



FIRM X

FinTech Trends

Banking > Alternative Lending > Peer to Peer Lending

Business Model

A platform connecting lenders directly to borrowers and vice-versa by cutting out the intermediaries. These platforms charge the borrowers in the form of brokerage/commission on the loan or a fixed fee, which gives them a ~400 basis point advantage over the interest rates charged by banks

Industry Size

£XXbn
UK - 2014

Tech Angle

Highly efficient platform with attractive rates to both lenders and buyers as administrative costs consumed to finance banks operations are saved. The rates offered to higher grade borrowers are lower than those offered by commercial banks. P2P can revolutionize credit by disintermediating banks from the traditional lending process

Highlights and Developments

- Peer-to-peer lending is expected to arrange £XXbillion in new loans in 2014 in the UK. Crowdfunding market, which invests in specific projects- E.g. XXX, XXX could reach £XX billion by XXXX
- Total amount lent by peer-to-peer lenders in the UK has reached £XX billion. The sector continues to grow at a rapid pace, with an annualized growth rate of XX% so far this year
- The Banking and corporate finance segment received XX% of the total investments made in the FinTech industry in XXXX as compared to XX% received in XXXX
- Banking and corporate finance segment accounted for XX% of the deal share in XXXX
- Top Players:
 - ABC - facilitated more than £XX billion in loans since inception in 2007. Raised £XX million in venture capital before filing for a £XX million IPO in April, XXXX
 - DEF - more than 2 million members and over £XX million in funded loans. Raised £XX million from XX investors
 - GHI - lent £XX million+ globally to small business owners since inception in 2010. They have raised about £XX million from XX investors
- Peer-to-peer lending is most active in the US, the UK, Germany, and China with platforms like ABC, DEF and GHI leading the market
- The New ISA¹ in the UK allows Peer-to-Peer investments to be part of the £XX ISA (tax exemption) limit, along with cash and shares, this is likely to kill off some existing peer-to-peer companies that are struggling to implement these rules
- The P2P lending market is yet to expand owing to a large number of sub-prime borrowers with low credit ratings to whom the banks are reluctant to offer credit
 - At the launch of [Innovate Finance](#), Chancellor Osborne announced legislation to ensure large banks refer failed funding applications from SMEs to alternative lenders via matching platforms. Santander, for example, has partnered with Funding Circle and will refer customers to them
- The new set of regulations by the FCA² imposes stricter consumer credit regime on the consumer credit market (including Crowdfunding and P2P Lending). They implemented a tougher gateway for the platforms to start business and made a clearer distinction between high and low risk consumer credit businesses
- Sustainability of this model is questionable on the grounds of credibility of the borrowers. XXXi, a P2P lending website in China disappeared with over £XX million of investors' money in April, XXX
- It is rumored that larger banks in both the US and Europe are considering launching their own Peer-to-Peer ventures to take over the smaller players in the market

¹ Individual Savings Account or New ISA is a class of retail investment arrangements available to residents of UK ([Link](#))

² Financial Conduct Authority

Banking > Alternative Lending > Short term & Purchase Finance

Business Model	Industry Size
Provide short term unsecured financing to customers who wish to borrow for e-commerce purchases or to under-served businesses to finance their working capital requirements. The repayment and interest charge is customized based on real time assessment and disbursement of credit	£XXbn

Tech Angle

Dynamic disbursement facilitated by platforms that gauge credit risk based on ratings and models developed using principles from microfinance, payment processing, and data analytics. These platforms facilitate e-commerce by servicing those customers who wish to make convenient hassle-free purchases, and meet working capital requirements of underserved businesses

Highlights and Developments

Two major markets - Payment Gateways that provide credit for e-commerce purchases (Purchase Finance) and Business Financing that provide short-term credit for working capital requirements of businesses

Purchase Finance

- Top Players in the industry include -
 - XXX, credit payment solution, is one of the biggest players in the European areas with XX% market share of e-commerce in XXX; they expect to handle transactions over £XX billion with £XX million in revenues in XXXX³
 - XXX is one of the bigger players in the XXX and XXX markets
 - XXX - had annual transaction volume of £XX million as of October 2013
- These companies implement a complicated set of anti-fraud technologies that help them assume the credit and financial risks that merchants might have to otherwise carry
- Germany is fast establishing itself as a Purchase Finance hub with multiple startups in the region; it enjoys the greatest ecommerce customer potential within Europe with less than XX% of the population using credit cards online
- UK has the largest e-commerce market in Europe, and the purchase finance industry is expected to grow in sync with the e-commerce industry, which is expected to grow at XX% from 2012-2017
- XXX is set to enter US online payment market in XXXX to expand its reach and compete with rival PayPal

Short-term Finance

- Companies like XXX & XXX help customers bridge their working capital requirements and finance business operations
- Proprietary platforms that leverage concepts and principles from microfinance, payment processing, and data analytics - together with more traditional loan underwriting principles - to support loan portfolios across countries, currencies, and banking systems

³ Company Website

FinTech Trends

Personal Finance Management

Business Model

Provide automated services to individuals for managing their investments, taxes, expenditures and personal wealth, enabling them to reduce costs and charge lower fees

Industry Size

£XXmn
UK - 2013

Tech Angle

Fintech firms in this segment have a unique perspective of building a holistic customer experience by leveraging social networks and digital technology to break down barriers inherent in the existing personal finance management model. The use of technology has a major cost advantage as it eliminates the human element in providing these services while at the same time providing customers with personalized services, lower fees, innovative products and intuitively-designed technology.

Highlights and Developments

- The market size of this segment was £XX million in XXXX (based on revenues) in the UK
- Globally, the personal finances segment received XX% of the total investments made in the Fintech industry in 2013 as compared to XX% received in XXXX
- This segment accounts for XX%-XX% of the deals in the Fintech industry over the past 5 years
- Over the past three years more than £XX million has been invested into personal finance companies (£XX million in Q2-2014) with special emphasis on startups targeting young investors
- Industry leaders (among recent startups), referred to as “robo-advisors”, combine algorithms and user-friendly interfaces to allocate money based on modern portfolio theory and individual investor profiles. They include:
 - ABC - the company has £XX million assets under management, in more than XX accounts. It targets rank-and-file tech employees who have much of their net worth in company stock
 - DEF - the company has £XX million assets under management, in more than XX accounts. It targets small savers who have a goal based investment strategy
 - PQR - the company provides financial planning services through an advice-driven program that is personalized to your specific financial goals and situations. It has received £XX million in funding since XXX
- In order to stay competitive existing players in the financial services industry are
 - Adapting newer technologies in their traditional models - e.g. XXX, the world’s largest mutual fund company through its new Personal Advisor Services has begun using algorithms to construct portfolios and initial plans-and provides video conference access to human planners for only XX% of assets, down from the XX% fee service it has offered for nearly 20 years.
 - The bigger players are adopting a “if you can’t beat-them, own them” strategy - e.g. XXX, the world’s largest money manager invested £XX million in XXX
- At present, only XX% of wealth management and financial advisory firms are offering account aggregation capability on their site or portal, and fewer than XX% give clients the ability to build or modify their personalized financial plan which could increase the participation of Fintech firms in this segment

Payment > Alternative Payment Providers

Business Model	Industry Size
Alternative payment providers enable consumers to transact through mobile phones, e-wallets, and other non-standard arrangements eliminating traditional flows and thereby providing lower processing costs, a smoother checkout process, higher conversion rates, while at the same time maintaining a focus on security and consumer trust	<p>£XXbn</p> <p>Global -2012</p>

Tech Angle

Alternative payment providers are able to reduce costs and allow more transparency as they cut out middlemen (banks, existing payment providers) who have a firm base in established markets and thereby charge higher fees for similar services. Payment applications provide easy access to alternative methods of payment especially for consumers unable or unwilling to access traditional routes

Highlights and Developments

- The global market size of alternative payment providers is £XX billion (2012) based on transaction value and is expected to grow to £XX trillion by 2017
- Europe accounted for XX% of the global e-commerce market in 2012 with a turnover of £XX billion with 41% of those transactions completed using alternative payment methods in 2012 - e-wallets was the most popular method for these transactions
- This sub-segment of payment providers received XX% of the total investments made in the Fintech industry in 2013 as compared to XX% received in 2008
- This segment accounted for XX% of the deals in the Fintech industry in 2013 as compared to XX% in 2008
- Industry leaders (among recent startups) include:
 - XYZ - XYZ is a merchant services aggregator and mobile payment company with more than XX million users since its inception in XXXX
 - MNO - The company provides services that enable users to accept payments online. It handles storing cards, subscriptions, and direct payouts to the bank account
 - PQR - It is a peer-to-peer money transfer service allowing foreign students and businesses to transact money globally
- The payments industry has become a hotbed for innovation with newer players wanting to upstage the traditional ones and dominate the market quickly. These include startups, telcos, card companies, supermarket chains, technology companies and de novo banks, all of whom offer simpler functionality with a superior digital experience
- The UK government has introduced a new payment system regulator, Financial Conduct Authority, whose role is to ensure that the current payment system is open to new companies in a fair and transparent way which helps remove barriers in the market and create new business opportunities
- The Federal Reserve is also planning to improve the U.S. payments system to achieve faster payments than is currently offered by the Automated Clearing House.
- Two clear trends that can be identified within the alternative payments space are that eWallets are forecast to increase from 40% of the total alternative transaction volume to XX% in 2017 and mobile payment services are forecast to see explosive growth over the coming years - expanding the domain of what is currently defined as a traditional online payment transaction

Data Analytics

Business Model

The financial data analytics market provides data analytics for credit reference, capital markets and insurance by leveraging social networks and real-time monitoring technologies thereby providing trends to model and control processes (including credit and risk analysis), identify deep trends and target customers. Successful business models rely on economies of scale to collect a diverse range of financial data on individuals, corporates, and market activities (e.g. trading)

Industry Size

£XXbn
UK - 2013

Tech Angle

Advanced analytic software allows machines to identify patterns hidden in massive data flows or documents. This machine “intelligence” means that a wider range of knowledge tasks may be automated at lower cost and as companies collect more data from operations, they may gain additional new revenue streams by selling sanitized information on spending patterns or physical activities to third parties ranging from economic forecasters to health-care companies

Highlights and Developments

- The market size for this segment was £XX billion in 2013 (based on revenues) in the UK
- This segment accounts for XX%-XX% of the deals in the Fintech industry over the past 5 years
- The data analytics segment received XX% of the total investments made in the Fintech industry in 2013, from XX% received in 2008, with a notable jump from XX% to XX% in the last year
- Industry leaders include:
 - ABC - ABC is a leading global diversified provider of financial information services to banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators, and insurance companies that enhance transparency, reduce risk and improve operational efficiency
 - DEF - DEF is the leading social data platform, enabling companies to aggregate, filter and extract insights from the billions of public social conversations on Twitter, leading social networks and millions of other sources
 - LMO - LMO helps financial services firms evaluate, understand, and manage market risk in an open, transparent manner

WallStreet & Technology

“The next step in the evolution of financial data technology is delivering these analytics via mobile devices. Analysts predict that the product development for mobile applications will outpace the desktop computer in the coming years, and the financial technology market needs to follow suit.”

Mr. ABC, head of Firm EFG

“We believe that big data technologies could have a bigger impact on our business than the internet. The ability to capture, process and analyse information at the same scale as Google is truly transformational. The next logical progression for our use of these technologies is to develop advanced predictive analytical capabilities. We want to anticipate client needs as events occur in the market.”

Capital Market Technologies

Business Model	Industry Size
Provide tools and platform to facilitate the buying and selling of securities, including foreign exchange, for investors and corporations	£XXbn UK - 2013

Tech Angle

Advanced trading software that provides an easier, transparent and more efficient platform to the customers. These technologies reduce the need for middlemen like brokers & bankers, and reduce costs and risks of human error

Highlights and Developments

- The Capital Market segment received XX% of the total investments made in the FinTech industry in 2013
- The Capital Market segment accounted for XX% of the deal share in 2013
- The disruptive technologies:
 - [eToro's open trading platform](#)
A democratized, simplified, and social marketplace for traders to benefit from an open stream of shared information. An open platform where you can copy trades of other members
 - [Second Market](#)
Vertically integrated platform for the trading of illiquid assets - where buyers, sellers and information regarding a variety of illiquid securities are aggregated and organized into a centralized system where participants can leverage actionable data to make informed investment decisions on otherwise untradeable assets
 - [Matrix by Five Degrees](#)
Modern back office solution that manages product and admin specific data for the benefit of the mid and front office operations for banks. They offer a fully automated banking services hub supporting any segment, product or channel through a mid-office environment
 - [Automation of Structured Product Services by Calastone](#)
Automating the process of structured product orders, which previously required manual aggregation of tickets carrying a risk of human error, enabling customers to effortlessly transact in a manner best suited to their business
 - Cost of order processing can be reduced
 - Inherent risks involved in ticket aggregation can be lowered
 - [TBricks Trading System](#)
Automated trading system that provides flexibility to build customized and unique sets of functionality in the e-banking platform by adding and/or configuring apps the same way iPhone users can in their phones with their personal choice of apps

References:

Banking > Alternative Lending > Peer to Peer Lending

List of Peer to Peer lending companies in the UK:

<http://www.p2pmoney.co.uk/companies.htm>

<http://www.p2pmoney.co.uk/predictions.htm>

<http://p2pfa.info/wp-content/uploads/2014/10/Peer-to-Peer-Lending-DataSheet-Q3-v3.pdf>

Top Players:

<http://mcgarry.io/post/85665309842/the-top-p2p-lending-platforms>

<http://www.theguardian.com/money/2014/feb/15/major-peer-to-peer-lenders-profiled>

Research:

<http://www.infosys.com/finacle/solutions/thought-papers/Documents/P2P-lending%E2%80%93a-threat-to-traditional-players.pdf>

<http://www.accenture.com/Microsites/post-trade/Pages/digital-disruptions-investment-banking.aspx>

http://performance.ey.com/wp-content/uploads/downloads/2013/08/1000079-Performance-5_3-Preview-v3-crowdfunding-3.pdf

http://www.nesta.org.uk/sites/default/files/the_rise_of_future_finance.pdf

References:

<http://blog.btcjam.com/2014/07/24/untangling-peer-to-peer-lending-crowdfunding-and/>

<http://tabbforum.com/opinions/how-peer-to-peer-lending-is-reshaping-the-finance-industry>

<http://www.forbes.com/sites/grouphink/2013/03/26/debt-crowdfunders-the-best-of-the-best/>

<http://www.crowdcru.com/peer-to-peer-lending-sites/>

<http://www.economist.com/news/finance-and-economics/21597932-offering-both-borrowers-and-lenders-better-deal-websites-put-two>

<http://www.ibtimes.co.uk/why-uk-peer-peer-loan-market-has-doubled-size-just-six-months-1465184>

Banking > Alternative Lending > Short-term and purchase finance

http://digitalmedia.strategyeye.com/article/XXOL2SZyNio/2013/01/17/interview_klarna_ceo_niklas_adalberth_talks_online_payments/

<http://www.quora.com/Who-are-the-major-providers-and-notable-start-ups-in-purchase-finance-short-term-lending>

Report: http://www.paymentscardsandmobile.com/wp-content/uploads/2014/02/PCM_EDC_Advanced_Payments_Report_2014_MWC.pdf

Personal Finance Management

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341336/Landscaping_UK_Fintech.pdf

<http://www.cbinsights.com/blog/fintech-venture-capital-report>

<http://www.forbes.com/sites/samanthasharf/2014/07/30/the-recession-generation-how-millennials-are-changing-money-management-forever/>

<http://solutions.yodlee.com/rs/yodlee/images/Yodlee.OWS.FP%20White%20Paper.pdf>

<http://www.datafox.co/blog/financial-technology-datafox-industry-snapshot/>

Payment > Alternative Payment Providers

<http://www.cbinsights.com/blog/fintech-venture-capital-report/>

<http://www.accenture.com/microsite/everydaybank/Documents/media/Accenture-EverydayBank-NewVisionforDigitalAge.pdf>

http://www.gpbullhound.com/wp-content/uploads/2014/09/The_Future_of_Online_and_Mobile_Payments.pdf

<https://www.bai.org/bankingstrategies/Payments/Remote-Payments/Payments-Disruption-Cause-for-Concern>

<http://www.nocash.info.ro/wp-content/uploads/2014/02/worldpay-alternative-payments-2nd-edition-report.pdf>

Data Analytics

<http://www.cbinsights.com/blog/fintech-venture-capital-report/>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341336/Landscaping_UK_Fintech.pdf

<http://www.wallstreetandtech.com/data-management/data-analytics-to-drive-financial-services-market-to-new-heights/a/d-id/1269588>

<http://www.efinancialnews.com/story/2014-09-29/fintech-news-views-from-the-top-disruptive-technology>

E&Y Landscaping UK Fintech

Capital Market Technologies

Challenges: <http://deloitte.wsj.com/cfo/2013/05/02/capital-markets-outlook-10-challenges-in-an-evolving-landscape/>

[http://www.ey.com/Publication/vwLUAssets/Landscaping_UK_Fintech/\\$FILE/EY-Landscaping-UK-Fintech.pdf](http://www.ey.com/Publication/vwLUAssets/Landscaping_UK_Fintech/$FILE/EY-Landscaping-UK-Fintech.pdf)

<http://static.squarespace.com/static/520e6b91e4b02e4272b40db6/t/533c889ce4b0aa2aadabe67/1396476060347/Fintech%20report.pdf>

<http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/dttl-fsi-uk-Banking-Disrupted-2014-06.pdf>

http://www.mckinsey.com/insights/business_technology/the_rise_of_the_digital_bank

Current Scenario

http://mercercapital.com/assets/Mercer-Capital_FinTech-Industry_Q3-2014.pdf
http://www.mercercapital.com/assets/Mercer-Capital_FinTech-Industry_Q2-2014.pdf
http://www.mercercapital.com/assets/Mercer-Capital_FinTech-Industry_Q1-2014.pdf
http://www.mercercapital.com/assets/Mercer-Capital_FinTech-Watch_Q4-2013.pdf

News

<http://www.informationweek.in/informationweek/perspective/296818/technology-trends-influencing-financial-services-sector>
<http://bankinnovation.net/2014/06/top-50-disruptive-startups-overflowing-with-fintech/>
<http://www.ft.com/intl/cms/s/0/e8aebafe-0fc4-11e3-99e0-00144feabdc0.html#axzz3FM1ia1Pr>
http://www.capgemini.com/resource-file-access/resource/pdf/trends_in_the_global_banking_industry_2013.pdf
<http://www.theguardian.com/sustainable-business/technology-finally-disrupting-financial-services>
<http://www.forbes.com/sites/bigbangdisruption/2014/06/17/big-bang-disruption-the-end-and-the-beginning-of-financial-services/>
<http://boostcompanies.com/fintech/#1>
<http://www.forbes.com/sites/edmundingham/2014/08/27/did-bankers-and-lawyers-make-fintech-the-darling-of-londons-start-up-scene/>
<http://www.forbes.com/sites/tomgroenfeldt/2014/09/04/fintech-startup-labs-on-growth-path-from-london-to-hong-kong/>
<http://www.cbinsights.com/blog/global-fin-tech-investment-accenture/>
<http://bornonjuly4.wordpress.com/category/pfm/>
<http://www.forbes.com/sites/samanthasharf/2014/07/30/the-recession-generation-how-millennials-are-changing-money-management-forever/>
<http://www.forbes.com/sites/dansimon/2014/05/01/tech-entrepreneurs-are-here-to-run-your-bank/>
<http://www.kitces.com/blog/is-there-a-robo-advisor-bubble-wealthfront-betterment-learnvest-raise-95m-in-capital-in-two-weeks/>
<http://techcrunch.com/2013/01/16/forrester-u-s-mobile-payments-market-predicted-to-reach-90b-by-2017-up-from-12-8b-in-2012/>
http://www.uniqloud.com/read_reports/payment-industry-overview/
<https://www.bai.org/bankingstrategies/Payments/Remote-Payments/Payments-Disruption-Cause-for-Concern?>
<http://newsroom.accenture.com/news/fintech-investment-boom-is-an-opportunity-for-new-york-to-lead-in-technology-according-to-report-by-accenture-partnership-fund-for-new-york-city.htm>
http://www.tcs.com/resources/white_papers/Pages/Impending-Disruption-Payment-Marketplace.aspx
<http://www.rversonfutures.ca/tag/fintech/>
<http://fintechinvestor.com/alternative-consumer-financing/>