



THE TECH KNOWLEDGE EXCHANGE ROUNDTABLE

FINTECH

INTRODUCTION

Tech London Advocates and City of London Corporation convened a group of high profile fintech leaders from across the fintech ecosystem in London, the Nordics and Singapore February 2018 to discuss the key challenges and opportunities facing the entrepreneurs, suppliers and investors in this sector.

The roundtable discussion focused on two key areas: the specific fintech innovations set to attract investment in 2018 and the barriers to growth fintech companies need to overcome to achieve global scale.

This report outlines the key discussion points and conclusions from the roundtable.



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ATTENDEES

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Russ Shaw, Tech London Advocates & Global Tech Advocates

Rose Hall, TLA Fintech Working Group, Allen & Overy

Sir Mark Boleat, City of London Corporation

Alexa Fernandez, BBVA

Amy French, Level 39

Vatherine Wines, World Remit

Eric van der Kleij, C4DR

Henrik Ottosson, Invesdor

George Webster, HP

Jack Brooks, City of London Corporation

Jeanette Carlsson, Tech Nordic Advocates & Newmedia 2.0

Jeff Tijssen, TLA Fintech Working Group

Peter James, ShieldPay

Susanne Chishti, FINTECH Circle

Vic Arulchandran, Nivaura

Rudi Guraziu, International Business and Diplomatic Exchange

James Dickerson, Accenture

Anthony Woolley, Societe Generale

Robert Kerrigan, Funding Circle

KEY THEMES

FINTECH INNOVATIONS SET TO ATTRACT INVESTMENT IN 2018

After nearly five years of dominating news headlines, attracting record levels of investment and emerging as the 'jewel in the crown' of London's tech sector, the Tech Knowledge Exchange Fintech Roundtable suggested the era of the bank-bashing fintech start-up might be coming to an end.

Funding Circle and World Remit, two of the most celebrated fintech start-ups operating in the UK, both explained that the key priorities for their product development in 2018 was focused on consolidating their product offering for consumers rather than introducing a range of new innovations.

Why? Because it is clear that global banks and financial institutions, which for so long were slow to recognise the transformative impact of technology on their industry, are now investing heavily in fintech services.

International financial institutions are leveraging their enormous international customer footprints to distribute tech-enabled financial services at a rate with which fintech start-ups struggle to compete. Whether it is the British and European banks based in London, or the Singaporean banks serving the considerable population of South East Asia, it is clear that the innovation budgets and distribution capabilities of banks are changing the game for fintech.

However, this does not mean that fintech startup success is over. The fintech innovations that those attending the roundtable expected to secure the most investment in the year ahead were technologies specifically designed to integrate seamlessly with existing banking infrastructure.

Fintech entrepreneurs are no longer trying to replace the banks, they are creating innovations that meet the needs of global banking customers, with the hope they will be purchased and deployed internationally.

FINTECH INNOVATIONS SET TO ATTRACT INVESTMENT:

- Foreign exchange
- Trade finance
- Self-investments
- Blockchain
- Banking infrastructure

BARRIERS TO GROWTH FINTECH COMPANIES NEED TO OVERCOME

The second half of the discussion at the Tech Knowledge Exchange roundtable concentrated on the barriers to growth facing fintech companies operating in London and significant tech hubs around the world.

The key challenges that emerged will be familiar with anyone involved in the tech start-up and scale-up communities – access to funding, access to talent and diversity.

Despite establishing London as a global fintech hub, access to funding is still a challenge in 2018. There seems to be a critical mass of investors supporting early stage fintech companies, but it is the later stage funding rounds that prove more difficult. Much has been written about London's struggle to mature into a scale-up city and this is reflected in the lack of VCs, corporate venturing funds and financial institutions looking to commit \$100m+ to fast-growth fintech firms.

This barrier is yet another driver for fintech entrepreneurs to look to global banks as potential customers, rather than pursuing further rounds of venture investment.

Talent and diversity are often cited as the single biggest problems facing tech companies around the world. Fintech is no exception. Roundtable attendees discussed the challenges to attract world-class talent to meet the demands of rapid growth, let alone talent that is diverse.

However, this challenge has been thrown into greater relief by the impact of the EU Referendum and ongoing Brexit negotiations. As one might expect, this was a key topic of discussion during the roundtable, with attendees debating the possible negative, or positive, outcomes of the political decision.

It was universally agreed that Brexit will make access to talent more challenging for tech companies in the UK – an opportunity that has not been lost on fintech firms operating in other fintech capitals around the world. Indeed, it was reported that the greatest investment and innovations in fintech were currently coming from European banks looking to steal a march on British financial institutions as they grapple with Brexit-induced market uncertainty.

However, attendees agreed that Brexit did pose some hope for the London's fintech community, specifically in the area of regulation. Whilst European officials debate regulatory changes with their British counterparts, attendees believed the UK should be exporting and implementing one of its key differentiators as a strong fintech hub – a regulatory landscape highly beneficial to fintech success. The Financial Conduct Authority has long been called the superhero of British fintech, and attendees hoped it could broker deals with regulators around the world that would streamline commercial relationships internationally.

BARRIERS TO GROWTH FINTECH COMPANIES NEED TO OVERCOME:

- Diversity
- Later stage funding rounds
- Increased investment from financial institutions into their own innovation projects
- Brexit and market uncertainty
- Competition from European financial services markets

TESTIMONIALS

FINTECH INNOVATIONS

The banks have the deposits – and we are not going to build a bank anytime soon – it is therefore more about how fintechs can help them be faster and better, fitting into their world and not trying to disrupt.

PETER JAMES
FOUNDER, SHIELDPAY

In the last five years we've put a lot of focus on modern software development techniques, and having standardised API's between our internal systems as much as externally. When you have that strong infrastructure in a large bank, you can more easily plug-in offerings from external, innovative companies in a shorter time span.

At the same time there's also that cultural change going on within a bank to be more innovative or "in-trepreneurial". But, we still need each other because while we have the resources, we don't have the ability to turn it around as quickly.

ANTHONY WOOLEY
HEAD OF INNOVATION,
SOCIETE GENERALE

Coming into the market, our aim was to disrupt it – making our transactions online, cheaper and easier.

CATHERINE WINES
CO-FOUNDER, WORLDREMIT

As the Chief Fintech Officer for the Monetary Authority of Singapore, I have seen first-hand the region achieving impressive growth in the number of fintech startups and scaleups over the past few years. The result has been the emergence of Singapore as one of the world leaders for fintech. The growth in fintech is underpinned by the depth of talent and Singapore's leading role as a banking and financial services hub in Asia. I expect to see growth in the sector increase substantially in the coming years, and we are looking for more talent and investment to accelerate scale.

SOPNENDU MOHANTY
CHIEF FINTECH OFFICER,
MONETARY AUTHORITY
OF SINGAPORE

Our main focus at Funding Circle is on streamlining and simplifying our offering. There is a lot of importance in facilitating processes for customers. A lot of our efforts must go on innovation and exploring new products.

ROBERT KERRIGAN
SENIOR COUNSEL,
FUNDING CIRCLE

FINTECH CHALLENGES

From our point of view Blockchain and especially cryptocurrency have very specific use cases. We do think that there is a place for Blockchain in the future of investment banking. What will it look like? That's still up for debate, but we definitely think that the majority of efficiencies are going to come from automating existing systems and then there will be more efficiency which comes from using Blockchain and cryptocurrency in some form. But that has to somehow fit in to the existing regulatory framework.

VIC ARULCHANDRAN
FOUNDER, NIVAURA

There is some good news on the funding. In a brief moment after the Brexit vote, the VC's then came back having had a period of sitting on their hands and panicking. In fact, it turned out that the amount of investment from VC's has actually increased, which is great news. It's really important to make sure that message continues.

But there is some difficult news. You keep hearing in the news about regulating UK businesses, and passporting. I think that's the area we need to completely up our game, in creating really strong agreements and relationships with other territories. All you need is a glide-path to a regulator in one EU office and problem solved.

ERIC VAN DER KLEIJ
FOUNDER, CENTRE 4
DIGITAL REVOLUTION

I've been meeting with a lot of Government ministers over the past year, and one of the messages I've been sharing with them is the 'soft power' message. It's a difficult one, there's a lot of confusion about what Brexit means, and that soft power message will be tricky for the next fifteen months, but we have to be ready so that when we are out of the EU, once we know what the deal looks like, how do we get on the front-foot as a nation to project that soft power message that says we are truly a Global Britain? We are going to have to drive that message very hard whether it's to governments or the private sector, because we have a lot of ground to make up.

RUSS SHAW
FOUNDER, GLOBAL
TECH ADVOCATES

I think one of the regions which potentially could do better is Africa. There is a Commonwealth summit coming up in April with 52 heads of state. Most of these countries are Third World, and this could be an opportunity for those here to see how you could be involved during that particular week with thousands of people from these countries, and help you understand the trends in these countries. How you can encourage their governments to ensure that the right policies and regulatory reforms take place to get some investment from the developing world?

RUDI GURAZIU
, EXECUTIVE CHAIRMAN, INTERNATIONAL
BUSINESS AND DIPLOMATIC EXCHANGE

