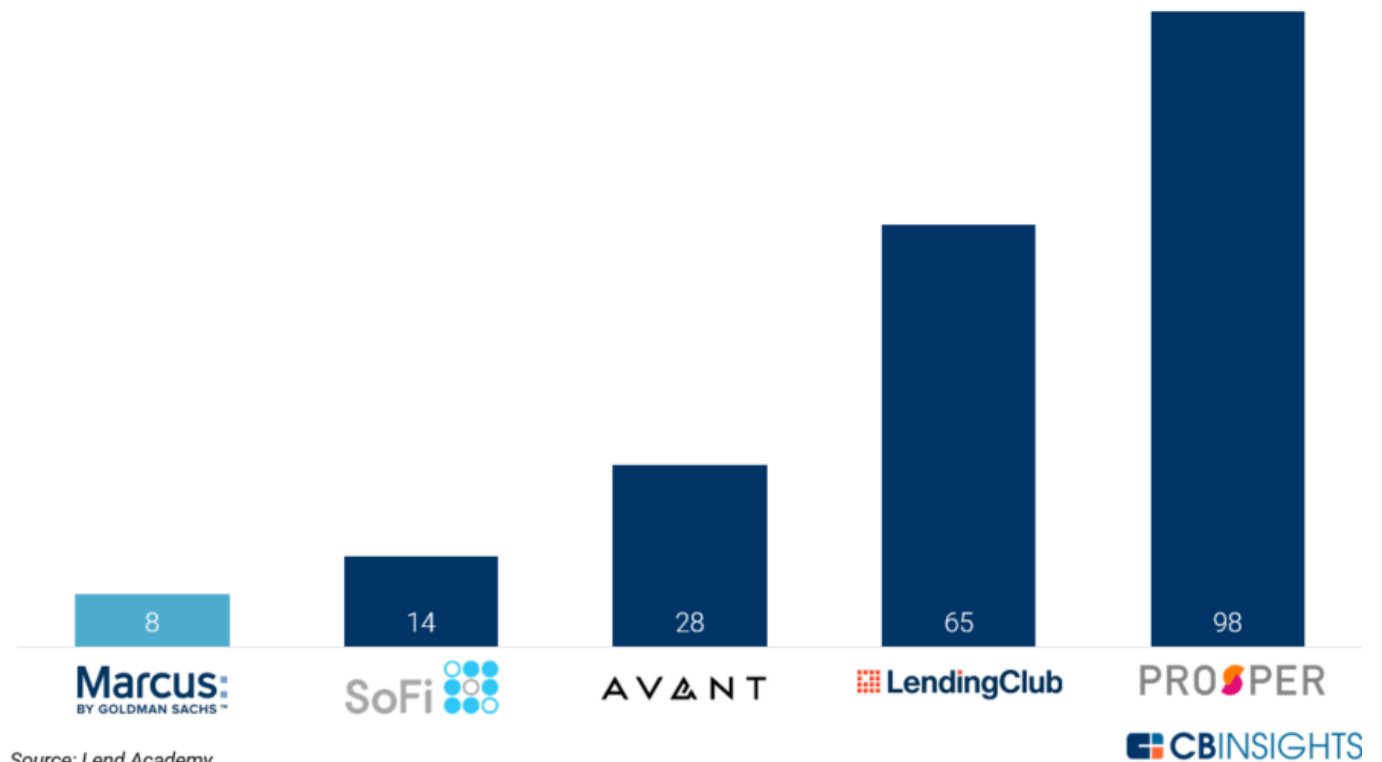
Marcus stands out from other alternative lending platforms by offering no-fee loans with flexible payback and installment terms set by the consumer.

The online lender hit \$2B in originations in November 2017, just a year and one month after its launch.

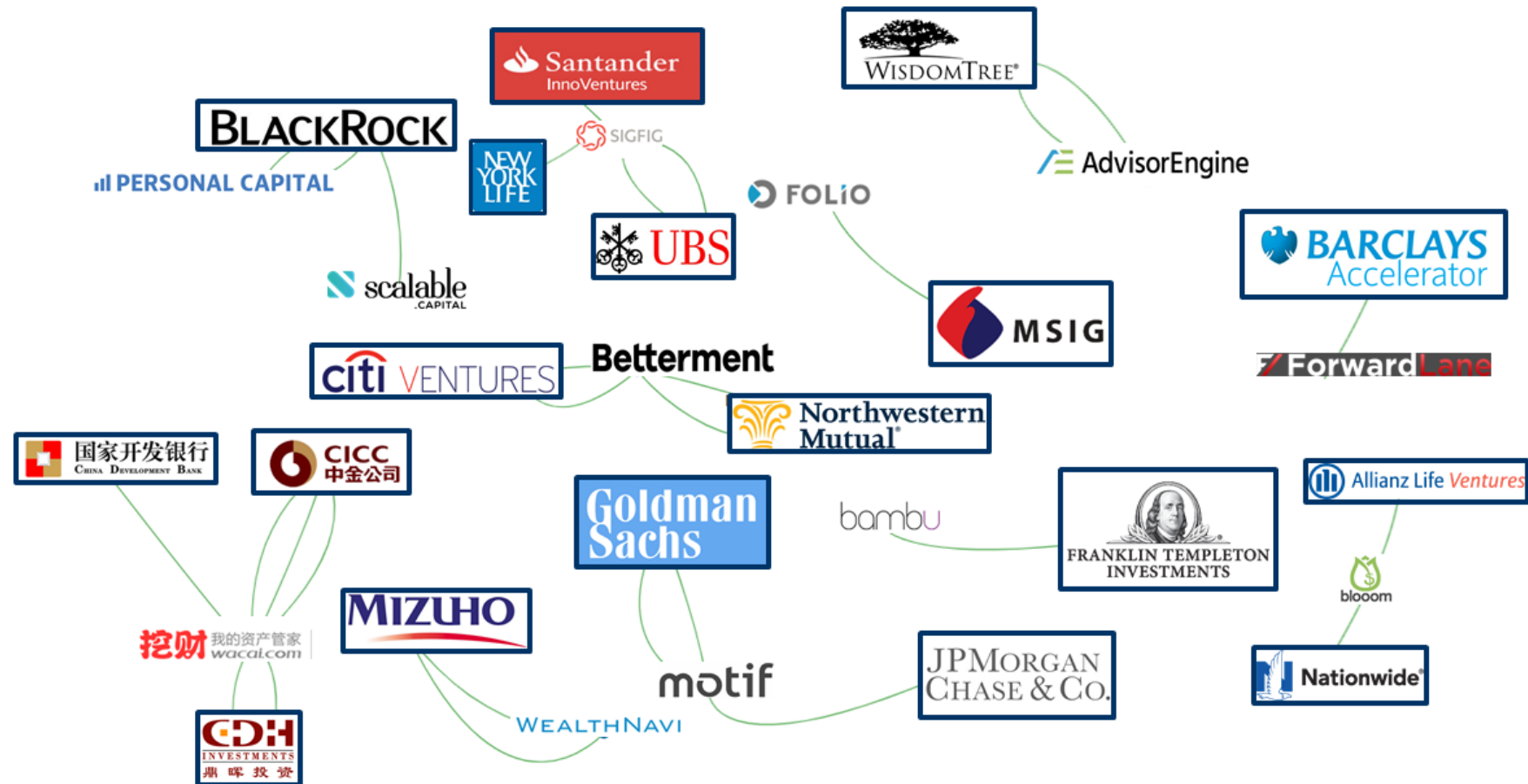


Marcus reached \$1B faster than earlier fintechs

Marcus by Goldman Sachs vs. select lending platforms



Early incumbents backed wealth tech startups



Now, incumbents prefer to launch their own robo-advisor instead of white labeling

WHITE-LABEL



motif



nextcapital



nextcapital

2017 LAUNCHED

JPMORGAN
CHASE & CO.

Morgan Stanley

2017 UNDER DEVELOPMENT

Goldman
Sachs

RAYMOND JAMES®

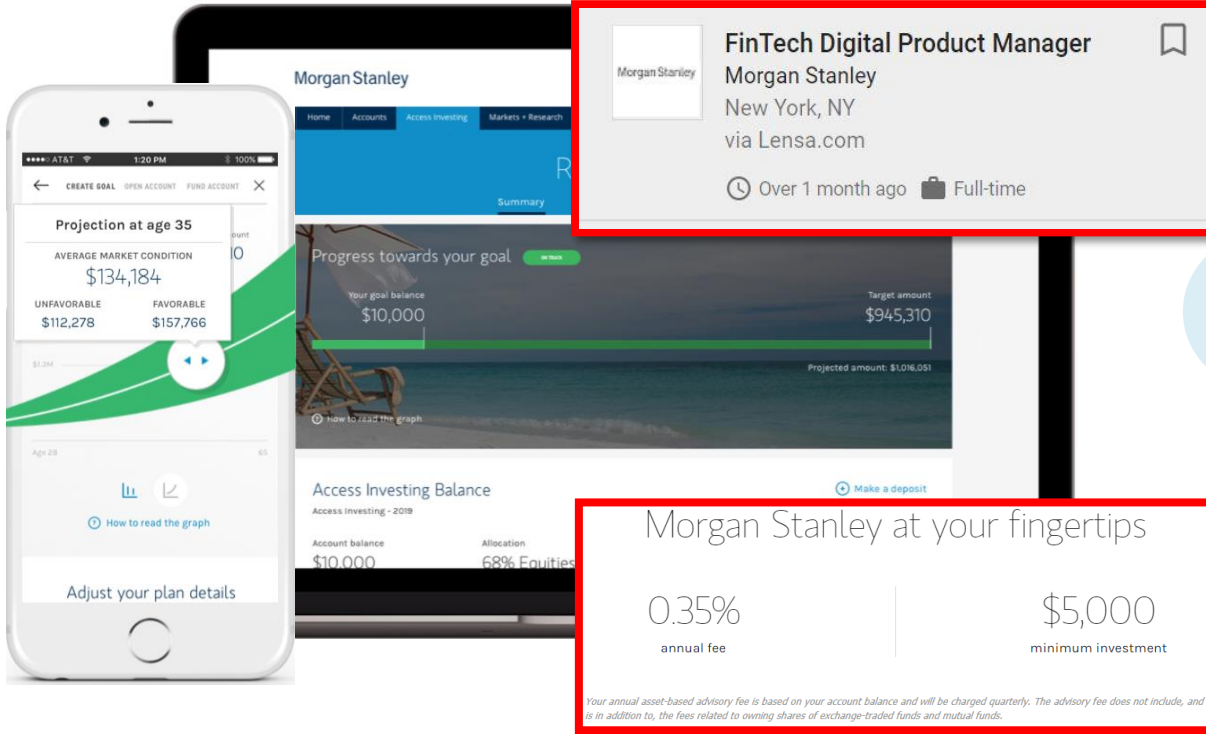


云锋金融



Morgan Stanley launches Access Investing and seeks fintech talent to build out new products

Morgan Stanley



VS.



Betterment

Management Fees

0.25%; first \$10,000 is managed free

0.25% to 0.40%, depending on plan

Minimum Investment

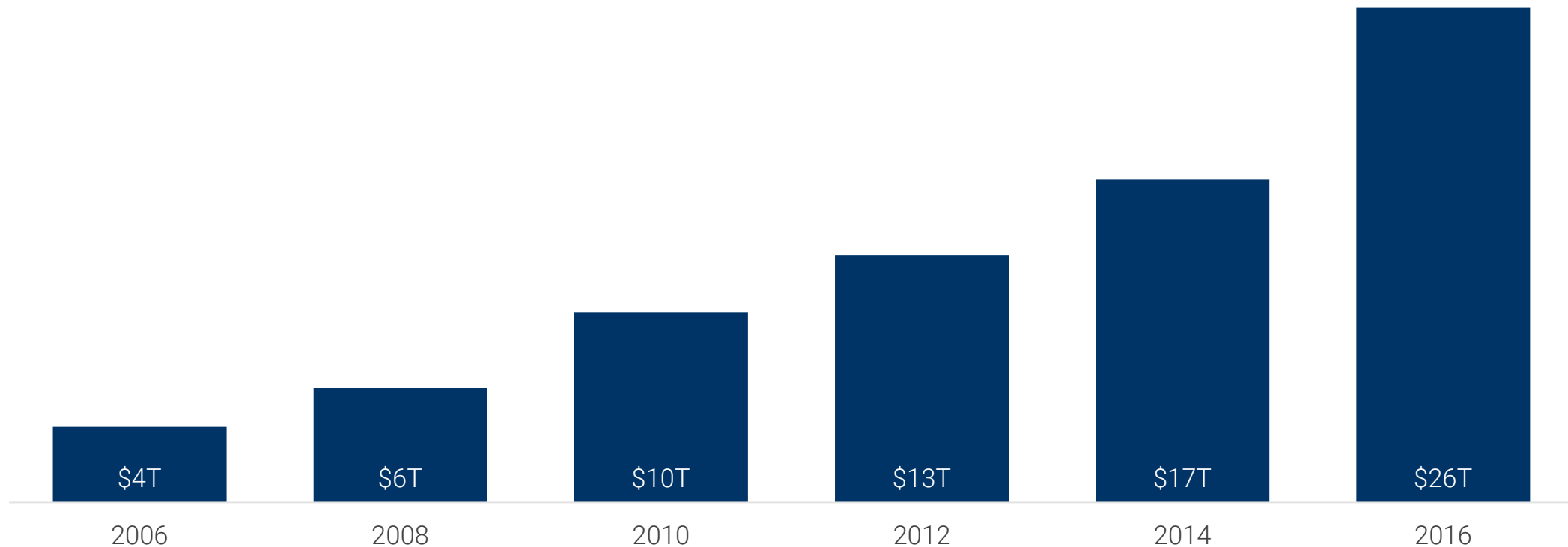
\$500

\$0

#4 THE LATEST BATTLEGROUND IN CHINA FINTECH IS WEALTH MANAGEMENT

Wealth management will become
the hottest fintech sector in China

The opportunity: Total individual investable assets in China grew to \$26 trillion in 2016



INTERNET GIANTS ARE ALREADY MOVING IN

In 2017, Ant Financial's Yu'e Bao became the largest money market fund in the world...



Tencent has gradually expanded into wealth management

Tencent gets a license to sell mutual funds to WeChat's 1B users in China

January 4, 2018 | **South China Morning Post**

Tencent, China Rapid Finance team up on new consumer investment products

January 9, 2017 | **South China Morning Post**

Tencent buys stake in Chinese broker CICC to face off with Alibaba

September 20, 2017 | **FINANCIAL TIMES**

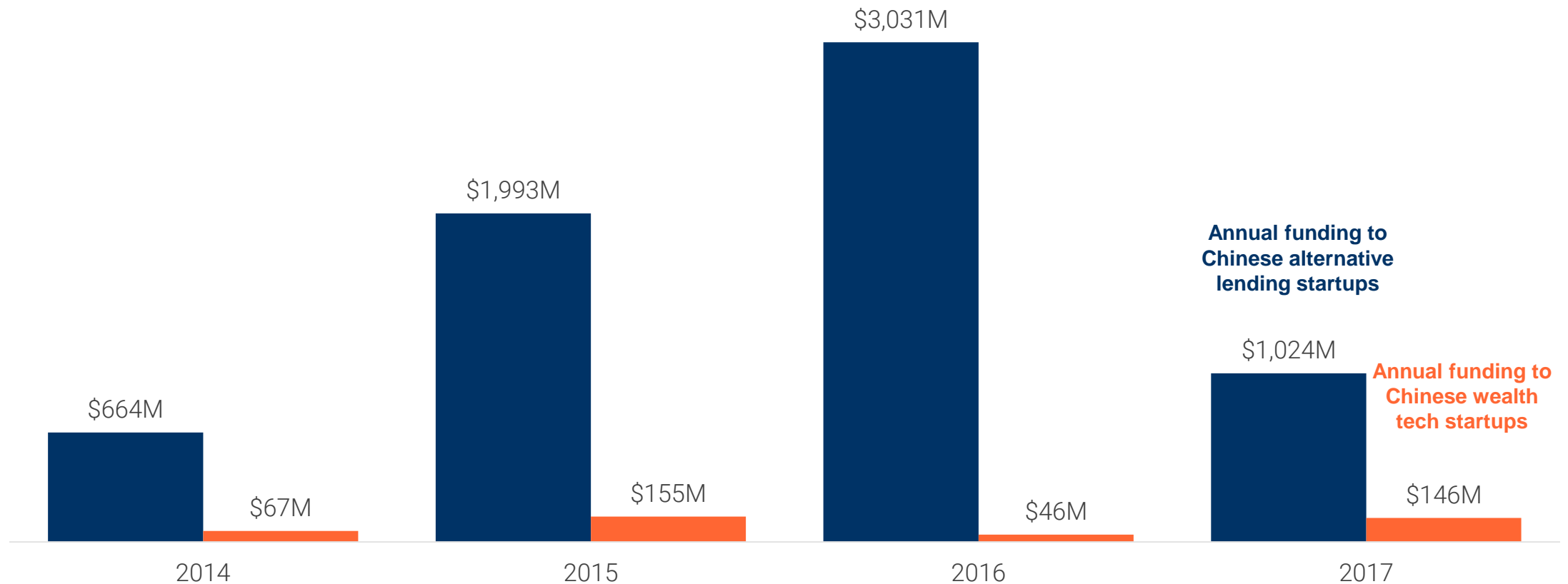
Tencent leads \$146M to Chinese stock-trading app

June 13, 2017 | **AXIOS**

Tencent launches investing on WeChat

January 22, 2014 | **THE WALL STREET JOURNAL.**

But wealth tech in China is still a nascent category when it comes to venture investment



Startups are allowing Chinese investors to access overseas securities



FUTU SECURITIES

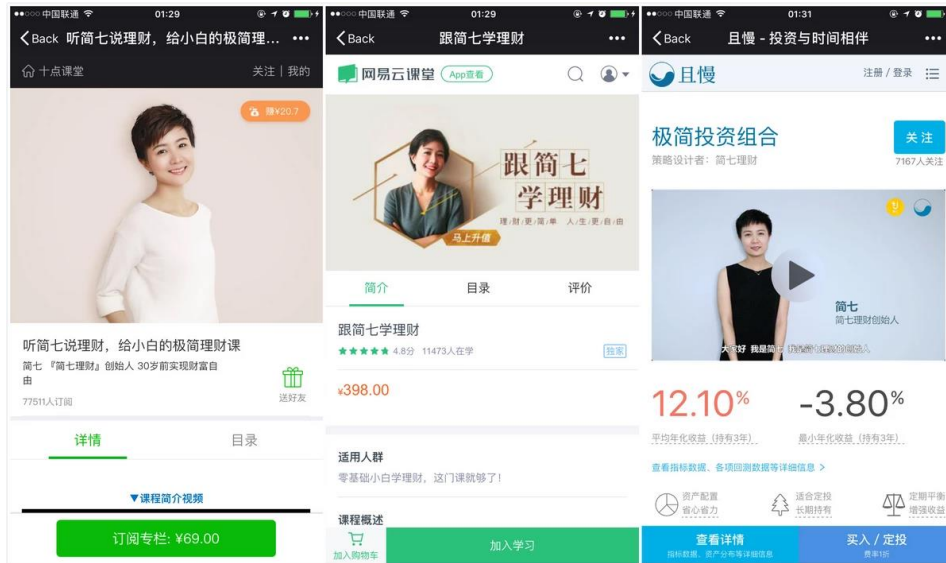
The Tencent-backed startup has raised over \$215M to allow mainland Chinese users to use its smartphone app to trade Hong Kong and US stocks.



TIGER BROKERS

The online stock brokerage startup provides a platform for Chinese-speaking investors to access cross-border investment portfolios globally. Interactive Brokers, the largest US electronic broker by trades, is a strategic investor.

Startups are engineering new models of engaging with consumers in China about their wealth



JANE 7

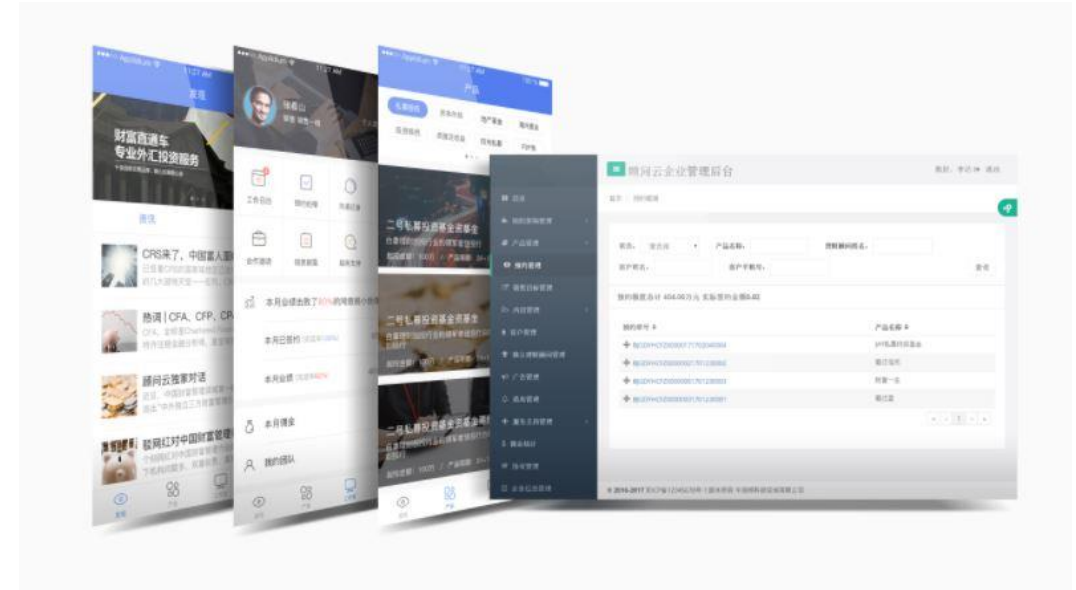
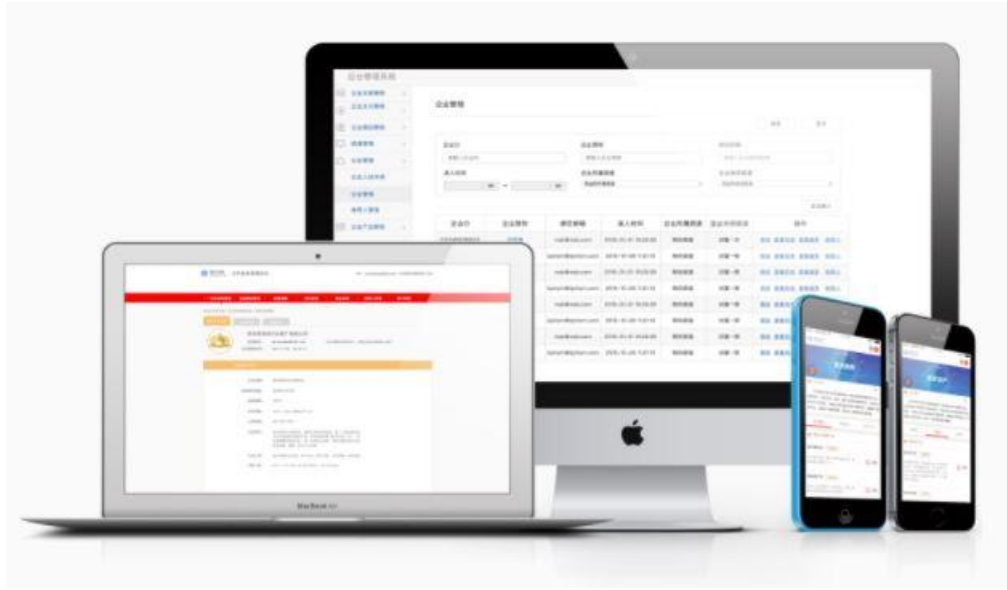
The Shanghai-based startup counts 300,000 WeChat users who access its educational video content about wealth management and investing.



TALICAI

The startup manages a female-focused wealth management community with more than 1 million registered users, along with tools and wealth management products.

Startups are enabling third-party wealth managers with technology



While China's wealth management industry is still underdeveloped, some startups like NewBanker are hoping to provide technology products for independent wealth management agencies to help with acquisition costs, regulatory rules, and product development.

AS CHINA'S WEALTH MANAGEMENT INDUSTRY UNDERGOES A PARADIGM SHIFT, IT
WILL NEED MORE COMPREHENSIVE SOLUTIONS

“We are seeing the **Chinese wealth management industry go through profound changes**. It is moving from fixed-income investments to equity investment, from short-term speculation to long-term investment, from China-focused investment to global opportunities, from investing into single products, single opportunity to comprehensive risk management and comprehensive asset allocation, from managing this generation's wealth to thinking about succession planning and inheritance.”



Ning Tang

Founder and CEO, CreditEase

#5 EMERGING MARKETS TAKE GREATER SHARE OF EARLY-STAGE FINTECH ACTIVITY

Latin America and Southeast Asia
will see strong fintech growth

THE OPPORTUNITY FOR FINTECH

Addressing gaps in the traditional banking model

BRAZIL BY THE NUMBERS:

85%

Brazilians that live in cities

120%

Typical personal loan APR

84%

Total loans held by top five banks

40%

Brazilians excluded from traditional banking systems

71%

Total retail banking branches controlled by top five banks

SOUTHEAST ASIA BY THE NUMBERS:

480M

Internet users by 2020

90%

Internet users on their smartphones

30M

SMEs underserved by financial system

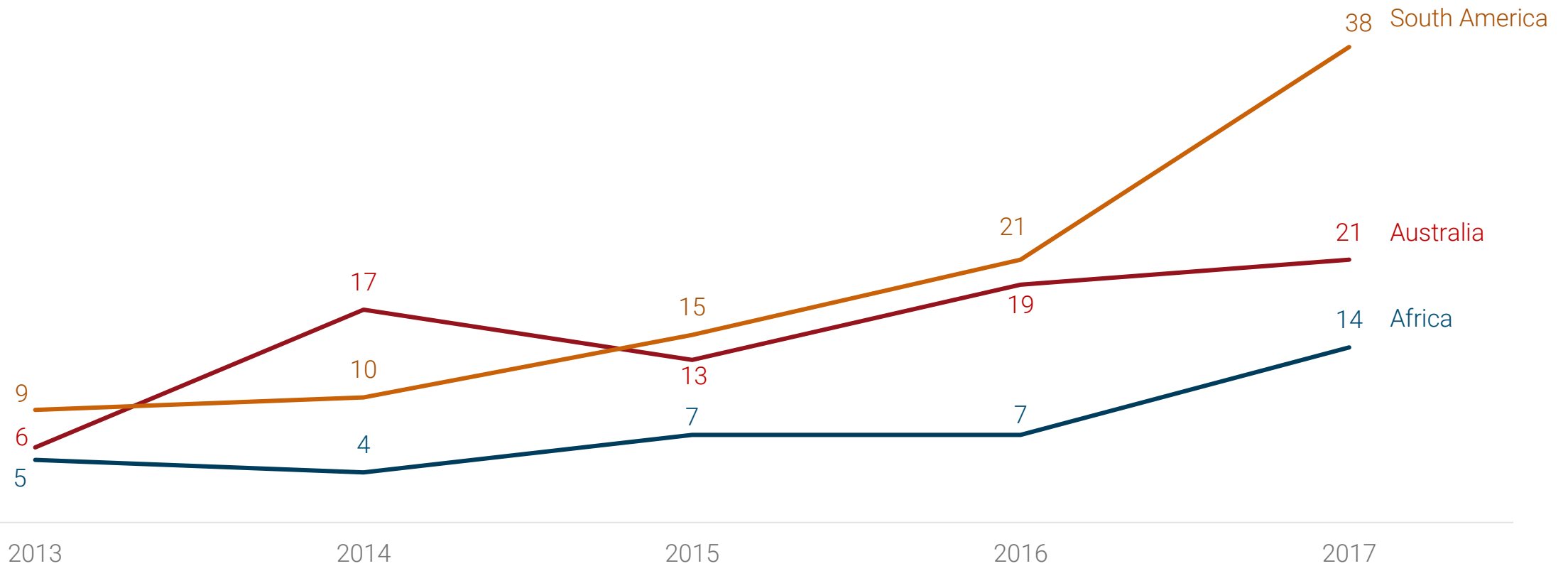
<5%

Credit card penetration in Indonesia

266M

"Financially excluded" people

South America is outpacing other markets for fintech deals



Fintechs startups crop up in Latin America

2017 saw deals go to Latin American startups focused on the unbanked and underbanked demographics.

Venture-backed Latin American fintech startups have cropped up, focusing on everything from lending and payments to wealth management and enterprise finance.

Fintech startups in Latin America go after more verticals

Lending



Anti-Fraud



Payments



Digital Banking



INSURANCE



Comparison & Personal Finance



Real Estate



Enterprise Finance & Procurement



Wealth Management & Investment



Cryptocurrency



CBINSIGHTS

Note: map is not exhaustive of companies in the space.

NUBANK IS EXPANDING INTO RETAIL BANKING WITH CURRENT SAVINGS ACCOUNT



\$455M Disclosed

Select Investors:

Goldman Sachs, DST Global, Founders Fund, QED Investors, Ribbit Capital, Sequoia Capital, Tiger Global Management

Brazil-based [Nubank](#) is a mobile-only neobank focused on the 60M unbanked and underbanked people in LatAm. Nubank recently announced that it is expanding from credit cards into personal banking.

In 2017, Nubank reported having approximately 3M customers and 850 employees.

Nubank launches into digital accounts with NuCanta savings accounts

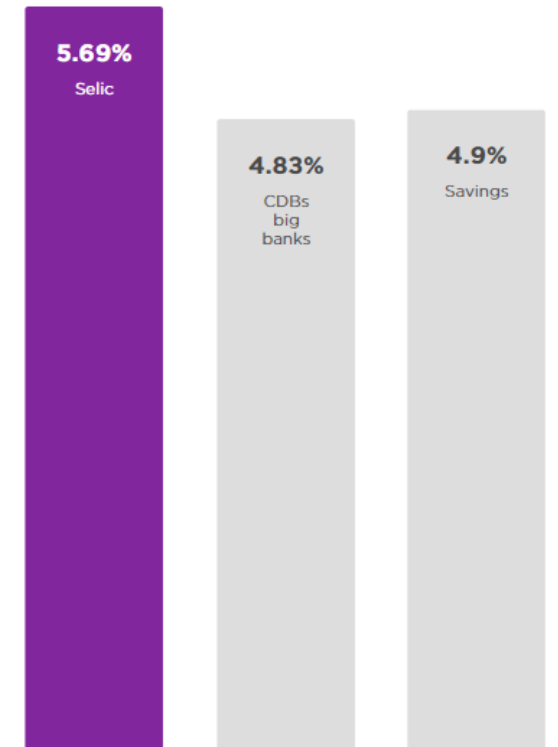
January 18, 2018 | **EL PAÍS**

Brazilian fintech Nubank starts international tech talent hunt

December 17, 2017 | **ZDNet**

Goldman boosts funding to Brazilian startup Nubank

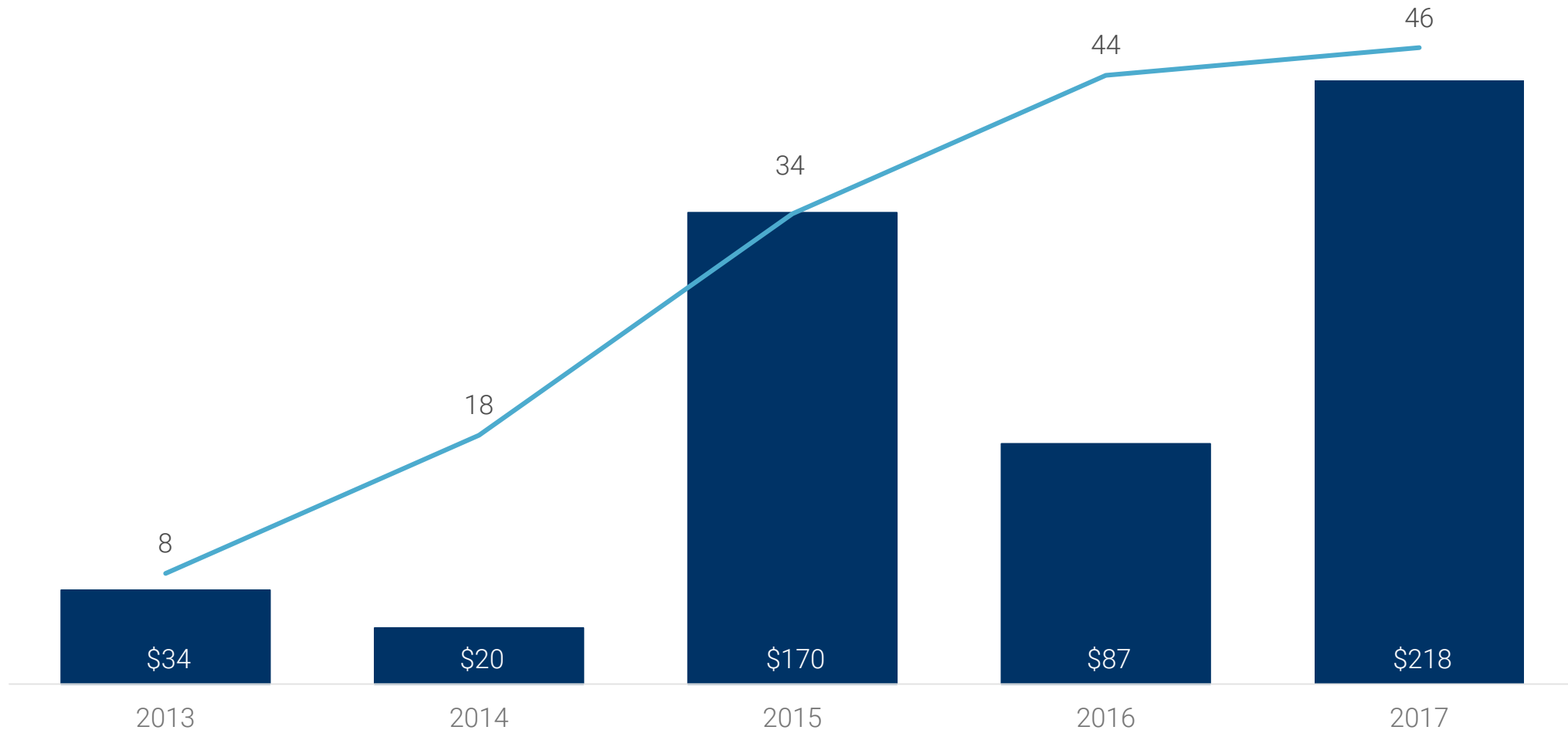
August 17, 2018 | **Bloomberg**



*NuCanta projected interest for 12 months

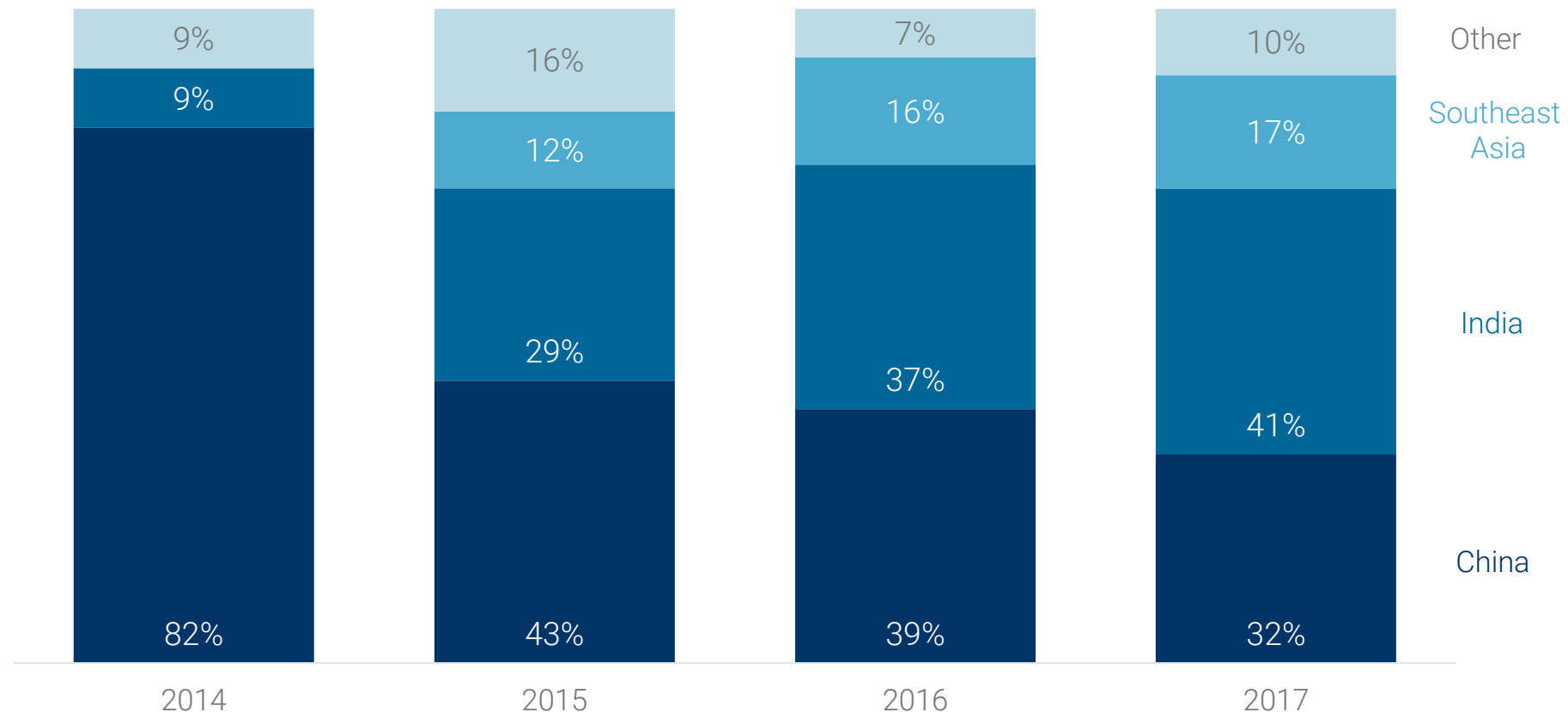
Southeast Asia sees record funding in 2017

Funding to VC-backed fintech companies in Southeast Asia grew 151% on a year-over-year basis while deals rose 5% year-over-year (\$M)

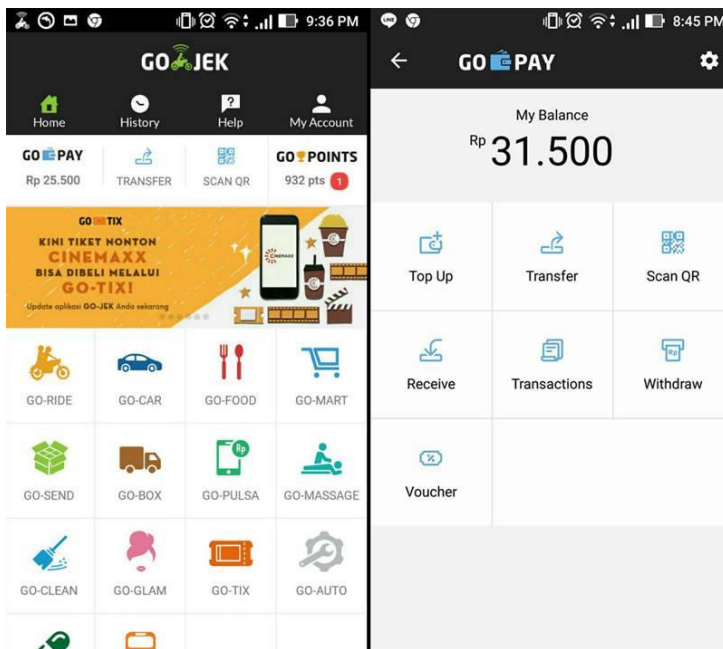


Alternative lending deals highlight shift of Asia fintech activity to Southeast Asia

Asia alternative lending deal share breakdown, 2014 – 2017



Blurring lines between fintech and commerce will enable new innovation in Lat Am & Southeast Asia

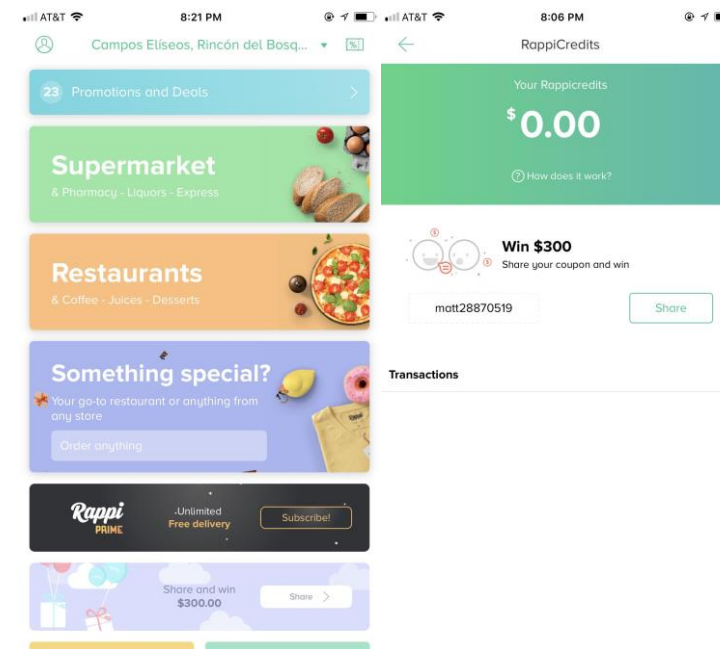


GO-JEK

Total Funding:
\$1.8 billion

Select investors:
Sequoia Capital,
Tencent, Google,
Temasek, DST
Global, Warburg
Pincus, KKR,
Meituan-Dianping

50% of Go-Jek's 16M – 18M active users use Go-Jek's payment gateway, Go-Pay, for transactions 3 – 4 times a day.



Rappi

Total Funding:
\$193 million

Select investors:
Sequoia Capital,
Andreessen
Horowitz,
Floodgate,
Foundation Capital,
Y Combinator

Rappi, a restaurant and grocery delivery app operating in Mexico, Colombia, and Brazil, allows users to pay for transactions using RappiCredits.

#6 SPECULATION OUTPACES ADOPTION IN BLOCKCHAIN

More companies will look to sell
pickaxes amid cryptoasset
speculation

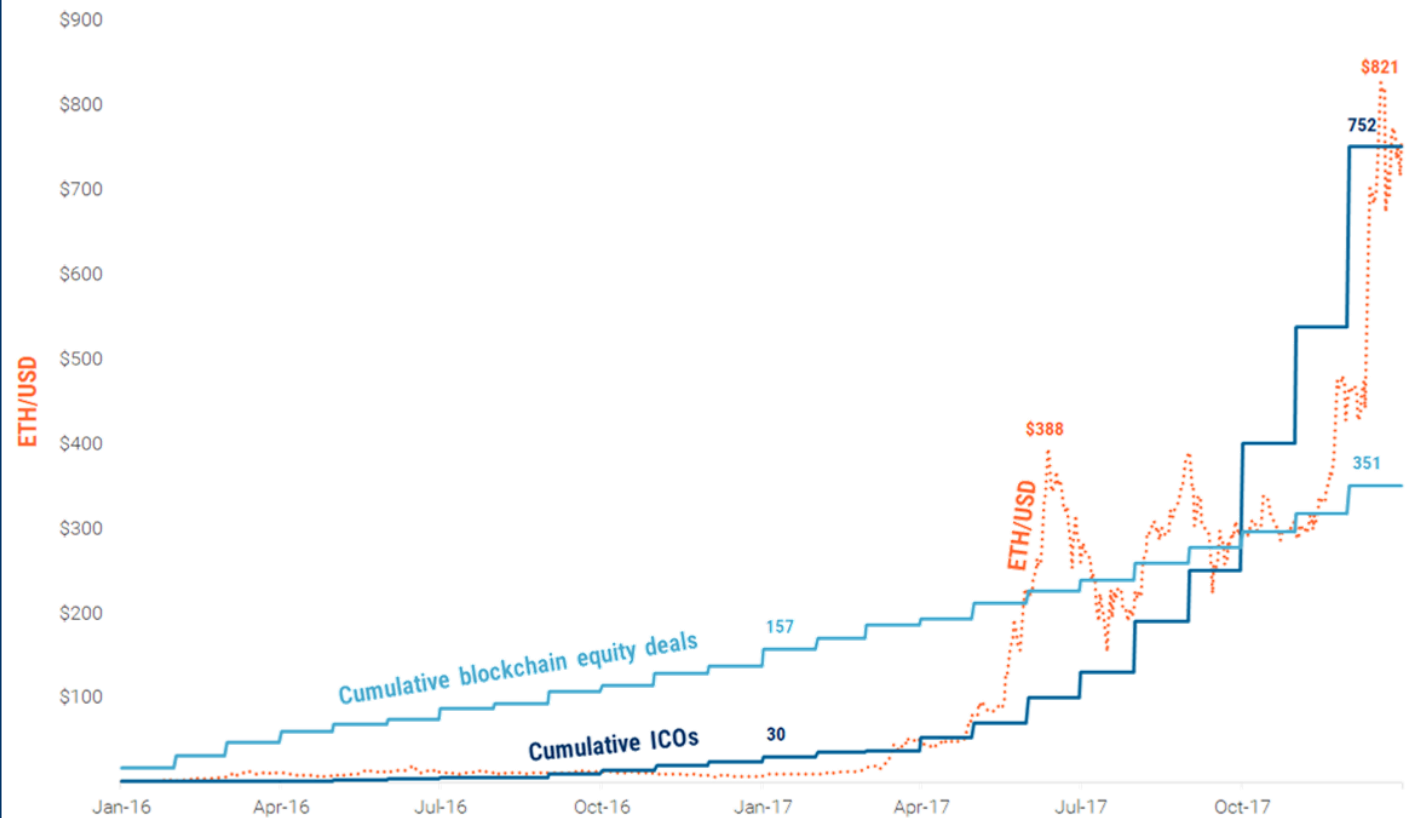
Run-up in crypto prices brings more investors, startups

As the total value of cryptocurrencies – like Bitcoin and Ethereum – hit new highs in 2017, new blockchain projects launched through initial coin offerings (ICOs) brought a crop of new investors.



Ethereum price run-up boosts investor interest in ICOs

January 2016 – December 2017



Exchanges see massive growth in popularity

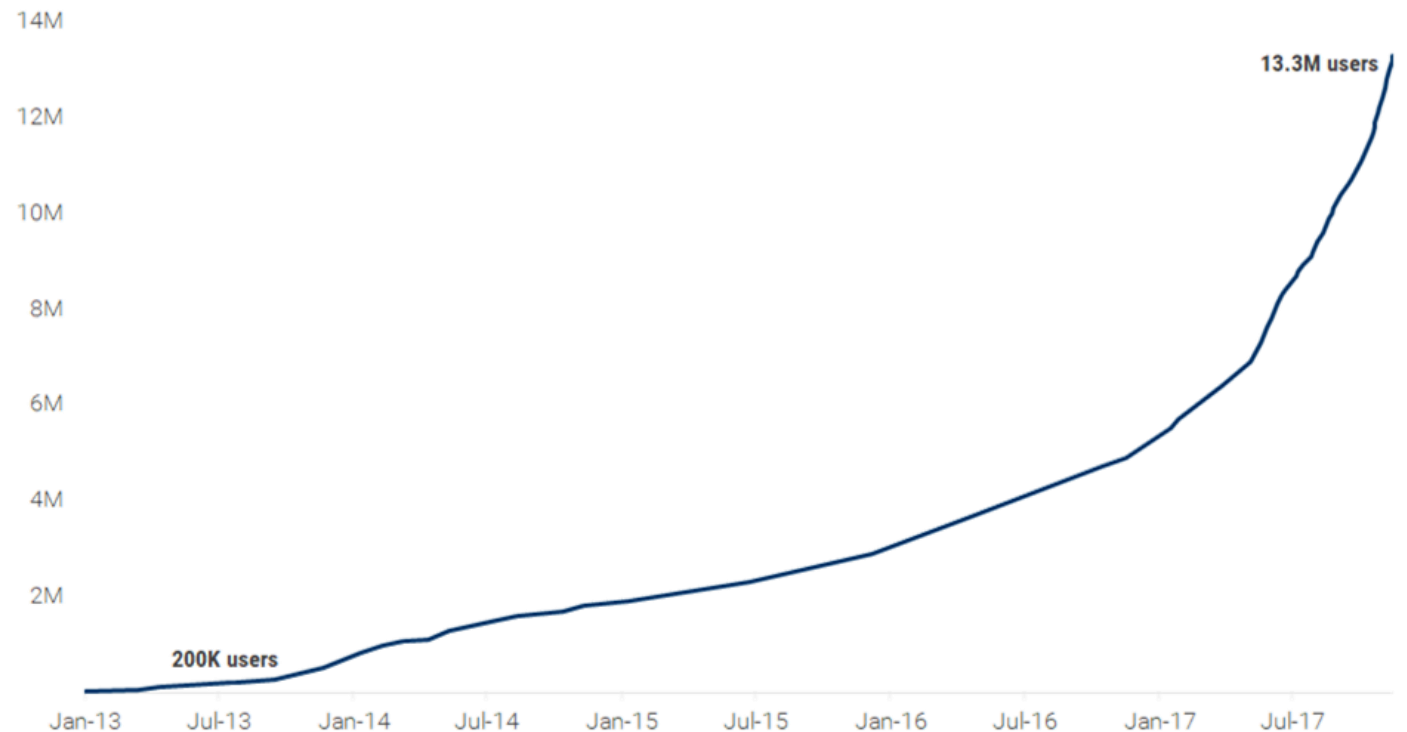
Cryptoasset exchange Coinbase reportedly crossed \$1B in revenue in 2017.

Coinbase's mobile app hit the top spot in Apple's Apple Store in December, and at one point in November, the company was adding 100,000 users per day.



Coinbase attracts speculators in meteoric year

Number of users, January 2013 – November 2017



Now: Coinbase plans on catering to larger investors

coinbase

\$217.4M Disclosed

Select Investors:

Battery Ventures, USV, Andreessen
Horowitz, USAA

Coinbase is launching Custody, whose mission is “to make digital currency investment accessible to every financial institution and hedge fund in the world.”

Critics argue that this contrasts with Coinbase’s overarching mission to create an “open financial system.”

coinbase



Our mission is to create an open financial system for the world

An open financial system is one that is not controlled by any one country or company (just like the internet did for distributing information). We think this is the highest leverage way to bring about more economic freedom, innovation, efficiency, and equality of opportunity in the world. We have a ten year plan to get there.

Wallets also surge in popularity in current market



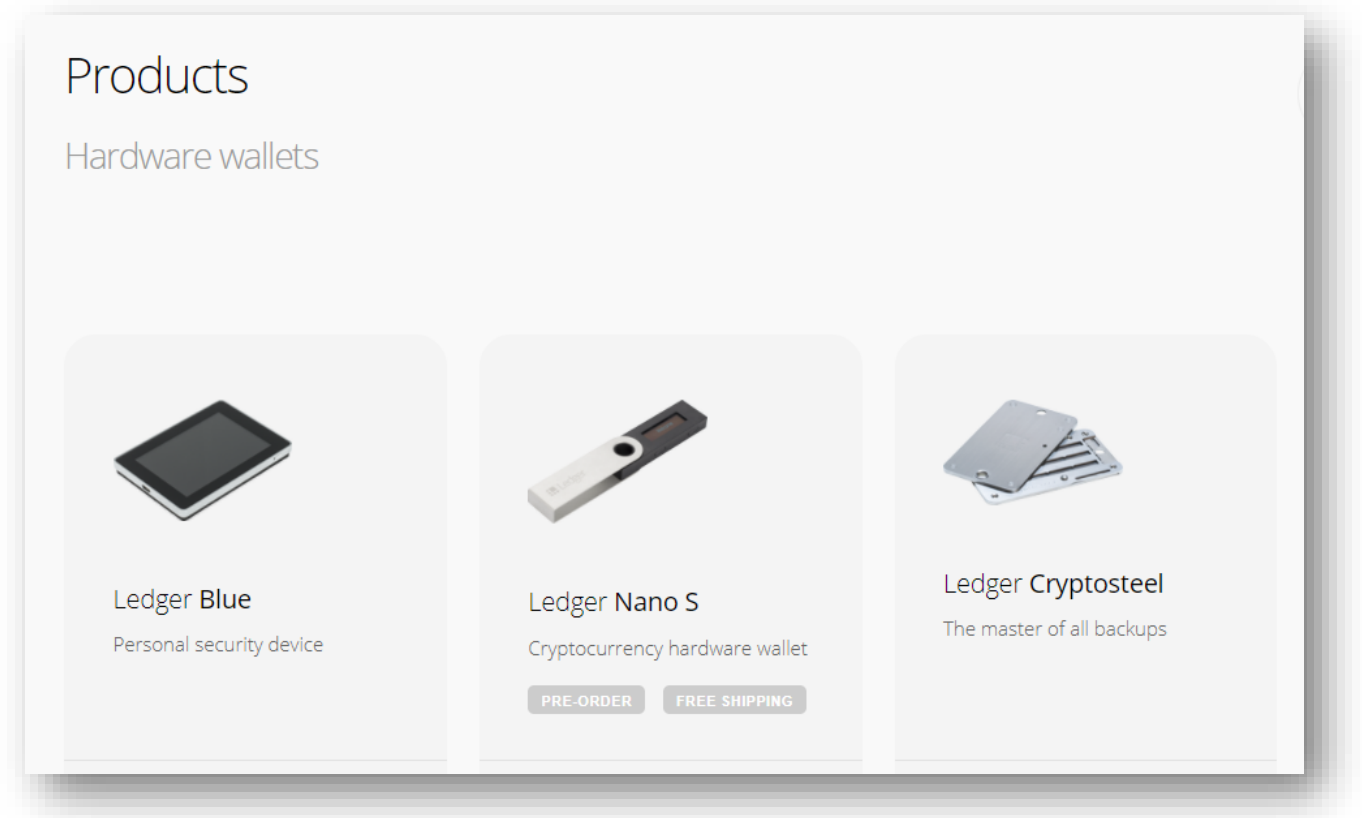
\$83.5M Disclosed

Select Investors:

Libertus Capital, FirstMark Capital,
GDTRE

Ledger sells hardware wallets
that allows users to store
cryptoassets.

In 2017, Ledger reportedly
grew revenue to €46M, up
from €600K euros the year
prior.



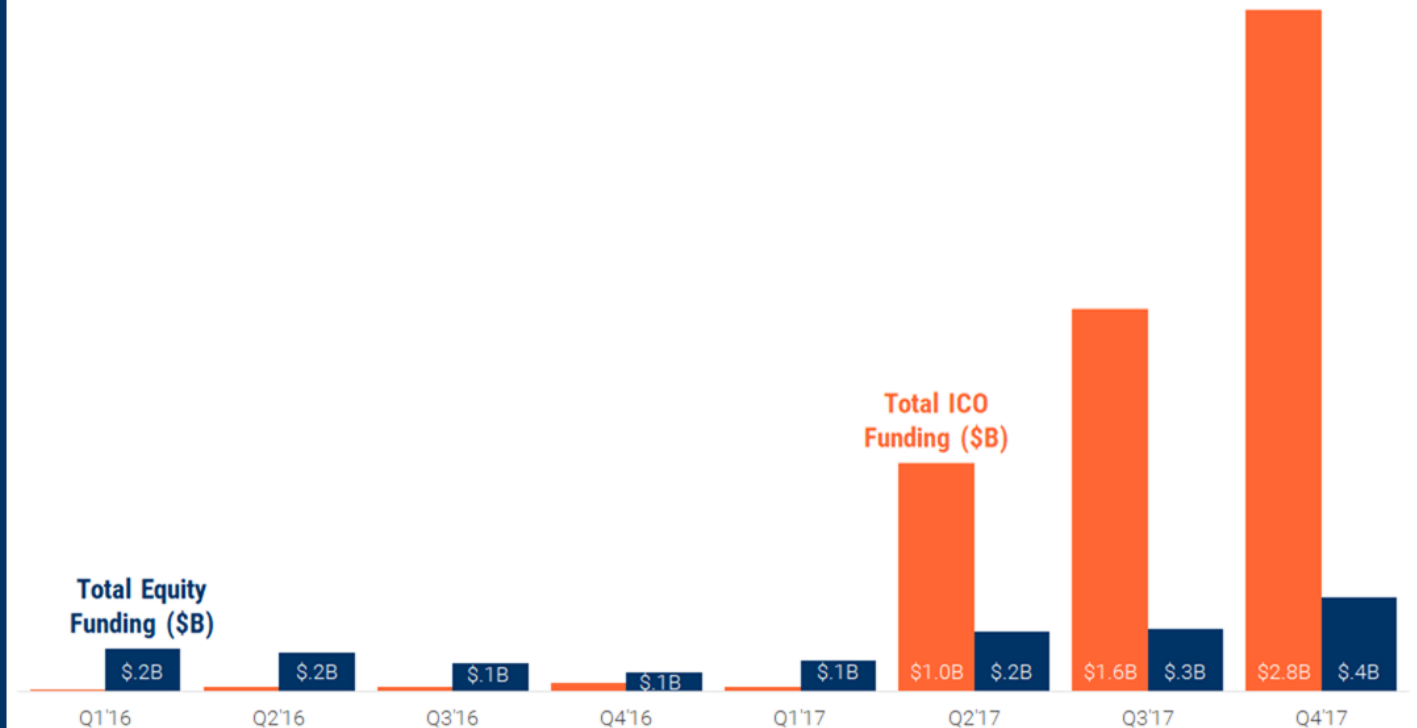
As winners emerge,
more blockchain
startups will
change their tune

Over \$2.6B has been
invested in equity
financings to blockchain
startups, despite many
failing to attract a critical
mass of users. As crypto
speculation continues,
more companies will look
beyond their initial use
cases to enable and expand
investment and trading.



Blockchain equity funding pales in comparison to ICOs

Quarterly equity and ICO financings (\$B), Q1'16 – Q4'17



Abra pivots to cryptocurrency investing

ABRA

\$30M Disclosed

Select Investors:

Boost VC, RRE Ventures, First Round Capital, Ignia Fund

Abra once touted itself as a means of sending payments around the globe, but has recently shifted its position toward investing.

January 2018

September 2017

FREE YOUR MONEY

CRYPTOCURRENCY INVESTING. SIMPLIFIED.

GET THE APP

FREE YOUR MONEY

*TRANSFER MONEY WORLDWIDE
INSTANTLY AND SECURELY.*

GET THE APP

Circle focuses on OTC trading, not money transfer



\$136M Disclosed

Select Investors:

Baidu, IDG Capital, General Catalyst, Goldman Sachs

Circle initially advertised itself primarily as a mobile blockchain remittance and payments platform.

The company has found more success with its OTC trading business, and trades over \$2B per month in cryptoassets.



CIRCLE

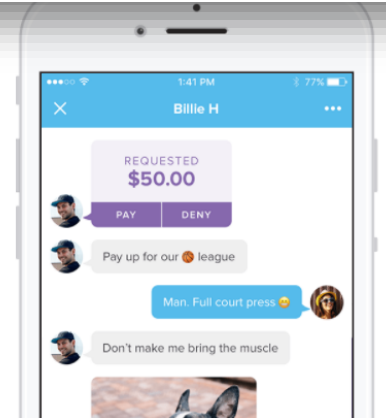
CIRCLE TRADE IS ONE OF THE LARGEST LIQUIDITY PROVIDERS OF DIGITAL ASSETS AND CRYPTOCURRENCY IN THE WORLD.

We directly trade over **\$2B** per month in crypto.

We actively make markets on nearly all major exchanges globally, and provide significant scale in over the counter (OTC) trading with large institutional buyers and sellers of crypto assets.

Send money like a text.
No fees. No borders.
No one else is doing this. 🤝

Finally. You can share money like everything else online — whether your friends are in the same room or a different country. Super easy and totally free. The way it should be.



#7 FINTECH GOES UNDER THE HOOD TO BUILD A NEW FINANCE ENGINE

Capital markets fintech infrastructure becomes a focus area for investment

Fintech infrastructure helps startups and banks

1



REPLACING LEGACY INFRASTRUCTURE

Startups help firms leverage the cloud to reduce the costs of delivering financial services and tools to customers

2



CENTRALIZE DISPARATE CUSTOMER DATA

Startups are taking a picks-and-shovel approach to offer developers tools to help both banks and fintechs to centralize customer data and services

3



CREATING AN OPEN BANKING PLATFORM

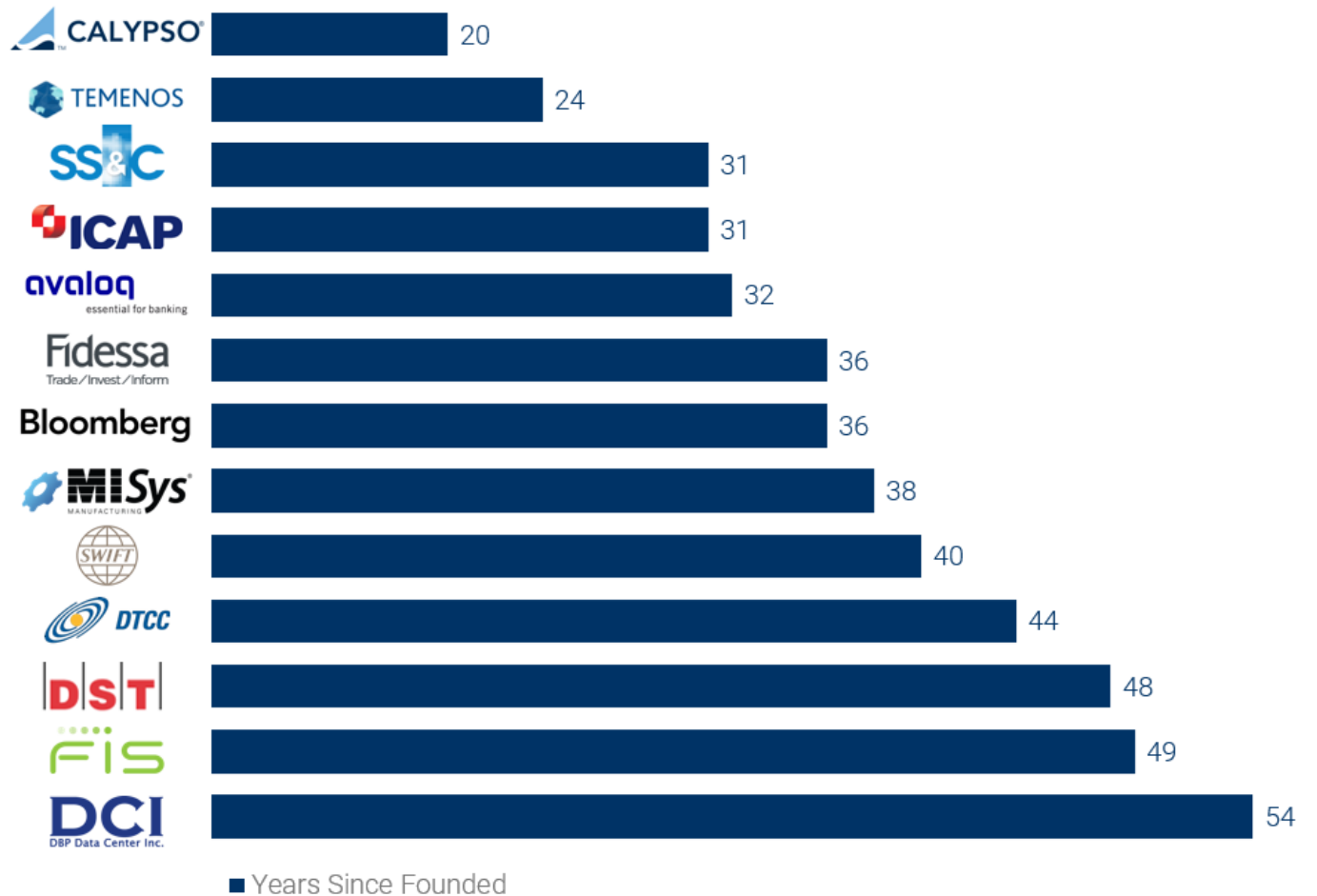
Startups leveraging APIs help developers increase their time to market with new financial products and services and reduce development costs

Legacy technology systems stifle market innovation

Legacy technologies are pivotal in the functioning of the capital markets ecosystem, yet on average are ~38 years old and have remained static.

Further, incumbent players have been slow to innovate if at all.

Legacy capital markets technology

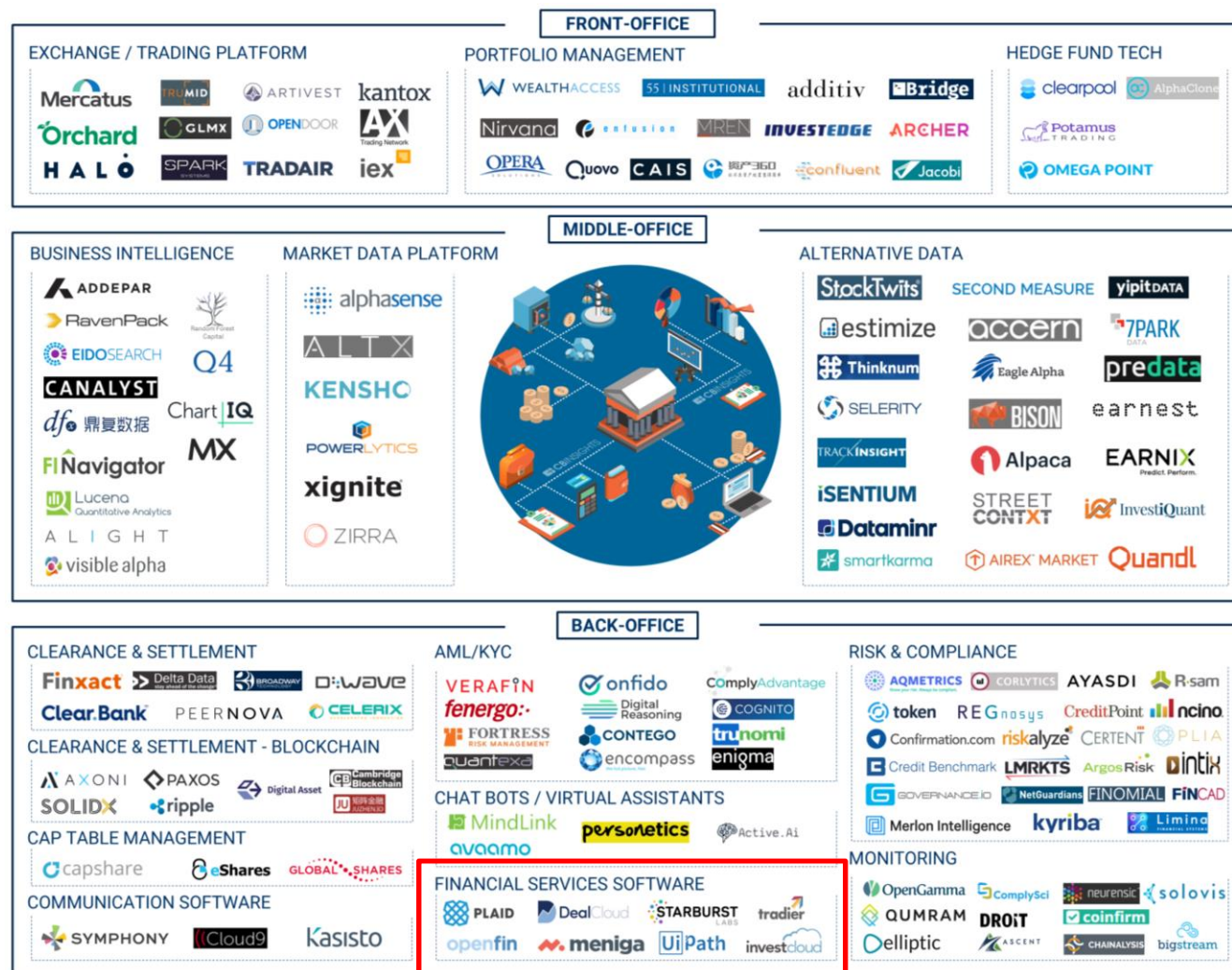


Fintechs are going under-the-hood to jumpstart markets

The back office is often overlooked in favor of revenue-generating groups in the front office.

As legacy systems start to sunset, startups working on capital markets infrastructure companies will be pivotal to overhauling legacy technologies by leveraging cloud computing and newer programming languages.

Fintech are going B2B with capital markets tech



DRIVING THE BANKING AS A PLATFORM MOVEMENT



Last Funding

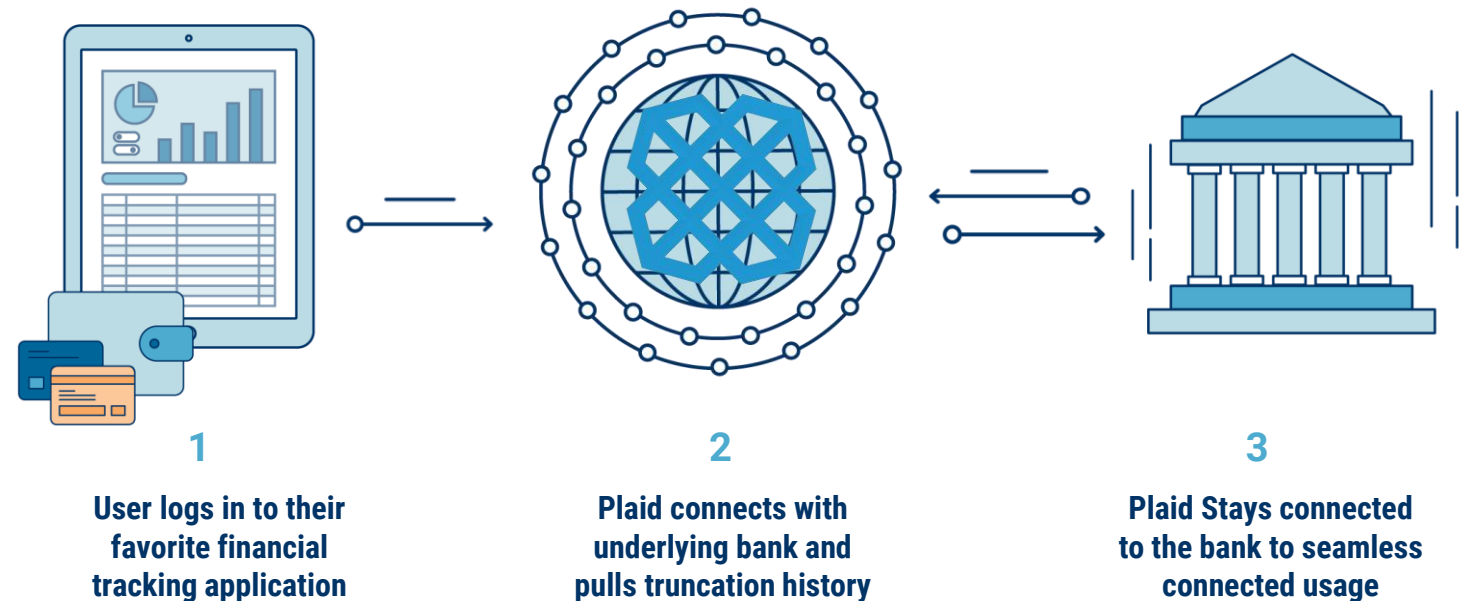
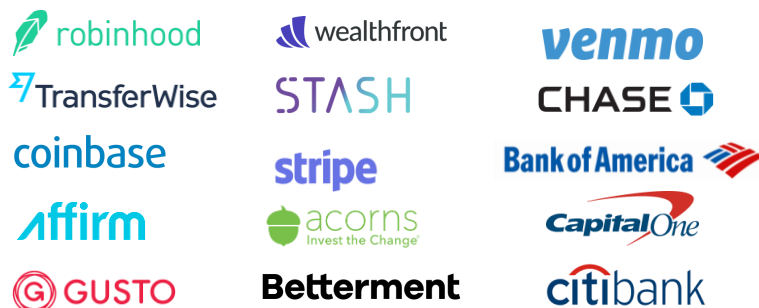
\$44M Series B // Q2'16

Plaid's suite of API tools allows developers to integrate with bank infrastructure and access and authorize user bank accounts at a reported 9,600 financial institutions

Select Investors

American Express Ventures, BoxGroup, Citi Ventures, Goldman Sachs, New Enterprise Associates, Spark Capital

SELECT CUSTOMERS



OVERHAULING 125,000 DESKTOPS COVERING 35 GLOBAL BANKS AND FIRMS

openfin

Last Funding

\$15M Series B // Q1'17

Openfin is an HTML5 container that powers B2B desktop applications for financial services applications.

Select Investors

Bain Capital Ventures, DRW Venture Partners, Euclid Opportunities, J.P. Morgan Chase & Co., Nyca Partners



VS.

SELECT CUSTOMERS

TRUMID

fathom

CITADEL

FASTFIN

ChartIQ

JPMORGAN
CHASE & CO.

EIKOS PARTNERS

Adaptive

NEX

fathom

ChartIQ

Adaptive



CBINSIGHTS

CENTRALIZING CUSTOMERS DISSIPATE FINANCIAL DATA WITH OPEN API'S



Last Funding

\$10M Series B-II // Q2'17

Quovo is a data platform that leverages a robust suite of APIs & modular applications to aggregate financial data across 13,000+ financial institutions

Select Investors

F-Prime Capital, FinTech Collective, Long Light Capital, Napier Park Global Capital

SELECT CUSTOMERS



MORE FINTECH INFRASTRUCTURE TO COME

“The products being built...demonstrate that **improving the infrastructure layer is the key** to driving further financial progress.”



Rick Yang
Partner, NEA

#8 REGTECH SEES BROADER ADOPTION

Banks deepen partnerships and
investments in regtech

VC-BACKED REGTECH IN FINTECH EQUITY FUNDING SINCE 2013:

\$1.8 BILLION

ACROSS

176 DEALS

REGULATION IS A GROWING CONCERN AS COMPLIANCE DEADLINES APPROACH

Concern over pending regulation increasing

GDPR OR General
Data Protection
Regulation

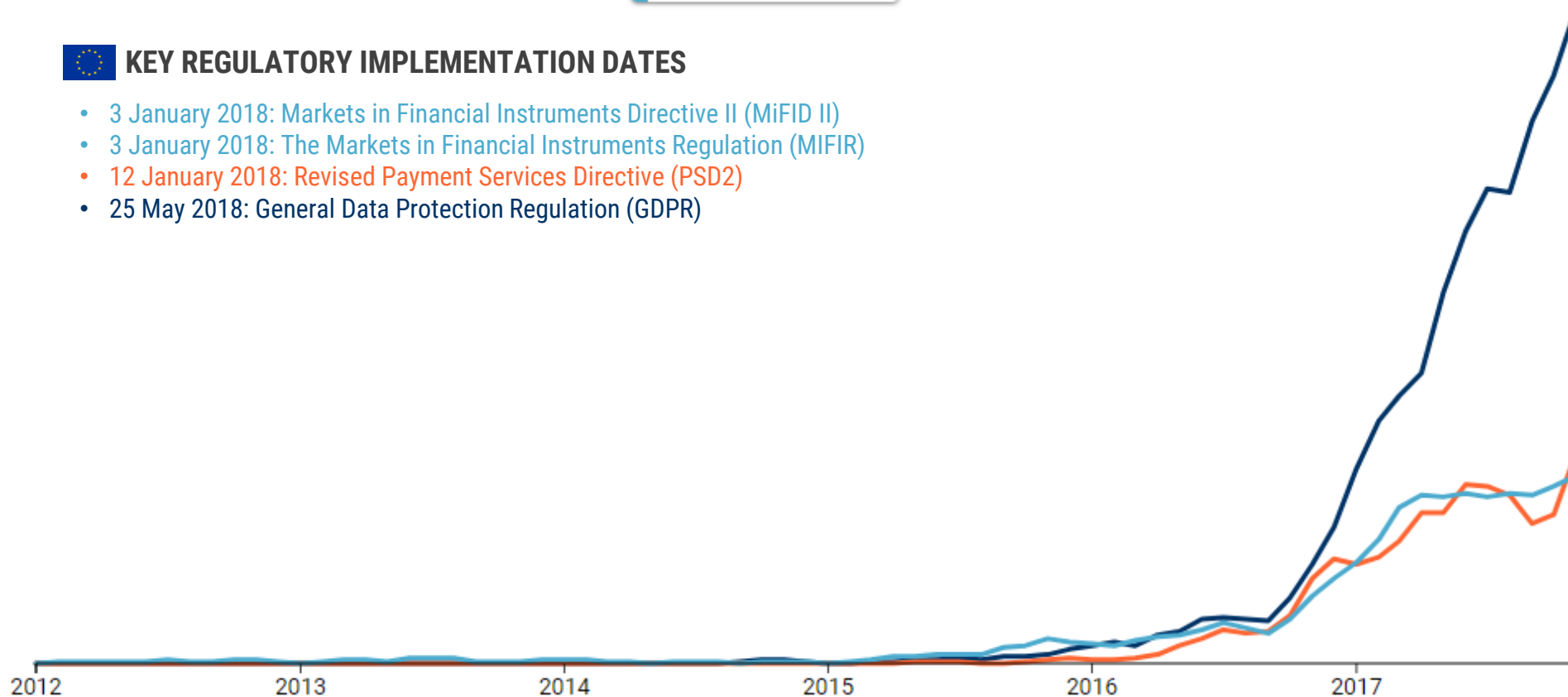
PSD2 OR revised
payments services
directive

Mifid II OR MIFIR OR
MIFID 2 OR The
Markets in Financial
Instruments
Directive

KEY REGULATORY IMPLEMENTATION DATES

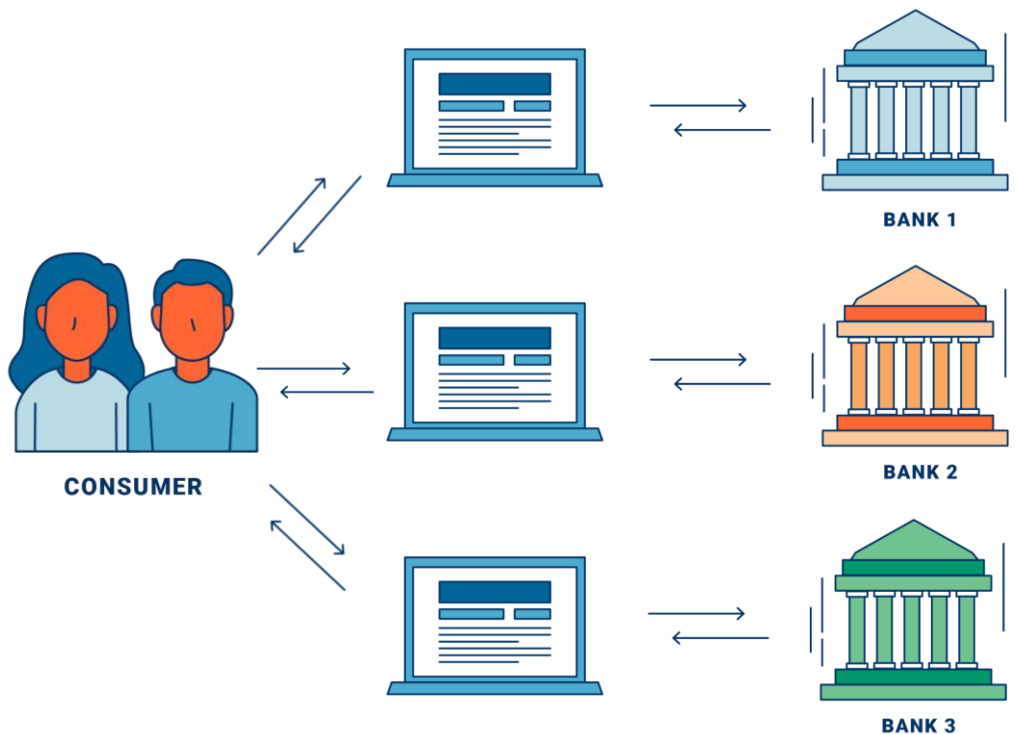
- 3 January 2018: Markets in Financial Instruments Directive II (MiFID II)
- 3 January 2018: The Markets in Financial Instruments Regulation (MIFIR)
- 12 January 2018: Revised Payment Services Directive (PSD2)
- 25 May 2018: General Data Protection Regulation (GDPR)

CB Insights Trends mines a massive corpus of media articles to enable a data-driven, real-time method to discover, predict, and plot the arc of rising expectations and excitement around emerging technologies.

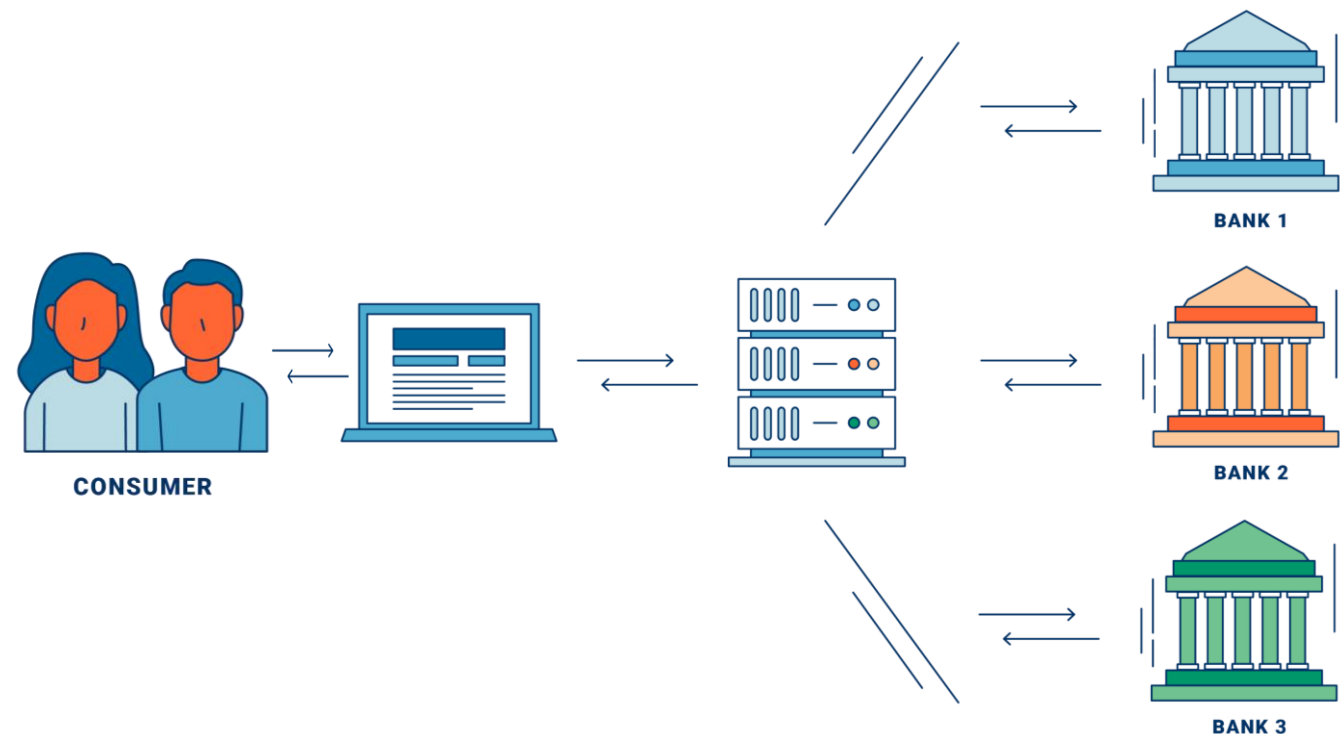


Revised Payment Services Directive (PSD2) open-access article is an open door for fintechs

BEFORE



AFTER



Fintech are taking dynamic approaches to compliance



Focus: Token is an open banking platform on the blockchain leveraging smart contracts to monetize access for banks from TPPs

Disclosed Funding: \$18.5M (Series A)

Select Investors: EQT Ventures, Octopus Ventures, OP Financial Group, Plug and Play Ventures



Focus: TrueLayer is an API platform for developers to access bank data they need to build new apps and services

Disclosed Funding: \$4.3M (Series A)

Select Investors: Anthemis Group, Connect Ventures



Focus: Railsbank is an open banking and compliance platform targeting both developers and banks

Disclosed Funding: \$1.2M (Seed)

Select Investors: Firestart



Banks' investment in regtech is still in early stages

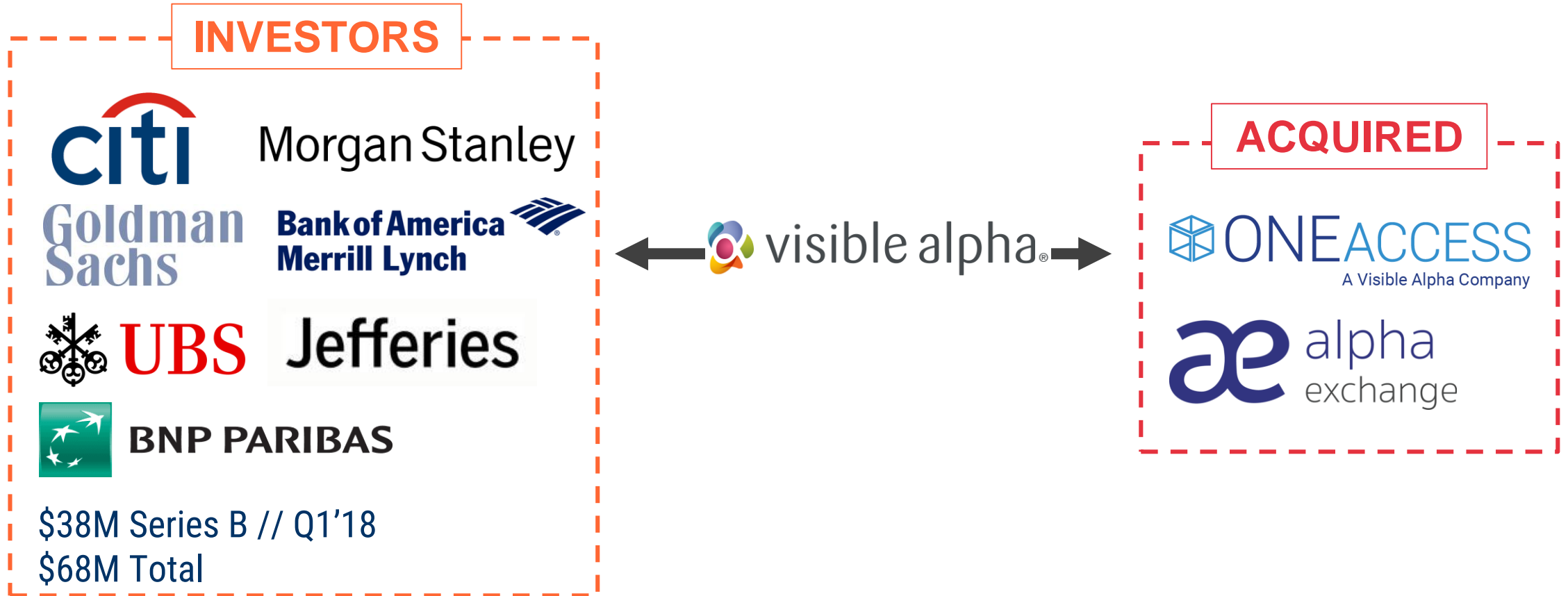
Banks such as Santander, Barclays, and Goldman Sachs are some of the earliest to invest in regtech startups.

Banks have made investments in products & services that range from identification and background checking software to blockchain and trade monitoring.



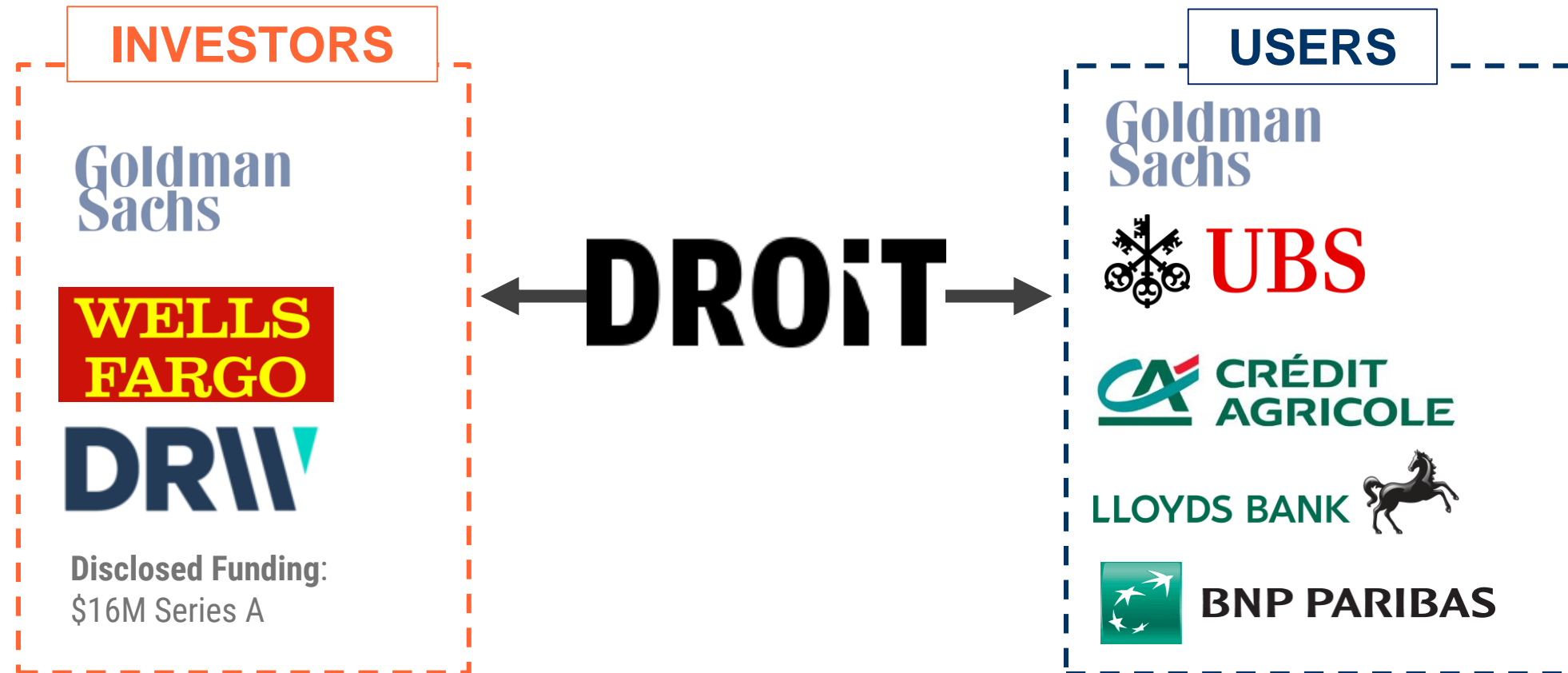
Investors back compliance solutions they need

Banks co-invested to meet research unbundling requirements of MiFID II & MIFIR



...and banks are their primary customers

Banks co-invested to meet research unbundling requirements of MiFID II & MIFIR



There's no shortage of pending regulation

GLOBAL REGULATORY INITIATIVES 2015 – 2019



2016 REGULATORY HIGHLIGHTS

Global

- Basel III

European Union

- Alternative Investment Fund Manager's Directive (AIFMD)
- Data Protection Directive
- European Market Infrastructure Regulation (EMIR)
- Markets in Financial Instruments Directive II (MiFID II)
- Solvency II

Australia

- Future of Financial Advice

United Kingdom

- Senior Managers and Certification Regime

United States

- Foreign Account Tax Compliance Act (FATCA)
- Foreign Corrupt Practices Act (FCPA)

2017 REGULATORY HIGHLIGHTS



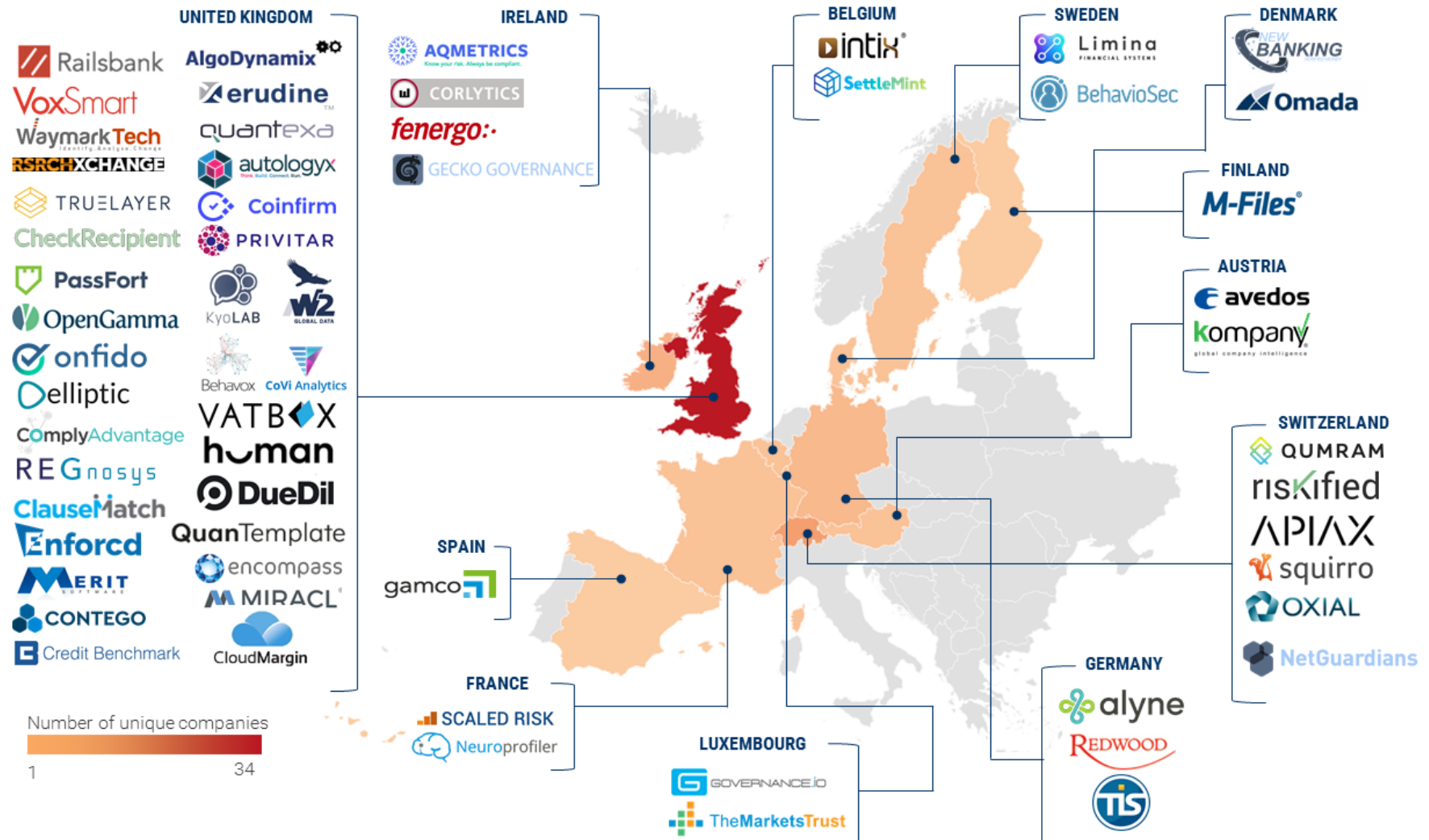
- Markets in Financial Instruments Directive II (MiFID II)
- The Markets in Financial Instruments Regulation (MIFIR)
- Revised Payment Services Directive (PSD2)
- General Data Protection Regulation (GDPR)



- Fiduciary Rule United States
- Dodd-Frank Act
- Consolidated Audit Trail (CAT)

EUROPE IS A HOTBED FOR REGTECH STARTUPS FOCUSED ON FINANCIAL SERVICES

60+ European regtechs in financial services



AS REGTECH DIGITIZES COMPLIANCE FOR FIRMS, REGULATORS
WILL NEED TO UPDATE THEIR OWN TECH STACK TO KEEP PACE

“Regtech poses significant opportunities for both participants and regulators. I suspect we are in the **‘early innings’** of this space, but believe that it is **imperative** for **all involved stakeholders** to do their part in understanding emerging technologies and **think creatively** about incorporating such technologies.”



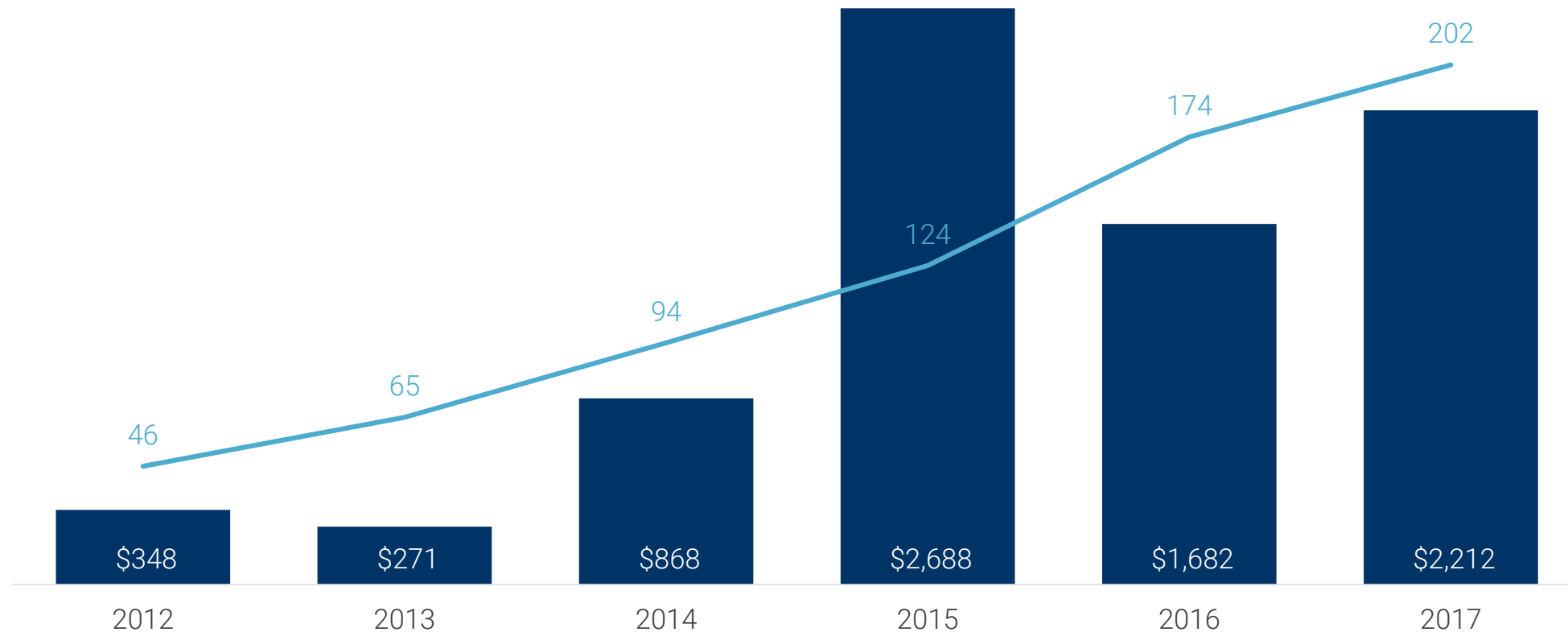
J. Christopher Giancarlo
CFTC Chair

#9 STARTUP BOOM IN INSURANCE DISTRIBUTION ABATES

Insurance tech investment moves to back-end

Insurance tech: Over \$8B invested since 2012

Insurance tech startups continued to be a hot area for fintech investment in 2017. Global insurance tech deals rose 16% year-over-year in 2017. (\$M)



The largest deals in 2017 went to companies providing insurance...



UK-based digital life insurance provider
Amount: \$230M
Investors: Leadenhall Capital, Punter Southall Group



Consumer-driven health insurer
Amount: \$160M
Investors: NEA, Greycroft Partners, Cross Creek Advisors, Bessemer Venture Partners, Flare Capital



Medicare Advantage PPO
Amount: \$130M
Investors: Greenoaks Capital Management, GV, Western Technology Investment



Digital home insurance carrier
Amount: \$120M
Investors: Softbank Group, Thrive Capital, GV, General Catalyst



Online insurance comparison in India
Amount: \$77M
Investors: Wellington Management, True North, Info Edge, IDG Ventures India



Medicare Advantage startup
Amount: \$62M
Investors: Venrock



Digital general insurance carrier in India
Amount: \$60M
Investors: Fairfax Financial Holdings



HR benefits platform for small businesses
Amount: \$60M
Investors: Two Sigma Private Investments, EPIC Insurance Brokers

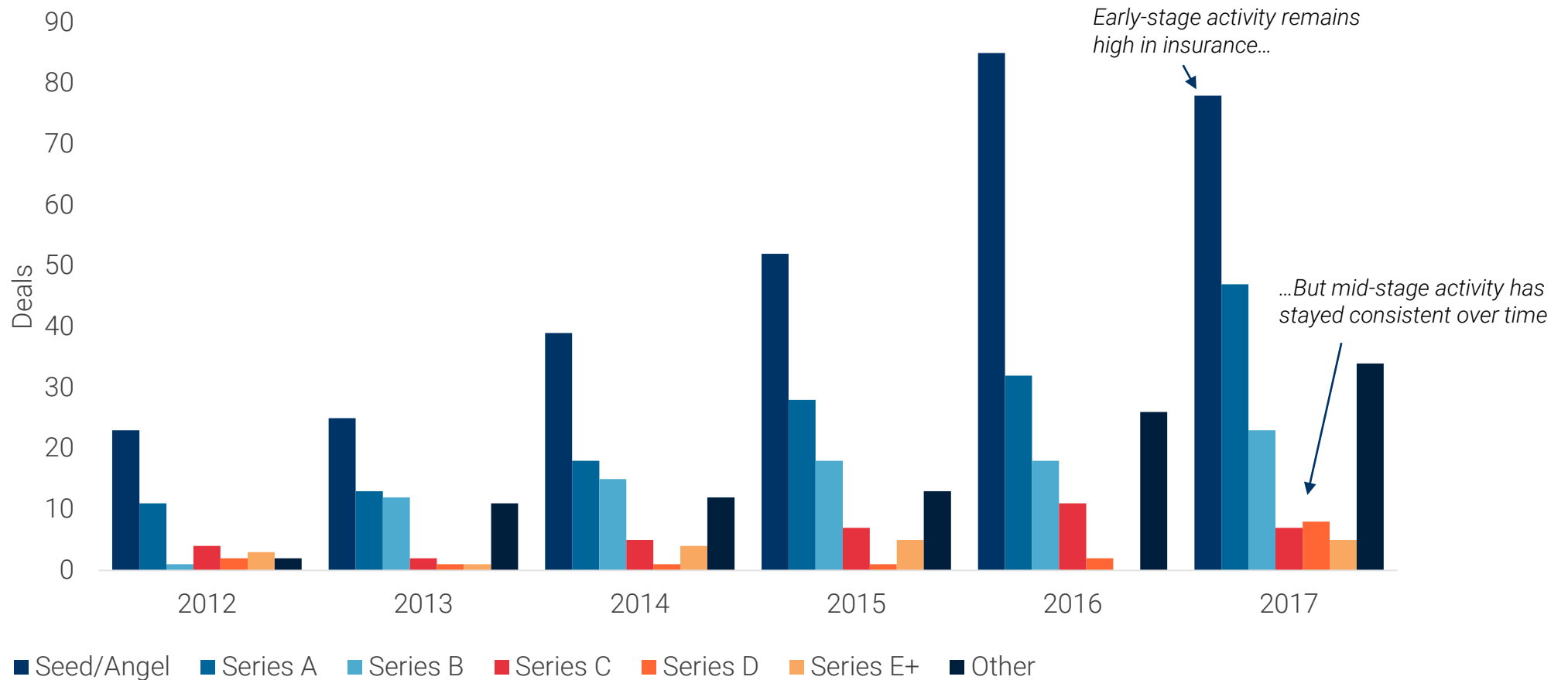


Online insurance comparison
Amount: \$50M
Investors: IFC, Alibaba Group, Goldman Sachs, SBI Group, H&Q Asia Pacific, Nova Founders Capital



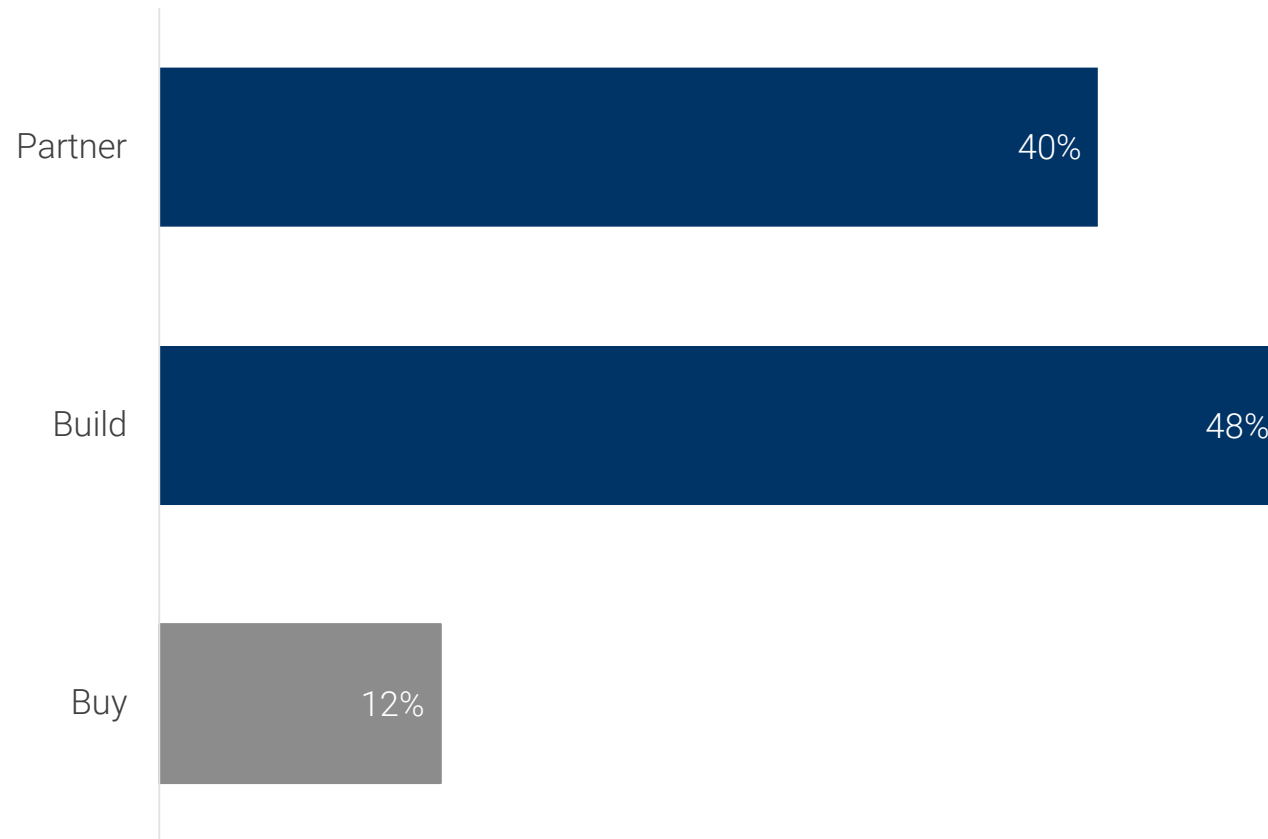
HR software provider and benefits brokerage
Amount: \$50M
Investors: Altimeter Capital, Four Rivers Group, Greenspring Associates, Sequoia Capital

...but distribution-focused startups will run into a funding crunch as winners emerge



M&A not likely to help much

Only 12% of (re)insurance and investment professionals with knowledge of their company's innovation strategy believe acquisitions are their organization's primary outlet for innovation.



Back-end startups are finding more ways into insurers

REDUCING IT INVOLVEMENT

"[In our diligence process, most Cyence customers] **described it having very modest or no IT involvement involved in the selection and contracting process.** We see that as an intriguing go-to-market motion that could complement our general need to build institutional consensus, including IT, before a company moves forward with us."



Guidewire CEO Marcus Ryu on \$275M acquisition of Cyence in October 2017

PARTNERING WITH BROKERS, REINSURERS

Aon partners with Clara to deliver claims tools to workers comp insurers

October 12, 2017 |



Munich Re partners with Betterview to refer drone service to insurance clients

January 19, 2018 |



CLAIMS IS AN AREA OF FOCUS FOR BACK-END STARTUPS

Shift Technology

\$40M Disclosed

Select Investors:

Accel, General Catalyst, Elaia
Partners, Iris Capital

Paris-based Shift Technology provides SaaS for detecting potential insurance fraud. The company has reportedly grown to 45 clients and processed more than 100M insurance claims.

Data Sources



Scanned Documents:

E.g. Invoices, photos



Policy Information:

E.g. Subscription, coverage



Claims Data:

E.g. Dates, circumstances



Free Text:

E.g. Comments, loss adjusters reports



External data: (subject to local regulations)

E.g. P2P marketplaces, company information, weather reports

* While having all these data sources is optimal, not all are required simultaneously

#10 BANK OF AMAZON?

Amazon gets more aggressive in fintech — outside of the US

AMAZON CAN UNDERCUT ON PRICES; WHY NOT BANK FEES?

“Amazon is the most formidable. If Amazon can get you lower-debt payments or give you a bank account, you’ll buy more stuff on Amazon.”



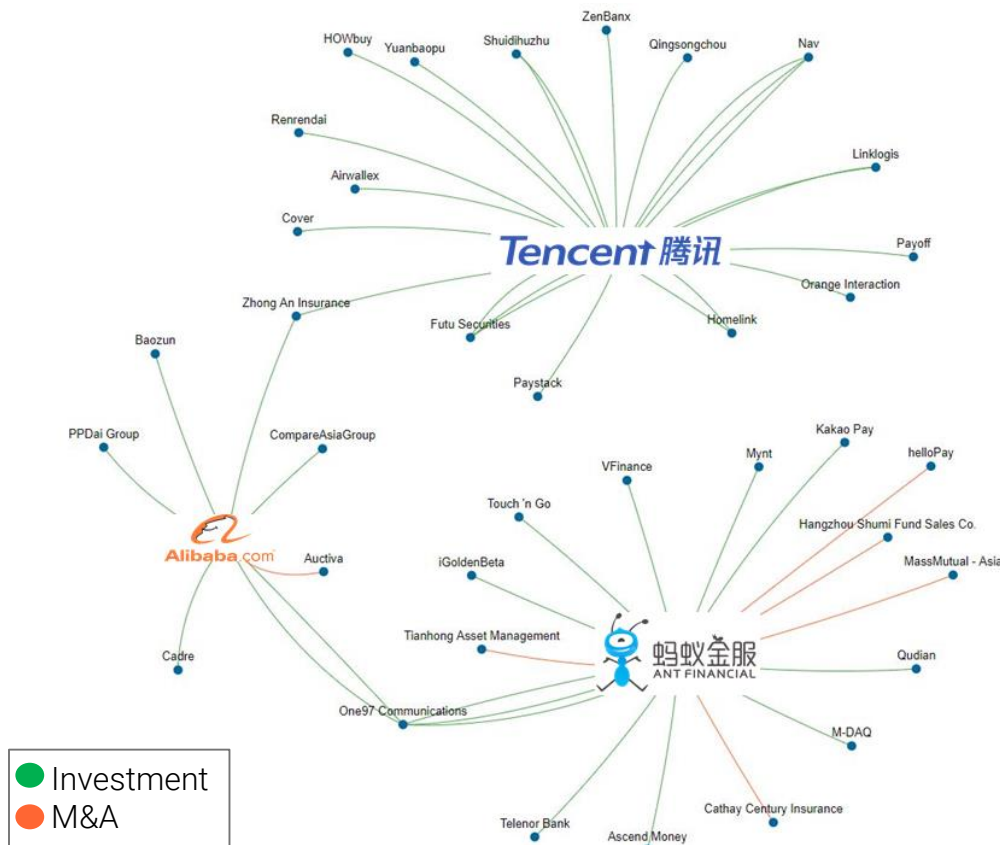
Alex Rampell
General Partner, Andreessen Horowitz

In the US, Amazon has already developed key beachheads into financial services...



But Amazon's US efforts are a far cry from Tencent and Ant Financial's global fintech forays in China

TENCENT & ANT'S FINTECH INVESTMENT & M&A



ANT FINANCIAL BY THE NUMBERS

520M
Annual active users



>330M
Cumulative users



392M
Annual active users



257M
Activated users



In Europe, Amazon runs product insurance white label Amazon Protect



☐ Include Amazon Protect 2-year Accident & Breakdown Cover for £27.00

☐ Include Amazon Protect 3-year Accident & Breakdown Cover for £30.00

Quantity: 1 ▾

 Add to Basket

[Turn on 1-Click ordering](#)

Dispatch to:
Joseph Wong- San Diego - 92101 ▾

Add to List

“We have ambitious plans to significantly grow operations in our current markets and **create new, innovative products** that will provide excellent customer experience and satisfaction.”

— September 2017 job posting for Amazon Protect product manager position

Amazon is going deeper into payments in growth markets

INDIA



In India, Amazon is rolling out doorstep cash pickup to allow users to load money into its digital payment wallet Amazon Pay. The service allows users to top up their balance using cash for digital services including food delivery, bill payment, and mobile recharges.

MEXICO

amazoncash



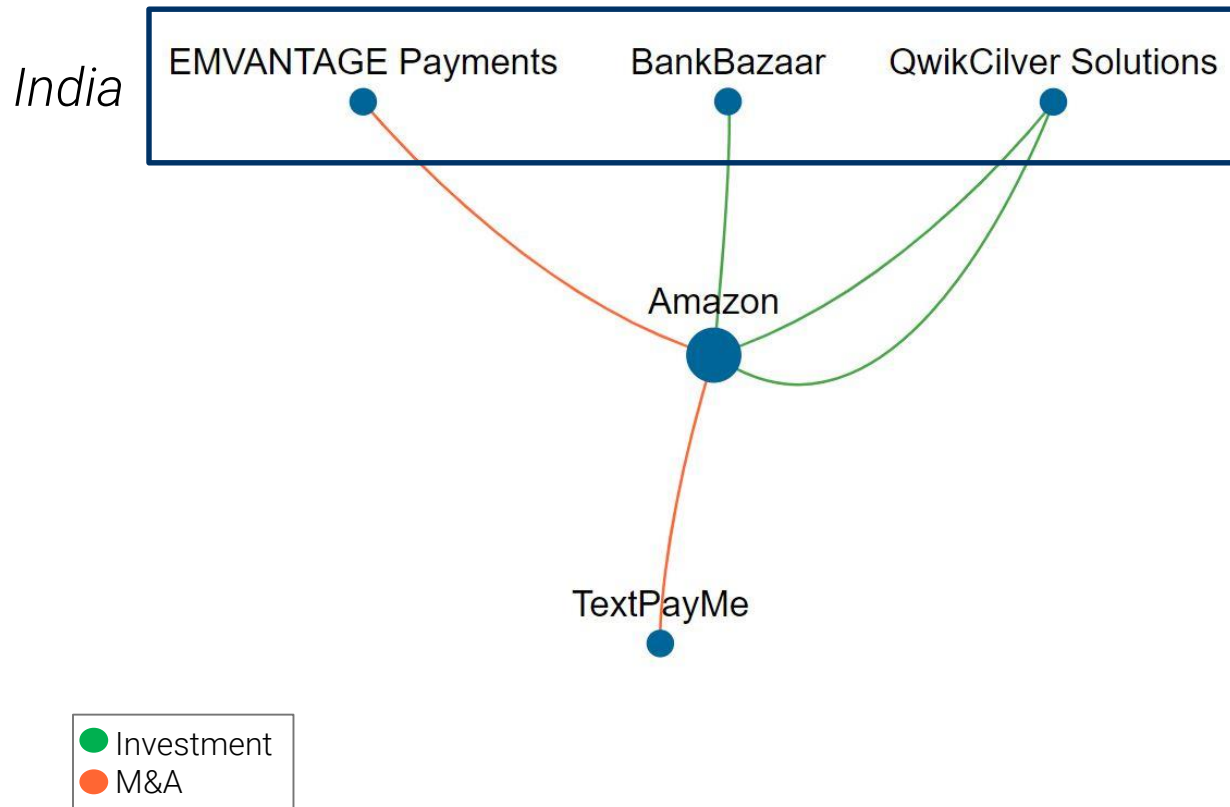
Todos los establecimientos participantes



In Mexico, Amazon launched a cash payment service to attract customers online and give shoppers an alternative to credit and debit cards.

In India, Amazon is on the prowl for fintech startups. What's next?

AMAZONS' FINTECH INVESTMENT & M&A



AMAZON IN THE NEWS

Amazon in talks to invest in Indian digital lending startup Capital Float
December 18, 2017 | **THE ECONOMIC TIMES**

Amazon close to investing in Indian online insurance startup Acko
January 2, 2018 | **THE TIMES OF INDIA**

APPENDIX

2017 global fintech year-in-review



GLOBAL FINTECH VC-BACKED EQUITY FUNDING IN 2017:

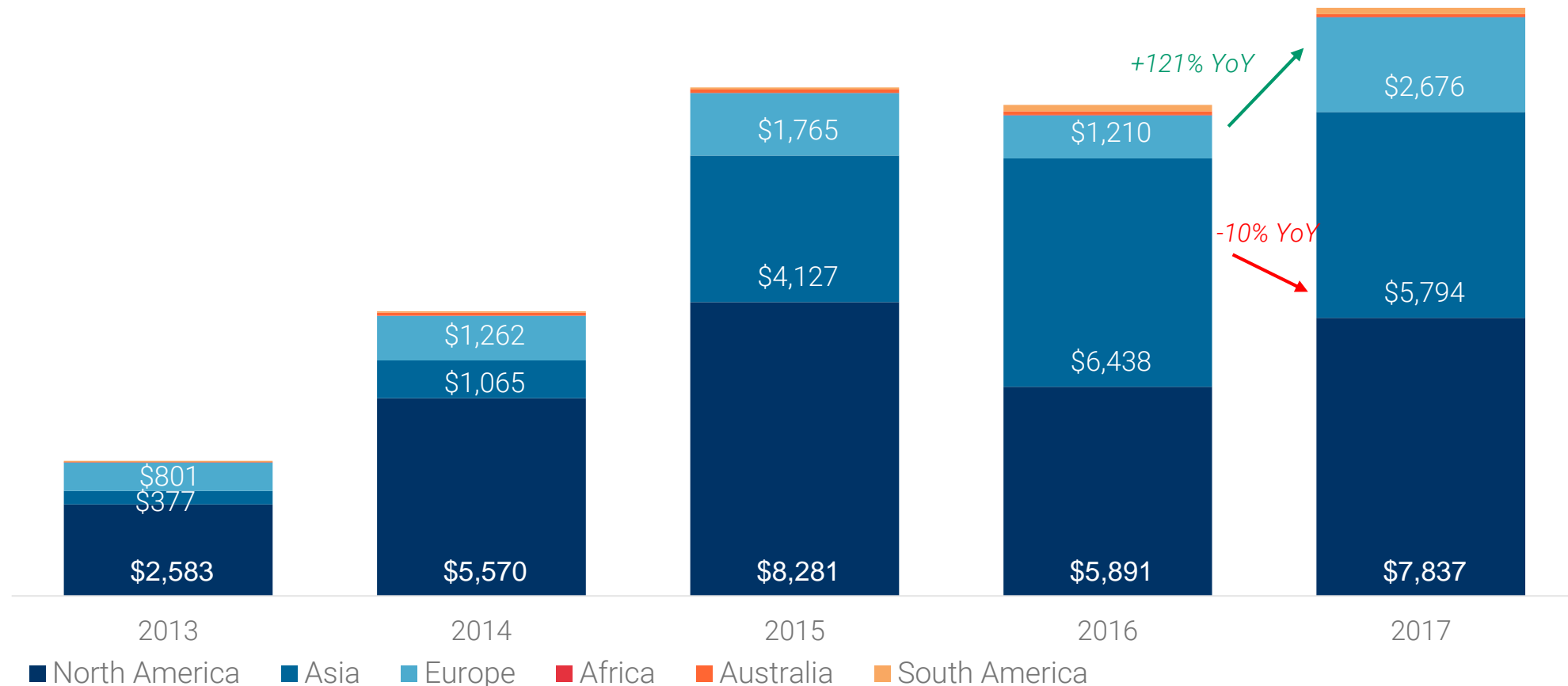
\$16.6 BILLION

ACROSS

1,128 DEALS

Europe fintech funding grew over 120% in 2017

Global VC-backed fintech funding share by country 2013 – 2017 (\$M)



US FINTECH VC-BACKED EQUITY FUNDING IN 2017:

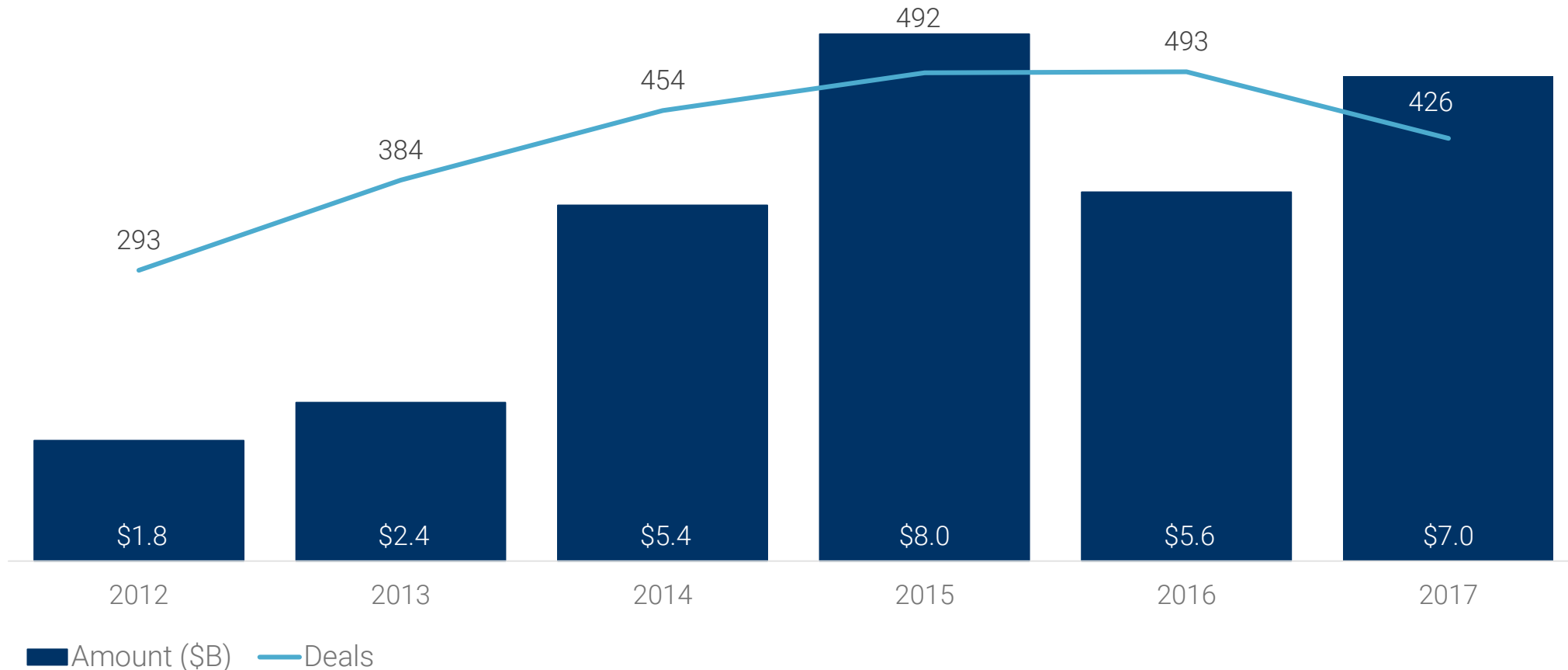
\$7 BILLION

ACROSS

426 DEALS

US fintech deal activity falls 14% in 2017

While six fintech companies achieved billion-dollar valuations for the first-time in the US, total VC-backed deals to US-based fintech companies slipped to 4-year low in 2017



EUROPE FINTECH VC-BACKED EQUITY FUNDING IN 2017:

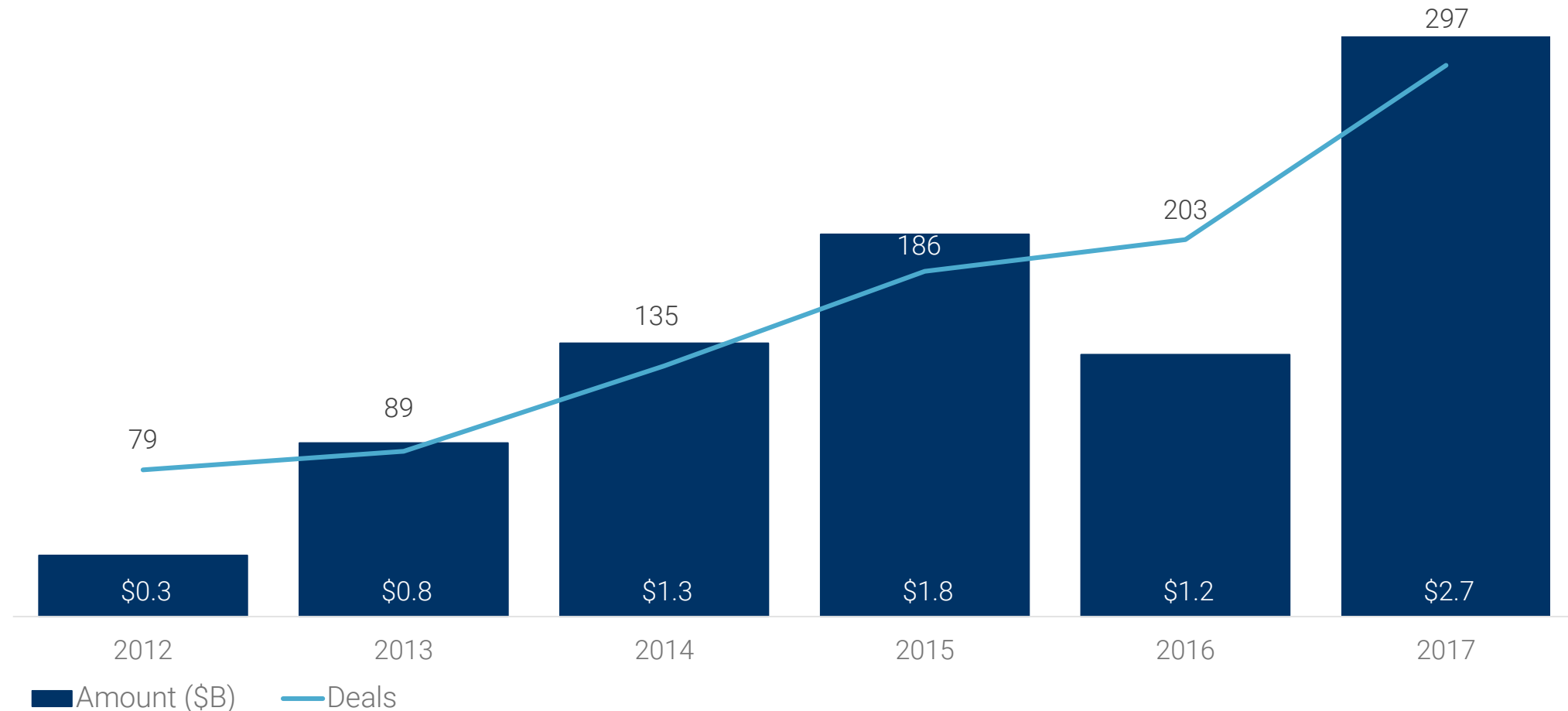
\$2.7 BILLION

ACROSS

297 DEALS

Europe sees record for fintech investing in 2017

There were 2.75x as many deals to VC-backed fintech companies in 2017 as there were in 2012.



ASIA FINTECH VC-BACKED EQUITY FUNDING IN 2017:

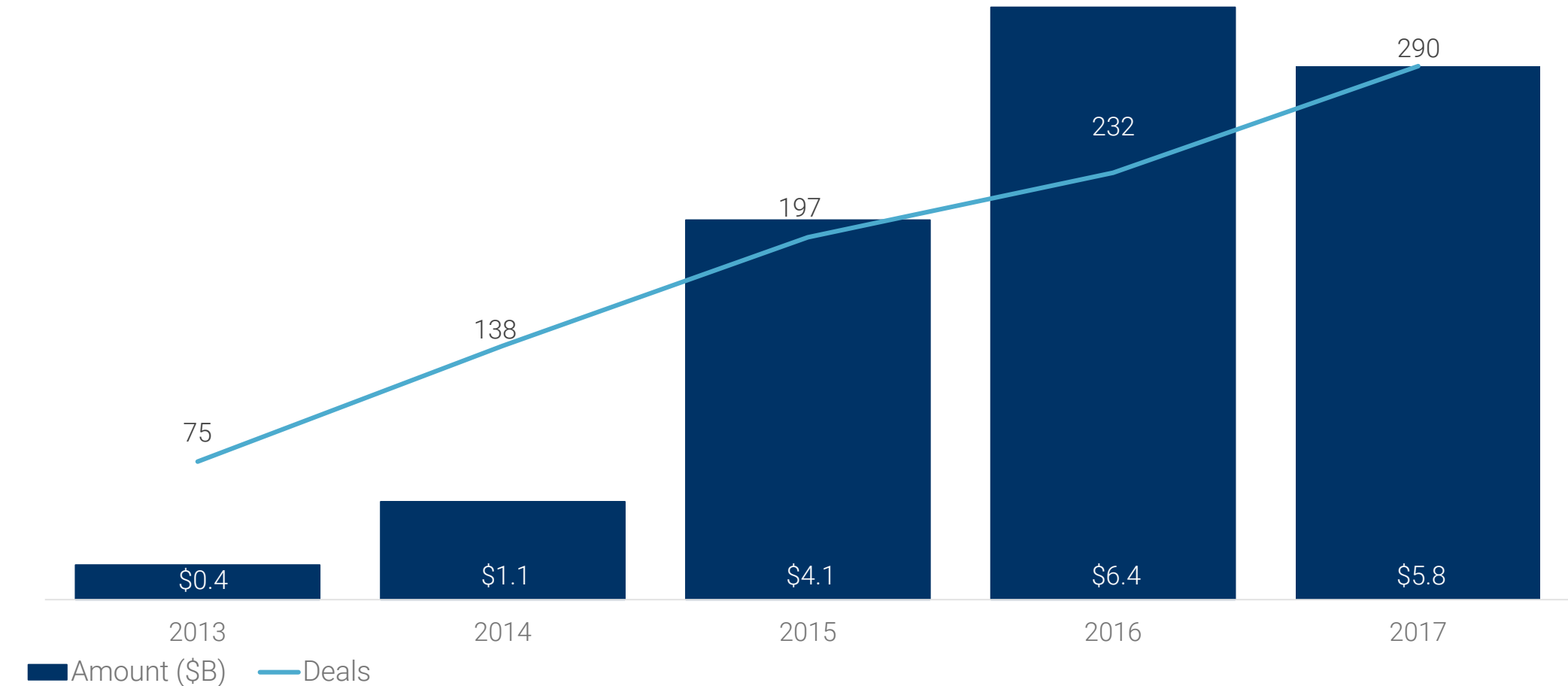
\$5.8 BILLION

ACROSS

290 DEALS

Asia sees fintech funding recede in 2017

While funding to VC-backed fintech companies in Asia fell 9% on a year-over-year basis, deals rose 25%



Top 10 global fintech deals in 2017

SoftBank led or participated in three of the top 10 deals to VC-backed fintech companies in 2017

Company	Deal Date // Amount	Total Disclosed Funding (M)	Select Investors	Description
	May'17 // \$1.4B	\$2.7B (\$7B Valuation)	SoftBank Group	Mobile payments and commerce platform
	Feb'17 // \$500M	\$2.2B (\$4.49B Valuation)	SoftBank Group, GPI Capital, Silver Lake Partners	Online lending platform
	Jun'17 // \$300M	\$574M (\$1.24B Valuation)	MasterCard Worldwide, Temasek Holdings	Billing, expense management, and accounting software provider
	May'17 // \$292M	\$347M (\$1.46B Valuation)	China Minsheng Investment, Yisheng Innovation	Peer-to-peer (P2P) lending platform
	Nov'17 // \$280M	\$396M (\$1.6B Valuation)	Andreessen Horowitz, Index Ventures, Valar Ventures	Digital P2P money transfer platform

Top 10 global fintech deals in 2017 (continued)

Alternative lending companies made up 7 of the top 10 deals in 2017

Company	Deal Date // Amount	Total Disclosed Funding (M)	Select Investors	Description
 Kabbage	Aug'17 // \$250M	\$2.45B	SoftBank Group, BlueRun Ventures, Thomvest Ventures	Digital small and medium sized business (SMB) lender
 点融网 Dianrong.com	Aug'17 // \$220M	\$439M	China Minsheng Investment, Simone Investment Managers	Peer-to-peer (P2P) loan and financial services platform for small and medium enterprises in China
 WeLab	Nov'17 // \$220M	\$425M	Alibaba Entrepreneurs Fund, International Finance Corporation, China Construction Bank,	Mobile lending platform serving customers in Asia with a focus on China and Singapore
 Affirm	Dec'17 // \$200M	\$725M	Founders Fund, Khosla Ventures, Lightspeed Venture Partners, Ribbit Capital, Spark Capital	Alternative lending platform for point-of-sale financing
 GreenSky™	Dec'17 // \$200M	\$610M (\$1.78B Valuation)	QED Investors, Roark Capital Group, TPG Capital	Consumer finance marketplace, specializing in the home improvement, retail, and healthcare industries





























The most active fintech VCs in 2017

By unique fintech company investments (new or follow-on)

Rank	Investor	Select 2017 Fintech Investments				
1	500 startups	 firstaccess  Yaypay	 Clearcover  peoplefund	 kin.  FINNOMENA	 FIRST CIRCLE  WAYPAY	
2	Ribbit Capital	 affirm  Revolut	 robinhood  upgrade	 TALA  raisin.	 Jetty  HABITO	
3	ACCEL PARTNERS	 YAPSTONE POWERING PAYMENTS	 GOCARDLESS	 travelbank.	 UiPath	 Funding Circle
3	 BESSEMER VENTURE PARTNERS	 bright HEALTH™	 bread	 toast	 Betterment	 Raise
3	 anthemis group	 Currencycloud	 trōv	 Tide	 CAPITAL	 TRUELAYER






The most active fintech VCs in 2017 (continued)

By unique fintech company investments (new or follow-on)

Rank	Investor	Select 2017 Fintech Investments				
7						
7						
7	 宜信新金融产业投资基金 CREDITASE FINTECH INVESTMENT FUND					
10						
10	 OMIDYAR NETWORK					

Chinese firms drive fintech IPOs in 2017

Largest investor-backed fintech IPOs in 2017

Company	Exit Type	Deal Date // Valuation	Total Disclosed Funding (M) Valuation Pre-Exit	Select Investors
 ZhongAn Insurance	IPO (6060.HK)	Q3'17 // \$11B	\$931M (\$8B Valuation)	Alibaba Group, Tencent, Ping An Insurance, CDH Investments, Morgan Stanley, CICC, Keywise Capital, SAIF Partners
 Qudian.com	IPO (NYSE: QD)	Q3'17 // \$7.9B	\$954.7M (\$1.22B Valuation)	Ant Financial Services Group, Beijing Phoenix Wealth Holding Group, Hangzhou Liaison Interactive and Kunlun Worldwide
 ppdai.com	IPO (NYSE: PPDF)	Q4'17 // \$3.9B	\$101.3M	Sequoia Capital China, Alibaba Group, Lightspeed China Partners, Legend Capital, SIG Asia Investments
 LEXIN 乐信	IPO (NASDAQ: LX)	Q4'17 // \$1.95B	\$345M	Matrix Partners China, JD.com, DST Global, China Renaissance Capital, K2 Ventures, Huasheng Capital, Bertelsmann Asia Investments
 JIANPU.AI 融360	IPO (NYSE: JT)	Q4'17 // \$1.3B	\$186M (\$808M Valuation)	KPCB China, Zero2IPO Capital, Lightspeed China Partners, Sequoia Capital China, Temasek Holdings, Sailing Capital, Yunfeng Capital

No billion-dollar fintech M&A in 2017

Notable investor-backed fintech acquisitions in 2017

Company	Deal Date // Valuation	Total Disclosed Funding (M)	Acquirer	Description
 Intacct	Q3'17 // \$850M	\$174.8M		Cloud financial management software
 wepay	Q4'17 // \$220M - 400M	\$74.2M	JPMORGAN CHASE & CO.	Integrated payments provider for SaaS and crowdfunding platforms
 CYENCE	Q4'17 // \$275M	\$40M		Cyber risk modelling and analytics
 kudo	Q1'17 // \$100M	N/A		Offline-to-online payments
 Zenbanx®	Q1'17 // \$100M	N/A		Mobile banking services

Methodology

CB Insights encourages you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been under-represented, please send an email to info@cbinsights.com and we can work together to ensure your firm's investment data is up to date.

What is included:

- Equity financings into emerging fintech companies. Fundings must be put into VC-backed companies, which are defined as companies who have received funding at any point from venture capital firms, corporate venture groups, or super angel investors.
- Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers, even if they received investment by a venture firm(s). *Note:* For the purposes of this analysis, JD.com's finance arm JD Finance and its \$1B financing were included in the data per its investment from Sequoia Capital China in Q1'16.
- Only includes the investment made in the quarter for tranching investments. If a company does a second closing of its Series B round for \$5M and previously had closed \$2M in a prior quarter, only the \$5M is reflected in our results.
- Round numbers reflect what has closed – not what is intended. If a company indicates the closing of \$5M out of a desired raise of \$15M, our numbers reflect only the amount which has closed.
- Only verifiable fundings are included. Fundings are verified via various federal and state regulatory filings, direct confirmation with firm or investor, or press release.
- Previous quarterly VC reports issued by CBI have exclusively included VC-backed rounds. In this report, any rounds raised by VC-backed companies are included, with the exceptions listed.

What is excluded:

- No contingent funding. If a company receives a commitment for \$20M subject to hitting certain milestones but first gets \$8M, only the \$8M is included in our data.
- No business development / R&D arrangements, whether transferable into equity now, later, or never. If a company signs a \$300M R&D partnership with a larger corporation, this is not equity financing nor is it from a venture capital firm. As a result, it is not included.
- No buyouts, consolidations, and/or recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
- No private placements. These investments, also known as PIPEs (Private Investment in Public Equities), are excluded even if made by a venture capital firm(s).
- No debt / loans of any kind (except convertible notes). Venture debt or any kind of debt / loan issued to emerging startup companies, even if included as an additional part of an equity financing, is not included. If a company receives \$3M with \$2M from venture investors and \$1M in debt, only the \$2M is included.
- No government funding. Grants, loans, or equity financings by the federal government, state agencies, or public-private partnerships to emerging startup companies are not included.

WHERE IS ALL THIS DATA FROM?

The CB Insights platform has the details on all the data included in this report

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