

# **FinTech - The Strategic Space**

## **9<sup>th</sup> October 2012**

This report examines the strategic space that FinTech (Financial Innovation) is occupying highlighting investment hotspots and volumes of investment. It illustrates areas within the financial services industry that remain targets for innovation. It also discusses the threat to Europe's financial services industry caused by a much lower rate of innovation in new financial service business models than North America.

The purpose of this report is to map out the space and identify the opportunities, what is the structure of the space, what segments are there, who is already in them and what are they doing and how much have they invested. It's essential that Innovation is Market-led and not Technology-led, a syndrome that is all too common, we need Entrepreneurs to build viable investable companies that transform and create new markets, and that starts with a good understanding of the space you're targeting. We hope that this report serves that purpose.

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### **This report will always be in Beta**

This report is a work in progress and it is our intention to publish it every 6 months. If you know additional sources of data please inform us and they will be incorporated into the next edition.

### **An Apology in advance**

As many attendees at the meetup are involved intimately in Fintech transactions you may have much more additional information on the detail of specific transactions. A full and complete and unreserved apology is offered in advance for any misreporting, please contact the author to correct any inaccuracies.

### **Collaboration**

A call for Collaboration on datasources and ways to enhance the value of this report.

### **Finally**

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# Fintech – The Strategic Space Wheel



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This table illustrates how the Fintech Strategic Financial Innovation Space is occupied in London.

## 1.0 Preface and Executive Summary

### 1.1 Preface

Nearly every citizen of the world is aware of the Facebook, Smartphone, Google, EBay, Twitter, Apple revolution that has changed human economic and social behaviour in the past five years. Within 8 years virtually every object made by man and women kind will be touched by a computer system and nearly every human will have access to a Smartphone as internet connected devices reach the 10bn level.

What is far less reported there is a parallel revolution in the way money is accounted for, transferred, invested, managed and insured. This change is profound; its results are more persuasive than Social Media, Etravel or E commerce retailing revolution. Money as a store of wealth and means of exchange is central to human existence its aggregation is the world's economy. The leverage impact on economic efficiency through more effective money, banking and wealth systems could be much greater than the first two Phases of internet development to date.

An example of this change comes from outside the developed economies, Kenya. M-PESA is a text based mobile banking system serving 14.91m customers with revenue of £123m<sup>1</sup>. Financial inclusion rates have risen to 80% in Kenya with M-PESA accounting for approximately 75%<sup>2</sup>, 50,000 persons are directly employed as agents for M-PESA. Full mobile banking services ATM, M Ticketing, Payroll etc are also available via M-PESA.<sup>3</sup> M-PESA was born out of the developed world, its parent is Safaricom a Vodaphone Company, M-PESA's original POC – Proof of concept, seed match funding of £910k was provided by a British DfiD Department for International Development grant in 2004.

The lessons learned out of the success of M-PESA have not been missed by the Worlds Venture capitalists, they sense an opportunity as large as when internet retailing commenced. this time the user base is 7bn. To enable the commerce of the Smartphone and Tablet age, the financial services industry has to completely reengineer the whole of its value chain, embrace large numbers of disruptive business models and find new ways of establishing trust, identity and regulatory control. As evidenced by this research report a paradigm shift is well under way.

### 1.2 Executive Summary

#### Size

\$11bn has been invested into Fintech innovation by some of the world's leading Private Equity Houses. These are serious levels of investment and are starting to make an impact in the marketplace for financial services.

#### Location

Investment is focused on the USA with \$6.6bn, UK with \$3.2bn and \$1bn in the rest of the world.

#### Focus

The investments objective is to disintermediate the Financial Services value chain. This changes the shape and delivery of financial services to the consumer/business bypassing existing financial institutions, exactly what Amazon did using internet technologies, wholesale directly to customer; this time is directly to your Smartphone.

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<sup>1</sup> Page 70 Safaricom Annual report and Accounts 31<sup>st</sup> March 2012

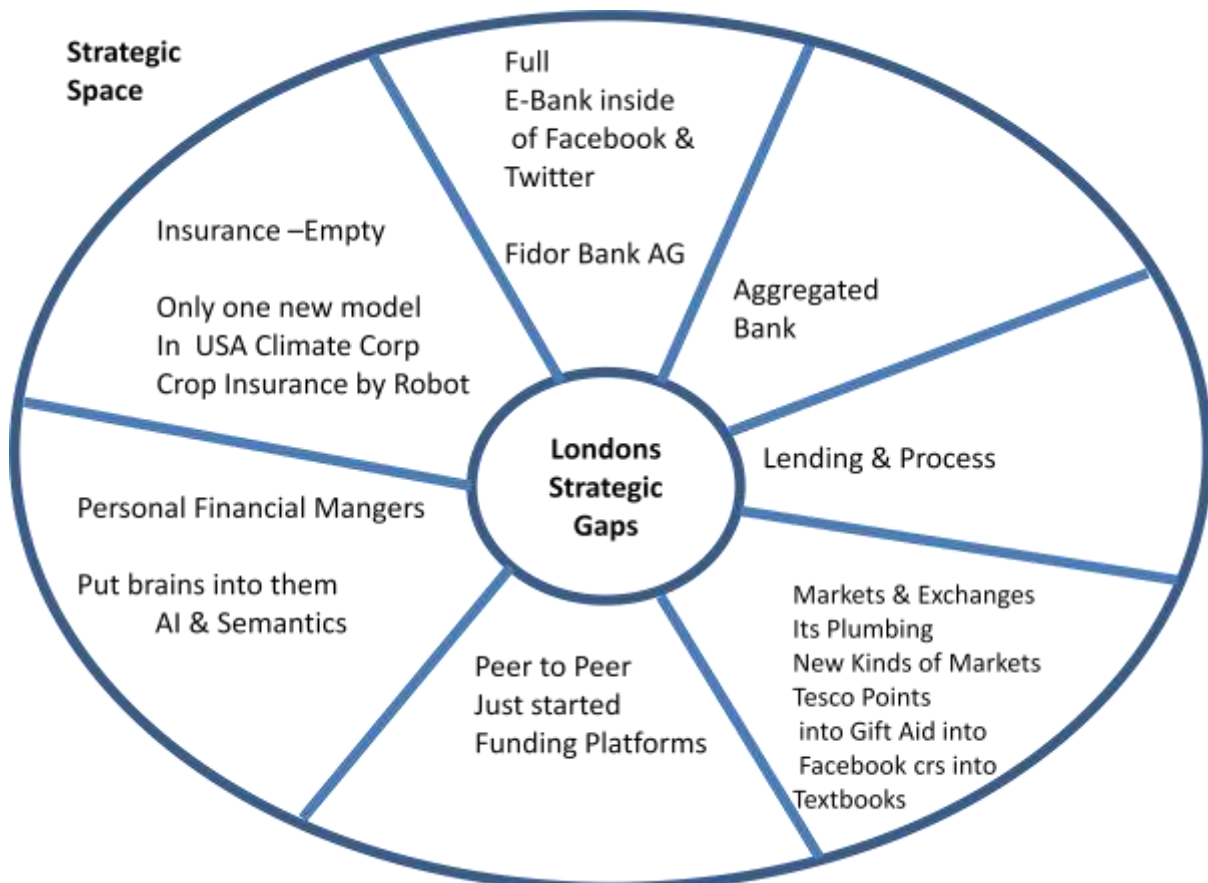
<sup>2</sup> Page 11/ 12 Safaricom Annual report and Accounts 31<sup>st</sup> March 2012

<sup>3</sup> Page 31 Safaricom Annual report and Accounts 31<sup>st</sup> March 2012

### 1.3 Risks to London & Europe

The major investment hub is the USA. It is investing in all aspects of the new disintermediated value chain. There is a danger that the USA will own the new Financial Services infrastructure in the same way that Google owns the internet search infrastructure, if that happened Europe's & the UK financial services industries would be severely weakened, the rate of innovation outside the USA must increase. Incumbents who look to regulation to stifle innovation will not be effective; if barriers are raised financial services will move off shore where a large part of it is already located.

### 1.4 Strategic Space



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- **E Banks** - True E Banks with full banking licences.
- **Insurance** - Blank space for innovation
- **Process – SaaS** processing can expand to all financial commercial and consumer process.
- **E Money, M Money, currencies and transfers**  
Proven to work in developing country environments. Bitcoin throws down on gauntlet on currencies, it works. The world is moving toward a multiplicity of value stores and instant transfer of value.
- **Build your own Bank**



Aggregation marketing, branding and segmentation. You can effectively licence a bank or financial institution from software/SaaS vendors. It will have full compliance they will process all transactions for you. The challenge is in the combination of aggregations of the various packages of services and to market them to the worlds Smartphone generation.

- **Personal Finance management**

The Key entry point and management tool that drives transactions, moving from passive to active management. The key driver of efficiency and volume in the value chain.

- **Transitioning of existing institutions**

Existing institutions need to transition they need support

- **The unbanked of Africa, India, China and the bottom 25% of the developed world**

At least 50% of the human race, by 2020 they will all have Smartphone's.

- **Markets and Exchanges**

Betfair is an example of a whole industry revolutionised by the introduction of a new electronic marketplace. Financial markets await the first real challenger exchange/market outside existing frameworks. An open insurance exchange is an interesting concept

- **Peer to Peer**

London's peer to peer lending and funding platforms are an innovative cluster. Capital should be applied to these models, they should be globalised.

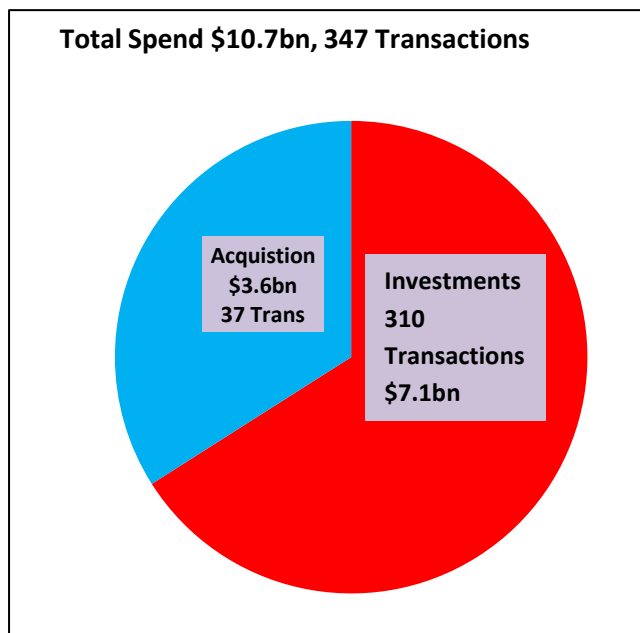
- **Financial Services Industry Disintermediation**

Niche aspects of disintermediation should be focused upon. Regulation semantic analysis of documents are illustrations others are advanced SaaS Big data / mathematical models to improve market bottlenecks and efficiency.

## 2.0 Paradigm Shift

### 2.1 Fintech Overview of Investment

#### 2.1.1 Investment Levels in Studied Sample

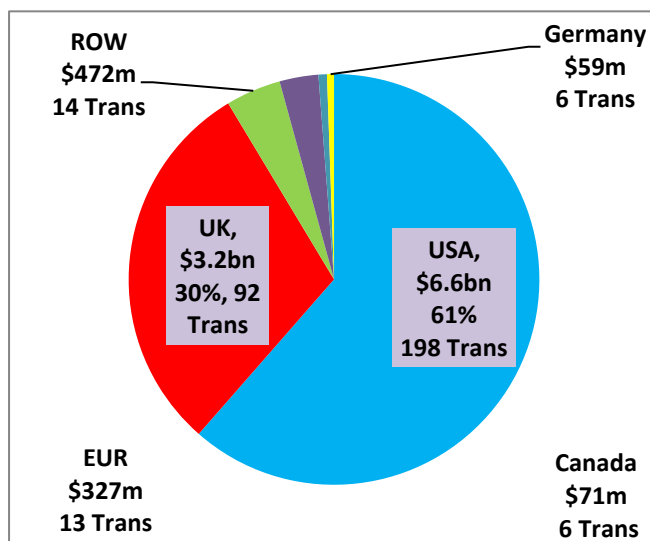


How much has been invested - \$10.7bn in 347 studied transactions.

Direct investments in 310 companies at an average of \$23m.

Acquisitions 37 transactions at an average of \$97m

That's an average of x4.2 cost which is low for VC investment who would seek to aim for x10. This can be explained by the relatively few numbers of acquisitions, 12% of investments and the early developmental stage of the market for Fintech investments.



#### 2.1.2 Location of Fintech Investment

The USA dominates investment with 61% of the total \$6.6bn. It has grasped the need for Fintech innovation as quickly as it grasped the E Commerce revolution.

The structure of State and Federal banking laws places considerable hurdles in the way of innovation. The regulative framework creates a more fragmented financial services industry when compared to the UK.

Markets are regional and mutuals and credit unions are powerful, competition is much higher than in the UK and European markets.

Innovators have circumnavigated this structure. They compete and market on two levels direct

to consumers and white label innovation to existing financial services players.

The UK has 30% of the investment reflecting its market position in world financial services but it tends to have just one key player in each sector or smaller players.

Europe and the rest of the World have smaller levels of innovation investment \$929m. Innovation is coming from the US and a lesser extent the UK with white labelling to established financial institutions, facilitated by existing VISA and MasterCard payment system relationship.

There are three very important exceptions, Fidor Bank in Germany which seems to be evolving into a true E Bank, Klarna, Sweden, pay for goods when you receive them and Xero one of the world's largest SaaS accounting systems for SME's from New Zealand with a global presence.

### 2.1.3 Type and numbers of Investment

Sector	No	Value \$'000	Average \$000	% Value	% No
E & Mobile Cash	48	2,557,952	53,291	23.9%	13.8%
Comply Identity Security	43	1,748,320	40,659	16.4%	12.4%
Process Improvement	43	1,581,375	36,776	14.8%	12.4%
Retail Challenger Banks UK	7	985,434	140,776	9.2%	2.0%
Payments	26	660,575	25,407	6.2%	7.5%
Lending	15	434,650	28,977	4.1%	4.3%
Personal Financial Management	36	396,840	11,023	3.7%	10.4%
Information & Data Streams	26	388,210	14,931	3.6%	7.5%
Big Data Analytics	5	379,950	75,990	3.6%	1.4%
Aggregator of Services	7	331,270	47,324	3.1%	2.0%
Exchanges and trading	34	304,959	8,969	2.9%	9.8%
Points Games Rewards	12	267,400	22,283	2.5%	3.5%
Peer to Peer	11	255,680	23,244	2.4%	3.2%
Funding Platform	27	148,675	5,506	1.4%	7.8%
FX Money transfer	4	110,117	27,529	1.0%	1.2%
Weather Insurance	1	109,000	109,000	1.0%	0.3%
Ebank	1	23,742	23,742	0.2%	0.3%
E Law	1	5,000	5,000	0.0%	0.3%
<b>Total</b>	<b>347</b>	<b>10,689,149</b>	<b>30,804</b>		

E & Mobile cash is the largest investment area by value and number. This follows the explosive growth of Smartphone's and Tablets and financial services wanting to project their services directly to the consumer. Following this trend security, compliance and identity

Compliance, Identity and security follow the projection of the financial transaction into the cloud and the Smartphone. Transactions are worthless unless they are validated hence the investment in Cybersecurity.

Process improvements for consumers and business are the third largest category leveraging the productivity and automation properties of the web and the ability to capture transactions at the point of creation. Tablets and Smartphone's can

capture complete processes. Payments follow this value chain. Lending with 15 new models has only attracted \$434m; financial services are currently sticking existing processes and models.

Personal financial management tools are seen as a gateway into the sale of other financial services; this stimulates customer behaviour and then captures the resulting transactions. Information streams and Big Data are similar. Prior to 1990 information was power in Financial Services, now the problem is how do I process this information to maximise its advantage, from the trader using market and social media feeds to analysis of credit card transactions by location the problem of too much data and too little understanding is generic.

Aggregation of services, bank account, wealth management, pension, loans, insurance, asset management are low in numbers at 7, they are mainly white label software solutions for sale to financial institutions.

Exchanges & trading are areas of innovation, new forms of exchange and trading is possible, consumers can trade completely synthetically with spread betting, or get access to ETF and derivative products previously reserved for the Investment banks, they can also follow star investors or trends via social media feeds or invest in parallel with the most skilled named investment professionals.

Point's games and reward systems aim to keep existing or attract new customers or lead them to purchasing more from a specific channel. Peer to peer and funding platforms are at the start of their product development curve, asset classes that bypass tradition financial services channels are emerging and being proven to work.

FX and money transfer are following the cost reduction opportunities afforded by every human now been connected. The challenge is compliance, identity and security. These problems are surmountable; systems have been proven in the demanding environments of developing countries and are robust enough for wide scale use in Europe and North America.

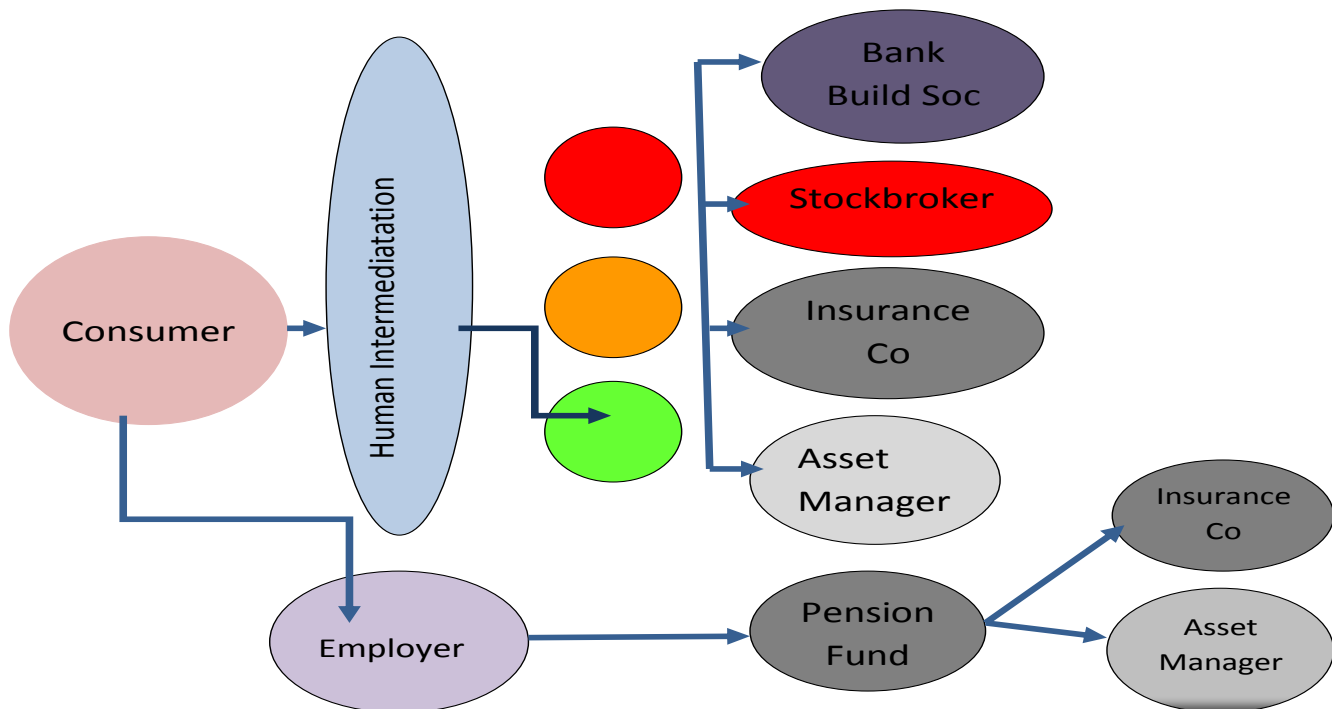
E Bank there is only one fully authorised, Fidor Bank AG in Germany it is also listed. E law is at early stage.

Retail Challenger Banks are new or existing banks now competing in the UK's retail and commercial markets, they are a response to the over concentrated nature of the banking and lending market in the UK.

## 2.2 Old model of Financial Services

To understand today's emerging financial; services model and the innovation process driving it you have to consider the old model of the financial services industry that was shaped by cost heavy manual systems, a producer driven product philosophy and a Bretton Woods and Glass Segal regulatory environment.

### Fintech – Old Value Chain



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This value chain the old model of financial services was the predominant model until the late 1980's. Access to financial services was rationed by the industry and intermediated by armies of clerks, bank managers and insurance salesmen, receiving a financial service such as a loan or credit card was a privilege not a right.

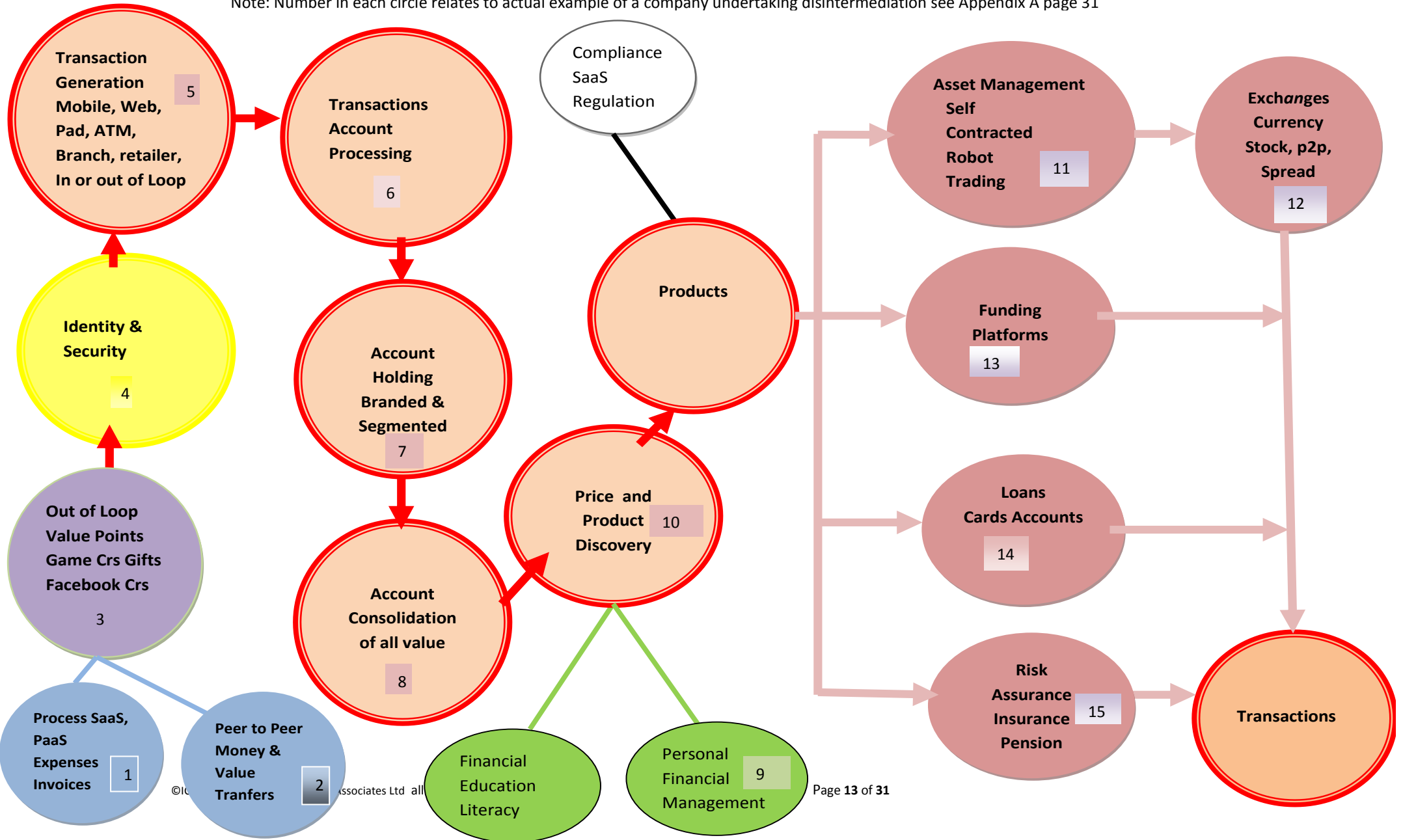
The model did not survive because of regulatory change, the productivity and delivery capacity of computing, the emergence of the internet. Consumers the 70% unbanked where a powerful political force and commercial opportunity. Rationing a market to only 30% of its potential was never sustainable.

Computerisation and the internet as a distribution and marketing channel reduced the cost base of financial services a process further advanced by large scale off shoring of clerical tasks.

The next evolution of this value chain is its complete disintermediation into specialist providers for each process, services provided as SaaS via the cloud and the use of Tablets, Smartphone's and personal PC's as the main delivery mechanism for financial services.

# Fintech New Strategic Value Chain Entry at any node

Note: Number in each circle relates to actual example of a company undertaking disintermediation see Appendix A page 31



## **2.4 New Model of Financial Services**

### **2.4.1 Complete disintermediation**

The financial services industry has been completely disintermediated. Each part of the supply/value chain can be purchased or projected directly to customers

### **2.4.2 Specialisation**

Each process can be provided as a service by an intermediary. The specialist when they have achieved scale will outperform in house services in terms of cost and service due to focus and resources

### **2.4.3 Cloud - SaaS**

The cloud allows complex, highly regulated products to be projected worldwide. Regulation and skillsets are no longer barriers to entry, a high performing fund manager's skills can be globalised instantly.

### **2.4.4 Costs**

Cost is driven down by data centric models, redesign of processes to get any clerical functions done by your customers.

### **2.4.5 Customer productivity**

Customers are offered greater productivity from their financial products. Performance is immediately evaluated by robot systems, assets are redeployed. Price discovery and good investment advice and effective financial management tools are dispensed from the Smartphone. Points, Games Rewards and Big Data give providers unprecedented methods of managing a customer base.

### **2.4.6 Scalability**

Once established systems and processes can be scaled world-wide as the new competitive wave hits each country's market.

### **2.4.7 Innovation Platform**

Once a platform, process or product is established it becomes an eco-system in its own right, third parties can develop other add-ons, the owner can use big data to establish new market relationships. Through broadcasting the product through an API it can reach markets/customers through unreachable or uneconomic.

### **2.4.8 RaaS (Regulation as a Service in real time)**

Regulation is seen as a barrier to entry and innovation. Regulation and Government backed deposit insurance are the cornerstones of trust and confidence in financial services products. Regulation needs to join this new configuration of Financial Services and become a node in itself. Banks and other financial institutions need to be regulated in an online manner in an online world.

## **2.5 Implications**

Like the corner shop the old model, institutional based model of financial services is dead. The institutions' functions are now migrating into the specific process nodes illustrated in the new model.

### **2.5.1 Existing Institutions**

The challenge is to make the transition to the new supply chain and to keep their customer bases by offering value and aggregation of product offering. How can they make their brands relevant in a world powered by Smartphones, Facebook and Twitter. Remaining in their existing space is not an option, the cost and marketing advantages of the players in the new value chain will erode their customer bases.

### 2.5.2 Innovators

Whether in aggregation or in process the market backdrop for innovators is good. The competition, existing financial institutions have destroyed trust and reputation with customers with the financial crash and its aftermath. They continue to compound their errors, the 2012 account access shambles from RBS, NatWest and Ulster Bank, more instances of product miss-selling and money laundering, compliance failures further weaken their brands. Incumbent parties have held back innovation by increasing customer inertia through regulatory capture. For innovators the Challenge is market segmentation, branding, innovative design of products for underserved markets and the building up of customer confidence for financial services delivered entirely by a 4in Smartphone screen.

### 2.5.3 Regulators

Regulators cannot continue to stifle innovation through impossibly high regulatory barriers. They have to develop new models of compliance and ensuring financial stability when an institution fails. The regulator is the gatekeeper for the Government and industry deposit guarantee schemes and must embrace the new supply chain. Otherwise financial services innovation will go off shore or become locked within access restricted human networks like hedgefunds, private equity and private offices. The challenge has been set down by Bitcoin traumas and by Madoff. The chaotic regulatory model of offshore gambling with its periodic failures is an example of regulatory failure to be avoided.

## 2.6 Strategic Space

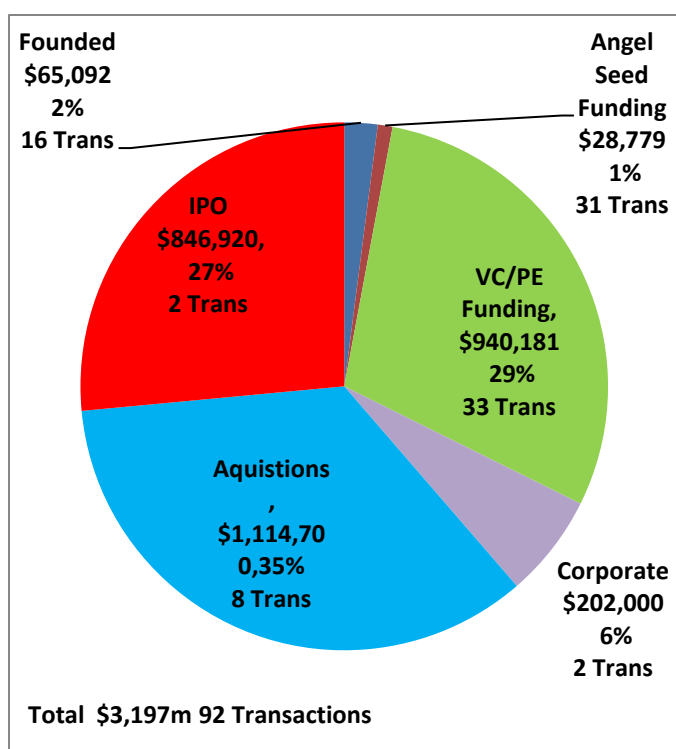
### Worldwide adoption of this model

This model is emerging in parallel from North America and the developing world (M-PESA) it is generic once the upfront investment is made in software it scales. It can be White labelled or sold directly to consumer

- **E Banks** - True E Banks with full banking licences.
- **Insurance** - Blank space for innovation
- **Process – SaaS**  
Focused on travel expenses and invoice processing can expand to every commercial and consumer process.
- **E Money, M Money, currencies and transfers**  
Proven to work in demanding developing country environments. Bitcoin throws down on gauntlet on currencies, it works. The world is moving toward a multiplicity of value stores, still in its infancy.
- **Aggregation Marketing, branding and segmentation**  
You can licence a first class financial institution from software vendors, it will have full compliance and they will process all transactions for you. The challenge is to aggregate various packages of services and market them to the worlds Smartphone generation.
- **Personal Finance management**  
The Key entry point and management tool that drives transactions. Moving from passive to active management tool. The key driver of efficiency in the value chain.
- **Transitioning of existing institutions**  
Existing institution need to transition they need support
- **The unbanked of Africa, India, China and the bottom 25% of the developed world**  
At least 50% of the human race, by 2020 they will all have Smartphone's.
- **Markets and Exchanges**  
Betfair is an example of a whole industry revolutionised by the introduction of a new electronic marketplace. Financial markets await the first real challenger exchange/market

### 3.0 London UK Fintech Innovation –

#### 3.1.1 Funding Summary



#### 3.1.2 Funding by category

Category	Number	Value \$'000	Ave \$000	%
Founded	16	65,092	4,068	2.0%
Angel / Seed Funding	31	28,779	928	0.9%
VC/PE Funding	33	940,181	28,490	29.4%
Corporate	2	202,000	101,000	6.3%
<b>Funded</b>	<b>82</b>	<b>1,236,052</b>	<b>15,074</b>	<b>38.7%</b>
Acquisitions	8	1,114,700	139,338	34.9%
IPO	2	846,920	423,460	26.5%
<b>Total</b>	<b>92</b>	<b>3,197,672</b>	<b>34,757</b>	<b>100.0%</b>

London and the UK is the World's second largest centre for Fintech innovation out of the sample of 347 companies creating 30% of the transaction value. This is generated by London's position as the leading world's international financial market but it is only half of the USA's innovation rate. \$1.2bn 39% of the total funded has been funded by VC/PE & start up funding sources. \$1.1bn comes from Acquisitions and \$847m from IPO's.

This is a healthy ratio, the privately funded projects then being funded by PE/VC then either Acquired or IPO. The volume at 92 projects is not high enough to counter the USA's innovation rate.

#### 3.1.3 Fintech Funding by Type

Sector	Founded		Angel / Seed Funding		VC/PE Funding		Corporate		Total	
	No	Amount \$'000	No	Amount \$'000	No	Amount \$'000	No	Amount \$'000	No	Amount \$'000
Aggregator			1	3,600					1	3,600
Big Data, Open Sys			1	1,500	2	28,200			3	29,700
Challenger bank	2	64,050			3	557,584	1	200,000	6	821,634
Compliance Security	2	100	2	1,360	3	12,870	1	2,000	8	16,330
E & Mobile Cash	1	25	2	3,000	2	6,507			5	9,532
Exchange	2	50	1	64	5	30,320			8	30,434
Funding Platform			10	9,175	3	46,600			13	55,775
FX Money transf	1	217			2	9,900			3	10,117
Information	2	50	2	1,700	5	25,400			9	27,150
Lending	1	100	1	200	3	158,100			5	158,400
p2p			2	1,500	2	38,700			4	40,200
Payments	2	425	3	2,680	1	1,500			6	4,605
PFM	1	25	1	100	1	500			3	625
Process	2	50	5	3,900	1	24,000			8	27,950
<b>Total</b>	<b>16</b>	<b>65,092</b>	<b>31</b>	<b>28,779</b>	<b>33</b>	<b>940,181</b>	<b>2</b>	<b>202,000</b>	<b>82</b>	<b>1,236,052</b>



### 3.1.4 Funding Mix

Although in total the value of funding \$1,236bn for 82 projects looks good it masks a strategic weakness in London and the UKs Fintech funding. Deducting Challenger bank funding and lending funding of \$980m, 11 transactions, **you are left with \$256m for 71 projects an average of \$3.6m. In comparison the USA this innovation is massively underfunded.**

London's strengths are in Funding platforms, P2P, Exchanges, Security and Big Data/ Open Systems, process .

### 3.2 London's & UK's Success stories

Sector	Name	Investors	Amount Raised \$'000
E & Mobile Cash	Monestise	Listed company	683,120
Lending	Wonga	Balderton Capital, Accel Partners, Greylock Partners, Dawn Capital, Oak Investment Partners, Meritech Capital Partners, Wellcome Trust	145,000
p2p	Zopa	Benchmark Capital, Bessemer Venture Partners, Wellington Partners, Timothy Draper DFJ, Rowland Family	33,900
Big Data	Open Gamma	Accel Partners, FirstMark Capital, ICAP, Euclid Opportunities,	23,200
Funding Platform	Funding Circle	Index, Union Square	20,000
			<b>905,220</b>

London's success is led by Monetise Plc. It is the only Fintech business to have broken through to Plc status and has the accolade of have bought a US Fintech business for c\$200m. This has to be the benchmark all other UK based Fitech entrepreneurs aspire to. Wonga & Zopa are well established lenders and are now joined by Funding Circle. Open Gamma is the Big Data Open Source Analytics software, using advanced high level software and application skills for front and mid office.

### Acquisitions /IPO

London has had 10 transactions worth c\$2bn.

### 3.3 IPO's & Acquisitions - UK

Loc	Type	Name	Value \$000
Birm	IPO	Secure Trust Bank	163,800
Lon	IPO	Monestise	683,120
		<b>Total IPO</b>	<b>846,920</b>
Lon	Acq	Corporate Pay	27,500
		DataCash	520,000
		Dataexplorers	350,000
		Global Expense	23,000
		Goindustry DoveBid	31,000
		Money Saving Expert	139,200
		Serverside	20,000
		Timetric	4,000
	<b>Acq Total</b>		<b>1,114,700</b>
	<b>Total</b>		<b>1,961,620</b>

Although a healthy value at \$2bn it composition highlights London's structural weaknesses.

Monetise is the UK's only player of any size in Mobile & E Money and is following a Globalisation strategy by buying Clairmail of the US for \$173m.

The acquisition profile is one of companies being acquired before they can make the jump to becoming a global player.

### 3.4 Challenger Banks

Name	Investors	Total \$'000
Aldermore Bank Plc	AnaCap Financial Partners, Morgan Stanley Investment Partners, Goldman Sachs AM, Honeywell Cap Man, Ohio Public Enp Ret Scheme	100,000
Bank on Dave Burnley Savings and Loans Ltd		50
Cambridge & Counties Bank	Cambridge Local Govt Pension Fund & Trinity College, Ravi Takhar	64,000
Handlesbanken	Swedish Listed 100-137 UK Branches (Inv estimate)	200,000
Metro Bank	Fidelity, Rueben Bros, Veron Hill, Richard Le Frank	401,600
Shawbrook Bank	RBS Equity Finance/ Laidlaw Acquisitions Ltd	55,984
	Sub Total	<b>821,634</b>
Secure Trust Bank	IPO 11 Nov 2011 value now \$280m	163,800
	<b>Grand Total</b>	<b>985,434</b>

UK Challenger Banks are a British Phenomenon. The UK uniquely amongst developed countries has a highly centralised banking system with five players controlling a 80-85% market share<sup>4</sup>. These banks aim to challenge that paradigm but only have 3% market share. They have c300,000 accounts and a loan book of c \$1.8bn

### 3.5 Strategic Space

On the surface London does well against the USA at 30% of transaction values for Fintech. Underneath London is not generating enough innovation for the size of its financial market and its historical position for financial innovation,

The Strategic Space is:

- E Bank** – London should be leading Europe and the world in creating a new kind of E bank that consolidates all forms of an individual wealth into one account and the individual is provided with the tools to manage their finances. This bank does not need to hold all the forms of an individual's wealth that would be an unwise consolidation but provide the gateways into other financial institutions. Everything has to be one or two clicks. A key element for the success of these institutions will be their culture communications and transparency. Only by telling a different story with trust, ethics and honesty seen upfront and meaningful, greenwash does not stick in the universe of facebook likes or Twitter firehose feeds, will they be able to attract the facebook, twitter and Smartphone generation i.e. the entire Human race.
- Markets and Exchanges**  
 London innovation must capitalise on its markets and exchange skills, using the new software stacks and its mathematical knowledge to create new forms of financial markets, otherwise put the Belfair technology to work.
- Peer to Peer**  
 London has developed a number of peer to peer lending and funding platforms, a cluster is developing and the first regulatory breakthroughs have been achieved. Capital should be applied to these models and they should be globalised.
- Financial Services Industry Disintermediation**

<sup>4</sup> Treasury – Ninth report to the Treasury Select Committee 24 March 2011. Competition and Choice in retail banking. Section 2 The Landscape of Retail Banking in the UK para 29. <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/612/61204.htm>

More niche aspects of disintermediation should be focused upon. Regulation semantic analysis of documents is illustrations.

- **Process**

Specific Financial Market & Institution processes should be targeted. SaaS, PaaS solutions should be developed to replace legacy labour intensive systems, security as an issue can be tackled. London's growing server/cloud infrastructure should be further utilised to do more back office processing of transactions in the UK. The dominance of the US clearing houses should be challenged by SaaS real time settlement engines.

- **Insurance** – it's a blank space worldwide for innovation.

To summarise London's existing Financial services suppliers whether in or out house need to refocus their business models to the reality of the Cloud, open source development and the fact that the USA has taken a wide lead over them. London's financial innovation entrepreneurs need to generate start-ups to sell to existing London players or focus on getting the capital to challenge US dominance of the sector.

- **Exchanges**

The plumbing of the financial markets, and new forms of financial market. The UK has most advanced market technology within existing players and the example and infrastructure that developed Betfair and the Spread Betting industry.

- **Lending**

The UK is one of the most concentrated banking and lending markets in the world there is real desire by the new banking regulatory body the Bank of England to change this. Paul Tucker deputy governor warned the existing banks of the need to restructure voluntarily or face legislative action in a 12 October 2012 Tokyo speech<sup>5</sup>. Andrew Haldane Director of Financial Stability made the same point in a 3 October 2012 article<sup>6</sup>. The UK regulatory backdrop to innovative new entrants in bank and financial services has never been better for at least 80 years.

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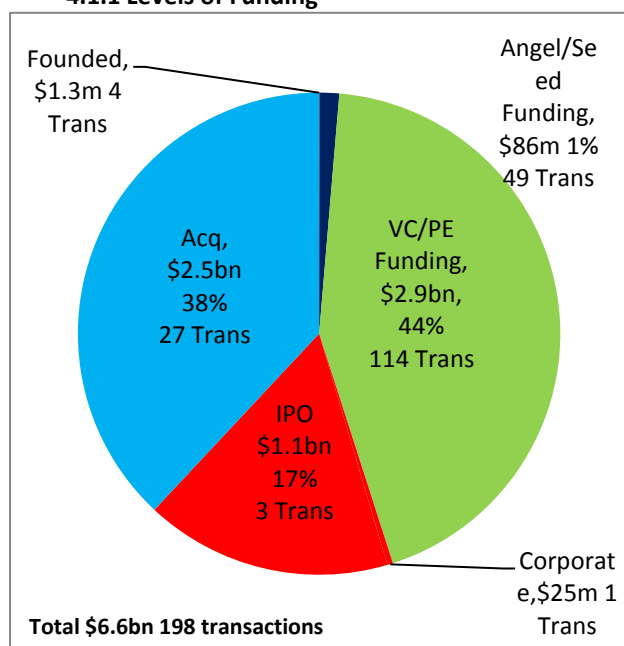
<sup>5</sup> <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/9603780/Paul-Tucker-warns-backlash-to-another-bank-bail-out-would-be-uncontainable.html>

<sup>6</sup> <http://www.bankofengland.co.uk/publications/Documents/speeches/2012/speech605.pdf>

## 4.0 North American Fintech Innovation

### 4.1 Summary of Investment by Type, Volume

#### 4.1.1 Levels of Funding



#### 4.1.2 Funding Category

Type	Number	Value \$000	Ave	%
Founded	4	1,300	325	0.0%
Angel Funding	49	86,830	1,772	1.3%
VC/PE Funding	114	2,868,420	25,162	43.7%
Corporate	1	25,000	25,000	0.4%
<b>Funds raised</b>	<b>168</b>	<b>2,981,550</b>	<b>17,747</b>	<b>45.4%</b>
IPO	3	1,085,590	361,863	16.5%
Acq	27	2,495,965	92,443	38.0%
<b>Grand Total</b>	<b>198</b>	<b>6,563,105</b>	<b>33,147</b>	<b>100.0%</b>

The USA leads Fintech Innovation with \$6.6bn invested. \$3bn funding raised for start-ups, \$1.1 in IPO transactions and \$2.5bn in acquisition transactions. The USA and their Private Equity investors are determined to dominate Financial Services Innovation in the exact same way Google, Apple and Amazon dominate web 2.0

#### 4.1.3 Fintech Funding by Type

Sub Sector	Founded		Angel Funding		VC/PE Funding		Corporate		Total		Ave	% of Total
	No	Value \$000	No	Value \$000	No	Value \$000	No	Value \$000	No	Value \$000		
Aggregator			1	2,000	5	325,670			6	327,670	54,612	11%
Big Data	1	250							1	250	250	0%
Compliance Security			3	17,730	18	306,440			21	324,170	15,437	11%
E & Mobile Cash	1	25	4	23,500	22	877,200			27	900,725	33,360	30%
E Law					1	5,000			1	5,000	5,000	0%
Exchange			3	425	12	142,000			15	142,425	9,495	5%
Funding Platform			8	6,500	3	85,500			11	92,000	8,364	3%
FX Money transf					1	100,000			1	100,000	100,000	3%
Information	1	25	5	5,810	5	58,000			11	63,835	5,803	2%
Insurance					1	109,000			1	109,000	109,000	4%
Lending			1	250	5	104,500			6	104,750	17,458	4%
p2p			1	1,480	5	189,000	1	25,000	7	215,480	30,783	7%
Payments			3	3,000	5	52,910			8	55,910	6,989	2%
PFM	1	1,000	10	15,365	15	200,900			26	217,265	8,356	7%
Points Games Rewards			2	2,200	8	210,200			10	212,400	21,240	7%
Process			8	8,570	8	102,100			16	110,670	6,917	4%
<b>Grand Total</b>	<b>4</b>	<b>1,300</b>	<b>49</b>	<b>86,830</b>	<b>114</b>	<b>2,868,420</b>	<b>1</b>	<b>25,000</b>	<b>168</b>	<b>2,981,550</b>	<b>17,747</b>	<b>100%</b>

The scale of the USA investment dwarves that of the UK, it is 2.4 times higher. It is concentrated in E & Mobile Cash, Security and Aggregation of account and services. In all categories it outspends the UK with the exception of lending London is outspent on every category. Point's games and rewards that has attracted \$212m investment does not feature in the London list. **56%** of the Investment, \$1.7bn is made into **California**, 38% into the rest of the USA and only \$174m 6% into New York.

## 4.2 USA success stories

Company	Product	Investors	Investment \$000
Yodlee	Full enterprise online banking software. PFM, Payments, customer acquisition, unification of all of accountholders accounts and assets, across all platforms	Accel Partners, Institutional Venture Partners, Warburg Pincus, Bank of America	116,000
The Climate Corporation	Online Weather insurance, payout depends on measured weather performance no claims process	Atomico, Index Ventures, Sean Park, Allen & Co, New Enterprise Associates, First Round Capital, CODE Advisors, Founders Fund, Khosla Ventures, Google Ventures, Glynn Capital management, Western Technology Investment, Joshua Schachter, Howard Morgan, Salman Ullah	109,000
inComm	Prepaid cards, reloaded Debit Cards, Long Dist Telephone Cards, Bill Payment Kiosks, Healthcare OTC benefit cards, Virtual currencies for game players	Warburg Pincus	100,000
OANDA	FX Trading and Transfer	New Generation Finance AG, Index Ventures, Cascade Manage, Legg mason, New Enterprise Associates, T.Rowe Price,	100,000
Lending Club	Peer to Peer Lending and Loans - \$1bn loans funded.	Canaan Partners, North West Venture Partners, Morgenthaler Ventures, SVB Financial Gp, Gold Hill Capital, Foundation Capital, Union Square Partners, Thomvest Ventures, KPCB	95,200
			520,200

The top five by investment US Fintech innovators are representative of the scale and quality of its companies. They predominately trade in the USA, they will be getting ready to IPO and then will then globalise a product portfolio tested and then homed to foreign markets. The Climate Corporation is particularly interesting as it combines big data with insurance with innovative process. The Investors illustrated are quality and can finance any amount required for Global expansion. Each of these business are occupying part of the disintermediated value chain of financial services and are case studies in how to maximise profit opportunities from this change.

## 4.3 Google, Facebook, Amazon and E Bay-PayPal

There has not been a headlong charge into financial services by either of these internet giants. Google has bought payment technology to facilitate micropayments through Google plus. Facebook credits are competing in ecosystem for virtual currencies. Paypal is purely focusing on its payment system, but adding offers like Groupon, instore payment, self scan and scanning of rewards points. It is poised to offer instalment payments. It is well on the way to becoming the world's third largest consumer branded payment system after Visa or MasterCard. It has a banking licence in Luxemburg but to date does not apparently use it to take deposits.



These Corporations have been biding their time, they intend to use their customer base to sell financial services. One of the main motivators has been Kabbage.com they have validated the market for financing EBay and other e-sellers with working capital. Google has launched "Ad Words" business credit card so you can pay for advertising with a Google credit card, capturing the financial transaction behind the advertising transaction.



Amazon Capital Services has commenced from October 2012 offering loans at 13%, \$500-\$50,000 to its merchants<sup>7</sup>. IWOCA and EZBOB operate in this space in the UK.

Maybe the way for Facebook to monetise its mobile offerings is to become an E Bank based on likes?

#### 4.4 Acquisitions & IPO's

Name	Description	Investors	Amount \$000	Acquirer
Cash Edge - Popmoney	Account opening, funds transfer, and accounts consolidation, Peer to Peer, Invoicing and payments	Capital Z Partners, CIBC World Markets, General Atlantic Partners, CIBC	465,000	Finserv
AuthenTec	Security Hardware and software, Fingerprint sensing, Identity Management, Embedded Security, Smart Sensors	Nasdaq Listed	356,000	Apple
TxVia	Electronic Payments	Village Ventures, Espirito Santo Ventures, High Peaks Venture Partners, Bain Capital Ventures, New York City Investment Fund, Oak Investment Partners,	300,000	Google <sup>1</sup>
Zong	Payments through mobile carrier billing and gamers/social networks	Newbury Ventures, Advent Venture, Matrix Partners	240,000	Ebay
Life Lock	Bessemer Venture Partners, Goldman Sachs, KPCB, River Street Management, Symantec Corp. Investment \$191m. IPO	Bessemer Venture Partners, Goldman Sachs, KPCB, River Street Management, Symantec Corp. Investment \$191m. IPO	876,000	IPO
Mitek Systems	Deposit Cheques with Smartphone, plus mobile banking and image scanning	Weintraub Capital Management, Philadelphia Financial	79,580	IPO
Virtual Piggy	Parent monitored payment system for Children	IPO Nasdaq	130,010	IPO
Total			2,446,590	

<sup>1</sup> NOTE this very much a guesstimate!

7 of the 30 IPO's & Acquisitions are displayed above \$2.5bn out of Grand total of \$3.5bn. Thing to note is the quality of the investors and acquirers. The other point is the high market cap LikeLock achieved c +\$800m.

#### 4.5 Strategic Space

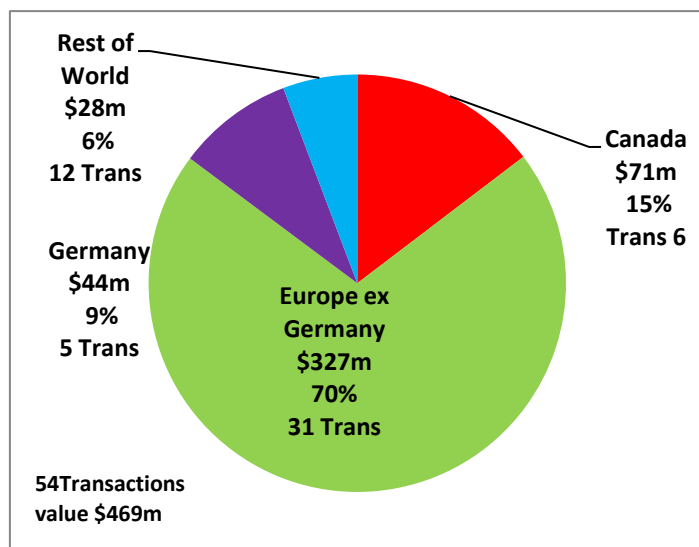
US Fintech Innovation has covered the new Fintech value chain well, every segment of the market but two have in excess of \$50m invested. This sector still has to feel the full innovation impact of the US PE Investment community. Investment levels could increase in the x3 to x5 levels in the next 3 years, particularly if the emphasis switches from the processes around Mobile and E Banking to the underlying portfolio of banking Insurance and risk services. The scale of US PE investment the fact that it leads the VISA and Mastercard payment networks and has the world's largest retailer and advertiser networks in EBay-Paypal, Amazon, Google gives it the opportunity to dominate the new financial services value chain as it has done in with Web 2.0.

<sup>7</sup> Wall Street Journal 4 October 2012 <http://online.wsj.com/article/SB10000872396390443493304578034103049644978.html>

## 5.0 Europe and ROW Fintech Innovation

Summary of investment Location Type, Volume

### 5.1.1 Location



### 5.1.2 Category

Category	Country	No	Amount \$000	Ave
Angel Funding	CAN	3	2,050	683
	EUR	23	13,080	569
	OTH	7	2,600	371
<b>Angel Funding Total</b>		<b>33</b>	<b>17,730</b>	<b>537</b>
Corporate Founded	OTH	1	1,000	1,000
	EUR	1	200	200
VC/PE Funding	CAN	3	68,900	22,967
	EUR	7	313,450	44,779
	Ger	5	43,742	8,748
	OTH	4	24,350	6,088
<b>VC/PE Funding Total</b>		<b>19</b>	<b>450,442</b>	<b>23,707</b>
<b>Funding</b>		<b>54</b>	<b>469,372</b>	<b>8,692</b>
IPO		1	434,000	434,000
Acquisitions		2	25,000	12,500
<b>Total</b>		<b>57</b>	<b>928,372</b>	<b>16,287</b>

Europe and the rest of the World have done 57 transactions with a value of \$928m. There has been one very successful IPO in New Zealand Xero now worth \$434m. Europe ex Germany has the most number and value of transactions are boosted by high performing Scandinavian Startups.

### 5.1.3 Fintech Funding by Type

Type	Founded		Angel Funding		VC/PE Funding		Corporate		Total		Ave	%of Total
	No	Amt \$000	No	Amt \$000	No	Amt \$000	No	Amt \$000	No	Amt \$000		
Compliance Security			6	5,470	2	35,350			8	40,820	5,103	9%
E & Mobile Cash			5	900	2	66,700	1	1,000	8	68,600	8,575	15%
Ebank					1	23,742			1	23,742	23,742	5%
Exchange			3	3,200	7	103,900			10	107,100	10,710	23%
Funding Platform			3	900					3	900	300	0%
Information			1	25	1	1,000			2	1,025	513	0%
Lending			1	100	3	171,400			4	171,500	42,875	37%
Payments	1	200	4	810	1	7,850			6	8,860	1,477	2%
PFM			4	4,450					4	4,450	1,113	1%
Process			6	1,875	2	40,500			8	42,375	5,297	9%
<b>Total</b>	<b>1</b>	<b>200</b>	<b>33</b>	<b>17,730</b>	<b>19</b>	<b>450,442</b>	<b>1</b>	<b>1,000</b>	<b>54</b>	<b>469,372</b>	<b>8,692</b>	

The focus is on Lending, Exchanges and E & Mobile cash, followed by compliance and Process. Investment is not on US scales.

## 5.2 Europe's & Rest of the Worlds success stories

Name	Activity	Investors	Type	Amount \$000
Xero	SaaS Accounting Platform 200k users	Craig Winkler, Peter Thiel, Sam Morgan, \$33.2m floated NZ Stockexchange value \$434m	IPO	434,000
klarna	After receipt payment system. Good delivered then paid for. Klarna assumes all credit risk. Sends one bill at end of month and offer's payment by installments. Euro 2.3bn transactions processed pa	Jane Walerud, investment AB A-resund, Sequoia Capital, General Atlantic, Digital Sky Technologies, Hommels Holdings, QED Investors	VC/PE Funding	155,000
izettle	Mobile Payments Technology Credit cards from iphone	Index Ventures, Creandum, Eujrmoq, Northzone, MasterCard Worldwide, SEB Private Equity,	VC/PE Funding	46,700
TOM The order machine	Derivates Smart order routing trading platform	IMC Financial markets, ABN AMRO Clearing, BinckBank,Optiver	VC/PE Funding	40,000
eToro	Social trading and investment network a Betfair for markets 2.5m accounts	Cubit investments, Eli Barkat, Yuval Rechavi, Yuval Rechai, Chemi Peres, Yaron Alder, Ofer Adler, BRM Capital, Social leverage, Venture 51, Spark Capital, Guy Gamzu, Jonathan kolber	VC/PE Funding	33,900
Fidor Bank	Full banking licence service Internet Bank including virtual currency, hyperwallet, via facebook connect p2P via Smara,	al.de VC fund 20%, Professional Development Fund GmbH Family Kroner13%, Mar-in Kolsch 11%, Anthemis 10%, Zange 1% Listed on Frankfurt. 80-100k registered customers 15k full KYC – 28 Staff	IPO	23,741
		Total		733,341

Xero comes from New Zealand, which proves if you have good product design and a valid business proposition you can succeed from any location.

Klarna is a joint process and purchase financing play from Sweden with top line investors and has been bankrolled to Globalise. iZettle turns your phone into a card payment machine for home or business first class investors also from Sweden.

TOM is more complex, a derivatives exchange efficiency process to achieve more effective execution of orders. It is based in Amsterdam and has been backed by Dutch financial institutions. It is exactly the kind of Fintech innovator that should be growing around London' financial markets.

eToro integrates Social Media, information with market trading.

Fidor Bank AG it is a fully licenced and market listed E Bank it is still small with 15,000 full KYC validated customers but breaks traditional Banking paradigms by offering fully consolidated accounts and a whole range of currency accounts or commodities purchasing i.e. Gold from one account.

### 5.3 Acquisitions

Activity has been low with only two deals identified worth \$25m

### 5.4 Strategic Space

With less indetified innovation activity than London or the USA Europe & ROW is an wide open area of potential. Innovative models in markets, lending and banking exist. Klarna & Fidor are world leading innovations they should be built upon.

### 6.0 Sources



<p>Web sites of the companies listed in the report</p> <p>Press releases and press reporting on their web sites</p> <p>Web Sites of any of the companies/ organisations mentioned.</p> <p>Twitter</p> <p>Venture Beat</p> <p>Financial Times</p> <p>Duedil</p> <p>All things D</p> <p>Mashable</p> <p>Tech Crunch</p> <p>SEC Edgar</p> <p>Companies House</p> <p>Seedtable</p> <p>GigaCom</p> <p>Techradar</p> <p>Yahoo - Finance</p> <p>Reuters</p> <p>Startups.alltop</p> <p>WJ.com</p> <p>Reuters.com</p> <p>Bloomberg</p> <p>Forbes.com</p> <p><a href="http://www.inc.com">www.inc.com</a></p> <p>Innotribe start-ups</p> <p>Finnovate</p>	<p>HMRC</p> <p>Huffington Post</p> <p>Forbes</p> <p>BBC</p> <p>Technology review</p> <p>Pinterest</p> <p>Crunch Base</p> <p>Google</p> <p>Facebook</p> <p>Linkedin</p> <p>Long Finance</p> <p>Tech Crunch</p> <p>CNET News</p> <p>Engadget</p> <p>Wired</p> <p>ZD Net</p> <p>eWeek</p> <p>Hacker News</p>
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### 7.1 Top 20 UK Fintech Investments

Table 1

Name	Description	Investors	Sector	Investment \$'000
Monitise	Mobile banking, epayments and commerce network 300 Customers. 18m accounts	Listed company worth \$656m	E & Mobile Cash	683,120
Metro Bank	Retail Bank	Fidelity, Rueben Bros, Veron Hill, Richard Le Frank	Challenger bank	401,600
Handlesbanken	Retail and Commercial Banking from 137 Branches	(blank)	Challenger bank	200,000
Secure Trust Bank	Retail Bank	IPO 11 Nov 2011 value now \$280m	Challenger bank	163,800
Wonga	Short Term Lending Platform	Bladerton Capital, Accel Partners, Greylock Partners, Dawn Capital, Oak Investment Partners, Meritech Capital Partners, Wellcome Trust	Lending	145,000
Aldermore Bank Plc	Retail and Commercial Bank	AnaCap Financial Partners, Morgan Stanley Investment Partners, Goldman Sachs AM, Honeywell Cap Man, Ohio Public Enp Ret Scheme	Challenger bank	100,000
Cambridge & Counties Bank	SME Lending	Cambridge Local Govt Pension Fund & Trinity College, Ravi Takhar	Challenger bank	64,000
Shawbrook Bank	Retail and Commercial Bank	RBS Equity Finance/ Laidlaw Acquisitions Ltd	Challenger bank	55,984
Zopa	P2P Lending	Benchmark Capital, Bessemer Venture Partners, Wellington Partners, Timothy Draper DFJ, Rowland Family	p2p	33,900
Tradeshift	Electronic Invoicing	Notion Capital, ru-net Holdings, Kite Ventures,	Process	24,000
Open Gamma	Open Source Financial back Office	Accel Partners, FirstMark Capital, ICAP, Euclid Opportunities,	Big Data	23,200

Funding Circle	Consumer to Business Lending	Index, Union Square	Funding Platform	20,000
Datasift	Twitter feed SaaS resellers - now with Financial Feed plus Facebook, You Tube, Blogs, Formus, Message Boards, News feeds. NLP for unstructured search	Herman Hauser, GRP Partners, IA Ventures, David Richmond - Seed \$1.5m, South East Seed Fund	Inform	14,700
Borro	On Line Secured Lending	Augmentum Capital, European Founders Fund, Eden Ventures, Octopus Investments	Lending	12,100
digitalvega	Trading OTC FX Options	Deutsche Borse, State Street	Exchange	10,000
Currency Cloud	FX Currency Exchange	Anthemis, Atlas Ventures, Notion Capital	FX Money transf	8,600
AI Hit	Big Data Mining of Company news & Data	Amadeus Capital Partners VTB Capital	Infor	5,500
Nutmeg	Low cost online Investment management service	Tim Draper, Pentech Ventures, Daniel Aegerter	Exchange	5,320
Acunu	Big Data analytics Platform for Financial Markets	Eden Ventures, Pentech Ventures, Oxford Technology Management	Big Data	5,000
Fixnetix	HFT/PT Trading platform and network fast connectivity, offers SaaS solution with risk control module	Thematic Capital Partners, Delta Partners	Exchange	5,000
			Total	1,980,824

**7. 2 US Top 15 Fintech Investments by Value**

**Table 2**

	Description	Investors	Sub Sector	Total \$'000
Life Lock	Identity Theft protection with \$1m insurance and Monitoring	Bessemer Venture Partners, Goldman Sachs, KPCB, River Street Management, Symantec Corp. Investment \$191m. IPO	Compl	876,000
Square	Credit Cards via Smartphones, analytics and POS via iPad, complete mobile payments package	Khosla Ventures, First Round Capital, Sequoia Capital, Visa, KPCB, Tiger Technology Global Management, Branson, Starbucks, Crunchfund, Citi Ventures, Rizvi Traverse Management	E & Mobile Cash	341,000
Mint	PFM Consolidates assets and spending and provides data to manage finances	Bought by Intuit 9/2009	Aggregator	170,000
Virtual Piggy	Ecommerce solution 10-17 year olds On Line Piggy Bank for Kids Parental approval for spends	IPO Nasdaq	E & Mobile Cash	130,010
Yodlee	Full enterprise online banking software. PFM, Payments, customer acquisition, unification of all of accountholders accounts and assets, across all platforms	Accel Partners, Institutional Venture Partners, Warburg Pincus, Bank of America	Aggregator	116,000
The Climate Corporation	Online Weather insurance, payout depends on measured weather performance no claims process	Atomico, Index Ventures, Sean Park, Allen & Co, New Enterprise Associates, First Round Capital, CODE Advisors, Founders Fund, Khosla Ventures, Google Ventures, Glynn Capital management, Western Technology Investment, Joshua Schachter, Howard Morgan, Salman Ullah	Insurance	109,000
inComm	Prepaid cards, reloaded Debit Cards, Long Dist Telephone Cards, Bill Payment Kiosks, Healthcare OTC benefit cards, Virtual currencies for game players	Warburg Pincus	E & Mobile Cash	100,000
OANDA	FX Trading and Transfer	New Generation Finance AG, Index Ventures, Cascade man, Legg mason, New Enterprise Associates, T.Rowe Price,	FX Money transf	100,000
Lending Club	Peer to Peer lending, loans via Web Bank, Utah Caharted Industrial Bank	Canaan Partners, North West Venture Partners, Morgenthaler Ventures, SVB Financial Gp, Gold Hill Capital, Foundation Capital, Union Square Partners,Thomvest Ventures, KPCB	p2p	95,200

Mitek Systems	Mobile bill payment by scanning bill, CR & DR cards, scanning Insurance documentation, VIN numbers, drivers license	Nasdaq Listed	Process	79,580
Prosper	Peer to Peer lending	Accel Partners, Benchmark Capital, Fidelity Ventures, Omidyar Network, Dag Ventures, tomorrows ventures, Eric Schmidt, DFJ, Crosslink Capital, Volition Capital, QED Investors, Compucredit, Crosslink Capital, DAG Ventures	p2p	74,700
Boku	Mobile Payments solution for Carriers, Merchants API, integrated account billing and Consumers	Benchmark, Khosla Ventures, Index, DAG, Andreessen Horowitz, Telephonica	E & Mobile Cash	73,000
On deck capital	Small Business Loans	RRE Ventures, Village Ventures, First Round Capital, Khosia Ventures, Contour Venture Partners, SAP Partners, SF Capital 9/2012 \$100m Loan facility Goldman Sachs, Fortress Credit, SF Capital, lighthouse Capital Partners	Lending	54,000
Kabbage	Working capital for Ebay and E commerce sellers	Blue Run Ventures, David Bonderman, Warren Stephens, UPS Strategic Enterprise Fund, Mohr Davidow Ventures, Jim McKelvey, Blue Run Ventures	Funding Platform	53,700
Cardlytics	Targeted Advertising channel of Loyalty offers coupons, rewards directly to financial services customers, Debit Cr Card users. Uses Credit Cr & Data as targeting	Kinetic Ventures, TTV Capital, Polaris Venture Partners, Cam Lanier, ITC Holding Company, Canaan Partners, Groupe Aeroplan	Points Games Rewards	51,000
			<b>Total</b>	<b>2,423,190</b>

7.3 Top 10 Europe & Rest of the World Fintech Investments

Table 3

Name	Description	Investors	Sub Sector	Total
Xero	SaaS Accounting Platform 200k users	Craig Winkler, Peter Thiel, Sam Morgan, \$33.2m floated NZ Stockexchange value \$434m	Process	434,000
klarna	After receipt payment system. Good delivered then paid for. Klarna assumes all credit risk. Sends one bill at end of month and offer's payment by installments. Euro 2.3bn transactions processed pa	Jane Walerud, investment AB A-resund, Sequoia Capital, General Atlantic, Digital Sky Technologies, Hommels Holdings, QED Investors	Lending	155,000
izettle	Mobile Payments Technology Credit cards from iphone	Index Ventures, Creandum,eujrmoq, Northzone, MasterCard Worldwide, SEB Private Equity,	E & Mobile Cash Exchange	46,700
TOM The order machine	Derivates Smart order routing trading platform	IMC Financial markets, ABN AMRO Clearing, BinckBank,Optiver	Exchange	40,000
eToro	Social trading and investment network a betfair for markets 2.5m accounts	Cubit investments, Eli Barkat, Yuval Rechavi, Yuval Rechai, Chemi peres, Yaron Alder, Ofer Adler, BRM Capital, Social leverage, Venture 51, Spark Capital, Guy Gamzu, Jonathan kolber	Exchange	33,900
Wave Accounting/ Vuru	Free SaaS SME accounting system IA Intelligent Agent that analyses accounts	(S23P) Charles River Ventures, Omers Ventures	Process	30,500
Securekey	PaaS Authentication, payment and security system backed by blue chip payment processors	Intel Capital, Visa, Rogers Ventures, TELUS, Mastercard Worldwide, Discover Financial Services	Compl	30,000
Fidor	Full banking licence service Internet Bank including virtual currency, hyperwallet, via facebook connect p2P via Smara,	al.de VC fund 20%, Professional Development Fund GmbH Family Kroner13%, Martin Kolsch 11%, Anthemis 10%, Zange 1% Listed on Frankfurt	Ebank	23,742
Sumup	Card payment solution	Klaus Hommels, b-to-v Partners Ag, Shortcut Ventures GmbH, Tengelman Ventures, Klaus Hommels	E & Mobile Cash	20,000
Service2Media	App development platform for financial platforms banking, insurance	Prime Ventures Newion Private Plus Fund	Process	10,000
			<b>Total</b>	<b>823,842</b>

## Appendix A – Specific Examples of Disintermediation by Company

No	Company Name	Function	Website
1	Concur	Process Expenses automation	<a href="https://www.concur.com/en-uk">https://www.concur.com/en-uk</a>
2	ZOPA	Lending P2P Platform	<a href="http://uk.zopa.com/">http://uk.zopa.com/</a>
	The Currency Cloud	FX Exchange and money transfer	<a href="http://www.thecurrencycloud.com/">http://www.thecurrencycloud.com/</a>
3	Tesco Points	Points reward on EDF electricity bill	<a href="http://www.tesco.com/clubcard/clubcard/collecting.asp">http://www.tesco.com/clubcard/clubcard/collecting.asp</a>
4	Mii Card	Identity checking and verification	<a href="http://www.miicard.com/">http://www.miicard.com/</a>
5	Monetise PLC	Mobile banking transactions software	<a href="http://www.monitise.com/?referer=www.monitisegroup.com">http://www.monitise.com/?referer=www.monitisegroup.com</a>
6	Fiserve	Full stack of banking software back office and mobile, transaction processed by host bank	<a href="http://www.fiserv.com/">http://www.fiserv.com/</a>
7	Simple Bank	Accounting Holding by Banc Corp	<a href="https://www.simple.com/">https://www.simple.com/</a>
8	Mint	Consolidation of all of your accounts for personal management of finances	<a href="https://www.mint.com/">https://www.mint.com/</a>
9	Strands Financial	Personal Financial Manager PFM white labelled to bank/ institution	<a href="http://spf.strands.com/">http://spf.strands.com/</a>
10	Credit Sesame	Price discovery on loans and credit card deals	<a href="http://www.creditsesame.com/credit-cards/">http://www.creditsesame.com/credit-cards/</a>
11	Nutmeg/ Covestor	Use Nutmeg/ Covestor to gain access to low cost or high ranking fund managers	<a href="http://www.nutmeg.co.uk/">http://www.nutmeg.co.uk/</a> <a href="http://covestor.com/">http://covestor.com/</a>
12	Gekko Global Markets/ Digital Vega	Trade with Gekko or if a professional trader use FX trading platform developed by Digital Vega	<a href="http://www.gekkomarkets.com/">http://www.gekkomarkets.com/</a> <a href="http://www.digitalvega.com/">http://www.digitalvega.com/</a>
13	Crowcube/ Seedrs	Using funding platform to invest or to raise finance	<a href="http://www.crowdcube.com/">http://www.crowdcube.com/</a> <a href="http://www.seedrs.com/">http://www.seedrs.com/</a>
14	Wonga, Borro, Finance a Car	Borrow cash on line from non traditional lenders	<a href="https://www.wonga.com/">https://www.wonga.com/</a> <a href="https://www.borro.com/start">https://www.borro.com/start</a> <a href="http://www.financeacar.co.uk/">http://www.financeacar.co.uk/</a>
15	Investor Bee, Compare the Market .com, Money Supermarket	Advice on investing long term, Price Comparison on Insurance	<a href="https://www.investorbee.com/home.aspx">https://www.investorbee.com/home.aspx</a> <a href="http://www.comparethemarket.com/">http://www.comparethemarket.com/</a> <a href="http://www.moneysupermarket.com/">http://www.moneysupermarket.com/</a>