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venture capital

FinTech results of 2016 and predictions for 2017

Maxim Avdeev
Life.SREDA VC

Life.SREDA VC Executive summary

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Life.SREDA I

2012 → 2014

Moscow

13 investments (US, UK, Germany, CIS)

7 successful exits

SIMPLE · fidor BANK · Moven · sumup

Life.SREDA II Asia

2015

Singapore

8 investments (South East Asia)

Lenddo · BASIS · mobikon · ayannah

Banking on Blockchain Fund

Banking on Blockchain fund

London

A new venture fund dedicated to investing in the blockchain ecosystem

Life.SREDA VC team consists of best fintech minds and influencers globally

Research & Vision

Influelce on the whole infustry trough own blogs fintechranking.com and semi-anual Fintech research "Money of the Future"

Money of the Future
Fintech Research by Life.SREDA

www.fintech-research.com

FINTECH RANKING
All You Should Know About Fintech

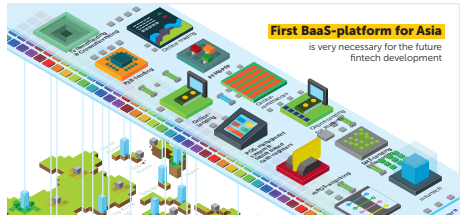
www.fintechranking.com

Accelerator in Singapore

Own acceleration program "InspirAsia" and fintech co-working space in Singapore

Bank-as-a-srevice and open API play

Life.SREDA is supporting a strategic fintech project: open API Pan-Asian platform BAASIS



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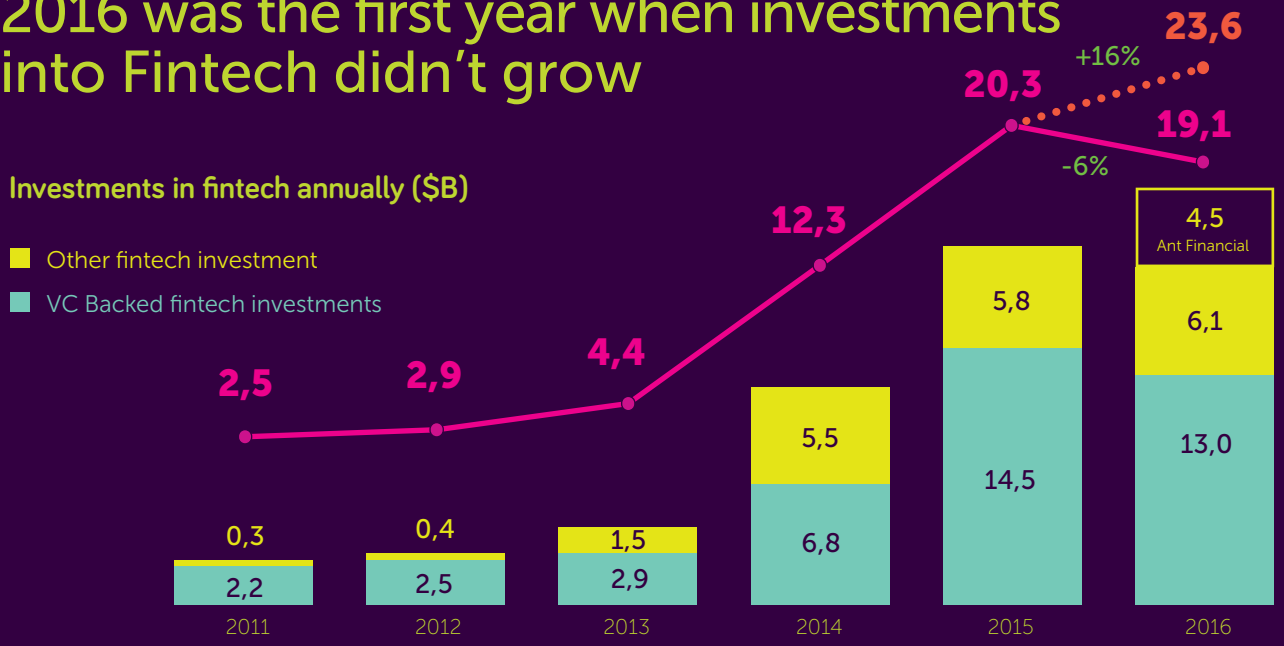
Global fintech market in 2016

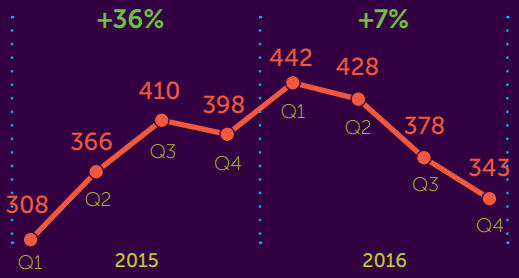
Banks and regulators in Fintech in 2016

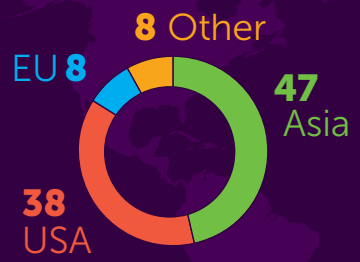
Russian Fintech in 2016

Fintech trends and predictions 2017

2016 was the first year when investments into Fintech didn't grow







Amount of financing deals

Fintech	**1091**
AI related	658
EdTech	415
AdTech	343
Clean / Green Tech	213
AR/VR	171
Robotics	95
RegTech	89
Wearable Tech	85
Ag Tech	68

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The overall funding is down by 6%, however, with ANT Financial the **overall funding is up by 16%**

Without Ant Financial, Global funding is slightly decreased, but **Asian funding is up sharply in 2016,** including mega deals, it is almost 50% of all funding;

Financing traction has lost its momentum just +6% growth of financing deals yoy compared to +36% growth in 14'-15' yoy;

Asian share of companies in financing is growing steadily, taking the dominance over the market;

Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016. Note/source: Source: Capital IQ, FT Partners, Pitchbook, The Pulse of Fintech,

However Fintech is still #1 VC industry with 23% share in Q4 2016 and it's growing

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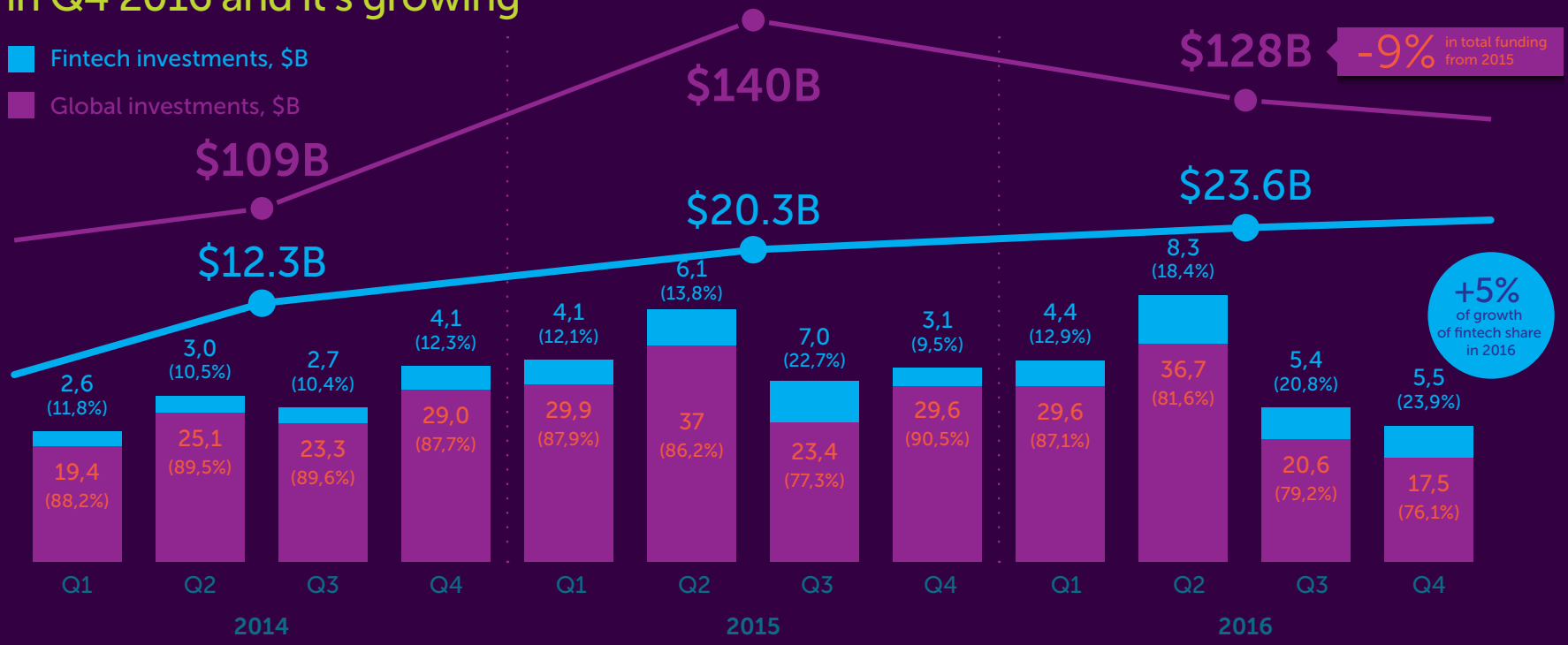

Global financing activity is down.

VC deals activity declined 24% YOY,
and financing activity is down by 9%

However, looking deeper into distribution, investments into **financial technologies gained its scale within VC investments,**
grew to almost 23% (+5% rise) since 2015

The Largest M&As and IPOs

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Key message

- 2016 didn't show notable M&A deals and IPOs in Fintech, except Fidor acquisition by BPCE and Payleven acquisition by SumUp
- Only few traditional payment companies and B2B software developers went to IPO, not fintech startups
- However FinTech industry expects several large IPOs in 2017 both in US and Asia

Key M&As

GROUPE BPCE	‹	fidor BANK	n/a	Banking
sumup	‹	payleven	n/a	mPOS
SoFi	‹	ZenBanxUSA	n/a	Banking
lendingtree	‹	CompareCards.com	$130M	Lending
蚂蚁金服 ANT FINANCIAL	‹	EYEVERIFY Creator of Eyeprint ID™	n/a	Payments
PayU	‹	Citrus	$130M	Payments
Metromile	‹	MOSAIC	n/a	Insurance
loanDepot	‹	Closing USA	n/a	Lending

Key IPOs

Company	Date	Volume	Exchange	Total Return
nets	10/28/16	$2400M	Copenhagen	-18%
Cotiviti	10/28/16	$238M	NYSE	81%
Bats	10/28/16	$253M	BATS	76%
BLACKLINE	10/28/16	$146M	NASDAQ	63%
coupa	10/28/16	$133M	NASDAQ	39%
Yintech	10/28/16	$101M	NASDAQ	21%

Note/source: Source: Capital IQ, FT Partners, Pitchbook, The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

Fintech unicorns: 4 Chinese giants are in TOP5 in 2016

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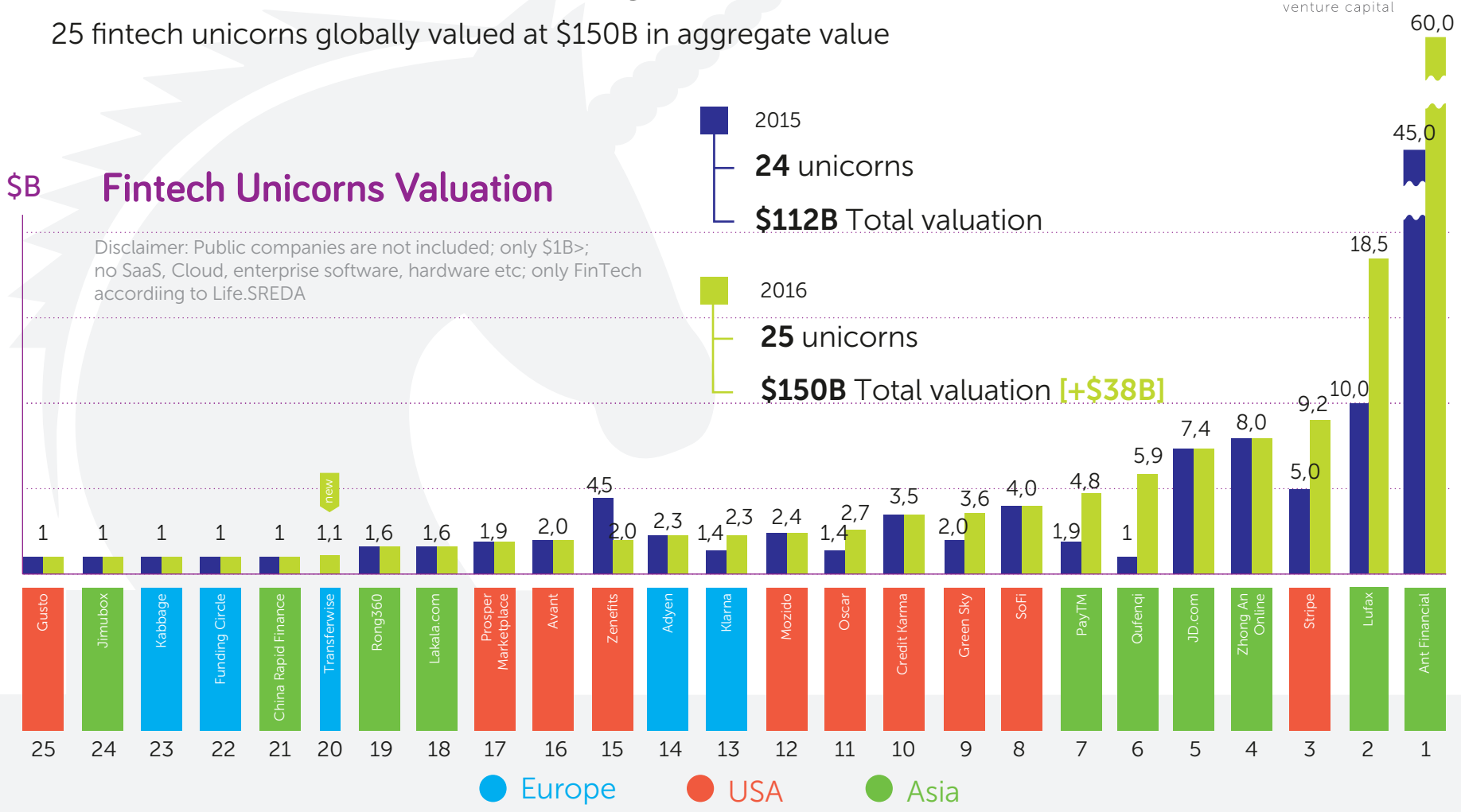
25 fintech unicorns globally valued at $150B in aggregate value



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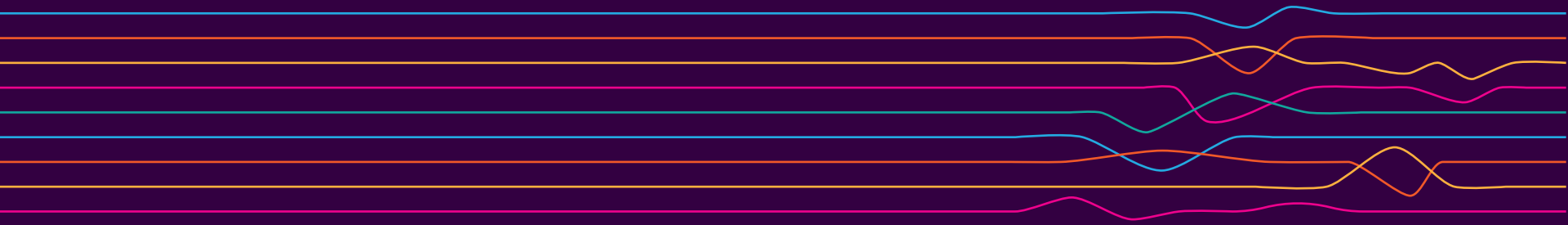
Banks and regulators in 2016



Banks are getting more and more active in FinTech

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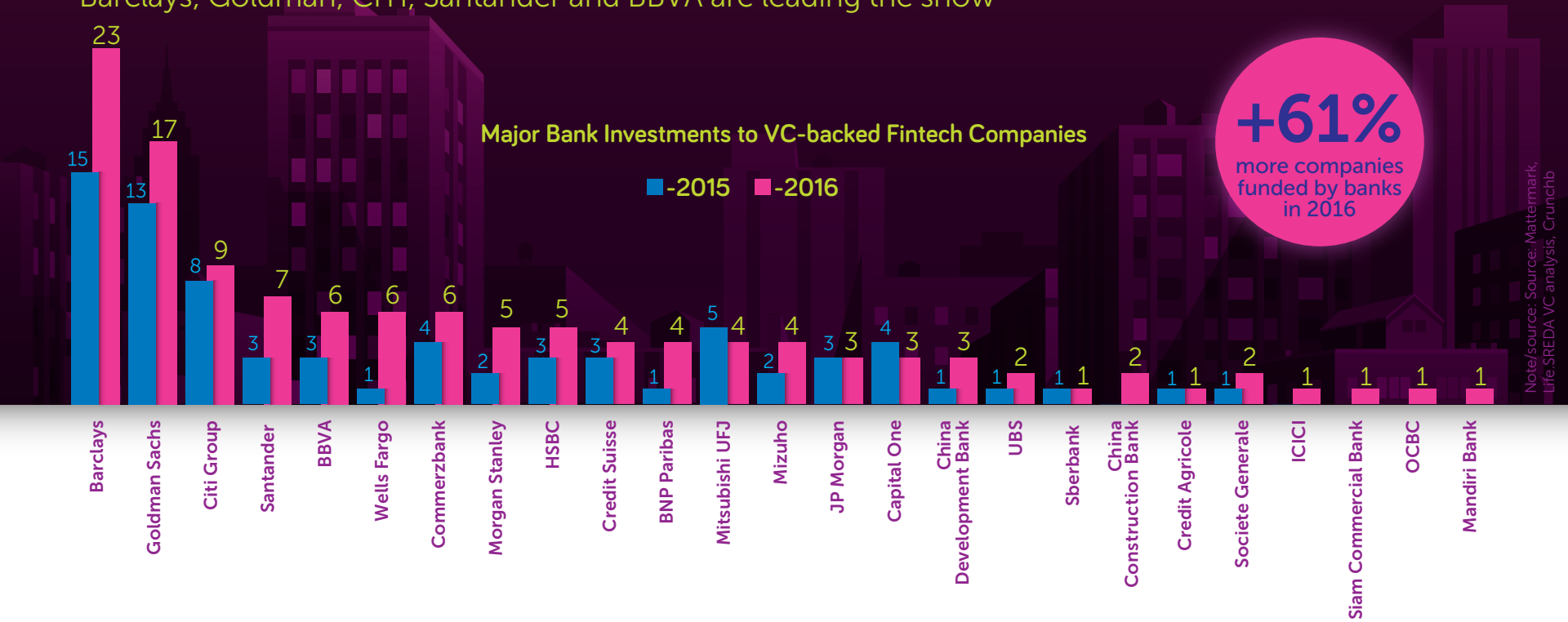
Barclays, Goldman, CITI, Santander and BBVA are leading the show



+61%
more companies funded by banks in 2016

Note/source: Source: Mattermark, Life.SREDA VC analysis, Crunchb

Leaders are
mainly from developed fintech regions
US, UK, Europe.

Top South-Asian banks are starting to follow Chinese/HK/Japanese/Korean megabanks
with playing active role in FinTech: DBS, OCBC, UOB, Siam Commercial Bank, Mandiri, RHB, MayBank, CIMB, KasikornBank and others laucnehd a bunch of initiatives related to fintech

~30% banks invested via their own venture instruments
– VCs, accelerators, incubators

Второе и третье место по объему привлеченных инвестиций поделили подсекторы в финансовом секторе и справочно-рекомендательные сети

2016

184 сделки
$165,2M

ИТ

$149,6M
110 сделок

Биотех

$9,5M
26 сделок

Промтех

$6,1M
21 сделка

Индустрия	*Сделок*	*Сумма*
Cloud / Software	19	$41.8M
Fintech	**9***	**$15M**
Social	7	$15M
Others	76	$77,8M

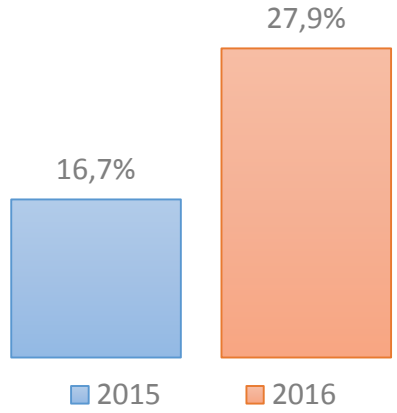
** - Предположительно порядка 15-25 стартапов также получили финансовые гранты, спонсорские деньги, которые не включены в классический объем*

Disclaimer: 4.651 грантов не включаются в совокупный объем осуществленных инвестиций на российском рынке прямых и венчурных инвестиций и рассматриваются отдельно.

Source: Moneytree + PWC Venture Barometer

Сектор финансовых технологий в разрезе топ-3 ИТ вертикалей

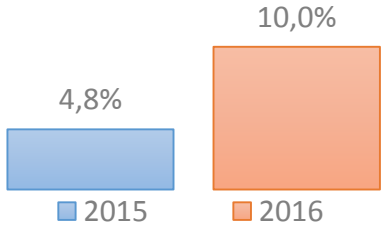
Облачные технологии, программное обеспечение



$41,8M

19

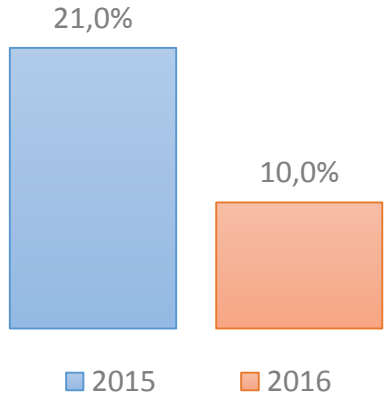
Технологии в финансовом секторе



$15M

9

Справочно-рекомендательные сервисы/социальные сети



$15M

7

Key Observations

- Инвестиции в финтех становятся сильным трендом, приблизившись к уже классическим SaaS и электронной коммерции.
- В 2016 можно упомянуть большое количество интеграций со стартапами в сфере финансовых технологий

Source: Moneytree + PWC Venture Barometer

Сумма *Количество*

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95% финтех-стартапов **не достигнут даже раунда B**

потому что **не умеют маштабировать бизнес** и показывать **реальный результат**

Боли стартаперов

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6-12 месяцев для выхода на рынок
$200-400К

Преграды для эволюции финтеха в России, Восточной Европе, Ближнем Востоке, Азии

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Сложность в создании финансовых услуг и продуктов с участием традиционных банков

80% ресурсов тратится на запуск

80%

1+ год

Россия, Восточная Европа, Ближний Восток, Азия

В США и UK

20%

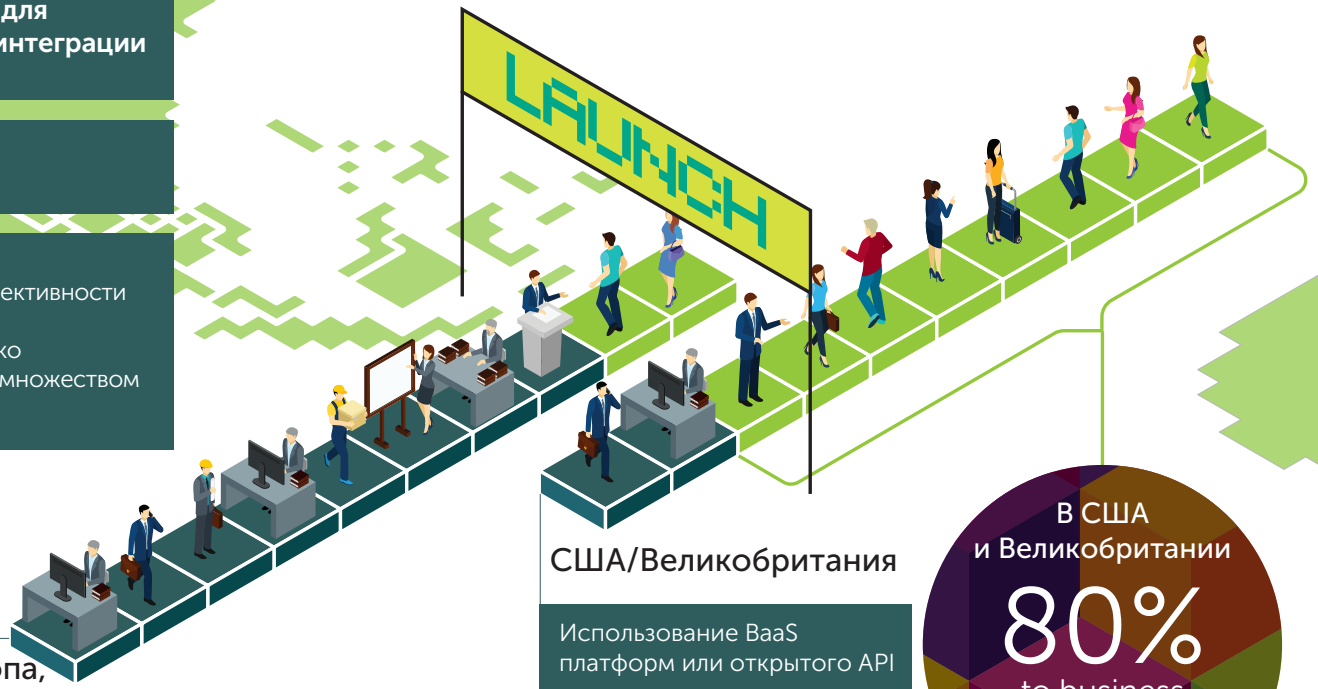
3-6 месяцев

20% ресурсов тратится на запуск

Переговоры с банками для получения лицензии и интеграции с системой банка

Прямая интеграция в систему банка

Для банков:
- Не является показателем эффективности
- Не безопасно, не надежно
- Не быстро, не дешево, не легко
- Нет возможности работать с множеством стартапов



Россия, Восточная Европа, Ближний Восток, Азия

США/Великобритания

Использование BaaS платформ или открытого API

Преграды для эволюции финтеха в России, Восточной Европе, Ближнем Востоке, Азии

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Сложности в географической экспансии из-за различий в регулировании и инфраструктуре

Россия, Восточная Европа, Ближний Восток, Азия

- сложности в экспансии стартапов зарубеж;
- сложности в интеграции с иностранными компаниями, создание новых регуляционных норм;
- сложности в реализации потенциала компаний из-за инфраструктурных ограничений

В США и Европе

- простое регулирование;
- легкая интеграция;
- ясная экспансия;

Глобальная BaaS-платформа

необходима для развития финтеха

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Слои BaaS-платформы

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Экосистема

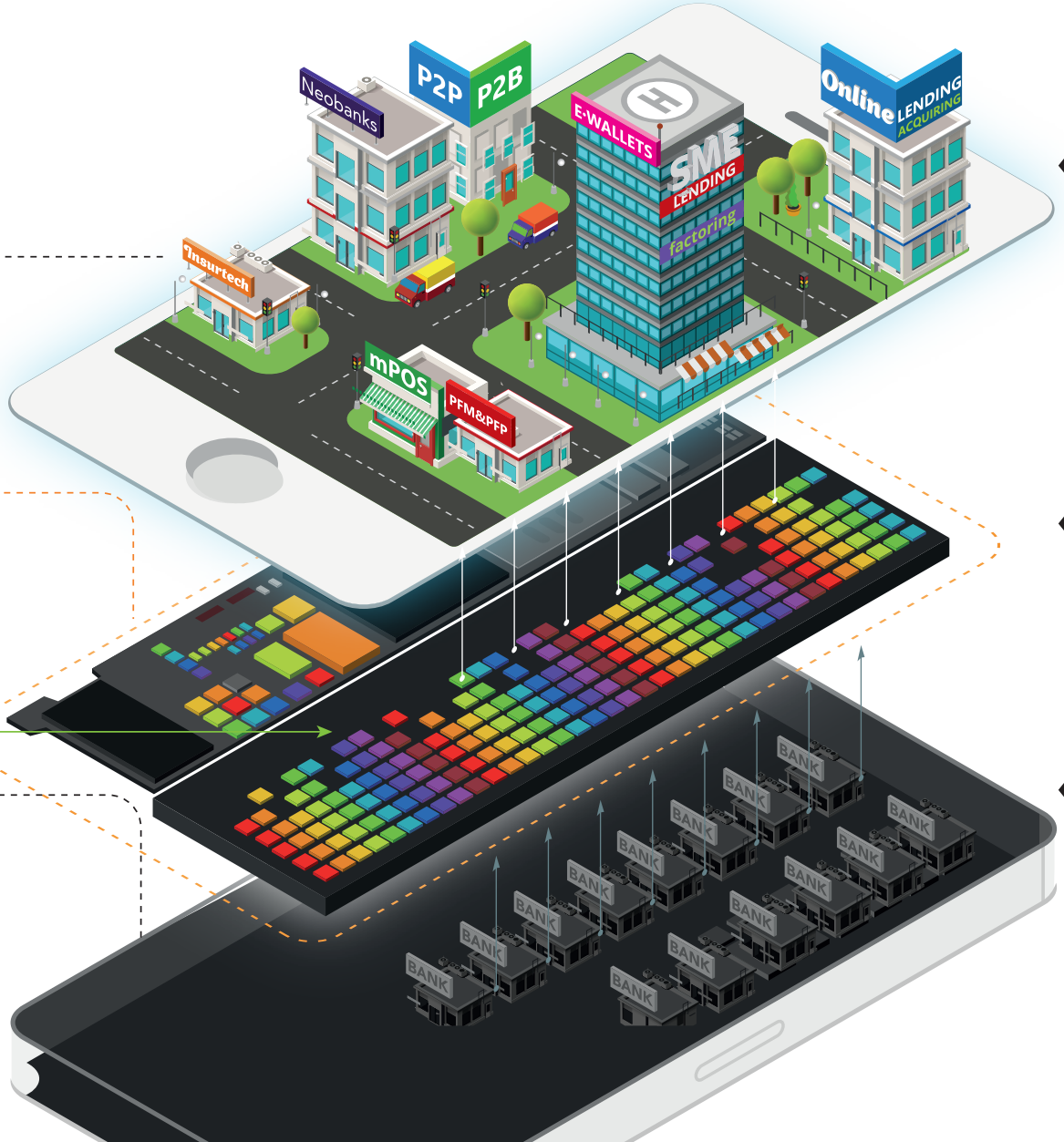
500+ финтех-стартапы

Bank-as-a-service

на основе 40+ универсальных APIs

Банки

Лицензированные и регулируемые бэкэнды принадлежащие банкам в каждой стране



Финтех стартапы не тратят время, деньги и рабочую силу на интеграцию в каждой стране

Middleware

предоставляет им универсальные API

Банкам не нужно тратить время и деньги на создание новых API и общение со стартапами по всему миру

Bank-as-a-Service для банков
= Amazon Web Services для e-commerce

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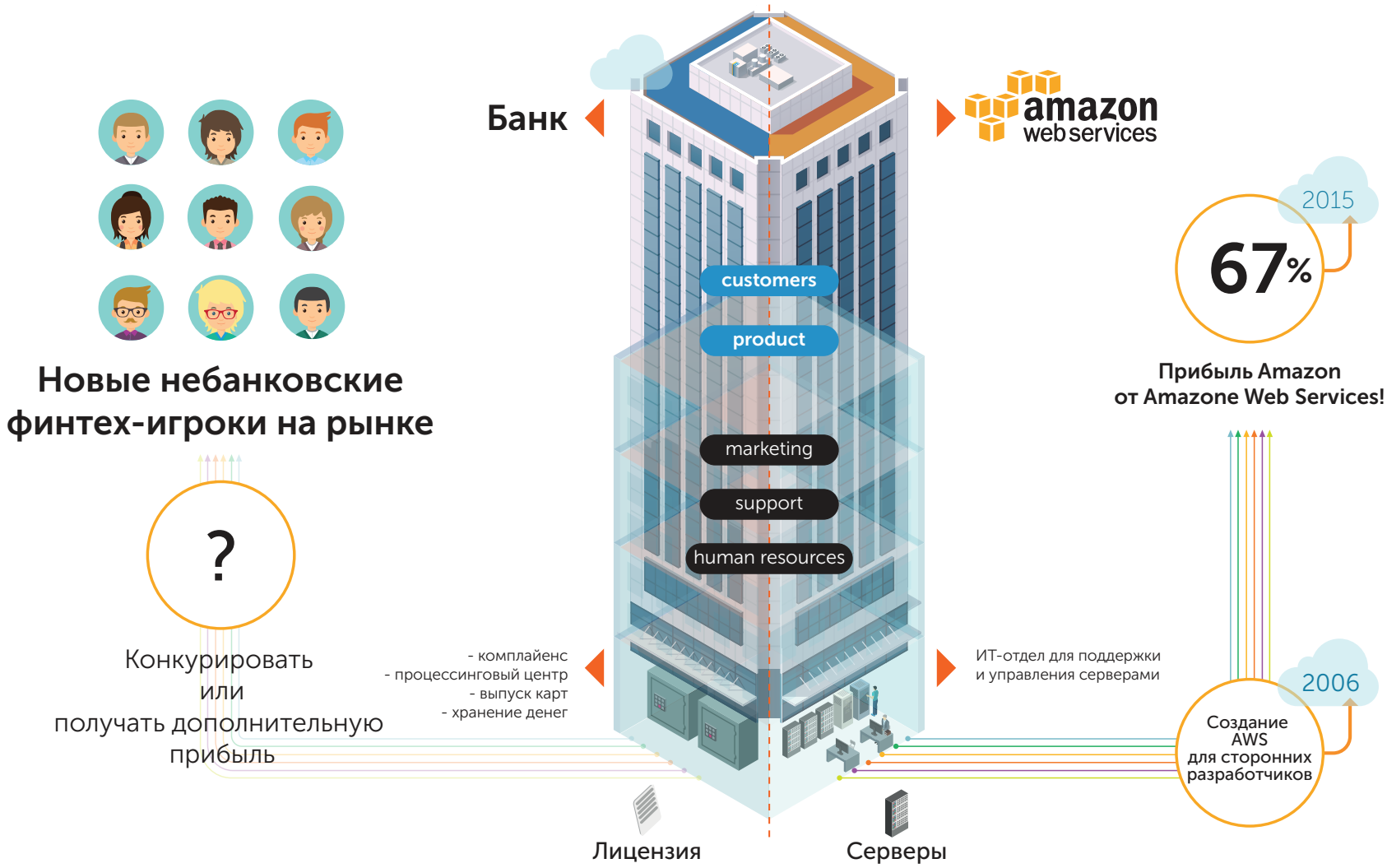

Можно списать в расходы все затраты на инфраструктуру или использовать их как вложения для новых источников прибыли

Преимущества для банков

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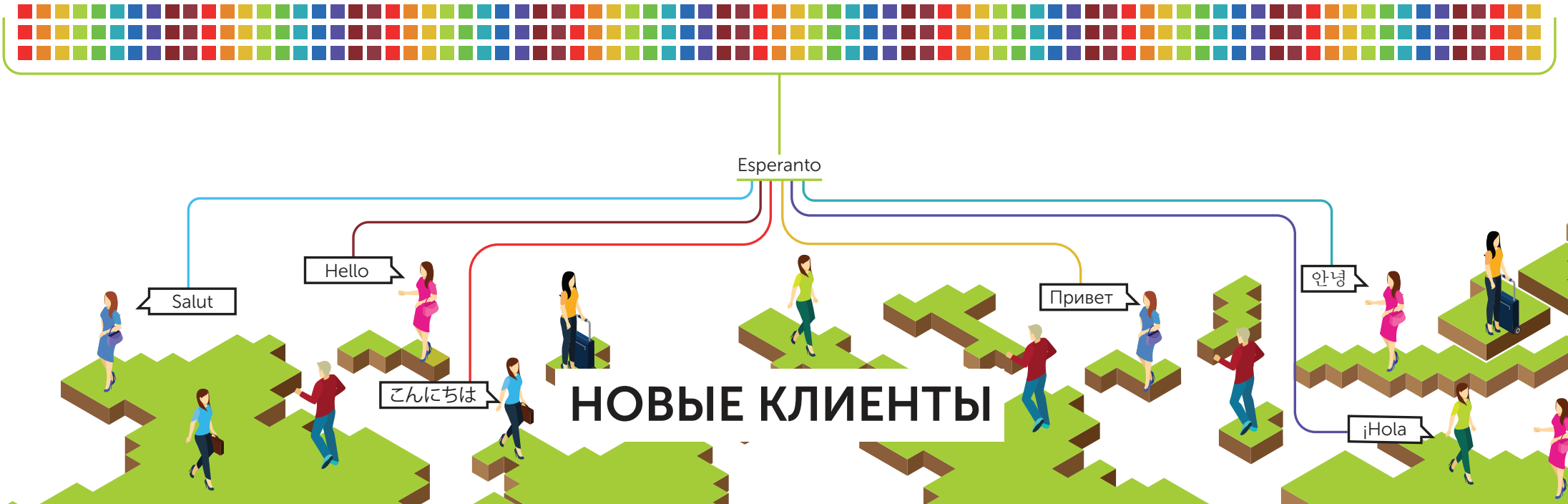
~~“Канибализм”~~

~~Новые конкуренты~~

Новые источники прибыли

Снижение затрат
(на разработку API,
новые продукты и сервисы)

Новые сервисы и продукты
(от сторонних разработчиков)



Использование BaaS-платформы позволит создать

Финтех-банк с UX “как у Tesla”

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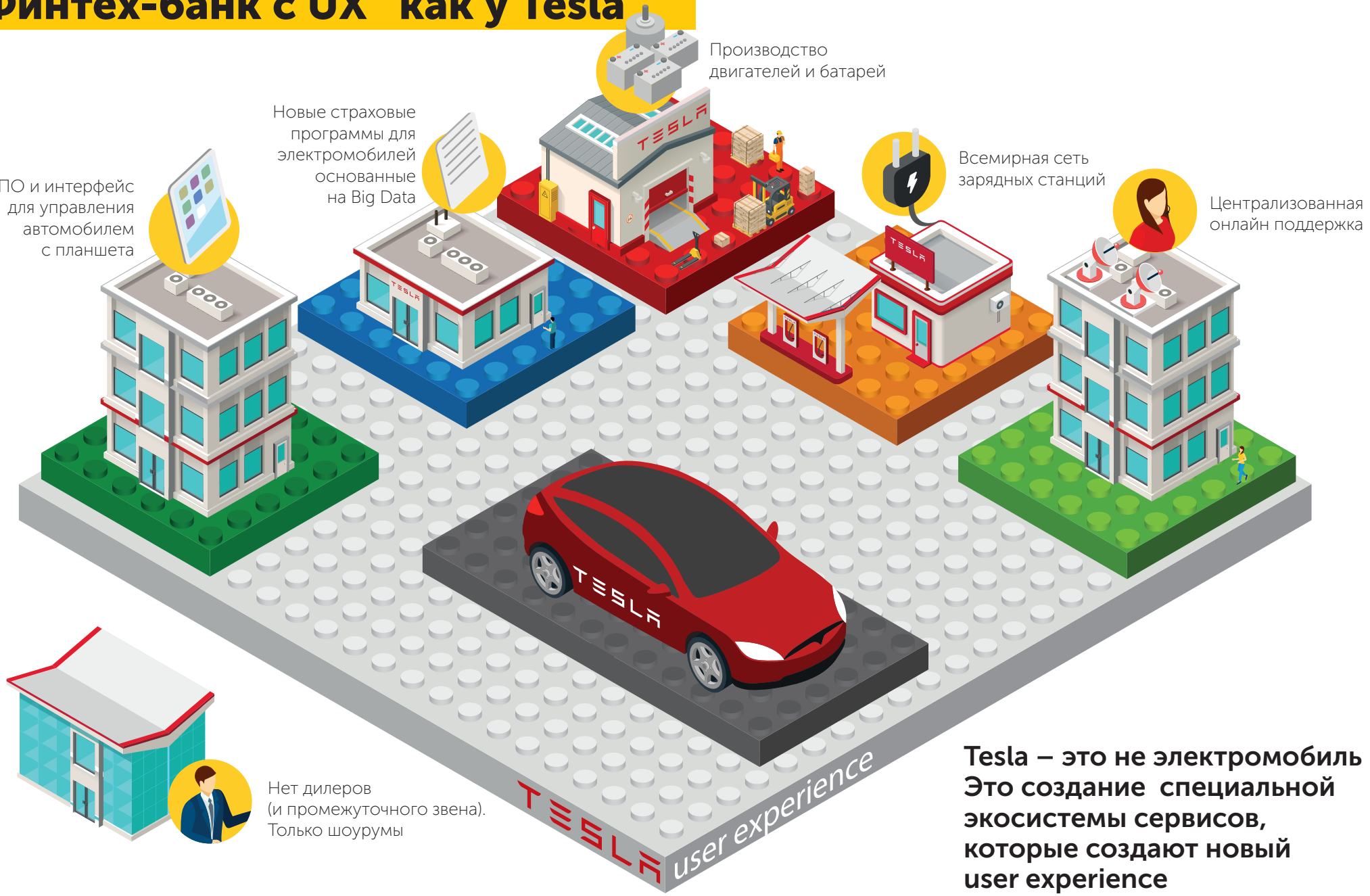

Tesla – это не электромобиль
Это создание специальной экосистемы сервисов, которые создают новый user experience

Key initiatives in bank-as-a-service and open banking areas

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Startups and tech companies

Bancorp – industry leading US-based largest bank-as-a-service platform, hosting 100+ non-banks with processing volume of $200+ billion USD annually. Different clients of different size, including google wallet, PayPal, T-Mobile, yodlee and others

In 1H 2016 was launched **solarisBank**, banking-as-a-platform startup with a full banking license in Germany. It provides account and transaction services, compliance and trust solutions, working capital financing, and online loans for fintech startups.

BAASIS, launched in 2016 in Singapore, is an open-API Bank-as-a-Service platform, aimed to connect banks and FinTech startups across Asia Pacific region. Currently is in integration phase with several banks on different markets.

Banks

In 2H 2016 **BBVA** launched its API marketplace, aimed to offer other companies a way to leverage BBVA's capabilities to build their services. Fintech startups has an access to such APIs as PayStats, Connect, Accounts and Cards

In 4Q 2016 **Citi** launched global API Developer Portal aimed to open architecture to facilitate collaboration with FinTech companies. APIs includes account management, p2p payments, money transfer, rewards, investment purchases and account authorization.

Otkritie, the biggest privately-owned bank in Russia, through the process of integrating with leading digital bank for SMEs Tochka, developed its own modern API-platform, that was later used to integrate with fintech startups, including mobile bank for retail clients Rocketbank.

Government initiatives

The UK government in 2016 has set up the Open Banking Working Group (OBWG) in order to create an open banking standard that makes it easy to share and use financial data. It includes development of open API to enable services to be built using bank and customer data

In 4Q 2016 The **Monetary Authority of Singapore (MAS)** published 12 sets of data from MAS' Monthly Statistical Bulletin as APIs. MAS is encouraging financial industry players to publish open APIs on their datasets, to allow users to connect information and offer innovative solutions

In Q4 2016 **the Korean Government** launched an open banking platform for financial institutions (16 banks) that will allow them to build services that automatically populate financial information for new customers. The platform will essentially serve as database of consumer financial information that is accessible via API.

Regulation activities in the APAC and Asia

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Key message

Most of activities are focused on establishing an early stage infrastructure and development

Establishing an infrastructure

South Korea permits for banks to invest in Fintechs

Currently financial laws, financial institutions are allowed to buy stakes only from companies in the same business sector. The FSC have included fintech companies in the scope of the financial industry.

#banks #2016

South Korea

6 P2P Lending Licenses Granted in Malaysia

Six P2P lending licenses were granted in Malaysia recently, making them the first authorized platforms in the ASEAN region.

#p2p lending #license #2016

Malaysia

Korea has launched a platform for banks

The platform allows financial institutions to build services that automatically populate financial information for new customers.

#banking #2016

South Korea

MAS established a regulatory sandbox.

To allow more flexible application of the regulations, while maintaining safeguards to protect consumers and the wider financial system.

Singapore

MAS establishes a dedicated Fintech Office

MAS and the National Research Foundation opened a dedicated FinTech Office to serve as a one-stop virtual entity for all FinTech matters and to promote Singapore as a FinTech hub.

#opportunity

Singapore

P2P Firms Regulation in Indonesia

The draft regulation proposed that a Fintech company is required to have Rp. 2 billion in working capital and is required to show Rp. 2.5 billion applying for a business license.

Indonesia

Hong Kong to launch banking fintech 'sandbox'

To help maintain Hong Kong's competitiveness as a financial hub by supporting the development of fintech in the banking sector

Hong Kong

Financial Sector Technology & Innovation scheme

MAS committed $225M ($166.48M USD) under the "FSTI" scheme to provide support for the creation of a vibrant ecosystem for innovation.

Singapore

Malaysia issues the Fintech Regulatory Sandbox

To experiment with FinTech solutions in a live controlled environment which is accompanied by the appropriate safeguards

#opportunity

Malaysia

Hong Kong establishes a Facilitation Office

HK Monetary Authority established the FinTech Facilitation Office to facilitate the healthy development of the FinTech ecosystem in Hong Kong and to promote Hong Kong as a FinTech hub in Asia.

#opportunity #2016

Hong Kong

Source: Fintechranking.com

Regulation activities in Europe

Key message

Most of activities are focused on controlling and regulation of existing regimes

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UK sets out open banking API framework

Open Banking

Aimed for the creation of an open banking standard that makes it easy to share and use financial data, arguing that the move would improve choice for customers, promote competition;

#regulation #bank #UK

The cohort of the regulatory sandbox closed

Sandbox

69 firms from a diverse range of sectors, geographies and sizes have been accepted. 24 applications met the sandbox eligibility criteria and were accepted to develop towards testing

#regulation #opportunities #UK

A specially created "Fintech" licence

Banking

Plans to encourage crowdfunding and the market testing of new technologies. FinTech firms, with a minimum of $300k in capital, are allowed to accept funds from clients, up to $99m, which remain outside the depositor protection scheme and are not subject to the same regulations, auditing and the capital requirements applied to banks.

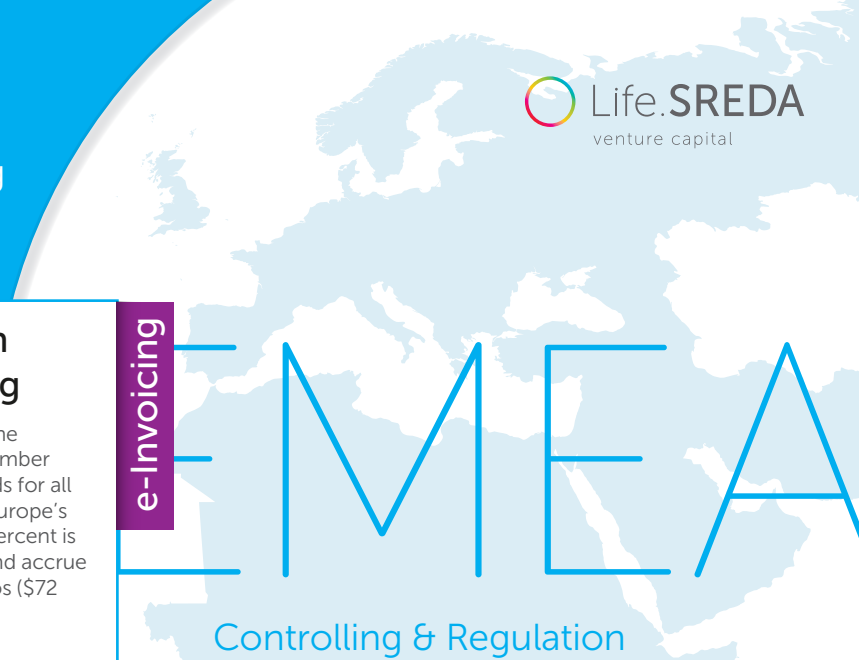
#Implementation #Switzerland #EU #2016

Introducing a European Standard for e-Invoicing

e-Invoicing

The European Commission announced the e-invoicing directive require all 28 EU member states to use specific e-invoicing standards for all B2G e-invoices by November 27, 2018. Europe's current e-invoicing adoption rate of 24 percent is expected to rise to 95 percent by 2024 and accrue savings of approximately 64.5 billion euros ($72 billion) per year for businesses.

#Announcement #e-invoicing #EU #2018



Standardized mobile and internet payments (PSD2) in EU

Payments

PSD2 enables bank customers, both consumers and businesses, to use third-party providers to manage their finances. In the near future, customers may be using Facebook or Google to pay bills, making P2P transfers and analyse spending, while still having money their safely placed in current bank account.

#Announcement #Payments #Global #2017

Solvency II is a programme for insurance regime

Insurance

It introduced a new, harmonised EU-wide insurance regulatory regime. The Solvency II programme is divided into three areas, known as pillars: Financial Requirements (Capital Requirement and etc), Governance & Supervision (Own Risk & Solvency Assessment) and Reporting & Disclosure (Insurers required to publish details of the risks facing them).

#Implementation #Insurance #EU #2016

Source: Fintechranking.com

Regulation activities in the US

Key message

Most of activities are focused on shaping certain sectors within an industry

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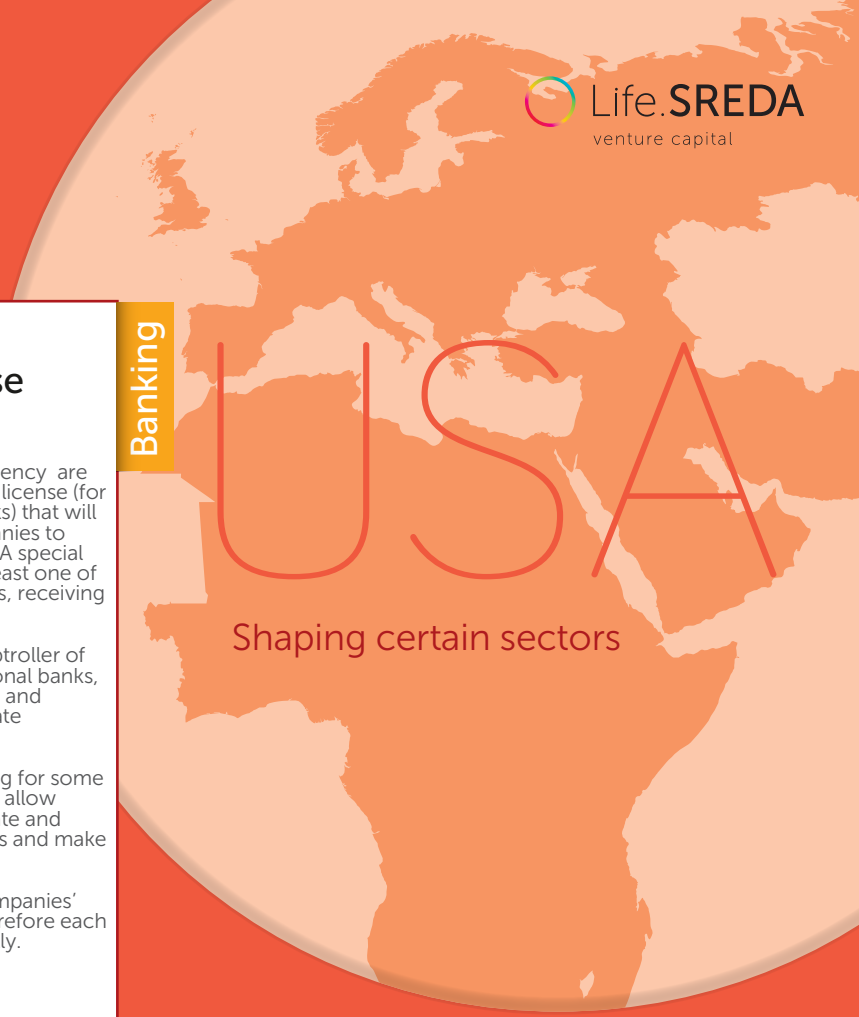

Crowdfunding

In May, the third and final part of the 2012 JOBS Act, Regulation Crowdfunding, went into effect

Regulation Crowdfunding allows any American startup or small business to raise up to $1 million from friends, family, and followers on debt and equity crowdfunding platforms registered with the Securities & Exchange Commission (SEC).

During the course of the year:

- 21 debt and equity crowdfunding platforms were launched and one, Ufunding Portal, shut down by the SEC because it seemed to be missing some of the statutory requirements required of a funding portal.
- Investors committed $19 million to the 186 campaigns and transfered $17.9 million to the 79 funded campaigns.
- Over 21,000 individual investments were recorded for 2016. The average investment was $833, and the average number of investors in a funded campaign was 331
- The average valuation for a funded campaign was $5.3 million.

#crowdinvesting #results #USA #2016

Banking

Financial technology start-ups to get a license to bank

The Office of the Comptroller of the Currency are planning to create a new type of banking license (for example, trust banks and credit card banks) that will allow upstart financial technology companies to expand more quickly across the country. A special purpose national bank must conduct at least one of the following functions: fiduciary activities, receiving deposits or lending money.

The licenses from the Office of the Comptroller of the Currency, which oversees many national banks, will be available to companies like Square and Lending Club that accept deposits, facilitate electronic payments or lend money.

Many technology firms have been pushing for some sort of new regulatory system that would allow them to cut through the patchwork of state and federal laws that govern financial activities and make it hard to expand nationally.

The OCC acknowledged that Fintech companies' business models vary widely and that therefore each application should be reviewed individually.

#p2p #license #USA #2016

Source: Fintechranking.com

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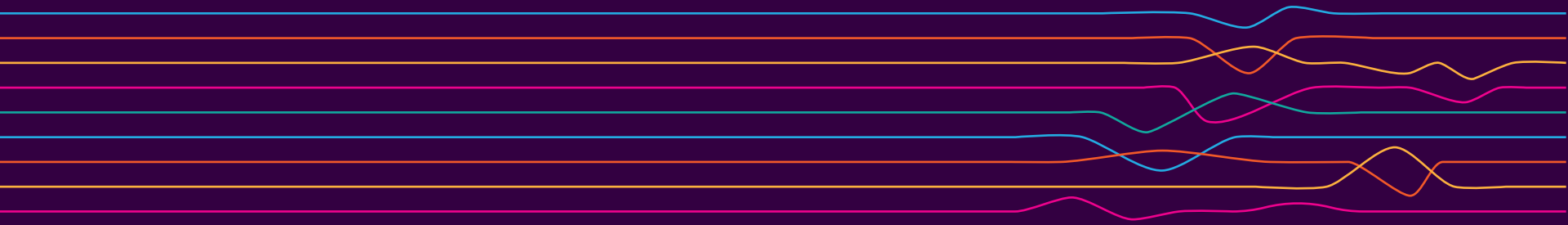
Trends and predictions 2017



Global FinTech Market expectations in 2017

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- **Fintech VC market** seems to be saturated, we expect it to be **in 2017 on the same size level** as in 2016 (+- 10-20%)
- **Emerging fintech markets** (Asia, Africa, LatAm) **will double developed markets** (EU and US)
- **Less number of mega-deals** (however first one has happened – $500M in SoFi)
- **More number of series B/C rounds**
- Hope for few really **notable IPOs** (Ant / Lu/ Stripe)
- **FinTech in SE Asia** should show the **highest growth across all markets** (+100-200%), largely at the end of 2017

TOP10 Anticipated Fintech IPOs in 2017

Rank	Company	Country	Exchange	Segment	Justification
1	ANT FINANCIAL	China	HKEX	Payments	Postponed
2	PING AN	China	HKEX	Insurance	Planned
3	stripe	USA	?	Payments	Planned
4	LufaX.com	China	HKEX	Lending	Postponed
5	Interswitch	Nigeria	LSE	Payments	Postponed
6	点融网 Dianrong.com	China	?	Lending	Planned
7	分期乐 fenqile.com	China	Nasdaq	Lending	Planned
8	Elevate	USA	Nasdaq	Lending	Postponed
9	信而富 China Rapid Finance	China	NYSE	Lending	Planned
10	ayondo	Singapore	SGX	Trading	Planned

Top Fintech influencers' predictions for 2017:

fintech Global expansion and collaboration, Regtech rise, Open API banking and bank-as-a-service are in the top

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Fintech buzz continues, but not in the USA

Ant Financial goes global

Regtech moves deeper into bank infrastructure

Regulators compete to innovate more

A major global bank gets broken into pieces

Blockchain PoC goes mainstream

Machine learning and AI are all the rage

Chris Skinner

CEO of The Finanser Ltd

CHRIS SKINNER'S BLOG

Fintech companies partner among themselves and merge to build an ecosystem

In-messenger remittances are to be deployed on a global scale

SME lending continues the growth as is still far from saturation

BaaS and BaaP models emerge, especially in Asia

Preparation for global mobile banking and wallets war ends, and the war begins

Blockchain is either boom or bust

Slava Solodkiy

Partner at Life.SREDA VC

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BaaS and BaaP platforms step into the creative stage

Cybersecurity, AML/KYC see rise in funding and activity

Regulators collaborate at the sandbox level;

Alternative lenders face more counter-moves from banks

More roboadvisor and AM tech offers for incumbents

Micropayments make it big

Blockchain sees consolidation, patent wars and standardization

Pascal Bouvier

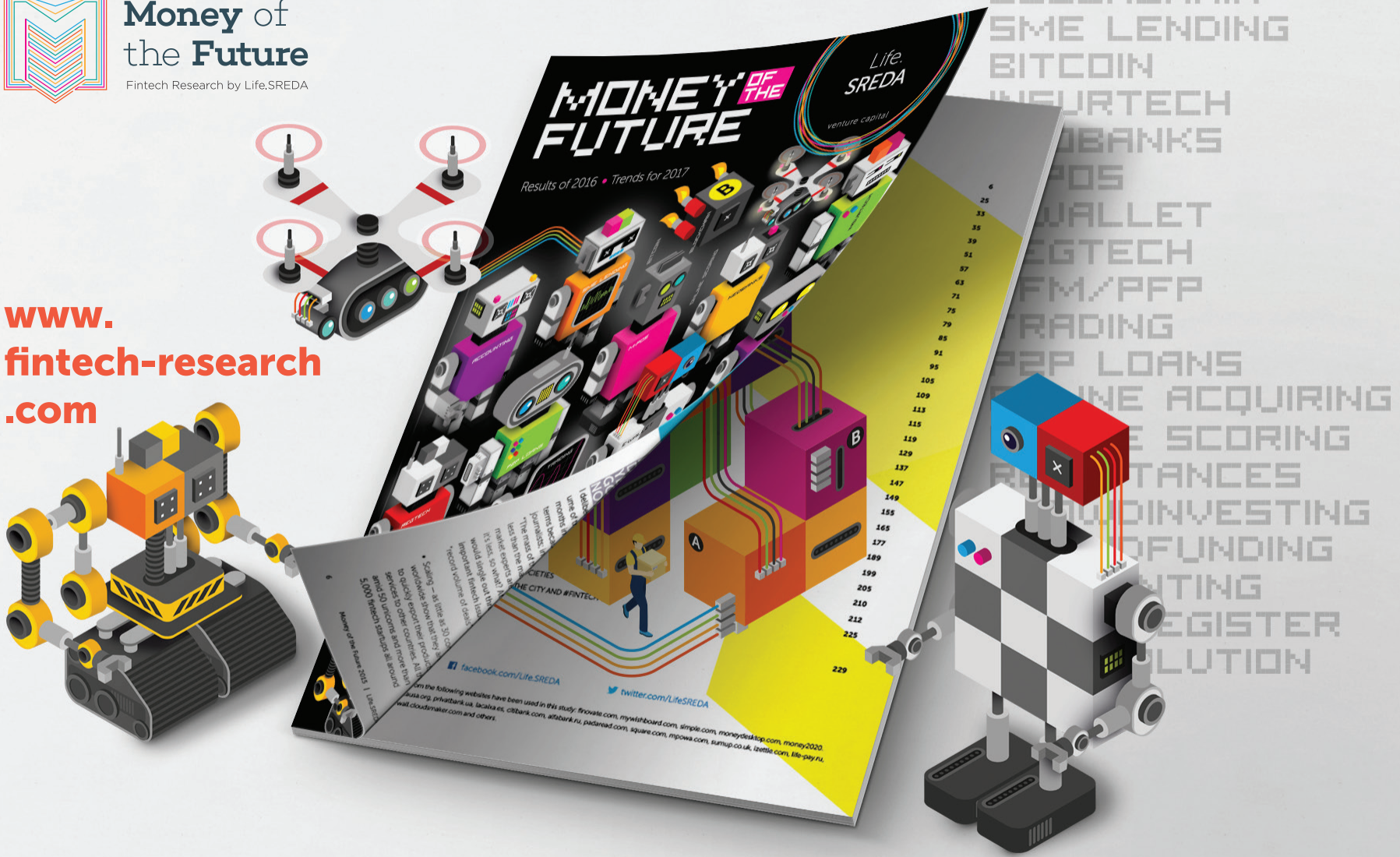
Venture Partner
Santander Innoventures, CFA

Santander InnoVentures

Source: The Financer, LinkedIn, e27

Money of the Future

Fintech Research by Life.SREDA



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Thank you

Maxim Avdeev
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